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

THE REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

COUNTY GOVERNMENTS ANNUAL BUDGET IMPLEMENTATION REVIEW REPORT

FY 2018/19

AUGUST, 2019

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PREFACE

I am pleased to present the Annual County Governments Budget Implementation Review Report (CBIRR) for the Financial Year (FY) 2018/19. The report has been prepared in conformity with Article 228 (6) of the Constitution and Section 9 of the Controller of Budget Act, 2016, which requires the Controller of Budget (COB) to submit to Parliament a report on the implementation of the budgets of the national and County Governments every four months.

This report presents budget performance of the forty seven County Governments for the period of July, 2018 to June, 2019. It is based on analysis of reports on financial and non-financial performance submitted to the Office of the Controller of Budget (OCOB) by County Treasuries, financial reports generated from the Integrated Financial Management Information System (IFMIS) and financial information maintained by the OCOB. In addition to performance, the report highlights the key challenges encountered by the Counties in budget implementation and also contains suggested measures to address the challenges.

Preparation of this report was made possible through concerted efforts of staff from County Treasuries and the Office of the Controller of Budget to whom I am grateful.

The information contained 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 my 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 order to improve prudence in utilization of public funds.

CPA Stephen Masha
Ag. CONTROLLER OF BUDGET

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ACRONYMS

ADP	Annual Development Plan
A-I-A	Appropriations in Aid
ASDSP	Agriculture Sector Development Support Programme
CA	County Assembly
CARA	County Allocation of Revenue Act
CBEF	County Budget and Economic Forum
CBIRR	County Budget Implementation Review Report
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CECM-F	County Executive Committee Member for Finance
CIDP	County Integrated Development Plan
COB	Controller of Budget
CRF	County Revenue Fund
DANIDA	Danish International Development Agency
ERP	Enterprise Resource Planning
EU	European Union
ECDE	Early Childhood Development Education
FAO	Food and Agriculture Organization
FY	Financial Year
IB	Internet Banking
ICT	Information Communication Technology
IDA	International Development Association
IDEAS	Instruments for Devolution Advice and Support
IFMIS	Integrated Financial Management Information System
IPPD	Integrated Payroll Personnel Database
KASP	Kenya Agricultural Support Programme

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KCSAP	Kenya Climate Smart Agriculture Project
KDSP	Kenya Devolution Support Programme
KRB	Kenya Roads Board
Kshs	Kenya Shillings
KUSP	Kenya Urban Support Project
MCA	Member of County Assembly
NARIGP	National Agricultural and Rural Inclusive Growth Project
O&M	Operations and Maintenance
OCOB	Office of the Controller of Budget
PE	Personnel Emoluments
PFM	Public Finance Management
RMLF	Road Maintenance Levy Fund
SRC	Salaries and Remuneration Commission
THSUC	Transforming Health Systems for Universal Health Care
UHC	Universal Health Care
UIG	Urban Institutional Grants
WSDP	Water & Sanitation Development Project

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EXECUTIVE SUMMARY

This is the Annual County Budget Implementation Review Report (CBIRR) for the financial year 2018/19. It covers the period July, 2018 to June, 2019. The report has been prepared in fulfilment of the requirements of Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016. It highlights the status of the County budget implementation by analysing revenue and expenditure performance against the annual budget estimates. Expenditure is based on financial reports submitted by County Treasuries and those generated from the Integrated Financial Management System (IFMIS).

During the year, aggregate budget estimates for the 47 County Governments amounted to **Kshs.483.47** billion comprising Kshs.297.71 billion (61.6 per cent) for recurrent expenditure and Kshs.185.76 billion (38.4 per cent) for development expenditure. In order to finance the budget, County Governments were allocated Kshs.314 billion as equitable share of revenue raised nationally and Kshs.62.48 billion as conditional grants from the National Government and Development Partners. Additionally, County Governments expected to generate own source revenue amounting to Kshs.53.86 billion, and also utilize Kshs.55.08 billion projected cash balance from FY 2017/18.

The total revenue available to the County Governments in FY 2018/19 amounted to **Kshs.445.36 billion** which comprised of Kshs.314 billion as equitable share of revenue raised nationally, Kshs.4.33 billion grant to Level 5 Hospitals, Kshs.900 million for Foregone User Fees, Kshs.960.64 million for rehabilitation of Youth Polytechnics, Kshs.7.42 billion from the Road Maintenance Fuel Levy Fund, Kshs.22.37 billion from development partners, Kshs.40.30 billion as revenue raised from own sources, and Kshs.55.08 billion as cash balance from FY 2017/18.

The aggregate own source revenue raised by County Governments of Kshs.40.30 billion was 74.8 per cent of the annual target of Kshs.53.86 billion. This was a significant improvement compared to Kshs.32.49 billion generated in FY 2017/18. Analysis of own source revenue as a proportion of the annual revenue target indicated that thirteen counties namely; Lamu, Vihiga, Taita Taveta, Narok, Elgeyo Marakwet, Isiolo, Nakuru, Bungoma, Tana River, Kwale, Laikipia, Kirinyaga, and Kiambu exceeded their annual targets.

During the period, the Controller of Budget (COB) authorised withdrawal of **Kshs.405.17 billion** from the County Revenue Funds to the various County Operational Accounts. This amount consisted of Kshs.285.66 billion (70.5 per cent) for recurrent expenditure and Kshs.119.51 billion (29.5 per cent) for development activities. Nairobi City County received the highest amount from its CRF account to the operational accounts at Kshs.24.43 billion followed by Mombasa and Kiambu at Kshs.22.33 billion and Kshs.14.95 billion respectively. The Counties that received the least amounts were; Samburu at Kshs.4.54 billion, Elgeyo Marakwet at Kshs.4.47 billion, and Lamu at Kshs.2.97 billion.

The total expenditure in FY 2018/19 was **Kshs.376.43 billion** which comprised of Kshs.269 billion for recurrent expenditure (90.4 per cent of the annual recurrent budget) and Kshs.107.44 billion for development expenditure (57.8 per cent of the annual development budget). This expenditure was 77.9 per cent of the total annual County Government budgets. Analysis of development expenditure as a proportion of approved annual development budget shows that Narok, Marsabit, and Mandera Counties attained the highest absorption rate at 95.4 per cent, 81.5 per cent, and 81.3 per cent respectively. Lamu County, and Turkana County and Nakuru County reported the lowest absorption rate of development budget at 30.4 per cent, 29.1 per cent, and 18.4 per cent respectively. Absorption rate is computed as a percentage of total expenditure to the Approved Budget. A review of expenditure by economic classification showed that Kshs.162.77 billion (43.2 per cent) was spent on personnel emoluments, Kshs.106.23 billion (28.2 per cent) on operations and maintenance, and Kshs.107.44 billion (28.5 per cent) on development expenditure.

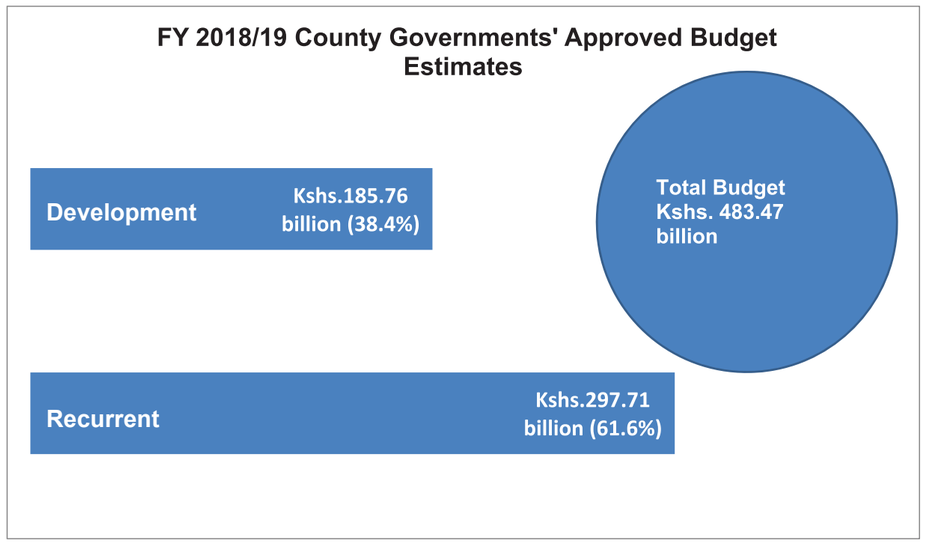
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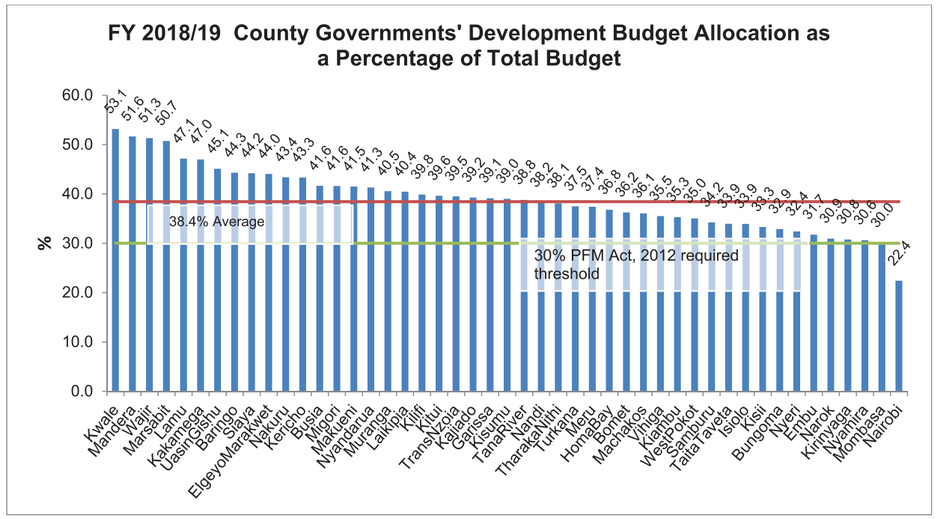
The expenditure of Kshs.162.77 billion on personnel emoluments represented 60.5 per cent of the total recurrent expenditure and 43.2 per cent of total expenditure. This expenditure was an increase from Kshs.151.09 billion spent in FY 2017/18 when expenditure on personnel emoluments translated to 49.7 per cent of the total expenditure. Counties that reported the highest percentage of expenditure on personnel emoluments to total expenditure included; Nakuru, Baringo, Nyamira and Homa Bay, which recorded 58.4 per cent, 57.5 per cent, 56 per cent and 54.5 per cent respectively. Only five counties: namely Tana River, Marsabit, Turkana, Mandera and Kilifi reported expenditure on personnel emoluments that was within the maximum allowed limit of 35 per cent of their total expenditure in FY 2018/19 at 34 per cent, 32.7 per cent, 29.2 per cent, 24.2 per cent and 21.1 per cent respectively.

The key challenges identified by the Office as hindering effective budget execution by County Governments incuded; high expenditure on personnel emoluments, delay in submissions of financial reports by County Treasuries to the Controller of Budget contrary to Section 166 and 168 of the PFM Act, 2012, under-performance of own source revenue collection, high expenditure on travel costs which amounted to Ksh.16.2 billion and was 4.3 per cent of total expenditure for the year.

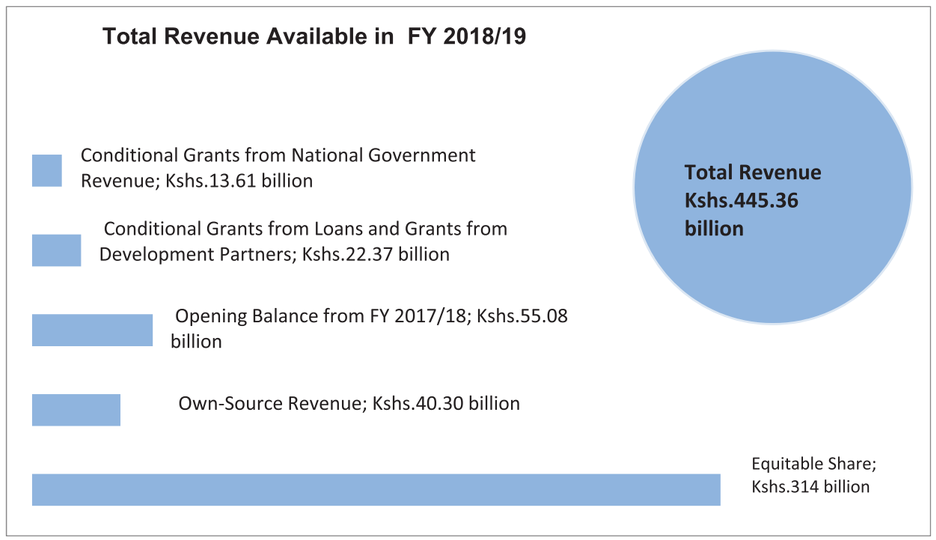
The Office recommends that the County Governments should establish an optimal staffing level to ensure that expenditure on personnel emoluments is within the set limit of 35 per cent of the County's total revenue as provided in Regulation 25 (1) of the Public Finance Management (County Governments) Regulations, 2015. County Treasuries should also develop and implement strategies to enhance own source revenue collection, ensure compliance with PFM Act, 2012 on submission of financial and non-financial expenditure returns. Finally, Office recommends that expenditure on non-core activities, such as travelling, should be rationalised in order to free fund for implementation of key development programmes.

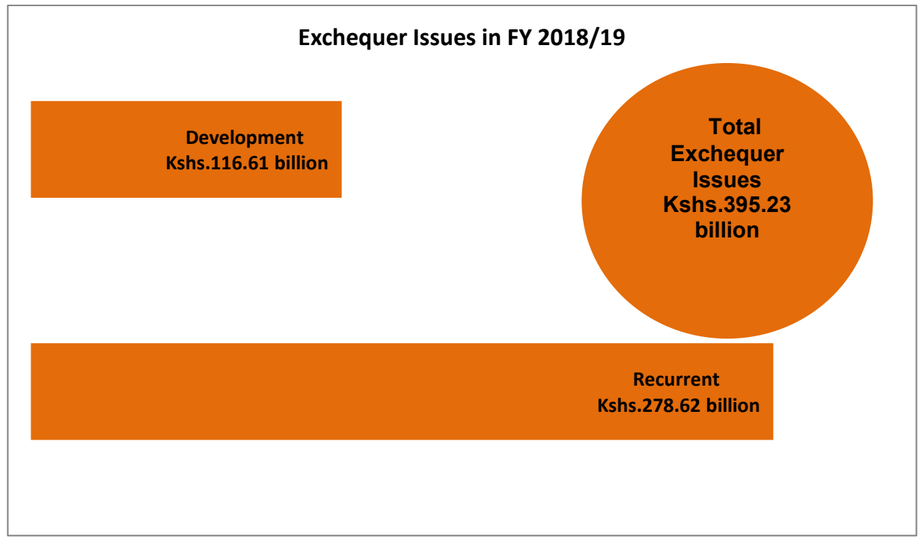
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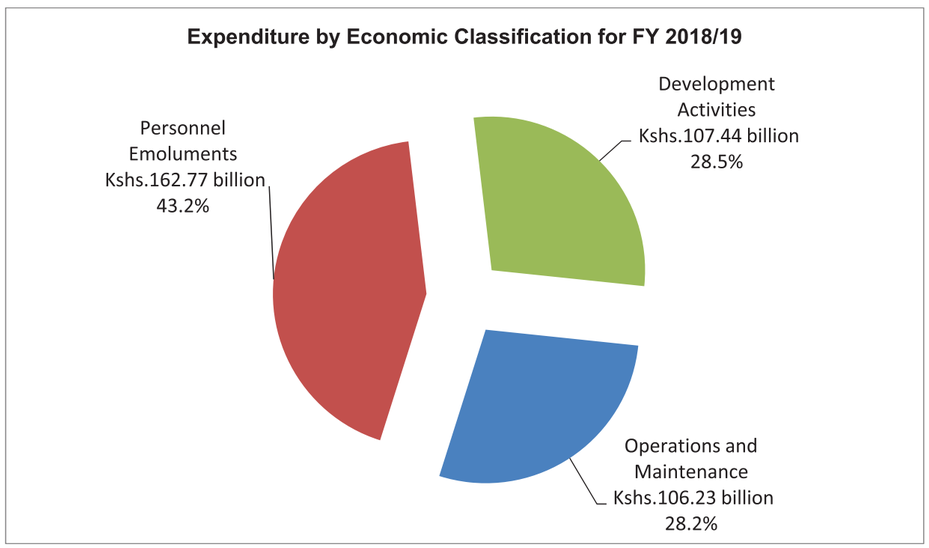


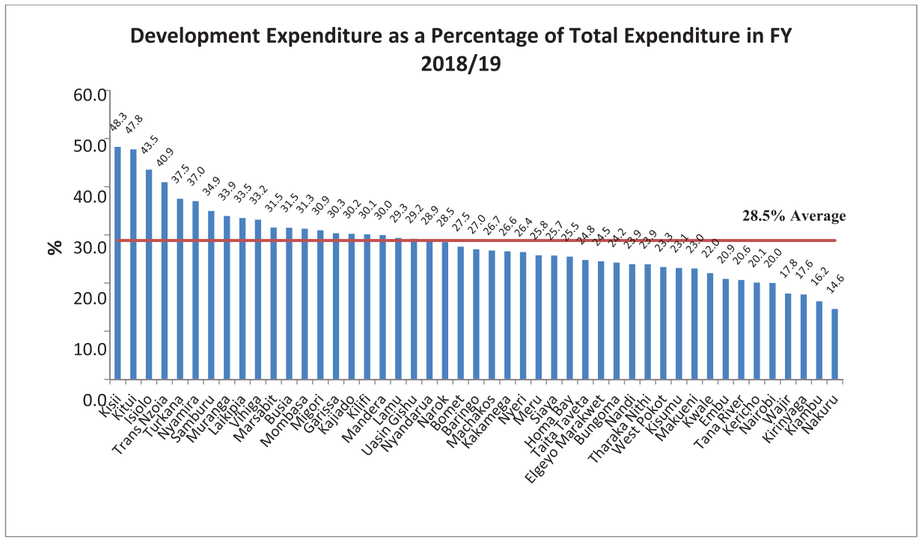
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1 INTRODUCTION

The Office of the Controller of Budget (OCOB) is an oversight institution established under Article 228 of the Constitution of Kenya, 2010 with the mandate to oversee and report on the implementation of the budgets for both the National and County Governments. Article 228(4) and 228 (6) of the Constitution, and Section 9 of the Controller of Budget (COB) Act, 2016, require the Controller of Budget to authorize withdrawal of public funds and report on budget implementation to each House of Parliament every four months.

The report presents performance on budget implementation by the 47 County Governments for the financial year 2018/19. It contains information on the approved budgets, disbursement of equitable share of revenue from the National Treasury, conditional grants from both the National Government and Development Partners, own source revenue performance, expenditure, and the key challenges encountered in budget execution during the financial year.

The County Budget Implementation Review Report (CBIRR) is primarily aimed at providing information to the Legislature and Executive. The report is also useful to other stakeholders and the public at large as it also satisfies the requirements of Section 39(8) of the Public Finance Management (PFM) Act, 2012, which obliges the COB to ensure that members of the public are provided with information on budget implementation.

The report is organized into five chapters. Chapter one is the introduction, Chapter two provides aggregate analysis of budget performance by the Counties during the reporting period. It presents revenue performance, exchequer issues to the County Governments and expenditure performance disaggregated into development and recurrent expenditure in line with Section 9 (3) (a) of the Controller of Budget Act, 2016. Analysis of the revenues received by the County Governments is based on the various revenue sources such as equitable share of revenue from the National Government, conditional grants from the National Government and Development Partners, and own-source revenues collected by the Counties.

Chapter three presents performance by individual Counties. The chapter presents information on revenue, budget allocation, exchequer issues, and expenditure performance. The key challenges faced by the County Governments in implementing their budgets are highlighted in chapter four, which also provides suggested measures to address the challenges. Finally, chapter five provides the conclusion.

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2 FINANCIAL ANALYSIS OF COUNTY GOVERNMENTS PERFORMANCE IN FY 2018/19

2.1 Introduction

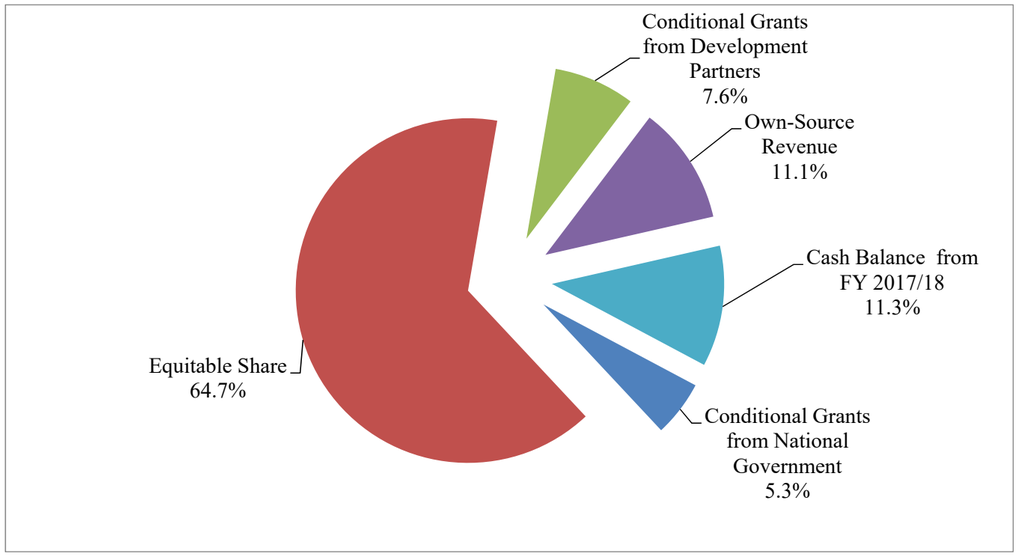
This chapter presents status of budget implementation in aggregated terms by County Governments in the FY 2018/19.

2.1.1 Revenue Analysis

In FY 2018/19, the combined County Governments' budgets approved by the county assemblies amounted to Kshs.483.47 billion and comprised of Kshs.297.71 billion (61.6 per cent) allocated to recurrent expenditure and Kshs.185.76 billion (38.4 per cent) for development expenditure.

In order to finance the budgets, County Governments expected to receive Kshs.314 billion as equitable share of revenue raised nationally, Kshs.62.48 billion as total conditional grants from the National Government and development partners, generate Kshs.53.86 billion from own revenue sources, and utilize Kshs.55.08 billion as cash balance from FY 2017/18. Figure 2.1 shows expected sources of budget financing in FY 2018/19.

Figure 2.1: Expected Sources of Budget Financing in FY 2018/19



The breakdown of conditional grants as per CARA, 2018 are shown in Table 2.1.

Table 2.1: Conditional Grants as per CARA, 2018

S / No.	Grants Contained in CARA, 2018	Annual CARA, 2018 Allocation (Kshs.)
	Conditional grants from the National Government	
1	Leasing of Medical Equipment	9,400,000,000

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S / No.	Grants Contained in CARA, 2018	Annual CARA, 2018 Allocation (Kshs.)
2	Level 5 Hospitals	4,326,000,000
3	Road Maintenance Fuel Levy Fund	8,269,000,000
4	Compensation of User Fee Foregone	900,000,000
5	Rehabilitation of Village Polytechnics	2,000,000,000
6	Construction of County Headquarters	605,000,000
	Sub Total	**25,500,000,000**
	Conditional grants from the Development Partners	
7	Transforming Health Systems for Universal Car Project (World Bank),	3,636,589,847
8	IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIGP)	2,949,138,423
9	IDA (World Bank)- Kenya Climate Smart Agriculture Project (KCSAP),	3,039,000,000
10	IDA (World Bank) credit: Kenya Devolution Support Project (KDSP) "Level 1 grant",	2,300,000,000
11	IDA (World Bank) credit: Kenya Urban Support Project (KUSP)	11,464,702,500
12	DANIDA for Universal Healthcare in Devolved System Program	1,012,500,000
13	EU for Instruments for Devolution Advice and Support (IDEAS)	1,040,000,000
14	IDA (World Bank) credit: Water & Sanitation Development Project (WSDP)	3,800,000,000
15	IDA (World Bank) credit: Kenya Devolution Support Project (KDSP) "Level 2 grant"	4,000,000,000
16	Sweden-Agricultural Sector Development Support Programme (ASDSP) II + Bal c/f in FY 2017/18	1,005,453,368
17	EU for Water Tower Protection and Climate Change Mitigation and Adaption Programme (WaTER)	880,000,000
18	IDA (World Bank) credit: Kenya Urban Support Project (KUSP)-Urban Institutional Grants (UIG) + Bal c/f in FY 2017/18.	1,854,000,000
	Sub Total	**36,981,384,138**
	Grand Total	**62,481,384,138**

Source: CARA, 2018

2.1.2 Revenue Out-turn

The total funds available to the County Governments in FY 2018/19 amounted to Kshs.445.36 billion. This amount consisted of Kshs.314 billion as equitable share of revenue raised nationally, Kshs.4.33 billion as grant for Level 5 Hospitals, Kshs.900 million for Foregone User Fees, Kshs.960.64 million for Rehabilitation of Youth Polytechnics, Kshs.7.42 billion from the Road Maintenance Fuel Levy Fund, Kshs.22.37 billion from development partners, Kshs.40.30 billion as revenue raised from own sources, and Kshs.55.08 billion as cash balance from FY 2017/18.

2.1.3 Own- Source Revenue

The aggregate annual own source revenue target for counties was Kshs.53.86 billion compared to actual collection of Kshs.40.30 billion, which was 74.8 per cent of the target. This was an increase compared to Kshs.32.49 billion generated in FY 2017/18, which was 66 per cent of annual revenue target. Analysis of quarterly own source revenue collection for the period July 2018-June 2019 is shown in Table 2.2.

Table 2.2: Own Source Revenue Collection for FY 2018/19

County	Annual Own Source Revenue Target FY 2018/19 (Kshs.)	1st Quarter, FY 2018/19 Own Source Revenue (Kshs.)	2nd Quarter, FY 2018/19 Own Source Revenue (Kshs.)	3rd Quarter, FY 2018/19 Own Source Revenue (Kshs.)	4th Quarter, FY 2018/19 Own Source Revenue (Kshs.)	FY 2018/19 Total Own Source Revenue (Kshs.)	% of Own Source Revenue Against Annual Revenue Target
Baringo	371,147,446	127,485,620	61,615,499	79,881,897	90,338,504	359,321,520	96.8
Bomet	245,000,000	26,576,616	39,305,287	61,885,811	77,708,676	205,476,390	83.9
Bungoma	753,185,810	137,738,703	250,884,303	216,407,481	183,302,702	788,333,189	104.7
Busia	452,519,662	51,300,608	55,560,317	75,041,448	110,830,324	292,732,697	64.7

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County	Annual Own Source Revenue Target FY 2018/19 (Kshs.)	1st Quarter, FY 2018/19 Own Source Revenue (Kshs.)	2nd Quarter, FY 2018/19 Own Source Revenue (Kshs.)	3rd Quarter, FY 2018/19 Own Source Revenue (Kshs.)	4th Quarter, FY 2018/19 Own Source Revenue (Kshs.)	FY 2018/19 Total Own Source Revenue (Kshs.)	% of Own Source Revenue Against Annual Revenue Target
Elgeyo/ Marakwet	130,438,893	31,144,600	25,728,858	48,804,491	36,178,554	141,856,503	108.8
Embu	950,000,000	129,137,644	126,713,806	224,393,645	149,184,730	629,429,825	66.3
Garissa	250,000,000	25,888,954	19,568,754	35,939,146	26,900,580	108,297,434	43.3
Homa Bay	172,996,417	14,800,000	22,288,000	21,180,000	43,700,000	101,968,000	58.9
Isiolo	150,861,337	54,018,229	33,241,463	39,948,242	34,559,388	161,767,322	107.2
Kajiado	1,583,856,996	189,767,731	174,125,862	367,162,108	345,642,843	1,076,698,544	68.0
Kakamega	1,200,000,000	116,332,994	96,598,242	356,950,026	288,454,320	858,335,582	71.5
Kericho	694,819,121	38,239,441	65,109,734	202,017,983	168,611,242	473,978,400	68.2
Kiambu	2,736,734,640	443,119,237	563,383,200	830,834,362	904,886,319	2,742,223,118	100.2
Kilifi	1,345,066,521	117,304,323	146,126,594	288,148,675	240,914,219	792,493,811	58.9
Kirinyaga	430,000,000	68,189,093	62,557,392	191,587,958	110,304,005	432,638,447	100.6
Kisii	950,000,000	59,441,728	60,848,093	139,811,094	82,545,775	342,646,690	36.1
Kisumu	1,382,567,120	153,863,368	251,439,702	147,836,651	289,676,677	842,816,398	61.0
Kitui	797,985,098	98,979,332	107,654,882	118,202,978	115,686,731	440,523,923	55.2
Kwale	303,112,305	46,645,873	49,039,867	116,569,260	102,770,181	315,025,181	103.9
Laikipia	800,000,000	164,311,119	121,463,522	287,043,147	242,972,370	815,790,157	102.0
Lamu	70,000,000	6,152,697	11,731,571	24,342,404	39,610,655	81,837,327	116.9
Machakos	1,720,061,674	210,000,629	231,882,889	85,556,271	1,029,790,000	1,557,229,789	90.5
Makueni	796,500,000	76,463,362	65,424,891	175,394,062	194,419,757	511,702,072	64.2
Mandera	179,089,080	17,850,940	20,019,620	28,761,230	27,602,790	94,234,580	52.6
Marsabit	140,000,000	16,706,255	16,950,779	42,942,072	47,505,864	124,104,970	88.6
Meru	1,228,796,286	131,008,515	86,534,234	144,208,404	188,338,675	550,089,828	44.8
Migori	1,452,626,670	69,202,604	64,281,920	126,606,412	116,133,825	376,224,761	25.9
Mombasa	4,741,939,082	298,643,016	706,556,984	1,606,566,184	1,093,631,863	3,705,398,047	78.1
Murang'a	1,000,000,000	131,294,165	117,986,598	244,298,891	210,450,766	704,030,420	70.4
Nairobi City	15,496,709,206	1,794,436,818	2,080,733,392	4,367,220,300	2,006,034,875	10,248,425,385	66.1
Nakuru	2,685,000,000	545,562,704	1,000,000,000	413,076,924	855,988,897	2,814,628,525	104.8
Nandi	459,293,246	41,322,950	42,051,284	62,425,372	62,545,418	208,345,024	45.4
Narok	2,862,640,836	1,193,858,907	647,322,628	823,191,193	458,010,932	3,122,383,660	109.1
Nyamira	255,566,158	32,822,467	31,646,767	55,832,317	45,146,019	165,447,570	64.7
Nyandarua	410,000,000	63,937,791	55,739,244	89,077,278	194,648,228	403,402,541	98.4
Nyeri	1,000,000,000	170,264,077	160,757,830	269,975,066	218,814,700	819,811,673	82.0
Samburu	254,030,128	87,248,352	87,248,352	15,830,532	53,533,865	243,861,101	96.0
Siaya	325,000,000	27,628,284	36,330,000	51,776,000	73,933,738	189,668,022	58.4
Taita/Taveta	300,000,000	66,827,522	57,419,785	93,717,983	114,747,262	332,712,552	110.9
Tana River	60,000,000	10,751,827	9,222,820	12,238,356	30,435,711	62,648,714	104.4
Tharaka-Nithi	300,000,000	44,347,211	39,964,044	45,303,459	115,702,446	245,317,160	81.8
Trans Nzoia	500,000,000	36,234,629	41,221,772	154,202,867	139,165,483	370,824,751	74.2
Turkana	250,000,000	36,361,611	33,559,561	43,206,777	61,900,802	175,028,751	70.0
Uasin Gishu	1,200,000,000	157,220,822	125,609,483	397,045,447	239,066,500	918,942,252	76.6

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County	Annual Own Source Revenue Target FY 2018/19 (Kshs.)	1st Quarter, FY 2018/19 Own Source Revenue (Kshs.)	2nd Quarter, FY 2018/19 Own Source Revenue (Kshs.)	3rd Quarter, FY 2018/19 Own Source Revenue (Kshs.)	4th Quarter, FY 2018/19 Own Source Revenue (Kshs.)	FY 2018/19 Total Own Source Revenue (Kshs.)	% of Own Source Revenue Against Annual Revenue Target
Vihiga	153,669,000	30,251,751	32,633,794	59,153,229	55,194,516	177,233,290	115.3
Wajir	200,000,000	12,693,040	13,517,043	19,531,255	14,381,774	60,123,112	30.1
West Pokot	122,370,189	27,040,000	22,130,000	38,260,000	31,394,134	118,824,134	97.1
Total	**53,863,582,922**	**7,430,418,158**	**8,171,730,662**	**13,339,386,688**	**11,363,297,634**	**40,304,833,142**	**74.8**

Source: *County Treasuries*

During the period under review, the Nairobi City County generated the highest amount of own source revenue at Kshs.10.24 billion, followed by Mombasa and Narok at Kshs.3.71 billion and Kshs.3.12 billion respectively. Counties that generated the lowest amount were Lamu, Tana River and Wajir at Kshs.81.84 million, Kshs.62.65 million and Kshs.60.12 million respectively.

Analysis of own source revenue as a proportion of the annual revenue target indicates that thirteen counties namely; Lamu, Vihiga, Taita Taveta, Narok, Elgeyo Marakwet, Isiolo, Nakuru, Bungoma, Tana River, Kwale, Laikipia, Kirinyaga, and Kiambu exceeded their annual targets. On the contrary, counties that recorded below 50 per cent against annual targets were Nandi at 45.4 per cent, Meru at 44.8 per cent, Garissa at 43.3 per cent, Kisii at 36.1 per cent, Wajir at 30.1 per cent, and Migori at 25.9 per cent.

2.2 Funds Released to the Counties

2.2.1 Funds released to counties from the Consolidated Fund

In FY 2018/19, the Controller of Budget (COB) approved transfer of Kshs.342.56 billion from the Consolidated Fund to the various County Revenue Funds (CRFs) in accordance with Article 206 (4) of the Constitution. The transfer comprised of Kshs.314 billion as equitable share of revenue raised nationally, Kshs.4.33 billion for Level 5 Hospitals, Kshs.900 million as Compensation for User Fees Foregone, Kshs.960.64 million for Rehabilitation of Village Polytechnics, and Kshs.22.37 million from Development Partners. Counties also received Kshs.7.42 billion from the Road Maintenance Fuel Levy Fund which was directly disbursed to the County Revenue Fund. Detailed analysis of released equitable and conditional grants to each county is provided in chapter three.

2.2.2 Funds Released to the County Operational Accounts

The COB authorised withdrawals of Kshs.395.23 billion from the County Revenue Funds to County Operational Accounts of the County Governments. The transfers comprised of Kshs.278.62 billion (70.5 per cent) for recurrent expenditure and Kshs.116.61 billion (29.5 per cent) for development expenditure.

From the Kshs.278.62 billion released for recurrent activities, Kshs.245.96 billion was for the County Executive while Kshs.32.66 billion was for the County Assemblies. On the other hand, out of Kshs.116.61 billion released towards development activities, the County Executive and the County Assemblies received Kshs.113.23 billion and Kshs.3.38 billion respectively. The exchequer issues to the County Assembly and the County Executive in FY 2018/19 are shown in Table 2.3.

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Table 2.3: The Exchequer Issues to the County Assembly and the County Executive for FY 2018/19

Exchequer Releases from CRF to County Operations Accounts, FY 2018/19 (Kshs.Million)									
County	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Baringo	629.01	13.60	642.61	3,767.04	1,516.92	5,283.96	4,396.04	1,530.52	5,926.57
Bomet	570.50	43.93	614.43	4,333.75	2,017.61	6,351.36	4,904.25	2,061.54	6,965.79
Bungoma	829.53	100.28	929.81	6,446.15	1,747.89	8,194.05	7,275.68	1,848.17	9,123.86
Busia	728.00	33.90	761.90	4,108.26	2,431.02	6,539.28	4,836.26	2,464.92	7,301.18
Elgeyo/Marakwet	566.64	1.13	567.76	2,551.25	1,349.80	3,901.05	3,117.89	1,350.93	4,468.82
Embu	558.04	-	558.04	3,994.64	1,432.59	5,427.23	4,552.68	1,432.59	5,985.27
Garissa	754.50	7.50	762.00	5,852.92	2,367.95	8,220.87	6,607.42	2,375.45	8,982.87
Homa Bay	833.09	32.70	865.79	4,496.69	1,462.62	5,959.31	5,329.78	1,495.32	6,825.11
Isiolo	413.00	85.00	498.00	3,109.32	1,277.78	4,387.10	3,522.32	1,362.78	4,885.10
Kajiado	656.83	95.17	752.00	5,060.12	1,969.90	7,030.01	5,716.95	2,065.07	7,782.01
Kakamega	941.65	-	941.65	6,619.19	5,359.21	11,978.40	7,560.83	5,359.21	12,920.04
Kericho	725.98	9.70	735.68	3,988.91	1,776.35	5,765.25	4,714.89	1,786.05	6,500.93
Kiambu	1,102.82	8.89	1,111.72	9,388.54	4,448.57	13,837.11	10,491.37	4,457.46	14,948.82
Kilifi	903.51	177.63	1,081.14	7,029.73	3,500.29	10,530.02	7,933.24	3,677.92	11,611.16
Kirinyaga	601.73	27.60	629.33	3,446.19	1,144.02	4,590.22	4,047.93	1,171.62	5,219.55
Kisii	950.70	36.66	987.35	6,338.63	2,564.96	8,903.59	7,289.33	2,601.62	9,890.95
Kisumu	684.80	-	684.80	6,468.24	3,211.25	9,679.49	7,153.04	3,211.25	10,364.29
Kitui	806.57	-	806.57	6,113.54	3,368.45	9,481.98	6,920.11	3,368.45	10,288.56
Kwale	584.76	89.22	673.98	4,670.80	2,780.66	7,451.46	5,255.56	2,869.88	8,125.44
Laikipia	469.20	1.71	470.91	3,532.66	1,935.31	5,467.97	4,001.87	1,937.02	5,938.88
Lamu	388.92	116.53	505.45	1,854.13	607.67	2,461.80	2,243.05	724.20	2,967.25
Machakos	916.78	24.33	941.10	7,711.81	3,073.99	10,785.80	8,628.59	3,098.31	11,726.90
Makueni	744.18	79.49	823.66	5,163.18	2,644.50	7,807.68	5,907.36	2,723.98	8,631.34
Mandera	680.45	53.47	733.92	5,631.56	5,713.80	11,345.37	6,312.02	5,767.27	12,079.29
Marsabit	597.00	38.24	635.24	3,646.52	3,808.72	7,455.25	4,243.52	3,846.96	8,090.48
Meru	936.67	4.51	941.18	6,741.50	2,760.56	9,502.06	7,678.18	2,765.07	10,443.25
Migori	828.13	100.00	928.13	4,056.37	2,875.94	6,932.31	4,884.50	2,975.94	7,860.43
Mombasa	631.79	-	631.79	8,356.09	3,410.66	11,766.75	8,987.88	3,410.66	12,398.54
Murang'a	595.00	32.00	627.00	4,331.43	3,010.71	7,342.14	4,926.43	3,042.71	7,969.14
Nairobi City	1,284.35	22.03	1,306.38	19,595.59	3,531.20	23,126.79	20,879.94	3,553.23	24,433.17
Nakuru	940.50	158.08	1,098.58	8,127.74	3,982.22	12,109.95	9,068.24	4,140.29	13,208.54
Nandi	631.18	95.39	726.57	4,470.83	2,042.66	6,513.50	5,102.01	2,138.05	7,240.07
Narok	705.00	45.00	750.00	6,328.71	2,968.05	9,296.76	7,033.71	3,013.05	10,046.76
Nyamira	587.43	65.89	653.32	3,999.16	963.87	4,963.03	4,586.59	1,029.76	5,616.35
Nyandarua	640.54	130.74	771.28	3,373.73	1,545.99	4,919.72	4,014.26	1,676.74	5,691.00
Nyeri	654.26	1.72	655.98	4,926.39	2,184.87	7,111.26	5,580.65	2,186.59	7,767.24
Samburu	474.01	70.00	544.00	3,111.71	888.63	4,000.34	3,585.72	958.63	4,544.35
Siaya	648.66	54.23	702.89	3,882.31	1,671.98	5,554.29	4,530.96	1,726.21	6,257.17
Taita/Taveta	597.88	1,223.79	1,821.67	3,248.04	-	3,248.04	3,845.92	1,223.79	5,069.71
Tana River	499.27	56.00	555.27	3,888.84	1,633.27	5,522.12	4,388.11	1,689.27	6,077.38
Tharaka –Nithi	352.00	-	352.00	2,980.33	1,396.13	4,376.46	3,332.33	1,396.13	4,728.46
Trans Nzoia	614.08	34.59	648.67	4,176.92	2,077.57	6,254.50	4,791.00	2,112.16	6,903.17

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Exchequer Releases from CRF to County Operations Accounts, FY 2018/19 (Kshs.Million)									
County	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Turkana	839.00	114.60	953.60	7,733.26	2,484.91	10,218.17	8,572.26	2,599.51	11,171.77
Uasin Gishu	671.48	-	671.48	4,506.49	2,591.16	7,097.66	5,177.97	2,591.16	7,769.14
Vihiga	607.25	18.35	625.61	3,895.28	1,713.97	5,609.25	4,502.53	1,732.32	6,234.85
Wajir	719.76	-	719.76	5,329.99	4,560.07	9,890.05	6,049.75	4,560.07	10,609.81
West Pokot	559.79	78.97	638.76	3,578.29	1,422.71	5,001.00	4,138.07	1,501.68	5,639.76
Total	**32,656.21**	**3,382.57**	**36,038.78**	**245,962.76**	**113,228.96**	**359,191.72**	**278,618.98**	**116,611.53**	**395,230.50**

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

Nairobi City County received the highest amount from its CRF account to the operational accounts at Kshs.24.43 billion followed by Nakuru and Kiambu at Kshs.13.21 billion and Kshs.14.95 billion respectively. The Counties that received the least amounts were; Samburu at Kshs.4.54 billion, Elgeyo Marakwet at Kshs.4.47 billion, and Lamu at Kshs.2.97 billion.

.Expenditure Analysis

The total expenditure by County Governments was Kshs.376.43 billion representing an absorption rate of 77.9 per cent of the total annual County Governments Budgets. This was an increase from an absorption rate of 74 per cent reported attained in FY 2017/18 where total expenditure was Kshs.303.83 billion.

Recurrent expenditure was Kshs.269 billion, representing 90.4 per cent of the annual recurrent budget, and an increase from 87.3 per cent reported in FY 2017/18. Development expenditure amounted to Kshs.107.44 billion, representing an absorption rate of 57.8 per cent, and an improvement from 48.1 per cent attained in FY 2017/18 when total development expenditure was Kshs.66.89 billion. The analysis of expenditure by economic classification in FY 2018/19 is provided in Table 2.4.

Table 2.4: Expenditure by Economic Classification - FY 2018/19

County	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Baringo	3,190,741,416	1,203,488,641	1,158,453,258	5,552,683,315
Bomet	2,623,682,974	2,197,979,360	2,062,222,096	6,883,884,430
Bungoma	4,416,591,562	2,809,822,580	2,344,534,589	9,570,948,730
Busia	2,766,782,649	1,940,808,960	1,941,069,347	6,648,660,955
Elgeyo/Marakwet	2,386,608,991	707,689,170	1,333,298,209	4,427,596,370
Embu	3,118,656,203	1,433,377,168	1,361,227,707	5,913,261,077
Garissa	4,457,773,195	2,157,456,657	2,375,450,323	8,990,680,175
Homa Bay	3,128,810,057	1,598,176,621	1,011,124,450	5,738,111,128
Isiolo	1,593,195,581	1,688,022,368	997,919,995	4,279,137,943
Kajiado	2,891,245,856	2,444,431,464	2,391,165,152	7,726,842,472
Kakamega	5,115,975,529	2,078,656,671	4,983,672,543	12,178,304,743
Kericho	2,691,540,024	2,023,236,810	1,417,092,688	6,131,869,521
Kiambu	6,782,284,756	2,982,733,872	4,495,230,979	14,260,249,607
Kilifi	2,033,543,362	4,041,396,535	3,566,776,766	9,641,716,662
Kirinyaga	2,651,192,066	1,374,426,935	1,138,536,760	5,164,155,761
Kisii	4,970,075,151	2,306,198,247	2,285,485,763	9,561,759,161
Kisumu	3,706,438,962	1,996,601,074	2,675,712,471	8,378,752,507

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County	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Kitui	4,098,136,433	2,464,959,259	3,304,560,650	9,867,656,342
Kwale	2,844,820,617	2,239,794,306	2,609,959,368	7,694,574,291
Laikipia	2,615,036,511	1,308,930,671	1,786,323,193	5,710,290,375
Lamu	1,255,555,520	953,075,824	693,597,322	2,902,228,666
Machakos	5,855,014,163	2,699,710,867	3,097,867,113	11,652,592,143
Makueni	3,520,098,664	2,260,632,718	2,655,814,732	8,436,546,115
Mandera	2,916,207,728	3,375,166,005	5,750,394,712	12,041,768,445
Marsabit	2,442,105,638	1,420,605,596	3,604,986,532	7,467,697,766
Meru	4,631,249,713	2,507,794,404	2,641,428,774	9,780,472,891
Migori	2,917,576,591	1,634,976,232	1,814,501,119	6,367,053,942
Mombasa	5,186,689,426	4,235,930,145	3,106,495,130	12,529,114,701
Murang'a	3,445,674,168	1,213,067,902	2,502,675,836	7,161,417,906
Nairobi City	13,743,088,955	9,754,637,347	5,900,444,727	29,398,171,029
Nakuru	5,917,705,416	2,741,517,627	1,477,684,677	10,136,907,720
Nandi	3,015,806,400	1,978,516,671	1,732,666,834	6,726,989,905
Narok	3,628,687,800	3,323,474,645	3,008,044,853	9,960,207,298
Nyamira	3,137,344,977	1,344,442,722	1,120,561,537	5,602,349,236
Nyandarua	2,046,553,633	1,847,420,994	1,581,899,396	5,475,874,023
Nyeri	3,171,532,145	1,989,519,923	1,884,346,404	7,045,398,473
Samburu	1,982,198,152	1,455,801,848	745,009,897	4,183,009,897
Siaya	2,747,470,326	1,779,063,628	1,175,705,946	5,702,239,901
Taita/Taveta	2,244,753,358	1,520,205,034	1,301,833,262	5,066,791,654
Tana River	1,630,706,624	1,572,704,860	1,588,651,645	4,792,063,129
Tharaka -Nithi	2,061,327,018	1,145,558,516	1,395,664,063	4,602,549,597
Trans Nzoia	2,253,544,401	1,739,023,756	2,395,371,724	6,387,939,881
Turkana	3,019,004,331	5,654,742,620	1,675,363,778	10,349,110,728
Uasin Gishu	3,281,556,563	1,828,271,847	1,635,428,851	6,745,257,261
Vihiga	2,437,889,137	1,691,801,761	1,569,376,058	5,699,066,956
Wajir	3,860,809,620	2,000,489,933	4,520,065,725	10,381,365,278
West Pokot	2,336,220,000	1,563,284,979	1,619,910,000	5,519,414,979
Total	**162,769,502,361**	**106,229,625,770**	**107,435,606,955**	**376,434,735,086**

Source: *OCOB and County Treasuries*

Counties that attained the highest expenditure in absolute terms were; Nairobi City at Kshs.29.4 billion, Kiambu at Kshs.14.26 billion, and Mombasa at Kshs.12.53 billion. The lowest expenditure was recorded by Isiolo, Samburu, and Lamu counties at Kshs.4.28 billion, Kshs.4.18 billion, and Kshs.2.90 billion respectively.

A review of cumulative expenditure by economic classification showed that Kshs.162.77 billion (43.2 per cent) was spent on personnel emoluments, Kshs.106.23 billion (28.2 per cent) on operations and maintenance, and Kshs.107.44 billion (28.5 per cent) on development expenditure.

2.2.3 Development Expenditure

The County Governments spent Kshs.107.44 billion on development activities, representing an absorption rate of 57.8 per cent of the annual development budget, which is an improvement from 48.1 per cent, reported in FY 2017/18 when development expenditure was Kshs.66.89 billion. The Analysis of county budgets and expenditure in FY 2018/19 is provided in Table 2.5.

Table 2.5: County Budget Allocation, Expenditure and Absorption Rate for FY 2018/19

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County	Budget Estimates (Kshs. Million)			Expenditure (Kshs. Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	H=E/B*100	I=F/C*100
Baringo	4,528.48	3,596.55	8,125.03	4,394.23	1,158.45	5,552.68	97.0	32.2	68.3
Bomet	5,186.16	2,947.82	8,133.98	4,821.66	2,062.22	6,883.88	93.0	70.0	84.6
Bungoma	8,571.21	4,194.11	12,765.31	7,226.41	2,344.53	9,570.95	84.3	55.9	75.0
Busia	5,152.32	3,674.16	8,826.48	4,707.59	1,941.07	6,648.66	91.4	52.8	75.3
Elgeyo/Marakwet	3,135.27	2,465.81	5,601.08	3,094.30	1,333.30	4,427.60	98.7	54.1	79.0
Embu	4,660.95	2,166.29	6,827.24	4,552.03	1,361.23	5,913.26	97.7	62.8	86.6
Garissa	6,528.52	4,193.71	10,722.24	6,615.23	2,375.45	8,990.68	101.3	56.6	83.9
Homa Bay	5,354.43	3,112.91	8,467.34	4,726.99	1,011.12	5,738.11	88.3	32.5	67.8
Isiolo	3,624.21	1,859.88	5,484.10	3,281.22	997.92	4,279.14	90.5	53.7	78.0
Kajiado	5,835.96	3,769.29	9,605.25	5,335.68	2,391.17	7,726.84	91.4	63.4	80.4
Kakamega	7,685.24	6,804.18	14,489.42	7,194.63	4,983.67	12,178.30	93.6	73.2	84.0
Kericho	4,773.71	3,644.26	8,417.97	4,714.78	1,417.09	6,131.87	98.8	38.9	72.8
Kiambu	10,949.23	5,965.12	16,914.35	9,765.02	4,495.23	14,260.25	89.2	75.4	84.3
Kilifi	8,711.84	5,770.64	14,482.48	6,074.94	3,566.78	9,641.72	69.7	61.8	66.6
Kirinyaga	4,093.31	1,818.15	5,911.46	4,025.62	1,138.54	5,164.16	98.3	62.6	87.4
Kisii	8,013.42	3,997.58	12,011.00	7,276.27	2,285.49	9,561.76	90.8	57.2	79.6
Kisumu	7,246.43	4,629.11	11,875.53	5,703.04	2,675.71	8,378.75	78.7	57.8	70.6
Kitui	7,059.91	4,628.76	11,688.67	6,563.10	3,304.56	9,867.66	93.0	71.4	84.4
Kwale	5,398.24	6,119.78	11,518.02	5,084.61	2,609.96	7,694.57	94.2	42.6	66.8
Laikipia	4,125.79	2,802.17	6,927.96	3,923.97	1,786.32	5,710.29	95.1	63.7	82.4
Lamu	2,562.14	2,284.60	4,846.74	2,208.63	693.60	2,902.23	86.2	30.4	59.9
Machakos	9,569.68	5,395.55	14,965.22	8,554.73	3,097.87	11,652.59	89.4	57.4	77.9
Makueni	6,234.36	4,417.36	10,651.72	5,780.73	2,655.81	8,436.55	92.7	60.1	79.2
Mandera	6,633.04	7,076.92	13,709.96	6,291.37	5,750.39	12,041.77	94.8	81.3	87.8
Marsabit	4,296.84	4,421.96	8,718.80	3,862.71	3,604.99	7,467.70	89.9	81.5	85.7
Meru	7,862.71	4,693.39	12,556.10	7,139.04	2,641.43	9,780.47	90.8	56.3	77.9
Migori	5,141.56	3,659.55	8,801.12	4,552.55	1,814.50	6,367.05	88.5	49.6	72.3
Mombasa	10,112.51	4,343.98	14,456.50	9,422.62	3,106.50	12,529.11	93.2	71.5	86.7
Murang'a	5,262.20	3,588.58	8,850.78	4,658.74	2,502.68	7,161.42	88.5	69.7	80.9
Nairobi City	25,662.42	7,405.82	33,068.25	23,497.73	5,900.44	29,398.17	91.6	79.7	88.9
Nakuru	10,467.35	8,011.58	18,478.94	8,659.22	1,477.68	10,136.91	82.7	18.4	54.9
Nandi	5,206.59	3,220.26	8,426.86	4,994.32	1,732.67	6,726.99	95.9	53.8	79.8
Narok	7,041.48	3,153.37	10,194.86	6,952.16	3,008.04	9,960.21	98.7	95.4	97.7
Nyamira	4,828.60	2,130.48	6,959.07	4,481.79	1,120.56	5,602.35	92.8	52.6	80.5
Nyandarua	4,502.83	3,166.70	7,669.54	3,893.97	1,581.90	5,475.87	86.5	50.0	71.4
Nyeri	5,975.85	2,860.69	8,836.54	5,161.05	1,884.35	7,045.40	86.4	65.9	79.7
Samburu	3,856.21	2,004.91	5,861.12	3,438.00	745.01	4,183.01	89.2	37.2	71.4
Siaya	4,712.63	3,730.96	8,443.59	4,526.53	1,175.71	5,702.24	96.1	31.5	67.5
Taita/Taveta	3,955.76	2,031.69	5,987.45	3,764.96	1,301.83	5,066.79	95.2	64.1	84.6
Tana River	4,637.30	2,936.06	7,573.36	3,203.41	1,588.65	4,792.06	69.1	54.1	63.3
Tharaka-Nithi	3,542.94	2,178.06	5,721.00	3,206.89	1,395.66	4,602.55	90.5	64.1	80.5
Trans Nzoia	4,867.14	3,175.42	8,042.56	3,992.57	2,395.37	6,387.94	82.0	75.4	79.4
Turkana	9,600.34	5,751.96	15,352.30	8,673.75	1,675.36	10,349.11	90.3	29.1	67.4
Uasin Gishu	5,469.52	4,488.54	9,958.06	5,109.83	1,635.43	6,745.26	93.4	36.4	67.7

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County	Budget Estimates (Kshs. Million)			Expenditure (Kshs. Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	H=E/B*100	I=F/C*100
Vihiga	4,517.44	2,485.13	7,002.57	4,129.69	1,569.38	5,699.07	91.4	63.2	81.4
Wajir	6,417.51	6,758.18	13,175.69	5,861.30	4,520.07	10,381.37	91.3	66.9	78.8
West Pokot	4,139.23	2,230.28	6,369.51	3,899.50	1,619.91	5,519.41	94.2	72.6	86.7
Total	**297,710.85**	**185,762.26**	**483,473.12**	**268,999.13**	**107,435.61**	**376,434.74**	**90.4**	**57.8**	**77.9**

Source: *OCOB and County Treasuries*

Analysis of development expenditure as a proportion of approved annual development budget shows that Narok, Marsabit, and Mandera Counties attained the highest absorption rate at 95.4 per cent, 81.5 per cent, and 81.3 per cent respectively. Lamu County, Turkana County, and Nakuru County reported the lowest absorption rate of their development budget at 30.4 per cent, 29.1 per cent, and 18.4 per cent respectively. Detailed analysis of development projects undertaken by counties is provided in chapter three.

2.2.4 Recurrent Expenditure

The Counties spent an aggregate of Kshs.269 billion or 71.5 per cent of the total expenditure on recurrent activities. This expenditure represents 90.4 per cent of the annual County Government's budget for recurrent activities, and an improvement from 87.3 per cent recorded in FY 2017/18 when expenditure stood at Kshs.236.94 billion.

Analysis of expenditure in absolute terms shows that Nairobi City County attained the highest expenditure on recurrent activities at Kshs.23.5 billion, followed by Kiambu and Mombasa Counties at Kshs.9.77 billion and Kshs.9.42 billion respectively. Counties with the lowest expenditure on recurrent activities included Tana River at Kshs.3.20 billion, Elgeyo at Kshs.3.09 billion, and Lamu at Kshs.2.21 billion.

2.2.4.1 Personnel Emoluments

In the period July, 2018 to June, 2019, County Governments spent Kshs.162.77 billion on personnel emoluments, representing 60.5 per cent of the total recurrent expenditure and 43.2 per cent of total expenditure. This expenditure was an increase from Kshs.151.09 billion spent in FY 2017/18 when personnel expenditure translated to 49.7 per cent of the total expenditure.

Analysis of personnel emoluments as a percentage of total expenditure by county shows that Nakuru, Baringo, Nyamira and Homa Bay recorded the highest percentage at 58.4 per cent, 57.5 per cent, 56 per cent and 54.5 per cent respectively. Turkana, Mandera, and Kilifi reported the least proportions at 29.2 per cent, 24.2 per cent and 21.1 per cent respectively.

2.2.4.2 Operations and Maintenance Expenditure

A total of Kshs.106.23 billion was spent on operations and maintenance (O&M) during the reporting period, which translated to 28.2 per cent of the total expenditure. Counties that reported the highest expenditure on operations and maintenance were; Nairobi City at Kshs.9.75 billion, Turkana at Kshs.5.65 billion and Mombasa at Kshs.4.24 billion. Tharaka Nithi, Lamu, and Elgeyo Marakwet Counties reported the least expenditure at Kshs.1.15 billion, Kshs.953.08 million, and Kshs.707.69 million respectively.

2.2.4.3 Review of MCAs Sitting Allowances

During the reporting period, the County Assemblies spent Kshs.2.2 billion on MCAs Sitting allowances against an approved budget allocation of Kshs.2.58 billion. This expenditure translates to 85.7 per cent of

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the approved MCAs sitting allowance budget, and an increase from 62.3 per cent attained in FY 2017/18 when Kshs.1.46 billion was spent. Table 2.6 shows the budgetary allocation and expenditure on MCAs and Speakers sitting allowances in FY 2018/19.

Table 2.6: MCAs Budget Allocation, Expenditure and Absorption Rate in FY 2018/19

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	10,000,000	7,251,786	72.5	46	13,137
Bomet	30,387,430	30,387,430	100.0	37	68,440
Bungoma	26,901,036	21,715,222	80.7	61	29,666
Busia	113,529,600	94,704,788	83.4	54	146,149
Elgeyo/Marakwet	35,900,555	29,975,400	83.5	35	71,370
Embu	31,262,810	31,262,810	100.0	35	74,435
Garissa	121,213,200	60,095,300	49.6	49	102,203
Homa Bay	108,492,400	108,492,400	100.0	61	148,214
Isiolo	26,532,950	26,532,950	100.0	18	122,838
Kajiado	34,500,000	26,929,443	78.1	42	53,431
Kakamega	134,784,000	114,894,514	85.2	90	106,384
Kericho	44,685,199	44,685,199	100.0	48	77,578
Kiambu	74,000,000	90,638,600	122.5	93	81,217
Kilifi	96,844,800	59,634,814	61.6	54	92,029
Kirinyaga	80,000,000	33,548,900	41.9	35	79,878
Kisii	100,822,400	98,260,878	97.5	71	115,330
Kisumu	55,106,000	39,898,600	72.4	49	67,855
Kitui	45,120,800	39,674,608	87.9	54	61,226
Kwale	60,956,000	33,881,415	55.6	34	83,043
Laikipia	15,000,000	14,500,000	96.7	24	50,347
Lamu	14,500,000	12,255,900	84.5	19	53,754
Machakos	40,714,903	40,714,903	100.0	60	56,548
Makueni	52,992,093	52,262,100	98.6	49	88,881
Mandera	41,760,000	35,553,400	85.1	49	60,465
Marsabit	35,489,089	35,489,089	100.0	31	95,401
Meru	82,664,400	82,664,400	100.0	69	99,836
Migori	-	69,108,818	-	57	101,036
Mombasa	43,707,600	35,119,900	80.4	43	68,062
Murang'a	66,955,200	51,177,323	76.4	54	78,977
Nairobi City	108,101,400	101,878,628	94.2	128	66,327
Nakuru	106,800,000	106,800,000	100.0	79	112,658
Nandi	38,103,996	35,974,900	94.4	40	74,948
Narok	63,813,760	63,741,814	99.9	48	110,663
Nyamira	66,643,200	66,643,200	100.0	37	150,097
Nyandarua	43,757,188	43,757,144	100.0	40	91,161
Nyeri	79,164,800	39,761,800	50.2	45	73,633
Samburu	29,019,944	29,019,944	100.0	28	86,369

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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
Siaya	48,693,500	48,707,800	100.0	43	94,395
Taita/Taveta	23,948,000	20,653,000	86.2	34	50,620
Tana River	39,951,600	39,947,281	100.0	24	138,706
Tharaka –Nithi	28,370,000	20,171,654	71.1	21	80,046
Trans Nzoia	69,297,600	31,486,500	45.4	40	65,597
Turkana	81,764,000	23,448,900	28.7	48	40,710
Uasin Gishu	40,509,389	40,509,389	100.0	48	70,329
Vihiga	44,678,400	38,138,550	85.4	39	81,493
Wajir	23,751,000	23,524,693	99.0	46	42,617
West Pokot	21,156,314	17,850,560	84.4	34	43,751
Total	**2,582,346,557**	**2,213,326,648**	**85.7**	**2,243**	**82,231**

Source: *OCOB and County Treasuries*

Four County Assemblies reported higher expenditure on sitting allowance than Salaries and Remuneration Commission (SRC) recommended monthly ceiling of Kshs.124, 800. These were; were: Busia at Kshs.146,149, Homa Bay at Kshs.148,214, Nyamira at Kshs.150,097, and Tana River at Kshs.138,706. Migori County Assembly reported an expenditure of Kshs.69.11 million without a budget allocation for MCAs sitting allowance in the Approved Budget.

2.2.4.4 Review of Expenditure on Domestic and Foreign Travels

The County Governments incurred Kshs.11.36 billion on domestic and foreign travel during the reporting period. This amount comprised of Kshs.9.86 billion on domestic travel and Kshs.1.5 billion on foreign travel and was a decrease of 6.5 per cent compared to Kshs.12.15 billion incurred in FY 2016/17.

The expenditure on domestic and foreign travels by both the County Assembly and the County Executive in FY2017/18 is presented in Table 2.7.

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Table 2.7: Expenditure on Domestic and Foreign Travels by the County Assembly and the County Executive in FY 2018/19 (Kshs.Million)

County	County Assembly			County Executive			Total Expenditure		
	Domestic Exp.	Foreign Exp.	Total	Domestic Exp.	Foreign Exp.	Total	Domestic Exp.	Foreign Exp.	Total
	A	B	C=B+A	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Baringo	80.37	27.25	107.63	46.39	29.22	75.61	126.76	56.48	183.24
Bomet	97.98	30.08	128.06	132.07	52.44	184.51	230.05	82.52	312.56
Bungoma	19.78	3.16	22.94	333.57	24.77	358.35	353.35	27.93	381.28
Busia	63.20	14.97	78.17	78.27	31.27	109.53	141.47	46.24	187.71
Elgeyo/Marak-wet	67.80	14.92	82.72	25.22	2.71	27.93	93.02	17.63	110.65
Embu	156.52	-	156.52	139.35	3.77	143.12	295.87	3.77	299.64
Garissa	112.04	-	112.04	308.09	8.41	316.50	420.13	8.41	428.54
Homa Bay	143.20	-	143.20	217.82	-	217.82	361.02	-	361.02
Isiolo	65.40	3.74	69.14	106.57	23.41	129.98	171.97	27.14	199.12
Kajiado	153.31	42.64	195.95	294.23	70.92	365.15	447.54	113.56	561.10
Kakamega	163.69	15.36	179.04	201.83	22.86	224.70	365.52	38.22	403.74
Kericho	127.44	25.36	152.80	116.35	43.93	160.28	243.79	69.29	313.08
Kiambu	221.05	115.19	336.24	174.52	77.61	252.13	395.57	192.80	588.37
Kilifi	187.91	31.42	219.33	167.34	50.27	217.61	355.25	81.69	436.94
Kirinyaga	76.00	28.00	104.00	46.13	17.08	63.21	122.13	45.08	167.21
Kisii	102.53	33.33	135.86	404.39	57.48	461.87	506.92	90.81	597.73
Kisumu	131.81	32.18	163.99	87.81	13.74	101.55	219.62	45.92	265.54
Kitui	106.21	61.99	168.20	297.85	10.46	308.32	404.06	72.45	476.51
Kwale	97.54	20.80	118.34	316.37	42.93	359.30	413.91	63.74	477.65
Laikipia	65.10	7.98	73.08	122.95	-	122.95	188.05	7.98	196.03
Lamu	63.87	32.15	96.02	118.83	5.13	123.96	182.70	37.28	219.98
Machakos	269.57	57.54	327.11	280.49	35.33	315.82	550.06	92.87	642.93
Makueni	92.49	11.21	103.70	106.60	21.04	127.64	199.09	32.25	231.34
Mandera	82.24	24.71	106.95	103.45	21.50	124.95	185.69	46.21	231.90
Marsabit	88.26	19.51	107.77	115.26	21.10	136.36	203.52	40.61	244.13
Meru	190.53	69.48	260.01	63.41	4.96	68.37	253.94	74.44	328.37
Migori	96.99	22.45	119.44	430.71	12.56	443.26	527.70	35.01	562.71
Mombasa	0.11	6.08	6.19	333.32	217.67	550.99	333.43	223.75	557.18
Murang'a	150.43	19.74	170.17	117.02	4.86	121.88	267.45	24.61	292.06
Nairobi City	55.28	40.32	95.60	414.46	131.05	545.51	469.73	171.38	641.11
Nakuru	125.11	42.60	167.72	157.94	51.90	209.84	283.06	94.50	377.56
Nandi	41.61	28.05	69.66	135.01	27.78	162.80	176.62	55.83	232.45
Narok	246.43	10.45	256.88	164.33	57.36	221.69	410.76	67.81	478.57
Nyamira	114.55	33.06	147.61	215.83	27.93	243.75	330.38	60.98	391.37
Nyandarua	75.20	22.30	97.51	176.91	17.68	194.59	252.11	39.99	292.10
Nyeri	160.70	52.91	213.60	111.11	7.73	118.84	271.81	60.63	332.44
Samburu	53.50	18.94	72.44	40.80	3.69	44.49	94.30	22.63	116.93
Siaya	122.36	9.90	132.26	190.14	43.44	233.58	312.50	53.34	365.84
Taita/Taveta	134.63	54.14	188.77	240.13	41.34	281.47	374.75	95.48	470.24
Tana River	21.31	28.39	49.71	141.60	62.55	204.15	162.91	90.94	253.85
Tharaka-Nithi	80.44	17.05	97.49	86.38	13.24	99.62	166.82	30.29	197.11

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County	County Assembly			County Executive			Total Expenditure		
	Domestic Exp.	Foreign Exp.	Total	Domestic Exp.	Foreign Exp.	Total	Domestic Exp.	Foreign Exp.	Total
	A	B	C=B+A	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Trans Nzoia	108.77	24.00	132.77	42.03	10.94	52.97	150.80	34.94	185.74
Turkana	203.16	3.88	207.04	84.17	1.21	85.38	287.32	5.09	292.42
Uasin Gishu	109.54	33.00	142.54	97.28	27.56	124.84	206.82	60.56	267.38
Vihiga	99.65	12.57	112.22	202.50	16.38	218.88	302.15	28.95	331.10
Wajir	75.30	17.34	92.64	210.19	1.98	212.17	285.49	19.32	304.81
West Pokot	120.10	35.60	155.70	226.33	23.77	250.10	346.43	59.37	405.80
Total	**5,221.00**	**1,255.78**	**6,476.78**	**8,223.35**	**1,494.94**	**9,718.30**	**13,444.35**	**2,750.72**	**16,195.07**

Source: *OCOB and County Treasuries*

In absolute terms, Machakos County had the highest expenditure of domestic and foreign travel at Kshs.642.93 million, followed by Nairobi City and Kisii at Kshs.641.11 million and Kshs.597.73 million respectively. The Counties that had the least absolute expenditure were Kirinyaga, Samburu, and Elgeyo Marakwet at Kshs.167.21 million, Kshs.116.93 million and Kshs.110.65 million respectively.

2.3 Pending Bills as of 30th June, 2019

A pending bill is an unsettled financial obligation at the end of a financial year and arises where an entity fails to settle invoiced amounts for goods and services properly procured and delivered or rendered as at the end of a financial year. As at June 30, 2019, Counties reported accumulated pending bills amounting to Kshs.34.54 billion. Table 2.8 shows the pending bills as at 30th June, 2019.

Table 2.8: Pending Bills for the Counties as at June 30th, 2019

County	Recurrent Pending Bills (Kshs. Million)	Development Pending Bills (Kshs. Million)	Total Pending Bills (Kshs.Million)
Baringo	45.21	67.34	112.55
Bomet	108.99	458.54	567.53
Bungoma	34.96	198.62	233.58
Busia	549.89	285.76	835.64
Elgeyo/Marakwet	37.27	637.60	674.87
Embu	439.69	609.25	1,048.94
Garissa	166.35	453.29	619.64
Homa Bay	89.70	949.75	1,039.44
Isiolo	-	-	-
Kajiado	252.18	486.67	738.85
Kakamega	270.98	265.22	536.20
Kericho	17.52	1,610.13	1,627.65
Kiambu	1,226.21	1,300.27	2,526.48
Kilifi	369.18	771.77	1,140.95
Kirinyaga	53.67	44.46	98.13
Kisii	89.46	852.77	942.23
Kisumu	742.79	-	742.79
Kitui	-	936.16	936.16
Kwale	31.66	2,632.00	2,663.66
Laikipia	50.60	29.50	80.10
Lamu	57.53	54.78	112.32

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County	Recurrent Pending Bills (Kshs. Million)	Development Pending Bills (Kshs. Million)	Total Pending Bills (Kshs.Million)
Machakos	73.44	486.15	559.59
Makueni	1.47	6.99	8.46
Mandera	-	-	-
Marsabit	-	-	-
Meru	276.81	966.55	1,243.36
Migori	596.94	392.04	988.99
Mombasa	3,261.38	762.77	4,024.14
Murang'a	39.52	317.80	357.32
Nairobi City	-	-	-
Nakuru	42.00	52.47	94.47
Nandi	12.95	1,757.39	1,770.34
Narok	316.94	867.11	1,184.05
Nyamira	1.52	1.54	3.06
Nyandarua	93.12	718.07	811.20
Nyeri	39.51	22.18	61.69
Samburu	-	134.91	134.91
Siaya	258.26	187.42	445.67
Taita/Taveta	-	199.41	199.41
Tana River	490.51	891.60	1,382.11
Tharaka –Nithi	189.61	143.60	333.21
Trans Nzoia	421.71	317.51	739.22
Turkana	345.07	1,889.36	2,234.43
Uasin Gishu	229.78	51.73	281.51
Vihiga	113.51	61.25	174.76
Wajir	188.45	40.00	228.45
West Pokot	-	-	-
Total	**11,626.34**	**22,911.73**	**34,538.06**

Source: *County Treasuries*

Five Counties namely: Isiolo, Mandera, Marsabit, Nairobi City, and West Pokot had not submitted the status of pending bills as the time of finalizing this report. Counties that reported the highest amount of pending bills were: Mombasa at Kshs.4.02 billion, Kwale at Kshs.2.66 billion, and Kiambu at Kshs.2.53 billion. The pending bill reported by Taita Taveta County was not disaggregated into recurrent and development expenditure.

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3 BUDGET PERFORMANCE BY COUNTY

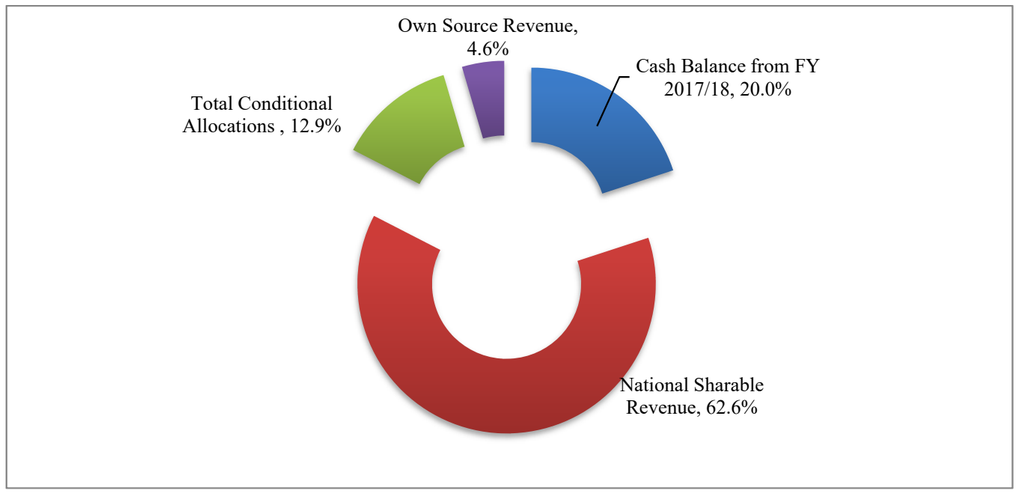
3.1 Baringo County

3.1.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.8.13 billion, comprising of Kshs.4.52 billion (55.7 per cent) and Kshs.3.59 billion (44.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.09 billion (62.6 per cent) as equitable share of revenue raised nationally, Kshs.1.05 billion (12.9 per cent) as total conditional grants, generate Kshs.371.15 million (4.6 per cent) from own-source of revenue, and Kshs.1.62 billion (20 per cent) cash balance from FY 2017/18.

Figure 3.1: Baringo County, Expected Sources of Budget Financing in FY 2018/19



Source: *Baringo County Treasury*

A breakdown of the conditional grants is provided in Table 3.1.

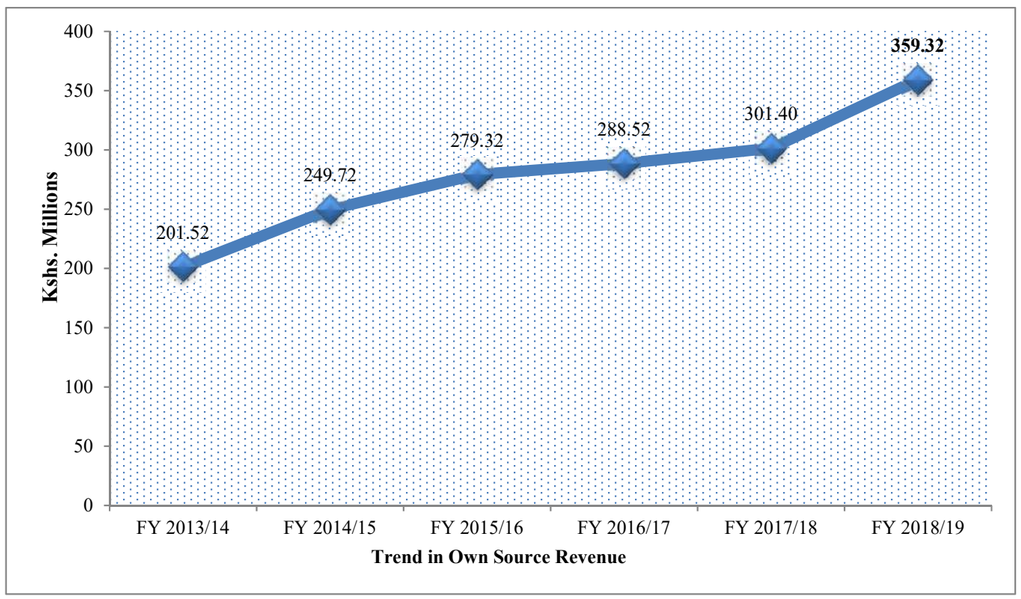
3.1.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.8.22 billion available for budget implementation. This amount consisted of Kshs.5.09 billion received as equitable share of the revenue raised nationally, Kshs.779.75 million as conditional grants, Kshs.359.32 million generated from own sources of revenue, and a cash balance of Kshs.1.62 billion from FY 2017/18.

Figure 3.2 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.2: Baringo County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Baringo County Treasury*

The County generated a total of Kshs.359.32 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.57.92 million compared to that realised in FY 2017/18 and was 96.8 per cent of the annual target.

3.1.3 Conditional Grants

During the reporting period, the County received Kshs.779.75 million as conditional grants as shown in Table 3.1.

Table 3.1: Baringo County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grant Details	Annual Allocation-(CARA, 2018)(Kshs)	Annual Budget Allocation (Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
1	Compensation for User Fee Foregone	13,191,000	13,191,000	13,191,000	100
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	Road Maintenance Fuel Levy	133,931,014	133,931,014	133,931,014	100
4	Rehabilitation of Village Polytechnics	35,605,000	35,605,000	-	-
5	Transforming Health Systems for Universal Care Project (WB)	78,899,347	78,899,347	34,008,071	43.1
6	Kenya Devolution Support Project (KDSP) "Level III grant"	-	-	138,074,112	-
7	Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	49,627,345	42.4
8	Kenya Devolution Support Project (KDSP) "Level 1 grant"	43,729,455	43,729,455	-	-
9	Kenya Urban Support Programme	52,360,500	52,360,500	52,360,500	100
10	DANIDA Grant	16,706,250	16,706,250	16,706,250	100
11	EU Grant for instrument for Devolution Advice and support	85,000,000	85,000,000	73,254,422	86.2
12	Kenya Devolution Support Project (KDSP) "Level II grant"	-	173,023,342	173,023,342	100

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S/No	Grant Details	Annual Allocation-(CARA, 2018)(Kshs)	Annual Budget Allocation (Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
13	ASDPS (Agricultural Sector Development Support Programme)	-	20,718,749	20,718,749	100
14	KUSP (Balance 2017/2018)	-	41,200,000	41,200,000	100
15	Road Maintenance Fuel Levy 2017/18 FY	-	33,653,742	33,653,742	100
Sub Total		**776,422,566**	**1,045,018,399**	**779,748.547**	**100.4**

Source: *Baringo County Treasury*

During the reporting period, receipts from the Compensation for User Fee Foregone, Road Maintenance Fuel Levy, Kenya Urban Support Programme, DANIDA Grant, Kenya Devolution Support Project and Agricultural Sector Development Support Programme, conditional grant recorded the highest performance in percentage terms, and accounted 100 per cent respectively of the annual target.

3.1.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.5.93 billion from the CRF account. The withdrawals represented 72.9 per cent of the Approved Supplementary Budget and translated to an increase of 12.2 per cent from Kshs.5.28 billion in FY 2017/18 and comprised of Kshs.4.39 billion (74.2 per cent) towards recurrent activities and Kshs.1.53 billion (25.8 per cent) for development expenditure.

3.1.5 Overall Expenditure Review

A total of Kshs.5.55 billion was spent on both development and recurrent activities. This expenditure represented 93.7 per cent of the total funds released from the CRF account, and was an increase of 6.7 per cent from Kshs.5.20 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.67.34 million for development activities and Kshs.45.21 million for recurrent costs.

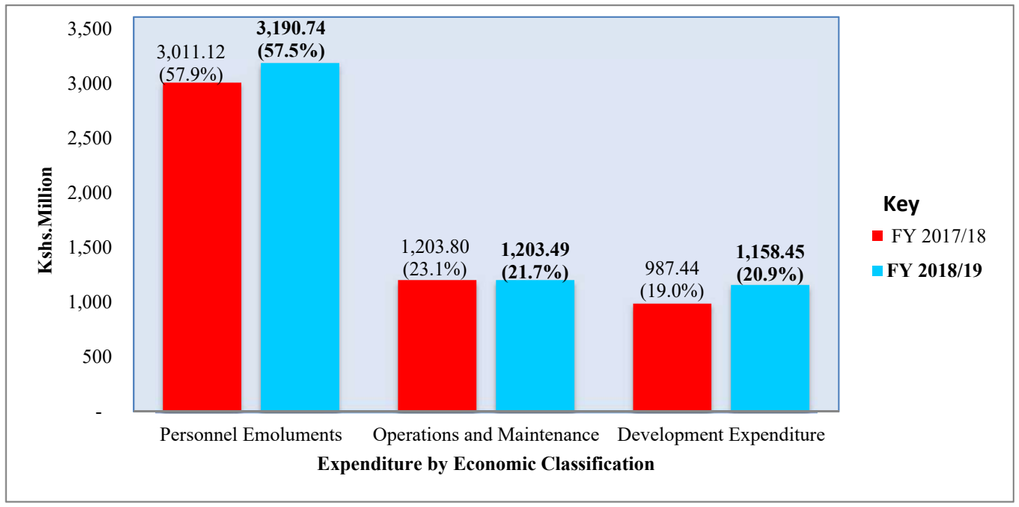
Expenditure on development programmes amounted to Kshs.1.16 billion while Kshs.4.39 billion was spent on recurrent activities. The development expenditure was 75.5 per cent of the funds released for development programmes, while recurrent expenditure was 100 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 32.2 per cent, which was a decrease from 36.4 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 97 per cent of the annual recurrent budget, a decrease from 97.0 per cent recorded in FY 2017/18.

Figure 3.3 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.3: Baringo County, Expenditure by Economic Classification



Source: *Baringo County Treasury*

3.1.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.16 billion represented 32.2 per cent of the annual development expenditure estimates of Kshs.3.59 billion. Table 3.2 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.2: Baringo County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Construction of Buildings-Others Building of Ravine Markets	Ravine Ward	5,733,036	6,582,676	114.8
2	Equipping of Mogotio Information Centre	Mogotio Ward	6,390,100	6,649,608	104.1
3	Construction of Youth empowerment centres at Eldama Ravine	Ravine Ward	6,414,545	6,544,036	102
4	Construction of Guest House at ATC	Lembus Perkerra	6,994,000	6,999,000	100.1
5	Tartar-Sosion water pipe	Sacho Ward	7,000,000	7,000,000	100
6	Rehabilitation of Marigat water Supply	Marigat Ward	5,500,000	5,500,000	100
7	Kapkein Water Project	Marigat Ward	4,500,000	4,498,468	100
8	Sambaka Footbridge	Mochongoi	8,000,000	7,970,462	99.6
9	Kabarak Ochii Polythechnic	Tenges Ward	18,504,016	6,194,136	33.5
10	Improvement of sports ground and cultural facilities in Lembus Kwen Primary Schools - Moringwo, Kapcholoi, Kewangoi, Sigoro, Kiptuno, Arama, and Kipkuyang	Lembus Kwen	128,670,470	10,483,856	8.1

Source: *Baringo County Treasury*

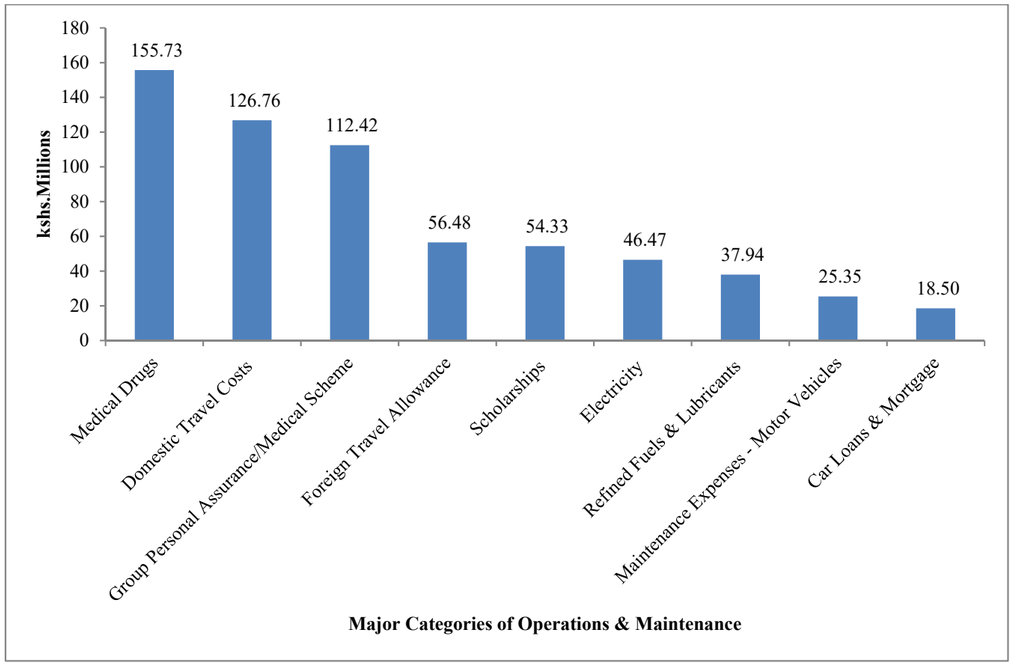
3.1.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.39 billion comprised of Kshs.3.19 billion (72.7 per cent) incurred on personnel emoluments and Kshs.1.20 billion (27.3 per cent) on operations and maintenance as shown in Figure 3.3.

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Expenditure on personnel emoluments represented an increase of 6 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.3.01 billion and was 57.5 per cent of the total expenditure in FY 2018/19. Figure 3.4 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.4: Baringo County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Baringo County Treasury*

The County spent Kshs.7.25 million on committee sitting allowances for the 46 MCAs and Speaker against the annual budget allocation of Kshs.10 million. This represented a decrease of 81.1 per cent compared to Kshs.38.47 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.13,137 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.183.24 million, and comprised of Kshs.107.62 million spent by the County Assembly and Kshs.75.61 million by the County Executive. This expenditure represented 4.2 per cent of total recurrent expenditure and was an increase of 32.2 per cent compared to Kshs.138.65 million spent in FY 2017/18.

3.1.8 Budget Performance by County Department

Table 3.3 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.3: Baringo County, Budget Performance by Department

Department	Annual 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
County Assembly	662.24	19.50	629.01	13.60	628.28	5.07	99.9	37.3	94.9	26.0
Governor/ County Executive Services	510.10	33.43	510.88	9.27	492.70	6.48	96.4	69.9	96.6	19.4
County Treasury Services	312.85	21.16	278.58	3.00	309.13	10.55	111.0	351.8	98.8	49.9
Transport and Infrastructure	64.52	883.78	64.46	622.08	62.96	347.04	97.7	55.8	97.6	39.3
Industrialization, Commerce and Tourism	75.70	20.37	75.70	20.42	68.77	16.06	90.8	78.7	90.8	78.9
Education and ICT	337.58	313.54	336.64	170.34	335.46	147.85	99.6	86.8	99.4	47.2
Youth, Gender & Social Security Services	36.10	75.47	35.93	30.58	34.86	38.59	97.0	126.2	96.6	51.1
Health	2,004.11	735.55	1,981.11	135.15	1,998.54	134.04	100.9	99.2	99.7	18.2
Lands, Housing & Urban Development	120.50	191.45	79.25	68.70	76.08	80.44	96.0	117.1	63.1	42.0
Agriculture, Livestock, Fisheries & Marketing	247.89	446.01	247.58	187.10	230.82	103.63	93.2	55.4	93.1	23.2
Water & Irrigation	121.05	799.79	121.37	225.33	120.96	225.08	99.7	99.9	99.9	28.1
Environment & Natural Resources	35.82	56.49	35.54	44.96	35.68	43.61	100.4	97.0	99.6	77.2
Total	**4,528.48**	**3,596.55**	**4,396.04**	**1,530.52**	**4,394.23**	**1,158.45**	**100.0**	**75.7**	**97.0**	**32.2**

Source: *Baringo County Treasury*

Analysis of expenditure by department shows that the Department of Trade, Industrialisation and Commerce recorded the highest absorption rate of development budget at 78.9 per cent while the department of Health recorded the lowest at 18.2 per cent. The Department of Water and Irrigation had the highest percentage of recurrent expenditure to recurrent budget at 99.9 per cent while the Department of Lands, Housing and Urban Development had the lowest at 63.1 per cent.

3.1.9 Key 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 of own-source revenue collection by 19.2 per cent from Kshs.301.40 million in FY 2017/18 to Kshs.359.32 million in the reporting period.

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

1. Slow implementation of development activities during FY 2018/19. The County spent Kshs.1.16 billion, which represented 32.2 per cent of the annual development budget of Kshs.3.60 billion.
2. Failure to constitute the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation in the budget process.
3. A high wage bill that increased by 6 per cent from Kshs.3.01 billion in FY 2017/18 to Kshs.3.19 billion in the reporting period. The wage bill accounted for 57.5 per cent of total expenditure in the reporting period.

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

1. *The County should identify and address issues that cause delays in implementation of development projects.*
2. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137*

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of the PFM Act, 2012.

3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*

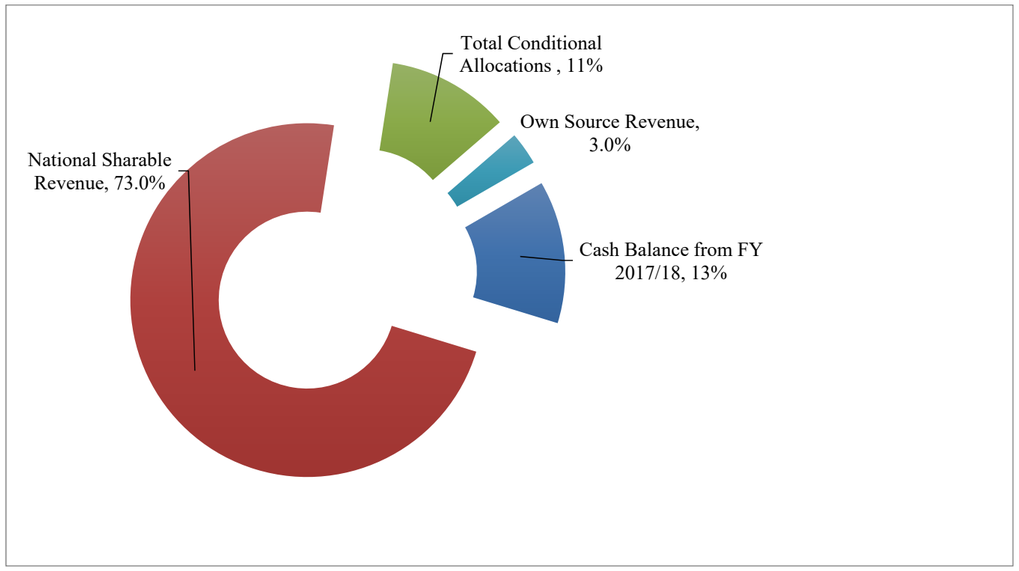
3.2 Bomet County

3.2.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.8.14 billion, comprising of Kshs.2.95 billion (36.2 per cent) and Kshs.5.19 billion (63.8 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.93 billion (73 per cent) as equitable share of the revenue raised nationally, Kshs.916.77 million (11 per cent) as total conditional grants, generate Kshs.245 million (3 per cent) from own sources of revenue, and Kshs.1.06 billion (13 per cent) cash balance from FY 2017/18.

Figure 3.5: Bomet County, Expected Sources of Budget Financing in FY 2018/19



Source: *Bomet County Treasury*

A breakdown of the conditional grants is provided in Table 3.4.

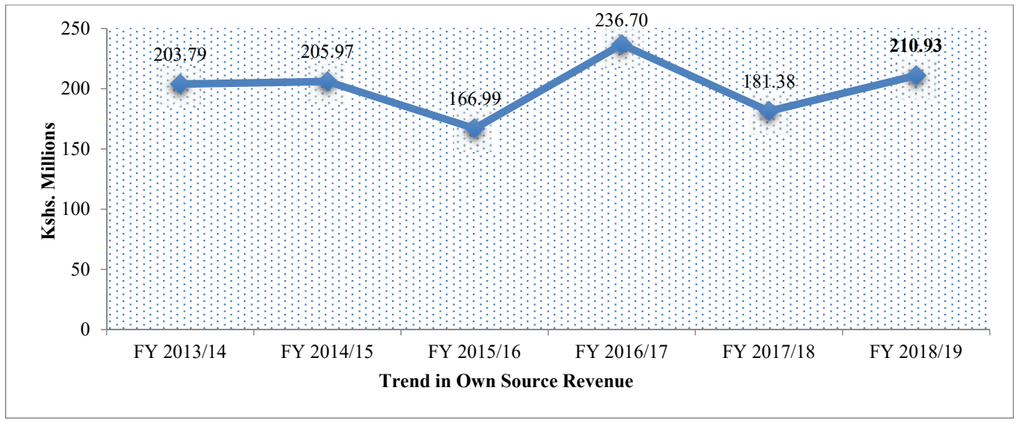
3.2.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.7.76 billion available for budget implementation. This amount consisted of Kshs.5.93 billion received as equitable share of the revenue raised nationally, Kshs.575.05 million as conditional grants, Kshs.210.93 million generated from own sources of revenue, and a cash balance of Kshs.1.06 billion from FY 2017/18.

Figure 3.6 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.6: Bomet County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Bomet County Treasury*

The County generated a total of Kshs.210.93 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.29.55 million compared to that realised in FY 2017/18 and was 74 per cent of the annual target.

3.2.3 Conditional Grants

During the reporting period, the County received Kshs.575.05 million as conditional grants as shown in Table 3.4.

Table 3.4: Bomet County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Compensation for User Fee Foregone	16,713,356.00	16,713,356	-	-
2	Leasing of Medical Equipment	200,000,000.00	200,000,000	-	-
3	Road Maintenance Fuel Levy	156,252,849.00	156,252,849	275,556,847	176.4
4	Transforming Health Systems for Universal Care Project (World Bank)	86,405,581.00	86,405,581	34,250,678	39.6
5	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000.00	117,000,000	46,841,567	40
6	IDA (World Bank) -Kenya Urban Support Project (KUSP)	209,534,800	209,534,800	168,000,000	80.2
7	DANIDA - Universal Healthcare in Devolved System Programme	17,617,500	17,617,500	-	-
8	Kenya Devolution Support Programme “Level 1 grant”	44,888,193	44,888,193	-	-
9	Agricultural Sector Development Support Programme(ASDSP)	20,485,395	20,485,395	14,258,275	69.6
10	CA- Development of Youth polytechnics	47,875,000	47,875,000	36,145,625	75.5
Total		**916,772,674**	**916,772,674**	**575,052,992**	**62.7**

Source: *Bomet County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy conditional grant recorded the highest performance in percentage terms, and accounted 176.4 per cent of the annual target.

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3.2.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.6.96 billion from the CRF account. The withdrawals represented 85.6 per cent of the Approved Supplementary Budget and translated to an increase 32.1 per cent from Kshs.5.27 billion in FY 2017/18 and comprised of Kshs.2.06 billion (29.6 per cent) towards development activities and Kshs.4.90 billion (70.4 per cent) for recurrent expenditure.

3.2.5 Overall Expenditure Review

A total of Kshs.6.88 billion was spent on both development and recurrent activities. This expenditure represented 99 per cent of the total funds released from the CRF account, and was an increase of 28.1 per cent from Kshs.4.95 billion spent in FY 2017/18.

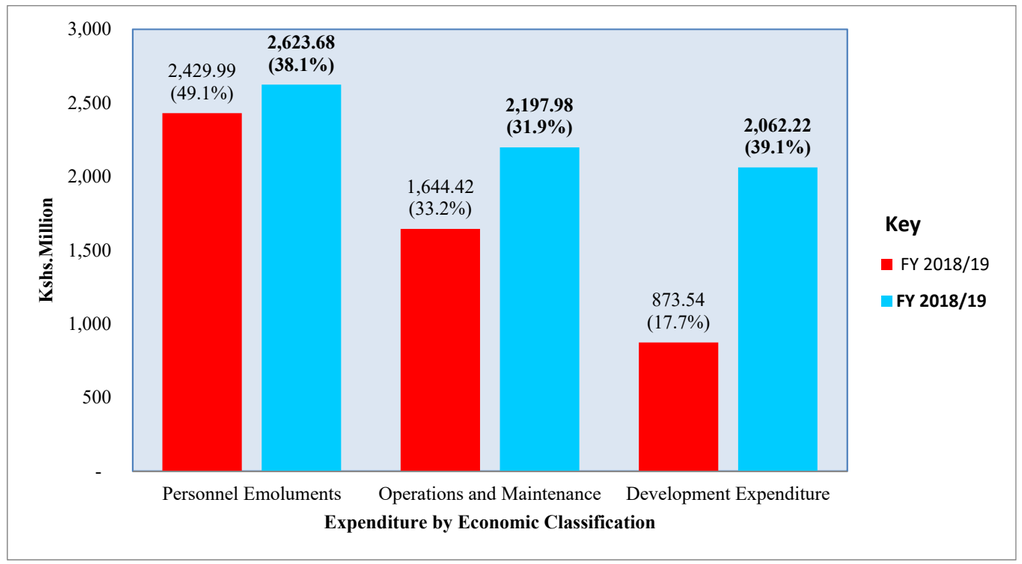
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.458.54 million for development activities and Kshs.108.99 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.2.06 billion while Kshs.4.82 billion was spent on recurrent activities. The development expenditure was 100 per cent of the funds released for development programmes, while recurrent expenditure was 98.3 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 70 per cent, which was an increase from 46.9 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 93 per cent of the annual recurrent budget, a decrease from 93.1 per cent recorded in FY 2017/18.

Figure 3.7 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

Figure 3.7: Bomet County, Expenditure by Economic Classification



Source: *Bomet County Treasury*

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3.2.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.06 billion represented 70 per cent of the annual development expenditure estimates of Kshs.2.95 billion. Table 3.5 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.5: Bomet County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/ No.	Project Name	Project Location	Project Budget (Kshs.)	FY2018/19 Project Expenditure (Kshs.)	Absorption rate (%)
1	Construction of Roads	Varied	579,172,515	578,936,432	100.0
2	Development of Water Supply	Sotik , Chepalungu, Konoin, Bomet East, Bomet Central	264,761,471	265,915,171	100.4
3	Construction of ECDs	Kametori, Kipraisi, Nyatembe, Chebelion etc	143,422,164	140,875,943	98.2
4	Development of Sport facilities	Bomet Town	29,000,000	29,000,000	100
5	Construction of Mini Chamber- County Assembly	County Assembly	59,124,178	28,820,575	48.7
6	Purchase of Fire Engine	Bomet Town	32,000,000	25,000,000	78.1
7	Market Development	Bomet Town	23,808,564	22,808,564	95.8
8	Construction of Cattle Dips and Slaughter Houses	Varied	20,600,000	20,490,967	99.5
9	Automation of own Source Revenue System	Treasury Department	22,427,759	13,606,861	60.7

Source: *Bomet County Treasury*

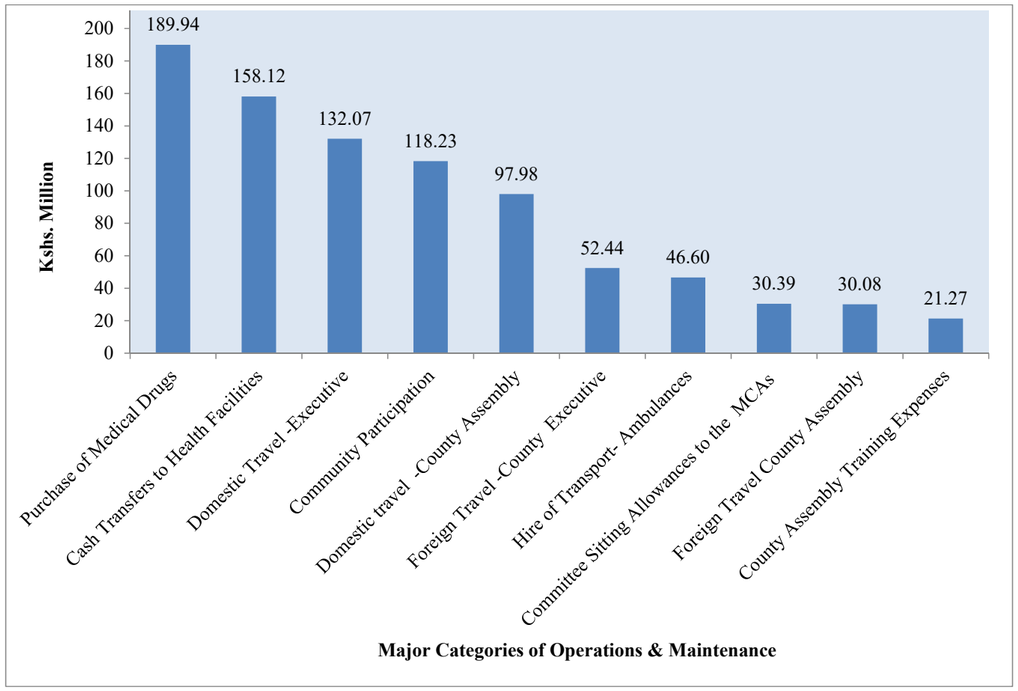
3.2.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.82 billion comprised of Kshs.2.62 billion (55.3 per cent) incurred on personnel emoluments and Kshs.2.2 billion (44.7 per cent) on operations and maintenance as shown in Figure 3.7.

Expenditure on personnel emoluments represented an increase of 8 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.43 billion and was 38.1 per cent of the total expenditure in FY 2018/19. Figure 3.8 shows a summary of operations and maintenance expenditure by major categories.

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Figure 3.8: Bomet County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Bomet County Treasury*

The County spent Kshs.30.39 million on committee sitting allowances for the 37 MCAs and Speaker against the annual budget allocation of Kshs.30.39 million. This represented an increase of 74 per cent compared to Kshs.7.95 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.68,440 per MCA against the SRC's recommended monthly ceiling of Kshs.124,000.

Expenditure on domestic and foreign travel amounted to Kshs.312.57 million, and comprised of Kshs.128.05 million spent by the County Assembly and Kshs.184.5 million by the County Executive. This expenditure represented 6.6 per cent of total recurrent expenditure and was an increase of 24.2 per cent compared to Kshs.237.04 million spent in FY 2017/18.

3.2.8 Budget Performance by County Department

Table 3.6 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.6: Bomet County, Budget Performance by Department in FY 2018/19

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
County Executives	540.82	-	496.33	-	493.49	-	99.4	-	91.2	-
Public Service Board	56.47	-	56.44	-	55.18	-	97.8	-	97.7	-
Administration	432.49	125.19	423.98	50.85	429.69	41.03	101.3	80.7	99.4	32.8
ICT	42.22	16.56	38.42	-	39.76	4.75	103.5		94.2	28.7

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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
Finance	356.66	50.93	350.89	11.00	342.20	16.11	97.5	146.4	95.9	31.6
Economic Planning & Development	194.73	-	131.35	-	130.92	-	99.7		67.2	-
Lands & Urban Planning	206.03	254.82	205.50	198.25	164.29	209.87	79.9	105.9	79.7	82.4
Youth, Sports, Gender and Culture	152.58	36.50	123.47	11.62	149.63	33.15	121.2	285.4	98.1	90.8
Agriculture, Livestock and Cooperatives	264.05	355.84	251.70	197.91	202.42	207.46	80.4	104.8	76.7	58.3
Medical Services and Public Health	1,259.52	381.91	1,219.04	371.65	1,252.46	144.30	102.7	38.8	99.4	37.8
Water, Sanitation and Environment	159.82	280.77	151.39	233.45	148.29	178.02	98.0	76.3	92.8	63.4
Education and Vocational Training	636.14	149.35	634.85	68.21	589.66	132.39	92.9	194.1	92.7	88.6
Roads, Public Works and Transport	206.61	969.04	198.81	822.41	170.26	959.91	85.6	116.7	82.4	99.1
Trade, Energy, Tourism and Industry	52.10	149.26	51.60	52.26	40.08	90.64	77.7	173.4	76.9	60.7
County Assembly	625.90	177.65	570.50	43.93	613.33	44.61	107.5	101.5	98.0	25.1
TOTAL	**5,186**	**2,948**	**4,904**	**2,062**	**4,822**	**2,062**	**98.3**	**100.0**	**93.0**	**70.0**

Source: *Bomet County Treasury*

Analysis of expenditure by department shows that the Department of Roads, Public Works and Transport recorded the highest absorption rate of development budget at 99.1 while the County Assembly recorded the lowest at 25.1 per cent. The Department of Administration and the Department of Medical Services and Public Health had the highest percentage of recurrent expenditure to recurrent budget at 99.4 per cent, while the Department of Economic Planning Development had the lowest at 67.2 per cent.

3.2.9 Key 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 from 46.9 per cent in FY 2017/18 to 70 per cent in the reporting period.
ii. Automation of revenue collection which has led to improved revenue performance. The own revenue collection improved by 16.3 per cent from Kshs.181.38 million in FY 2017/18 to Kshs.210.93 million in the reporting period

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

1. Late submission of reports on financial and non-financial performance by the County Treasury. The quarterly report for the reporting period was not submitted on time contrary to Section 166 of the PFM Act, 2012.
2. The County's wage bill has remained high, having increased by 8 per cent from Kshs.2.43 billion in FY 2017/18 to Kshs.2.62 billion in the period under review. The increase in wage bill is due to continuous staff recruitment, which may result in unsustainable salary costs.

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

1. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*

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2. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments).*

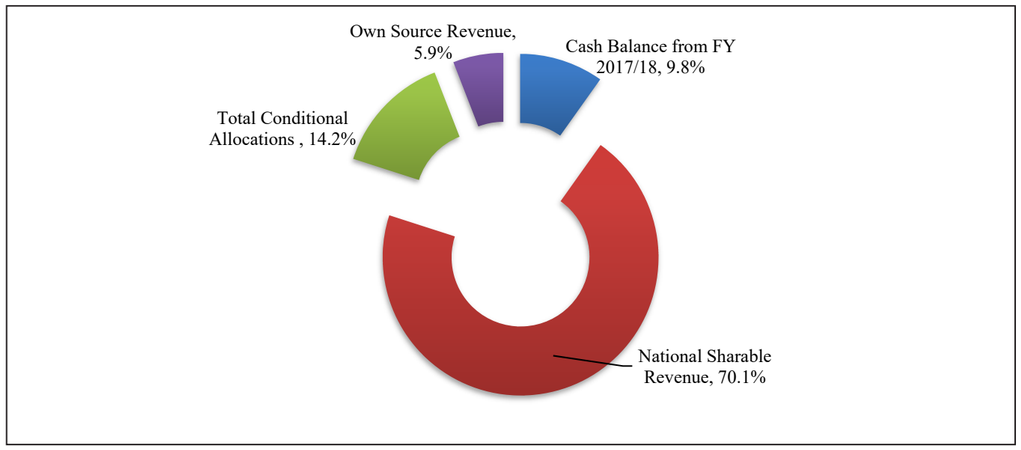
3.3 Bungoma County

3.3.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.12.77 billion, comprising of Kshs.8.57 billion (67.1 per cent) and Kshs.4.19 billion (32.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.95 billion (70.1 per cent) as equitable share of the revenue raised nationally, Kshs.1.81 billion (14.2 per cent) as total conditional grants, generate Kshs.753.18 million (5.9 per cent) from own sources of revenue, and Kshs.1.26 billion (9.8 per cent) cash balance from FY 2017/18.

Figure 3.9: Bungoma County, Expected Sources of Budget Financing in FY 2018/19



Source: *Bungoma County Treasury*

A breakdown of the conditional grants is provided in Table 3.7.

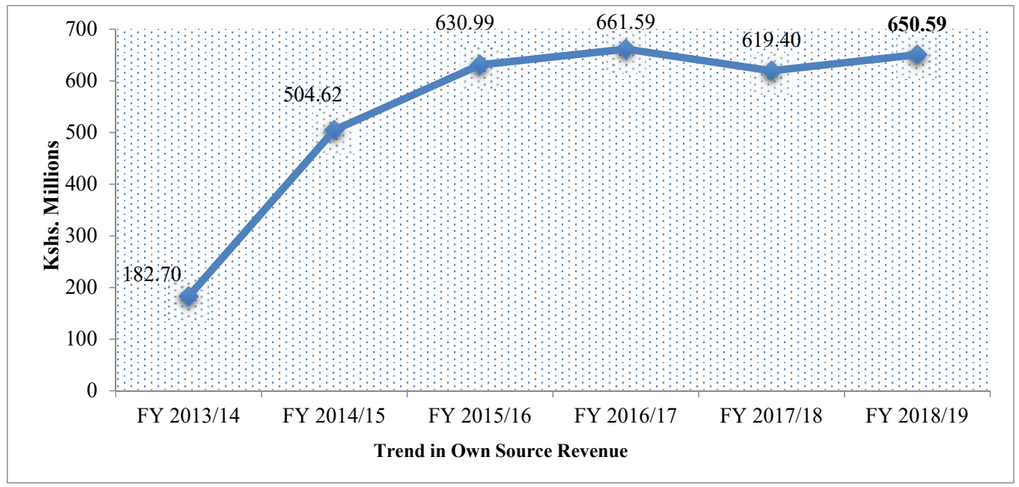
3.3.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.11.82 billion available for budget implementation. This amount consisted of Kshs.8.95 billion received as equitable share of the revenue raised nationally, Kshs.957.37 million as conditional grants, Kshs.650.59 million generated from own sources of revenue, and a cash balance of Kshs.1.26 billion from FY 2017/18.

Figure 3.10 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.10: Bungoma County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Bungoma County Treasury*

The County generated a total of Kshs.650.59 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.31.19 million compared to that realised in FY 2017/18 and was 86.4 per cent of the annual target.

3.3.3 Conditional Grants

During the reporting period, the County received Kshs.957.37 million as conditional grants as shown in Table 3.7.

Table 3.7: Bungoma County, Conditional Grants/Loans Received in the FY 2018/19

S/ No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	Road Maintenance Fuel Levy Fund	235,619,376	235,619,376	117,809,688	50.0
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	Kenya Devolution Support Programme (KDSP)	58,329,310	74,742,386	212,537,789	284.4
4	Compensation for User Fee Foregone	32,838,307	32,837,307	32,837,307	100.0
5	DANIDA Grant	29,362,500	41,551,298	29,362,500	71.0
6	Agriculture, livestock fisheries and coop development: ASDSP II	22,404,685	22,404,685	-	-
7	Development of Youth Polytechnics	65,500,000	141,776,625	-	-
8	Water and natural resources	80,000,000	80,000,000	-	-
9	World Bank Loan for Transforming Health System for universal Care Project	100,000,000	115,388,909	72,564,291	73.0
10	World Bank Loan for National Agricultural & Rural Inclusive Project	140,435,163	181,550,578	50,078,476	36.0
11	Kenya Urban Support Project (KUSP)	342,177,100	342,177,100	342,177,100	100.0
Sub Total		**1,306,666,441**	**1,468,048,264**	**857,367,151**	**66.0**
B	**Other Grants**				

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S/ No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
13	Roads and Public works: RMLF	-	239,129,429	-	-
14	Sirisia Hospital Grant	-	99,999,945	99,999,945	-
Sub Total		-	339,129,374	99,999,945	-
Grand Total		**1,306,666,441**	**1,807,177,638.0**	**957,367,096.4**	**73.0**

Source: Bungoma County Treasury

During the reporting period, receipts from the Kenya Devolution Support Programme (KDSP) conditional grant recorded the highest performance in percentage terms, and accounted 284.4 percent of the annual target.

3.3.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.9.12 billion from the CRF account. The withdrawals represented 71.5 per cent of the Approved Supplementary Budget and translated to a decrease of 0.7 per cent from Kshs.9.06 billion in FY 2017/18 and comprised of Kshs.1.85 billion (20.3 per cent) towards development activities and Kshs.7.28 billion (79.7 per cent) for recurrent expenditure.

3.3.5 Overall Expenditure Review

A total of Kshs.9.57 billion was spent on both development and recurrent activities. This expenditure represented 104.9 per cent of the total funds released from the CRF account, and was an increase of 10.9 per cent from Kshs.8.63 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.198.62 million for development activities and Kshs.34.96 million for recurrent costs.

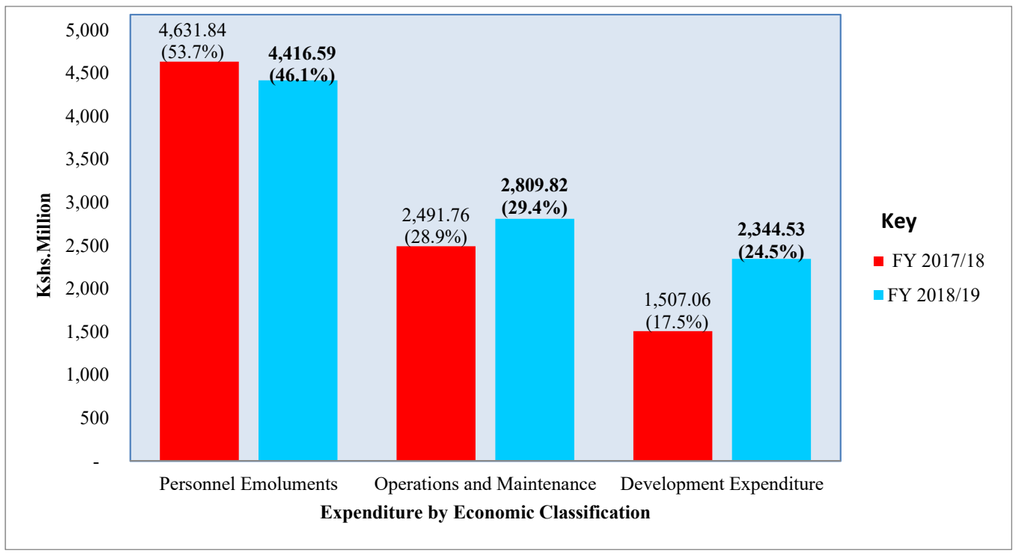
Expenditure on development programmes amounted to Kshs.2.34 billion while Kshs.7.23 billion was spent on recurrent activities. The development expenditure was 126.9 per cent of the funds released for development programmes, while recurrent expenditure was 99.3 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 55.9 per cent, which was an increase from 42.3 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 84.3 per cent of the annual recurrent budget, a decrease from 92.6 per cent recorded in FY 2017/18.

Figure 3.11 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.11: Bungoma County, Expenditure by Economic Classification



Source: Bungoma County Treasury

3.3.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.34 billion represented 55.9 per cent of the annual development expenditure estimates of Kshs.4.19 billion. Table 3.8 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.8: Bungoma County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2018/19 Project Expenditure (Kshs.)	Absorption rate (%)
1.	Construction of Office Block	County Assembly	220,972,464	56,561,575	25.6
2.	Procurement of Fertilizer	all 45 wards	101,686,974	40,418,500	39.7
3.	Procurement of certified maize seed	all 45 wards	32,462,500	31,543,866	97.2
4.	Construction of Intake, Pipeline And Tanks	Chebukwabi-Kibingei Water Project Phase 11	38,390,917	30,712,726	80.0
5.	Construction of storm water drainage	Bungoma town	37,257,250	28,358,395	76.1
6.	Establishment of a county processing plant	Webuye Sub County	56,918,708	27,207,968	47.8
7.	Purchase of GIS system	Survey office	17,983,952	13,730,000	76.3
8.	Construction of Theatre at Bumula Hospital	Bumula	12,000,000	10,709,630	89.2
9.	Construction of Periphery fence phase1	Mabanga ATC	9,029,585	8,199,866	90.8
10.	Rehabilitation of Buildings at Mabanga ATC	Mabanga ATC	8,370,445	7,820,743	93.4

Source: *Bungoma County Treasury*

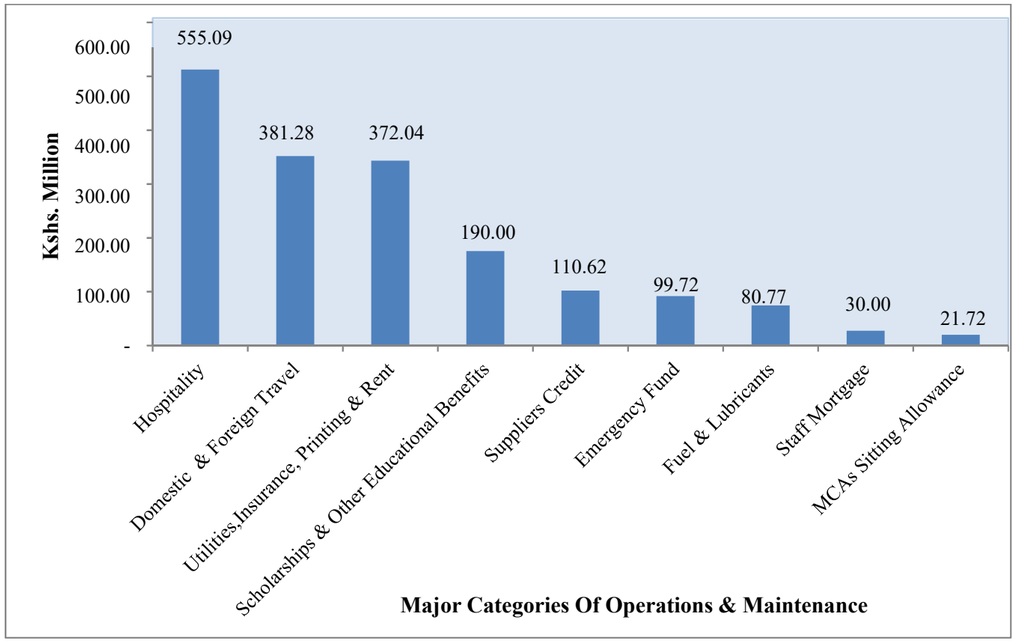
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3.3.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.7.23 billion comprised of Kshs.4.42 billion (61.1 per cent) incurred on personnel emoluments and Kshs.2.81 billion (38.9 per cent) on operations and maintenance as shown in Figure 3.11.

Expenditure on personnel emoluments represented a decrease of 4.6 per cent compared to FY 2017/18 when the County spent Kshs.4.63 billion and was 46.1 per cent of the total expenditure in FY 2018/19. Figure 3.12 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.12: Bungoma County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Bungoma County Treasury*

The County spent Kshs.21.72 million on committee sitting allowances for the 61 MCAs and Speaker against the annual budget allocation of Kshs.26.90 million. This represented a decrease of 24.3 per cent compared to Kshs.35.81 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.29,666 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.381.28 million, and comprised of Kshs.27.93 million spent by the County Assembly and Kshs.353.35 million by the County Executive. This expenditure represented 4.9 per cent of total recurrent expenditure and was an increase of 107.9 per cent compared to Kshs.183.42 million spent in FY 2017/18.

3.3.8 Budget Performance by County Department

Table 3.9 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.9: Bungoma County, Budget Performance by Department in FY 2018/19

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 and Co-operative Development	434.72	504.59	427.68	218.37	411.88	269.54	96.3	123.4	94.7	53.4
Tourism, Forestry ,Environment and Natural Resources	152.14	13.64	105.98	-	150.01	10.48	141.6	0.00	98.6	76.8
Water	46.12	499.87	45.71	355.98	45.74	266.64	100.1	74.9	99.2	53.3
Roads and Public Works	184.09	1,513.41	184.09	574.76	170.72	1,155.04	92.7%	201.0	92.7	76.3
Education, Science and ICT	1,106.31	436.12	1,104.56	132.99	1,054.82	154.44	95.5	116.1	95.3	35.4
Health and Sanitation	3,120.43	304.57	2,371.58	13.31	2,189.81	47.07	92.3	353.6	70.2	15.5
Trade, Energy and industrialization	52.61	142.71	52.61	35.12	41.64	100.85	79.1	287.	79.1	70.7
Land, Urban and Physical Planning	82.06	125.24	81.06	63.73	76.73	175.18	94.7	274.9	93.5	139.9
Gender, Culture, Youth and Sports	129.94	106.00	105.14	-	114.80	-	109.2	0.0	88.4	-
Finance and Planning	1,175.68	66.37	963.65	24.06	1,152.70	66.17	119.6	275.0	98.0	99.7
County Public Service	51.06	-	46.69	-	50.82	-	108.8	0.00	99.5	-
Governors & D/Governors Office	472.09	-	422.50	-	439.99	-	104.1	0.00	93.2	-
Public Administration& County Secretary	609.72	55.55	504.64	9.57	449.12	12.00	89.0	125.4	73.7	21.6
Housing	29.06	22.96	28.64	19.02	24.66	22.84	86.1	120.1	84.9	99.5
County Assembly	874.98	100.10	829.53	100.28	852.98	64.29	102.8	64.1	97.5	64.2
Municipal Boards	50.20	302.98	1.62	300.98	-	-	-	-	-	-
TOTAL	**8,571.21**	**4,194.11**	**7,275.68**	**1,848.17**	**7,226.41**	**2,344.53**	**99.3**	**126.9**	**84.3**	**55.9**

Source: *Bungoma County Treasury*

Analysis of expenditure by department shows that the Department of Land, Urban and Physical Planning recorded the highest absorption rate of development budget at 139.9 per cent while the Department of Health and Sanitation recorded the lowest at 15.5 per cent. The Department of County Public Service had the highest percentage of recurrent expenditure to its recurrent budget at 99.5 per cent while the Department of Health and Sanitation had the lowest at 70.2 per cent. The Municipal Boards did not record any expenditure in FY 2018/19.

3.3.9 Key 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 collection of own source revenue by 5 per cent from Kshs.619.40 million in FY 2017/18 to Kshs.650.59 million in the reporting period.

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

1. Late submission of reports on financial and non-financial performance by the County Treasury. The quarterly report for the reporting period was not submitted on time contrary to Section 166 of the PFM Act, 2012.
2. Although the wage bill has declined by 4.6 per cent from Kshs.4.63 billion in FY 2017/18 to Kshs.4.42 billion in the reporting period, the wage bill accounted for 46.1 per cent of total expenditure in the reporting period .

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3. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Land, Urban and Physical Planning. This is contrary to Section 135 and 154 of PFM Act, 2012.
4. High expenditure on foreign and domestic travel, which increased by 107.9 per cent from Kshs.183.42 million in FY 2017/18 to Kshs.381.28 million in the reporting period.

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

1. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
3. *The County Treasury should ensure expenditure is within the approved budget.*
4. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*

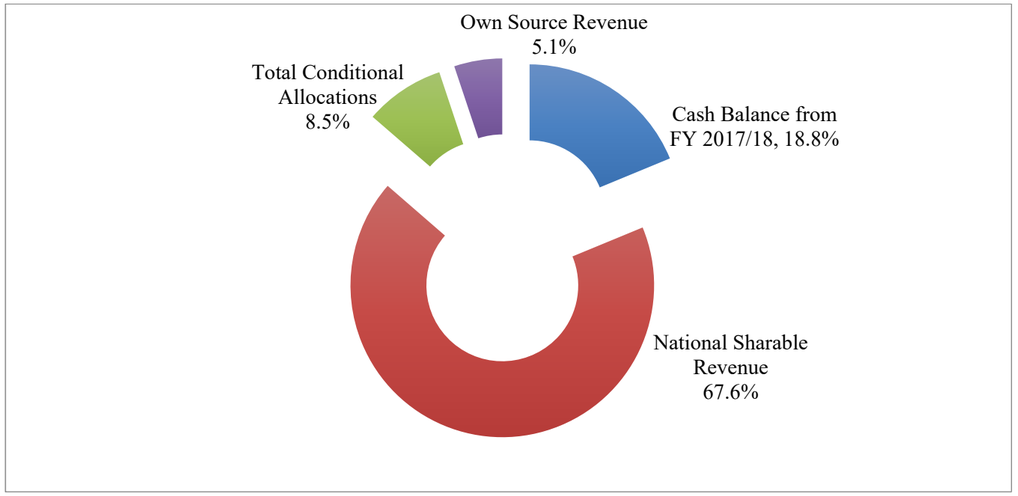
3.4 Busia County

3.4.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.8.83 billion, comprising of Kshs.5.15 billion (58.4 per cent) and Kshs.3.67 billion (41.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.97 billion (67.6 per cent) as equitable share of the revenue raised nationally, Kshs.750.44 million (8.5 per cent) as total conditional grants, generate Kshs.452.52 million (5.1 per cent) from own sources of revenue, and Kshs.1.66 billion (18.8 per cent) cash balance from FY 2017/18.

Figure 3.13: Busia County, Expected Sources of Budget Financing in FY 2018/19



Source: *Busia County Treasury*

A breakdown of the conditional grants is provided in Table 3.10.

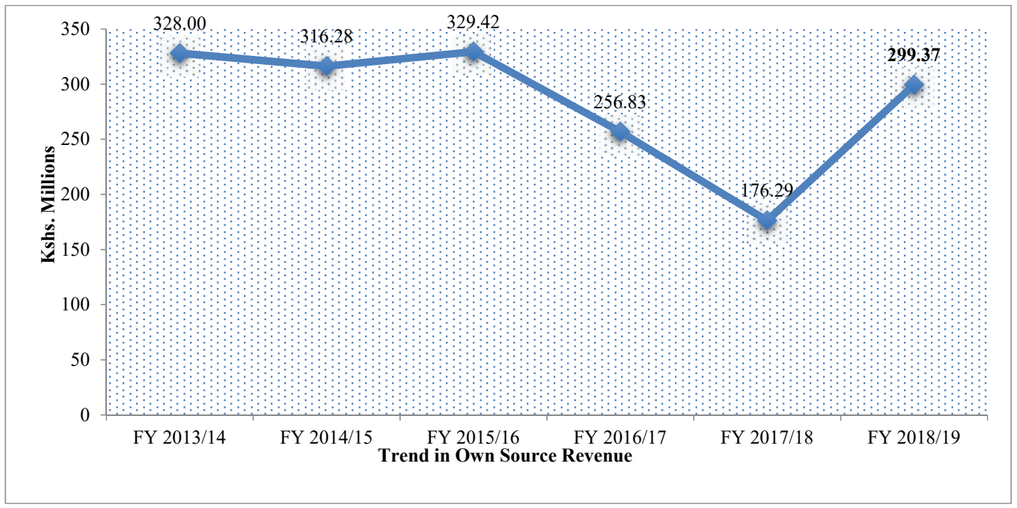
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3.4.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.8.83 billion available for budget implementation. This amount consisted of Kshs.5.97 billion received as equitable share of the revenue raised nationally, Kshs.580.59 million as conditional grants, Kshs.299.37 million generated from own sources of revenue, and a cash balance of Kshs.1.66 billion from FY 2017/18.

Figure 3.14 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.14: Busia County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Busia County Treasury*

The County generated a total of Kshs.299.37 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.123.08 million compared to that realised in FY 2017/18 and was 66.2 per cent of the annual target.

3.4.3 Conditional Grants

During the reporting period, the County received Kshs.580.59 million as conditional grants as shown in Table 3.10.

Table 3.10: Busia County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1.	Road Maintenance Fuel Levy Fund	157,079,584	157,079,584	157,079,584	100
2.	Kenya Devolution Support Programme (KDSP)	47,393,422	47,393,422	111,305,294	234.9
3.	Compensation for User Fee Foregone	16,934,085	16,934,085	16,934,085	100
4.	DANIDA Grant	19,541,250	19,541,250	19,541,250	100
5.	Kenya climate smart programme	117,000,000	117,000,000	41,146,884	35.2
6.	Development of Youth Polytechnics	61,960,000	61,960,000	46,779,800	75.5

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S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
7.	World Bank Loan for Transforming Health System for universal Care Project	86,622,298	86,622,298	37,651,624	43.5
8.	Kenya Urban Support Programme	101,071,500	101,071,500	101,071,500	100
9.	Kenya Urban Institutional Grant	41,200,000	41,200,000	41,200,000	100
Sub Total		**648,802,139**	**648,802,139**	**572,710,021**	**88.3**
B	**Other Grants**				
10.	Kenya Agricultural Support Grant	21,640,239	21,640,239	7,878,728	36.4
11.	Water Tower Protection and Climate Change Mitigation	80,000,000	80,000,000	-	-
Sub Total		**101,640,239**	**101,640,239**	**7,878,728**	**7.8**
Grand Total		**750,442,378**	**750,442,378**	**580,588,748**	**77.4**

Source: *Busia County Treasury*

During the reporting period, receipts from the Kenya Devolution Support Programme (KDSP) conditional grant recorded the highest performance in percentage terms, and accounted 234.9 per cent of the annual target.

3.4.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.7.30 billion from the CRF account. The withdrawals represented 82.7 per cent of the Approved Supplementary Budget and translated to an increase of 20.3 per cent from Kshs.6.07 billion in FY 2017/18 and comprised of Kshs.2.46 billion (33.8 per cent) towards development activities and Kshs.4.84 billion (66.2 per cent) for recurrent expenditure.

3.4.5 Overall Expenditure Review

A total of Kshs.6.65 billion was spent on both development and recurrent activities. This expenditure represented 91.1 per cent of the total funds released from the CRF account, and was an increase of 14.5 per cent from Kshs.5.81 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.285.76 million for development activities and Kshs.549.89 million for recurrent costs.

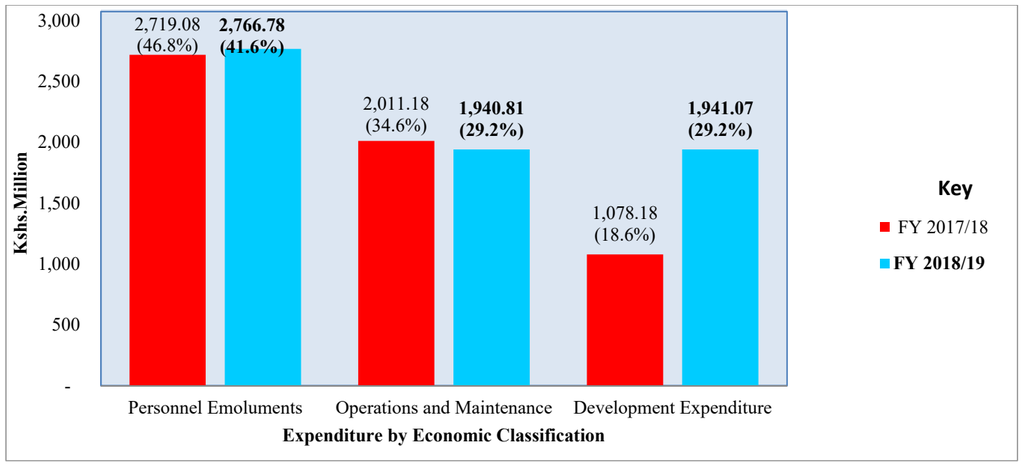
Expenditure on development programmes amounted to Kshs.1.94 billion while Kshs.4.71 billion was spent on recurrent activities. The development expenditure was 78.7 per cent of the funds released for development programmes, while recurrent expenditure was 97.3 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 52.8 per cent, which was an increase from 45.1 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 91.4 per cent of the annual recurrent budget, a decrease from 93.5 per cent recorded in FY 2017/18.

Figure 3.15 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.15: Busia County, Expenditure by Economic Classification



Source: *Busia County Treasury*

3.4.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.94 billion represented 52.8 per cent of the annual development expenditure estimates of Kshs.3.67 billion. The County did not provide a report on projects implemented in FY 2018/19.

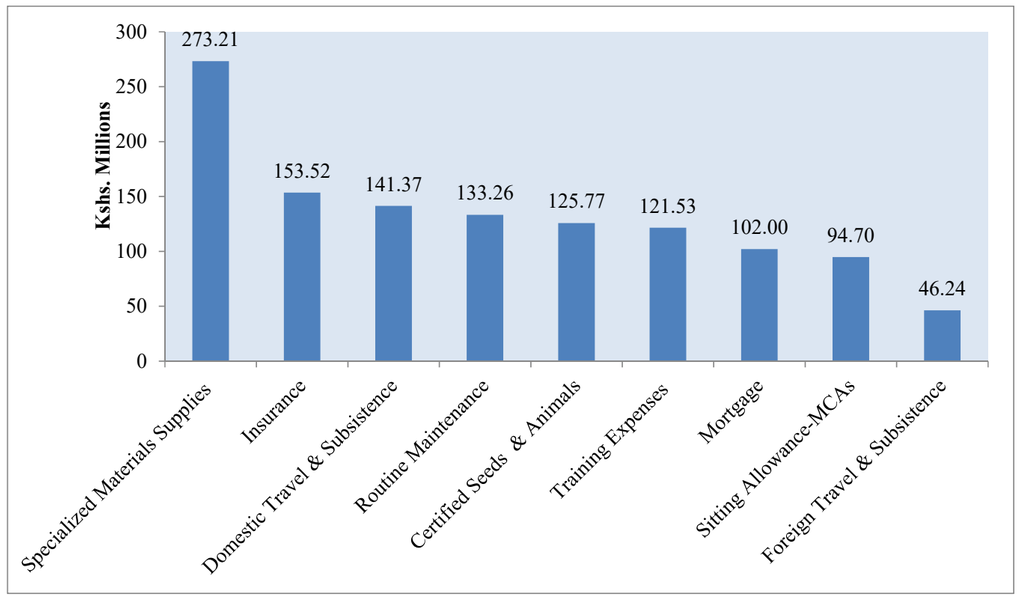
3.4.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.71 billion comprised of Kshs.2.77 billion (58.8 per cent) incurred on personnel emoluments and Kshs.1.94 million (41.2 per cent) on operations and maintenance as shown in Figure 3.15.

Expenditure on personnel emoluments represented an increase of 1.8 per cent compared to FY 2017/18 when the County spent Kshs.2.72 billion and was 41.6 per cent of the total expenditure in FY 2018/19. Figure 3.16 shows a summary of operations and maintenance expenditure by major categories.

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Figure 3.16: Busia County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Busia County Treasury*

The County spent Kshs.94.70 million on committee sitting allowances for the 54 MCAs and speaker against the annual budget allocation of Kshs.113.53 million. This represented an increase of 48.5 per cent compared to Kshs.48.69 million spent in of FY 2017/18. The average monthly sitting allowance translated to Kshs.146,149 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.187.61 million, and comprised of Kshs.78.07 million spent by the County Assembly and Kshs.109.53 million by the County Executive. This expenditure represented 4 per cent of total recurrent expenditure and was a decrease of 0.4 per cent compared to Kshs.188.31 million spent in FY 2017/18.

3.4.8 Budget Performance by County Department

Table 3.11 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.11: Busia County, Budget Performance by Department in FY 2018/19

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	
Agriculture and Animal Resources	236.3	420.1	204.5	250.9	207.2	193.5	101.3	77.1	87.7	46.1
Trade, Cooperatives and Industrialization	58.9	138.0	49.5	68.8	50.6	38.5	102.4	55.9	85.9	27.9
Education and Vocational Training	476.2	275.1	283.8	132.7	330.3	201.5	116.4	151.9	69.4	73.2
Finance, Economic Planning and ICT	1,461.3	75.6	1,431.4	23.1	1,325.0	11.0	92.6	47.7	90.7	14.6

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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	
Youth, Culture, sports, Tourism and Social Services	76.9	110.6	76.9	85.3	74.3	109.3	96.5	128.2	96.5	98.9
Roads, Public Works, Energy and Transport	74.6	1,121.1	73.4	890.6	68.3	904.0	93.1	101.5	91.7	80.6
Public Service Management	50.6	-	50.6	-	45.3	-	89.6	-	89.6	-
Lands, Housing and urban Development	114.1	360.1	72.9	233.5	60.7	40.7	83.2	17.4	53.1	11.3
Water Environment and Natural Resources	126.1	473.5	122.6	295.9	116.2	191.1	94.8	64.6	92.2	40.4
Health and Sanitation	1,365.7	613.8	1,366.2	448.9	1,355.8	224.5	99.2	50.0	99.3	36.6
County Public Service Board	48.4	-	48.3	-	43.6	-	90.4	-	90.2	-
The Governorship	334.6	16.1	328.1	1.3	329.4	0.1	100.4	6.0	98.4	0.5
County Assembly	728.5	70.0	728.0	33.9	700.9	26.9	96.3	79.3	96.2	38.4
TOTAL	**5,152.3**	**3,674.2**	**4,836.3**	**2,464.9**	**4,707.6**	**1,941.1**	**97.3**	**78.7**	**91.4**	**52.8**

Source: Busia County Treasury

Analysis of expenditure by department shows that the Department of Youth, Culture, Sports and Tourism recorded the highest absorption rate of development budget at 98.9 per cent while the Governorship recorded the lowest at 0.5 per cent. The Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 99.3 per cent while the Department of Lands Housing and Urban development had the lowest at 53.1 per cent.

3.4.9 Key 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 collection of own source revenue by 16.6 per cent from 256.83 million in FY 2017/18 to Kshs.299.37 million FY 2018/19.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Failure by the County to provide a report on execution of development projects during the financial year. This is despite reporting development expenditure of Kshs.1.94 billion during the reporting period.
3. Increase in wage bill by 1.8 per cent from Kshs.2.72 billion in FY 2017/18 to Kshs.2.77 billion in the reporting period. The wage bill accounted for 41.6 per cent of total expenditure in FY 2018/19.

The County should implement the following measures 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.*
2. *The County Treasury should provide complete reports on financial and non-financial performance in line with Section 166 of the PFM Act, 2012.*
3. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

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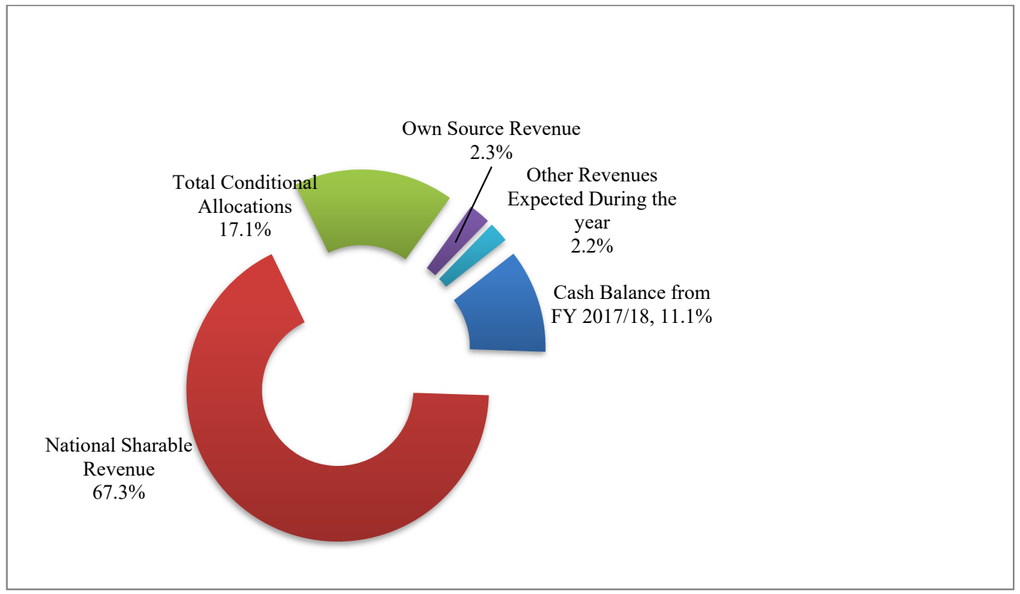
3.5 Elgeyo Marakwet County

3.5.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.5.60 billion, comprising of Kshs.3.14 billion (56.1 per cent) and Kshs.2.47 billion (43.9 per cent) allocation for recurrent and expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.77 billion (67.3 per cent) as equitable share of the revenue raised nationally, Kshs.959.44 billion (17.1 per cent) as total conditional grants, generate Kshs.130.44 million (2.3 per cent) from own sources of revenue, Kshs.620.90 million (11.1 per cent) cash balance from FY 2017/18, and Kshs.122.30 million (2.2 per cent) from other sources.

Figure 3.17: Elgeyo Marakwet County, Expected Sources of Budget Financing in FY 2018/19



Source: *Elgeyo Marakwet County Treasury*

A breakdown of the conditional grants is provided in Table 3.12.

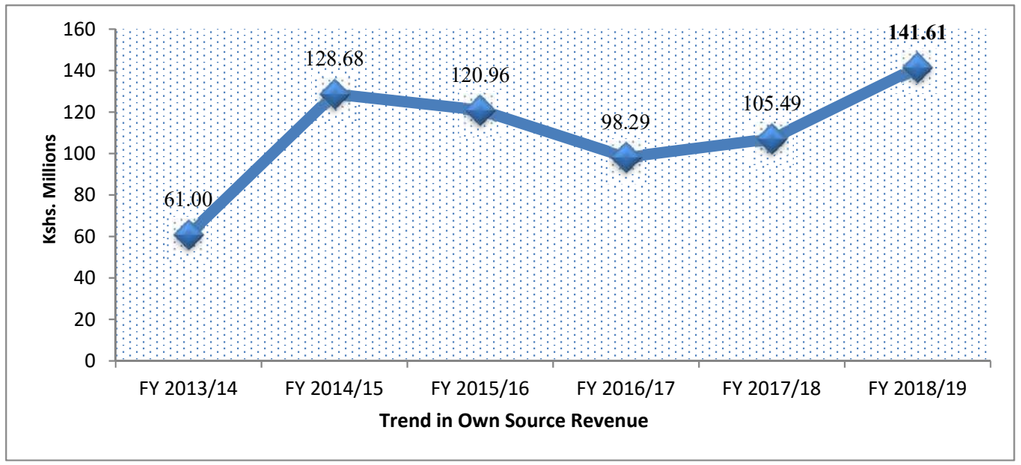
3.5.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.4.94 billion available for budget implementation. This amount consisted of Kshs.3.77 billion received as equitable share of the revenue raised nationally, Kshs.343.54 million as conditional grants, Kshs.141.61 million generated from own sources of revenue, cash balance of Kshs.620.90 million from FY 2017/18 and Kshs.66.50 million from other received revenue.

Figure 3.18 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.18: Elgeyo Marakwet County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Elgeyo Marakwet County Treasury*

The County generated a total of Kshs.141.61 million from own revenue sources in FY 2018/19. This amount represented an increase of 34.2 per cent compared to Kshs.105.49 million realised in FY 2017/18 and was 108.6 per cent of the annual target.

3.5.3 Conditional Grants

During the reporting period, the County received Kshs.343.54 million as conditional grants as shown in Table 3.12.

Table 3.12: Elgeyo Marakwet County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grant Details	Annual Allocation-CARA, 2018) (Kshs)	Annual Budget Allocation (Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
1	Compensation for User Fee Foregone	8,788,919	8,788,919	8,788,919	100
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	Road Maintenance Fuel Levy	99,208,158	201,183,138	99,208,159	49.3
4	Rehabilitation of Village Polytechnics	41,800,000	79,441,245	31,559,000	39.7
5	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	50,000,000	22,067,993	44.1
6	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	31,698,328	27.1
7	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	38,552,919	60,461,883	-	-
8	IDA (World Bank) -Kenya Urban Support Project (KUSP)	89,802,100	131,002,100	131,002,100	100.0
9	DANIDA - Universal Healthcare in Devolved System Programme	12,150,000	12,150,000	12,150,000	100.0
10	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	19,408,938	19,408,938	7,066,361	36.4
11	EU - Water Tower Protection and Climate Change Mitigation and Adoption Programme (WaTER)	80,000,000	80,000,000	-	-

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S/No	Grant Details	Annual Allocation-CARA, 2018) (Kshs)	Annual Budget Allocation (Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
12	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	-	-	-
	Sub Total	**797,911,034**	**959,436,223**	**343,540,860**	**35.8**
	Other Revenue Sources				
13	World Bank – Maternal Health	-	1,009,812	-	-
14	Savings from Staff Exists	-	54,797,763	-	-
15	Retention Monies	-	66,495,981	66,495,981	100.0
	Sub Total	**-**	**122,303,556**	**66,495,981**	**54.4**
Grand Total		**797,911,034**	**1,081,739,779**	**410,036,840**	**37.9**

Source: *Elgeyo Marakwet County Treasury*

During the reporting period, receipts from the Compensation for User Fee Foregone, and Kenya Urban Support Project (KUSP) conditional grants recorded the highest performance in percentage terms, and accounted 100 per cent of the annual target.

3.5.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.4.47 billion from the CRF account. The withdrawals represented 79.8 per cent of the Approved Supplementary Budget and translated to an increase of 9.8 per cent from Kshs.4.07 billion in FY 2017/18 and comprised of Kshs.1.35 billion (30.2 per cent) towards development activities and Kshs.3.12 billion (69.8 per cent) for recurrent expenditure.

3.5.5 Overall Expenditure Review

A total of Kshs.4.43 billion was spent on both development and recurrent activities. This expenditure represented 99.1 per cent of the total funds released from the CRF account, and was an increase of 14.5 per cent from Kshs.3.87 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.637.60 million for development activities and Kshs.37.27 million for recurrent costs.

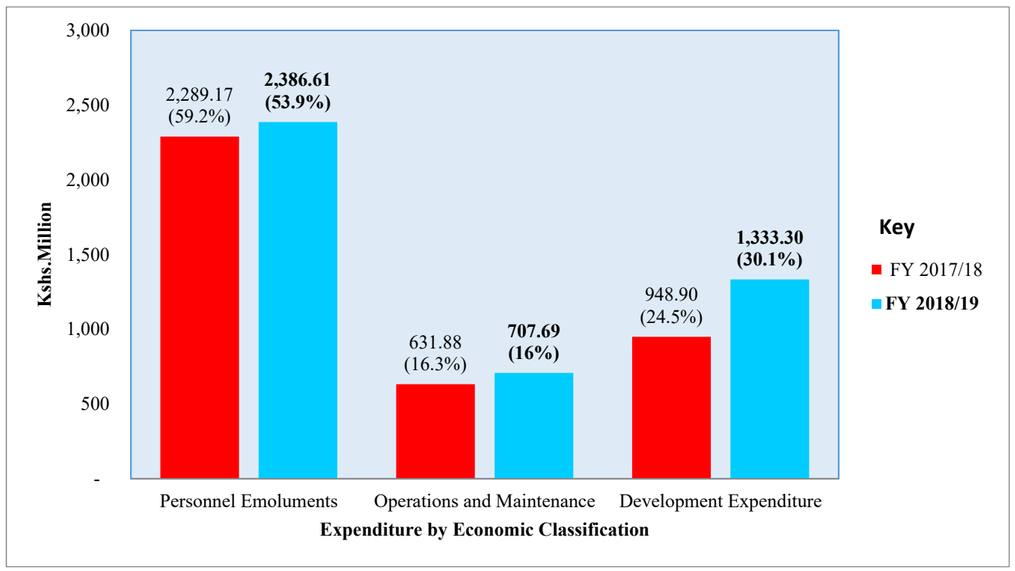
Expenditure on development programmes amounted to Kshs.1.33 billion while Kshs.3.09 billion was spent on recurrent activities. The development expenditure was 98.7 per cent of the funds released for development programmes, while recurrent expenditure was 99.2 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 54.1 per cent, which was an increase from 49 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 98.4 per cent of the annual recurrent budget, an increase from 97.2 per cent recorded in FY 2017/18.

Figure 3.19 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.19: Elgeyo Marakwet County, Expenditure by Economic Classification



Source: *Elgeyo Marakwet County Treasury*

3.5.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.33 billion represented 54.1 per cent of the annual development expenditure estimates of Kshs.2.47 billion. Table 3.13 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.13: Elgeyo Marakwet County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Opening, Construction and Maintenance of Salaba-Kabulwo Road	Emsoo	10,000,000	8,656,290	86.6
2	Grading and Murramming of Kipkochiro Benet - Kapsich - Tenden-Simat -Magoi- Lochin-Lamaon-Kabelio-Karmoson-Yatia-Kapchore-Kapsurgat-Jemunada	Cherangany	9,000,000	8,901,158	98.9
3	Emsoo Water Project	Emsoo	8,560,499	7,844,820	91.6
4	Supply of Spare Parts	All Wards	8,000,000	8,000,000	100.0
5	Supply of FMD	County	8,000,000	7,971,680	99.6
6	Maintenance of Chesubet – Kapkanyar – Kabaranget - Kipteber Primary Junction	Sengwer	8,000,000	5,945,380	74.3
7	Kochokwo/Kowoi Borehole and Muskut HF Water Tank	Soy North	6,550,591	6,254,054	95.5
8	Cheminya Water Project	Soy North	6,200,000	6,200,000	100.0
9	Opening and Maintenance of Kamui Dispensary -Marsitet Road	Kapsowar	6,000,000	5,830,755	97.2
10	Opening and maintenance of Taiya - Kiptengwer Road	Metkei	6,000,000	5,146,000	85.8

Source: *Elgeyo Marakwet County Treasury*

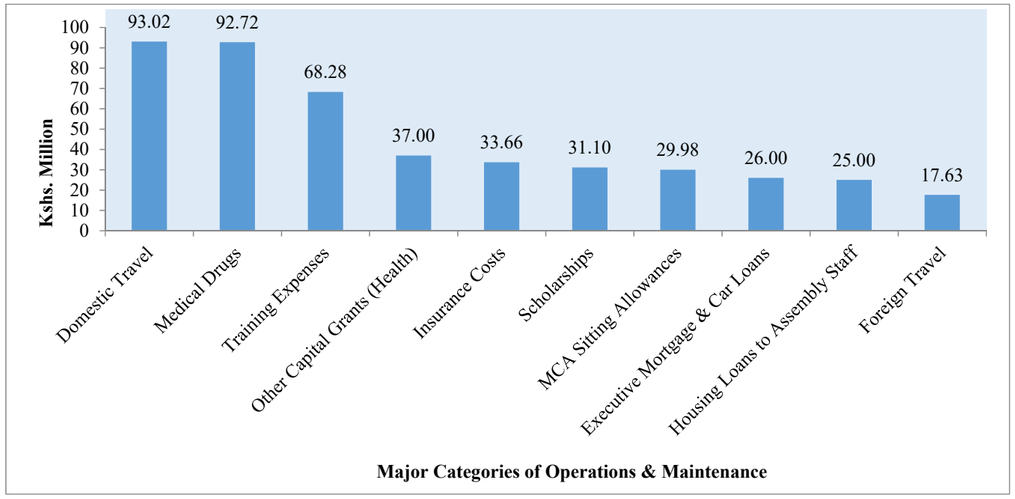
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3.5.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.09 billion comprised of Kshs.2.39 billion (77.3 per cent) incurred on personnel emoluments and Kshs.707.69 million (22.7 per cent) on operations and maintenance as shown in Figure 3.19.

Expenditure on personnel emoluments represented an increase of 4.3 per cent compared to FY 2017/18 when the County spent Kshs.2.29 billion and was 53.9 per cent of the total expenditure in FY 2018/19. Figure 3.20 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.20: Elgeyo Marakwet County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Elgeyo Marakwet County Treasury*

The County spent Kshs.29.98 million on committee sitting allowances for the 34 MCAs and Speaker against the annual budget allocation of Kshs.35.90 million. This represented a significant increase of 147 per cent compared to Kshs.12.13 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.71,370 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.110.65 million, and comprised of Kshs.82.72 million spent by the County Assembly and Kshs.27.93 million by the County Executive. This expenditure represented 3.6 per cent of total recurrent expenditure and was a significant increase of 74.3 per cent compared to Kshs.63.49 million spent in FY 2017/18.

3.5.8 Budget Performance by County Department

Table 3.14 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.14: Elgeyo Marakwet County, Budget Performance by Department in FY 2018/19

Department	Annual 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
County Assembly	566.84	1.13	566.64	1.13	566.48	1.13	100	100	99.9	100.
Office of the Governor	161.59	-	160.87	-	159.97	-	99.4	-	99.0	-
Finance and Economic Planning	243.24	-	235.09	-	219.38	-	93.3	-	90.2	-
Agriculture, and Irrigation	96.76	277.93	96.66	147.62	95.75	117.37	79.5	79.5	99.0	42.2
Education and Tech. Training	212.63	384.99	212.55	198.87	211.52	241.22	99.5	121.3	99.5	62.7
Health and Sanitation	1,384.06	478.89	1,378.81	149.76	1,378.90	137.59	100.0	91.9	99.6	28.7
Water, Lands, Environment & Climate Change	73.79	553.57	73.42	368.73	73.16	324.68	99.6	88.1	99.1	58.7
Roads, Public Works and Transport	65.28	478.05	65.10	292.82	63.97	328.28	98.3	112.1	98.0	68.7
Tourism, Culture, Wildlife, Trade & Industry	36.93	54.62	36.38	35.12	36.39	37.86	100.0	107.8	98.5	69.3
Youth Affairs, Sports, ICT & Social Services	36.77	117.76	36.39	75.22	35.07	72.02	96.4	95.7	95.4	61.2
Public Service Management & County Administration	108.49	76.67	108.01	43.48	107.28	35.01	99.3	80.5	98.9	45.7
County Public Service Board	55.44	0.48	54.86	0.48	54.26	479.00	98.9	100.0	97.9	100
Livestock Production, Fisheries & Cooperative Development	93.43	41.72	93.11	37.70	92.15	37.67	99.0	99.8	98.6	90.3
Total	**3,135.27**	**2,465.81**	**3,117.89**	**1,350.93**	**3,091.30**	**1,333.30**	**99.2**	**98.7**	**98.7**	**54.1**

Source: *Elgeyo Marakwet County Treasury*

Analysis of expenditure by department shows that the County Public service Board and County Assembly recorded the highest absorption rate of development budget at 100 while the Department of Health and Sanitation recorded the lowest at 28.7 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.9 per cent while the Department of Finance and Economic planning had the lowest at 90.2 per cent.

3.5.9 Key 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 the development budget from 49 per cent attained in FY 2017/18 to 54.1 per cent in the reporting period.
ii. Improvement in own source revenue collection by 34.2 per cent from Kshs.105.49 million collected in the FY 2017/18 to Kshs.141.61 million in the reporting period, which represented 108.6 per cent of annual target.

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

1. A high wage bill that increased by 4.4 per cent from Kshs.2.29 billion in the FY 2017/18 to Kshs.2.39 billion in the reporting period. The wage bill accounted for 53.9 per cent of total expenditure in the reporting period.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.

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3. Late submission of financial reports by the County Treasury to the OCOB, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
4. High expenditure on foreign and domestic travel, which increased by 74.3 per cent from Kshs.63.49 million in FY 2017/18 to Kshs.110.65 million in the reporting period.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
3. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of the PFM Act, 2012.*
4. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*

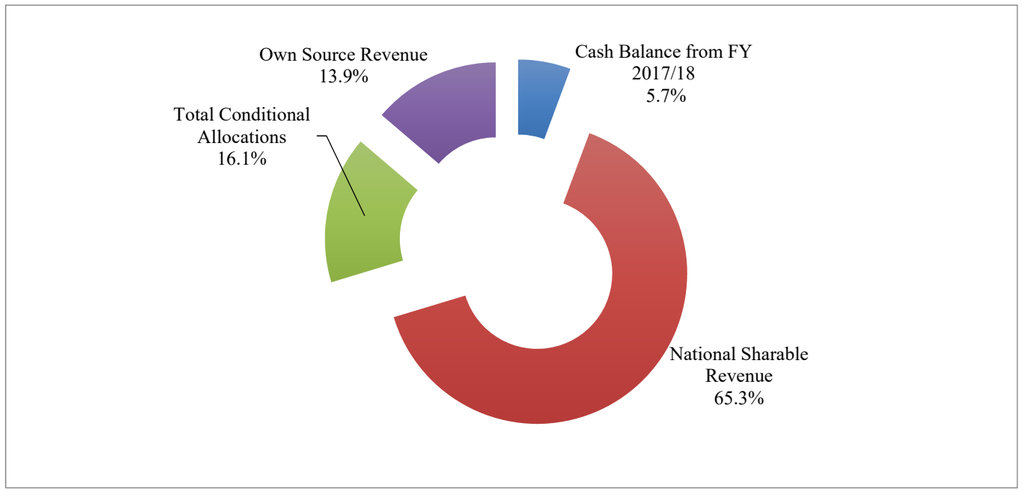
3.6 Embu County

3.6.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.6.83 billion, comprising of Kshs.4.66 billion (68.3 per cent) and Kshs.2.17 billion (31.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.46 billion (65.3 per cent) as equitable share of revenue raised nationally, Kshs.1.10 billion (16.1 per cent) as total conditional grants, generate Kshs.950 million (13.9 per cent) from own-source of revenue, and Kshs.389.88 million (5.7 per cent) cash balance from FY 2017/18.

Figure 3.21: Embu County, Expected Sources of Budget Financing in FY 2018/19



Source: *Embu County Treasury*

A breakdown of the conditional grants is provided in Table 3.15.

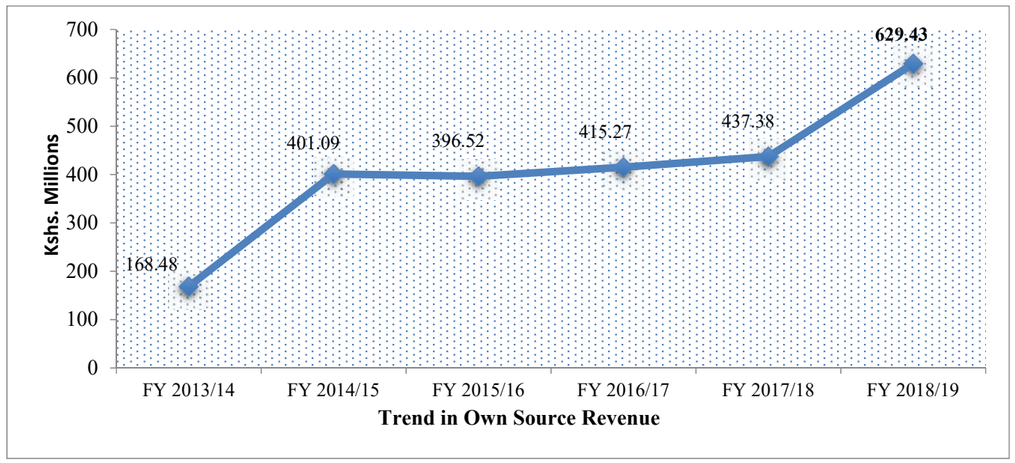
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3.6.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.6.17 billion available for budget implementation. This amount consisted of Kshs.4.46 billion received as equitable share of the revenue raised nationally, Kshs.692.68 million as conditional grants, Kshs.629.43 million generated from own sources of revenue, and a cash balance of Kshs.389.88 million from FY 2017/18.

Figure 3.22 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.22: Embu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Embu County Treasury*

The County generated a total of Kshs.629.43 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.192.05 million compared to that realised in FY 2017/18 and represented 66.3 per cent of the annual target.

3.6.3 Conditional Grants

During the reporting period, the County received Kshs.692.68 million as conditional grants as shown in Table 3.15.

Table 3.15: Embu County, Conditional Grants/Loans Received in the FY 2018/19

No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Grants to Level- 5 Hospital	301,040,462	301,040,462	301,040,462	100.0
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	50,078,476	35.7
4	IDA (World Bank) -Kenya Urban Support Project (KUSP)	119,892,100	119,892,100	119,892,100	100.0
5	Road Maintenance Fuel Levy	117,396,321	117,396,321	117,396,321	100.0
6	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	50,000,000	38,574,958	77.1

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No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
7	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	41,200,000	41,200,000	100.0
8	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	40,595,727	40,595,727	-	-
9	Rehabilitation of Village Polytechnics	37,900,000	37,900,000	-	-
10	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	17,741,363	23,241,363	-	-
11	DANIDA - Universal Healthcare in Devolved System Programme	13,770,000	13,770,000	13,770,000	100
12	Compensation for User Fee Foregone	10,724,225	10,724,225	10,724,225	100
Grand Total		**1,090,695,361**	**1,096,195,361**	**692,676,542**	**63.5**

Source: *Embu County Treasury*

During the reporting period, receipts from the grants to Level- 5 Hospital, Kenya Urban Support Project (KUSP), Road Maintenance Fuel Levy, DANIDA grant and Compensation for User Fee Foregone recorded the highest performance in percentage terms, and accounted 100 per cent of the annual target.

3.6.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.5.99 billion from the CRF account. The withdrawals represented 87.7 per cent of the Approved Supplementary Budget and translated to an increase of 11.2 per cent from Kshs.5.38 billion in FY 2017/18 and comprised of Kshs.1.43 billion (23.9 per cent) towards development activities and Kshs.4.55 billion (76.1 per cent) for recurrent expenditure.

3.6.5 Overall Expenditure Review

A total of Kshs.5.91 billion was spent on both development and recurrent activities. This expenditure represented 98.8 per cent of the total funds released from the CRF account, and was an increase of 16.8 per cent from Kshs.5.06 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.609.25 million for development activities and Kshs.439.69 million for recurrent costs.

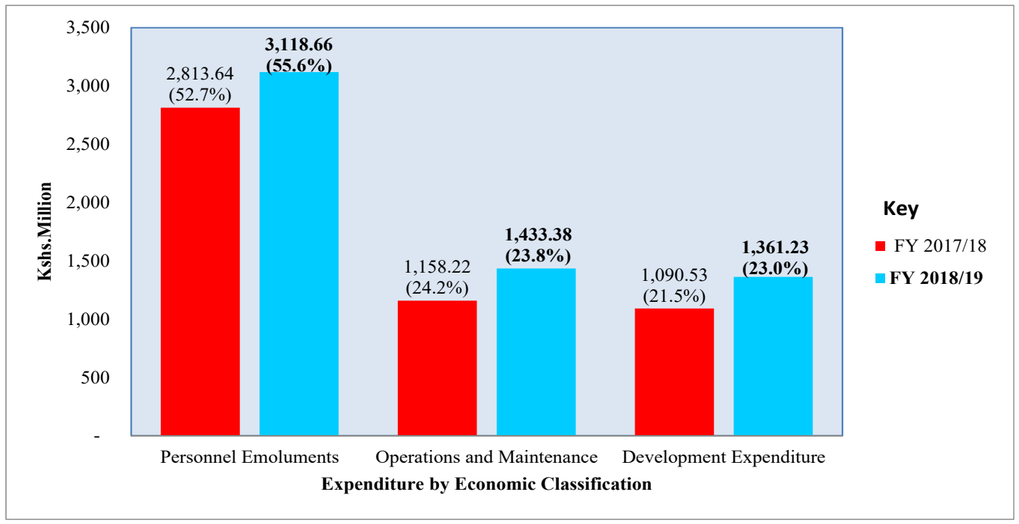
Expenditure on development programmes amounted to Kshs.1.36 billion while Kshs.4.55 billion was spent on recurrent activities. The development expenditure was 95 per cent of the funds released for development programmes, while recurrent expenditure was 100 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 62.8 per cent, which was an increase from 58.7 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 97.7 per cent of the annual recurrent budget, an increase from 92 per cent recorded in FY 2017/18.

Figure 3.23 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.23: Embu County, Expenditure by Economic Classification



Source: *Embu County Treasury*

3.6.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.36 billion represented 62.8 per cent of the annual development expenditure estimates of Kshs.2.17 billion. Table 3.16 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.16: Embu County, List of Development Projects with the Highest Expenditure in FY 2018/19

No	Project Name	Project Location	Project budget (Kshs.)	FY2018/19 Project Expenditure (Kshs.)	Absorption rate (%)
1	Geo-Referencing at Mwea 58 Parcels of Land-Other Parcels of Lands	Mwea Scheme	7,057,340	70,115,856	993.5
2	Tarmacking of Mukuuri/Nduuri Road	Runyenjes Central	147,728,002	59,155,331	40.0
3	Upgrading to Bitumen - Kwa Mutoi - Nduuri Road	Runyenjes Central	147,728,002	49,288,317	33.4
4	Construction of Badea Wards Phase II	Level 5- Kirimari	27,585,695	24,393,402	88.4
5	Rehabilitation of Bus Parks, Parking lots within CBD and Pedestrian Walkways along Beekay- Kubukubu Road; Rupingazi river to Governor's Office; Installation of Cabro Pavement on Mama Ngina Street	Kirimari	50,000,000	19,046,132	38.1
6	Equipping of Level 4 Hospitals-	Kianjokoma, Runyenjes, Ishiara, Siakago, Kiritiri, Kairuri	25,475,000	18,583,417	72.9
7	Tarmacking of Kutus Wholesalers-Kenya Power-Blue Valley Road (1.2KM), Rehabilitation of Kirimari Shell to Jatomy Supermarket	Kirimari	50,000,000	18,000,000	36.0
8	Rehabilitation Paving and Cabros for Runyenjes Town and Ishiara.	Runyenjes Town and Ishiara	50,800,000	17,362,160	34.2
9	Construction of Kindaruma, Mutuovare and Gitaru Mathigira Kenda Water Supply System	Kindaruma, Mutuovare and Gitaru Mathigira Kenda	17,228,000	17,228,000	100.0
10	Upgrading of Oxygen Plant	Level 5- Kirimari	88,000,000	17,000,000	19.3

Source: *Embu County Treasury*

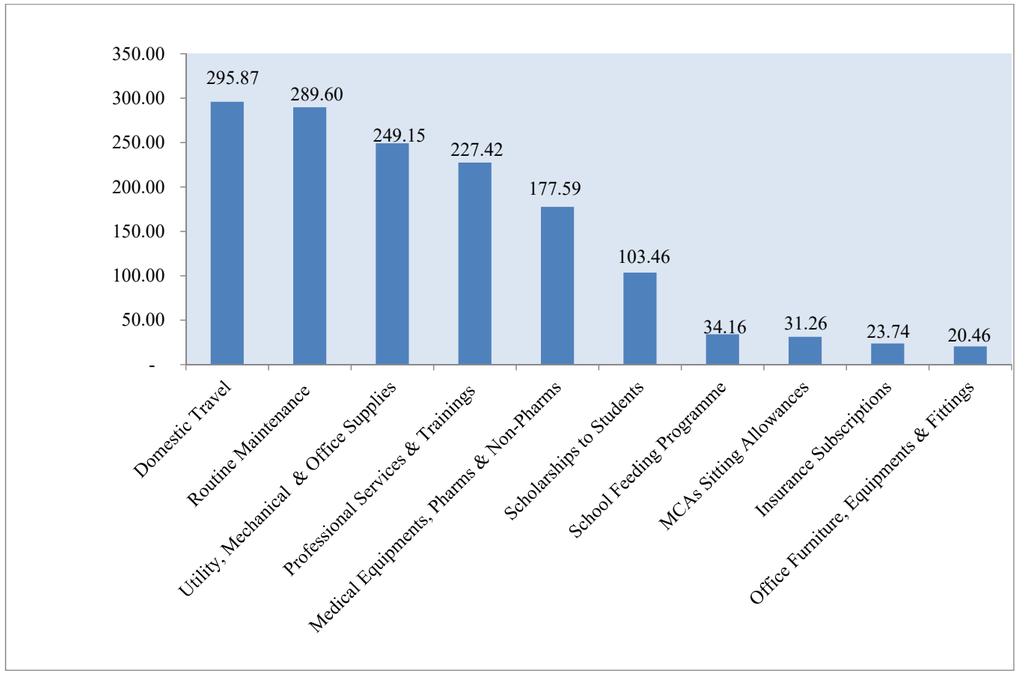
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3.6.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.55 billion comprised of Kshs.3.12 billion (68.5 per cent) incurred on personnel emoluments and Kshs.1.43 billion (31.5 per cent) on operations and maintenance as shown in Figure 3.23.

Expenditure on personnel emoluments represented an increase of 10.8 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.81 billion and was 55.6 per cent of the total expenditure in FY 2018/19. Figure 3.24 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.24: Embu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Embu County Treasury*

The County spent Kshs.31.26 million on committee sitting allowances for the 34 MCAs and Speaker against the annual budget allocation of Kshs.31.26 million. This represented a decrease of 3.4 per cent compared to Kshs.32.36 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.74,435 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.299.64 million, and comprised of Kshs.156.52 million spent by the County Assembly and Kshs.143.12 million by the County Executive. This expenditure represented 6.6 per cent of total recurrent expenditure and was an increase of 115.8 per cent compared to Kshs.138.85 million spent in FY 2017/18.

3.6.8 Budget Performance by County Department

Table 3.17 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.17: Embu County, Budget Performance by Department in FY 2018/19

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
Office of the Governor	171.89	-	171.89	-	168.82	-	98.2	0	98.2	-
County Public Service Board	27.72	-	27.72	-	27.13	-	97.9	-	97.9	-
Finance, Economic Planning	174.63	21.00	148.93	21.00	176.80	15.98	118.7	76.1	101.2	76.1
Education, Youth Empowerment & Sports	437.38	113.54	414.81	67.60	419.15	63.51	101.0	93.9	95.8	55.9
Health & Sanitation	1,929.10	247.23	1,900.43	101.03	1,928.88	74.11	101.5	73.4	100.0	30.0
Infrastructure, Public Works, Housing & Energy	68.32	854.29	68.32	676.73	66.28	717.56	97.0	106.0	97.0	84.0
Trade, Tourism, Investment & Industrialization	18.88	85.19	18.88	75.74	18.33	67.93	97.0	89.7	97.0	79.7
Agriculture, Livestock, Fisheries & Co-op Devt	379.28	160.23	379.28	76.61	300.15	59.39	79.1	77.5	79.1	37.1
Water, Environment & Natural Resources	57.38	83.82	57.38	26.91	51.35	57.16	89.5	212.4	89.5	68.2
Lands, Physical Planning & Urban Development	91.26	188.35	94.23	141.68	88.82	134.25	94.3	94.8	97.3	71.3
Gender, Culture, Children & Social Services	8.48	38.50	8.87	38.50	7.92	19.37	89.3	50.3	93.4	50.3
Public Service and Administration	468.45	11.00	468.45	11.00	507.83	10.99	108.4	100.0	108.4	100.0
Embu Level Five Hospital	235.45	291.12	235.45	195.78	234.52	140.96	99.6	72.0	99.6	48.4
County Assembly	592.74	72.00	558.04	-	556.07	-	99.6	-	93.8	0.0
TOTAL	**4,661.95**	**2,166.29**	**4,552.68**	**1,432.59**	**4,552.03**	**1,361.23**	**100.0**	**95.0**	**97.7**	**62.8**

Source: *Embu County Treasury*

Analysis of expenditure by department shows that the Department of Public Service and Administration recorded the highest absorption rate of development budget at 100 per cent while the Department of Health recorded the lowest at 30 per cent. The Department of Public Service and Administration had the highest percentage of recurrent expenditure to its recurrent budget at 108.4 per cent while the Department of Agriculture, Livestock, Fisheries & Co-operatives Development had the lowest at 79.1 per cent.

3.6.9 Key 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 own source revenue collection by 43.9 per cent from Kshs.437.38 million in the FY 2017/18 to Kshs.629.43 million in the reporting period.
ii. Improvement in absorption of the development budget by 24.8 per cent from Kshs.1.09 billion in FY 2017/18 to Kshs.1.36 billion in the reporting period.

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

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1. Inadequate budgetary control that resulted in expenditure above approved budget such as on "Geo-Referencing at Mwea 58 Parcels of Land-Other Parcels of Lands".This is contrary to Section 135 and 154 of PFM Act, 2012.
2. The County operationalised the Emergency Fund and spent Kshs.5.55 million before enactment of appropriate legislation as provided under Section 116 of the PFM Act, 2012.
3. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, Emergency Fund, Bursary Fund and the Youth and Women Funds contrary to Section 168 of the PFM Act, 2012.
4. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
5. A high wage bill that increased by 10.8 per cent from Kshs.2.81 billion in FY 2017/18 to Kshs.3.12 billion in the reporting period. The wage bill accounted for 55.6 per cent of total expenditure in the reporting period.

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

1. *The County Treasury should ensure expenditure is within the approved budget.*
2. *The County Treasury should enact legislation to operationalize the county Emergency Fund in compliance to section 116 of the PFM Act 2012*
3. *All Fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Section 168 of PFM Act 2012.*
4. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
5. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*

3.7 Garissa County

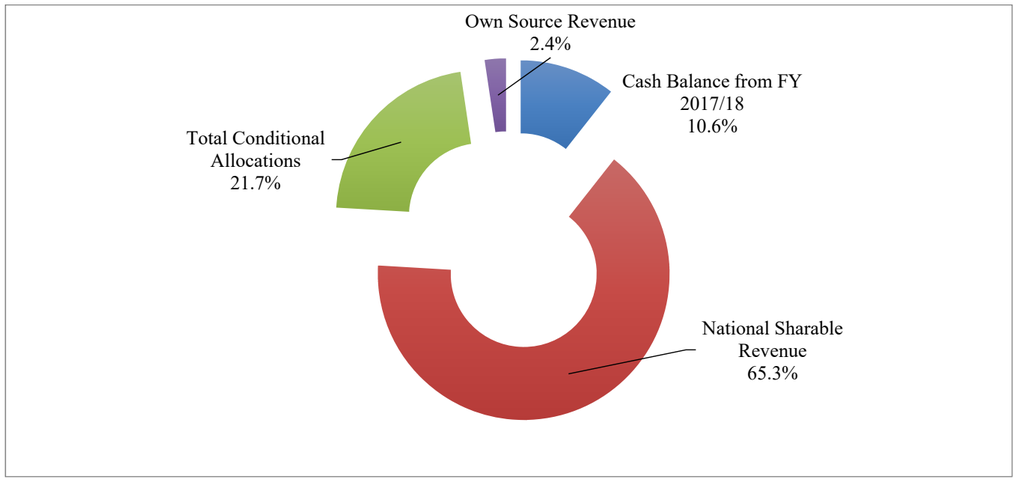
3.7.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.10.72 billion, comprising of Kshs.6.53 billion (60.9 per cent) and Kshs.4.19 billion (39.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.94. billion (65.3 per cent) as equitable share of the revenue raised nationally, Kshs.2.31 billion (21.7 per cent) as total conditional grants, generate Kshs.250 million (2.4 per cent) from own sources of revenue, and Kshs.1.13 billion (10.6 per cent) cash balance from FY 2017/18.

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Figure 3.25: Garissa County, Expected Sources of Budget Financing in FY 2018/19



Source: *Garissa County Treasury*

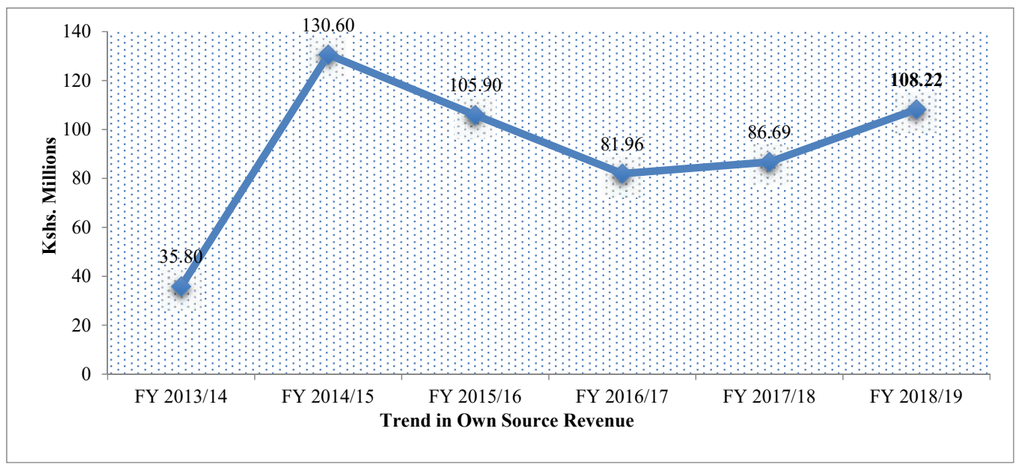
A breakdown of the conditional grants is provided in Table 3.18.

3.7.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.9.17 billion available for budget implementation. This amount consisted of Kshs.6.94 billion received as equitable share of the revenue raised nationally, Kshs.890.06 million as conditional grants, Kshs.108.22 million generated from own sources of revenue, and a cash balance of Kshs.1.13 billion from FY 2017/18.

Figure 3.26 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.26: Garissa County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Garissa County Treasury*

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The County generated a total of Kshs.108.22 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.21.53 million compared to that realised in FY 2017/18 and was 43.3 per cent of the annual target.

3.7.3 Conditional Grants

During the reporting period, the County received Kshs.890.06 million as conditional grants as shown in Table 3.18.

Table 3.18: Garissa County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grant Details	Annual Allocation-CARA, 2018) (Kshs)	Annual Budget Allocation (Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
1	Conditional Grants to Level - 5 Hospital	344,739,884.	344,739,884	344,739,884	100
3	Compensation for User Fee Foregone	12,964,636.	12,964,636	12,964,636	100
4	Leasing of Medical Equipment	200,000,000.	200,000,000	-	-
5	Road Maintenance Fuel Levy	182,708,358.	182,708,358	91,354,179	50
6	Grants to Youth polytechnic	35,355,000.	35,355,000	35,355,000	100
7	Transforming Health Systems for Universal Care Project (WB)	100,000,000	100,000,000	68,556,430	68.9
8	Water and Sanitation Development (World Bank)	1,000,000,000	1,000,000,000	-	-
9	Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	55,847,540	37.2
10	Kenya Devolution Support Project (KDSP) “Level 1 grant”	47,735,752	47,735,752	47,735,752	100
11	Kenya Urban Support Project (KUSP)	233,506,000	233,506,000	233,506,000	100
Total		**2,307,009,630**	**2,307,009,630**	**890,059,421**	**38.6**

Garissa County Treasury

During the reporting period, receipts from the Grants to Level -5 Hospital, Compensation for User Fess Foregone, grants to Youth Polytechnic, Kenya Devolution Support Project, and Kenya Urban Support Project conditional grant recorded the highest performance in percentage terms, and accounted 100 per cent respectively of the annual target.

3.7.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.8.84 billion from the CRF account. The withdrawals represented 82.5 per cent of the Approved Supplementary Budget and translated to an increase of 35.2 per cent from Kshs.6.54 billion in FY 2017/18 and comprised of Kshs.2.38 billion (26.9 per cent) towards development activities and Kshs.6.47 billion (73.1 per cent) for recurrent expenditure.

3.7.5 Overall Expenditure Review

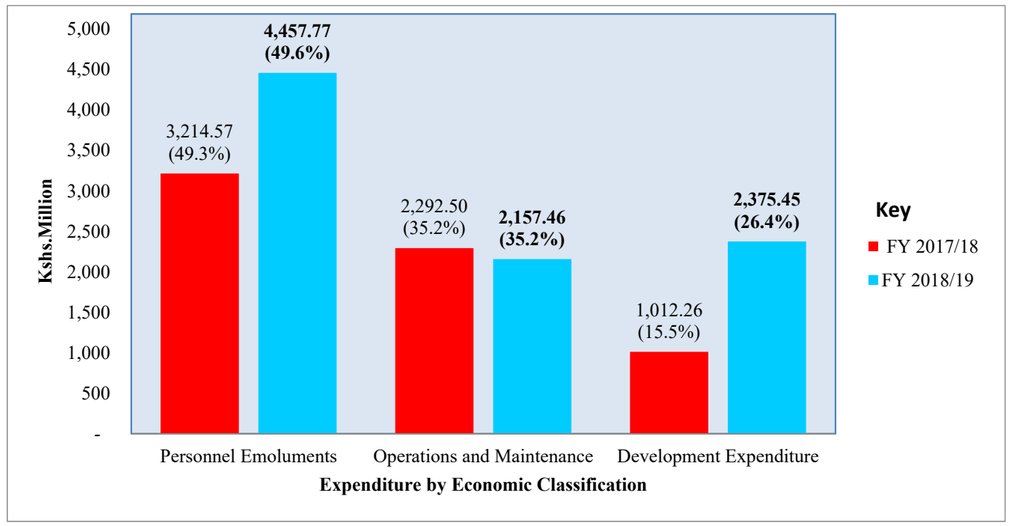
A total of Kshs.8.95 billion was spent on both development and recurrent activities. This expenditure represented 101.2 per cent of the total funds released from the CRF account, and was an increase of 37.3 per cent from Kshs.6.52 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.453.29 million for development activities and Kshs.167.35 million for recurrent costs.

Development expenditure recorded an absorption rate of 55.5 per cent, which was an increase from 42.2 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 101.3 per cent of the annual recurrent budget, an increase from 98.4 per cent recorded in FY 2017/18.

Figure 3.27 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.27: Garissa County, Expenditure by Economic Classification



***Source**: Garissa County Treasury*

3.7.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.38 billion represented 55.5 per cent of the annual development expenditure estimates of Kshs.4.19 billion. The County Treasury did not provide a complete report on projects implemented in FY 2018/19.

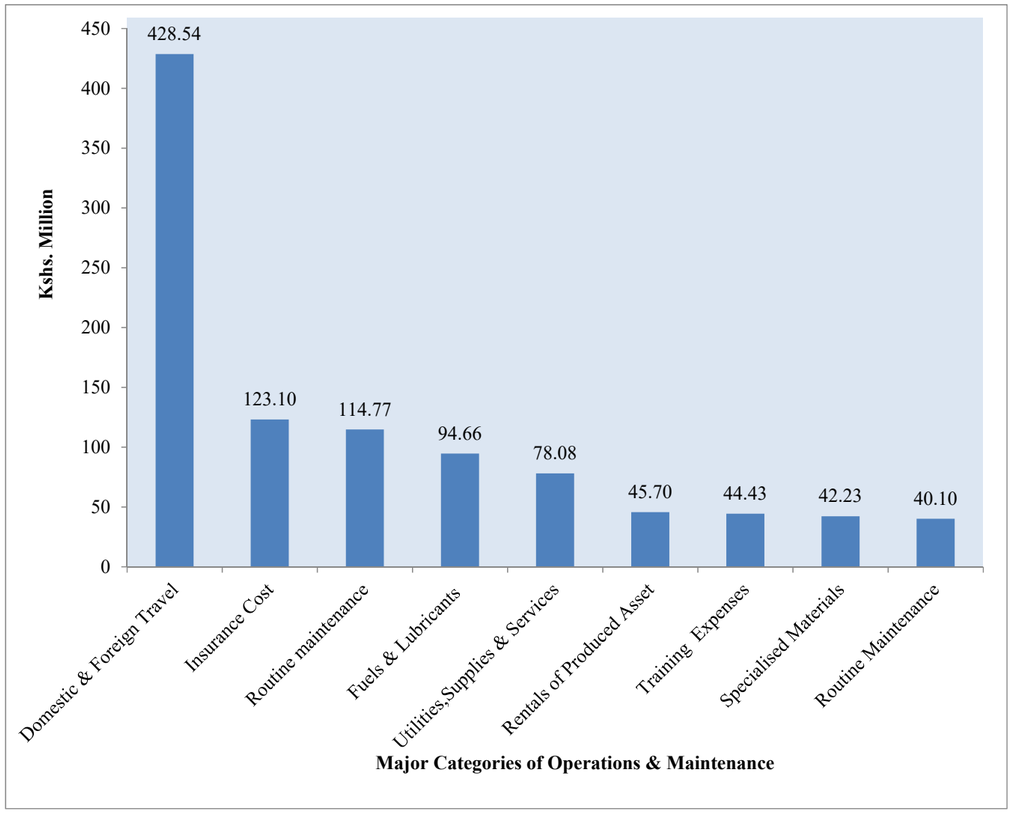
3.7.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.62 billion comprised of Kshs.4.46 billion (67.4 per cent) incurred on personnel emoluments and Kshs.2.16 billion (32.6 per cent) on operations and maintenance as shown in Figure 3.27.

Expenditure on personnel emoluments represented an increase of 38.7 per cent compared to FY 2017/18 when the County spent Kshs.3.21 billion and was 49.6 per cent of the total expenditure in FY 2018/19. Figure 3.28 shows a summary of operations and maintenance expenditure by major categories.

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Figure 3.28: Garissa County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: Garissa County Treasury

The County spent Kshs.60.09 million on committee sitting allowances for the 49 MCAs and Speaker against the annual budget allocation of Kshs.121.21 million. This represented an increase of 49.1 per cent compared to Kshs.41.72 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.102,203 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.428.54 million, and comprised of Kshs.112.04 million spent by the County Assembly and Kshs.316.50 million by the County Executive.

3.7.8 Budget Performance by County Department

Table 3.19 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.19: Garissa County, Budget Performance by Department in FY 2018/19

Department	Annual 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, & co-operatives	220.02	398.01	217.49	189.39	227.10	188.20	104.4	99.4	103.2	47.3
Environment, Energy and Natural resources	51.49	34.70	51.49	11.32	50.46	10.98	98.0	97.0	98.0	31.6
Roads and Transports	81.36	327.71	81.36	125.22	81.36	125.18	100.0	100.0	100.0	38.2
Trades, Enterprises Dev. and Tourism	108.94	71.33	98.69	56.60	97.99	37.10	99.3	65.5	89.9	52.0
Health and sanitation	2,456.77	549.93	2,456.75	326.79	2,455.89	324.60	100.0	99.3	100.0	59.0
Education and labour	838.74	106.63	824.09	95.49	823.92	94.37	100.0	98.8	98.2	88.5
County Assembly	747.19	50.00	747.01	7.50	746.04	7.50	99.9	100.0	99.8	15.0
Executives services	272.33	115.08	272.33	94.05	272.23	93.20	100.0	99.1	100.0	81.0
Finance and Economic Planning	1,058.72	265.00	1,048.62	278.71	1,188.96	268.60	113.4	96.4	112.3	101.4
Gender and Social Services	70.39	168.60	70.39	88.26	70.39	85.30	100.0	96.6	100.0	50.6
Water and Irrigation Services	167.61	1,626.02	167.61	651.59	167.01	650.17	99.6	99.8	99.6	40.0
Lands, Housing and Urban	408.89	480.71	386.32	443.16	384.30	441.84	99.5	99.7	94.0	91.9
County Public Services Board	46.05	-	46.05	-	48.89	-	106.2	0.0!	106.2	-
Total	**6,529.20**	**4,194.45**	**6,468.21**	**2,368.40**	**6,615.45**	**2,375.45**	**102.3**	**98.3**	**101.3**	**55.5**

Source: Garissa County Treasury

Analysis of expenditure by department shows that the Department of Finance and Economic Planning recorded the highest absorption rate of development budget at 91.9 per cent while the County Assembly recorded the lowest at 15 per cent. The Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 112.3 per cent while the Department of Trade, Enterprise Development and Tourism had the lowest at 89.9 per cent.

3.7.9 Key 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 own source revenue collection by 24.8 per cent from Kshs.86.68 million collected in the FY 2017/18 to Kshs.108.22 million in the reporting period.

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

1. High wage bill that increased by 38.7 per cent from Kshs.3.21 billion in FY 2017/18 to Kshs.4.46 billion during the period under review. The wage bill accounted for 49.6 per cent of the total expenditure in the reporting period.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County as required by Section 155 of the PFM Act, 2012.
3. Failure by the County to provide a report on execution of development projects during the financial year. This is despite reporting development expenditure of Kshs.2.38 billion during the reporting period.
4. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Finance and Economic Planning and the County Public Service Board. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure sustainable wage bill.*
2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
3. *The County Treasury should provide complete reports on financial and non-financial performance in line with Section 166 of the PFM Act, 2012.*
4. *The County Treasury should ensure expenditure is within the approved budget.*

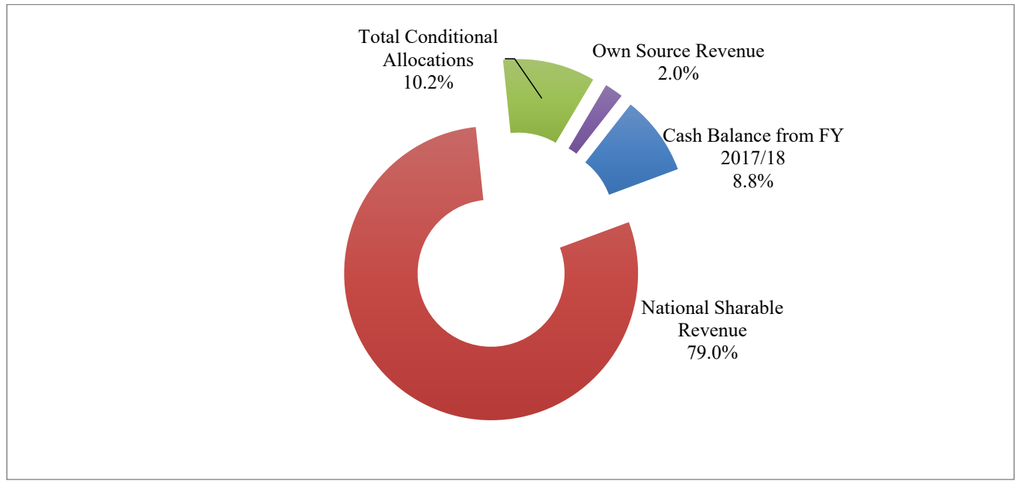
3.8 Homa Bay County

3.8.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.8.46 billion, comprising of Kshs.5.35 billion (63.2 per cent) and Kshs.3.11billion (36.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.69 billion (79 per cent) as equitable share of the revenue raised nationally, Kshs.861.94 million (10.2 per cent) as total conditional grants, generate Kshs.172.99 million (2 per cent) from own sources of revenue, and Kshs.744.20 million (8.8 per cent) cash balance from FY 2017/18.

Figure 3.29: Homa Bay County, Expected Sources of Budget Financing in FY 2018/19



Source: *Homa Bay County Treasury*

A breakdown of the conditional grants is provided in Table 3.20.

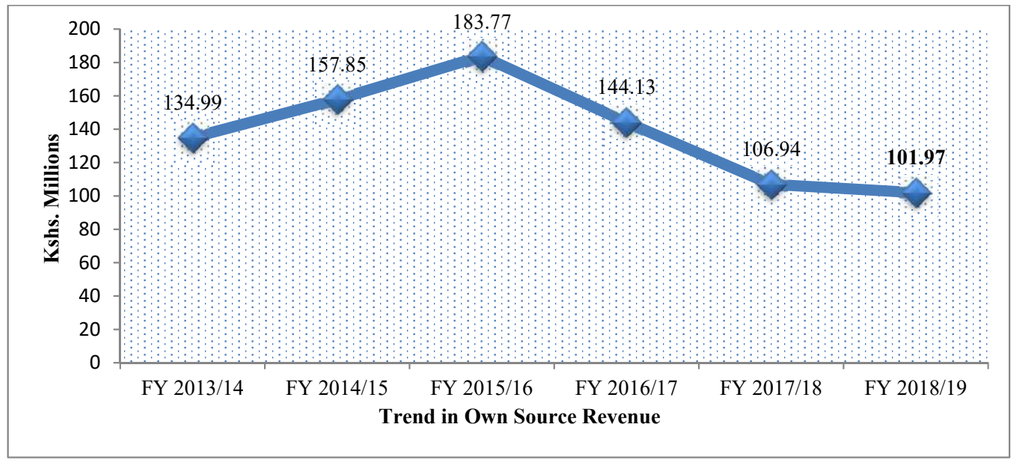
3.8.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.7.86 billion available for budget implementation. This amount consisted of Kshs.6.69 billion received as equitable share of the revenue raised nationally, Kshs.481.16 million as conditional grants, Kshs.101.97 million generated from own sources of revenue, and a cash balance of Kshs.591.16 million from FY 2017/18.

Figure 3.30 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.30: Homa Bay County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Homa Bay County Treasury*

The County generated a total of Kshs.101.97 million from own revenue sources in FY 2018/19. This amount represented a decrease of Kshs.4.97 million compared to that realised in FY 2017/18 and was 58.9 per cent of the annual target.

3.8.3 Conditional Grants

During the reporting period, the County received Kshs.481.16 million as conditional grants as shown in Table 3.20.

Table 3.20: Homa Bay County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
2	Road Maintenance Fuel Levy	176,094,481	176,094,481	132,070,861	75
3	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	57,775,478	41.1
4	Kenya Urban Support Project (KUSP)	160,561,500	119,361,500	160,561,500	100
5	Transforming Health Systems for Universal Care Project (WB)	85,820,342	85,820,342	41,265,527	48.1
6	Kenya Devolution Support Project (KDSP) "Level 1 grant"	49,500,526	49,500,526	-	-
7	Rehabilitation of Village Polytechnics	46,675,000	46,675,000	35,239,625	75.5
8	DANIDA Grant	21,870,000	21,870,000	21,870,000	100
9	Compensation for User Fee Foregone	22,185,346	22,185,346	22,185,346	100
10	Sweden-Agricultural Sector Development Support Programme (ASDSP)II	21,091,658	-	-	-
Sub Total		**924,234,016**	**861,942,358**	**470,968,337**	**51**
B	**Other Grants**				
11	UN Habitat - Nyakwere Market Upgrade	-	-	10,188,000	-

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S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
Sub Total		-	-	10,188,000	-
Grand Total		924,234,016	861,942,358	481,156,337	52.1

Source: *Homa Bay County Treasury*

During the reporting period, receipts from Kenya Urban Support Project (KUSP), DANIDA and Compensation for User Fee Foregone conditional grants recorded the highest performance in percentage terms, and accounted 100 per cent of the annual target respectively.

3.8.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.6.83 billion from the CRF account. The withdrawals represented 80.6 per cent of the Approved Supplementary Budget and translated to an increase of 8.4 per cent from Kshs.6.29 billion in FY 2017/18 and comprised of Kshs.1.50 billion (21.9 per cent) towards development activities and Kshs.5.33 billion (78.1 per cent) for recurrent expenditure.

3.8.5 Overall Expenditure Review

A total of Kshs.5.74 billion was spent on both development and recurrent activities. This expenditure represented 84.1 per cent of the total funds released from the CRF account, and was an increase of 11.4 per cent from Kshs.5.15 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.949.74 million for development activities and Kshs.89.70 million for recurrent costs.

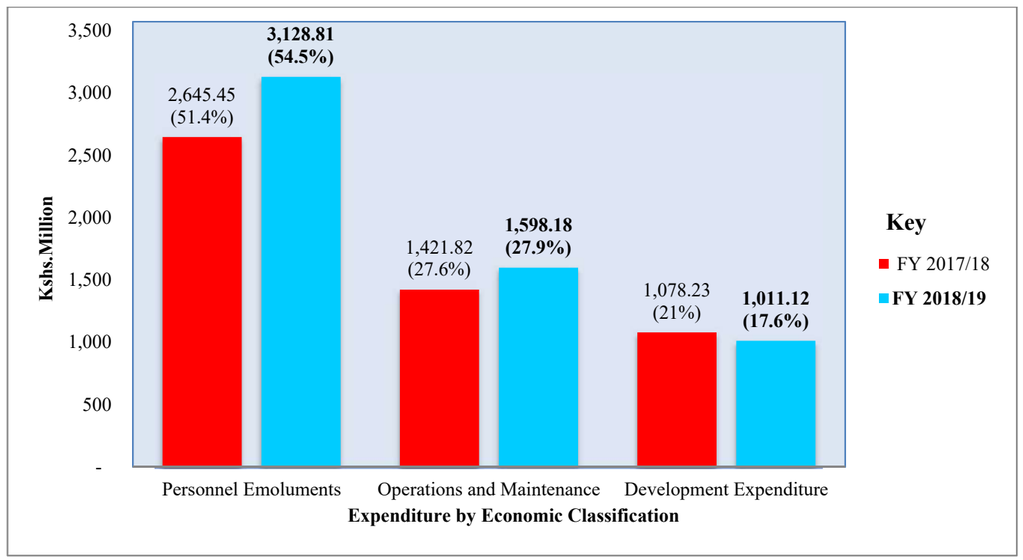
Expenditure on development programmes amounted to Kshs.1.01 billion while Kshs.4.73 billion was spent on recurrent activities. The development expenditure was 67.6 per cent of the funds released for development programmes, while recurrent expenditure was 88.7 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 32.5 per cent, which was a decrease from 42.8 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 88.3 per cent of the annual recurrent budget, an increase from 80.6 per cent recorded in FY 2017/18.

Figure 3.31 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.31: Homa Bay County, Expenditure by Economic Classification



Source: Homa Bay County Treasury

3.8.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.01 billion represented 32.5 per cent of the annual development expenditure estimates of Kshs.3.11 billion. Table 3.21 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.21: Homa Bay County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure (Kshs.)	Absorption rate (%)
1	Construction of Finance Department Offices	Homa Bay Town	47,004,390	35,153,621	74.8
2	Construction of Animal Feeds Factory	Arujo Ward	45,160,064	32,901,425	72.9
3	Upgrading of Nyakwere Market	Nyakwere Market	50,544,193	27,643,272	54.7
4	Refurbishment of Homa bay Referral Hospital	Homa bay Sub county	111,000,000	27,000,000	24.3
5	Construction of Homa Bay Municipal Market	Homa Bay Town	119,892,100	21,000,000	17.5
6	Installation of Revenue Collection Automated Machines	Across the County	18,093,200	18,093,200	100.0
7	Perimeter Wall Fencing of Homa Bay Stadium	Arujo Ward Homa -Bay Sub County	28,000,000	14,548,551	52.0
8	Construction of Maternity Block Rangwe	Rangwe Sub County	11,792,003	11,792,003	100.0
9	Maintenance of Ongeng- Nyagidha-Kaneto - Obera Road	North Kabuoch Ward	10,277,198	9,805,422	95.4
10	Market Solar Lighting	Suba and Mbita Sub Counties	10,368,000	9,518,000	91.8

Source: *Homa Bay County Treasury*

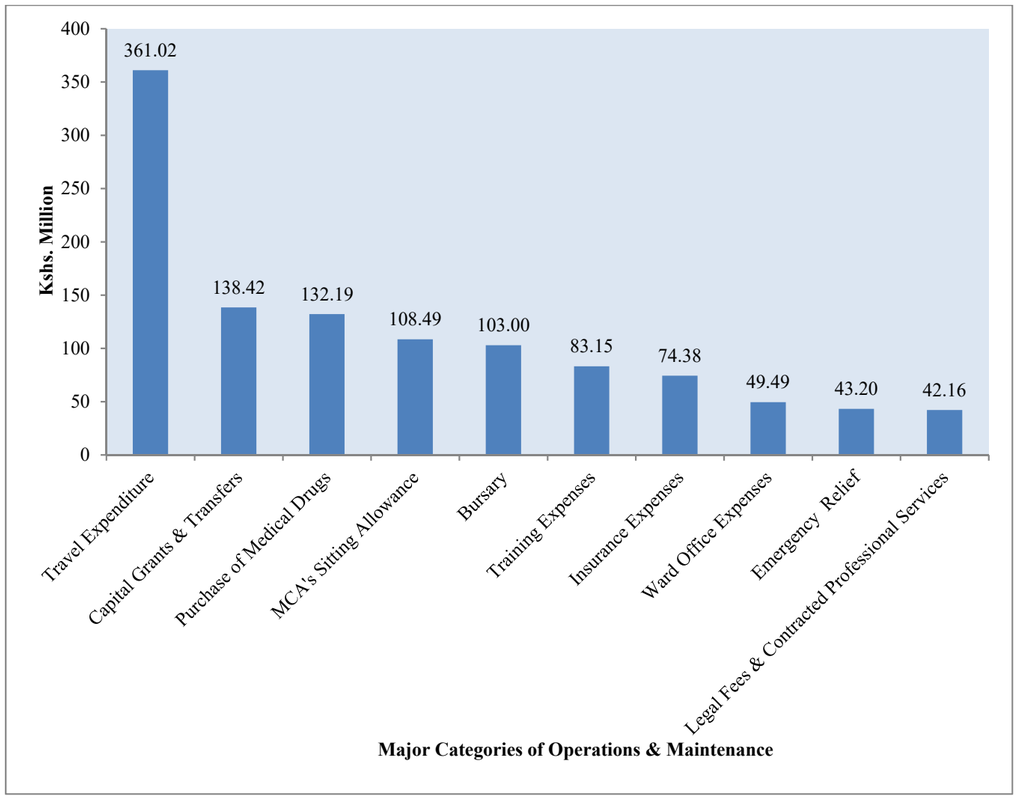
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3.8.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.73 billion comprised of Kshs.3.13 billion (66.2 per cent) incurred on personnel emoluments and Kshs.1.60 billion (33.8 per cent) on operations and maintenance as shown in Figure 3.31.

Expenditure on personnel emoluments represented an increase of 18.3 per cent compared to FY 2017/18 when the County spent Kshs.2.65 billion and was 54.5 per cent of the total expenditure in FY 2018/19. Figure 3.32 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.32: Homa Bay County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



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

The County spent Kshs.108.49 million on committee sitting allowances for the 61 MCAs and Speaker against the annual budget allocation of Kshs.108.49 million. This represented an increase of 157 per cent compared to Kshs.42.22 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.148,214 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.361.02 million, and comprised of Kshs.143.20 million spent by the County Assembly and Kshs.217.82 million by the County Executive.

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3.8.8 Budget Performance by County Department

Table 3.22 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.22: Homa Bay County, Budget Performance by Department in FY 2018/19

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 and Food Security	195.13	371.58	195.13	112.33	172.77	62.26	88.5	55.4	88.5	16.8
Tourism, Sports, Youth Gender, Culture and Social Services	88.20	203.14	88.20	4.85	75.67	3	85.8	61.9	85.8	1.5
Roads, Transport and Public Works	73.59	580.65	73.59	383.25	73.90	363.32	100.4	94.8	100.4	62.6
Energy and Mining	34.74	72.46	34.74	49.47	34.32	13.16	98.8	26.6	98.8	18.2
Education and ICT	517.71	172.56	517.71	116.82	462.77	47.03	89.4	40.3	89.4	27.3
Health Services	2,097.47	480.27	2,097.47	242.50	1,763.04	94.47	84.1	39	84.1	19.7
Lands, Housing, Urban Development and Physical Planning	77.67	226.13	77.67	143.11	66.03	87.92	85	61.4	85	38.9
Trade, Industry, Cooperatives and Enterprise Development	184.11	222.15	184.11	68.62	181.56	75.84	98.6	110.5	98.6	34.1
Water, Environment and Natural Resources	163.77	326.99	163.77	222.90	150.61	94.96	92	42.6	92	29
Finance, Economic Planning and Service Delivery	340.25	267.10	340.25	98.12	297.72	109.09	87.5	111.2	87.5	40.8
Office of the Governor	633.46	85	633.46	20.66	598.14	58.14	94.4	281.4	94.4	68.4
County Public Service Board	90.43	2	90.43		22.40	1.94	24.8	-	24.8	97
County Assembly	857.89	102.88	833.09	32.70	828.07	-	99.4	-	96.5	-
Total	**5,354.43**	**3,112.91**	**5,329.63**	**1,495.32**	**4,726.99**	**1,011.12**	**88.7**	**67.6**	**88.3**	**32.5**

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

Analysis of expenditure by department shows that the Office of the Governor recorded the highest absorption rate of development budget at 68.4 while the County Assembly did not spend on development activities. The Department of Roads, Transport and Public Works had the highest percentage of recurrent expenditure to recurrent budget at 100.4 per cent while the County Public Service Board had the lowest at 24.8 per cent.

3.8.9 Key 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.

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

1. Late submission of financial and non-financial performance reports by the County Treasury to the COB, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
3. High wage bill that increased by 18.3 per cent from Kshs.2.65 billion in FY 2017/18 to Kshs.3.13 billion in the reporting period. The wage bill accounted for 54.5 per cent of total expenditure in the

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reporting period.

4. Delay by Fund Administrators to submit expenditure reports to the COB of the Car Loan and Mortgage Fund and Bursary Fund contrary to Section 168 of the PFM Act, 2012.
5. Under-performance in own-source revenue collection, which declined by 4.6 per cent from Kshs.106.94 million in FY 2017/18 to Kshs.101.97 million in the reporting period.
6. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Roads, Transport and Public Works. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial and non-financial performance reports in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*
4. *All Fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Section 168 of PFM Act 2012.*
5. *The County Treasury should address the under-performance of own-source revenue in order to enhance budget execution.*
6. *The County Treasury should ensure expenditure is within the approved budget.*

3.9 Isiolo County

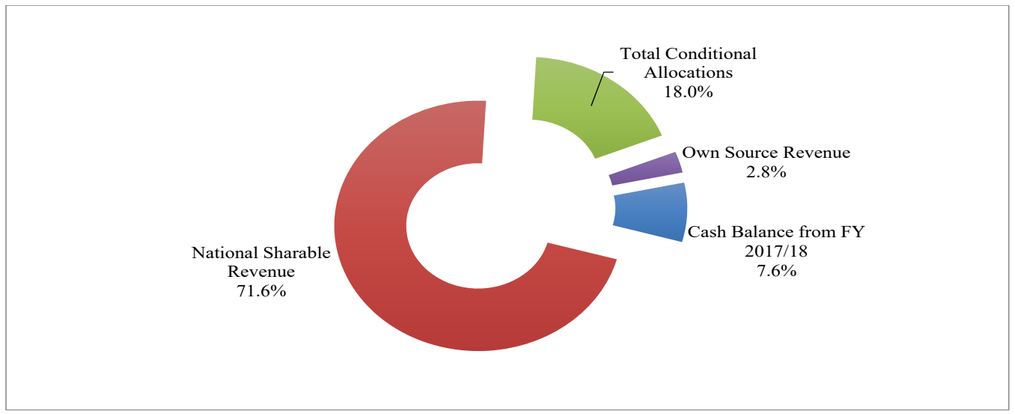
3.9.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.5.48 billion, comprising of Kshs.1.86 billion (33.9 per cent) and Kshs.3.62 billion (66.1 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.93 billion (71.6 per cent) as equitable share of the revenue raised nationally, Kshs.989.58 million (18 per cent) as total conditional grants, generate Kshs.150.86 million (2.8 per cent) from own sources of revenue, and Kshs.418.66 million (7.6 per cent) cash balance from FY 2017/18.

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Figure 3.33: Isiolo County, Expected Sources of Budget Financing in FY 2018/19



Source: *Isiolo County Treasury*

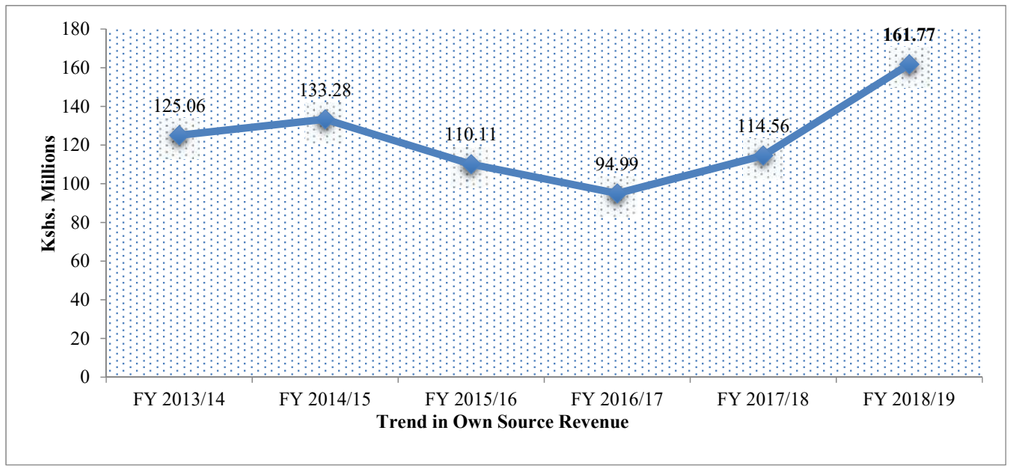
A breakdown of the conditional grants is provided in Table 3.23.

3.9.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.4.98 billion available for budget implementation. This amount consisted of Kshs.3.93 billion received as equitable share of the revenue raised nationally, Kshs.475.8 million as conditional grants, Kshs.161.77 million generated from own sources of revenue, and a cash balance of Kshs.418.66 million from FY 2017/18.

Figure 3.34 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.34: Isiolo County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Isiolo County Treasury*

The County generated a total of Kshs.161.77 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.47.21 million compared to that realised in FY 2017/18 and was 107.2 per cent of the annual target.

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3.9.3 Conditional Grants

During the reporting period, the County received Kshs.475.8 million as conditional grants as shown in Table 3.23.

Table 3.23: Isiolo County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	World Bank Loan for Climate Smart Agriculture Project	150,000,000	150,000,000	32,966,823	22
2	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
3	Road Maintenance Fuel Levy Fund	103,341,833	103,341,833	77,506,374	75
4	Urban Support Project- Development	93,968,100	93,968,100	93,968,100	100
5	World Bank Loan for Transforming Health System for universal Care Project	66,229,830	66,229,830	40,147,057	60.6
6	Urban Support Project- Recurrent (2017/18+2018/19)	41,200,000	41,200,000	41,200,000	100
7	Sweden Agricultural Sector Development Support Programme (ASDSP)	22,028,970	22,028,970	8,020,256	36.4
8	Development of Youth Polytechnics	21,235,000	21,235,000	-	-
9	DANIDA Grant	12,656,250	12,656,250	12,656,250	100
10	Kenya Devolution Support Programme	38,668,826	38,668,826	-	-
11	Food and Agriculture Organization of the United Nations-Livestock grant	-	9,023,720	-	-
12	Compensation for User Fee Foregone	3,472,461	3,472,461	3,472,461	100
Sub Total		**673,801,270**	**682,824,990**	**309,937,321**	**46**
B	**Other Grants**				
13	Universal Health Care (UHC)	-	283,586,466	142,698,094	-
14	Road Maintenance Fuel Levy Fund bal. 2017/18	-	23,164,758	23,164,758	-
Sub Total		**-**	**306,751,224**	**165,862,852**	**-**
Grand Total		**673,801,270**	**989,576,214**	**475,800,173.4**	**70.6**

Source: *Isiolo County Treasury*

During the reporting period, receipts from the DANIDA Grant, Compensation for User Fee Foregone, Urban Support Project conditional grant recorded the highest performance in percentage terms, and accounted 100 per cent of the annual target respectively.

3.9.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.4.89 billion from the CRF account. The withdrawals represented 89.1 per cent of the Approved Supplementary Budget and translated to an increase of 29.9 per cent from Kshs.3.76 billion in FY 2017/18 and comprised of Kshs.1.36 billion (27.9 per cent) towards development activities and Kshs.3.52 billion (72.1 per cent) for recurrent expenditure.

3.9.5 Overall Expenditure Review

A total of Kshs.4.28 billion was spent on both development and recurrent activities. This expenditure represented 87.6 per cent of the total funds released from the CRF account, and was an increase of 26.2 per cent from Kshs.3.39 billion spent in FY 2017/18.

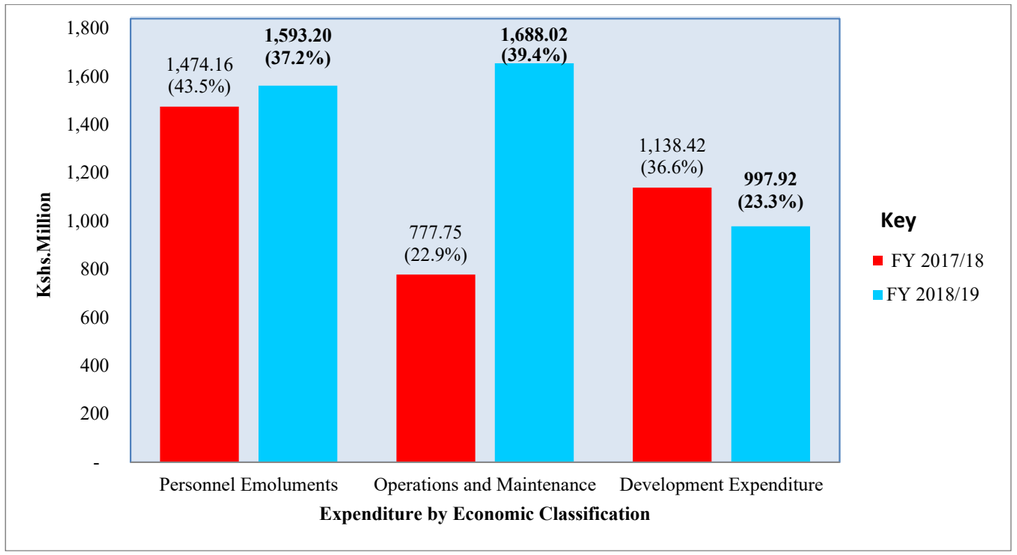
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Expenditure on development programmes amounted to Kshs.997.92 million while Kshs.3.28 billion was spent on recurrent activities. The development expenditure was 73.2 per cent of the funds released for development programmes, while recurrent expenditure was 93.2 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 53.7 per cent, which was a decrease from 72.4 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 90.5 per cent of the annual recurrent budget, an increase from 81.3 per cent recorded in FY 2017/18.

Figure 3.35 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

Figure 3.35: Isiolo County, Expenditure by Economic Classification



***Source**: Isiolo County Treasury*

3.9.6 Development Expenditure Analysis

The total development expenditure of Kshs.997.92 million represented 53.7 per cent of the annual development expenditure estimates of Kshs.1.86 billion. Table 3.24 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.24: Isiolo County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project budget (Kshs.)	FY2018/19 Project Expenditure (Kshs.)	Absorption rate (%)
1	Construction of Isiolo Stadium	Wabera	130,000,000	130,000,000	100.0
2	Construction of County HQ	Wabera	200,000,000	79,000,000	39.5
3	Construction of Isiolo Market	Bula pesa	13,042,362	13,042,362	100.0
4	Sericho Polytechnic	Sericho	12,985,000	10,087,596	77.7
5	Oldonyiro Youth Polytechnic	Oldonyiro	12,987,916	5,342,639	41.1
6	Titling	Bula pesa	15,000,000	5,000,000	33.3
7	Construction of perimeter fence at ATC	Burat	4,500,000	4,451,666	98.9

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S/No.	Project Name	Project Location	Project budget (Kshs.)	FY2018/19 Project Expenditure (Kshs.)	Absorption rate (%)
8	Repair of Main Abattoir Building	Burat	4,200,000	4,169,272	99.3
9	Expansion of Kulamawe Water Supply	Kinna	4,000,000	3,939,200	98.5
10	Supply of Borehole Generator	Cherab	4,000,000	3,927,124	98.2

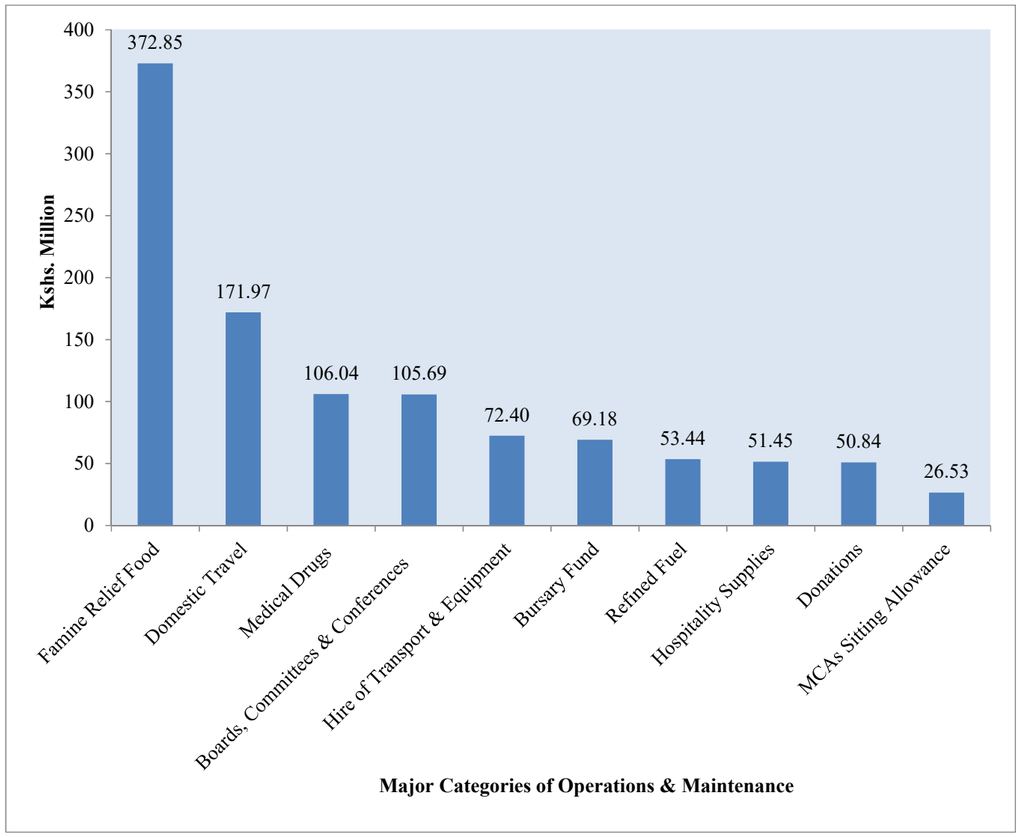
***Source**: Isiolo County Treasury*

3.9.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.28 billion comprised of Kshs.1.59 billion (48.6 per cent) incurred on personnel emoluments and Kshs.1.69 billion (51.4 per cent) on operations and maintenance as shown in Figure 3.35.

Expenditure on personnel emoluments represented an increase of 8.1 per cent compared to FY 2017/18 when the County spent Kshs.1.47 billion and was 37.2 per cent of the total expenditure in FY 2018/19. Figure 3.36 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.36: Isiolo County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source:** Isiolo County Treasury*

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The County spent Kshs.26.53 million on committee sitting allowances for the 18 MCAs and speaker against the annual budget allocation of Kshs.26.53 million. This represented an increase of 63.8 per cent compared to Kshs.16.2 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.122,838 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.171.97 million, and comprised of Kshs.65.4 million spent by the County Assembly and Kshs.106.57 million by the County Executive. This expenditure represented 5.2 per cent of total recurrent expenditure and was a decrease of 5 per cent compared to Kshs.180.32 million spent in FY 2017/18.

3.9.8 Budget Performance by County Department

Table 3.25 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.25: Isiolo County, Budget Performance by Department in FY 2018/19

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
County Assembly	415.28	85	413	85	393.67	76.21	95.3	89.7	94.8	89.7
Office of the Governor	298.44	-	295.24	-	293.17	-	99.3	-	98.2	-
County Public Service Board	52.41	-	52.41	-	54.55	-	104.1	-	104.1	-
County Secretary	33.16	3.94	30.71	-	30.06	2.38	97.9	-	90.6	60.3
Administration and PSM	167.14	29.80	162.42	29.80	132.17	49.09	81.4	164.7	79.1	164.7
Delivery Unit	10.48	-	9.28	-	10.11	-	108.9	-	96.4	-
Office of the Deputy Governor	24.00	-	23.33	-	20.96	-	89.8	-	87.3	-
Cohesion, Intergovernmental Relations, coordination, Disaster Management	45.88	-	44.46	-	41.40	-	93.1	-	90.2	-
Finance and Economic Planning	222.05	210.91	219.57	99.98	173.33	79.57	78.9	79.6	78.1	37.7
Special Programmes and ICT	432.37	17.37	431.85	17.37	414.44	3.51	96	20.2	95.9	20.2
Economic Planning	44.43	-	43.75	-	39.77	-	90.9	-	89.5	-
Lands and Physical Planning	31.12	34.39	23.10	24.39	28.71	28.87	124.3	118.4	92.3	83.9
Roads and Infrastructure	15.60	163.05	14.55	163.05	14.22	100.88	97.8	61.9	91.2	61.9
Public Works and Housing	27.77	3.30	23.88	-	26.01	3.30	108.9	-	93.7	100
Municipal Administration	82.16	135.81	43.59	133.05	-	49.09	-	36.9	-	36.2
Agriculture	54.08	223	53.76	37.13	52.59	19.71	97.8	53.1	97.2	8.8
Livestock, Veterinary and Fisheries	123.57	71.41	123.09	70.97	94.60	31.36	76.9	44.2	76.6	43.9
Education and Vocational Training	225.21	89.97	212.76	85.50	210.72	-	99	-	93.6	-
Youth and Sports	24.85	136	20.23	130	16.45	164.50	81.3	126.5	66.2	121
Culture and Social Services	37.90	17.10	33.71	5.90	28.54	1.50	84.7	25.4	75.3	8.8
Tourism and Wildlife Management	126.75	19.87	126.75	15.20	111.43	13.30	87.9	87.5	87.9	66.9
Trade, Industries, Cooperatives	25.08	4.75	24.29	-	13.30	-	54.8	-	53	-
Water and Irrigation	67.78	99.87	64.89	99.60	62.16	84.15	95.8	84.5	91.7	84.3

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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
Environment and Natural Resources	34.41	15.68	34.29	14.97	31.44	3.40	91.7	22.7	91.4	21.7
Health Services	1,002.28	498.67	997.39	350.87	987.42	287.10	99	81.8	98.5	57.6
Total	**3,624.21**	**1,859.88**	**3,522.32**	**1,362.78**	**3,281.22**	**997.92**	**93.2**	**73.2**	**90.5**	**53.7**

Source: *Isiolo County Treasury*

Analysis of expenditure by department shows that the Department of Administration and Public Service Management recorded the highest absorption rate of development budget at 164.7 while the Department of Trade, Industries, and Cooperatives and the Department of Education and Vocational Training did not spend on development budget. The County Public Service Board had the highest percentage of recurrent expenditure to recurrent budget at 104.1 per cent while the Department of Municipal Administration did not spend on the recurrent budget.

3.9.9 Key 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 own-source revenue collection by 41.2 per cent from Kshs.114.56 million in FY 2017/18 to Kshs.161.77 million in FY 2018/19.
ii. Establishment and operationalization of an Audit Committee and the Internal Audit Department in line with Section 155 of PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. During the reporting period, it was observed that the County did not process all payments through IFMIS and the Internet Banking platform contrary to Government Policy.
3. Decline in absorption of development budget. In the reporting period, the County attained an absorption rate of 53.7 per cent compared to 72.4 per cent in FY 2017/18.
4. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Administration and PSM and the County Public Service Board. This is contrary to Section 135 and 154 of PFM Act, 2012.
5. Increase in wage bill by 8.1 per cent from Kshs.1.47 billion in FY 2017/18 to Kshs.1.59 billion in the reporting period. The wage bill accounted for 37.2 per cent of total expenditure in FY 2018/19.
6. Failure by the County to provide a detailed report on pending bills as of the end of the financial year.

The County should implement the following measures 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.*
2. *The County should ensure all payments are processed through IFMIS and the Internet Banking platform.*
3. *The County should formulate strategies to enhance absorption of development budget.*
4. *The County Treasury should ensure expenditure is within the approved budget.*
5. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*
6. *The County Treasury should provide a report on status of pending bills as at 30th June, 2019 as*

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requested by the Controller of Budget in line with COB Act, 2016.

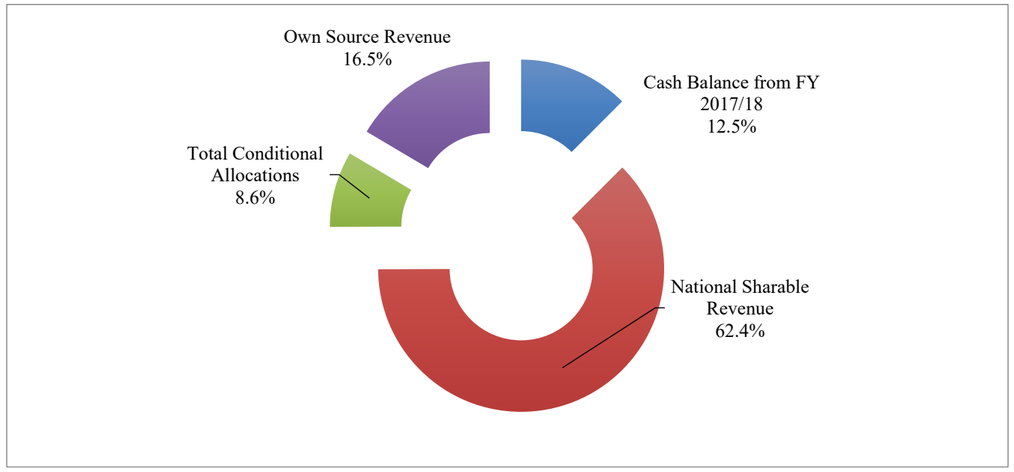
3.10 Kajiado County

3.10.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.9.61 billion, comprising of Kshs.3.77 billion (39.2 per cent) and Kshs.5.84 billion (60.8 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.99 billion (62.4 per cent) as equitable share of the revenue raised nationally, Kshs.823.99 million (8.6 per cent) as total conditional grants, generate Kshs.1.58 billion (16.5 per cent) from own sources of revenue, and Kshs.1.2 billion (12.5 per cent) cash balance from FY 2017/18.

Figure 3.37: Kajiado County, Expected Sources of Budget Financing in FY 2018/19



Source: *Kajiado County Treasury*

A breakdown of the conditional grants is provided in Table 3.26.

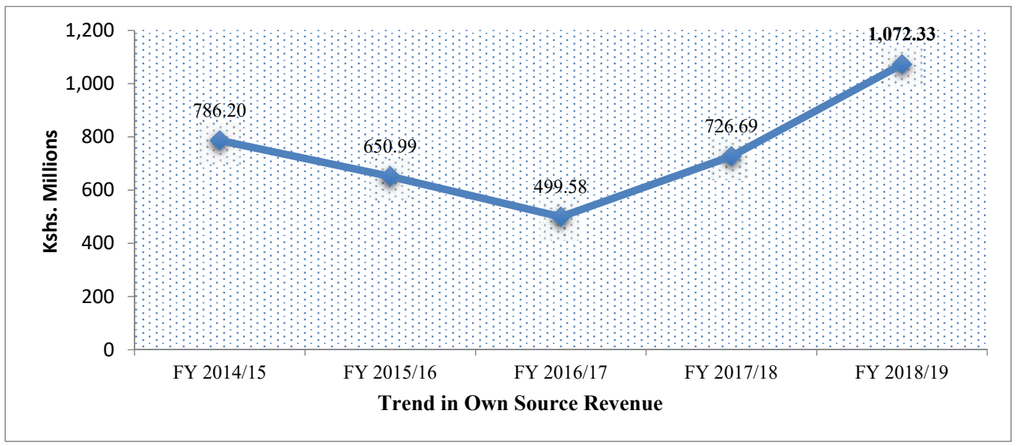
3.10.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.8.92 billion available for budget implementation. This amount consisted of Kshs.5.99 billion received as equitable share of the revenue raised nationally, Kshs.653.77 million as conditional grants, Kshs.1.07 billion generated from own sources of revenue, and a cash balance of Kshs.1.20 billion from FY 2017/18.

Figure 3.38 shows the annual trend in own-source revenue collection from FY 2014/15 to FY 2018/19.

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Figure 3.38: Kajiado County, Own Source Revenue Collection for FY 2014/15 to FY 2018/19



Source: *Kajiado County Treasury*

The County generated a total of Kshs.1.07 billion from own source revenue in FY 2018/19. This amount represented an increase of Kshs.345.64 million compared to that realised in FY 2017/18 and was 67.7 per cent of the annual target.

3.10.3 Conditional Grants

During the reporting period, the County received Kshs.653.77 million as conditional grants as shown in Table 3.26.

Table 3.26: Kajiado County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	Compensation for User Fee Foregone	16,995,365	28,197,865	16,607,973	97.7
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Road Maintenance Fuel Levy Fund	157,906,319	157,906,319	157,906,320	100
4	Rehabilitation of Village Polytechnics	40,345,000	40,345,000	30,460,475	75.5
5	Transforming Health Systems for Universal Care Project (World Bank)	62,478,710	62,478,710	12,775,524	20.4
6	IDA (World Bank)-Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	34,359,919	29.4
7	IDA (World Bank) Kenya Devolution Support Project (KDSP) "Level 1 grant"	45,860,424	64,324,384	66,231,532	144.4
8	IDA (World Bank) -Kenya Urban Support Project (KUSP)	307,160,300	307,160,300	307,150,300	100
9	DANIDA - Universal Healthcare in Devolved System Programme	19,338,750	26,277,348	20,884,748	108
10	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	20,305,981	20,305,981	7,392,954	36.4
Total		**987,390,849**	**823,995,907**	**653,769,744**	**66.2**

Source: *Kajiado County Treasury*

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During the reporting period, receipts from the Kenya Devolution Support Programme conditional grant recorded the highest performance in percentage terms, and accounted for 144.4 per cent of the annual target.

3.10.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.7.78 billion from the CRF account. The withdrawals represented 81 per cent of the Approved Supplementary Budget and translated to an increase of 20.3 per cent from Kshs.6.47 billion in FY 2017/18 and comprised of Kshs.2.07 billion (26.5 per cent) towards development activities and Kshs.5.72 billion (73.5 per cent) for recurrent expenditure.

3.10.5 Overall Expenditure Review

A total of Kshs.7.73 billion was spent on both development and recurrent activities. This expenditure represented 99.3 per cent of the total funds released from the CRF account, and was an increase of 40.3 per cent from Kshs.5.51 billion spent in FY 2017/18.

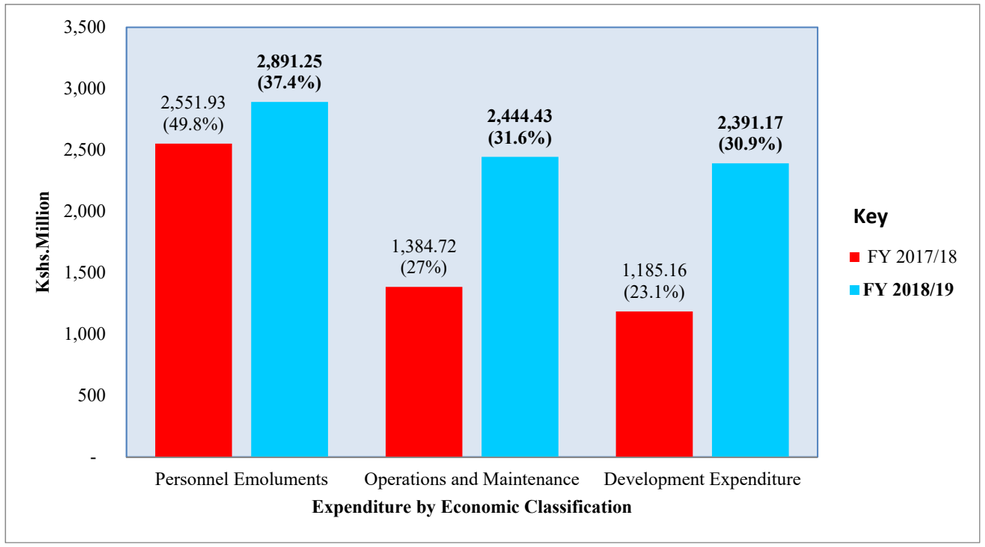
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.486.67 million for development activities and Kshs.252.18 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.2.39 billion while Kshs.5.34 billion was spent on recurrent activities. The development expenditure was 115.8 per cent of the funds released for development programmes, while recurrent expenditure was 93.3 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 63.4 per cent, which was an increase from 37.2 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 91.4 per cent of the annual recurrent budget, an increase from 86.4 per cent recorded in FY 2017/18.

Figure 3.39 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

Figure 3.39: Kajiado County, Expenditure by Economic Classification



***Source**: Kajiado County Treasury*

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3.10.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.39 billion represented 63.4 per cent of the annual development expenditure estimates of Kshs.3.77 billion. Table 3.27 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.27: Kajiado County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	FY2018/19 Project Expenditure (Kshs.)	Absorption rate (%)
1	Construction of Ngong sport complex	Ngong	198,464,940	16,000,096	8.1
2	Maternity wing & wards at Kajiado referral hospital	Ildamat	66,407,983	6,432,014	9.7
3	Construction of Kiserian market	Keekonyokie	61,242,373	10,037,631	16.4
4	Payment for Consultancy services for preparation of Kajiado county spatial plan	Headquarters	52,534,358	52,534,358	100
5	Construction of Kitengela market	Kitengela	39,564,363	24,110,484	60.9
6	Tarmacking of JCN A104 KCB Kitengela - Ora-ta-Saitoti Hospital Road	Kitengela	37,935,190	20,125,909	53.1
7	MRI & CT scan machine and civil works	Headquarters	37,120,000	28,828,052	77.7
8	Dining hall at Olkejuado High School	Dalalekutuk Ward	36,980,846	19,289,721	52.2
9	Modern drug store at Kajiado county referral hospital	Ildamat Ward	32,298,889	19,273,516	59.7
10	Upgrading of Loitoktok hospital	Kuku Ward	29,977,592	19,875,324	66.3

***Source**: Kajiado County Treasury*

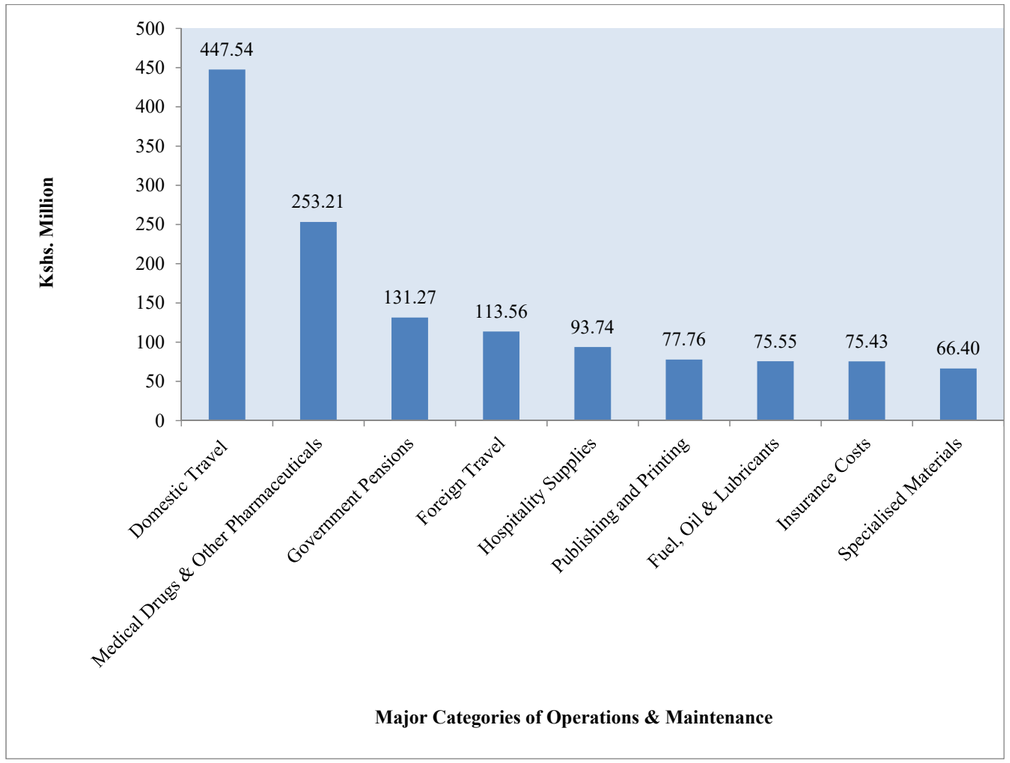
3.10.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.34 billion comprised of Kshs.2.89 billion (54.2 per cent) incurred on personnel emoluments and Kshs.2.44 billion (45.8 per cent) on operations and maintenance as shown in Figure 3.39.

Expenditure on personnel emoluments represented an increase of 13.3 per cent compared FY 2017/18 when the County spent Kshs.2.55 billion and was 37.4 per cent of the total expenditure in FY 2018/19. Figure 3.40 shows a summary of operations and maintenance expenditure by major categories.

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Figure 3.40: Kajiado County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Kajiado County Treasury*

The County spent Kshs.26.93 million on committee sitting allowances for the 42 MCAs and Speaker against the annual budget allocation of Kshs.34.50 million. This represented an increase of 186.7 per cent compared to Kshs.9.39 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.53,431 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.561.10 million, and comprised of Kshs.195.95 million spent by the County Assembly and Kshs.365.15 million by the County Executive. This expenditure represented 10.5 per cent of total recurrent expenditure and was an increase of 179.9 per cent compared to Kshs.200.47 million spent in FY 2017/18.

3.10.8 Budget Performance by County Department

Table 3.28 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.28: Kajiado County, Budget Performance by Department in FY 2018/19

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
Office of the Governor & Deputy Governor	348.25	-	348.25	-	316.36	-	90.8	-	90.8	-
County Public Service Board	107.80	-	107.80	-	102.37	-	95.0	-	95.0	-
Education & Vocational Training	484.84	286.85	484.84	139.79	482.25	176.02	99.5	125.9	99.5	61.4
Medical Services, Public Health & Sanitation	2,011.12	386.50	1,985.31	186.71	1,970.78	237.22	99.3	127.1	98.0	61.4
Youth, Sports, Gender & Social Services	178.04	131.50	178.04	25.54	156.78	18.27	88.1	71.5	88.1	13.9
Agriculture, Livestock, Fisheries & Cooperative Development	350.40	195.00	338.07	31.73	317.86	13.73	94.0	43.3	90.7	7.0
Water, Irrigation, Environment & Natural Resources	220.62	311.00	220.62	133.26	198.07	195.56	89.8	146.7	89.8	62.9
Roads, Transport, Public Works, Housing & Energy	165.61	842.91	165.61	354.37	145.29	556.01	87.7	156.9	87.7	66.0
Public Service, Administration & Citizen Participation	464.02	15.00	464.02	0.00	346.79	7.57	74.7	-	74.7	50.5
County Treasury	612.17	1,029.99	531.31	749.17	510.87	1,002.06	96.2	133.8	83.5	97.3
Trade, Culture, Tourism & Wildlife	93.23	106.50	93.23	54.71	77.85	52.20	83.5	95.4	83.5	49.0
Lands & Physical Planning	143.01	321.96	143.01	294.61	60.80	35.96	42.5	12.2	42.5	11.2
County Assembly	656.83	142.09	656.83	95.17	649.63	96.57	98.9	101.5	98.9	68.0
Total	**5,835.96**	**3,769.29**	**5,716.95**	**2,065.07**	**5,335.68**	**2,391.17**	**93.3**	**115.8**	**91.4**	**63.4**

Source: *Kajiado County Treasury*

Analysis of expenditure by department shows that the County Treasury recorded the highest absorption rate of development budget at 97.3 per cent while the Department of Agriculture, Livestock, Fisheries & Cooperative Development recorded the lowest at 7 per cent. The Department of Education and Vocational Training had the highest percentage of recurrent expenditure to recurrent budget at 99.5 per cent while the Department of Lands and Physical Planning had the lowest at 42.5 per cent.

3.10.9 Key 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 own-source revenue collection by 47.6 per cent from Kshs.726.69 million collected in FY 2017/18 to Kshs.1.07 billion in FY 2018/19.

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

1. High expenditure on domestic travel, which increased by 187 per cent from Kshs.156.02 million in FY 2017/18 to Kshs.447.54 million in the reporting period.
2. Failure by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, Emergency Fund, Bursary Fund, Disability Fund and the Youth and Women Enterprise Fund contrary to Section 168 of the PFM Act, 2012.
3. Late submission of reports on financial and non-financial performance by the County Treasury to the

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Controller of Budget, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.

4. Increase in wage bill by 13.3 per cent from Kshs.2.55 billion in FY 2017/18 to Kshs.2.89 billion in the reporting period. The wage bill accounted for 37.4 per cent of total expenditure in FY 2018/19.

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

1. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
2. *All Fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Section 168 of PFM Act 2012.*
3. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
4. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*

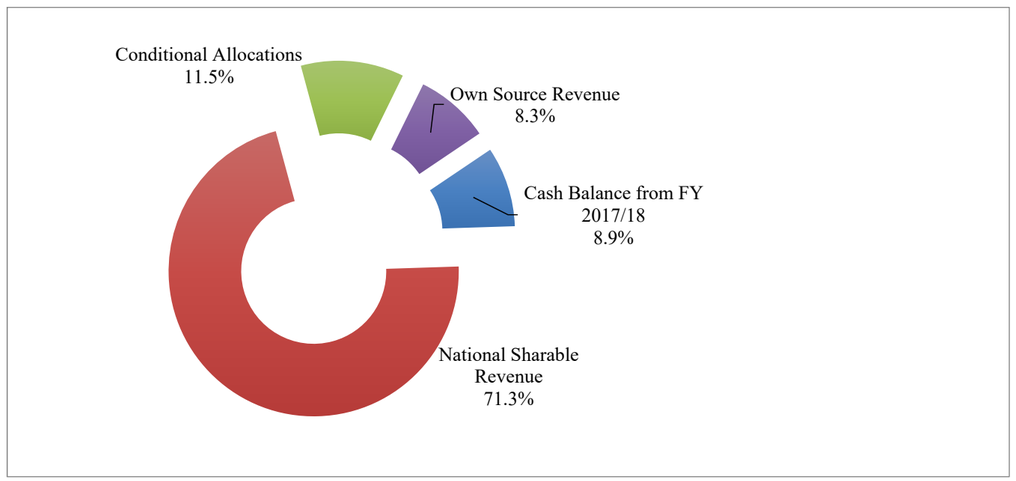
3.11 Kakamega County

3.11.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.14.49 billion, comprising of Kshs.6.80 billion (47 per cent) and Kshs.7.69 billion (53 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.33 billion (71.3 per cent) as equitable share of the revenue raised nationally, Kshs.1.66 billion (11.5 per cent) as total conditional grants, generate Kshs.1.2 billion (8.3 per cent) from own sources of revenue, and Kshs.1.29 billion (8.9 per cent) cash balance from FY 2017/18.

Figure 3.41: Kakamega County, Expected Sources of Budget Financing in FY 2018/19



Source: *Kakamega County Treasury*

A breakdown of the conditional grants is provided in Table 3.29.

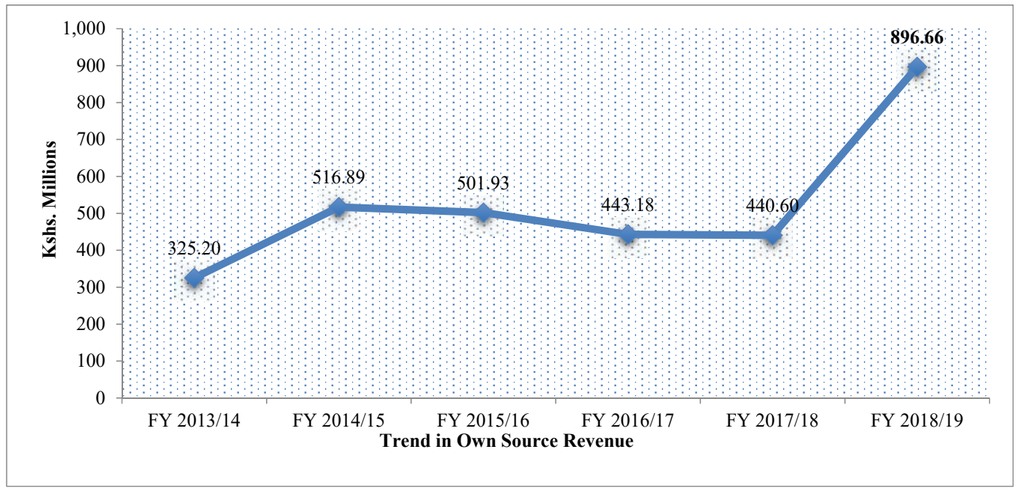
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3.11.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.14.15 billion available for budget implementation. This amount consisted of Kshs.10.33 billion received as equitable share of the revenue raised nationally, Kshs.1.62 billion as conditional grants, Kshs.896.66 million generated from own sources of revenue, and a cash balance of Kshs.1.29 billion from FY 2017/18.

Figure 3.42 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.42: Kakamega County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Kakamega County Treasury*

The County generated a total of Kshs.896.66 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.456.06 million compared to that realised in FY 2017/18 and was 74.7 per cent of the annual target.

3.11.3 Conditional Grants

During the reporting period, the County received Kshs.1.62 billion as conditional grants as shown in Table 3.29.

Table 3.29: Kakamega County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grant Details	Annual Allocation-CARA, 2018) (Kshs)	Annual Budget Allocation (Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
1.	Grants to Level- 5 Hospital	427,283,237	427,283,237	427,283,241	100
2.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	389,118,800	389,118,800	389,118,800	100
3.	Road Maintenance Fuel Levy	271,995,701	271,995,701	271,995,701	100
4.	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	41,643,182	35.6
5.	Transforming Health Systems for Universal Care Project (World Bank)	100,000,000	100,000,000	67,018,603	67
6.	EU - Water Tower Protection and Climate Change Mitigation and Adoption Programme (WaTER)	80,000,000	80,000,000	-	-
	Rehabilitation of Village Polytechnics	69,910,000	69,910,000	52,782,050	75.5

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S/No	Grant Details	Annual Allocation-CARA, 2018) (Kshs)	Annual Budget Allocation (Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
7.	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	63,508,830	63,508,830	-	-
8.	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	41,200,000	41,200,000	100
9.	Compensation for User Fee Foregone	37,789,290	37,789,290	37,789,290	100
10.	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	23,774,757	33,716,311	-	-
11.	DANIDA - Universal Healthcare in Devolved System Programme	33,311,250	33,311,250	33,311,250	100
12.	IDA (World Bank) Kenya Devolution Support Programme "Level II grant"	-	-	262,583,677	-
Grand Total		**1,654,891,865**	**1,664,833,419**	**1,624,725,794**	**98.2**

Source: *Kakamega County Treasury*

During the reporting period, the County received Kshs.262.58 million for the World Bank funded Kenya Devolution Support Programme – Level II grant which was neither captured in the CARA, 2018 nor the budget.

3.11.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.12.92 billion from the CRF account. The withdrawals represented 89.2 per cent of the Approved Supplementary Budget and translated to an increase of 17.8 per cent from Kshs.10.97 billion in FY 2017/18, and comprised of Kshs.5.36 billion (41.5 per cent) towards development activities and Kshs.7.56 billion (58.5 per cent) for recurrent expenditure.

3.11.5 Overall Expenditure Review

A total of Kshs.12.18 billion was spent on both development and recurrent activities. This expenditure represented 94.3 per cent of the total funds released from the CRF account, and was an increase of 15.5 per cent from Kshs.10.54 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.265.22 million for development activities and Kshs.270.98 million for recurrent costs.

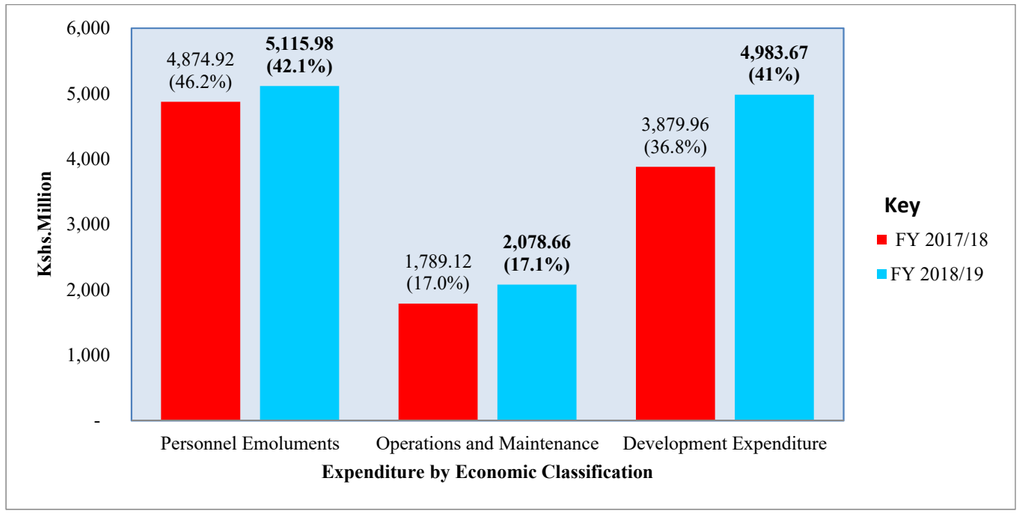
Expenditure on development programmes amounted to Kshs.4.98 billion while Kshs.7.19 billion was spent on recurrent activities. The development expenditure was 93 per cent of the funds released for development programmes, while recurrent expenditure was 95.2 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 73.2 per cent, which was an increase from 69 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 93.6 per cent of the annual recurrent budget, an increase from 91.5 per cent recorded in FY 2017/18.

Figure 3.43 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.43: Kakamega County, Expenditure by Economic Classification



Source: *Kakamega County Treasury*

3.11.6 Development Expenditure Analysis

The total development expenditure of Kshs.4.98 million represented 73.2 per cent of the annual development expenditure estimates of Kshs.6.8 billion. Table 3.30 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.30: Kakamega County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Bitumen Road	Countywide	751,014,412	743,688,041	99
2	Farm Inputs	Countywide	392,837,041	391,975,715	100
3	Level 5 Hospital Grant	Kakamega Town	427,283,237	370,723,771	87
4	10km per ward roads-Ward based	All the wards	365,848,904	338,895,808	93
5	Road Levy Fund	Countywide	379,809,498	320,215,609	84
6	Kakamega Teaching and Referral	Kakamega Town	300,000,000	299,515,171	100
7	County Youth Services-Ward Based	All the wards	250,000,000	220,757,110	88
8	ECD Centres-Ward Based	All the wards	160,000,000	158,959,288	99
9	Water Infrastructure Development	All the wards	150,620,000	141,493,789	94
10	Enterprise Resource Planning (ERP)	At the County Headquarters	132,036,000	131,891,997	100

Source: *Kakamega County Treasury*

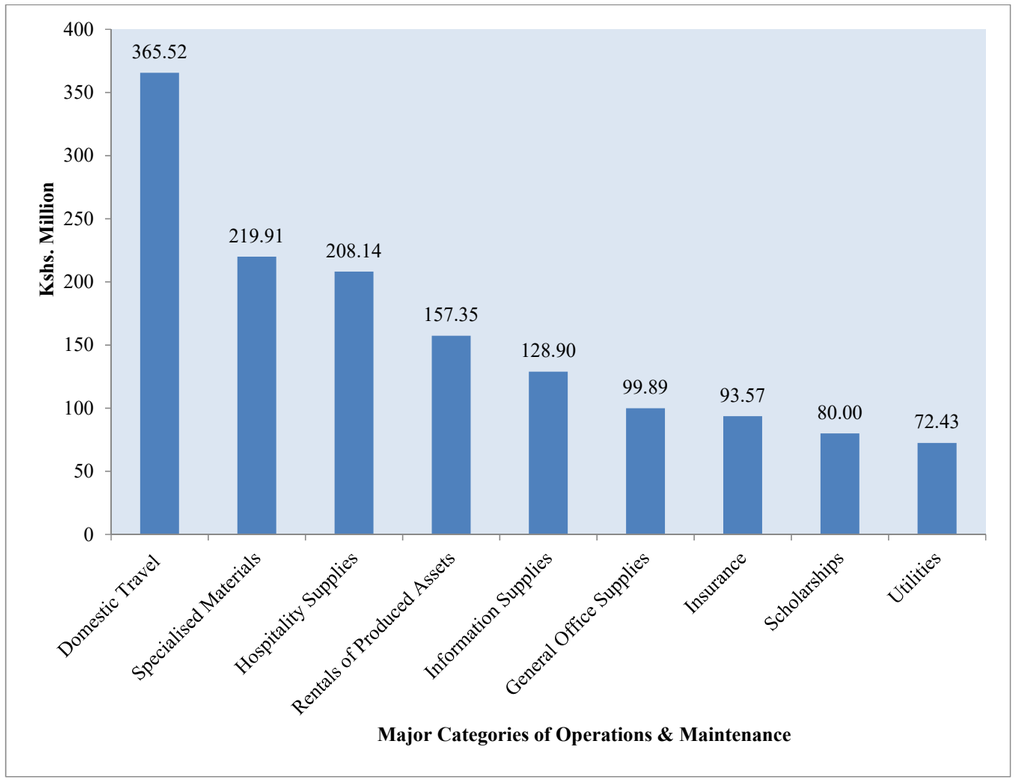
3.11.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.7.19 billion comprised of Kshs.5.12 billion (71.1 per cent) incurred on personnel emoluments and Kshs.2.08 billion (28.9 per cent) on operations and maintenance as shown in Table 3.30.

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Expenditure on personnel emoluments represented an increase of 4.9 per cent compared to FY 2017/18 when the County spent Kshs.4.87 billion and was 42.1 per cent of the total expenditure in FY 2018/19. Figure 3.44 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.44: Kakamega County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Kakamega County Treasury*

The County spent Kshs.114.89 million on committee sitting allowances for the 90 MCAs and speaker against the annual budget allocation of Kshs.134.78 million. This represented a decrease of 12.8 per cent compared to Kshs.131.79 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.106,384 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.403.74 million, and comprised of Kshs.179.04 million spent by the County Assembly and Kshs.224.70 million by the County Executive. This expenditure represented 5.6 per cent of total recurrent expenditure and was an increase of 15.3 per cent compared to Kshs.350.16 million spent in FY 2017/18.

3.11.8 Budget Performance by County Department

Table 3.31 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.31: Kakamega County, Budget Performance by Department in FY 2018/19

Department	Annual 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
Public Service Board	29.82	-	29.83	-	29.73	-	99.7	-	99.7	-
Public Service and Administration	5,030.71	156.22	5,057.07	49.27	4,865.67	60.05	96.2	121.9	96.7	38.4
County Assembly	1,061.36	-	941.65	-	1,059.93	-	112.6	-	99.9	-
Health Services	519.89	1,339	519.54	1,212.70	389.10	1,135.71	74.9	93.7	74.8	84.8
Office of the Governor	200.58	83	201.36	28.19	177.08	34.49	87.9	122.3	88.3	41.6
ICT, E-government & Communication	52.75	199.04	52.75	115.51	42.78	139.84	81.1	121.1	81.1	70.3
Labour, Social Services, Youth and Sports	49.11	225.50	49.11	85.05	37.15	138.90	75.6	163.3	75.6	61.6
Lands, Housing, Urban Areas and Physical Planning	205.47	527.47	176.96	505.20	130.17	112.15	73.6	22.2	63.4	21.3
Environment, Natural Resources, Water & Forestry	41.56	328.82	41.56	117.28	34.34	185.34	82.6	158.0	82.6	56.4
Agriculture, Livestock, Fisheries and Cooperatives	61.38	841.55	61.38	559.72	51.59	609.57	84.0	108.9	84.0	72.4
Education, Science & Technology & ICT	114.15	635.91	114.66	565.89	113.61	575.37	99.1	101.7	99.5	90.5
County Treasury and Economic Planning	233.07	255.00	233.47	90.06	200.03	93.28	85.7	103.6	85.8	36.6
Industrialization, Trade and Tourism	40.47	260.00	38.06	100.52	37.43	104.42	98.3	103.9	92.5	40.2
Transport, Infrastructure & Public Works	44.93	1,952.67	43.44	1,929.81	26.02	1,794.56	59.9	93.0	57.9	91.9
Total	**7,685.25**	**6,804.18**	**7,560.84**	**5,359.20**	**7,194.63**	**4,983.68**	**95.2**	**93.0**	**93.6**	**73.2**

Source: *Kakamega County Treasury*

Analysis of expenditure by department shows that the Department of Transport, Infrastructure & Public Works recorded the highest absorption rate of development budget at 91.9 per cent while the Department of Lands, Housing, Urban Areas and Physical Planning recorded the lowest at 21.3 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.9 per cent while the Department of Transport, Infrastructure & Public Works had the lowest at 57.9 per cent.

3.11.9 Key Observations and Recommendations

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

i. The absolute collection of own source revenue is on an upward trajectory. The collection in the FY 2013/14 was Kshs.325.2 million while that of FY 2018/19 was Kshs.896.7 million. Collection of own source revenue is expected to be enhanced further by the digitization of revenue collection in FY 2018/19.
ii. Improvement in the overall absorption of the budget. The total budget absorption for the reporting period was 84 per cent compared to 81.7 per cent in FY 2017/18, while expenditure on development budget was 73.2 per cent compared to 69 per cent achieved in FY 2017/18

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

1. A high wage bill that increased by 4.9 per cent from Kshs.4.87 billion in FY 2017/18 to Kshs.5.12

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billion in the reporting period. The wage bill accounted for 42.1 per cent of total expenditure in the reporting period

2. The COB has noted, from the analysis of bank statements and expenditure reports that the County maintains numerous accounts at the commercial banks and has continued to make payments from those bank accounts through Cheques. This contravenes Government policy which requires all payments by government to be made online through Internet Banking platform.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *All Accounting Officers in the County should ensure all payments are made online through the prescribed Internet Banking platform at the Central Bank of Kenya Ltd.*

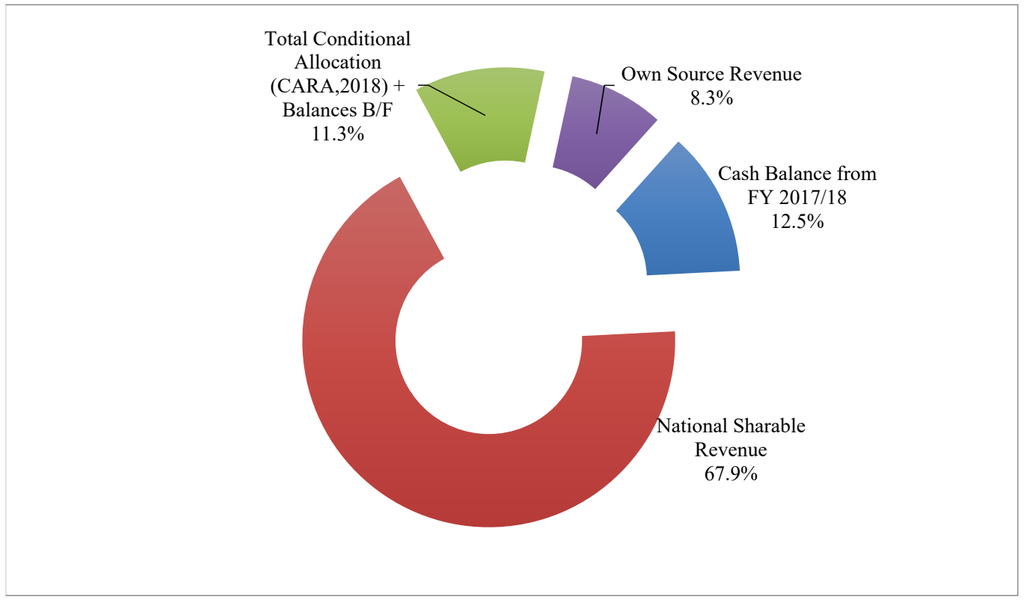
3.12 Kericho County

3.12.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.8.42 billion, comprising of Kshs.3.65 billion (43.3 per cent) and Kshs.4.77 billion (56.7 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.71 billion (67.9 per cent) as equitable share of the revenue raised nationally, Kshs.953.04 million (11.3 per cent) as total conditional grants, generate Kshs.694.82 million (8.3 per cent) from own sources of revenue, and Kshs.1.06 billion (12.5 per cent) cash balance from FY 2017/18.

Figure 3.45: Kericho County, Expected Sources of Budget Financing in FY 2018/19



Source: *Kericho County Treasury*

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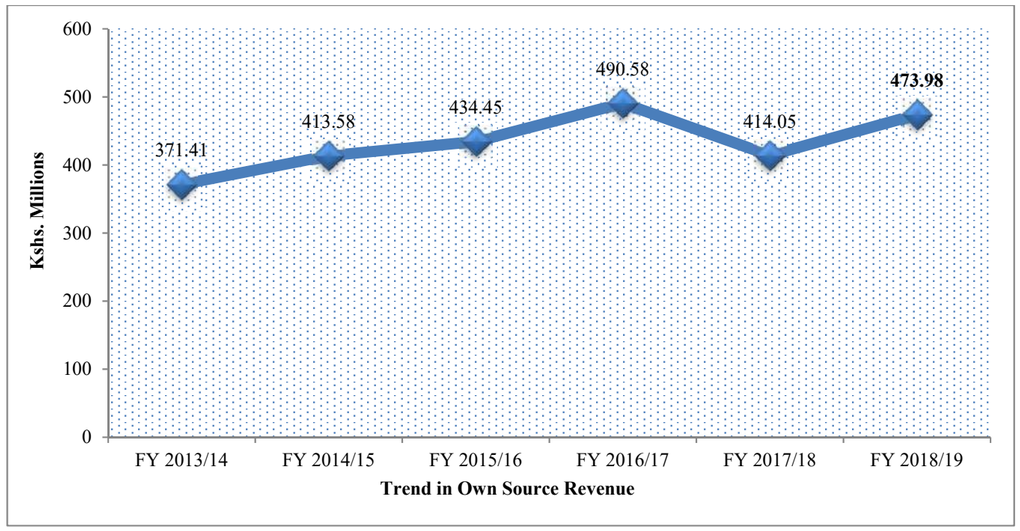
A breakdown of the conditional grants is provided in Table 3.32.

3.12.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.7.8 billion available for budget implementation. This amount consisted of Kshs.5.71 billion received as equitable share of the revenue raised nationally, Kshs.559.34 million as conditional grants outlined in CARA,2018, Kshs.473.98 million generated from own sources of revenue, a cash balance of Kshs.1.06 billion and unspent conditional grants of Kshs.181.28 million from FY 2017/18

Figure 3.46 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.46: Kericho County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Kericho County Treasury*

The County generated a total of Kshs.473.98 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.59.93 million compared to that realised in FY 2017/18 and was 68.2 per cent of the annual target.

3.12.3 Conditional Grants

During the reporting period, the County received Kshs.559.34 million as conditional grants as shown in Table 3.32.

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Table 3.32: Kericho County, Conditional Grants/Loans Received in the FY 2018/19

S/No.	Grants/Loans	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in FY 2018/19 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
1.	IDA (World Bank) -Kenya Urban Support Project	256,299,000	256,299,000	256,299,000	100
2.	Road Maintenance Fuel Levy Fund +Bal.C/F in FY2017/18	150,465,707	287,501,906	150,465,707	100
3.	IDA (World Bank)-Kenya Climate Smart Agriculture Project	116,443,510	116,443,510	42,837,552	36.6
4.	World Bank-Transforming Health Systems for Universal Care Project +Bal.C/F in FY 2017/18	61,507,974	70,007,974	26,017,062	42.3
5.	IDA (World Bank)Kenya Devolution Support Programme "Level 2 grant"	44,538,343	44,538,343	-	-
6.	SIDA -Kenya Urban Institutional Support Program	41,200,000	41,200,000	41,200,000	100
7.	Rehabilitation of Village Polytechnics +Bal.C/F in FY2017/18	41,005,000	76,752,121	-	-
8.	Agricultural Sector development support Fund(ASDSP II)	24,732,548	24,732,548	6,957,746	36.4
9.	Compensation for User Fee Foregone	18,048,789	18,048,789	18,048,789	100
10.	DANIDA - Universal Healthcare to Devolved System Programme	17,516,250	17,516,250	17,516,250	100
Total		**771,757,121**	**953,040,441**	**559,342,106**	**73**

Source: *Kericho County Treasury*

During the reporting period, the County received full allocation from the Kenya Urban Support Program (KUSP), Road Maintenance Fuel Levy, Kenya Urban Institutional Grant (KUIG), User Fees Foregone, and DANIDA grant for Universal Health Care in Devolved System Programme.

3.12.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.6.5 billion from the CRF account. The withdrawals represented 77.2 per cent of the Approved Supplementary Budget and translated to an increase of 22.6 per cent from Kshs.5.31 billion authorised in FY 2017/18 and comprised of Kshs.1.79 billion (27.5 per cent) towards development activities and Kshs.4.71 billion (72.5 per cent) for recurrent expenditure.

3.12.5 Overall Expenditure Review

A total of Kshs.6.13 billion was spent on both development and recurrent activities. This expenditure represented 94.3 per cent of the total funds released from the CRF account, and was an increase of 18.5 per cent from Kshs.5.18 billion spent in FY 2017/18.

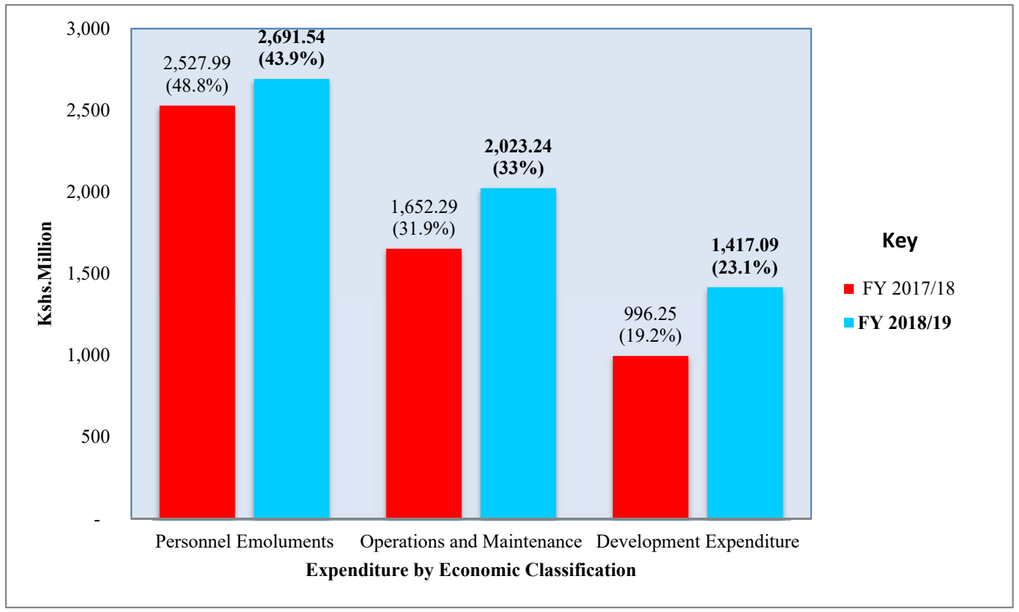
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.1.61 billion for development activities and Kshs.17.5 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.42 billion while Kshs.4.71 billion was spent on recurrent activities. The development expenditure was 79.3 per cent of the funds released for development programmes, while recurrent expenditure was 100 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 38.9 per cent, which was a decrease from 48.8 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 98.8 per cent of the annual recurrent budget, an increase from 92.9 per cent recorded in FY 2017/18. Figure 3.47 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.47: Kericho County, Expenditure by Economic Classification



Source: *Kericho County Treasury*

3.12.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.42 billion represented 38.9 per cent of the annual development expenditure estimates of Kshs.3.65 billion. Table 3.33 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.33: Kericho County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/ No.	Project Name	Project Location	Project budget (Kshs.)	Project Expenditure in FY 2018/19 (Kshs.)	Absorption rate (%)
1	Payment for the Construction & Completion of County Access Roads (Including FY 2017/18 Pending bill works)	Across 29 wards	601,500,000	466,381,062	77.5
2	Routine Maintenance of road works funded by Fuel Levies	Across 29 wards	287,501,906	117,267,835	40.8
3	Construction of Water & Sewerage Infrastructures to benefit areas not covered by Kericho Water & Sanitation Company	County Wide	299,390,901	111,054,906	37.1
4	Establishment & Construction of Health Centres & Dispensaries	County Wide	189,298,939	66,555,665	35.2
5	Rehabilitation, Tarmacking & Construction of Drainage structures	Londiani & Kapkatet Townships	113,894,482	57,036,630	50.1
6	Enhancement of Industrial Crops	Across 29 wards	42,817,629	42,827,421	100
7	Construction & Completion of model ECDE classrooms	Across 29 wards	101,756,091	37,568,176	36.9
8	Provision of Universal Healthcare Coverage	County Wide	36,000,000	36,000,000	100
9	Development of County Spatial Plans	County Wide	32,000,000	32,911,010	102.8
10	Grants paid to Tililbei Water & Sanitation Company (TILILWASCO)	Kapkatet Ward	25,000,000	26,602,429	106.4

Source: *Kericho County Treasury*

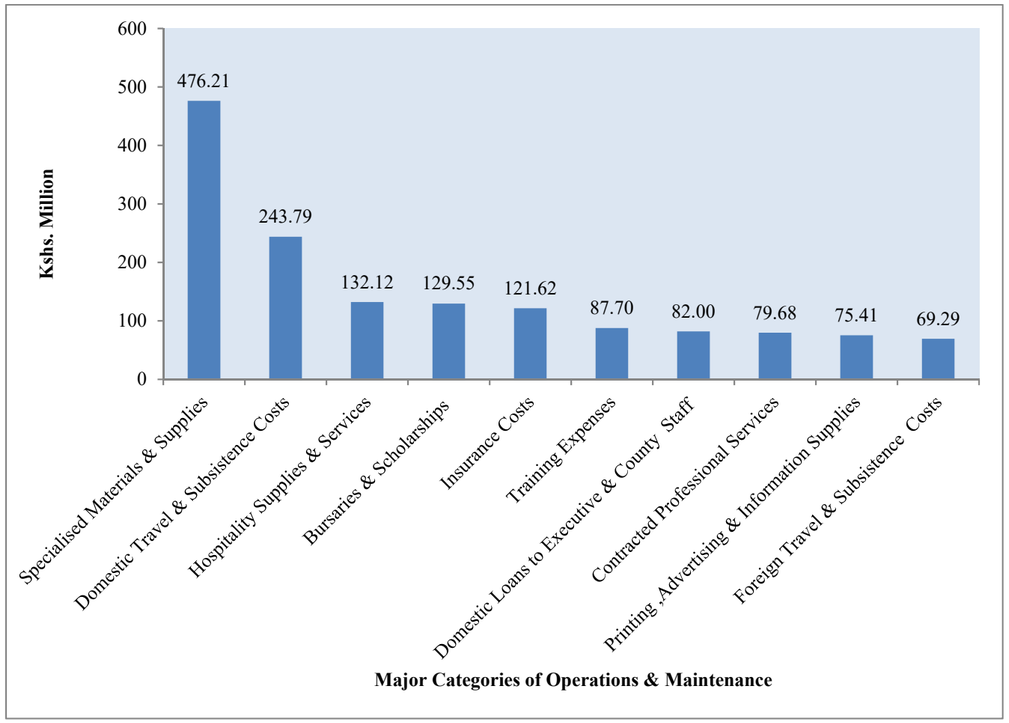
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3.12.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.71 billion comprised of Kshs.2.69 billion (57.1 per cent) incurred on personnel emoluments and Kshs.2.02 billion (42.9 per cent) on operations and maintenance as shown in Figure 3.47.

Expenditure on personnel emoluments represented an increase of 6.5 per cent compared to FY 2017/18 when the County spent Kshs.2.53 billion and was 43.9 per cent of the total expenditure in FY 2018/19. Figure 3.48 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.48: Kericho County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Kericho County Treasury*

The County spent Kshs.44.69 million on committee sitting allowances for the 47 MCAs and Speaker against the annual budget allocation of Kshs.44.69 million. This represented an increase of 31.4 per cent compared to Kshs.34 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.77,579 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.313.08 million, and comprised of Kshs.152.80 million spent by the County Assembly and Kshs.160.28 million by the County Executive. This expenditure represented 6.6 per cent of total recurrent expenditure and was an increase of 8.7 per cent compared to Kshs.287.95 million spent in FY 2017/18.

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3.12.8 Budget Performance by County Department

Table 3.34 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.34: Kericho County, Budget Performance by Department in FY 2018/19

Department	Annual Budget Allocation in FY 2018/19 (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
County Assembly Services	727.14	32	725.98	9.70	725.89	9.70	100	100	99.8	30.3
Public Service & Administration	296.72	32.13	296.49	-	295.52	4.62	99.7	-	99.6	14.4
Office of the Governor & Deputy Governor	160.23	-	160.21	-	184.54	-	115.2	-	115.2	-
County Public Service Board	57.11	-	56.75	-	52.13	-	91.9	-	91.3	-
Finance & Economic Planning	351.88	442.53	343.71	64.71	373.75	109.80	108.7	169.7	106.2	24.8
Agriculture, Livestock &Fisheries	202.53	281.80	201.49	85.14	182.24	107.47	90.4	126.2	90	38.1
Environment, Water, Energy & Natural Resources	157.30	370.19	156.38	181.15	159.32	164.11	101.9	90.6	101.3	44.3
Education, Youth, Culture & Social services	398.09	195.92	372.95	46.40	366.45	51.32	98.3	110.6	92.1	26.2
Health Services	2,111.91	681.39	2,111.86	297.50	2,096.67	254.36	99.3	85.5	99.3	37.3
Land, Housing & Physical Planning	77.33	379.30	76.96	357.14	72.89	55.37	94.7	15.5	94.3	14.6
Public Works, Roads & Transport	81.66	1,023.63	80.54	640.78	81.44	591.56	101.10	92.3	99.7	57.8
ICT & E-Government	83.10	166.72	67.04	90.15	68.96	54.18	102.90	60.1	83	32.5
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	68.71	38.67	64.55	13.38	54.98	14.62	85.2	109.3	80	37.8
Total	**4,773.71**	**3,644.26**	**4,714.89**	**1,786.05**	**4,714.78**	**1,417.09**	**100.00**	**79.3**	**98.8**	**38.9**

Source: Kericho County Treasury

Analysis of expenditure by department shows that the Department of Public Works, Roads & Transport recorded the highest absorption rate of development budget at 57.8 per cent while Department of Public Service and Administration had the lowest at 14.4 per cent. The Office of Governor & Deputy Governor posted the highest percentage of recurrent expenditure to recurrent budget at 115.2 per cent while the Department of Trade, Industrialization, Tourism, Wildlife & Cooperative Development registered the lowest at 80 per cent.

3.12.9 Key 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 performance of own -source of revenues by 14.5 per cent from Kshs.414.05 million achieved in FY 2017/18 to Kshs.473.98 million in the reporting period.
ii. Establishment of an Internal Audit Committee in line with Section 155 of the PFM Act ,2012 to oversee financial operations of the County

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

1. Late submission of reports on financial and non-financial performance by the County Treasury. The quarterly report for the reporting period was not submitted on time contrary to Section 166 of the PFM Act, 2012.
2. Low absorption of development budget. In the reporting period, the County posted an absorption rate of 38.9 per cent of the annual development budget, a decrease from 48.8 per cent attained in FY

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2017/18.

3. High expenditure on employee emoluments. The County spent Kshs.2.69 billion on personnel emoluments which was an increase of 6.5 per cent from Kshs.2.53 billion incurred in FY 2017/18 and accounted for 43.9 per cent of the total expenditure of Kshs.6.13 billion in the reporting period.
4. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
5. High pending bills at the end of the financial year which amounted to Kshs.1.61 billion for development activities and Kshs.17.5 million for recurrent activities.
6. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Finance & Economic Planning, the Department of Environment, Water, Energy & Natural Resources, and the Office of the Governor and Deputy Governor. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of the PFM Act ,2012*
2. *The County should identify and address the causes of low absorption of development budget in order to ensure effective budget implementation*
3. *The County Public Service Board should expedite on establishment of an optimal staffing structure and devise strategies to contain escalating wage bill within 35 per cent of the County's total revenue in line with Regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*
4. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*
5. *The County should identify and address the causes of huge pending bills as at the end of the financial year. These pending bills should be verified and paid as a first charge in FY 2019/20.*
6. *The County Treasury should ensure expenditure is within the approved budget.*

3.13 Kiambu County

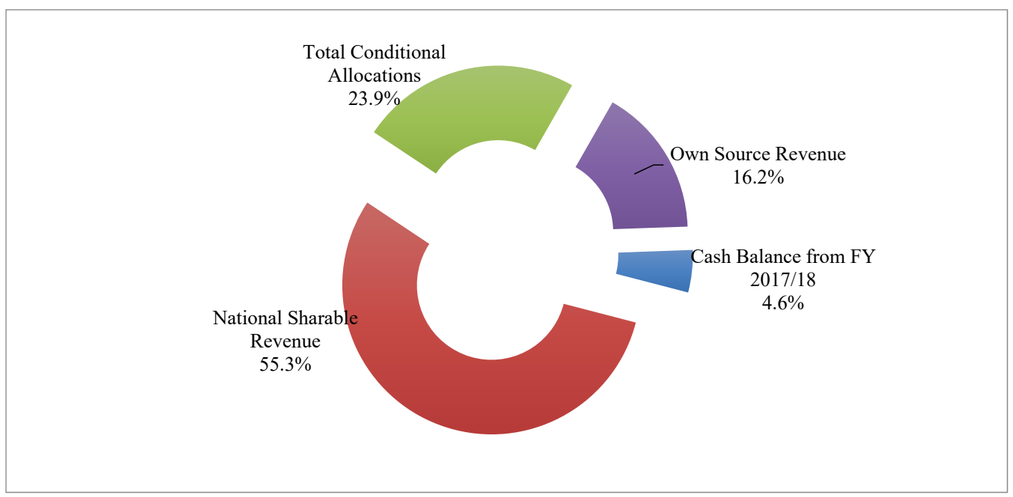
3.13.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.16.91 billion, comprising of Kshs.5.97 billion (35.3 per cent) and Kshs.10.95 billion (64.7 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expected to receive Kshs.9.36 billion (55.3 per cent) as equitable share of the revenue raised nationally, Kshs.4.05 billion (23.9 per cent) as total conditional grants, generate Kshs.2.74 billion (16.2 per cent) from own sources of revenue, and a cash balance of Kshs.774.03 million (4.6 per cent) from FY 2017/18.

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Figure 3.49: Kiambu County, Expected Sources of Budget Financing in FY 2018/19



Source: *Kiambu County Treasury*

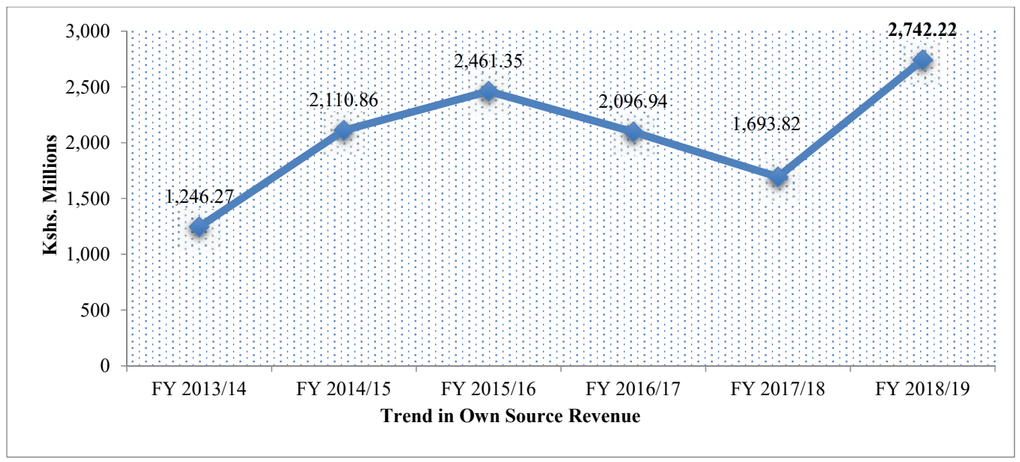
A breakdown of the conditional grants is provided in Table 3.35.

3.13.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.16.13 billion available for budget implementation. This amount consisted of Kshs.9.36 billion received as equitable share of the revenue raised nationally, Kshs.3.25 billion as conditional grants, Kshs.2.74 billion generated from own sources of revenue, and had a cash balance of Kshs.774.03 million from FY 2017/18.

Figure 3.50 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.50: Kiambu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Kiambu County Treasury*

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The County generated a total of Kshs.2.74 billion from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.1.05 billion compared to that realised in FY 2017/18 and represented 100.2 per cent of the annual target.

3.13.3 Conditional Grants

During the reporting period, the County received Kshs.3.25 billion as conditional grants as shown in Table 3.35.

Table 3.35: Kiambu County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	IDA (World Bank) credit: Kenya Urban Support Project(KUSP)	1,885,993,000	1,885,993,000	1,885,993,000	100
2	Conditional Grants to Level - 5 Hospital	538,716,763	538,716,765	538,716,762	100
3	Kenya Devolution Support Project (KDSP) "Level 2 grant"	289,565,839	527,565,839	289,565,839	100
4	Conditional Grant-Road Maintenance Fuel Levy	246,366,927	394,366,926	302,930,786	123
5	Conditional Grant-Leasing of Medical Equipment	200,000,000	-	-	-
6	IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	146,935,163	50,078,476	36
7	Conditional Grant-Rehabilitation of Village Polytechnics	68,110,000	108,796,220	51,423,050	76
8	IDA (World Bank) credit: Kenya Devolution Support Project (KDSP) " Level 1 grant"	60,455,156	60,455,156	-	-
9	Transforming Health Systems for Universal Care Project (WB)	50,000,000	50,000,000	20,524,353	41
10	IDA World Bank Credit; Kenya Urban Support Project (KUSP) Urban Institutional Grants (UIG)	41,200,000	41,200,000	41,200,000	100
11	Conditional Grant-Compensation for User Fee Foregone	34,671,542	34,671,542	34,671,542	100
12	DANIDA Grant (Universal Healthcare in Devolved System Program)	32,400,000	32,400,000	32,400,000	100
13	Sweden Agricultural Sector Development Support Programme(ASDSP) II	20,468,461	25,968,641	7,452,110	36
Sub Total		**3,608,382,851**	**3,847,069,252**	**3,254,955,918**	**90**
B	**Other Grants**				
14	Market Grant- Githurai Market		200,000,000	-	-
Sub Total		**-**	**200,000,000**	**-**	**-**
Grand Total		**3,608,382,851**	**4,047,069,252**	**3,254,955,918**	**90**

Source: *Kiambu County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy grant recorded the highest performance in percentage terms, and accounted 123 per cent of the annual target.

3.13.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.14.95 billion from the CRF account. The withdrawals represented 88.4 per cent of the Approved Supplementary Budget and translated to an increase of 25.4 per cent from Kshs.11.92 billion in FY 2017/18, and comprised of Kshs.4.46 billion (29.8 per cent) towards development activities and Kshs.10.49 billion (70.2 per cent) for recurrent expenditure.

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3.13.5 Overall Expenditure Review

A total of Kshs.14.26 billion was spent on both development and recurrent activities. This expenditure represented 95.4 per cent of the total funds released from the CRF account, and was an increase of 32.5 per cent from Kshs.10.76 billion spent in FY 2017/18.

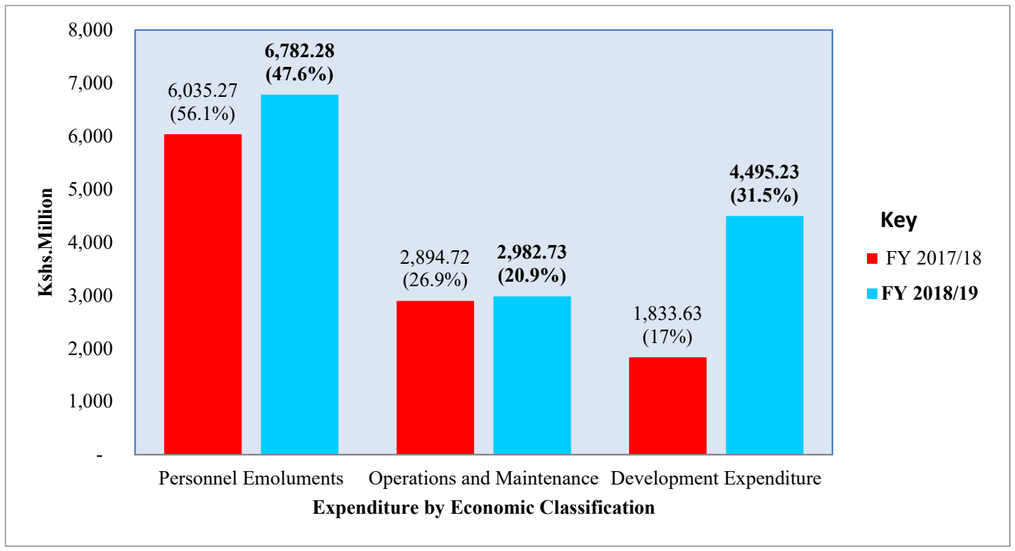
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.1.30 billion for development activities and Kshs.1.23 billion for recurrent costs.

Expenditure on development programmes amounted to Kshs.4.50 billion while Kshs.9.77 billion was spent on recurrent activities. The development expenditure was 100.8 per cent of the funds released for development programmes, while recurrent expenditure was 93.1 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 75.4 per cent, which was an increase from 66.1 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 89.2 per cent of the annual recurrent budget, a decrease from 91 per cent recorded in FY 2017/18.

Figure 3.51 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

Figure 3.51: Kiambu County, Expenditure by Economic Classification



***Source**: Kiambu County Treasury*

3.13.6 Development Expenditure Analysis

The total development expenditure of Kshs.4.50 billion represented 75.4 per cent of the annual development expenditure estimates of Kshs.5.97 billion. Table 3.36 provides a summary of development projects with the highest expenditure in the financial year.

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Table 3.36: Kiambu County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	FY2018/19 Project Expenditure (Kshs.)	Absorption Rate (%)
1	Githunguri-Ndumberi Road	Githunguri	340,801,794	318,760,290	93.5
2	Construction of RH unit in Thika level 5 hospital (Conditional Grant)	Hospital, Kiambu	766,002,030	189,897,659	24.8
3	Improvement of Kiambu Level 5 Hospital (Conditional Grant)	Hospital, Kiambu	538,716,763	189,897,659	35.3
4	Construction of level 4 Hospital at Githunguri Health Centre	Githunguri	676,000,000	180,759,533	26.7
5	Construction of Gatitu Junction and other Roads	Thika	221,005,870	162,034,722	73.3
6	Transfer (Kiambu County Polytechnics)	Kiambu County Polytechnics	108,796,220	108,622,420	99.8
7	A2 Junction Kimbo Matangini	Kimbo	170,552,896	93,929,411	55.1
8	Thogoto-Ndaire Road	Thogoto	181,452,510	81,327,181	44.8
9	Construction of Githunguri CBD roads	Githunguri	103,997,581	78,019,224	75.0
10	Purchase of vehicles and equipment (2 graders purchased)	Headquarters	65,857,070	39,057,070	59.3

Source: *Kiambu County Treasury*

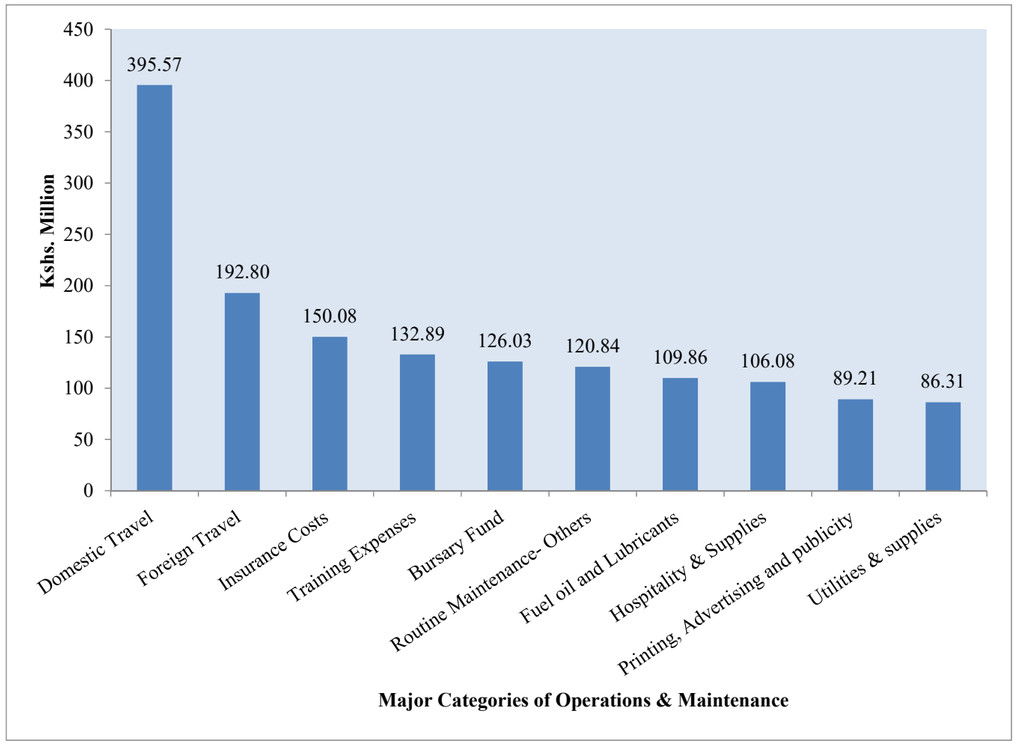
3.13.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.9.77 billion comprised of Kshs.6.78 billion (69.5 per cent) incurred on personnel emoluments and Kshs.2.98 billion (30.5 per cent) on operations and maintenance as shown in Figure 3.51 .

Expenditure on personnel emoluments represented an increase of 12.4 per cent compared to FY 2017/18 when the County spent Kshs.6.04 billion and was 47.6 per cent of the total expenditure in FY 2018/19. Figure 3.52 shows a summary of operations and maintenance expenditure by major categories.

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Figure 3.52: Kiambu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Kiambu County Treasury*

The County spent Kshs.90.64 million on committee sitting allowances for the 93 MCAs and Speaker against the annual budget allocation of Kshs.74 million. This represented an increase of 61.1 per cent compared to Kshs.56.25 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.81,217 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.558.37 million, and comprised of Kshs.336.24 million spent by the County Assembly and Kshs.252.13 million by the County Executive. This expenditure represented 6 per cent of total recurrent expenditure and was an increase of 81 per cent compared to Kshs.325.14 million spent in FY 2017/18.

3.13.8 Budget Performance by County Department

Table 3.37 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.37: Kiambu County, Budget Performance by Department in FY 2018/19

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
County Assembly	1,200.86	55.00	1,102.82	8.89	1,101.89	8.89	99.9	100	91.8	16.2
County Executive	409.94	8.56	359.94	-	336.42	3.38	93.5	-	82.1	39.5

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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
County Public Service Board	76.32	-	76.32	-	64.01	-	83.9	-	83.9	-
Finance, ICT and Economic Planning	1,118.98	573.77	1,118.98	248.90	964.40	298.45	86.2	119.9	86.2	52
Administration, Public Service & Communication	1,212.03	14.50	1,212.03	11.96	1,155.45	11.25	95.3	94	95.3	77.6
Agriculture, Crop Production and Irrigation	239.26	284.59	239.26	121.90	224.56	176.10	93.9	144.5	93.9	61.9
Water, Environment & Natural Resources	290.68	223.23	290.68	145.92	262.84	104.50	90.4	71.6	90.4	46.8
Health Services	4,234.49	833.07	4,006.78	661.51	3,774.35	600.10	94.2	90.7	89.1	72.0
Education, Youth, Sports Culture, & Social Service	1,065.76	417.54	1,024.85	159.77	971.74	269.52	94.8	168.7	91.2	64.6
Youth and Sports	90.68	25.13	90.68	-	80.17	-	88.4	-	88.4	0.0
Lands, Physical Planning & Housing	262.20	1,937.76	221.00	1,937.76	144.93	1,941.37	65.6	100.2	55.3	100.2
Trade, Tourism, Industry & Cooperative	159.48	259.89	159.48	56.51	145.28	61.35	91.1	108.6	91.1	23.6
Roads, Transport & Public Works	347.89	1,208.11	347.89	1,091.38	315.52	991.10	90.7	90.8	90.7	82.0
Livestock, Fisheries and Marketing	240.65	123.97	240.65	12.95	223.46	29.22	92.9	225.6	92.9	23.6
TOTAL	**10,949**	**5,965**	**10,491**	**4,457**	**9,765**	**4,495**	**93.1**	**100.8**	**89.2**	**75.4**

Source: Kiambu County Treasury

Analysis of expenditure by department shows that the Department of Lands, Physical Planning & Housing recorded the highest absorption rate of development budget at 100.2 per cent while the Department of Youth and Sports did not spend on the development budget. The Department of Administration, Public Service & Communication had the highest percentage of recurrent expenditure to recurrent budget at 95.3 per cent while the Department of Lands, Physical Planning & Housing had the lowest at 55.3 per cent.

3.13.9 Key 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 expenditure by 145.2 per cent from Kshs.1.83 billion in FY 2017/18 to Kshs.4.50 billion in the reporting period.
ii. Improvement in the collection of own source revenue by 61.9 per cent from Kshs.1.69 billion in FY 2017/18 to Kshs.2.74 billion in the reporting period, and was 100.2 per cent of the annual target.

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

1. High expenditure on personnel emoluments which has increased by 12.4 per cent from Kshs.6.04 billion to Kshs.6.78 billion. The wage bill accounted for 47.6 per cent of total expenditure in the reporting period.
2. High expenditure on foreign and domestic travel, which increased by 81 per cent from Kshs.325.14 million in FY 2017/18 to Kshs.558.37 million in the reporting period.
3. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Lands, Physical Planning & Housing. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

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1. *The County Public Service Board should put in place measures to ensure the wage bill does not increase above the legal limit in the medium term.*
2. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
3. *The County Treasury should ensure expenditure is within the approved budget.*

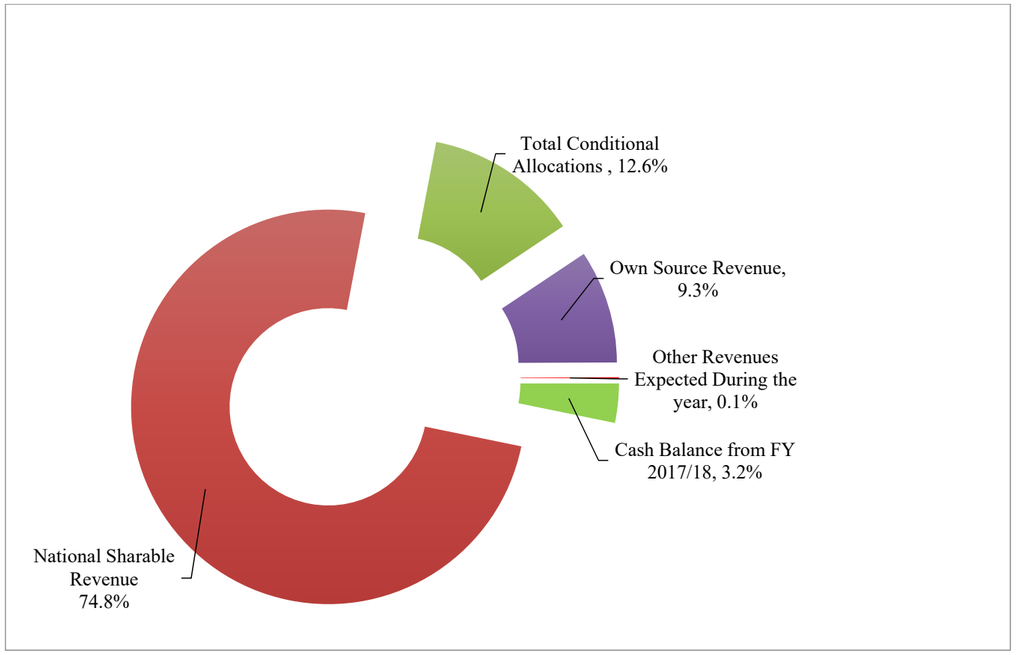
3.14 Kilifi County

3.14.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.14.48 billion, comprising of Kshs.8.71 billion (60.2 per cent) and Kshs.5.77 billion (39.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.83 billion (74.8 per cent) as equitable share of the revenue raised nationally, Kshs.1.83 billion (12.6 per cent) as total conditional grants, generate Kshs.1.35 billion (9.3 per cent) from own sources of revenue, Kshs.10.99 million (0.1 per cent) as other revenues expected during the year and Kshs.465.43 million (3.2 per cent) cash balance from FY 2017/18.

Figure 3.53: Kilifi County, Expected Sources of Budget Financing in FY 2018/19



Source: *Kilifi County Treasury*

A breakdown of the conditional grants is provided in Table 3.38.

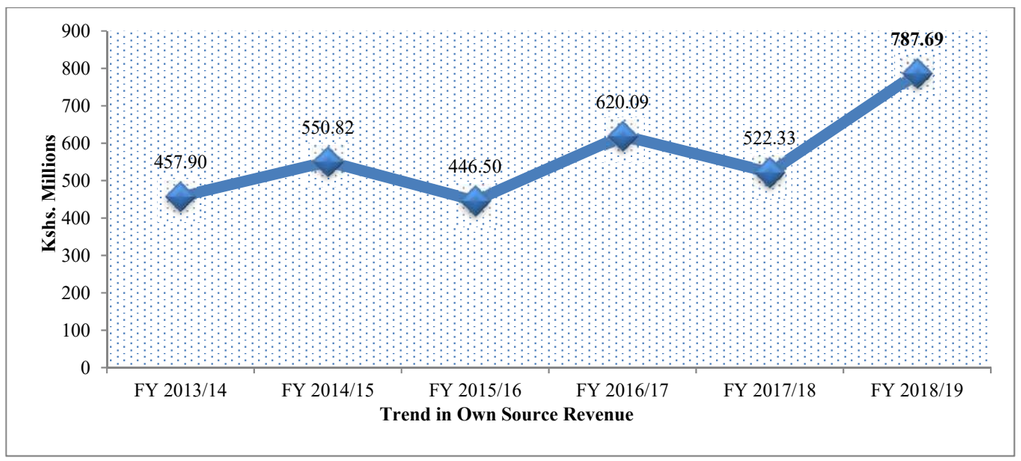
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3.14.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.12.86 billion available for budget implementation. This amount consisted of Kshs.10.83 billion received as equitable share of the revenue raised nationally, Kshs.1.06 billion as conditional grants, Kshs.787.69 million generated from own sources of revenue, and a cash balance of Kshs.180.51 million from FY 2017/18.

Figure 3.54 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.54: Kilifi County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Kilifi County Treasury*

The County generated a total of Kshs.787.69 million from own revenue sources in FY 2018/19. This amount represented an increase of 50. 8 per cent compared to Kshs.522.33 million realised in FY 2017/18 and was 58.6 per cent of the annual target.

3.14.3 Conditional Grants

During the reporting period, the County received Kshs.1.06 billion as conditional grants as shown inTable 3.38.

Table 3.38: Kilifi County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grant Details	Annual Allocation-CARA, 2018) (Kshs)	Annual Budget Allocation(Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
1	Water and Sanitation Development Project (WSDP)	400,000,000	400,000,000	-	-
2	Kenya Urban Support Programme (KUSP)	330,534,500	330,534,500	330,534,500	100
3	Road Maintenance Fuel Levy Fund	285,223,455	293,653,336	293,653,337	103
4	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
5	World Bank Loan for National Agricultural & Rural Inclusive Project	140,435,163	196,045,018	112,109,855	79.8
6	World Bank Loan for Transforming Health Systems for Universal Care (WB) (THSUC)	100,000,000	101,527,335	81,946,553	81.9
7	WB -Kenya Devolution Support Programme (KDSP)	61,148,106	83,874,401	22,726,295	37.2
8	Development of Youth Polytechnics/ Rehabilitation of Village Polytechnic	53,035,000	87,896,049	74,902,474	141.2
9	DANIDA Grant	33,361,875	45,178,279	45,178,279	135.4

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S/No	Grant Details	Annual Allocation-CARA, 2018) (Kshs)	Annual Budget Allocation(Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
10	Compensation for User Fee Foregone	25,969,864	26,072,672	39,166,163	150.8
11	Agricultural Sector Development Support Programme(ASDSP)II	23,653,874	22,011,311	13,611,847	57.7
12	Kenya Urban Support Programme-Urban Institutional Grant	-	41,200,000	41,200,000	-
Total		**1,653,361,837**	**1,827,992,901**	**1,055,029,303**	**63.8**

Source: Kilifi County Treasury

During the reporting period, receipts from the Compensation for User Fee Foregone conditional grant recorded the highest performance in percentage terms, and accounted for 150.8 per cent of the annual target.

3.14.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.11.61 billion from the CRF account. The withdrawals represented 80.2 per cent of the Approved Supplementary Budget and translated to an increase of 8.4 per cent from Kshs.10.71 billion in FY 2017/18, and comprised of Kshs.3.68 billion (31.7 per cent) towards development activities and Kshs.7.93 billion (68.3 per cent) for recurrent expenditure.

3.14.5 Overall Expenditure Review

A total of Kshs.9.64 billion was spent on both development and recurrent activities. This expenditure represented 83 per cent of the total funds released from the CRF account, and was an increase of 1.2 per cent from Kshs.9.53 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.771.77 million for development activities and Kshs.369.18 million for recurrent costs.

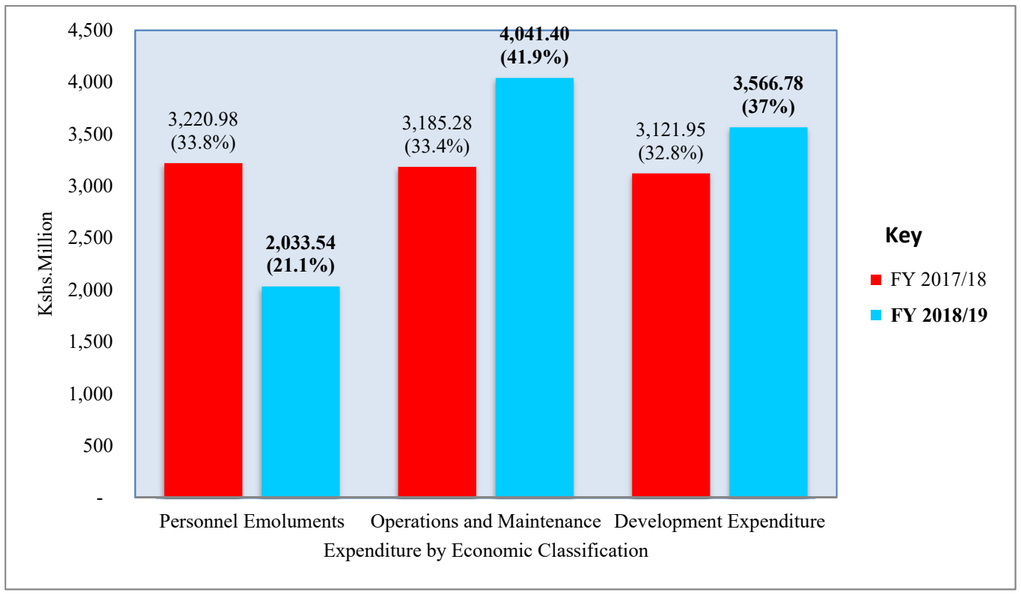
Expenditure on development programmes amounted to Kshs.3.57 billion while Kshs.6.07 billion was spent on recurrent activities. The development expenditure was 97 per cent of the funds released for development programmes, while recurrent expenditure was 76.6 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 61.8 per cent, which was a decrease from 73.1 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 69.7 per cent of the annual recurrent budget, a decrease from 81.5 per cent recorded in FY 2017/18.

Figure 3.55 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.55: Kilifi County, Expenditure by Economic Classification



***Source**: Kilifi County Treasury*

3.14.6 Development Expenditure Analysis

The total development expenditure of Kshs.3.57 billion represented 61.8 per cent of the annual development budget of Kshs.5.77 billion. Table 3.39 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.39: Kilifi County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Medical Equipment	Kilifi HQ	295,000,000	262,701,535	89.1
2	Construction of Hospital Complex	Kilifi HQ	200,000,000	110,935,318	55.5
3	Completion of the upgrading to Cabro standards A7(BP Petro station)/A7(Tamani Jua) road	Malindi	60,000,000	62,604,000	104.3
4	Completion of 2.5 KM Upgrading of BP- Sultan Palace Road		50,000,000	50,000,000	100
5	Mbegu Fund	Kilifi HQ	30,000,000	30,000,000	100
6	Purchase of garbage Collection Compactor for Mtwapa Town	Mtwapa	21,000,000	24,849,520	118
7	Baricho - Magarini Pipeline Rehabilitation	Magarini	25,000,000	24,749,427	99
8	Water Pipeline Mariakani	Mariakani	-	14,704,850	-
9	Construction & installation of steel water Tanks at County Treasury	Kilifi HQ	9,993,191	9,993,191	100
10	40 No. Dairy Cows	Kilifi HQ	10,000,000	9,900,000	99

***Source**: Kilifi County Treasury*

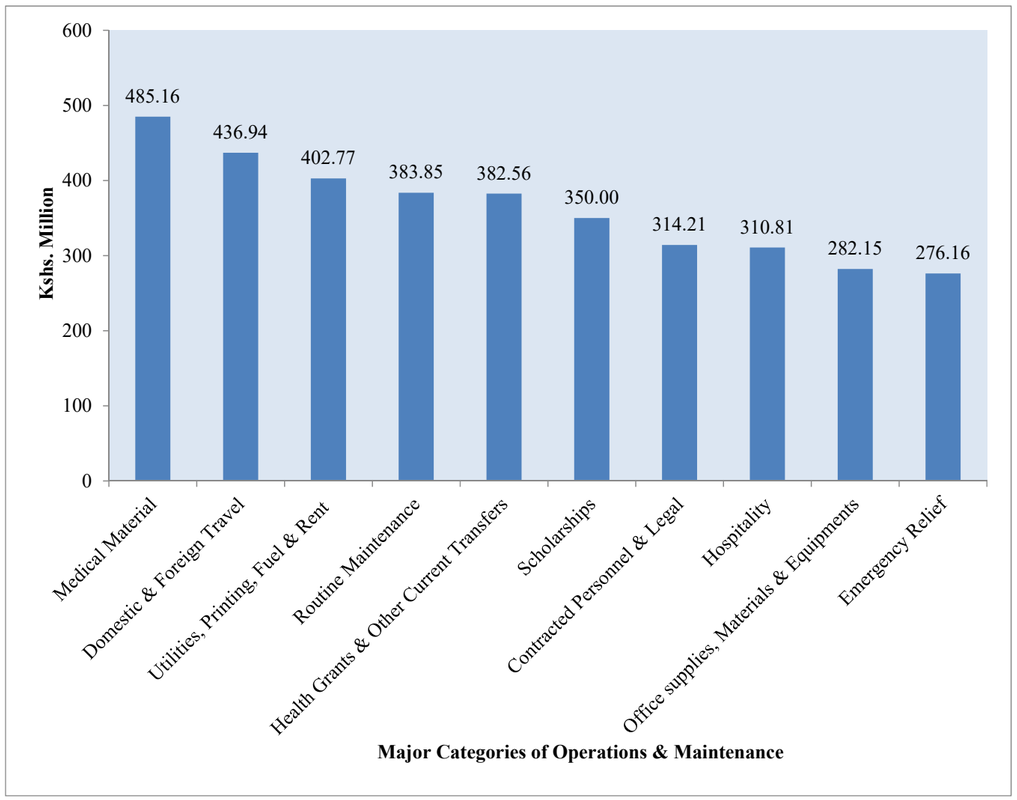
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3.14.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.07 billion comprised of Kshs.2.03 billion (33.5 per cent) incurred on personnel emoluments and Kshs.4.04 billion (66.5 per cent) on operations and maintenance as shown in Figure 3.55.

Expenditure on personnel emoluments represented a decrease of 36.9 per cent compared to FY 2017/18 when the County spent Kshs.3.22 billion and was 21.1 per cent of the total expenditure in FY 2018/19. The decline in personnel emoluments was as a result of laying off casuals by the County Government. Figure 3.56 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.56: Kilifi County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Kilifi County Treasury*

The County spent Kshs.59.63 million on committee sitting allowances for the 54 MCAs and speaker against the annual budget allocation of Kshs.96.84 million. This represented an increase of 143.6 per cent compared to Kshs.24.49 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.92,029 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

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Expenditure on domestic and foreign travel amounted to Kshs.436.94 million, and comprised of Kshs.219.33 million spent by the County Assembly and Kshs.217.61 million by the County Executive. This expenditure represented 7.2 per cent of total recurrent expenditure and was an increase of 75.9 per cent compared to Kshs.248.28 million spent in FY 2017/18.

3.14.8 Budget Performance by County Department

Table 3.40 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.40: Kilifi County, Budget Performance by Department in FY 2018/19

Department	Annual 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
County Assembly	903.51	311.17	903.51	177.63	895.97	128.22	99.2	72.2	99.2	41.2
Office of the Governor	371.34	-	325.62	-	306.72	-	94.2	-	82.6	-
County Attorney	121.51	-	120.77	-	95.98	-	79.5	-	79.0	-
Finance	577.80	18.81	365.08	18.81	361.33	7.89	99.0	41.9	62.5	41.9
Economic Planning	51.13	-	34.43	-	35.36	-	102.7	-	69.1	-
Agriculture	584.40	183.47	479.46	123.99	415.56	105.73	86.7	85.3	71.1	57.6
Livestock	28.50	131.80	22.60	111.95	22.99	97.07	101.7	86.7	80.7	73.7
Fisheries	28.80	59.23	5.67	30.49	23.27	21.51	410.7	70.6	80.8	36.3
Water and Sanitation	241.08	988.62	210.06	621.61	216.31	595.26	103.0	95.8	89.7	60.2
Environment , Natural Resources and Wildlife	89.72	95.50	56.85	107.21	82.17	69.40	144.5	64.7	91.6	72.7
Education Sports & Youth Affairs	930.85	838.48	930.85	385.69	659.96	400.09	70.9	103.7	70.9	47.7
Information, Communication & Technology	37.00	10.00	34.97	5.00	23.21	4.02	66.4	80.4	62.7	40.2
Medical Services	2,671.17	845.79	2,646.92	388.34	1,227.59	434.91	46.4	112.0	46.0	51.4
Public Health	267.69	-	214.18	-	256.80	-	119.9	-	95.9	-
Roads, Transport and Public Works	466.69	1,213.59	449.74	1,037.70	460.49	1,071.15	102.4	103.2	98.7	88.3
Lands and energy	151.39	61.80	138.91	27.45	107.06	27.53	77.1	100.3	70.7	44.6
Physical Planning ,Urban Development and Housing	52.36	539.61	40.36	400.69	27.54	352.88	68.3	88.1	52.6	65.4
Gender, Culture, Social Services and Sports	184.44	217.99	169.39	55.03	118.26	77.45	69.8	140.7	64.1	35.5
Trade and Tourism	119.89	186.95	118.84	136.09	101.50	157.96	85.4	116.1	84.7	84.5
Cooperatives Development	9.57	-	-	-	8.32	-	-	-	86.9	-
County Public Service Board	72.45	-	66.69	-	60.27	-	90.4	-	83.2	-
Devolution, Public Service and Disaster Management	750.53	67.84	598.36	50.24	568.27	15.70	95.0	31.2	75.7	23.1
Total	**8,712**	**5,771**	**7,933**	**3,678**	**6,075**	**3,567**	**76.6**	**97**	**69.7**	**61.8**

Source: *Kilifi County Treasury*

Analysis of expenditure by department shows that the Department of Roads, Transport and Public Works recorded the highest absorption rate of development budget at 88.3 per cent while the Department of Devolution, Public Service and Disaster Management recorded the lowest at 23.1 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.2 per cent while the Department of Medical Services had the lowest at 46 per cent.

3.14.9 Key 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. Improved internet connectivity, resulting into effective use of IFMIS
ii. Establishment of an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.

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

1. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
2. Delay by Fund Administrators to submit expenditure reports of the Mbegu Fund, Emergency Fund, Scholarship Fund and the County Assembly Staff Mortgage Fund contrary to Section 168 of the PFM Act, 2012.
3. Under-performance of own-source revenue collection. The County collected Kshs.787.69 million which was 58.6 per cent of the annual target of Kshs.1.35 billion.
4. The County Treasury operationalised the Housing and Car Loans to Public Servants by depositing Kshs.39 million to this Fund before getting an approval from the Controller of Budget for withdrawal from the CRF. This is an indication of a weak financial control as the amount was diverted from other funded programmes.
5. High expenditure on foreign and domestic travel, which increased by 75.9 per cent from Kshs.248.28 million in FY 2017/18 to Kshs.436.94 million in the reporting period.

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

1. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
2. *All Fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Section 168 of PFM Act 2012.*
3. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection.*
4. *The County Treasury should put in place proper systems to ensure that funds are utilised in line with Article 201, 207 & 228 of the Constitution, and Section 109 of the PFM Act, 2012.*
5. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*

3.15 Kirinyaga County

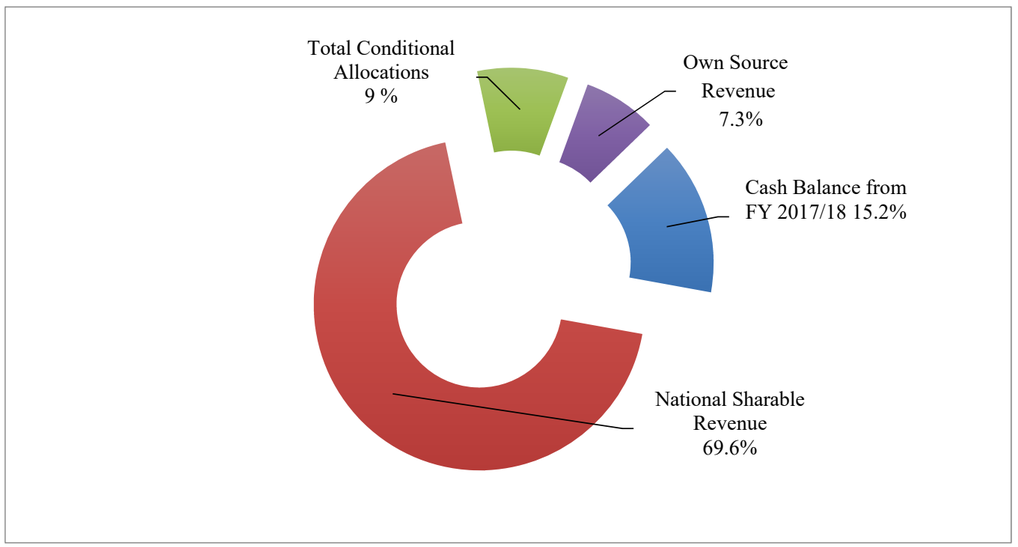
3.15.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.5.91 billion, comprising of Kshs.1.82 billion (30.8 per cent) and Kshs.4.09 billion (69.2 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.11 billion (69.6 per cent) as equitable share of the revenue raised nationally, Kshs.530.59 million (9.0 per cent) as total conditional grants, generate Kshs.430 million (7.3 per cent) from own sources of revenue, and Kshs.900.12 million (15.2 per cent) cash balance from FY 2017/18.

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Figure 3.57: Kirinyaga County, Expected Sources of Budget Financing in FY 2018/19



Source: *Kirinyaga County Treasury*

A breakdown of the conditional grants is provided in Table 3.41.

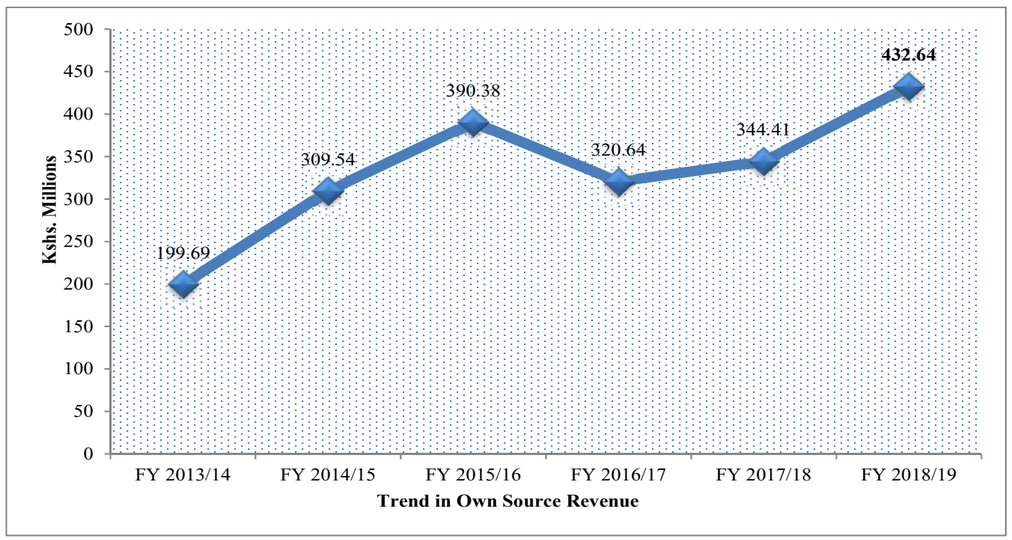
3.15.2 Revenue Analysis

During FY 2018/19, the County had a total of Kshs.5.65 billion available for budget implementation. This amount consisted of Kshs.4.11 billion received as equitable share of the revenue raised nationally, Kshs.359.85 million as conditional grants, Kshs.432.64 million generated from own sources of revenue, and a cash balance of Kshs.831.68 million from FY 2017/18.

Figure 3.58 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.58: Kirinyaga County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Kirinyaga County Treasury*

The County generated a total of Kshs.432.64 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.88.23 million compared to that realised in FY 2017/18 and represented 100.6 per cent of the annual target.

3.15.3 Conditional Grants

During the reporting period, the County received Kshs.359.85 million as conditional grants as shown in Table 3.41.

Table 3.41: Kirinyaga County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	Road Maintenance Fuel Levy Fund	108,302,240	108,302,240	108,302,240	100
2	Leasing of Medical Equipment	200,000,000	-		-
3	Transforming Health Systems for Universal Care Project (WB)	50,000,000	50,000,000	23,485,608	47
4	Kenya Devolution Support Programme (KDSP)	41,078,830	41,078,830	-	-
5	Compensation for User Fee Foregone	11,282,570	11,282,570	11,282,570	100
6	DANIDA Grant	14,782,500	14,782,500	14,782,500	100
7	Kenya Urban Support Project (KUSP)	71,302,200	71,302,200	71,302,200	100
9	Development of Youth Polytechnics	52,210,000	52,210,000	39,418,550	75.5
12	World Bank Loan for National Agricultural & Rural Inclusive Project	140,435,163	140,435,163	50,078,476	35.7
13	IDA (World Bank) as credit for Kenya Urban Support Project- Urban Institution Grant	41,200,000	41,200,000	41,200,000	100
Total		**730,593,503**	**530,593,503**	**359,852,144**	**49.3**

Source: *Kirinyaga County Treasury*

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During the reporting period, receipts from the Road maintenance Fuel Levy, Kenya Urban Support Project (KUSP), Compensation for User Fee Foregone and DANIDA conditional grant recorded the highest performance in percentage terms, and accounted for 100 per cent of the respective annual target.

3.15.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.5.22 billion from the CRF account. The withdrawals represented 88.3 per cent of the Approved Supplementary Budget and translated to an increase of 11 per cent from Kshs.4.70 billion in FY 2017/18 and comprised of Kshs.1.17 billion (22.4 per cent) towards development activities and Kshs.4.05 billion (77.6 per cent) for recurrent expenditure.

3.15.5 Overall Expenditure Review

A total of Kshs.5.16 billion was spent on both development and recurrent activities. This expenditure represented 98.9 per cent of the total funds released from the CRF account, and was an increase of 12.4 per cent from Kshs.4.59 billion spent in FY 2017/18.

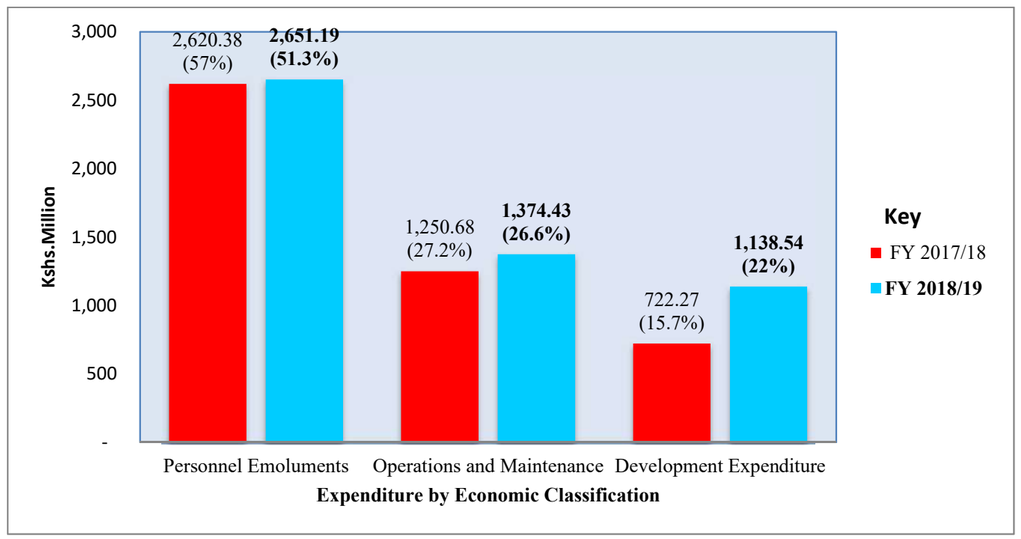
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.44.46 million for development activities and Kshs.53.67 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.14 billion while Kshs.4.03 billion was spent on recurrent activities. The development expenditure was 97.2 per cent of the funds released for development programmes, while recurrent expenditure was 99.4 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 62.6 per cent, which was an increase from 42.3 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 98.3 per cent of the annual recurrent budget, an increase from 97.1 per cent recorded in FY 2017/18.

Figure 3.59 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

Figure 3.59: Kirinyaga County, Expenditure by Economic Classification



Source: *Kirinyaga County Treasury*

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3.15.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.14 billion represented 62.6 per cent of the annual development expenditure estimates of Kshs.1.82 billion. Table 3.42 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.42: Kirinyaga County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19	Absorption Rate (%)
1	Construction of Kerugoya medical complex	Kerugoya	200,000,000	199,817,391	99.9
2	Paving and Marking of Kianyaga Matatu Parking and Including market access road in Baragwi Ward	Baragwi ward	57,038,114	47,807,798	83.8
3	Paving & Marking of Kutus Matatu Parking and Marking in Kabare/ Nyangati Wards (County Funded)	Kabare/Nyangati wards	45,506,916	45,181,829	99.3
4	Town Parkings Improvement - Kagio	Kagio	60,604,414	43,424,824	71.7
5	Erection And Completion Of A Power House, a kitchen and power house	Kerugoya	61,000,000	40,238,792	66
6	Construction of Kagio Matatu Parking Sector 10 – LOT 2 in Mutithi Ward (County Funded)	Mutithi ward	32,605,048	31,990,089	98.1
7	Construction of Kagio Matatu Parking Phase 1– LOT 1 in Kiine Ward (County Funded)	Kiine ward	30,097,476	30,097,475	100
8	County Assembly -Development and refurbishments-Chambers		52,117,442	27,598,200	53
9	Renovation of Kianyaga and Kerugoya Stadiums	Mutithi ward	28,000,000	21,842,219	78
10	Access Roads	County wide	22,000,000	21,600,000	98.2

***Source**: Kirinyaga County Treasury*

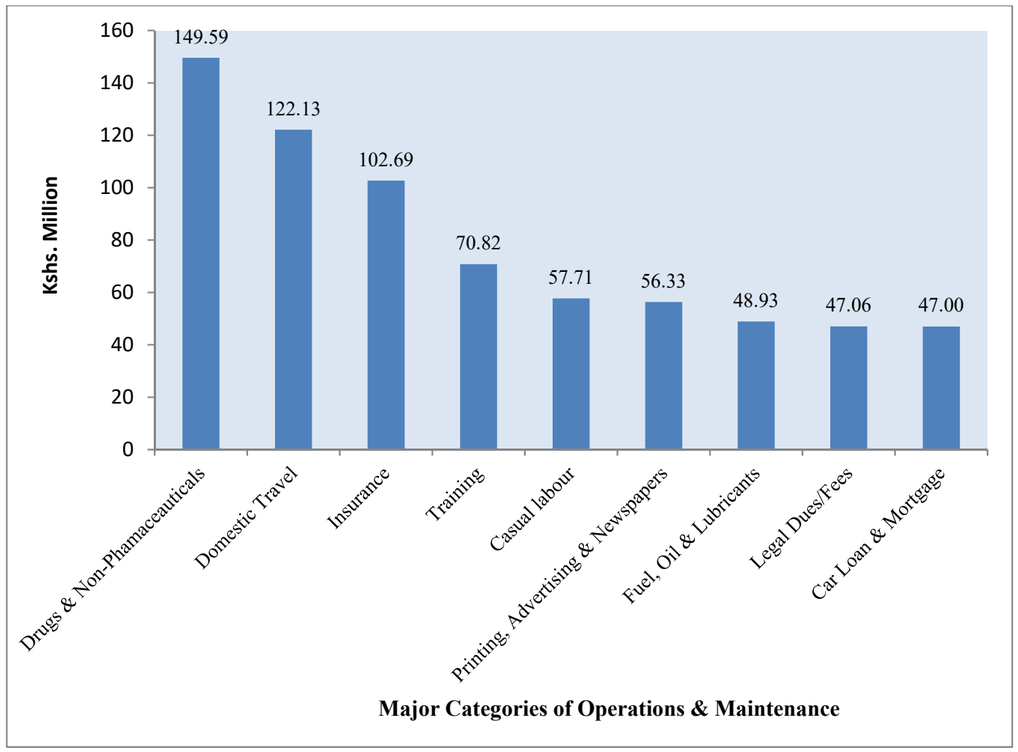
3.15.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.03 billion comprised of Kshs.2.65 billion (66.1 per cent) incurred on personnel emoluments and Kshs.1.37 billion (33.9 per cent) on operations and maintenance as shown in Figure 3.59 .

Expenditure on personnel emoluments represented an increase of 1.2 per cent compared to FY 2017/18 when the County spent Kshs.2.62 billion and was 57 per cent of the total expenditure in FY 2018/19. Figure 3.60 shows a summary of operations and maintenance expenditure by major categories.

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Figure 3.60: Kirinyaga County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Kirinyaga County Treasury*

The County spent Kshs.33.55 million on committee sitting allowances for the 34 MCAs and speaker against the annual budget allocation of Kshs.80 million. This represented an increase of 65.5 per cent compared to Kshs.20.27 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.79,878 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.167.21 million, and comprised of Kshs.103.99 million spent by the County Assembly and Kshs.63.21 million by the County Executive. This expenditure represented 4.2 per cent of total recurrent expenditure and was an increase of 7.8 per cent compared to Kshs.155.15 million spent in FY 2017/18.

3.15.8 Budget Performance by County Department

Table 3.43 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.43: Kirinyaga County, Budget Performance by Department in FY 2018/19

Department	Annual 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.
County Executive (Office of the Governor)	472.44	86.08	450.94	76.33	450.94	68.22	100.0	89.4	95.4	79.3
Culture and Social Services	47.24	27.61	47.24	7.72	42.72	7.72	90.4	100.0	90.4	28.0
Trade Development and Cooperatives	42.6	129.5	39.67	64.92	39.03	64.92	98.4	100.0	91.6	50.1
Finance and Planning	347.7	32.74	347.7	21.84	344.07	21.84	99.0	100.0	99.0	66.7
Environment and Natural resources	92.4	107.44	90.73	57.44	88.6	56.17	97.7	97.8	95.9	52.3
Agriculture, &Livestock, Development	276.28	185.22	270.62	73.2	270.62	66.24	100.0	90.5	98.0	35.8
Health Services	1,811.25	409.38	1,808.27	305.02	1,802.86	297.14	99.7	97.4	99.5	72.6
Transport, Roads and Public Works	88.31	574.62	88.31	423.63	82.76	417.28	93.7	98.5	93.7	72.6
Education	208.96	72.64	208.96	9.33	208.96	9.33	100.0	100.0	100.0	12.8
Physical Planning And Development	72.25	77.3	70.71	71.3	70.41	71.3	99.6	100.0	97.5	92.2
Youth And Sports	31.95	43.49	23.06	33.28	22.91	33.28	99.3	100.0	71.7	76.5
County Assembly	601.93	72.12	601.73	27.6	601.73	25.08	100.0	90.9	100.0	34.8
Total	**4,093.31**	**1,818.14**	**4,047.94**	**1,171.61**	**4,025.61**	**1,138.52**	**99.4**	**97.2**	**98.3**	**62.6**

***Source**: Kirinyaga County Treasury*

Analysis of expenditure by department shows that the Department of Physical Planning and Development recorded the highest absorption rate of development budget at 92.2 while the Department of Education recorded the lowest at 12.8 per cent. The Department of Education had the highest percentage of recurrent expenditure to its recurrent budget at 100 per cent while the Department of Youth and Sports had the lowest at 71.7 per cent.

3.15.9 Key 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 performance of own-source revenue collection. At the end of the period under review, the County had collected Kshs.432.64 million representing 100.6 per cent of the annual target of Kshs.430 million.
ii. Establishment of Internal Audit Committee in compliance to Section 155 (5) of the PFM Act, 2012.
iii. Improvement in the administration and reporting on the 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. A high wage bill that increased by 1.2 per cent from Kshs.2.62 billion in FY 2017/18 to Kshs.2.65 billion in the reporting period. The wage bill accounted for 51.3 per cent of total expenditure in the reporting period.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
3. High expenditure on foreign and domestic travel, which increased by 7.8 per cent from Kshs.155.15 million in FY 2017/18 to Kshs.167.21 million in the reporting period.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies*

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to address the escalating wage bill.

2. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*
3. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*

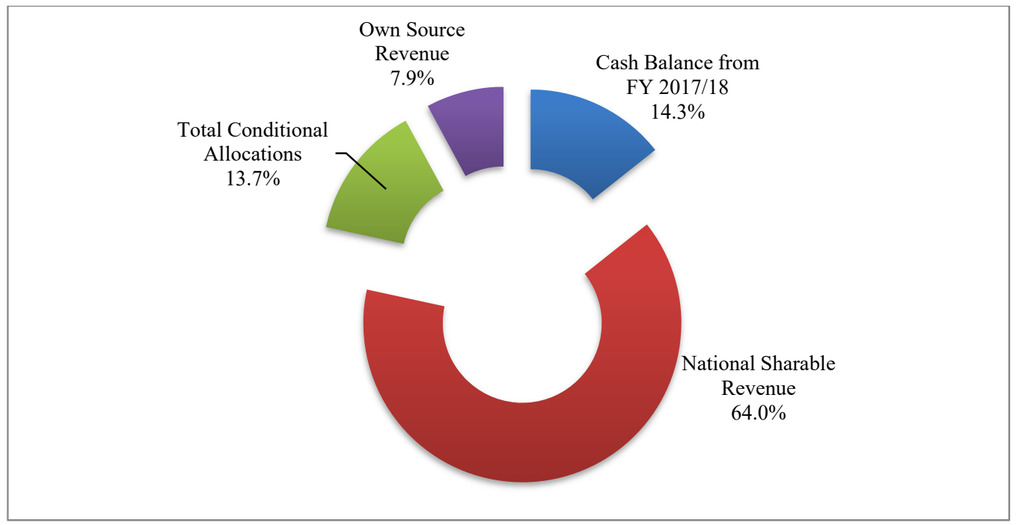
3.16 Kisii County

3.16.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.12.01 billion, comprising of Kshs.4.00 billion (33.3 per cent) and Kshs.8.01 billion (66.7 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.69 billion (64 per cent) as equitable share of the revenue raised nationally, Kshs.1.65 billion (13.7 per cent) as total conditional grants, generate Kshs.950 million (7.9 per cent) from own sources of revenue, and Kshs.1.72 billion (14.3 per cent) cash balance from FY 2017/18.

Figure 3.61: Kisii County, Expected Sources of Budget Financing in FY 2018/19



Source: *Kisii County Treasury*

A breakdown of the conditional grants is provided in Table 3.44.

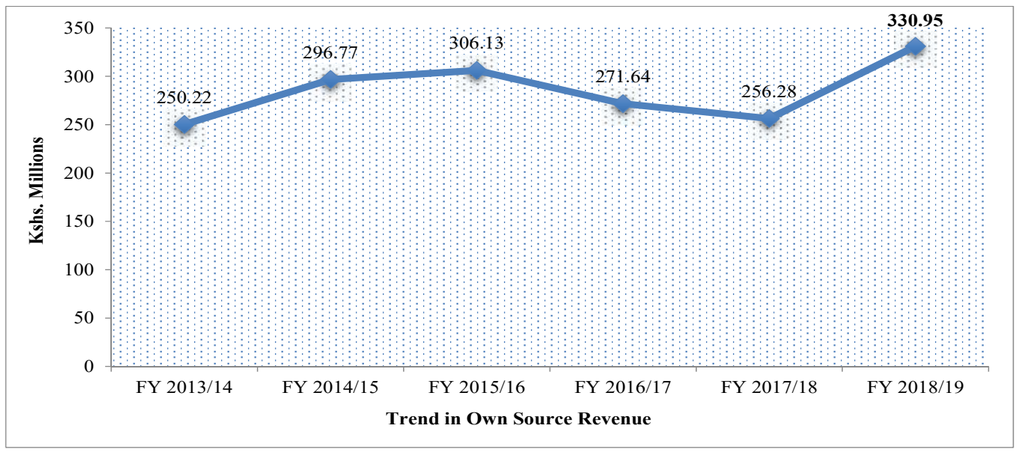
3.16.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.10.07 billion available for budget implementation. This amount consisted of Kshs.7.69 billion received as equitable share of the revenue raised nationally, Kshs.1.16 billion as conditional grants, Kshs.330.95 million generated from own sources of revenue, and a cash balance of Kshs.1.50 billion from FY 2017/18.

Figure 3.62 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.62: Kisii County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Kisii County Treasury*

The County generated a total of Kshs.330.95 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.74.66 million compared to that realised in FY 2017/18 and was 34.8 per cent of the annual target.

3.16.3 Conditional Grants

During the reporting period, the County received Kshs.1.16 billion as conditional grants as shown in Table 3.44.

Table 3.44: Kisii County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grant Details	Annual Allocation-CARA, 2018)(Kshs)	Annual Budget Allocation (Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
1	Grant to Level-5 Hospital	417,572,254	417,572,254	417,572,254	100
2	Road Maintenance Fuel Levy	203,376,725	203,376,725	203,376,725	100
3	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
4	IDA (World Bank) credit: Kenya Devolution Support Programme (KDSP)	53,938,093	180,384,638	126,446,545	70.1
5	IDA (World Bank) -Kenya Urban Support Project (KUSP)	164,053,800	164,053,800	164,053,800	100
6	World Bank Loan for National Agricultural & Rural Inclusive Project	140,435,163	140,435,163	50,000,000	35.6
7	World Bank Loan for Transforming Health System for universal Care Project	74,159,514	74,159,514	36,746,947	49.6
8	Development of Youth Polytechnics	70,090,000	70,090,000	52,917,950	75.5
9	EU Grant- Instruments for Devolution Advice and Support- IDEAS)	70,000,000	70,000,000	48,161,217	68.8
10	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	41,200,000	-	-
11	DANIDA Grant	24,907,500	36,171,944	24,907,500	68.9
12	Compensation for User Fee Foregone	26,138,997	26,138,997	26,138,997	100
13	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	22,011,311	22,011,311	8,013,827	36.4
Total		**1,507,883,357**	**1,645,594,346**	**1,158,335,762**	**70.4**

Source: Kisii County Treasury

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During the reporting period, receipts from the Grant to Kisii Level-5 Hospital, Road Maintenance Fuel Levy, IDA (World Bank) -Kenya Urban Support Project (KUSP), and Compensation for User Fee Foregone conditional grant recorded the highest performance in percentage terms, and accounted 100 per cent of the respective annual targets.

3.16.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.9.89 billion from the CRF account. The withdrawals represented 82.3 per cent of the Approved Supplementary Budget and translated to an increase of 14.5 per cent from Kshs.8.64 billion in FY 2017/18 and comprised of Kshs.2.60 billion (26.3 per cent) towards development activities and Kshs.7.29 billion (73.7 per cent) for recurrent expenditure.

3.16.5 Overall Expenditure Review

A total of Kshs.9.56 billion was spent on both development and recurrent activities. This expenditure represented 96.7 per cent of the total funds released from the CRF account, and was an increase of 11.4 per cent from Kshs.8.58 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.852.77 million for development activities and Kshs.89.77 million for recurrent costs.

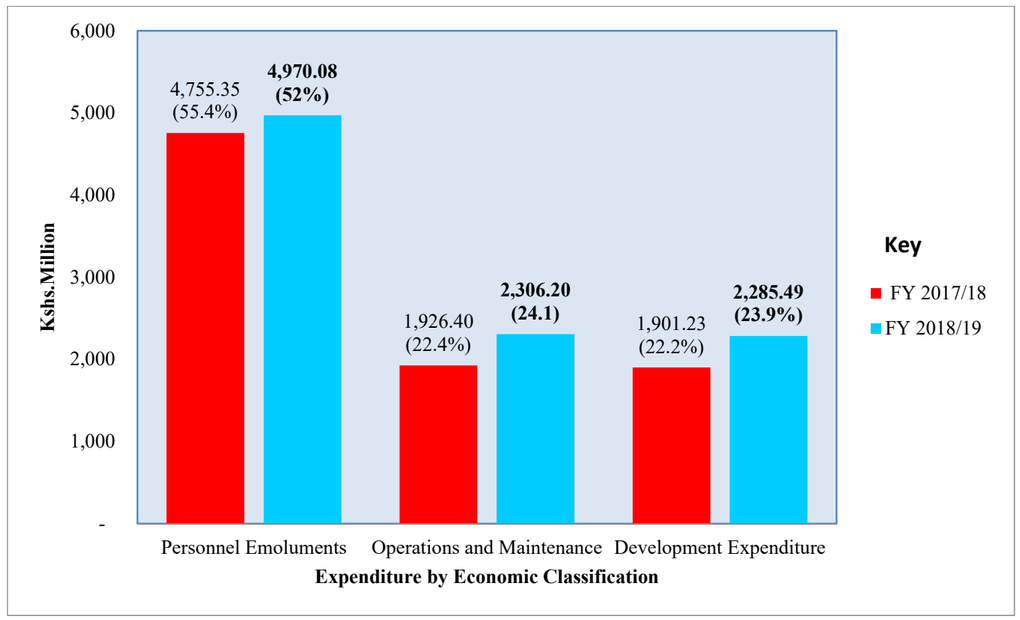
Expenditure on development programmes amounted to Kshs.2.29 billion while Kshs.7.28 billion was spent on recurrent activities. The development expenditure was 87.8 per cent of the funds released for development programmes, while recurrent expenditure was 99.8 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 57.2 per cent, which was an increase from 56.5 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 90.8 per cent of the annual recurrent budget, an increase from 88.7 per cent recorded in FY 2017/18.

Figure 3.63 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.63: Kisii County, Expenditure by Economic Classification



Source: Kisii County Treasury

3.16.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.29 billion represented 57.2 per cent of the annual development expenditure estimates of Kshs.4.0 billion. Table 3.45 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.45: Kisii County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Upgrade of Marani Level 4 Hospital	Marani	96,000,000	31,537,876	32.9
2	Supply and Delivery of Brand New Fire Truck Vehicles(10,000 Litres And 5,000 litres)	Kisii Town	72,600,000	36,000,000	49.6
3	Delivery of Drilling Rig plus Test Pumping Unit complete with its Accessories & Tools	County Headquarter	60,000,000	60,000,000	100.0
4	Mother – Child Hospital	Kisii Level 6 Hospital	51,019,422	50,660,016	99.3
5	Hire of Machinery & Equipment	County Headquarters	50,822,581	49,200,000	96.8
6	Completion of Gusii Stadium	Kisii Town	49,452,681	47,440,153	95.9
7	Purchase of Medical Equipment	Kisii Level 6 Hospital	48,337,476	48,337,476	100.0
8	Purchasing of Assorted Medical Equipment	Kisii Level 6 Hospital	35,630,000	35,630,000	100.0
9	Supply & Installation of Computer Networking & Software Upgrade	Kisii Level 6 Hospital	33,000,000	32,998,569	100.0
10	Supply, Delivery & Installation of Morgue / Pathology Equipment & Rehabilitation / Mechanical Works	Kisii Level 6 Hospital	31,000,000	31,000,000	100.0

Source: *Kisii County Treasury*

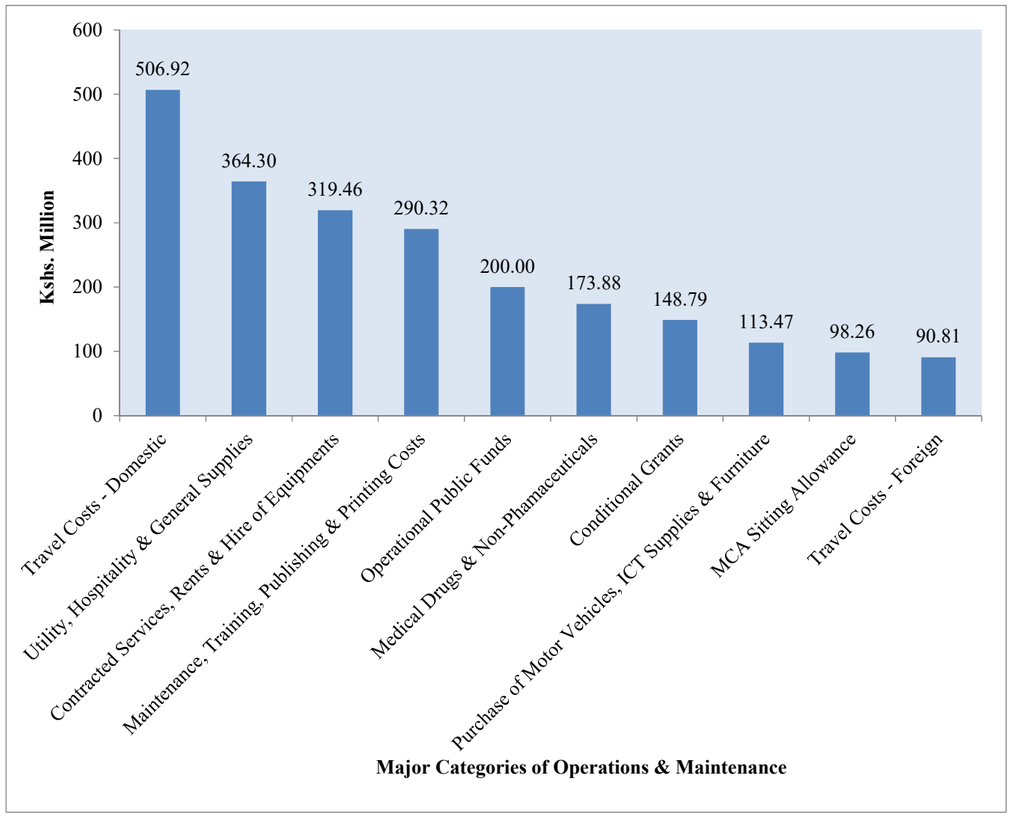
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3.16.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.7.28 billion comprised of Kshs.4.97 billion (68.3 per cent) incurred on personnel emoluments and Kshs.2.31 billion (31.7 per cent) on operations and maintenance as shown in Figure 3.63.

Expenditure on personnel emoluments represented an increase of 4.5 per cent compared to FY 2017/18 when the County spent Kshs.4.79 billion and was 52 per cent of the total expenditure in FY 2018/19. Figure 3.64 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.64: Kisii County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Kisii County Treasury*

The County spent Kshs.98.26 million on committee sitting allowances for the 71 MCAs and Speaker against the annual budget allocation of Kshs.100.82 million. This represented an increase of 107.6 per cent compared to Kshs.47.32 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.115,330 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

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Expenditure on domestic and foreign travel amounted to Kshs.597.73 million, and comprised of Kshs.135.86 million spent by the County Assembly and Kshs.461.87 million by the County Executive. This expenditure represented 8.2 per cent of total recurrent expenditure and was an increase of 23.1 per cent compared to Kshs.485.60 million spent in FY 2017/18.

3.16.8 Budget Performance by County Department

Table 3.46 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.46: Kisii County, Budget Performance by Department in FY 2018/19

Department	Annual Budget (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
County Assembly	991.84	130.00	950.70	36.66	950.62	36.18	100.0	98.7	95.8	27.8
Office of the Governor	500.38	7.50	463.82	3.57	461.20	3.57	99.4	100.0	92.2	47.6
Finance & Economic Planning	1,227.70	161.54	1,075.58	58.86	1,071.76	58.86	99.6	100.0	87.3	36.4
Agriculture, Livestock, Fisheries & Co-operative Development	356.26	508.20	339.74	316.24	337.81	255.58	99.4	80.8	94.8	50.3
Energy, Water, Environment & Natural Resources	194.62	227.12	164.33	123.61	162.65	121.86	99.0	98.6	83.6	53.7
Education, Youth Affairs & Social Development	596.48	210.13	579.83	113.13	581.25	60.22	100.2	53.2	97.4	28.7
County Health Services	2,919.99	1,025.37	2,701.69	603.48	2,700.24	600.08	99.9	99.4	92.5	58.5
Lands, Physical Planning & Urban Development	115.91	214.30	76.44	152.41	76.44	152.41	100.0	100.0	65.9	71.1
Roads, Public Works, Transport & Housing	185.28	899.89	136.12	843.59	135.35	720.29	99.4	85.4	73.1	80.0
Trade Development, Industry & Tourism	86.16	151.86	62.16	44.78	61.34	44.45	98.7	99.3	71.2	29.3
Culture and Social Services	88.08	141.65	83.92	61.88	81.00	60.32	96.5	97.5	92.0	42.6
Kisii Town Administration	129.65	194.46	81.26	173.91	83.74	102.16	103.1	58.7	64.6	52.5
Administration & Stakeholder Management	621.07	125.56	573.74	69.51	572.86	69.51	99.8	100.0	92.2	55.4
Total	**8,013.42**	**3,997.58**	**7,289.33**	**2,601.62**	**7,276.27**	**2,285.49**	**99.8**	**87.8**	**90.8**	**57.2**

Source: *Kisii County Treasury*

Analysis of expenditure by department shows that the Department of Roads, Public Works, Transport and Housing recorded the highest absorption rate of development budget at 80 per cent while the County Assembly recorded the lowest at 27.8 per cent. The Department of Education, Youth Affairs & Social Development had the highest percentage of recurrent expenditure to recurrent budget at 97.4 per cent while the Department of Kisii Town Administration had the lowest at 64.6 per cent.

3.16.9 Key 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 by 20.2 per cent from Kshs.1.9 billion in the FY 2017/18 to Kshs.2.29 billion in the reporting period.

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

1. A high wage bill that increased by 4.5 per cent from Kshs.4.76 billion in FY 2017/18 to Kshs.4.97 billion in the reporting period. The wage bill accounted for 52 per cent of total expenditure in the

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reporting period.
2. Under performance in own-source revenue collection which stood at 34.8 per cent of the annual target. This may hinder effective budget implementation if not addressed.
3. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection as well as come up with realistic revenue projections to avoid hidden budget deficits and resultant pending bills.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*

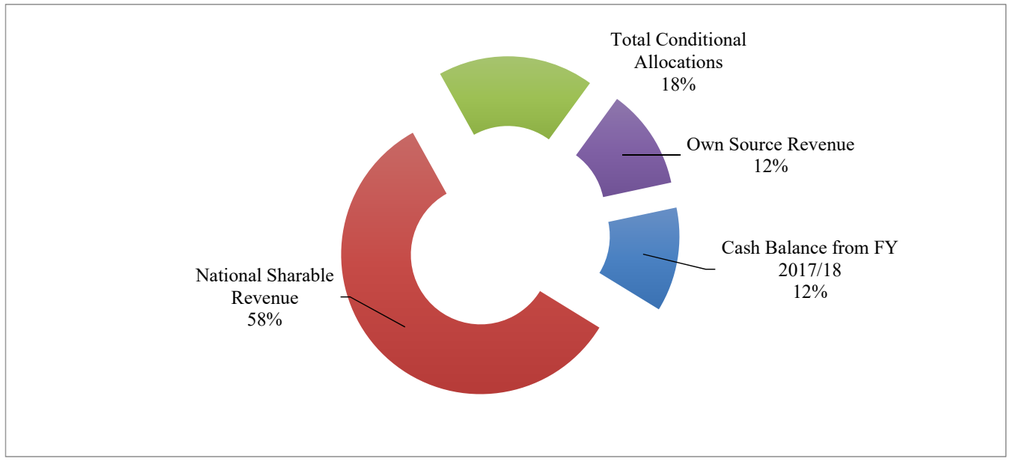
3.17 Kisumu County

3.17.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.11.88 billion, comprising of Kshs.4.63 billion (39 per cent) and Kshs.7.25 billion (61 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.91 billion (58.2 per cent) as equitable share of the revenue raised nationally, Kshs.2.15 billion (18.1 per cent) as total conditional grants, generate Kshs.1.38 billion (11.6 per cent) from own sources of revenue, and Kshs.1.44 billion (12.1 per cent) cash balance from FY 2017/18.

Figure 3.65: Kisumu County, Expected Sources of Budget Financing in FY 2018/19



Source: *Kisumu County Treasury*

A breakdown of the conditional grants is provided in Table 3.47 .

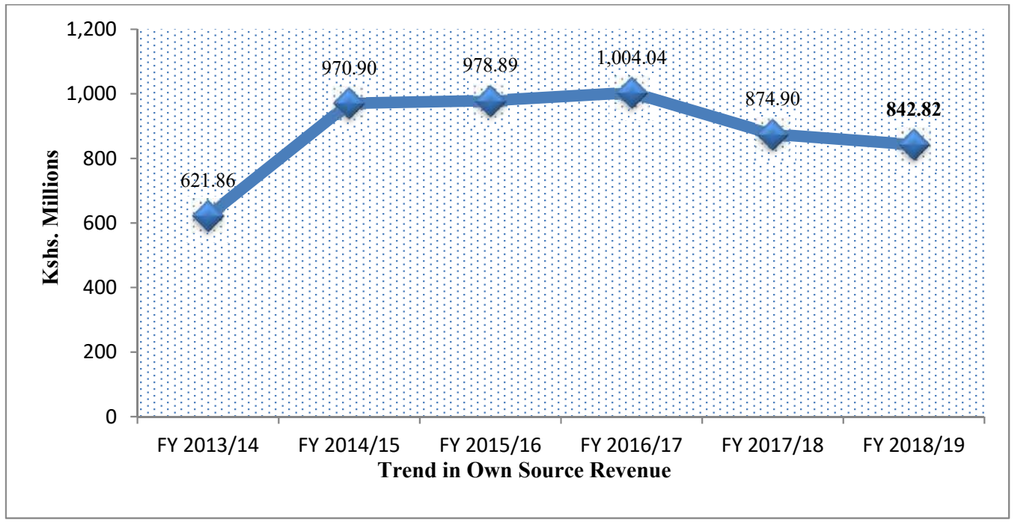
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3.17.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.10.87 billion available for budget implementation. This amount consisted of Kshs.6.91 billion received as equitable share of the revenue raised nationally, Kshs.1.68 billion as conditional grants, Kshs.842.82 million generated from own sources of revenue, and a cash balance of Kshs.1.44 billion from FY 2017/18.

Figure 3.66 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.66: Kisumu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Kisumu County Treasury*

The County generated a total of Kshs.842.82 million from own revenue sources in FY 2018/19. This amount represented a decrease of Kshs.32.09 million compared to that realised in FY 2017/18 and was 61 per cent of the annual target.

3.17.3 Conditional Grants

During the reporting period, the County received Kshs.1.68 billion as conditional grants as shown in Table 3.47.

Table 3.47: Kisumu County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	World Bank credit for Kenya Urban Support Project (KUSP)	773,573,300	773,573,300	773,573,300	100
2	Conditional Grant to Level 5 Hospital	369,017,341	369,017,341	369,017,341	100
3	Universal Health Coverage	274,576,632	274,576,632	132,164,132	48.1
4	Conditional Allocation from the Road Maintenance Fuel Levy Fund	181,881,624	181,881,624	179,467,760	98.7
5	World Bank Grant for Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	39,654,018	33.9
6	EU Grant for Instrument for Devolution Advice & Support (IDEAS)	90,000,000	90,000,000	58,304,401	64.8

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S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
7	EU - Water Tower and Protection Climate Change Mitigation and Adaptive Programme (WATER)	80,000,000	80,000,000	-	-
8	World Bank credit for Transforming Health Systems for Universal Care Project	67,364,355	67,364,355	28,263,789	42.0
9	World Bank credit for Kenya Devolution Support Project (KDSP) - Level 1	49,642,674	49,642,674	-	-
10	Conditional Allocation for Rehabilitation of Youth Polytechnics	41,650,000	41,650,000	31,445,750	75.5
11	IDA (World Bank) credit - Kenya Urban Support Project (KUSP) Urban Institution Grants	41,200,000	41,200,000	41,200,000	100
12	DANIDA grant - Universal Healthcare for Devolved System Program	21,971,250	21,971,250	21,971,250	100
13	Conditional Allocation to support abolishment of user fees in health centres and dispensaries	21,299,489	21,299,489	-	-
14	Sweden Agricultural Sector Development Support Program (ASDSP)	19,953,472	19,953,472	7,264,613	36.4
Total		**2,149,130,137**	**2,149,130,137**	**1,682,326,354**	**78.3**

Source: *Kisumu County Treasury*

During the reporting period, receipts from World Bank credit for Kenya Urban Support Project (KUSP), Conditional grant to Level 5 Hospital, IDA (World Bank) credit - Kenya Urban Support Project (KUSP) Urban Institution Grants, and DANIDA grant recorded the highest performance in percentage terms, and accounted for 100 per cent of the annual target respectively.

3.17.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.10.36 billion from the CRF account. The withdrawals represented 87.3 per cent of the Approved Supplementary Budget and translated to an increase of 41.2 per cent from Kshs.7.34 billion in FY 2017/18 and comprised of Kshs.7.15 billion (69 per cent) towards development activities and Kshs.3.21 billion (31 per cent) for recurrent expenditure.

3.17.5 Overall Expenditure Review

A total of Kshs.8.38 billion was spent on both development and recurrent activities. This expenditure represented 80.8 per cent of the total funds released from the CRF account, and was an increase of 30.4 per cent from Kshs.6.43 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.933.60 million for development activities and Kshs.742.79 million for recurrent costs.

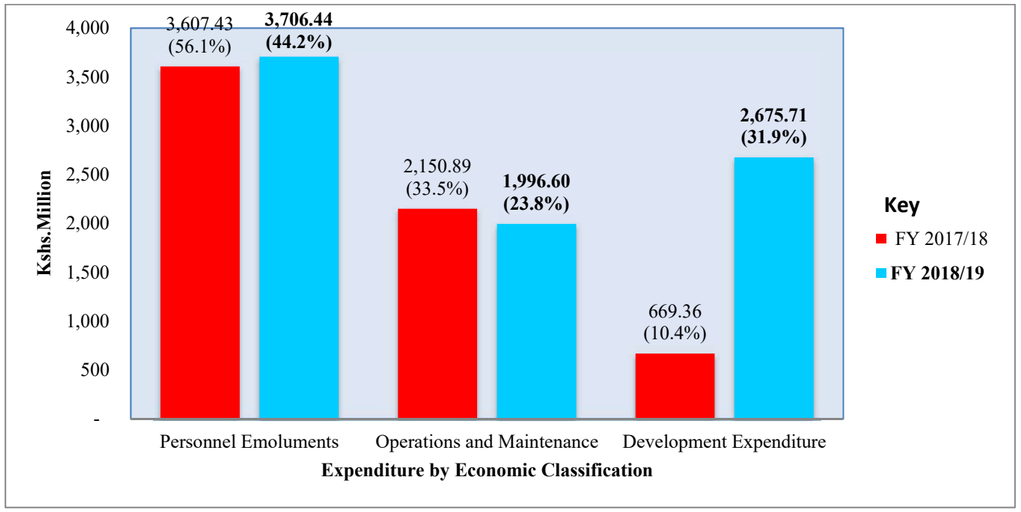
Expenditure on development programmes amounted to Kshs.2.68 billion while Kshs.5.7 billion was spent on recurrent activities. The development expenditure was 83.3 per cent of the funds released for development programmes, while recurrent expenditure was 79.7 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 57.8 per cent, which was an increase from 23.7 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 78.7 per cent of the annual recurrent budget, a decrease from 90.3 per cent recorded in FY 2017/18.

Figure 3.67 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.67: Kisumu County, Expenditure by Economic Classification



***Source**: Kisumu County Treasury*

3.17.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.68 billion represented 57.8 per cent of the annual development expenditure estimates of Kshs.4.63 billion. Table 3.48 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.48: Kisumu County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Opening and murraming of Kandege - Kagayi Road	Muhoroni -Koru ward	5,551,827	5,527,539	99.6
2	Opening and improvement of Masogo-Omuga Access Road	Miwani Ward	4,642,125	4,640,131	100.0
3	Installation of high-speed internet connectivity service	County HQ	6,533,414	3,197,424	48.9
4	Supply and delivery of drilling materials and accessories	County HQ	26,793,810	26,793,810	100.0
5	Supply and delivery of construction materials	County HQ	4,812,500	4,812,500	100.0
6	Desilting of Alewra Stream	Nyalenda B Ward	4,119,400	3,288,708	79.8
7	Proposed renovation works at Moi Stadium - Kisumu	County HQ	4,051,323	3,315,099	81.8

***Source:** Kisumu County Treasury*

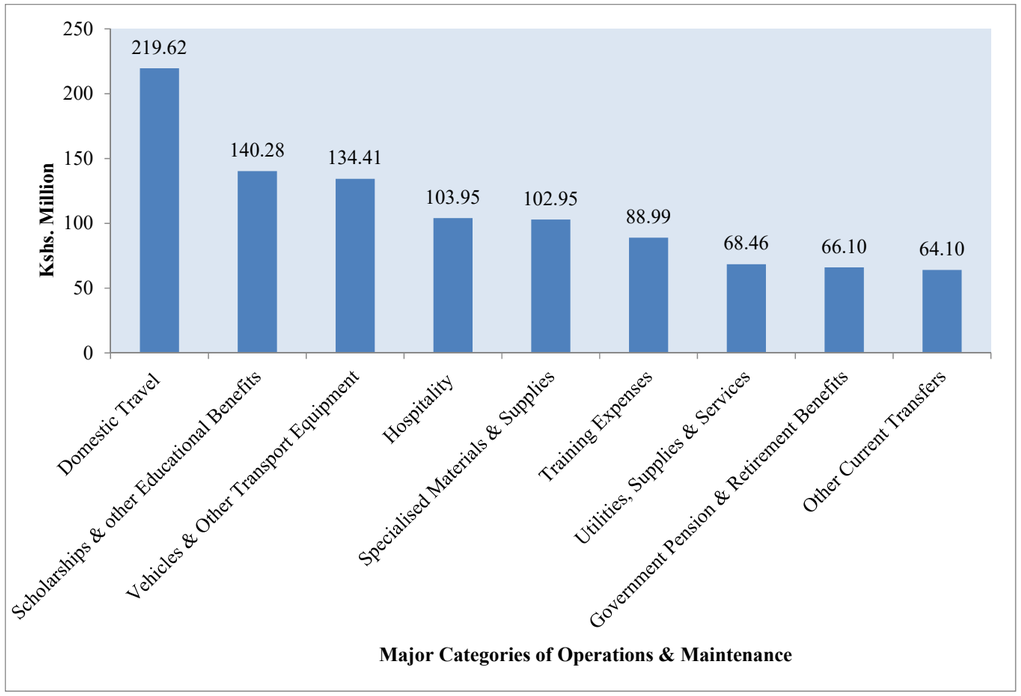
3.17.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.7 billion comprised of Kshs.3.71 billion (65 per cent) incurred on personnel emoluments and Kshs.2 billion (35 per cent) on operations and maintenance as shown in Figure 3.67 .

Expenditure on personnel emoluments represented an increase of 2.7 per cent compared to FY 2017/18 when the County spent Kshs.3.61 billion and was 44.2 per cent of the total expenditure in FY 2018/19. Figure 3.68 shows a summary of operations and maintenance expenditure by major categories.

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Figure 3.68: Kisumu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Kisumu County Treasury*

The County spent Kshs.39.9 million on committee sitting allowances for the 50 MCAs and speaker against the annual budget allocation of Kshs.55.11 million. This represented a decrease of 9.4 per cent compared to Kshs.44.05 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.67,855 per MCA against the SRC's recommended monthly ceiling of 124,800.

Expenditure on domestic and foreign travel amounted to Kshs.265.54 million, and comprised of Kshs.163.99 million spent by the County Assembly and Kshs.101.55 million by the County Executive. This expenditure represented 4.7 per cent of total recurrent expenditure and was an increase of 65.7 per cent compared to Kshs.160.28 million spent in FY 2017/18.

3.17.8 Budget Performance by County Department

Table 3.49 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.49: Kisumu County, Budget Performance by Department in FY 2018/19

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		FY 2018/19 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Fisheries	271.77	247.36	271.85	169.22	218.74	88.13	80.5	52.1	80.5	35.6
City of Kisumu	753.98	925.23	753.98	917.03	717.89	364.37	95.2	39.7	95.2	39.4
Kisumu County Public Service Board	81.26	-	81.26	-	63.38	-	78.0	-	78.0	-

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Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		FY 2018/19 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Gender, Youth, Human Resource Development, ICT and Social Services	404.19	294.42	404.19	160.27	305.63	220.33	75.6	137.5	75.6	74.8
Office of the Governor and County Administration	513.75	120.95	513.75	109.00	375.36	64.63	73.1	59.3	73.1	53.4
Health Services	3,101.94	401.86	3,008.48	166.00	2,400.19	115.24	79.8	69.4	77.4	28.7
Economic Planning	49.11	62.94	49.11	53.46	32.68	55.19	66.5	103.2	66.5	87.7
Tourism, Culture, Sports and Information	92.19	210.10	92.19	38.18	65.19	151.35	70.7	396.4	70.7	72
Roads, Transport and Public Works	190.10	539.80	190.10	260.59	131.15	447.36	69.0	171.7	69	82.9
Lands, Housing and Physical Planning	100.04	121.90	100.04	96.97	39.67	53.81	39.7	55.5	39.7	44.1
Business, Energy and Industry	123.08	371.52	123.08	167.46	75.22	155.70	61.1	93	61.1	41.9
Finance	733.54	963.68	733.54	815.08	538.86	831.55	73.5	102	73.5	86.3
Water, Environment and Natural Resources	146.67	318.60	146.67	257.99	113.64	128.06	77.5	49.6	77.5	40.2
County Assembly	684.80	50.76	684.80	-	625.45	-	91.3	-	91.3	-
Total	**7,246**	**4,629**	**7,153**	**3,211**	**5,703**	**2,676**	**79.7**	**83.3**	**78.7**	**57.8**

Source: *Kisumu County Treasury*

Analysis of expenditure by department shows that the Department of Economic Planning recorded the highest absorption rate of development budget at 87.7 per cent while the County Assembly did not incur any development expenditure. The Department of City of Kisumu had the highest percentage of recurrent expenditure to recurrent budget at 95.2 per cent while the Department of Lands, Housing and Physical Planning had the lowest at 39.7 per cent.

3.17.9 Key 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 by 229.7 per cent from Kshs.669.36 million in FY 2017/18 to Kshs.2.68 billion in the reporting period.

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

1. Under-performance of own-source revenue collection. The County collected Kshs.842.82 million which was 61 per cent of the annual target of Kshs.1.38 billion in the reporting period.
2. Late submission of reports on financial and non-financial performance 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. A high wage bill that increased by 2.71 per cent from Kshs.3.61 billion in FY 2017/18 to Kshs.3.71 billion in the reporting period. The wage bill accounted for 44.2 per cent of total expenditure in the reporting period.
4. Delay in disbursement of equitable share of revenue raised nationally by the National Treasury.
5. Failure by Fund Administrators to submit expenditure reports of all the County Established Funds contrary to Section 168 of the PFM Act, 2012.
6. Failure by the County to provide a complete report on execution of development projects during the financial year. This is despite reporting development expenditure of Kshs.2.68 billion during the reporting period.

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

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1. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection.*
2. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
4. *The County Treasury should liaise with the National Treasury to ensure that the funds are released in timely manner.*
5. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
6. *The County Treasury should provide complete report on development projects implemented in FY 2018/19 in line with Section 166 of the PFM Act, 2012.*

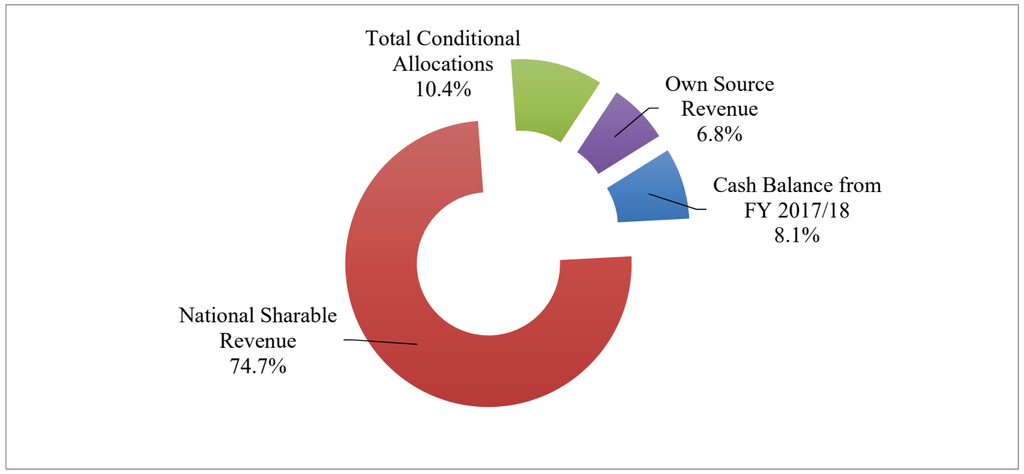
3.18 Kitui County

3.18.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.11.69 billion, comprising of Kshs.4.63 billion (39.6 per cent) and Kshs.7.06 billion (60.4 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.73 billion (74.7 per cent) as equitable share of the revenue raised nationally, Kshs.1.22 billion (10.4 per cent) as total conditional grants, generate Kshs.797.99 million (6.8 per cent) from own sources of revenue, and Kshs.941.22 million (8.1 per cent) cash balance from FY 2017/18.

Figure 3.69: Kitui County, Expected Sources of Budget Financing in FY 2018/19



Source: *Kitui county Treasury*

A breakdown of the conditional grants is provided in Table 3.50.

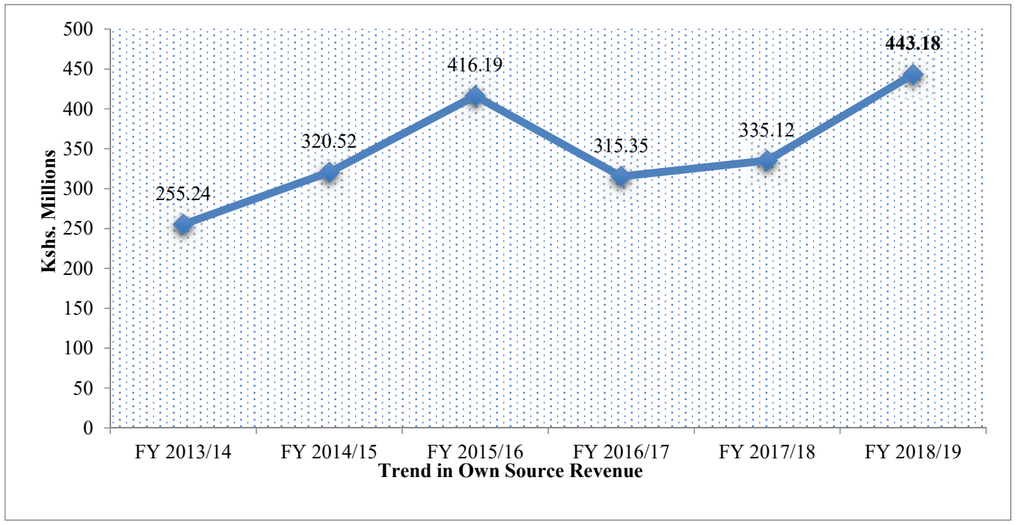
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3.18.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.10.84 billion available for budget implementation. This amount consisted of Kshs.8.73 billion received as equitable share of the revenue raised nationally, Kshs.725.16 million as conditional grants, Kshs.443.18 million generated from own sources of revenue, and a cash balance of Kshs.941.22 million from FY 2017/18.

Figure 3.70 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.70: Kitui County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Kitui County Treasury*

The County generated a total of Kshs.443.18 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.108.64 million compared to that realised in FY 2017/18 and represented 55.5 per cent of the annual target.

3.18.3 Conditional Grants

During the reporting period, the County received Kshs.725.16 million as conditional grants as shown in Table 3.50.

Table 3.50: Kitui County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	World Bank Loan for Kenya Urban Support Program	232,374,200	232,374,200	232,374,200	100
2	Road Maintenance Fuel Levy Fund	229,832,234	326,050,314	229,832,234	100
3	Leasing of Medical Equipment	200,000,000	-	-	-
4	World Bank Loan for National Agricultural & Rural Inclusive Project	140,435,163	191,257,349	50,078,000	35.7
5	World Bank Loan for Transforming Health System for universal Care Project	100,000,000	147,468,520	67,082,451	67.1

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S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
6	Development of Youth Polytechnics	58,465,000	126,041,636	44,141,075	75.5
7	Kenya Devolution Support Programme (KDSP)	57,462,594	65,054,392	-	-
8	Kenya Urban Support Project - urban institutional grant	41,200,000	41,200,000	41,200,000	100
9	DANIDA Grant	29,008,125	33,824,572	29,008,125	100
10	Agriculture Sector Development Support Programme (ASDSP)	24,573,008	24,573,008	8,946,484	36.4
11	Compensation for User Fee Foregone	22,499,905	22,499,906	22,499,906	100
12	FAO Support Vaccination Program	-	9,925,960	-	-
Sub Total		**1,135,850,229**	**1,220,269,857**	**725,162,475**	**63.8**

Source: *Kitui County Treasury*

During the reporting period, receipts from the Kenya Urban Support Program, Road Maintenance Fuel levy fund, Urban Institutional Grants, DANIDA grant, and Compensation for User Fees Foregone recorded the highest performance in percentage terms, and accounted for 100 per cent of the annual target respectively.

3.18.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.10.29 billion from the CRF account. The withdrawals represented 88 per cent of the Approved Supplementary Budget and translated to an increase of 4.9 per cent from Kshs.9.81 billion in FY 2017/18, and comprised of Kshs.3.37 billion (32.8 per cent) towards development activities and Kshs.6.92 billion (67.2 per cent) for recurrent expenditure.

3.18.5 Overall Expenditure Review

A total of Kshs.9.87 billion was spent on both development and recurrent activities. This expenditure represented 95.9 per cent of the total funds released from the CRF account, and was an increase of 9.32 per cent from Kshs.9.32 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.936.16 million for development activities and Kshs.230.93 million for recurrent costs.

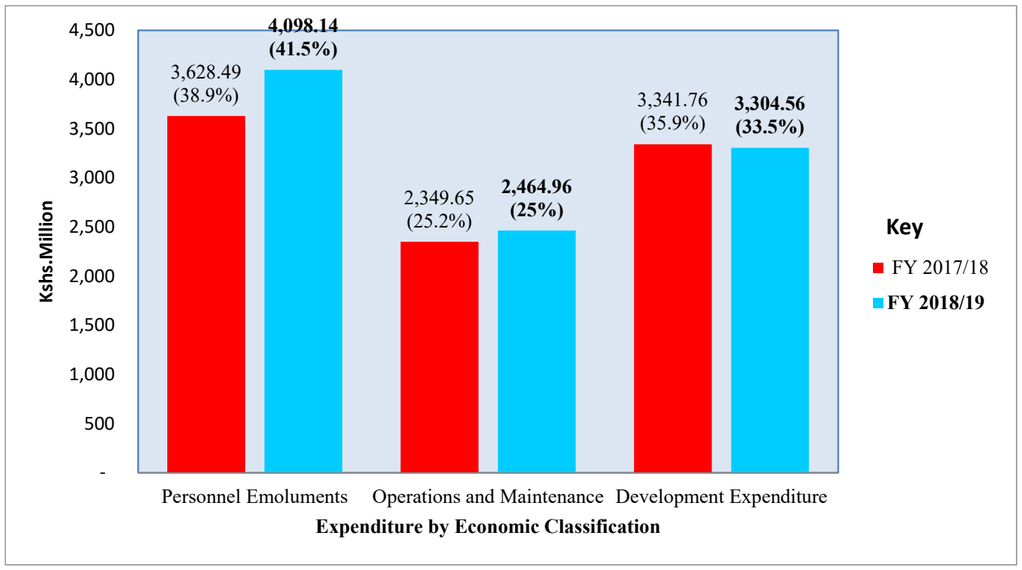
Expenditure on development programmes amounted to Kshs.3.30 billion while Kshs.6.56 billion was spent on recurrent activities. The development expenditure was 98.1 per cent of the funds released for development programmes, while recurrent expenditure was 94.8 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 71.4 per cent, which was a decrease from 73.4 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 92.9 per cent of the annual recurrent budget, an increase from 89.4 per cent recorded in FY 2017/18.

Figure 3.71 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.71: Kitui County, Expenditure by Economic Classification



Source: *Kitui County Treasury*

3.18.6 Development Expenditure Analysis

The total development expenditure of Kshs.3.30 million represented 71.4 per cent of the annual development expenditure estimates of Kshs.4.63 billion. Table 3.51 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.51: Kitui County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Supply and installation of stationery stone crusher	Kitui Central	85, 305, 490	85, 305, 490	100
2	Supply, delivery & training of CT Scan machines and accessories	County referral hospital	80, 000, 000	80, 000, 000	100
3	Supply of X-Ray machines	County wide	70, 000, 000	70, 000, 000	100
4	Completion of Governor's office block	County HQ	35, 558, 638	14, 297, 125	39
5	Upgrading of Kitui school-showground-Kitui Airstrip road	Kitui Central	30, 525, 638	27, 007, 177	88
6	Consultancy services for bankable affordable housing	Kitui central	18, 560, 000	18, 560, 000	100
7	Construction of Kitui shool-showground from Kulundu box culvert	Kitui central	11, 980, 503	11, 978, 677	100
8	Construction of outpatient at Mbitini health centre	Kitui rural	10, 652, 488	10, 652, 488	100
9	Construction of 135m^3 water tank at Mathuki	Mwingi central	9, 480, 467	6, 636, 327	70
10	Extension of Mwathe pipeline	Kitui south	5, 493, 752	5, 493, 752	100

Source: *Kitui County Treasury*

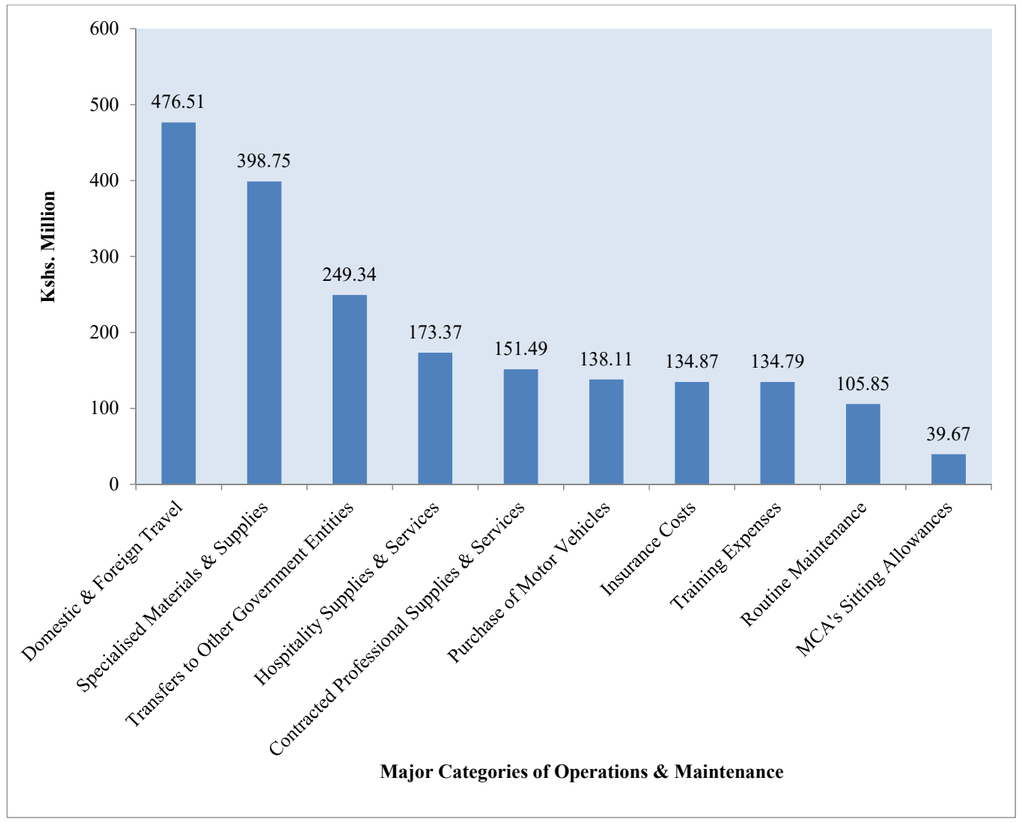
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3.18.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.56 billion comprised of Kshs.4.10 billion (62.5 per cent) incurred on personnel emoluments and Kshs.2.46 billion (37.5 per cent) on operations and maintenance as shown in Figure 3.71.

Expenditure on personnel emoluments represented an increase of 12.9 per cent compared to FY 2017/18 when the County spent Kshs.3.62 billion and was 41.5 per cent of the total expenditure in FY 2018/19. Figure 3.72 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.72: Kitui County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Kitui County Treasury*

The County spent Kshs.39.67 million on committee sitting allowances for the 54 MCAs and speaker against the annual budget allocation of Kshs.45.12 million. This represented an increase of 132.1 per cent compared to Kshs.17.09 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.61,226 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

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Expenditure on domestic and foreign travel amounted to Kshs.476.51 million, and comprised of Kshs.168.20 million spent by the County Assembly and Kshs.308.31 million by the County Executive. This expenditure represented 6.2 per cent of total recurrent expenditure and was a decrease of 1.9 per cent compared to Kshs.485.54 million spent in FY 2017/18.

3.18.8 Budget Performance by County Department

Table 3.52 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.52: Kitui County, Budget Performance by Department in FY 2018/19

Department	Annual 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
Office of the Governor	577.94	795.87	576.33	528.90	528.54	459.30	91.7	86.8	91.5	57.7
Administration & Coordination Of County Affairs	373	-	373.00	-	333.59	-	89.4	-	89.4	-
County Treasury	383.31	68.05	383.31	-	359.84	13.35	93.9	-	93.9	19.6
Health and Sanitation	2, 791.04	640.35	2, 788.7	475.58	2, 686	492.99	96.3	103.7	96.2	77
Basic Education, ICT & Youth development	537.47	204.84	537.47	108.90	513.22	65.36	95.5	60.0	95.5	31.9
Trade, Co-operatives and investments	101.61	263.89	101.61	225.10	90.41	185.68	89.0	82.5	89.0	70.4
Lands, Infrastructure, Housing and Urban Development.	353.85	757.16	353.85	585.12	350.21	754.54	99.0	129.0	99.0	99.7
Tourism, Sports and Culture	135.08	101.07	135.08	44.15	115.28	68.74	85.3	155.7	85.3	68
Agriculture, Water and Livestock Development	476.13	1, 251.11	476.13	1, 058.29	463.38	1, 033.32	97.3	97.6	97.3	82.6
Environment and Natural Resources	122.89	100.34	122.89	66.60	113.35	61.59	92.2	92.5	92.2	61.4
County Public Service Board	61.14	-	61.14	-	44.77	-	73.2	-	73.2	-
County Assembly	904.80	130	806.57	-	795.18	16.04	98.6	-	87.9	12.3
Kitui Town Administration	159.66	272.08	122.04	243.12	117.27	118.15	96.1	48.6	73.4	43.4
Mwingi Town Administration	81.99	44	81.99	32.69	52.06	35.51	63.5	108.6	63.5	80.7
Total	**7, 059.91**	**4, 628.76**	**6, 920.11**	**3, 368.45**	**6, 563.10**	**3, 304.57**	**94.8**	**98.1**	**93.0**	**71.4**

Source: *Kitui County Treasury*

Analysis of expenditure by department shows that the Department of Lands, Infrastructure, Housing and Urban Development recorded the highest absorption rate of development budget at 99.7 per cent while the County Assembly recorded the lowest at 12.3 per cent. The Department of Lands, Infrastructure, Housing and Urban Development had the highest percentage of recurrent expenditure to recurrent budget at 99 per cent while the Department of Mwingi Town Administration had the lowest at 63.5 per cent.

3.18.9 Key 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 own source revenue collection by 32.2 per cent from Kshs.335.12 million in FY 2017/18 to Kshs.443.18 million in the reporting period.
ii. Improvement rationalised spending on non core activities resulting in reduction in expenditure on domestic and foreign travel by Kshs.9.03 million from Kshs.485.54 million in FY 2017/18 to

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Kshs.476.51 million in the reporting period.

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

1. A high wage bill that increased by 12.9 per cent from Kshs.3.63 billion in FY 2017/18 to Kshs.4.1 billion in the reporting period. The wage bill accounted for 41.5 per cent of total expenditure in the reporting period.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*

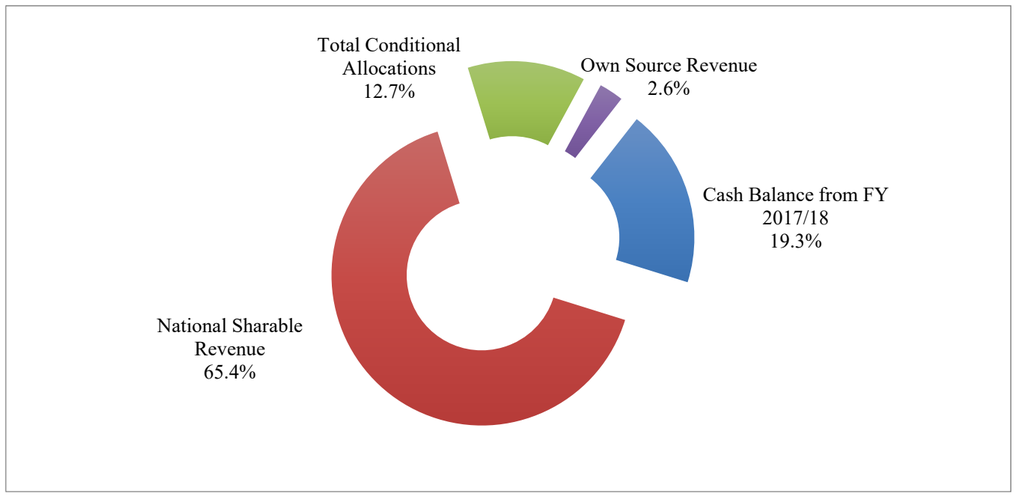
3.19 Kwale County

3.19.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.11.52 billion, comprising of Kshs.6.12 billion (53.1 per cent) and Kshs.5.40 billion (46.9 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.54 billion (65.4 per cent) as equitable share of revenue raised nationally, Kshs.1.46 billion (12.7 per cent) as total conditional grants, generate Kshs.303.11 million (2.6 per cent) from own revenue sources, and Kshs.2.22 billion (19.3 per cent) cash balance from FY 2017/18.

Figure 3.73: Kwale County, Expected Sources of Budget Financing in FY 2018/19



Source: *Kwale County Treasury*

A breakdown of the conditional grants is provided in Table 3.53.

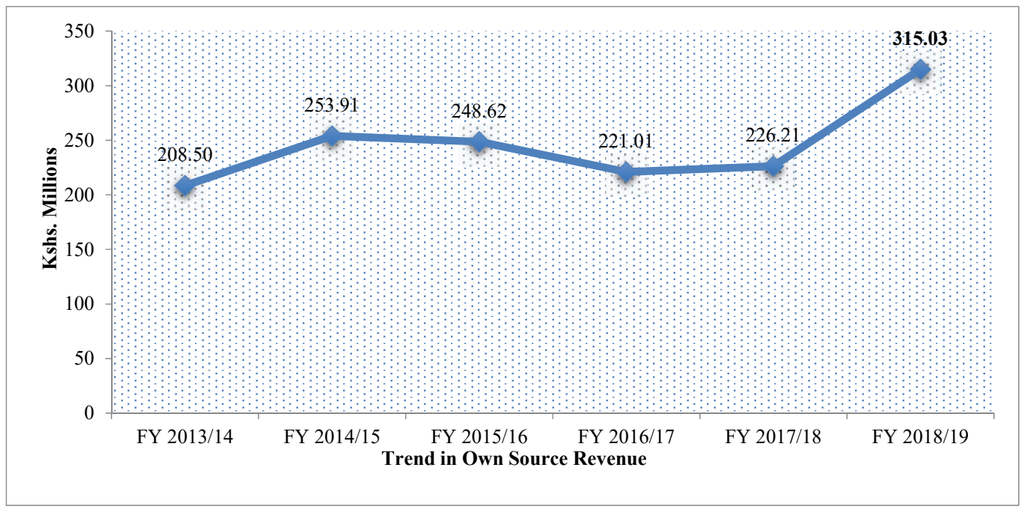
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3.19.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.10.69 billion available for budget implementation. This amount consisted of Kshs.7.54 billion received as equitable share of the revenue raised nationally, Kshs.526.86 million as conditional grants, Kshs.315.03 million generated from own sources of revenue, and a cash balance of Kshs.2.22 billion from FY 2017/18.

Figure 3.74 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.74: Kwale County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Kwale County Treasury*

The County generated a total of Kshs.315.03 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.88.81 million compared to that realised in FY 2017/18 and was 103.9 per cent of the annual target.

3.19.3 Conditional Grants

During the reporting period, the County received Kshs.526.86 million as conditional grants and Kshs.50.03 million as other grants as shown in Table 3.53.

Table 3.53: Kwale County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	IDA (World Bank) - Water & Sanitation Development Project (WSDP)	400,000,000	400,000,000	-	-
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	Road Maintenance Fuel Levy Fund	198,416,317	198,416,317	198,416,317	100
4	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project	140,435,163	197,545,018	50,078,476	35.7
5	World Bank-Transforming Health Systems for Universal Care Project	98,175,267	98,175,267	57,611,664	58.7
6	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	50,747,782	77,810,388	-	-

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S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
7	IDA (WB) Kenya Urban Support (KUSP) - Urban Institutional Grant(UIG)	91,000,000	91,200,000	91,200,000	100.2
8	EU- Instruments for Devolution Advice and Support-(IDEAS)	45,000,000	-	-	-
9	Rehabilitation of Village Polytechnics	41,860,000	85,622,833	31,604,300	75.5
11	DANIDA - Universal Healthcare to Devolved System Programme	24,300,000	24,300,000	24,300,000	100
12	Sweden Agricultural Sector Development Support Programme (ASDSP) Level 2 Grant	23,138,788	23,138,788	8,424,317	36.4
13	Compensation for User Fees Forgone	15,209,593	15,209,593	15,209,593	100
Sub Total		**1,328,282,910**	**1,411,418,204**	**476,844,667**	**35.9**
B	**Other Grants**				
14	EU grant for construction of the Kombani market	-	50,013,026	50,013,026	-
Sub Total		**-**	**50,013,026**	**50,013,026**	**-**
Grand Total		**1,328,282,910**	**1,461,431,230**	**526,857,693**	**39.7**

Source: *Kwale County Treasury*

During the reporting period, receipts from the IDA (WB) Kenya Urban Support (KUSP) - Urban Institutional Grant (UIG) conditional grant recorded the highest performance in percentage terms, and accounted 100.2 per cent of the annual target.

3.19.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.8.13 billion from the CRF account. The withdrawals represented 70.5 per cent of the Approved Supplementary Budget and translated to an increase of 20.6 per cent from Kshs.6.74 billion in FY 2017/18 and comprised of Kshs.2.87 billion (35.3 per cent) towards development activities and Kshs.5.26 billion (64.7 per cent) for recurrent.

3.19.5 Overall Expenditure Review

A total of Kshs.7.69 billion was spent on both development and recurrent activities. This expenditure represented 94.7 per cent of the total funds released from the CRF account, and was an increase of 16.8 per cent from Kshs.6.59 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.2.63 billion for development activities and Kshs.31.66 million for recurrent costs.

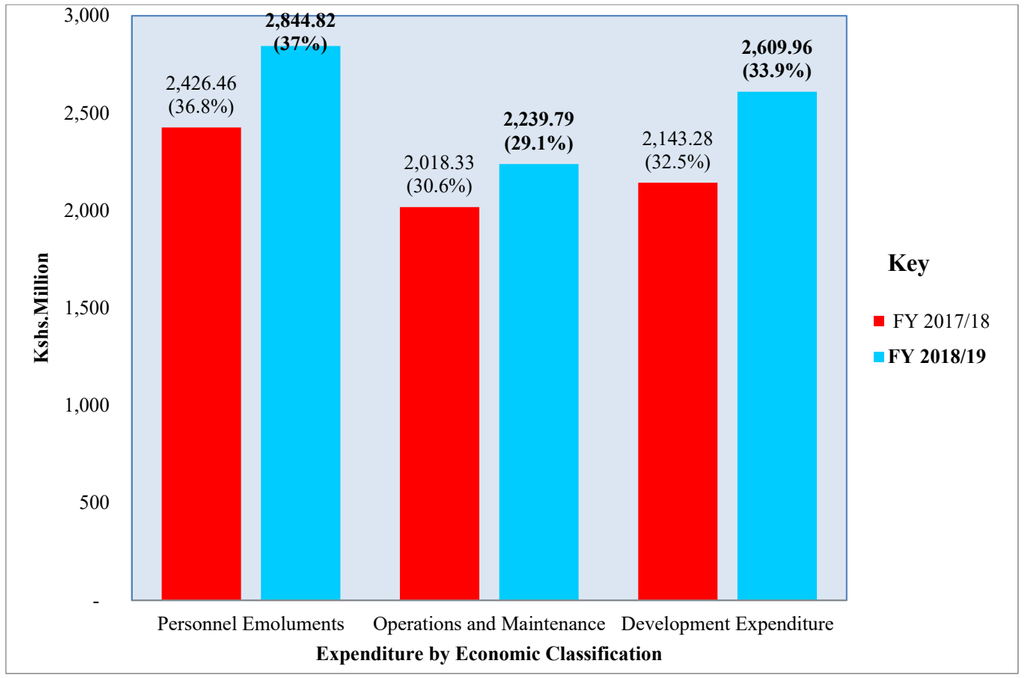
Expenditure on development programmes amounted to Kshs.2.61 billion while Kshs.5.08 billion was spent on recurrent activities. The development expenditure was 91 per cent of the funds released for development programmes, while recurrent expenditure was 96.7 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 42.6 per cent, which was a decrease from 52.1 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 94.2 per cent of the annual recurrent budget, an increase from 85.4 per cent recorded in FY 2017/18.

Figure 3.75 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.75: Kwale County, Expenditure by Economic Classification



Source: *Kwale County Treasury*

3.19.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.61 billion represented 42.6 per cent of the annual development budget estimates of Kshs.6.12 billion. Table 3.54 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.54: Kwale County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	FY2018/19 Project Expenditure (Kshs.)	Absorption rate (%)
1	Grant to Youth Polytechnics	Kwale	85,622,833	70,770,000	82.7
2	Preparation of County Spatial Plan	Kwale	98,455,290	67,909,761	69.0
3	Purchase of Certified Seeds & seedlings	Kwale	27,600,000	27,600,000	100.0
4	Purchase of Graders/Shovel	Kwale	28,000,000	26,967,000	96.3
5	Proposed improvement Marere Godoni pipeline	Marere	45,000,000	22,272,000	49.5
6	Design & installation of fibre optic cable	Kwale	18,396,057	18,396,056	100.0
7	Maternity complex wing Phase 2	Ramisi Ward	27,867,352	16,440,008	59.0
8	Purchase of Motorcycles	Kwale	10,000,000	9,599,634	96.0
9	Rehab Centre perimeter wall	Kombani	9,699,980	8,426,231	86.9
10	Construction of Kinango Biashara Centre	Kinango	5,548,250	4,755,221	85.7

Source: *Kwale County Treasury*

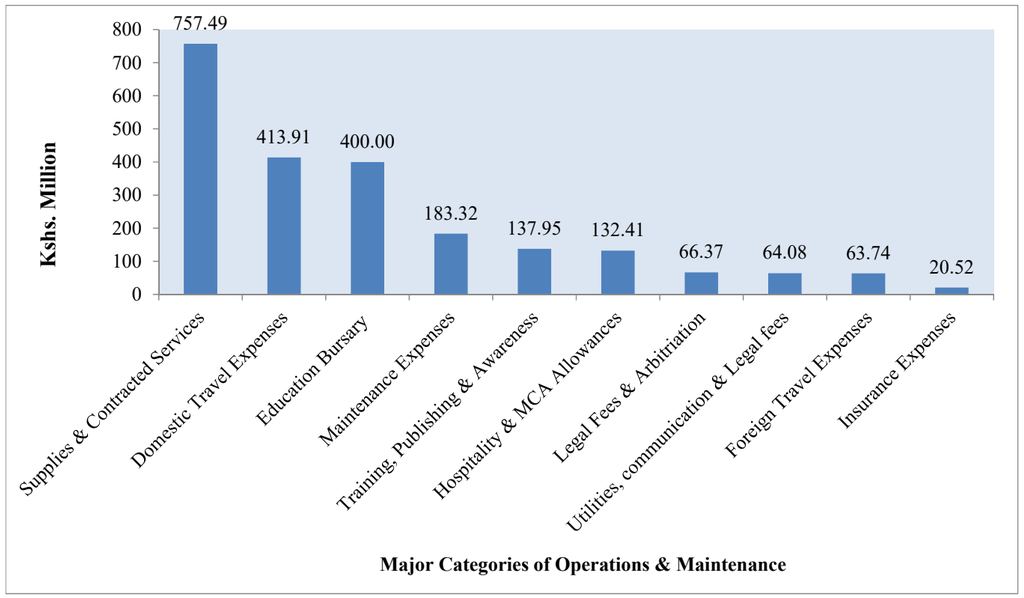
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3.19.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.08 billion comprised of Kshs.2.84 billion (44.1 per cent) incurred on personnel emoluments and Kshs.2.24 billion (55.9 per cent) on operations and maintenance as shown in Figure 3.75.

Expenditure on personnel emoluments represented an increase of 17.2 per cent compared to FY 2017/18 when the County spent Kshs.2.43 billion and was 37 per cent of the total expenditure in FY 2018/19. Figure 3.76 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.76: Kwale County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Kwale County Treasury*

The County spent Kshs.33.88 million on committee sitting allowances for the 34 MCAs and Speaker against the annual budget allocation of Kshs.60.95 million. This represented a decrease of 25.9 per cent compared to Kshs.30.78 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.83,043 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.477.65 million, and comprised of Kshs.118.34 million spent by the County Assembly and Kshs.359.30 million by the County Executive.

3.19.8 Budget Performance by County Department

Table 3.55 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.55: Kwale County, Budget Performance by Department in FY 2018/19

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
Executive Services	212.32	107.56	241.08	47.486	174.90	47.49	72.5	100	82.4	44.1
Public Service & Administration	174.99	60.16	248.93	39.88	172.29	39.88	69.2	100	98.5	66.3
Finance & Economic Planning	877.21	46.78	654.59	21.47	805.46	15.64	123	72.8	91.8	33.4
Agriculture ,Livestock & Fisheries	179.81	441.37	172.86	242.64	170.54	127.83	98.7	52.7	94.8	29.0
Education, Research And Hr Development	802.33	1,091.16	808.33	539.23	786.36	523.17	97.3	97	98	47.9
Medical & Public Health Services	1,985.33	1,097.53	1948.33	415.95	1,909.14	561.55	98	135	96.2	51.2
Trade Investment & Cooperatives	61.33	216.18	67.83	115.22	56.46	69.73	83.2	60.5	92.1	32.3
Tourism & ICT	53.36	109.71	46.56	76.65	50.63	77.51	108.7	101.1	94.9	70.6
Social Services & Talent Management	139.65	255.05	147.95	80.23	121.87	79.67	82.4	99.3	87.3	31.2
Roads & Public Works	140.33	784.53	145.02	578.48	133.06	361.53	91.8	62.5	94.8	46.1
Land, Environment & Natural Resources	104.48	232.07	102.98	189.7	47.90	128.07	46.5	67.5	45.8	55.2
Water Services	82.34	1,447.88	86.34	433.42	76.44	488.69	88.5	112.8	92.8	33.8
County Assembly	584.76	229.80	584.76	89.22	579.56	89.19	99.1	100	99.1	38.8
TOTAL	**5,398.24**	**6,119.78**	**5,255.56**	**2,869.58**	**5,084.61**	**2,609.95**	**96.7**	**91**	**94.2**	**42.6**

Source: *Kwale County Treasury*

Analysis of expenditure by department shows that the Department of Tourism & ICT recorded the highest absorption rate of development budget at 70.6 per cent while the Department of Agriculture, Livestock and Fisheries had the lowest at 29 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.1 per cent while the Department Land, Environment and Natural Resources had the lowest at 45.8 per cent.

3.19.9 Key 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 own source revenue collection by 39.3 per cent to Kshs.315.03 million in the reporting period from Kshs.226.21 million in FY 2017/18.
ii. Timely preparation and approval of key planning documents such as the CBROP, CFSP and the budget estimates.

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

1. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 42.6 per cent compared to 52.1 per cent in a similar period in FY 2017/18.

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2. A high wage bill that increased by 17.2 per cent from Kshs.2.43 billion in FY 2017/18 to Kshs.2.84 billion in the reporting period. The wage bill accounted for 37 per cent of total expenditure in the reporting period.

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

1. *The County should identify and address issues that cause delays in the implementation of development projects.*
2. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

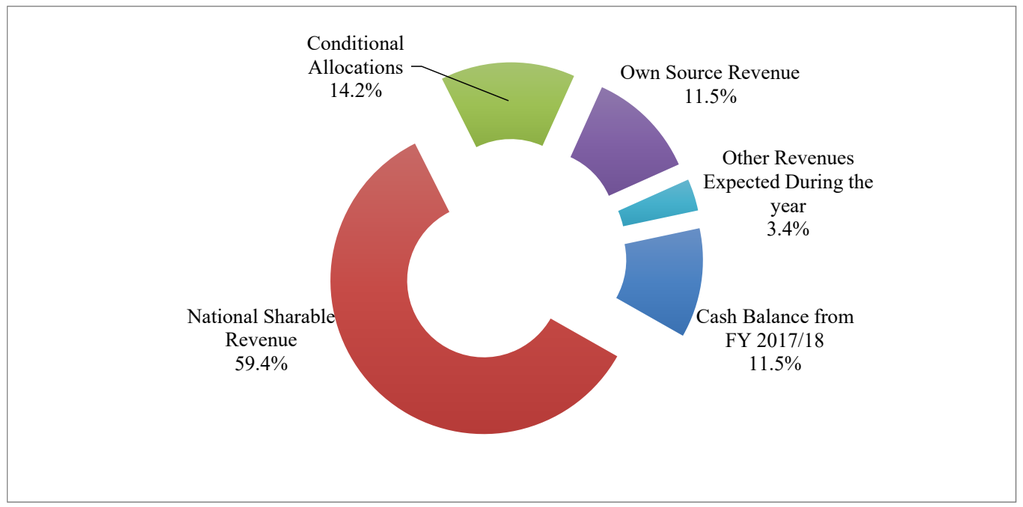
3.20 Laikipia County

3.20.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.6.93 billion, comprising of Kshs.2.8 billion (40.4 per cent) and Kshs.4.13 billion (59.6 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.13 billion (59.4 per cent) as equitable share of the revenue raised nationally, Kshs.981.65 million (14.2 per cent) as total conditional grants, generate Kshs.800 million (11.5 per cent) from own sources of revenue, Kshs.800 million (11.5 per cent) cash balance from FY 2017/18 and Kshs.232.9 million (3.4 per cent) from other revenue sources expected during the year.

Figure 3.77: Laikipia County, Expected Sources of Budget Financing in FY 2018/19



Source: *Laikipia County Treasury*

A breakdown of the conditional grants is provided in Table 3.56.

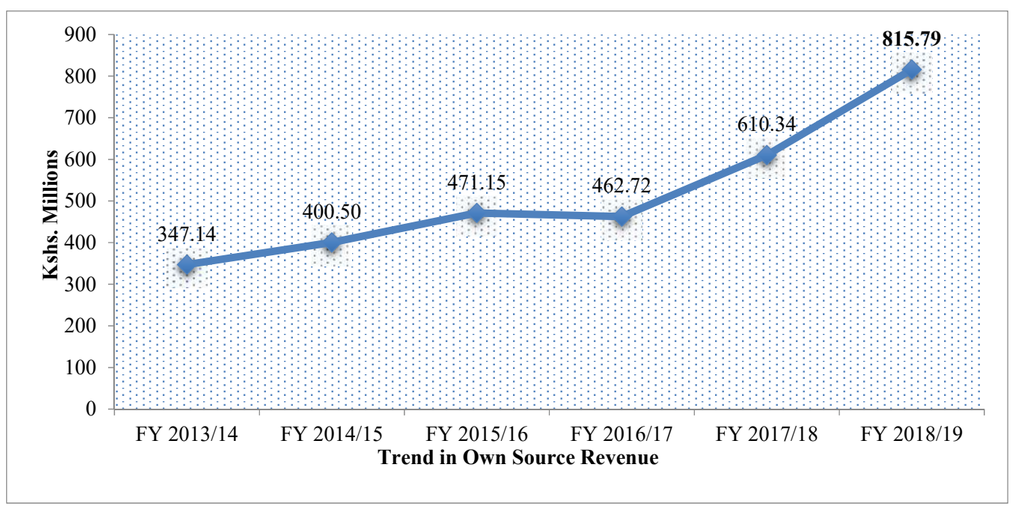
3.20.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs4.86 billion available for budget implementation. This amount consisted of Kshs.3.64 billion received as equitable share of the revenue raised nationally, Kshs.397.89 million as conditional grants, and Kshs.815.79 million generated from own sources of revenue.

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Figure 3.78 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.78: Laikipia County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Laikipia County Treasury*

The County generated a total of Kshs.815.79 million from own revenue sources in FY 2018/19. This amount represented an increase of 33.7 per cent compared to FY 2017/18 and represented 102 per cent of the annual target.

3.20.3 Conditional Grants

During the reporting period, the County received Kshs.397.89 million as conditional grants as shown in Table 3.56.

Table 3.56: Laikipia County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	Compensation for User Fee Foregone	15,209,593	9,968,208	9,968,208	66
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	Road Maintenance Fuel Levy	198,416,317	109,128,974	109,128,974	55
4	Rehabilitation of Village Polytechnics	41,860,000	28,525,000	-	-
5	Transforming Health Systems for Universal Care Project (WB)	67,077,728	67,077,728	42,077,093	63
6	National Agricultural and Rural Inclusive Growth Project (NARIGP)	-	19,398,638	7,062,611	-
7	Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	39,402,608	34
8	Kenya Devolution Support Project (KDSP) “Level 1 grant”	41,121,027	37,000,000	-	-
9	Kenya Urban Support Project (KUSP)	50,000,000	91,200,000	91,200,000	182
10	Danish International Development Agency (DANIDA) Grant	15,086,250	15,086,250	15,086,250	100

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S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
11	European Union Grant	90,000,000	90,000,000	73,027,291	81
12	Kenya Devolution Support Project (KDSP) "Level 2 grant"	-	41,121,027	-	-
13	Kenya Devolution Support Project (KDSP) "Investment grant"	-	111,140,605	-	-
Sub Total		**835,770,915**	**936,646,430**	**386,953,035**	**46**
B	**Other Grants**				
14	United Nations International Children's Emergency Fund(UNICEF)	-	25,000,000	10,941,217	-
15	World Bank Primary Health Care	-	20,000,000	-	-
Sub Total		**-**	**-**	**10,941,217**	**-**
Grand Total		**835,770,915**	**981,646,430**	**397,894,252**	**48**

Source: *Laikipia County Treasury*

During the reporting period, receipts from the Kenya Urban Support Project conditional grant recorded the highest performance in percentage terms, and accounted 182 percent of the annual target.

3.20.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.5.94 billion from the CRF account. The withdrawals represented 85.7 per cent of the Approved Supplementary Budget and translated to an increase of 23.8 per cent from Kshs.4.79 billion in FY 2017/18 and comprised of Kshs.1.94 billion (32.6 per cent) towards development activities and Kshs.4 billion (67.4 per cent) for recurrent expenditure.

3.20.5 Overall Expenditure Review

A total of Kshs.5.71 billion was spent on both development and recurrent activities. This expenditure represented 96.2 per cent of the total funds released from the CRF account, and was an increase of 18.9 per cent from Kshs.4.80 billion spent in FY 2017/18.

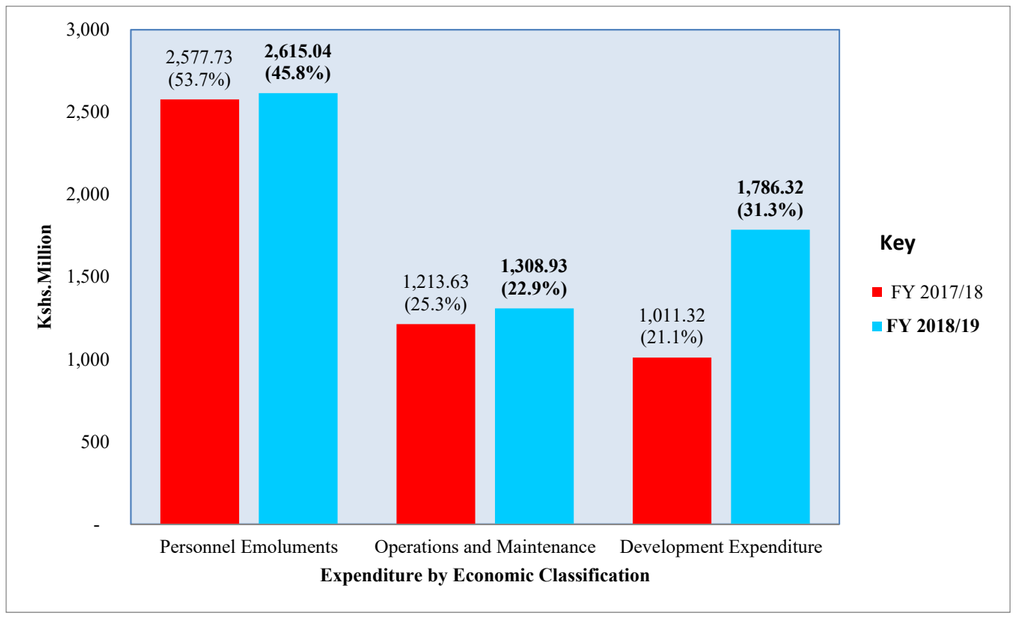
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.29.5 million for development activities and Kshs.50.6 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.79 billion while Kshs.3.92 billion was spent on recurrent activities. The development expenditure was 92.2 per cent of the funds released for development programmes, while recurrent expenditure was 98.1 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 63.7 per cent, which was an increase from 53.5 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 95.1 per cent of the annual recurrent budget, a decrease from 99.4 per cent recorded in FY 2017/18. Figure 3.79 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.79: Laikipia County, Expenditure by Economic Classification



Source: *Laikipia County Treasury*

3.20.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.79 billion represented 63.7 per cent of the annual development expenditure estimates of Kshs.2.8 billion. Table 3.57 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.57: Laikipia County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	FY2018/19 Project Expenditure (Kshs.)	Absorption rate (%)
1	Upgrading to cobble stone standard	Wiyumiririe	46,751,729	46,751,729	100.0
2	Supply of Building Material for Wiyumiririe	Wiyumiririe	23,546,180	23,546,180	100.0
3	Ewaso Ngiro River Bridge	H/O	24,996,458	21,979,644	87.9
4	Nanyuki Teaching and Referral Hospital Maternity	Nanyuki	50,000,000	20,000,000	40.0
5	Nyahururu Maternity	Igwamiti	50,000,000	20,000,000	40.0
6	Construction of box culvert	Wiyumiririe	18,387,068	18,387,068	100.0
7	Maintenance of Lenana Road	Nanyuki	16,000,000	16,000,000	100.0
8	Construction of Rumuruti county headquarters	Rumuruti	13,055,000	11,754,063	90.0
9	Construction of Nairutia water project	Ngobit	11,594,374	9,487,396	81.8

Source: *Laikipia County Treasury*

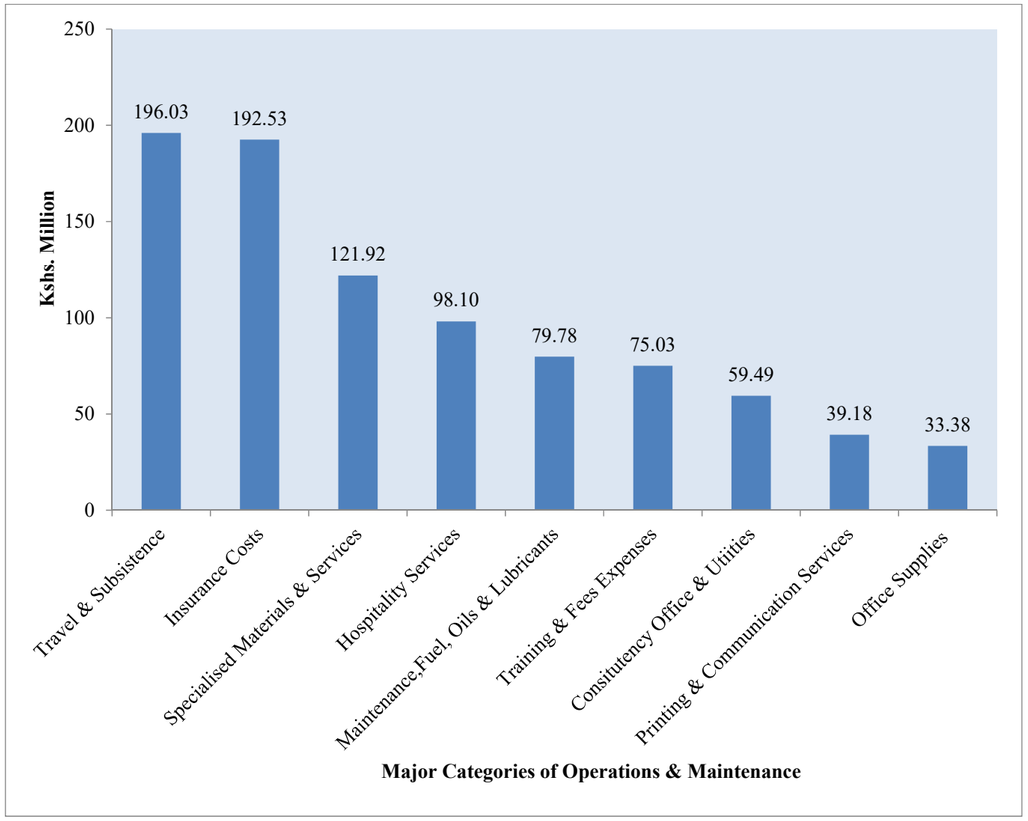
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3.20.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.92 billion comprised of Kshs.2.62 billion (66.6 per cent) incurred on personnel emoluments and Kshs.1.31 billion (33.4 per cent) on operations and maintenance as shown in Figure 3.79.

Expenditure on personnel emoluments represented an increase of 1.4 per cent compared to FY 2017/18 when the County spent Kshs.2.58 billion and was 45.8 per cent of the total expenditure in FY 2018/19. Figure 3.80 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.80: Laikipia County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Laikipia County Treasury*

The County spent Kshs.14.5 million on committee sitting allowances for the 24 MCAs and Speaker against the annual budget allocation of Kshs.15 million. This represented an increase of 35.2 per cent compared to Kshs.10.72 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.50,347 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

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Expenditure on domestic and foreign travel amounted to Kshs.196.03 million, and comprised of Kshs.73.08 million spent by the County Assembly and Kshs.122.95 million by the County Executive. This expenditure represented 5 per cent of total recurrent expenditure and was an increase of 26.2 per cent compared to Kshs.155.36 million spent in FY 2017/18.

3.20.8 Budget Performance by County Department

Table 3.58 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.58: Laikipia County, Budget Performance by Department in FY 2018/19

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
County Administration	2,735.64	68.90	2,698.19	63.04	2,746.02	63.08	101.8	100.1	100.4	91.5
Finance and Planning	310.62	936.50	286.63	844.93	261.01	918.13	91.1	108.7	84.0	98
Health	382.76	583.21	333.21	265.21	282.70	282.18	84.8	106.4	73.9	48.4
Agriculture	43.30	309.50	30.96	173.79	26.08	66.54	84.2	38.3	60.2	21.5
Infrastructure	67.00	433.77	67.00	337.24	26.02	201.05	38.8	59.6	38.8	46.3
Education	78.50	116.88	78.48	33.36	76.87	17.60	97.9	52.8	97.9	15.1
Trade & Industrialization	16.50	135.00	16.11	68.44	15.63	66.20	97.0	96.7	94.7	49
Water	22.20	211.50	22.07	149.31	20.44	169.85	92.6	113.8	92.1	80.3
County Assembly	469.27	6.90	469.20	1.71	469.20	1.71	100	100	100	24.8
TOTAL	**4,126**	**2,802**	**4,002**	**1,937**	**3,924**	**1,786**	**98.1**	**92.2**	**95.1**	**63.7**

Source: *Laikipia County Treasury*

Analysis of expenditure by department shows that the Department of Finance and Planning recorded the highest absorption rate of development budget at 98 per cent while the Department of Education recorded the lowest absorption rate of 15.1 per cent. The Department of County Administration had the highest percentage of recurrent expenditure to recurrent budget at 100.4 per cent while the Department of Infrastructure had the lowest at 38.8 per cent.

3.20.9 Key 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 utilization of IFMIS and E-procurement module in processing financial transactions.
ii. Improvement in own-source revenue collection by 33.7 per cent from Kshs.610.34 million in FY 2017/18 to Kshs.815.79 million in the reporting period.

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

1. Diversion of development funds to pay salaries amounting to Kshs.136.41 million in June, 2019.
2. Failure to exercise prudence management of public funds which led to direct charge of Kshs.43 million from the County Bank Account by Kenya Revenue Authority (KRA) for non-remittance of salary tax deductions.
3. High expenditure on domestic and foreign travel, which increased by 26.2 per cent from Kshs.155.36 million in FY 2017/18 to Kshs.196.03 million in the reporting period.
4. A high wage bill that increased by 1.4 per cent from Kshs.2.58 billion in FY 2017/18 to Kshs.2.62 billion in the reporting period. The wage bill accounted for 45.8 per cent of total expenditure in the reporting period.

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5. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of County Administration. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Treasury should ensure prudence in utilization of funds in compliance with Section 135, 154 and Regulation 42 of PFM Act 2012.*
2. *The County Treasury should ensure all statutory deductions are paid to the respective Government Institutions in line with the Law.*
3. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
4. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
5. *The County Treasury should ensure expenditure is within the approved budget.*

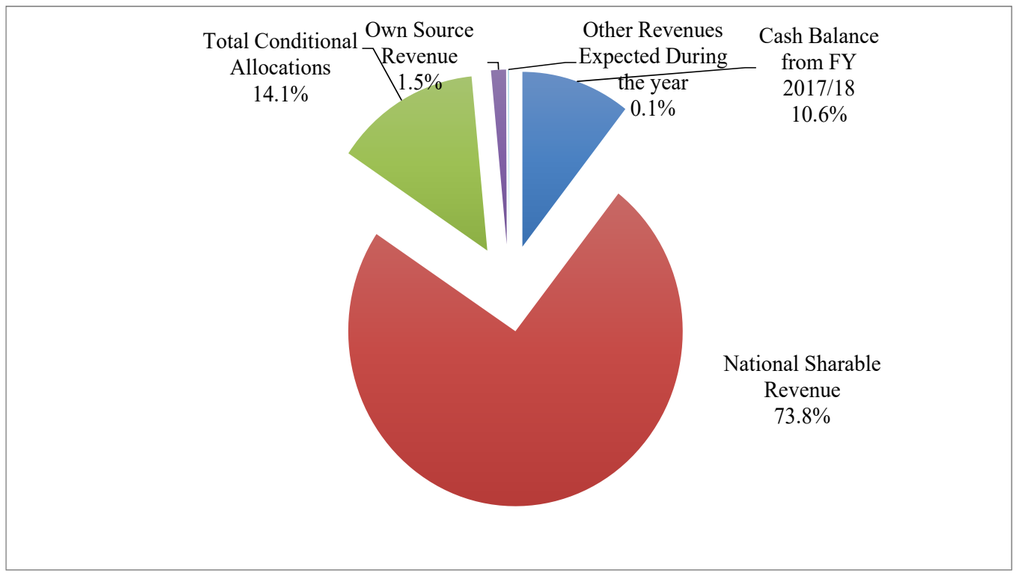
3.21 Lamu County

3.21.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.4.85 billion, comprising of Kshs.2.28 billion (47.1 per cent) and Kshs.2.56 billion (52.9 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.55 billion (73.2 per cent) as equitable share of the revenue raised nationally, Kshs.677.34 million (14 per cent) as total conditional grants, generate Kshs.70 million (1.4 per cent) from own sources of revenue, and Kshs.507.05 million (10.5 per cent) cash balance from FY 2017/18 and Ksh.2.95 million (0.1 per cent) as revenue from other sources.

Figure 3.81: Lamu County, Expected Sources of Budget Financing in FY 2018/19



Source: *Lamu County Treasury*

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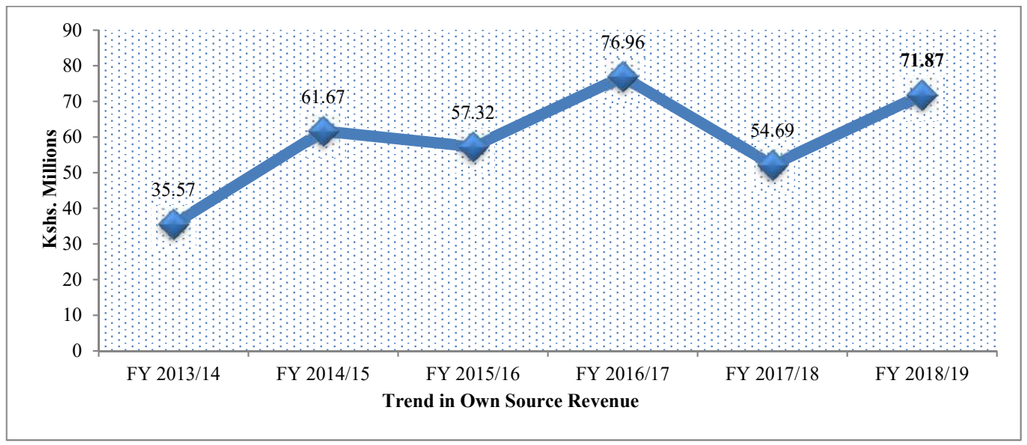
A breakdown of the conditional grants is provided in Table 3.59.

3.21.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.4.33 billion available for budget implementation. This amount consisted of Kshs.3.55 billion received as equitable share of the revenue raised nationally, Kshs.199.86 million as conditional grants, Kshs.71.87 million generated from own sources of revenue, and a cash balance of Kshs.507.05 million from FY 2017/18.

Figure 3.82 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.82: Lamu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Lamu County Treasury*

The County generated a total of Kshs.71.87 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.19.67 million compared to that realised in FY 2017/18 and was 102.7 per cent of the annual target.

3.21.3 Conditional Grants

During the reporting period, the County received Kshs.199.86 million as conditional grants as shown in Table 3.59.

Table 3.59: Lamu County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	93,421,016	93,421,016	-	-
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Kenya Devolution Support Programme (KDSP)	33,793,559	33,793,559	-	-
4	Compensation for User Fee Foregone	2,451,034	2,451,034	2,451,034	100
5	DANIDA Grant	8,302,500	8,302,500	8,302,500	100
6	Supplement for Construction of County Headquarters	121,000,000	242,000,000	-	-
7	Development of Youth Polytechnics (TVETs grants)	31,210,000	31,210,000	23,563,550	75.5
8	Conditional Allocation - Other Loans & Grants	-	16,158,635	-	-

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S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
9	World Bank Loan for Transforming Health System for Universal Care Project	50,000,000	50,000,000	20,540,204	41.1
10	Kenya Climate Smart Agriculture Project	150,000,000	150,000,000	53,806,243	36
11	KENYA Urban Support Program	50,000,000	50,000,000	91,200,000	182.4
Grand Total		**740,178,109.0**	**677,336,744.0**	**199,863,530.5**	**27**

Source: *Lamu County Treasury*

During the reporting period, receipts from the Kenya Urban Support Program (KUSP) conditional grant recorded the highest performance in percentage terms, and accounted 182.4 per cent of the annual target.

3.21.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.2.97 billion from the CRF account. The withdrawals represented 61.2 per cent of the Approved Supplementary Budget and translated to an increase of 25.9 per cent from Kshs.2.36 billion in FY 2017/18 and comprised of Kshs.724.20 million (24.4 per cent) towards development activities and Kshs.2.24 billion (75.6 per cent) for recurrent expenditure.

3.21.5 Overall Expenditure Review

A total of Kshs.2.90 billion was spent on both development and recurrent activities. This expenditure represented 97.8 per cent of the total funds released from the CRF account, and was an increase of 40.8 per cent from Kshs.2.06 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.54.78 million for development activities and Kshs.57.53 million for recurrent costs.

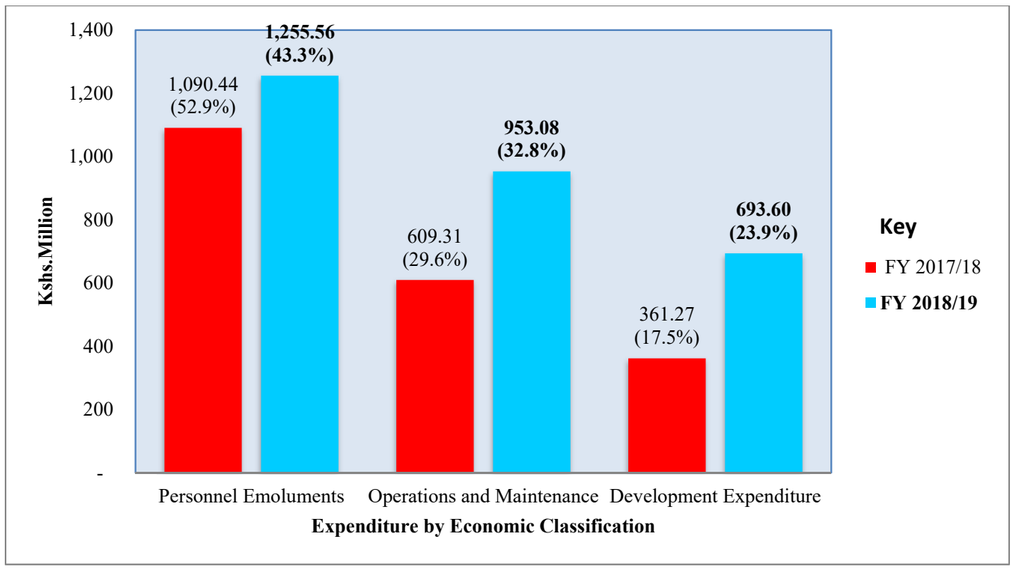
Expenditure on development programmes amounted to Kshs.693.60 million while Kshs.2.21 billion was spent on recurrent activities. The development expenditure was 95.8 per cent of the funds released for development programmes, while recurrent expenditure was 98.5 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 30.4 per cent, which was a decrease from 35.8 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 86.2 per cent of the annual recurrent budget, an increase from 84.6 per cent recorded in FY 2017/18.

Figure 3.83 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.83: Lamu County, Expenditure by Economic Classification



Source: *Lamu County Treasury*

3.21.6 Development Expenditure Analysis

The total development expenditure of Kshs.693.60 million represented 30.4 per cent of the annual development expenditure estimates of Kshs.2.28 billion. Table 3.60 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.60: Lamu County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	FY2018/19 Project Expenditure (Kshs.)	Absorption rate (%)
1	Project on street lighting	Lamu County	162,000,000	124,071,835	77
2	Universal Health Care Insurance	Lamu County	120,000,000	113,627,100	95
3	County Assembly headquarters.	Mokowe -Hindi ward	245,000,000	67,102,000	27
4	Speaker's residence	Shella/Manda ward	160,000,000	49,427,000	31
5	Supply and delivery of certified seeds	Lamu County	32,636,000	32,636,000	100
6	Transfers of vocational training village polytechnic	Lamu County	62,990,441	31,780,441	50
7	Maintenance of road A7 junction Mokowe	Mokowe village	16,977,673	16,977,673	100
8	Routine maintenance of bangure - kizuke junction	Mpeketoni	15,945,682	15,945,682	100
9	Road maintenance Mpeketoni - Ndambwe	Mpeketoni	14,888,151	14,888,151	100
10	Routine maintenance works at Ras Kitau	Shella ward	14,605,792	14,605,792	100

Source: *Lamu County Treasury*

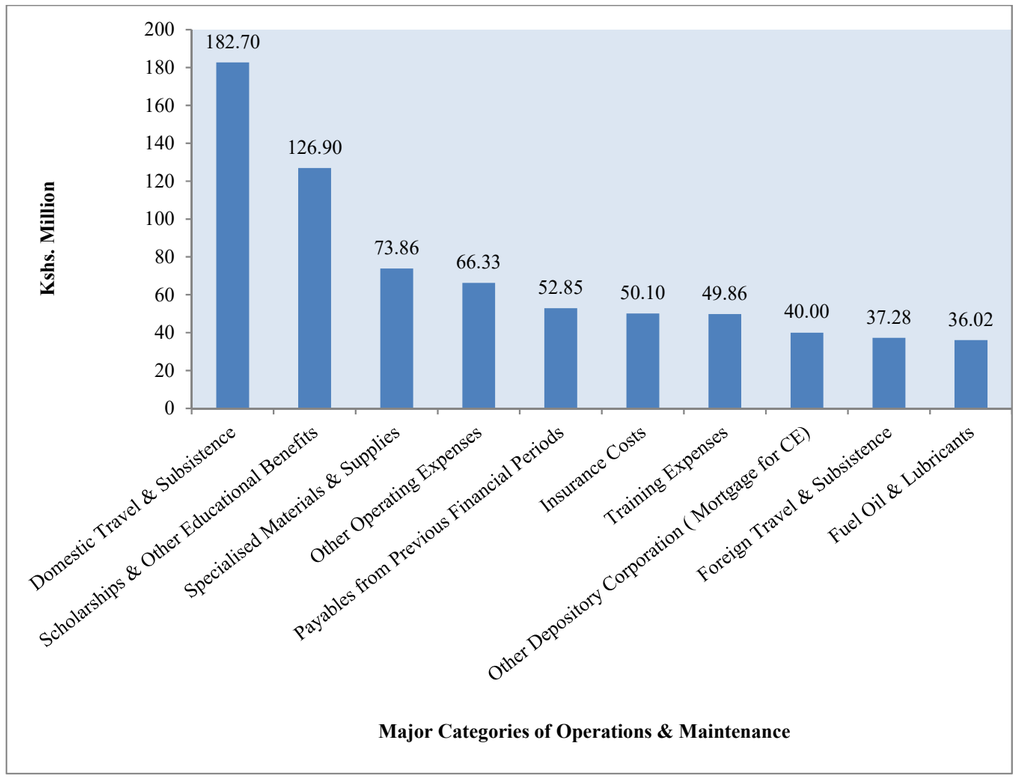
3.21.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.21 billion comprised of Kshs.1.26 billion (57 per cent) incurred on personnel emoluments and Kshs.953.08 million (43 per cent) on operations and maintenance as shown in Figure 3.83.

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Expenditure on personnel emoluments represented an increase of 15.1 per cent compared to FY 2017/18 when the County spent Kshs.1.09 billion and was 43.3 per cent of the total expenditure in FY 2018/19.Figuer 3.84 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.84: Lamu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Lamu County Treasury*

The County spent Kshs.12.26 million on committee sitting allowances for the 18 MCAs and Speaker against the annual budget allocation of Kshs.14.50 million. This represented an increase of 2.9 per cent compared to Kshs.11.91 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.53,754 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.219.98 million, and comprised of Kshs.96.02 million spent by the County Assembly and Kshs.123.96 million by the County Executive. This expenditure represented 8.6 per cent of total recurrent expenditure and was an increase of 65.2 per cent compared to Kshs.133.14 million spent in FY 2017/18.

3.21.8 Budget Performance by County Department

Table 3.61 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.61: Lamu County, Budget Performance by Department in FY 2018/19

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
County Assembly	404.00	250.00	388.92	116.53	353.69	116.53	90.9	100	87.6	46.6
County Executive	483.53	404.13	398.51	17.00	373.65	17.00	93.8	100	77.3	4.2
Finance, Strategy and Economic Planning	195.42	4.10	159.01	-	160.91	-	101.1	-	82.3	-
Agriculture, Irrigation and Water	130.41	339.27	124.38	101.89	71.04	36.61	57.1	35.9	54.5	10.8
Land, Physical Planning, Infrastructure and Energy	78.54	680.20	71.32	314.00	72.54	321.05	101.7	102.2	92.4	47.2
Education, Gender, Sports, Youth, Culture & Social Services	234.87	170.73	228.52	28.78	223.75	45.87	97.9	159.4	95.3	26.9
Medical Services, Sanitation and Environment	895.22	339.77	747.98	112.79	829.20	133.23	110.9	118.1	92.6	39.2
Trade, Tourism & Investment Development	24.54	35.50	21.47	3.50	19.44	4.39	90.5	125.4	79.2	12.4
Fisheries, Livestock, Veterinary & Cooperative Development	68.54	60.90	62.97	24.13	61.79	18.92	98.1	78.4	90.2	31.1
Public Service Board	45.56	-	39.96	-	42.61	-	106.6	-	93.5	-
Public Health	1.51	-	-	5.59	-	-	-	-	-	-
TOTAL	**2,562.14**	**2,284.6**	**2,243.04**	**724.21**	**2,208.62**	**693.60**	**98.5**	**95.8**	**86.2**	**30.4**

Source: *Lamu County Treasury*

Analysis of expenditure by department shows that the Department of Land, Physical Planning, Infrastructure and Energy recorded the highest absorption rate of development budget at 47.2 per cent while the Department of Finance, Strategy & Economic Planning did not utilize its development budget. The Department of Education, Gender, Sports, Youth, and Culture & Social Services had the highest percentage of recurrent expenditure to recurrent budget at 95.3 per cent while the Department of Public Health did not incur any expenditure.

3.21.9 Key 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 collection of own source revenue by 37.7 per cent from Kshs.52.2 million in FY 2017/18 to Ksh.71.87 million in the reporting period, which is 102.7 per cent of the annual target.

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

1. High wage bill that has risen by 15.1 per cent from Kshs.1.09 billion in FY 2017/18 to Kshs.1.26 billion in the period under review.
2. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 30.4 per cent which was a drop from 35.8 per cent in FY 2017/18.
3. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
4. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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The County should implement the following measures 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 should put mechanisms in place that will enhance absorption of development funds.*
3. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
4. *The County Treasury should liaise with the IFMIS Directorate to address connectivity challenges.*

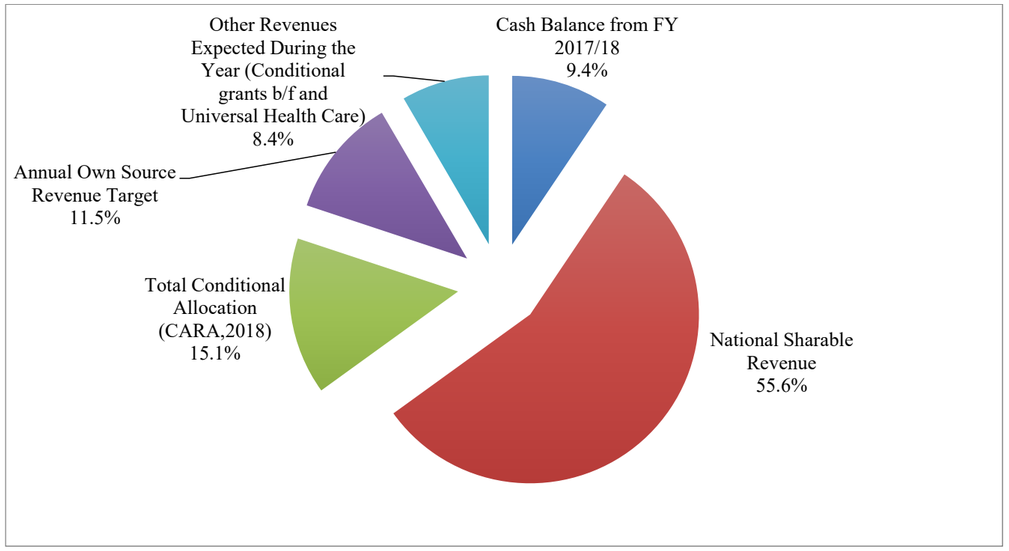
3.22 Machakos County

3.22.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.14.97 billion, comprising of Kshs.5.40 billion (36.1 per cent) and Kshs.9.57 billion (63.9 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expected to receive Kshs.8.32 billion (55.6 per cent) as equitable share of revenue raised nationally, Kshs.2.25 billion (15.1 per cent) as total conditional grants, generate Kshs.1.72 billion (11.5 per cent) from own-sources of revenue, Kshs.1.41 billion (8.4 per cent) as cash balance from FY 2017/18 and Kshs.1.26 billion (3.2 per cent) as other revenues.

Figure 3.85: Machakos County, Expected Sources of Budget Financing in FY 2018/19



Source: *Machakos County Treasury*

A breakdown of conditional grants is provided in Table 3.62.

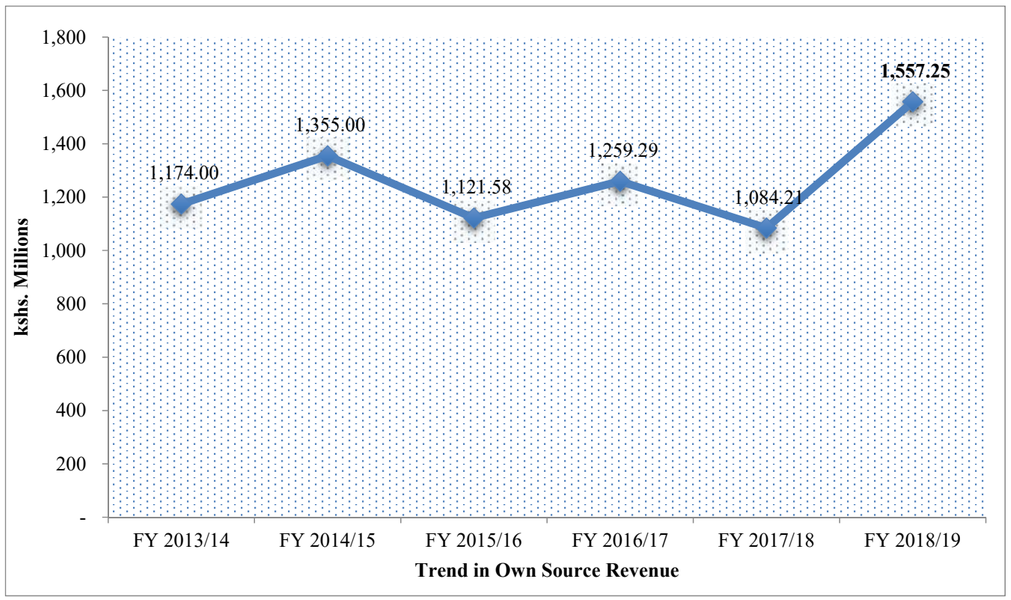
3.22.2 Revenue Analysis

During FY 2018/19, the County had a total of kshs.13.47 billion available for budget implementation. This amount consisted of Kshs.8.32 billion as equitable share of revenue raised nationally, Kshs.2.01 billion as total conditional grants, raised Kshs.1.56 billion from own source revenue, and had a cash balance of Kshs.1.41 billion from FY 2017/18.

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Figure 3.86 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.86: Machakos County, Trend in Own Source Revenue Collection in FY 2018/19



Source: *Machakos County Treasury*

The County generated a total of Kshs.1.56 billion as own-source revenue during FY 2018/19. The own-source revenue collected during the period represented an increase from Kshs.1.08 billion realised during the same period of the FY 2017/18 and represented 90.5 per cent of the annual target.

3.22.3 Conditional Grants

In the reporting period, the County received Kshs.2.01 billion as conditional grants as shown in Table 3.62.

Table 3.62: Machakos County, Conditional Grants/Loans Received in the FY 2018/19

S / No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	IDA (World Bank) -Kenya Urban Support Project	1,018,320,500	1,018,320,500	1,018,320,500	100
2	Conditional Grants to Level- 5 Hospital	383,583,815	383,583,815	383,583,815	100
3	Road Maintenance Fuel Levy Fund	219,084,683	219,084,683	219,084,684	100
4	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
5	IDA (World Bank) -Kenya Climate Smart Agriculture Project	117,000,000	117,000,000	41,070,411	35.1
6	World Bank-Transforming Health Systems for Universal Care Project	95,401,875	95,401,875	39,211,189	41.1
7	Rehabilitation of Village Polytechnics	54,295,000	54,295,000	40,992,725	75.5
8	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	53,423,784	53,423,784	-	-
9	User Fee Foregone	24,129,039	24,129,039	24,129,039	100
10	DANIDA - Universal Healthcare to Devolved System Programme	24,806,250	24,806,250	24,806,250	100

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S / No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
11	IDA (World Bank) -Kenya Urban Support Project - Urban grants	41,200,000	41,200,000.00	41,200,000	100
12	Sweden- ASDSP	21,107,671	21,107,671.00	7,684,832	36.4
Sub Total		**2,252,352,617**	**2,252,352,617**	**1,840,083,445**	**81.7**
B	**Other Grants**				
13	Universal Health Coverage (UHC) Grants	-	787,524,789	168,066,136.00	21.3
Sub Total		**-**	**787,524,789**	**168,066,136.00**	**21.3**
Grand Total		**2,252,352,617**	**3,039,877,406**	**2,008,149,581**	**66.1**

Source: *Machakos County Treasury*

During the reporting period, receipts from the Kenya Urban Support Project, Grants to Level- 5 Hospital, Road Maintenance Fuel Levy Fund, User Fee Foregone, and DANIDA recorded the highest performance in percentage terms and accounted for 100 per cent of the annual target respectively.

3.22.4 Exchequer Issues

In order to finance the budget, the Controller of Budget approved the withdrawal of Kshs.11.73 billion from the CRF account. The withdrawals represented 78.4 per cent of the Approved Budget and translated to a an increase of 46.3 per cent from Kshs.8.02 billion approved in FY 2017/18 and comprised of Kshs.3.09 billion (26.4 per cent) towards development activities and Kshs.8.63 billion (73.6 per cent) for recurrent expenditure.

3.22.5 Overall Expenditure Review

A total of Kshs.11.65 billion was spent on both recurrent and development activities. The expenditure represented 99.6 per cent of the total funds released from the CRF account and was an increase of 58.1 per cent from Kshs.7.38 billion spent in FY 2017/18.

The expenditure excluded outstanding commitments as at June 30, 2019 which amounted to Kshs.73.44 million for development activities and Kshs.486.15 million for recurrent expenditure.

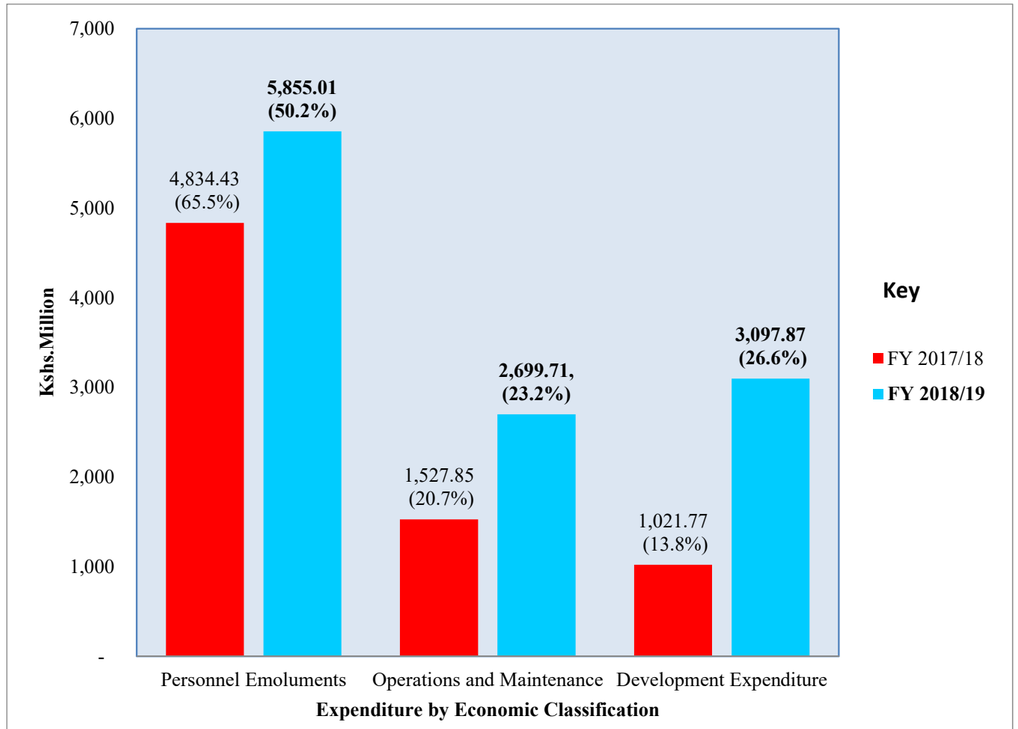
Expenditure on development programmes amounted to Kshs.3.09 billion while Kshs.8.55 billion was spent on recurrent activities. The development expenditure was 100 per cent of funds released for development activities while recurrent expenditure was 99.1 per cent of the funds released for recurrent activities, while development expenditure.

Development expenditure recorded an absorption rate of 57.4 per cent, which was an increase from 33.3 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 89.4 per cent of the annual recurrent budget, a decrease from 90.8 per cent recorded in FY 2017/18.

Figure 3.87 presents a comparison between the total expenditure in FY 2018/19 and the FY 2017/18.

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Figure 3.87: Machakos County, Expenditure by Economic Classification



Source: *Machakos County Treasury*

3.22.6 Development Expenditure Analysis

The total development expenditure of Kshs.3.09 billion represented 57.4 per cent of the annual development budget of Kshs.5.4 billion. Table 3.63 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.63: Machakos County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S / No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in FY 2018/19 (Kshs.)	Absorption rate (%)
1	Construction of Nthungululu Dam	Yatta	150,000,000	46,406,868	30.9
2	Construction of a 12 storey building at the Machakos New City.	Machakos	394,999,999	41,407,638	10.5
3	Construction of Government building at The Machakos New City	Machakos	399,640,361	34,165,960	8.5
4	Construction of Mumbuni Dam	Kibauni	78,000,000	19,915,410	25.5
5	Construction of Machakos County Office	Machakos	287,110,237	14,971,734	5.2
6	Routine Maintenance of Kithini – Vota road	Machakos	21,339,957	12,494,431	58.5
7	Routine Maintenance of Kenol-Mutwani-Lukenya road	Yatta	11,225,331	11,211,046	99.9

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S / No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in FY 2018/19 (Kshs.)	Absorption rate (%)
8	Construction of Machakos Conference facility at Machakos People's Park	Machakos	74,170,816	10,830,451	14.6
9	Routine Maintenance at Kathiani – Kangundo road	Kangundo	16,211,916	9,994,316	61.6
10	Installation of drainage facilities at Kituluni-Kitambaasye road	Matungulu	9,806,000	9,732,800	99.3

Source: *Machakos County Treasury.*

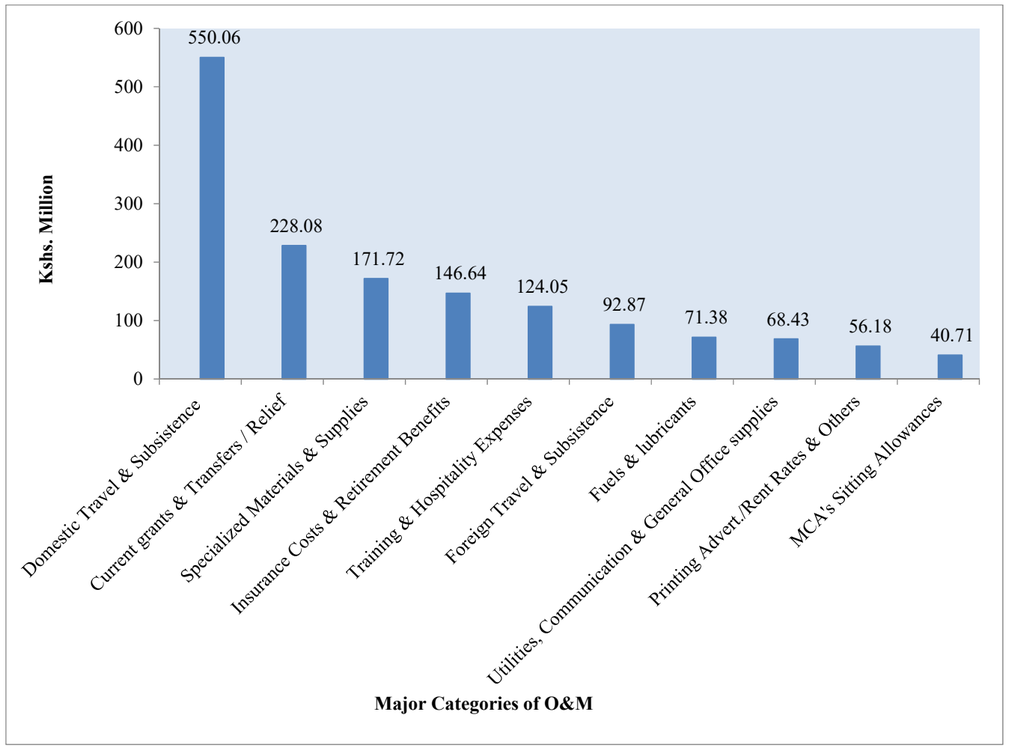
3.22.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.8.55 billion comprised of Kshs.5.86 billion (68.4 per cent) incurred on personnel emoluments and Kshs.2.70 billion (31.6 per cent) on operations and maintenance.

Expenditure on personnel emoluments represented an increase of 21.1 per cent compared to FY 2017/18 when the County spent Kshs.4.83 billion, and was 50.2 per cent of total expenditure in FY 2018/19.

Figure 3.88 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.88: Machakos County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Machakos County Treasury.*

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The County spent Kshs.40.71 million on committee sitting allowances for the 61 MCAs against the annual budget allocation of Kshs.40.71 million. This represented an increase of 114.1 per cent compared to Kshs.19.02 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.56,548 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.642.93 million and comprised of Kshs.327.11 million spent by the County Assembly and Kshs.315.82 million spent by the County Executive. This represented 7.5 per cent of total recurrent expenditure and was an increase of 70.8 per cent compared to Kshs.376.37 million spent in FY 2017/18.

3.22.8 Budget Performance by County Department

Table 3.64 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.64: Machakos County, Budget Performance by Department in FY 2018/19

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
Office of the Governor	595.71	16.84	545.76	-	389.62	10.89	71.4	-	65	65
Public Service, Labour and ICT	587.25	12.70	498.24	-	5,660.61	7.59	1136.1	-	963.9	60
Trade, Investment, Economic Planning, Industrialization and Energy	143.11	101.56	132.61	55.07	75.31	43.43	56.8	-	53	43
Finance and Revenue Management	439.15	15.73	383.07	-	186.79	11.96	48.8	-	43	76
Decentralized Units, County Administration, Environment & Solid Waste mgt.	461.83	31.00	459.82	-	83.23	31.33	18.1	-	18	101
Agriculture, NR, Livestock, Water & Irrigation Development	544.15	810.21	505.54	541.38	96.57	436.35	19.1	80.6	18	54
Health and Emergency Services	4,911.19	759.19	4,367.80	440.33	893.93	332.50	20.5	75.5	18	44
Transport, Roads, Public Works and Housing	190.10	1,856.77	190.09	948.72	66.68	981.23	35.1	103.4	35	53
Education, Youth and Social Welfare	413.23	295.75	286.89	57.48	129.04	72.11	45.0	125.5	31	24
Lands, Energy & Urban development	169.31	1,074.32	169.31	1,020.72	101.39	1,079.44	59.9	105.8	60	100
Tourism, Sports and Culture	117.89	118.92	112.72	3.49	24.39	59.90	21.6	-	21	50
County Public Service Board	59.97	8.55	59.96	6.79	4.85	6.79	8.1	-	8.1	79
County Assembly	936.78	294.00	916.78	24.33	842.32	24.34	91.9	100.0	90	8
TOTAL	**9,569.67**	**5,395.54**	**8,628.59**	**3,098.31**	**8,554.73**	**3,097.86**	**99.1**	**100.0**	**89.4**	**57.4**

Source: *Machakos County Treasury*

Analysis of expenditure by department shows that the Department of Decentralized Units recorded the highest absorption rate of development budget at 101 per cent while the County Assembly had the lowest at 8 per cent. The Department of Public Service, Labour and ICT had the highest percentage of recurrent

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expenditure to recurrent budget at 963.9 per cent while the County Public Service Board had the lowest at 8.1 per cent. The recurrent expenditure by the Department of Public Works, ICT and Labour exceeded the approved recurrent estimates as all wages bills were charged in the department.

3.22.9 Key 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 Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
ii. Timely submission of financial reports to the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012.

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

1. A high wage bill that increased by 21.1 per cent from Kshs.4.83 billion in FY 2017/18 to Kshs.5.85 billion in FY 2018/19. The wage bill accounted for 50.2 per cent of total expenditure in the reporting period.
2. High expenditure on foreign and domestic travel, which increased by 70.8 per cent from Kshs.376.37 million in FY 2017/18 to Kshs.642.93 million in the reporting period.
3. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Public Service, Labour and ICT and the Department of Decentralized Units, County Administration, Environment & Solid Waste Management. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
3. *The County Treasury should ensure expenditure is within the approved budget.*

3.23 Makueni County

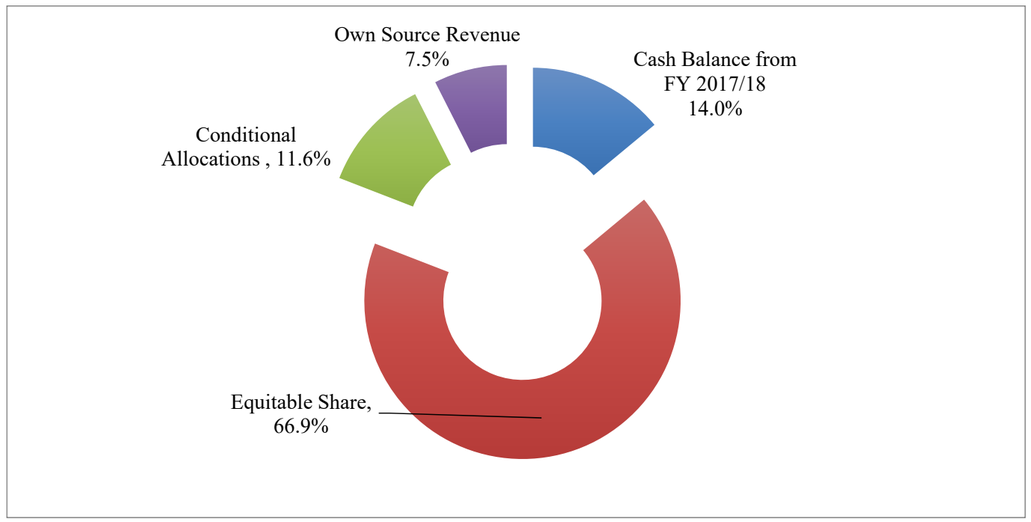
3.23.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.10.65 billion, comprising of Kshs.4.42 billion (41.5 per cent) and Kshs.6.23 billion (58.5 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.13 billion (66.9 per cent) as equitable share of the revenue raised nationally, Kshs.1.24 billion (11.6 per cent) as total conditional grants, generate Kshs.796.50 million (7.5 per cent) from own sources of revenue, and Kshs.1.49 billion (14.0 per cent) cash balance from FY 2017/18. Included in own source revenue estimate is Kshs.116.0 million for NHIF-FIF- AIA and Kshs.10 million for Makueni Fruit Processing Plant AIA.

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Figure 3.89: Makueni County, Expected Sources of Budget Financing in FY 2018/19



Source: *Makueni County Treasury*

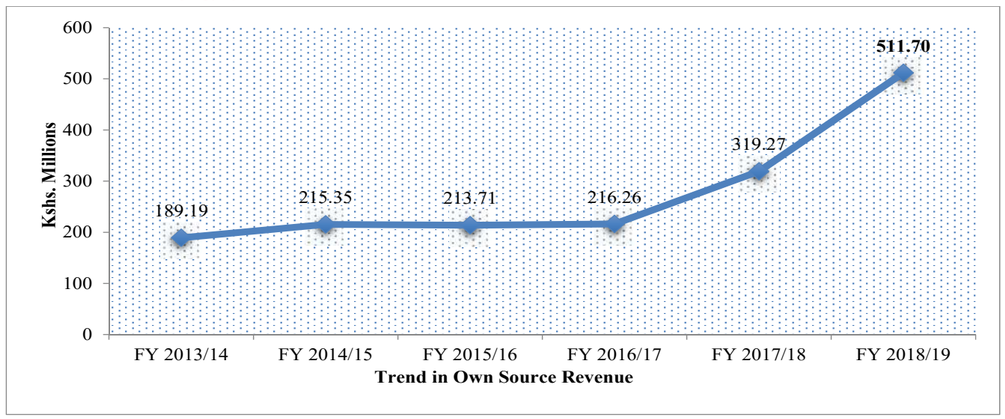
A breakdown of the conditional grants is provided in Table 3.65 .

3.23.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.9.49 billion available for budget implementation. This amount consisted of Kshs.7.13 billion received as equitable share of the revenue raised nationally, Kshs.758.19 million as conditional grants, Kshs.511.70 million generated from own sources of revenue, and a reported cash balance of Kshs.1.09 billion from FY 2017/18.

Figure 3.90 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.90: Makueni County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *County Treasury*

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The County generated a total of Kshs.511.70 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.192.44 million compared to that realised in FY 2017/18 and was 64.2 per cent of the annual target.

3.23.3 Conditional Grants

During the reporting period, the County received Kshs.758.19 million as conditional grants as shown in Table 3.65.

Table 3.65: Makueni County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	40,000,000	41,200,000	103
2	Road Maintenance Fuel Levy	187,668,766	187,668,766	187,668,767	100
3	Compensation for User Fee Foregone	19,435,760	19,435,760	19,435,760	100
4	IDA (World Bank) -Kenya Urban Support Project (KUSP)	136,261,600	136,261,600	136,261,600	100
5	DANIDA - Universal Healthcare in Devolved System Programme	22,882,500	22,882,500	22,882,500	100
6	Rehabilitation of Village Polytechnics	31,570,000	31,570,000	23,835,350	75.5
7	Transforming Health Systems for Universal Care Project (World Bank)	100,000,000	100,000,000	51,160,924	51.2
8	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	22,730,225	21,551,135	8,275,568	38.4
9	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	50,078,476	35.7
10	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
11	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	50,750,604	50,750,604	-	-
12	EU Grant- Instruments for Devolution Advice and Support- IDEAS)	45,000,000	45,000,000	-	-
Sub Total		**997,934,618**	**995,555,528**	**540,798,945**	**54.2**
B	**Other Grants**				
14	KDSP Grant - Investment Grant	-	168,575,682	168,575,682	100
15	EU Grant for instrument for Devolution Advice and support	-	66,000,000	48,818,153	74
16	DANIDA Grant (Universal Healthcare in Devolved System Program) - FY 2017/18 Funds	-	9,479,639	-	-
Sub Total		-	244,055,321	217,393,835	89.1
Grand Total		**997,934,618**	**1,239,610,849**	**758,192,780**	**71.3**

Source: *Makueni County Treasury*

During the reporting period, receipts from the Kenya Urban Support Project conditional grant recorded the highest performance in percentage terms, and accounted for 103 per cent of the annual target.

3.23.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.8.63 billion from the CRF account. The withdrawals represented 81 per cent of the Approved Supplementary Budget and translated to an increase of 8.2 per cent from Kshs.7.98 billion in FY 2017/18 and comprised of Kshs.2.72 billion (31.6 per cent) towards development activities and Kshs.5.91 billion (68.4 per cent) for recurrent expenditure.

3.23.5 Overall Expenditure Review

A total of Kshs.8.44 billion was spent on both development and recurrent activities. This expenditure represented 97.7 per cent of the total funds released from the CRF account, and was an increase of 17.3 per cent from Kshs.7.19 billion spent in FY 2017/18.

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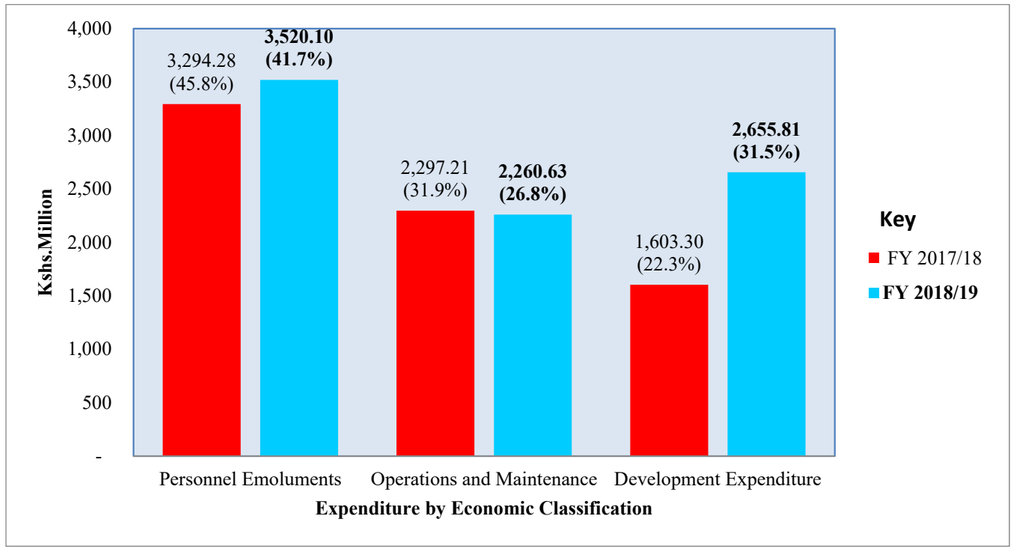
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.6.99 million for development activities and Kshs.1.47 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.2.66 billion while Kshs.5.78 billion was spent on recurrent activities. The development expenditure was 97.5 per cent of the funds released for development programmes, while recurrent expenditure was 97.9 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 60.1 per cent, which was an increase from 44.8 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 92.7 per cent of the annual recurrent budget, an increase from 91.7 per cent recorded in FY 2017/18.

Figure 3.91 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

Figure 3.91: Makueni County, Expenditure by Economic Classification



Source: *Makueni County Treasury*

3.23.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.66 billion represented 60.1 per cent of the annual development expenditure estimates of Kshs.4.42 billion. Table 3.66 provides a summary of development projects with the highest expenditure in the financial year.

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Table 3.66: Makueni County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/ No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Universal Health Care Programme	County Wide	166,000,000	164,353,154	99
2	IDA (World Bank) credit: Kenya Devolution Support Project (KDSP) " Investment Grant"	County Wide	168,575,682	131,753,797	78.2
3	Construction of Thwake bridge substructures	Kalawa	106,000,000	103,772,724	97.9
4	Makueni fruit processing plant - Operationalization (Reconstituting Line & other operations)	Kalamba	84,451,717	84,262,273	99.8
5	Purchase of graders	Makueni County	78,450,000	79,500,000	101.3
6	IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIGP)	County Wide	158,929,463	76,938,310	48.4
7	IDA (World Bank) credit: Kenya Urban Support Project(KUSP)	Makueni County	136,261,600	74,316,898	54.5
8	Roads upgrade programme - ward - fuel levy funding	Makueni County	39,082,714	65,144,591	166.7
9	Transforming Health Systems for Universal Care Project (WB)	County Wide	100,000,000	55,850,368	55.9
10	EU Grant for instrument for Devolution Advice and support	Kalamba	111,000,000	49,636,306	44.7
11	Makueni Youth service - Youth Economic Empowerment strategy	County Wide	47,058,285	42,479,176	90.3

Source: *Makueni County Treasury*

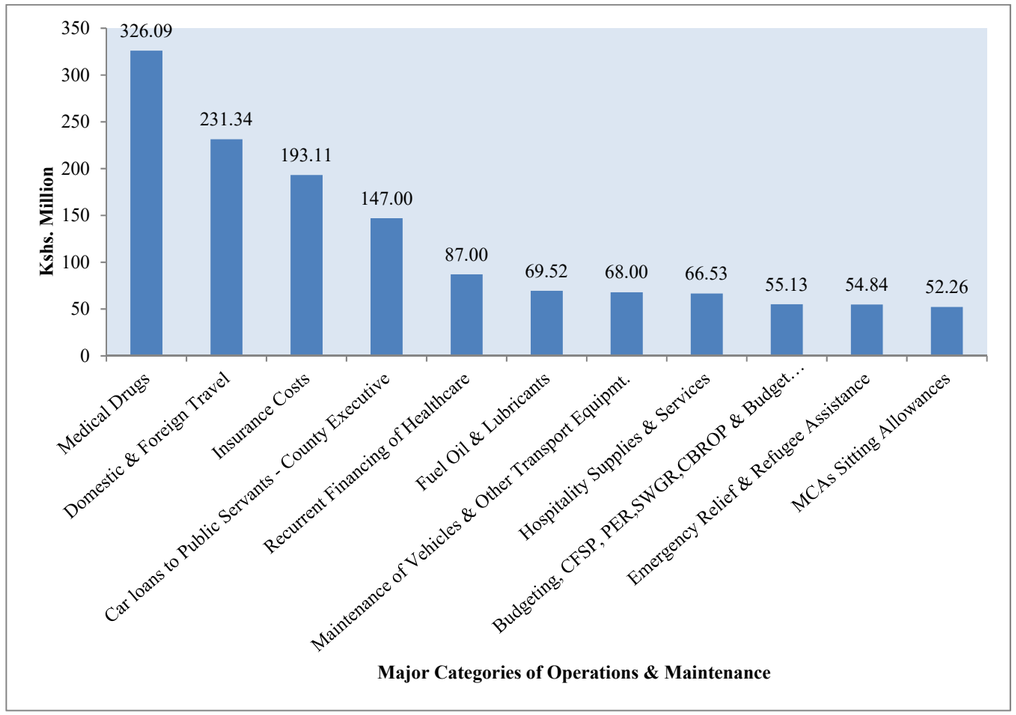
3.23.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.78 billion comprised of Kshs.3.52 billion (60.9 per cent) incurred on personnel emoluments and Kshs.2.26 billion (39.1 per cent) on operations and maintenance as shown in Figure 3.91.

Expenditure on personnel emoluments represented an increase of 6.9 per cent compared to FY 2017/18 when the County spent Kshs.3.29 billion and was 41.7 per cent of the total expenditure in FY 2018/19. Figure 3.92 shows a summary of operations and maintenance expenditure by major categories.

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Figure 3.92: Makueni County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Makueni County Treasury*

The County spent Kshs.52.26 million on committee sitting allowances for the 48 MCAs and Speaker against the annual budget allocation of Kshs.52.99 million. This represented an increase of 59.7 per cent compared to Kshs.32.73 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.88,881 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.231.34 million, and comprised of Kshs.103.70 million spent by the County Assembly and Kshs.127.64 million by the County Executive. This expenditure represented 4 per cent of total recurrent expenditure and was a decrease of 7.5 per cent compared to Kshs.250.14 million spent in FY 2017/18.

3.23.8 Budget Performance by County Department

Table 3.67 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.67: Makueni County, Budget Performance by Department in FY 2018/19

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
County Assembly	746.36	101.09	744.18	79.49	657.64	69.83	88.4	87.9	88.1	69.1
Office of the Governor	187.28	-	161.54	-	181.07	-	112.1		96.7	-

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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
Office of the Deputy Governor	16.57	-	14.76	-	14.29	-	96.8		86.2	-
County Attorney's Office	36.09	-	20.75	-	21.08	-	101.6		58.4	-
County Public Service Board	61.24	-	56.60	-	58.74	-	103.8		95.9	-
Office of the County Secretary	312.13	-	295.80	-	298.36	-	100.9		95.6	-
Devolution, Administration, Participatory Development & Public Service	285.34	16.46	263.18	-	276.16	8.01	104.9		96.8	48.7
Finance & Socio Economic Planning	643.10	90.43	614.64	30.52	618.26	42.41	100.6	139	96.1	46.9
Agriculture, Irrigation, Livestock & Fisheries Development	240.33	791.67	238.02	442.41	238.64	525.55	100.3	118.8	99.3	66.4
Water, Environment & Climate Change	190.11	972.90	182.23	591.89	172.36	423.08	94.6	71.5	90.7	43.5
Education, Youth & ICT	345.45	336.72	299.96	179.40	330.05	225.01	110.0	125.4	95.5	66.8
Health Services	2,798	766.35	2,673.2	390.52	2,581.2	392.09	96.6	100.4	92.3	51.2
Lands, Urban Planning & Mining	67.89	239.99	65.51	239.90	53.14	130.63	81.1	54.5	78.3	54.4
Transport and Infrastructure	193.35	989.13	174.53	685.02	181.78	753.27	104.2	110	94	76.2
Trade, Tourism & Cooperatives	50.95	78.39	46.20	52.57	46.15	52.49	99.9	99.8	90.6	67
Department of Gender and Social Services	60.12	34.23	56.29	32.27	51.79	33.44	92	103.6	86.1	97.7
Total	**6,234.4**	**4,417.4**	**5,907.4**	**2,723.98**	**5,780.7**	**2,655.8**	**97.9**	**97.5**	**92.7**	**60.1**

Source: Makueni County Treasury

Analysis of expenditure by department shows that the Department of Gender and Social Services recorded the highest absorption rate of development budget at 97.7 per cent while the Department of Water, Environment and Climate Change recorded the lowest at 43.5 per cent. The Department of Agriculture, Irrigation, and Livestock & Fisheries Development had the highest percentage of recurrent expenditure to recurrent budget at 99.3 per cent while the County Attorney's Office had the lowest at 58.4 per cent.

3.23.9 Key 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 collection of own source revenue by 60.3 per cent from Kshs.319.27 million in FY 2017/18 to Kshs.511.70 million in FY 2018/19
ii. Improvement in the absorption of the development budget to 60.1 per cent in FY 2018/19 compared to 44.8 per cent in FY 2017/18.

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

1. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
2. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage, Emergency Fund, Bursary Fund contrary to Section 168 of the PFM Act, 2012.
3. A high wage bill that increased by 6.9 per cent from Kshs.3.29 billion in FY 2017/18 to Kshs.3.52 billion in the reporting period. The wage bill accounted for 41.7 per cent of total expenditure in the reporting period.

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

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1. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
2. *All Fund Administrators should ensure timely submission of expenditure reports of established Funds in line with Section 168 of PFM Act 2012.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*

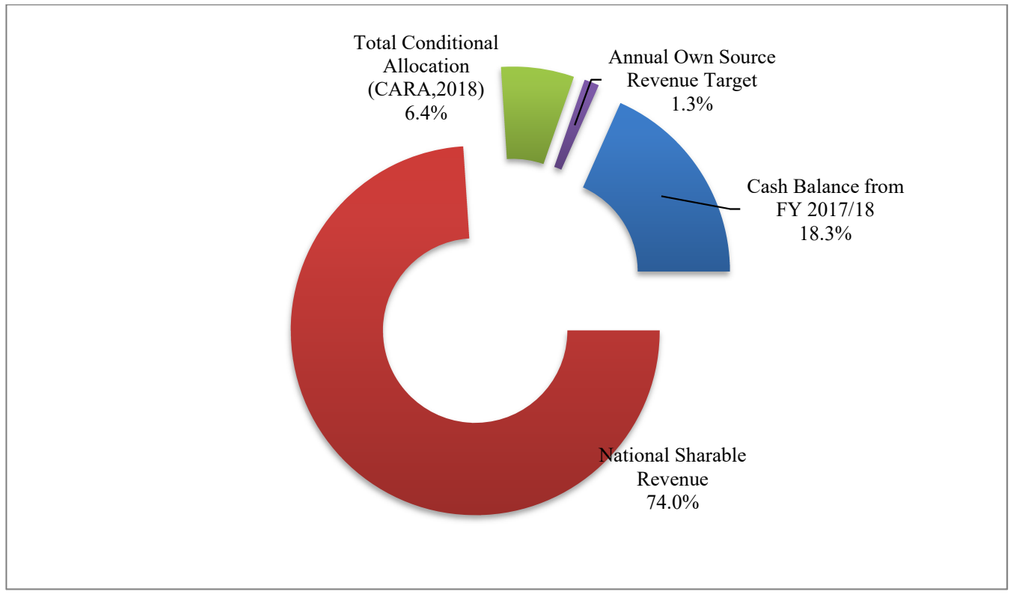
3.24 Mandera County

3.24.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19Supplementary Budget was Kshs.13.71 billion, comprising of Kshs.7.08 billion (51.6 per cent) and Kshs.6.63 billion (48.4 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.14 billion (74 per cent) as equitable share of the revenue raised nationally, Kshs.877.9 million (6.4 per cent) as total conditional grants, generate Kshs.179.09 million (1.3 per cent) from own sources of revenue, and Kshs.2.51 billion (18.3 per cent) cash balance from FY 2017/18.

Figure 3.93: Mandera County, Expected Sources of Budget Financing in FY 2018/19



Source: *Mandera County Treasury*

A breakdown of the conditional grants is provided in Table 3.68.

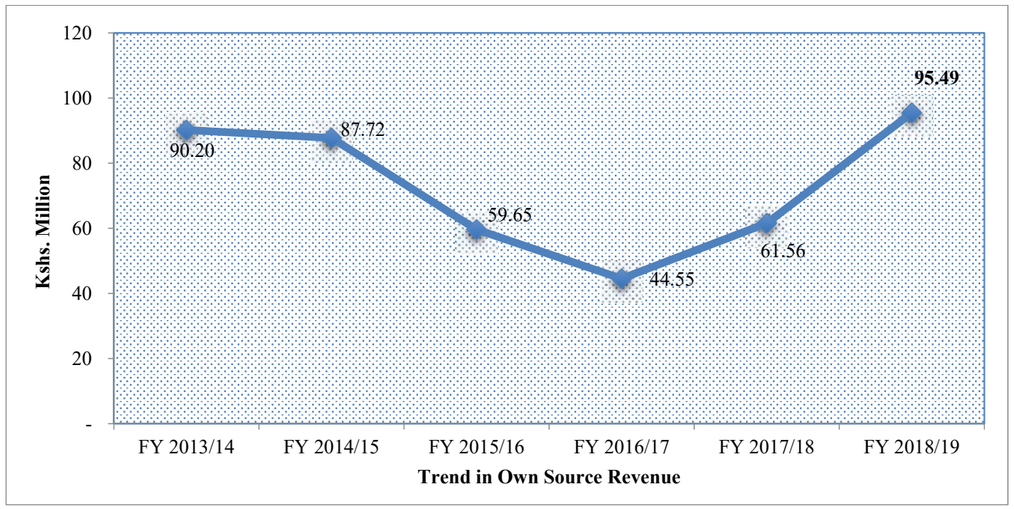
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3.24.2 Revenue Analysis

During FY 2018/19, the County had a total of Kshs.13.63 billion available for budget implementation. This amount consisted of Kshs.10.14 billion received as equitable share of the revenue raised nationally, Kshs.910.30 million as conditional grants, Kshs.95.49 million generated from own sources of revenue, and a cash balance of Kshs.2.48 billion from FY 2017/18.

Figure 3.94 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.94: Mandera County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Mandera County Treasury*

The County generated a total of Kshs.95.49 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.33.93 million compared to that realised in FY 2017/18 and was 53.3 per cent of the annual target.

3.24.3 Conditional Grants

During the reporting period, the County received Kshs.910.30 million as conditional grants as shown in Table 3.68 .

Table 3.68: Mandera County, Conditional Grants/Loans Received in the FY 2018/19

S/No.	Grant/Loans	Annual Allocation-CARA, 2018) (Kshs.)	Annual Budget Allocation (Kshs.)	Total Receipts (Kshs.)	Receipts as Percentage of Annual Budget Allocation (%)
1	Compensation for User Fee Foregone	25,474,920	25,474,920	25,474,920	100
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Road Maintenance Fuel Levy	267,035,293	267,035,293	267,035,293	100
4	Rehabilitation of Village Polytechnics	31,240,000	31,240,000	23,586,200	75.5
5	Transforming Health Systems for Universal Care Project (World Bank)	100,000,000	100,000,000	85,173,208	85.2
6	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	54,858,856	36.6
7	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	58,673,488	58,673,488	235,542,828	401.4

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S/No.	Grant/Loans	Annual Allocation-CARA, 2018) (Kshs.)	Annual Budget Allocation (Kshs.)	Total Receipts (Kshs.)	Receipts as Percentage of Annual Budget Allocation (%)
8	IDA (World Bank) -Kenya Urban Support Project (KUSP)	175,819,500	175,819,500	175,819,500	100
9	DANIDA - Universal Healthcare in Devolved System Programme	32,653,125	32,653,125	32,653,125	100
10	Kenya Devolution Support Programme "Level 2 grant"	41,200,000	-	-	-
11	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	27,908,979	37,000,000	10,161,036	27.5
Grand Total		**1,110,005,305**	**877,896,326**	**910,304,966**	**103.7**

Source: *Mandera County Treasury*

During the reporting period, receipts for Kenya Devolution Support Programme grant recorded the highest performance in percentage terms, and accounted 401.4 per cent of the annual target.

3.24.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.12.08 billion from the CRF account. The withdrawals represented 88.1 per cent of the Approved Supplementary Budget and translated to an increase of 18.5per cent from Kshs.10.20 billion in FY 2017/18, and comprised of Kshs.5.77 billion (47.7 per cent) towards development activities and Kshs.6.31 billion (52.3 per cent) for recurrent expenditure.

3.24.5 Overall Expenditure Review

A total of Kshs.12.04 billion was spent on both development and recurrent activities. This expenditure represented 99.7 per cent of the total funds released from the CRF account, and was an increase of 26.3 per cent from Kshs.9.54 billion spent in FY 2017/18.

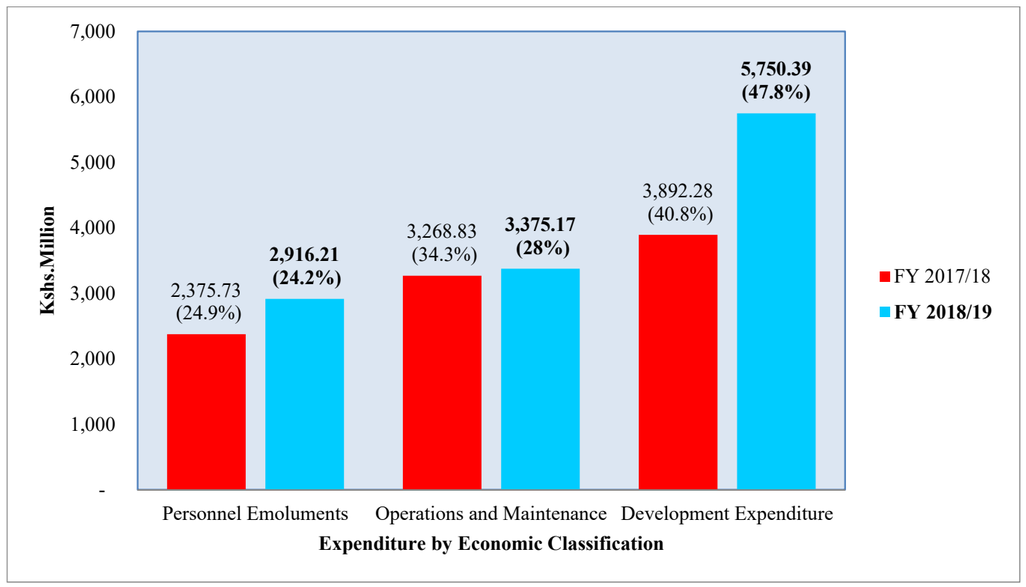
Expenditure on development programmes amounted to Kshs.5.75 billion while Kshs.6.29 billion was spent on recurrent activities. The development expenditure was 99.7 per cent of the funds released for development programmes, while recurrent expenditure was 99.7 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 81.3 per cent, which was an increase from 67.4 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 94.8 per cent of the annual recurrent budget, an increase from 87.2 per cent recorded in FY 2017/18.

Figure 3.95 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.95: Mandera County, Expenditure by Economic Classification



Source: *Mandera County Treasury*

3.24.6 Development Expenditure Analysis

The total development expenditure of Kshs.5.75 billion represented 81.3 per cent of the annual development expenditure estimates of Kshs.7.08 billion. Table 3.69 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.69: Mandera County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Tarmac Roads Lot 1	Countywide	268,484,715	268,484,715	100
2	Roads Maintenance Fuel Levy for 2018/2019 (Takaba-Gither, Rhamu - Malka Mari, Kutayu - Elwak, Elwak-Elgolicha, Awara-Morothiley & Guba-Choroqo)	Takaba-Gither, Rhamu - Malka Mari, Kutayu - Elwak, Elwak-Elgolicha, Awara-Morothiley & Guba-Choroqo	267,035,293	267,035,293	100
3	Completion of County Headquarter	County Headquarter	245,000,000	245,000,000	100
4	Tarmac Roads Lot II	Countywide	244,723,103	244,723,103	100
5	Completion of Rest House	County Assembly	140,000,000	140,000,000	100
6	Procurement/Equipment Leasing (A & E and Maternity at Elwak and MCRH)	A & E and Maternity at Elwak and MCRH	75,000,000	75,000,000	100
7	Constructions of modern slaughter house in Mandera East	Mandera East	61,291,705	61,291,705	100
8	Elwak SME market Park completion	Elwak SME market Park	57,101,136	57,101,136	100
9	Proposed paved parking and drainage system at Elwak SME market Park	Elwak SME market Park	50,000,000	50,000,000	100
10	Mandera County Rehabilitation Centre	Mandera Town	44,000,000	44,000,000	100

Source: *Mandera County Treasury*

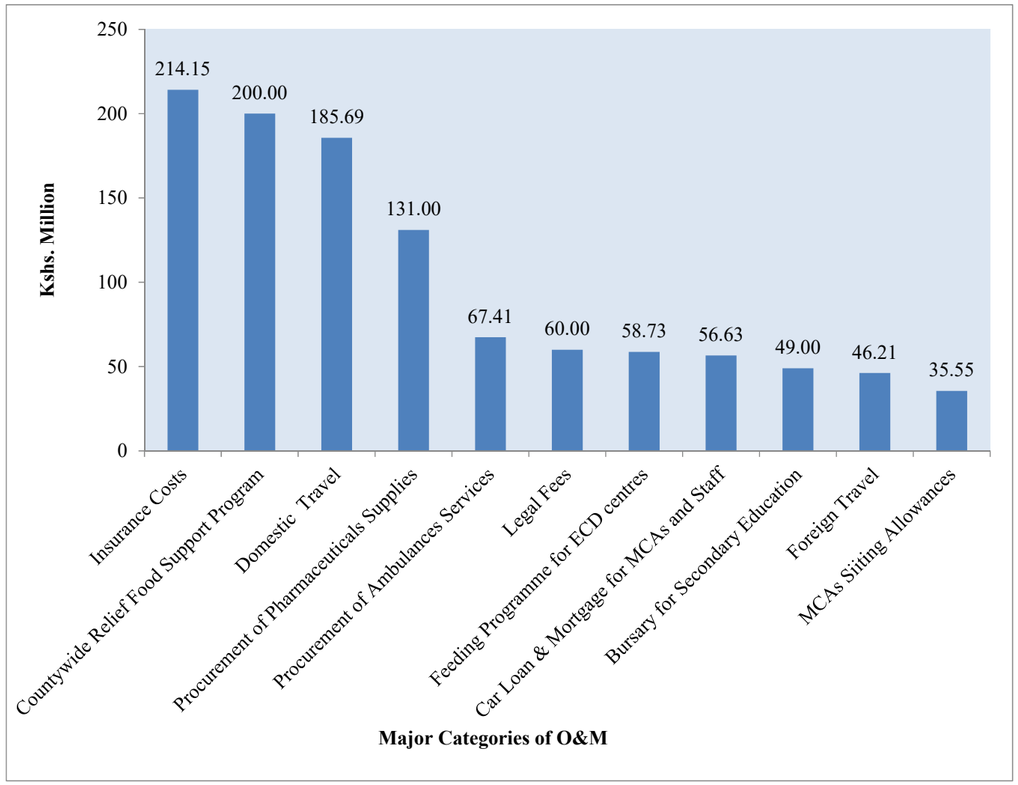
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3.24.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.29 billion comprised of Kshs.2.92 billion (46.4 per cent) incurred on personnel emoluments and Kshs.3.38 billion (53.6 per cent) on operations and maintenance as shown in Figure 3.95.

Expenditure on personnel emoluments represented an increase of 22.8 per cent compared to FY 2017/18 when the County spent Kshs.2.38 billion and was 24.2 per cent of the total expenditure in FY 2018/19. Figure 3.96 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.96: Mandera County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Mandera County Treasury*

The County spent Kshs.35.55 million on committee sitting allowances for the 49 MCAs and speaker against the annual budget allocation of Kshs.41.76 million. This represented an increase of 12 per cent compared to Kshs.31.76 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.80,620 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.231.90 million, and comprised of Kshs.106.95 million spent by the County Assembly and Kshs.124.95 million by the County Executive. This expenditure represented 3.7 per cent of total recurrent expenditure and was an increase of 14 per cent compared to Kshs.203.50 million spent in FY 2017/18.

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3.24.8 Budget Performance by County Department

Table 3.70 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.70: Mandera County, Budget Performance by Department in FY 2018/19

Department	Annual 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 and Fisheries	205.06	649.99	202.64	366.63	200.66	366.63	99.0	100	97.8	56.4
Education, Culture and Sports	604.83	498.82	599.45	319.25	599.45	316.25	100	99.1	99.1	63.4
Gender, Youth and Social Service	97.31	129.05	96.98	123.39	96.98	123.39	100	100	99.7	95.6
Finance and Economic Planning and ICT	569.89	159.92	535.80	135.46	535.80	135.46	100	100	94.0	84.7
Health Services	1,716.69	810.94	1,700.56	594.05	1,698.41	580.57	99.9	97.7	98.9	71.6
Trade, Investments Industrializations and Cooperative Development	47.07	285.23	45.07	265.78	45.07	265.78	100	100	95.8	93.2
County Assembly	810.63	211.26	680.45	53.47	680.45	53.07	100	99.2	83.9	25.1
Lands, Housing and Physical Planning	63.20	156.70	63.20	45.43	63.20	45.43	100	100	100	29.0
Office of the Governor and Deputy Governor	667.60	-	610.42	-	610.42	-	100	-	91.4	-
County Public Service Board	70.06	-	65.02	-	65.02	-	100	-	92.8	-
Public Service, Management and Devolved Unit	1,267.13	453.00	1,211.49	438.77	1,211.49	438.77	100	100	95.6	96.9
Public Works Roads and Transport	102.81	2,030.51	93.31	1,832.71	93.31	1,832.71	100	100	90.8	90.3
Water, Energy, Environment, Natural Resources Tourism and Wildlife	410.74	1,691.49	407.61	1,592.32	391.11	1,592.32	96.0	100	95.2	94.1
Total	**6,633.04**	**7,076.92**	**6,312.02**	**5,767.27**	**6,291.37**	**5,750.39**	**99.7**	**99.7**	**94.8**	**81.3**

Source: *Mandera County Treasury*

Analysis of expenditure by department shows that the Department of Public Service, Management and Devolved Unit recorded the highest absorption rate of development budget at 96.9 while the County Assembly recorded the lowest at 25.1 per cent. The Department of Lands, Housing and Physical Planning had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the County Assembly had the lowest at 83.9 per cent.

3.24.9 Key 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 own source revenue collection by 55.1 per cent from Kshs.61.56 million in FY2017/18 to Kshs. 95.49 million in the reporting period.
ii. Improvement in the absorption of development budget from 67.4 per cent in FY2017/18 to 81.3 per cent in the reporting period.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. A high wage bill that increased by 22.8 per cent from Kshs.2.38 billion in FY 2017/18 to Kshs.2.92 billion in the reporting period.

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3. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
4. Failure by the County to provide a detailed report on pending bills as of the end of the financial year.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*
2. *The County Public Service Board should put in place measures to ensure the wage bill does not increase above the legal limit in the medium term.*
3. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
4. *The County Treasury should provide a report on status of pending bills as at 30th June, 2019 as requested by the Controller of Budget in line with COB Act, 2016.*

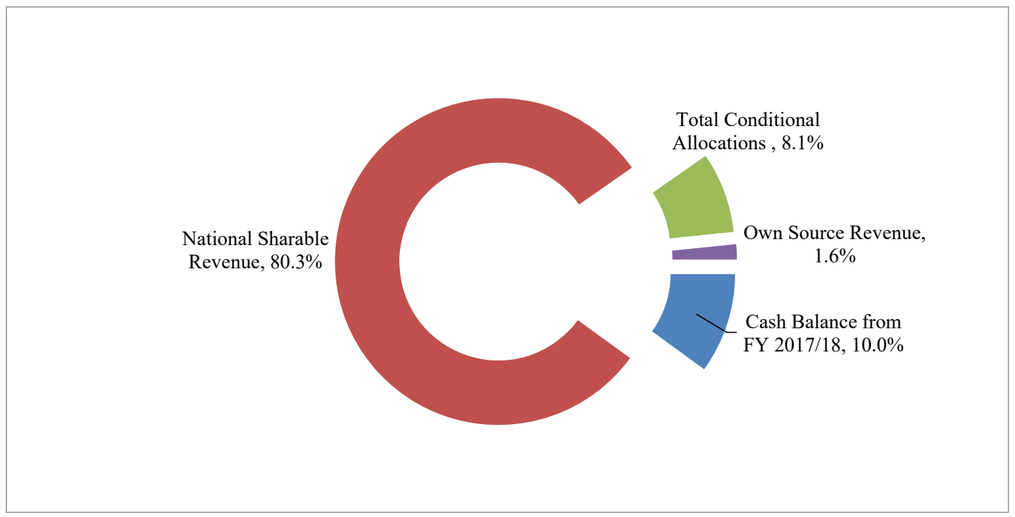
3.25 Marsabit County

3.25.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.8.72 billion, comprising of Kshs.4.30 billion (49.3 per cent) and Kshs.4.42 billion (50.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.0 billion (80.3 per cent) as equitable share of the revenue raised nationally,Kshs.704.30 million (8.1 per cent) as total conditional grants, generate Kshs.140 million (1.6 per cent) from own sources of revenue, and Kshs.872.3 million (10 per cent) cash balance from FY 2017/18.

Figure 3.97: Marsabit County, Expected Sources of Budget Financing in FY 2018/19



Source: *Marsabit County Treasury*

A breakdown of the conditional grants is provided in Table 3.71.

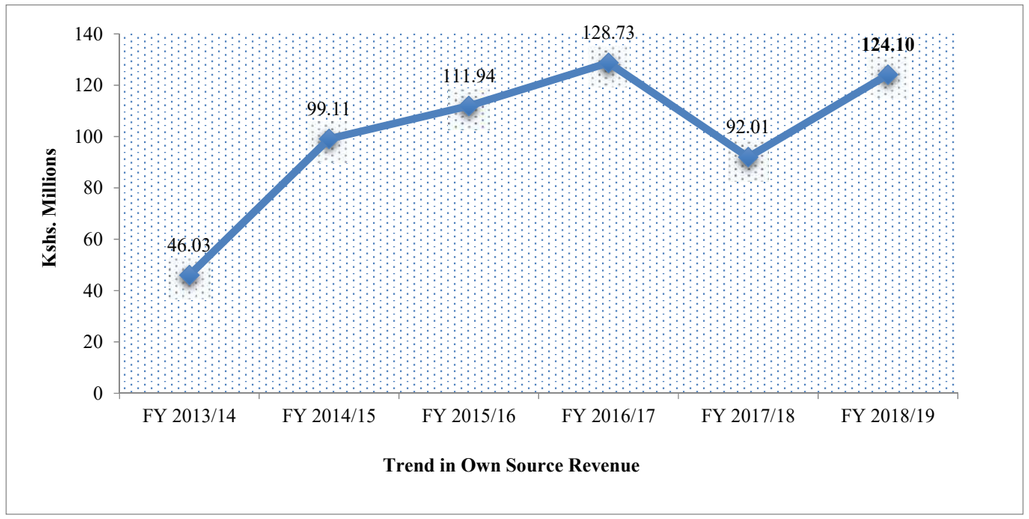
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3.25.2 Revenue Analysis

During FY 2018/19, the County had a total of Kshs.8.58 billion available for budget implementation. This amount consisted of Kshs.7.0 billion received as equitable share of the revenue raised nationally, Kshs.582.35 million as conditional grants, Kshs.124.1 million generated from own sources of revenue, and a cash balance of Kshs.872.30 million from FY 2017/18.

Figure 3.98 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.98: Marsabit County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Marsabit County Treasury*

The County generated a total of Kshs.124.1 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.32.1 million compared to that realised in FY 2017/18 and was 88.6 per cent of the annual target.

3.25.3 Conditional Grants

During the reporting period, the County received Kshs.582.35 million as conditional grants as shown in Table 3.71 .

Table 3.71: Marsabit County, Conditional Grants/Loans Received in the FY 2018/19

S/No.	Grants	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	184,361,828	184,361,828	223,691,143	121.3
2	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	50,891,757	33.9
3	World Bank Loan for Transforming Health System for universal Care Project	100,000,000	100,000,000	82,026,760	82
4	EU Grant- IDEAS	80,000,000	90,000,000	70,007,619	57.5
5	IDA (World Bank) -Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100
6	Kenya Devolution Support Programme (KDSP)	48,985,872	48,985,872	-	-

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S/No.	Grants	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
7	Rehabilitation of Village Polytechnics	26,275,000	26,275,000	19,837,625	75.5
8	DANIDA Grant	22,072,500	22,072,500	22,072,500	100
9	Conditional Grant - SIDA - (ASDSP II)	19,968,188	19,968,188		-
10	Compensation for User Fee Foregone	6,643,714	6,643,714	6,643,714	100
11	Conditional Grant - FAO support Project	5,996,770	5,996,770	5,996,770	100
12	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	27,420,231	-	9,983,094	36.4
13	IDA (World Bank) -Kenya Urban Support Project (KUSP)	41,200,000	-	41,200,000	100
Total		**762,924,103**	**704,303,872**	**582,350,981**	**76.3**

Source: *Marsabit County Treasury*

During the reporting period, receipts from the Roads Maintenance Levy Fund recorded the highest performance in percentage terms, and accounted 121.3 per cent of the annual target.

3.25.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.8.09 billion from the CRF account. The withdrawals represented 92.8 per cent of the Approved Supplementary Budget and translated to an increase of 18.7 per cent from Kshs.6.82 billion in FY 2017/18, and comprised of Kshs.3.85 billion (47.5 per cent) towards development activities and Kshs.4.24 billion (52.5 per cent) for recurrent expenditure.

3.25.5 Overall Expenditure Review

A total of Kshs.7.47 billion was spent on both development and recurrent activities. This expenditure represented 92.3 per cent of the total funds released from the CRF account, and was an increase of 13.7 per cent from Kshs.6.57 billion spent in FY 2017/18.

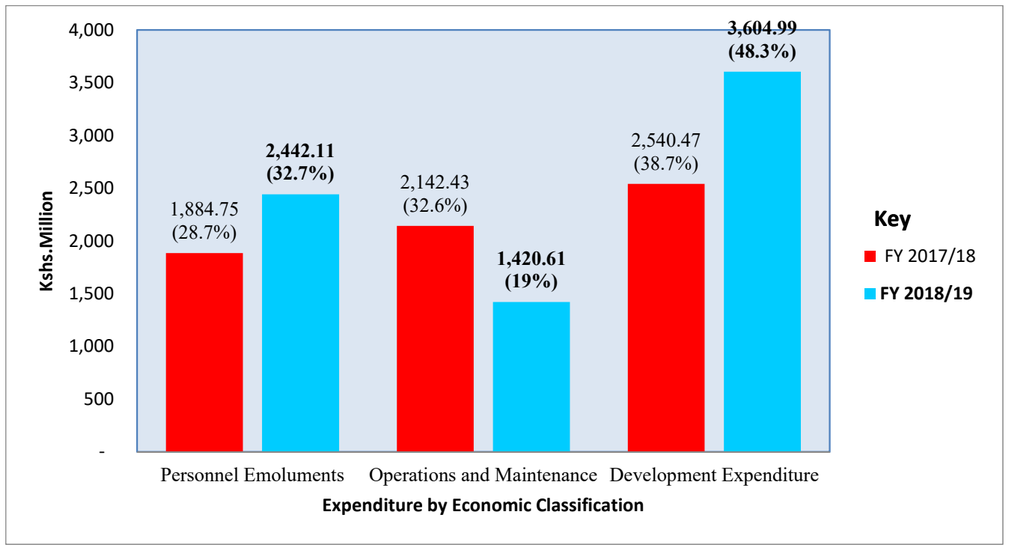
Expenditure on development programmes amounted to Kshs.3.6 billion while Kshs.3.86 billion was spent on recurrent activities. The development expenditure was 93.7 per cent of the funds released for development programmes, while recurrent expenditure was 91 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 81.5 per cent, which was an increase from 74 per cent attained in the FY 2017/18. Conversely, recurrent expenditure represented 89.9 per cent of the annual recurrent budget, a decrease from 93.7 per cent recorded in FY 2017/18.

Figure 3.99 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.99: Marsabit County, Expenditure by Economic Classification



Source: *Marsabit County Treasury*

3.25.6 Development Expenditure Analysis

The total development expenditure of Kshs.3.6 billion represented 81.5 per cent of the annual development expenditure estimates of Kshs.4.42 billion. Table 3.72 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.72: Marasabit County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Total Project Expenditure (Kshs.)	Absorption Rate (%)
1.	County Assembly Office Block	Headquarters	50,000,000	41,641,374	83.3
2.	Spot improvement works on Goromuda roads	Moyale sub county	6,950,488	6,950,488	100
3.	Spot improvement chief's office to Boruharo Road	Saku sub county	6,889,148	6,889,148	100
4.	Spot improvement Gayososo - Maendeleo Farm Road	Saku sub county	6,672,739	6,672,739	100
5.	Piping of Water- North Horr	North Horr	5,944,982	5,944,982	100
6.	Provision of solid waste management in Marsabit Town	Marsabit Town	5,833,333	5,833,333	100
7.	Expansion of Dukana water supply	North Horr	5,000,000	5,000,000	100
8.	Proposed Inpatient Ward Turbi Dispensary	North Horr	4,930,913	4,930,913	100
9.	Rehabilitation of treatment works	Moyale sub county	4,700,000	4,700,000	100
10.	Drilling of Borehole- Moyale	Moyale sub county	4,497,089	4,497,089	100

Source: *Marsabit County Treasury*

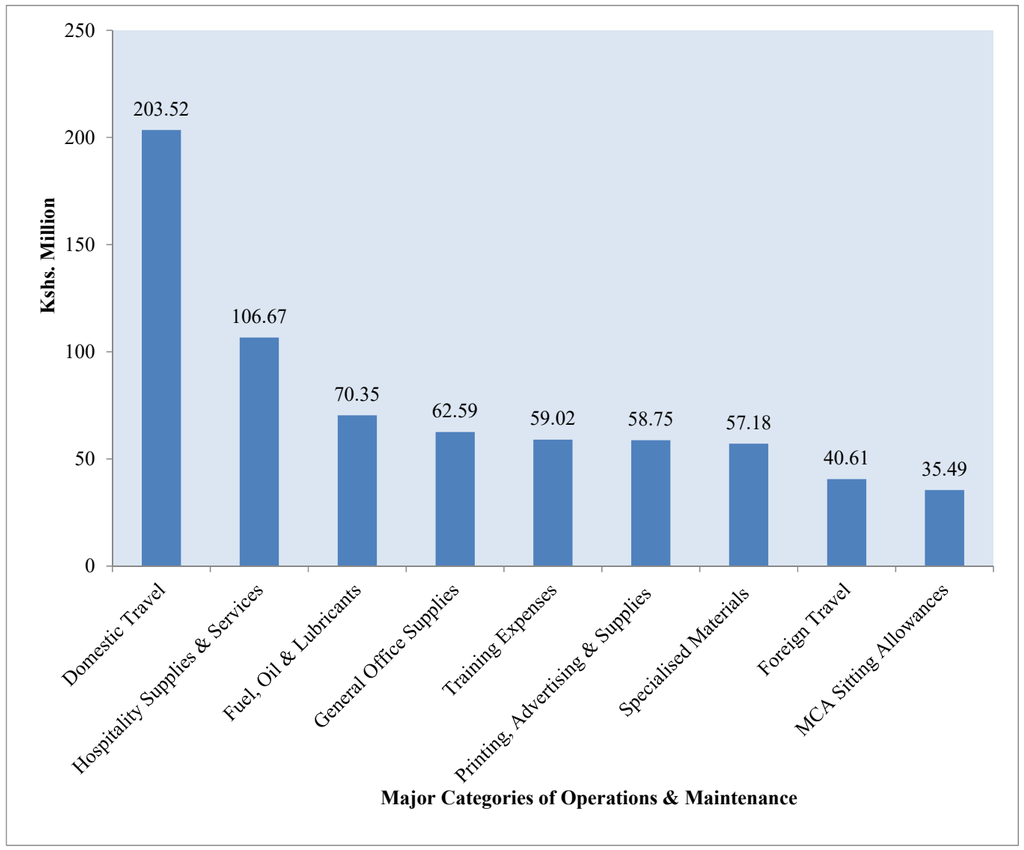
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3.25.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.86 billion comprised of Kshs.2.44 billion (63.2 per cent) incurred on personnel emoluments and Kshs.1.42 billion (36.8 per cent) on operations and maintenance as shown in Figure 3.99.

Expenditure on personnel emoluments represented an increase of 29.6 per cent compared to FY 2017/18 when the County spent Kshs.1.88 billion and was 32.7 per cent of the total expenditure in FY 2018/19. Figure 3.100 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.100: Marsabit County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Marsabit County Treasury*

The County spent Kshs.35.49 million on committee sitting allowances for the 31MCAs and Speaker against the annual budget allocation of Kshs.35.49 million. This represented a decrease of 21.1 per cent compared to Kshs.45 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.95,400 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

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Expenditure on domestic and foreign travel amounted to Kshs.244.13 million, and comprised of Kshs.107.77 million spent by the County Assembly and Kshs.136.36 million by the County Executive. This expenditure represented 6.3 per cent of total recurrent expenditure and was an increase of 1.1 per cent compared to Kshs.241.53 million spent in FY 2017/18.

3.25.8 Budget Performance by County Department

Table 3.73 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.73: Marsabit County, Budget Performance by Department in FY 2018/19

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
County Assembly	597.00	154.09	597.00	38.24	580.41	41.64	97.2	108.9	97.2	27.0
County Executive Services	531.44	556.76	531.44	420.50	444.38	538.50	83.6	128.1	83.6	96.7
Finance Management Services	450.22	11.00	401.23	-	338.88	9.30	84.5	-	75.3	84.6
Agriculture, Livestock	186.00	438.90	186.00	345.64	160.86	285.01	86.5	82.5	86.5	64.9
County Public Service Board	90.00	2.31	90.00	-	75.26	2.31	83.6	-	83.6	100.
Education Youth Affairs	319.00	384.24	319.00	319.66	303.65	293.26	95.2	91.7	95.2	76.3
Health Services	1,262.24	877.28	1,257.91	905.82	1,231.29	731.59	97.9	80.8	97.5	83.4
Administration and ICT	367.40	15.30	367.40	15.30	303.48	15.24	82.6	99.6	82.6	99.6
Physical Planning and Urban Development	140.00	299.15	140.00	272.75	122.99	214.43	87.9	78.6	87.9	71.7
Roads and Public Works	77.00	516.94	77.00	435.08	70.08	415.55	91.0	95.5	91.0	80.4
Water Services	130.04	932.73	130.04	860.71	108.06	848.68	83.1	98.6	83.1	91.0
Trade and Industry	83.50	109.09	83.50	109.09	69.49	103.93	83.2	95.3	83.2	95.3
Tourism, Culture and Social Services	63.00	124.17	63.00	124.17	53.88	105.54	85.5	85.0	85.5	85.0
TOTAL	**4,296.84**	**4,421.96**	**4,243.52**	**3,846.96**	**3,862.71**	**3,604.99**	**91.0**	**93.7**	**89.9**	**81.5**

Source: *Marsabit County Treasury*

Analysis of expenditure by department shows that the Department of Administration and ICT recorded the highest absorption rate of development budget at 99.6 while the County Assembly recorded the lowest at 27 per cent. The Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 97.5 per cent while the Department of Finance Management Service had the lowest at 75.3 per cent.

3.25.9 Key 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 own source revenue collection by 34.9 per cent from Kshs.92.01 million in FY201718 to Kshs.124.10 million in the reporting period.
ii. Establishment and operationalization of Internal Audit Committee to oversee financial operations in the County in line with Section 155 of the PFM Act, 2012.

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

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1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
3. Failure to constitute the County Budget and Economic Forum (CBEF) as per the requirement of Section 137 of the PFM Act, 2012 for consultation in the budget process.

The County should implement the following measures 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.*
2. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
3. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*

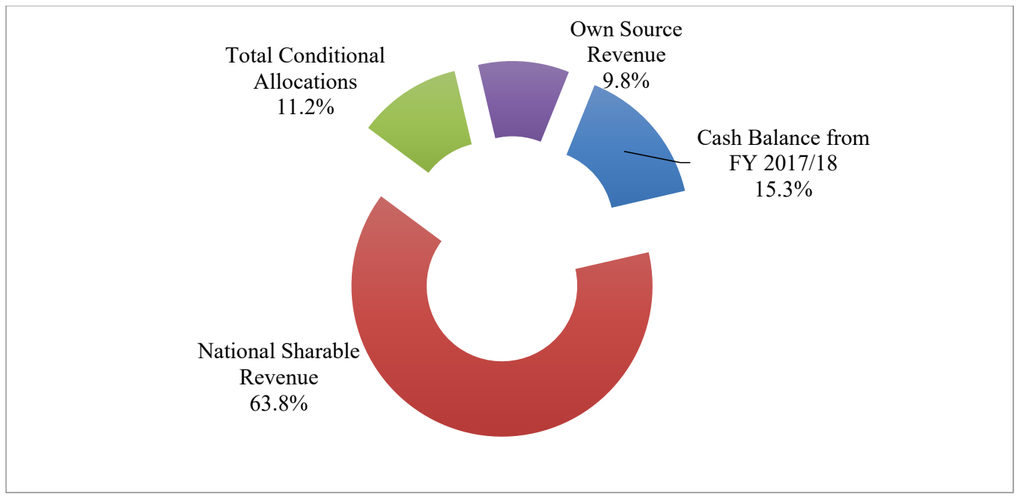
3.26 Meru County

3.26.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.12.56 billion, comprising of Kshs.7.86 billion (62.6 per cent) and Kshs.4.69 billion (37.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.01 billion(63.8 per cent) as equitable share of the revenue raised nationally, Kshs.1.40 billion (11.2 per cent) as total conditional grants, generate Kshs.1.23 billion (9.8 per cent) from own sources of revenue, and Kshs.1.92 billion (15.3 per cent) cash balance from FY 2017/18.

Figure 3.101: Meru County, Expected Sources of Budget Financing in FY 2018/19



Source: *Meru County Treasury*

A breakdown of the conditional grants is provided in Table 3.74.

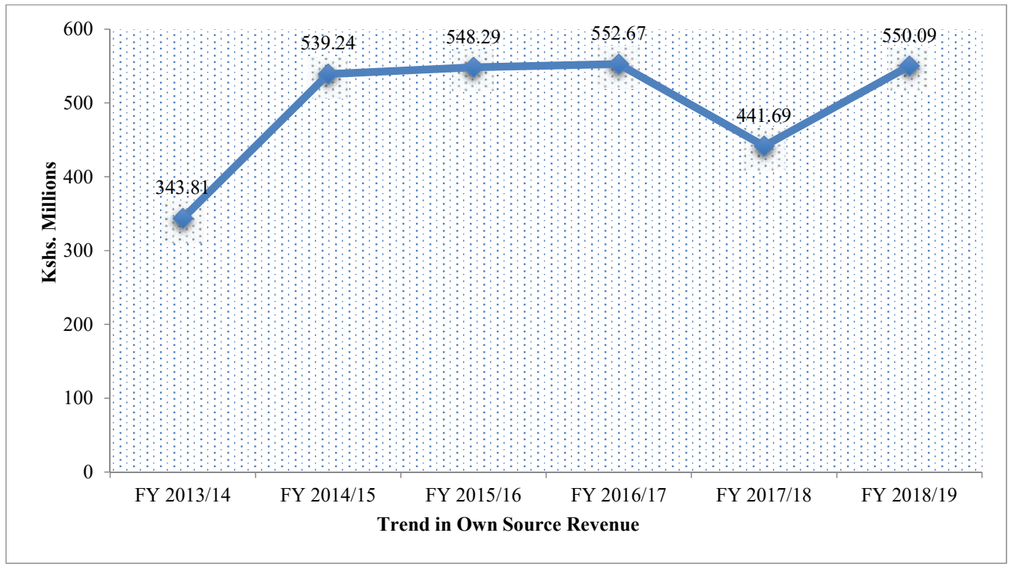
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3.26.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.10.70 billion available for budget implementation. This amount consisted of Kshs.8.01 billion received as equitable share of the revenue raised nationally, Kshs.926.04 million as conditional grants, Kshs.550.09 million generated from own sources of revenue, and a cash balance of Kshs.1.22 billion from FY 2017/18.

Figure 3.102 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.102: Meru County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Meru County Treasury*

The County generated a total of Kshs.550.09 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.108.4 million compared to that realised in FY 2017/18 and was 44.8 per cent of the annual target.

3.26.3 Conditional Grants

During the reporting period, the County received Kshs.926.04 million as conditional grants as shown in Table 3.74.

Table 3.74: Meru County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	Level-5 Hospital	373,872,832	373,872,832	373,872,832	100
2	Road Maintenance Fuel Levy Fund	210,817,337	210,817,337	210,817,337	100
3	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
4	World Bank Loan for National Agricultural & Rural Inclusive Project	140,435,163	140,435,163	50,078,476	36
5	World Bank Urban Development grants for Kenya Urban Support Program	116,890,200	116,890,200	116,890,200	100

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S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
6	Development of Youth Polytechnics	80,698,764	80,698,764	49,848,875	62
7	Kenya Devolution Support Program(KDSP)	53,939,835	53,939,835	-	-
8	World Bank Loan for Transforming Health System for universal Care Project	50,000,000	50,000,000	18,327,157	37
9	Kenya Urban Support Program- Urban Institution Grants	41,200,000	41,200,000	41,200,000	100
10	Compensation for User Foregone Fee	31,648,428	31,648,428	31,648,428	100
11	DANIDA grants	25,818,750	25,818,750	25,818,750	100
12	GoK-ASDSP	20,703,287	20,703,287	7,537,604	36
Sub Total		**1,346,024,596**	**1,346,024,596**	**926,039,659**	**69**
B	**Other Grants**				
13	World Bank Loan for National Agricultural & Rural Inclusive Project(2017-18)		55,609,855	-	-
Sub Total		-	55,609,855	-	-
Grand Total		**1,346,024,596**	**1,401,634,451**	**926,039,659**	**69**

Source: *Meru County Treasury*

During the reporting period, receipts from the grants to Level- 5 Hospital, Road Maintenance Fuel Levy Fund, World Bank Urban Development grants for Kenya Urban Support Program, Compensation for User Foregone Fee, and DANIDA grant recorded the highest performance in percentage terms, and accounted for 100 per cent of the respective annual target.

3.26.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.10.44 billion from the CRF account. The withdrawals represented 83.2 per cent of the Approved Supplementary Budget and translated to an increase of 23 per cent from Kshs.8.49 billion in FY 2017/18 and comprised of Kshs.2.77 billion (26.5 per cent) towards development activities and Kshs.7.68 billion (73.5 per cent) for recurrent expenditure.

3.26.5 Overall Expenditure Review

A total of Kshs.9.78 billion was spent on both development and recurrent activities. This expenditure represented 93.7 per cent of the total funds released from the CRF account, and was an increase of 43.8 per cent from Kshs.6.80 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.966.55 million for development activities and Kshs.276.81 million for recurrent costs.

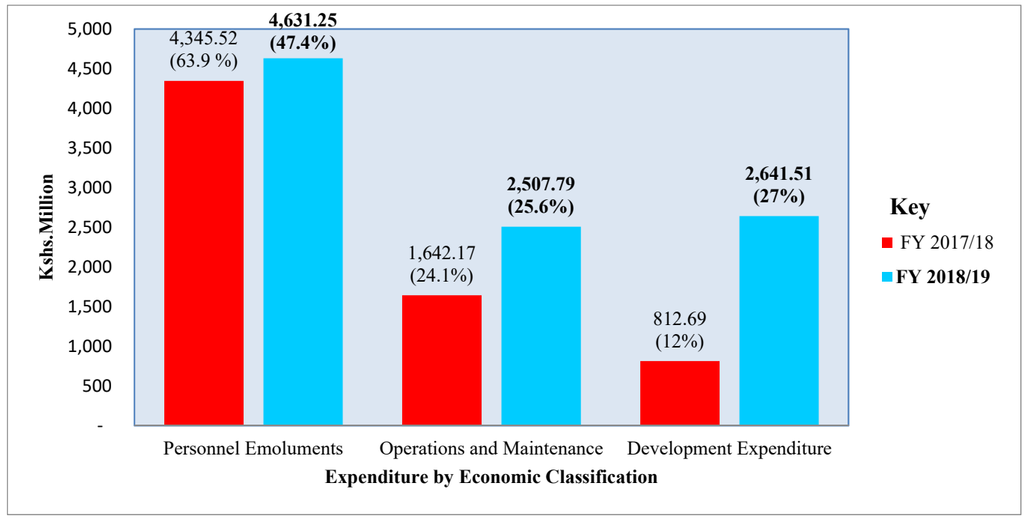
Expenditure on development programmes amounted to Kshs.2.64 billion while Kshs.7.14 billion was spent on recurrent activities. The development expenditure was 95.5 per cent of the funds released for development programmes, while recurrent expenditure was 93 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 56.3 per cent, which was an increase from 25.3 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 90.8 per cent of the annual recurrent budget, an increase from 79.6 per cent recorded in FY 2017/18.

Figure 3.103 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.103: Meru County, Expenditure by Economic Classification



Source: *Meru County Treasury*

3.26.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.64 billion represented 56.3 per cent of the annual development expenditure estimates of Kshs.4.69 billion. Table 3.75 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.75: Meru County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Routine Maintenance of roads	County wide	471,030,138	470,993,995	100
2	Drilling and casing of Boreholes	County wide	282,102,801	282,102,801	100
3	Construction of ECDE Classes	County wide	143,349,540	140,739,540	98
4	Construction of County Headquarter	Headquarter	120,000,000	110,000,000	92
5	Construction of ward block at Meru Teaching and Referral Hospital	Municipality	350,000,000	77,375,134	22
6	Supply of UPVC pipes	County wide	36,610,738	36,610,738	100
7	Meru Youth Services training avenue	Municipality	19,500,000	19,500,000	100
8	CCTV installation at Meru Teaching and Referral Hospital	Municipality	18,416,837	18,416,837	64
9	Purchase of trucks	Buuri	11,338,000	11,338,000	100
10	Construction of Ngudune market	Nkubu	10,868,963	10,868,963	100

Source: *Meru County Treasury*

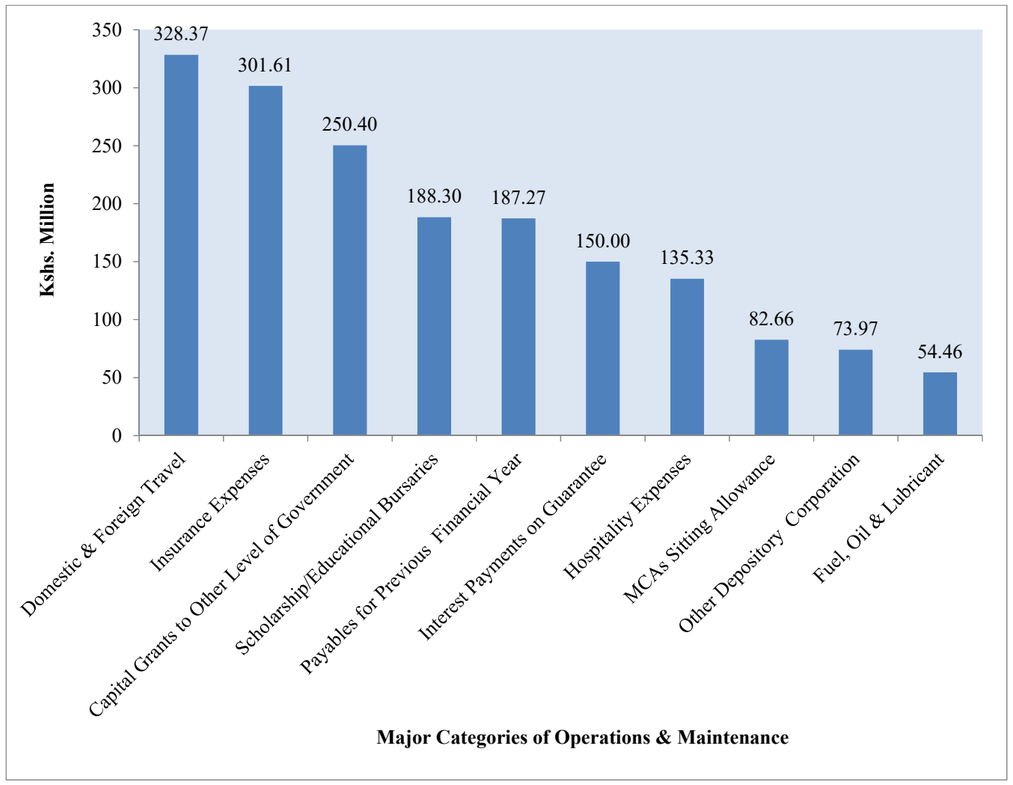
3.26.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.7.14 billion comprised of Kshs.4.63 billion (64.8 per cent) incurred on personnel emoluments and Kshs.2.51 billion (35.2 per cent) on operations and maintenance as shown in Figure 3.103 .

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Expenditure on personnel emoluments represented an increase of 6.6 per cent compared to FY 2017/18 when the County spent Kshs.4.35 billion and was 47.4 per cent of the total expenditure in FY 2018/19. Figure 3.104 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.104: Meru County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Meru County Treasury*

The County spent Kshs.82.66 million on committee sitting allowances for the 69 MCAs and Speaker against the annual budget allocation of Kshs.82.66 million. This represented an increase of 70.7 per cent compared to Kshs.48.41 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.99, 836 per MCA against the SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.328.37 million, and comprised of Kshs.260 million spent by the County Assembly and Kshs.68.37 million by the County Executive. This expenditure represented 4.6 per cent of total recurrent expenditure and was an increase of 80.9 per cent compared to Kshs.181.51 million spent in FY 2017/18.

3.26.8 Budget Performance by County Department

Table 3.76 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.76: Meru County, Budget Performance by Department in FY 2018/19

Department	Annual 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
County Assembly	937.22	82.00	936.67	4.51	930.31	4.51	99.3	100	99.3	5.5
Office of the Governor	333.71	5.50	319.78	-	279.44	-	87.4	-	83.7	-
Finance, Economic Planning and ICT	939.15	230.91	932.46	145.62	803.71	163.9	86.2	112.6	85.6	71
Agriculture, Livestock and Fisheries	360.48	468.04	336.66	199.32	355.54	162.63	105.6	81.6	98.6	34.7
Water and Irrigation	121.42	871.72	119.63	800.29	110.64	786.74	92.5	95.6	91.1	87.7
Education, Technology, Gender, Culture and Social Development	944.10	259.68	931.26	203.27	842.49	201.86	90.5	99.3	89.2	77.7
Health Services	2,963.91	645.00	2,931.50	218.13	2,881.86	164.91	98.5	75.6	97.2	25.6
Lands, Physical Planning, Urban Development and Public Works	156.63	340.70	156.49	184.67	71.25	166.56	45.5	90.2	45.5	48.9
Public Service Administration and Legal Affairs	698.07	-	628.93	-	608.83	-	96.8	-	87.2	-
Road, Transport and Energy	103.76	1,353.25	100.50	677.81	69.81	733.33	69.5	108.2	67.3	54.2
Trade, Investment, Industrialization, Tourism and Cooperative Development	99.59	206.37	86.79	174.36	82.16	150.83	94.7	86.5	82.5	73.1
Youth Affairs and Sport	138.67	156.91	134.31	111.95	68.26	98.03	50.8	87.6	49.2	62.5
Public Services Board	21.67	-	20.91	-	14.94	-	71.4	-	68.9	-
Environment & Natural Resources	44.34	73.32	42.29	45.15	19.79	30.20	46.8	66.9	44.6	41.2
Total	**7,862.71**	**4,693.39**	**7,678.18**	**2,765.07**	**7,139.04**	**2,641.51**	**93.0**	**95.5**	**90.8**	**56.3**

Source: *Meru County Treasury*

Analysis of expenditure by department shows that the Department of Water and Irrigation recorded the highest absorption rate of development budget at 87.7 per cent while the Office of the Governor did not spend in its development budget. The Department of Agriculture, Livestock and Fisheries had the highest percentage of recurrent expenditure to recurrent budget at 98.6 per cent while the Department of Environment and Natural Resources had the lowest at 44.6 per cent.

3.26.9 Key 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 56.3 per cent compared to 25.3 per cent in FY 2017/18.
ii. Improvement in own source revenue collection by 24.5 per cent from Kshs.441.69 million in FY 2017/18 to Kshs.550.09 million in the reporting period.

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

1. A high wage bill that increased by 6.6 per cent from Kshs.4.35 billion in FY 2017/18 to Kshs.4.63 billion in the reporting period. The wage bill accounted for 47.4 per cent of total expenditure in the reporting period.
2. High expenditure on travel, which increased by 80.9 per cent from Kshs.181.51million in FY 2017/18 to Kshs.328.37 million in the reporting period.
3. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
4. Late submission of reports on financial and non-financial performance by the County Treasury to the

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Controller of Budget, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*
4. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*

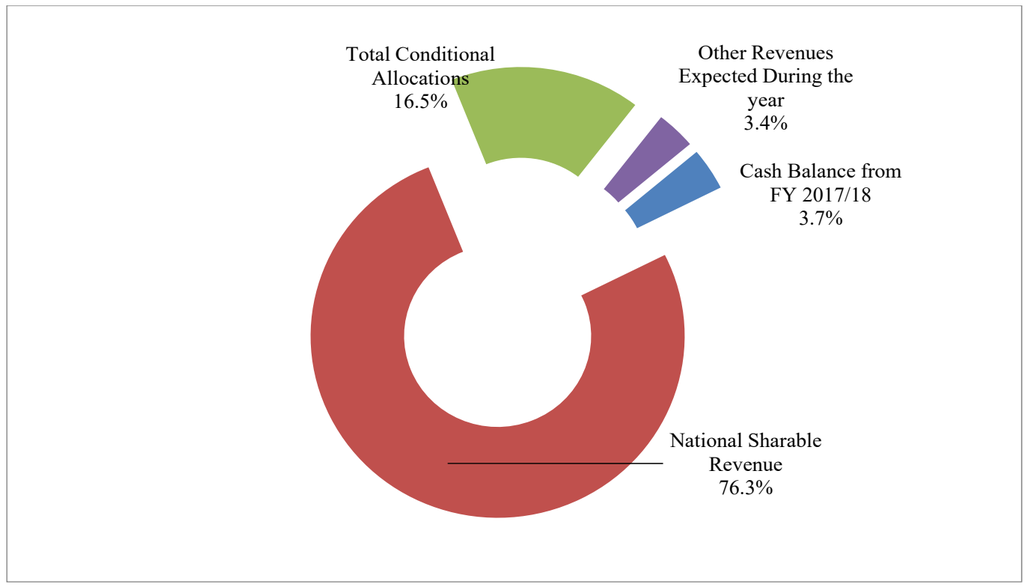
3.27 Migori County

3.27.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.8.80 billion, comprising of Kshs.3.66 billion (41.6 per cent) and Kshs.5.14 billion (58.4 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.72 billion (76.3 per cent) as equitable share of the revenue raised nationally, Kshs.1.45 billion (16.5 per cent) as total conditional grants, generate Kshs.300 million (3.4 per cent) from own sources of revenue, and Kshs.328.89 million (3.7 per cent) cash balance from FY 2017/18.

Figure 3.105: Migori County, Expected Sources of Budget Financing in FY 2018/19



Source: *Migori County Treasury*

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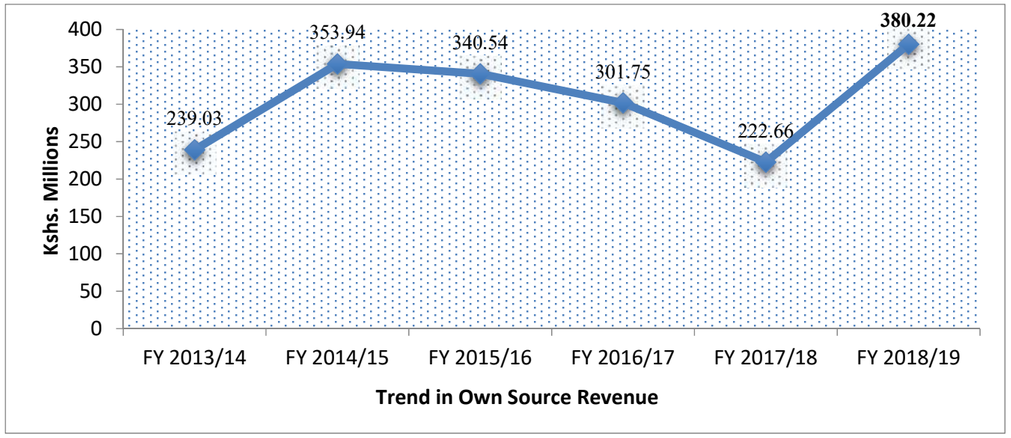
A breakdown of the conditional grants is provided in Table 3.77.

3.27.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.8.50 billion available for budget implementation. This amount consisted of Kshs.6.72 billion received as equitable share of the revenue raised nationally, Kshs.1.07 billion as conditional grants, Kshs.380.22 million generated from own sources of revenue, and a cash balance of Kshs.328.89 million from FY 2017/18.

Figure 3.106 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19

Figure 3.106: Migori County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Migori County Treasury*

The County generated a total of Kshs.380.22 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.157.56 million compared to that realised in FY 2017/18 and was 126.7 per cent of the annual target.

3.27.3 Conditional Grants

During the reporting period, the County received Kshs.1.07 billion as conditional grants as shown in Table 3.77.

Table 3.77: Migori County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grant Details	Annual Allocation-CARA, 2018)(Kshs)	Annual Budget Allocation (Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
1	IDA (World Bank) -Kenya Urban Support Project (KUSP)	518,367,800	518,367,800	518,367,800	100
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	Road Maintenance Fuel Levy	176,921,216	216,921,216	216,921,216	122.6
4	IDA (World Bank) National Agriculture and Rural Inclusive Growth Project) (NARIGP)	140,435,163	140,435,163	57,652,716	41.1
5	Transforming Health Systems for Universal Care Project (World Bank)	100,000,000	100,000,000	100,000,000	100
6	EU Grant -Instruments for Devolution Advice and Support -(IDEAS)	90,000,000	90,000,000	50,705,556	56.3

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S/No	Grant Details	Annual Allocation-CARA, 2018)(Kshs)	Annual Budget Allocation (Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
7	IDA (World Bank)-Kenya Devolution Support Programme " Level 1 grant"	49,609,593	49,609,593	11,812,287	23.8
8	IDA (World Bank) Credit: Kenya Urban Support Project (KUSP)- Urban Institutional Grants	41,200,000	41,200,000	41,200,000	100
9	Rehabilitation of Village Polytechnics	31,750,000	31,750,000	31,750,000	100
10	DANIDA- Universal Healthcare in Devolved System Programme	21,667,500	21,667,500	21,667,500	100
11	Compensation for User Fee Forgone	21,655,884	21,655,884	21,655,884	100
12	Sweden -Agriculture Sector Development Support Programme(ASDSP) II+Bal C/F 2017/2018	21,019,514	21,019,514	-	-
Grand Total		**1,412,626,670**	**1,452,626,670**	**1,071,732959**	**75.9**

Source: *Migori County Treasury*

During the reporting period, receipts from the Roads Maintenance Fuel Levy Fund recorded the highest performance in percentage terms, and accounted 122.6 per cent of the annual target.

3.27.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.7.86 billion from the CRF account. The withdrawals represented 89.3 per cent of the Approved Supplementary Budget and translated to increase of 14 per cent from Kshs.6.89 billion in FY 2017/18 and comprised of Kshs.2.98 billion (37.9 per cent) towards development activities and Kshs.4.88 billion (62.1 per cent) for recurrent expenditure.

3.27.5 Overall Expenditure Review

A total of Kshs.6.37 billion was spent on both development and recurrent activities. This expenditure represented 81 per cent of the total funds released from the CRF account, and was an increase of 7.3 per cent from Kshs.5.93 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.392 million for development activities and Kshs.596.94 million for recurrent costs.

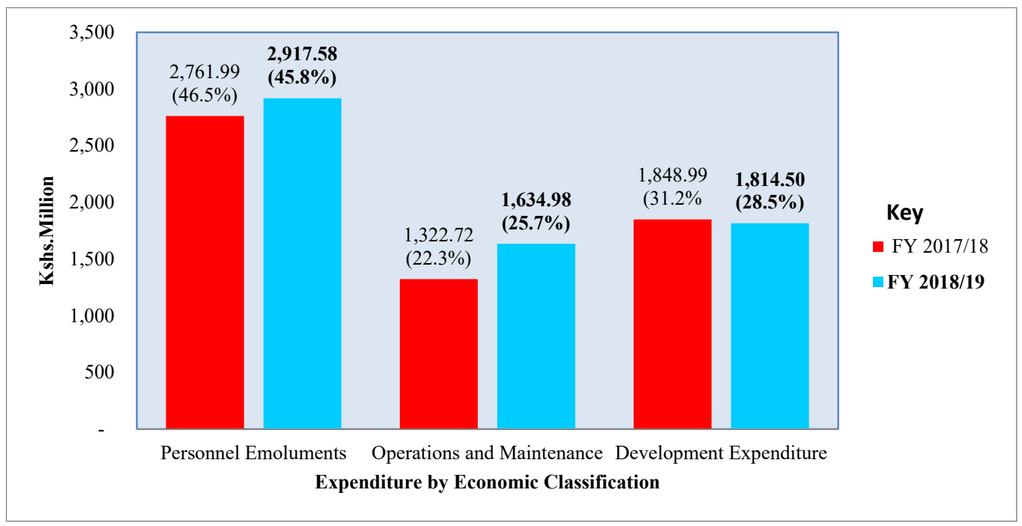
Expenditure on development programmes amounted to Kshs.1.81 billion while Kshs.4.55 billion was spent on recurrent activities. The development expenditure was 93.2 per cent of the funds released for development programmes, while recurrent expenditure was 61 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 49.6 per cent, which was a decrease from 63.6 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 88.5 per cent of the annual recurrent budget an increase, from 74.7 per cent recorded in FY 2017/18.

Figure 3.107 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.107: Migori County, Expenditure by Economic Classification



***Source**: Migori County Treasury*

3.27.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.81 billion represented 49.6 per cent of the annual development expenditure estimates of Kshs.3.66 billion. Table 3.78 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.78: Migori County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Upgrade to Bitumen Standard of Uriri - Oria Road	Central and North Kanyamkago Wards	150,000,000	136,042,000	90.7
2	Supply and Installation of Floodlights	Countywide	59,000,000	58,443,500	99.1
3	Construction of Awendo roads to bitument standard	Central Sakwa ward	161,749,669	50,752,135	31.4
4	Construction of Rongo roads to bitumen standard	Central Kamagambo ward	164,756,963	47,985,413	29
5	Construction of Ombo modern market	Suna Central Ward	82,910,116	34,655,775	42
6	Construction of Awendo recreation park	South Sakwa ward	56,912,624	27,862,539	49
7	Supply of tissue Culture banana seedlings	County wide	19,360,000	19,360,000	100
8	Integrated Plan for Migori Town	County Headquarters	44,972,838	17,561,164	100
9	Construction of Amenity ward at Migori County Referral Hospital	Suna Central Ward	22,745,784	16,990,456	75
10	Rehabilitation of Migori water supply (Ombo bore hole)	Suna Central Ward	14,636,400	14,636,400	100

***Source:** Migori County Treasury*

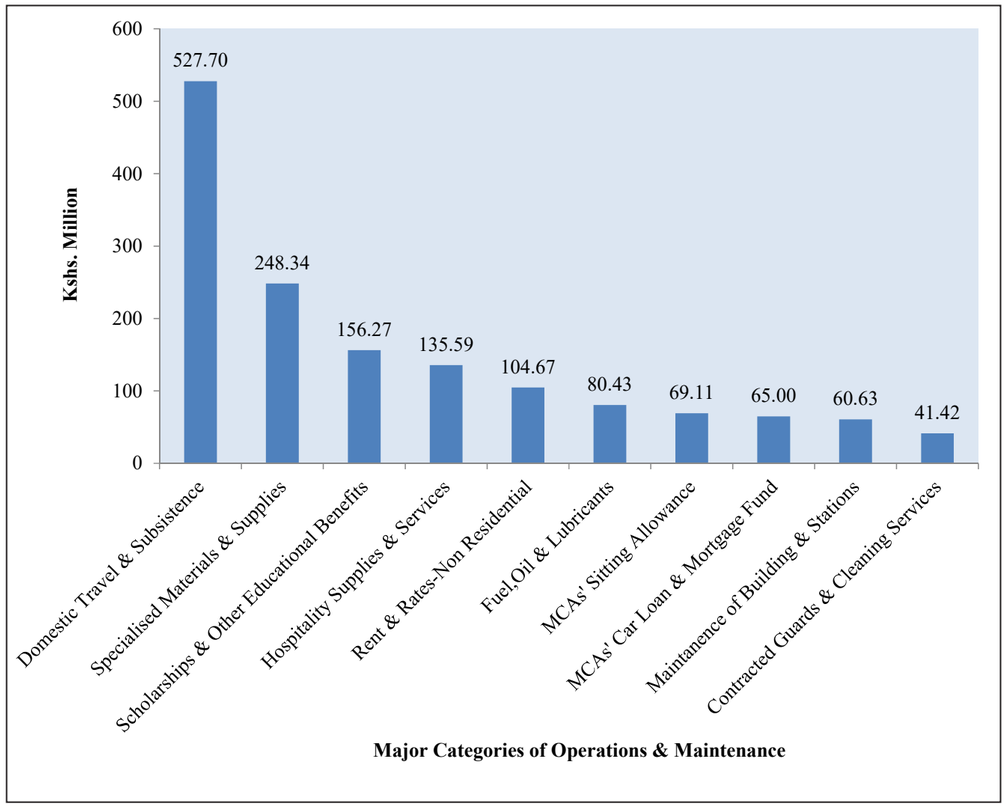
3.27.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.55 billion comprised of Kshs.2.91 billion (64.1 per cent) incurred on personnel emoluments and Kshs.1.63 billion (35.9 per cent) on operations and maintenance as shown in Figure 3.107.

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Expenditure on personnel emoluments represented increase of 5.6 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.76 billion and was 45.8 per cent of the total expenditure in FY 2018/19. Figure 3.108 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.108: Migori County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Migori County Treasury*

The County spent Kshs.69.11 million on committee sitting allowances for the 57 MCAs and Speaker although there was no budget allocation. This represented an increase of 89.4 per cent compared to Kshs.36.49 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.101,036 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.562.70 million, and comprised of Kshs.119.44 million spent by the County Assembly and Kshs.443.26 million by the County Executive. This expenditure represented 12.4 per cent of total recurrent expenditure and was increase of 28.1 per cent compared to Kshs.439.43 million spent in FY 2017/18.

3.27.8 Budget Performance by County Department

Table 3.79 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.79: Migori County, Budget Performance by Department in FY 2018/19

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, Fisheries, Livestock and Veterinary	207.24	385.75	251.65	191.40	199.40	90.75	79.2	47.4	96.2	23.5
County Assembly	828.13	100.00	828.13	100	828.08	56.56	100	56.6	100	56.6
County Executive	451.93	188.70	356	0.53	301.20	81.28	84.6	15,335.8	66.6	43.1
Education, Youth, Sports ,Culture and Social Services	332.82	131.69	266.41	131.69	294.20	53.39	110.4	40.5	88.4	40.5
Finance and Economic Planning	594.40	8.00	581.32	8	580.05	1.96	99.8	24.5	97.6	24.5
Health	1,648.38	449.50	1,663.35	194.50	1,640.97	95.03	98.7	48.9	99.6	21.1
Lands, Physical planning and Housing	105.49	612.49	85.04	610.94	60.79	280.64	71.5	45.9	57.6	45.8
Management Environment ,Natural Resources and Disaster Management	204.19	5.00	135.25	13.64	75.81	20.35	56.1	149.2	37.1	407
Public Service Management	549.40	135.03	499.68	135.02	423.29	112.07	84.7	83.0	77	83
Roads, Transport and Public works	59.34	1,247.66	59.33	1,246.60	53.64	754	90.4	60.5	90.4	60.4
Trade, Tourism and Cooperative Development	71.56	69.63	69.52	69.63	50.95	5.59	73.3	8	71.2	8
Water and Energy	88.81	326.11	88.80	273.92	44.45	262.86	50.1	96.0	50.1	80.6
Total	**5,142**	**3,660**	**4,884**	**2,976**	**4,553**	**1,814**	**93.2**	**61**	**88.5**	**49.6**

***Source**: Migori County Treasury*

Analysis of expenditure by department shows that the Department of Management Environment Natural Resources and Disaster Management recorded the highest absorption rate of development budget at 407 per cent while the Department of Trade, Tourism and Cooperative Management recorded the lowest at 8 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the Department of Management Environment Natural Resources and Disaster Management had the lowest at 37.1 per cent.

3.27.9 Key Observations and Recommendations

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

i. Improvement in own source revenue collection by 70.8 per cent from Kshs.222.66 million collected in FY 2017/18 to Kshs.380.22 million collected in the period under review.

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

1. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012
2. High expenditure on domestic travel, which increased by 23 per cent from Kshs.428.51 million in FY 2017/18 to Kshs.527.70 million in the reporting period
3. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 49.6 per cent compared to 68.6 per cent in FY 2017/18.

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4. A high wage bill that increased by 5.6 per cent from Kshs.2.76 billion in FY 2017/18 to Kshs.2.91 billion in the reporting period. The wage bill accounted for 45.8 per cent of total expenditure in the reporting period.
5. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Management Environment, Natural Resources and Disaster Management. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
3. *The County should identify and address issues that cause delays in the implementation of development projects.*
4. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations.*
5. *The County Treasury should ensure expenditure is within the approved budget.*

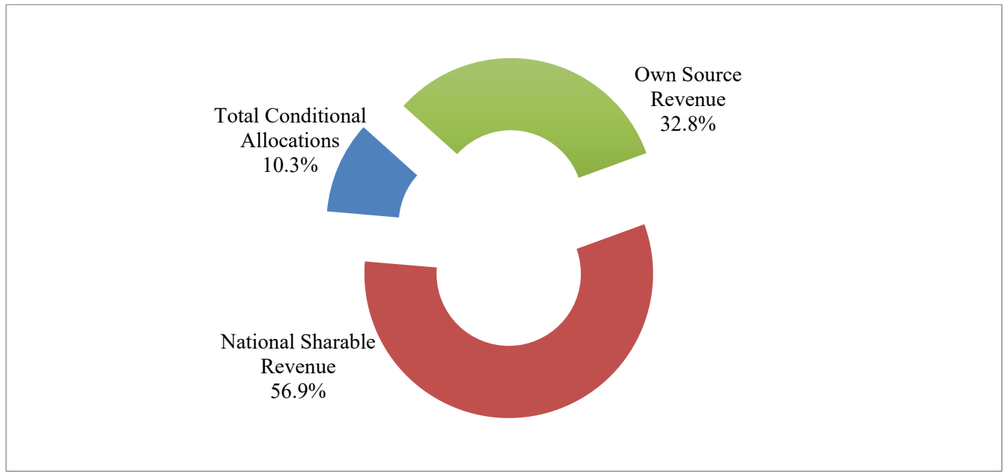
3.28 Mombasa County

3.28.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.14.46 billion, comprising of Kshs.4.34 billion (30 per cent) and Kshs.10.11 billion (70 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expected to receive Kshs.8.23 billion (56.9 per cent) as equitable share of the revenue raised nationally, Kshs.1.49 billion (10.3 per cent) as total conditional grants, generate Kshs.4.74 billion (32.8 per cent) from own sources of revenue.

Figure 3.109: Mombasa County, Expected Sources of Budget Financing in FY 2018/19



Source: *Mombasa County Treasury*

A breakdown of the conditional grants is provided in Table 3.80.

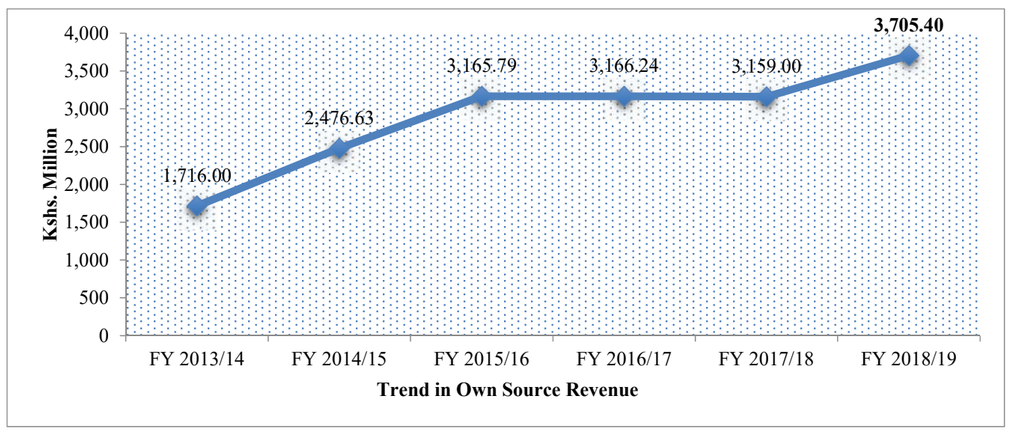
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3.28.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.12.65 billion available for budget implementation. This amount consisted of Kshs.8.23 billion received as equitable share of the revenue raised nationally, Kshs.722.63 million as conditional grants, and generated Kshs.3.71 billion from own sources of revenue.

Figure 3.110 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.110: Mombasa County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Mombasa County Treasury*

The County generated a total of Kshs.3.71 billion from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.545.6 million compared to that realised in FY 2017/18 and was 78.1 per cent of the annual target.

3.28.3 Conditional Grants

During the reporting period, the County received Kshs.722.63 million as conditional grants as shown in Table 3.80.

Table 3.80: Mombasa County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Grants to Level- 5 Hospital	388,439,306	600,000,000	388,439,306	100
2	Supplement for Construction of County Headquarters	-	388,439,306	-	-
3	Compensation for User Fee Foregone	23,385,934	216,604,479	23,385,934	100
4	Leasing of Medical Equipment	200,000,000	-	-	-
5	IDA (World Bank) -Kenya Urban Support Project (KUSP)	-	103,142,787	-	-
6	Road Maintenance Fuel Levy	216,604,479	50,000,000	255,997,699	118.2
7	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	39,895,000	27,473,711	54.9
8	Rehabilitation of Village Polytechnics	39,895,000	35,591,582	-	-
9	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	-	30,697,405	-	-
10	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	53,333,725	23,385,934	-	-

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S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
11	DANIDA - Universal Healthcare in Devolved System Programme	27,337,500	-	27,337,500	-
Grand Total		**998,995,944**	**1,487,756,493**	**722,634,150**	**72.3**

Source: *Mombasa County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy Fund recorded the highest performance in percentage terms, and accounted 118.2 per cent of the annual target.

3.28.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.12.39 billion from the CRF account. The withdrawals represented 85.8 per cent of the Approved Supplementary Budget and translated to an increase of 17.3 per cent from Kshs.10.57 billion in FY 2017/18 and comprised of Kshs.3.41 billion (27.5 per cent) towards development activities and Kshs.8.99 billion (72.5 per cent) for recurrent expenditure.

3.28.5 Overall Expenditure Review

A total of Kshs.12.64 billion was spent on both development and recurrent activities. This expenditure represented 101.1 per cent of the total funds released from the CRF account, and was an increase of 21.6 per cent from Kshs.10.30 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.762.79 million for development activities and Kshs.3.26 billion for recurrent costs.

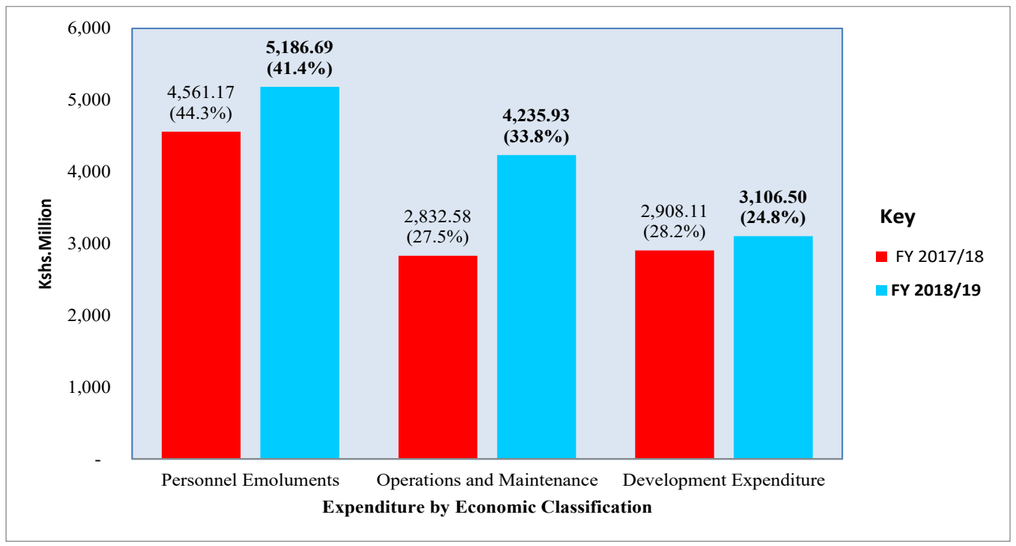
Expenditure on development programmes amounted to Kshs.3.11 billion while Kshs.9.53 billion was spent on recurrent activities. The development expenditure was 91.1 per cent of the funds released for development programmes, while recurrent expenditure was 104.8 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 71.5 per cent, which was a decrease from 76 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 93.2 per cent of the annual recurrent budget, a decrease from 83.9 per cent recorded in FY 2017/18.

Figure 3.111 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.111: Mombasa County, Expenditure by Economic Classification



Source: *Mombasa County Treasury*

3.28.6 Development Expenditure Analysis

The total development expenditure of Kshs.3.11 billion represented 71.5 per cent of the annual development expenditure estimates of Kshs.4.34 billion. Table 3.81 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.81: Mombasa County, List of Development Projects with the Highest Expenditure in FY 2018/19

S / No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Water and Sanitation Development Project	Mvita	600,000,000	10,000,000	24.2
2	Supply of Trucks	Mvita	102,000,000	24,655,172	55.6
3	Development of Mombasa County Stadium	Bondeni	65,000,000	36,171,557	55.6
4	Construction of Street Light Masts	Countywide	42,000,000	36,635,775	87.2
5	Purchase of High Density Fibre Fishing Boats	Kisauni	53,000,000	28,547,326	53.9
6	Purchase of Fire Engine	Majengo	25,000,000	23,706,896	94.8
7	Kongowea Storm Water Drainage Project	Kongowea	9,626,707	9,128,774	94.8
8	Chaani Storm Water Project	Chaani	9,017,248	8,550,839	94.8
9	Routine Maintenance of Meru-Mwamba-Bokole Drive Road	Mvita	9,007,491	8,541,586	94.8
10	Routine Maintenance of Mwamba Drive-1st Avenue Access	Mvita	8,880,040	8,420,727	94.8

Source: *Mombasa County Treasury*

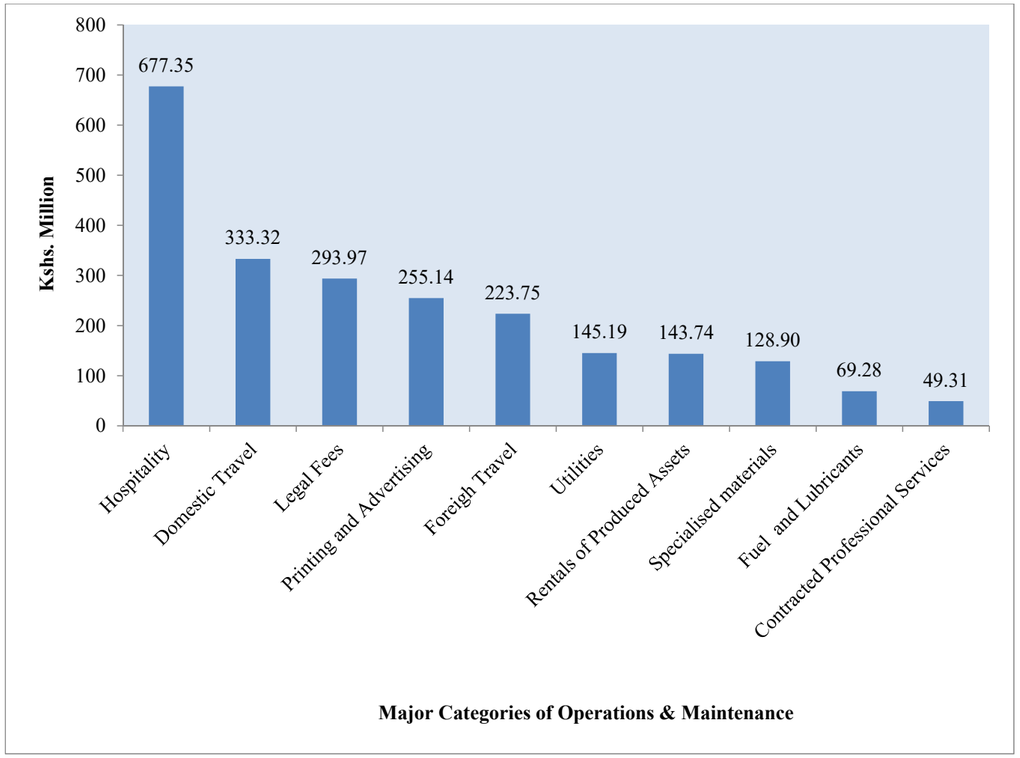
3.28.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.9.42 billion comprised of Kshs.5.19 billion (55.1 per cent) incurred on personnel emoluments and Kshs.4.24 billion (44.9 per cent) on operations and maintenance as shown in Figure 3.111 .

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Expenditure on personnel emoluments represented an increase of 13.7 per cent compared to FY 2017/18 when the County spent Kshs.4.56 billion and was 41.4 per cent of the total expenditure in FY 2018/19. Figure 3.112 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.112: Mombasa County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Mombasa County Treasury*

The County spent Kshs.35.11 million on committee sitting allowances for the 43 MCAs and Speaker against the annual budget allocation of Kshs.43.71 million. This represented an increase of 44.6 per cent compared to Kshs.24.28 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.68,061 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.557.18 million, and comprised of Kshs.6.19 million spent by the County Assembly and Kshs.550.98 million by the County Executive. This expenditure represented 5.9 per cent of total recurrent expenditure and was an increase of 118.3 per cent compared to Kshs.255.18 million spent in FY 2017/18.

3.28.8 Budget Performance by County Department

Table 3.82 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.82: Mombasa County, Budget Performance by Department in FY 2018/19

Department	Annual 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
County Executive	392.85	8.92	411.63	1.38	357.39	7.31	86.8	529.7	91	82
County Assembly	707.11	-	631.78	-	177.16	-	28	-	25.1	-
Public Service Board	97.28	4.51	103.22		75.89	4.29	73.5	-	78	95.1
Finance and Economic Planning	2,203.65	572.18	1,901.63	581.60	2,162.05	559.38	113.7	96.2	98.1	97.8
Energy, Environment and Waste Management	571.43	257.53	521.86	114.68	527.76	209.64	101.1	182.8	92.4	81.4
Education	477.62	97.24	403.11	30.53	380.17	54.12	94.3	177.3	79.6	55.7
Health	2,469.81	116.56	2,493.55	63.74	2,931.48	100.77	117.6	158.1	118.7	86.5
Water and Sanitation	69.28	600.00	82.44	35.96	52.73	15.56	64.0	43.3	76.1	2.6
Youth, Gender and Sports	203.33	147.48	169.6	188.29	184.98	92.45	109.1	49.1	91	62.7
Trade and Cooperative Development	483.85	146.52	341.82	108.28	376.26	99.94	110.1	92.3	77.8	68.2
Lands, Housing and Physical Planning	150.70	244.15	133.29	113.66	124.69	184.37	93.5	162.2	82.7	75.5
Transport and Infrastructure Development	452.15	1,915.74	321.23	2,036.78	427.48	1,589.46	133.	78	94.5	83
Agriculture and Fisheries Development	208.84	172.55	189.39	130.36	190.93	132.81	100.8	101.9	91.4	77
Devolution	1,625.21	60.60	1,283.29	5.38	1,565.33	56.38	122.0	1,048	96.3	93
Total	**10,113**	**4,344**	**8,988**	**3,411**	**9,534**	**3,106**	**104.8**	**91.1**	**94.3**	**71.5**

Source: *Mombasa County Treasury*

Analysis of expenditure by department shows that the Department of Finance and Economic Planning recorded the highest absorption rate of development budget at 97.8 per cent while the department of Water and Sanitation recorded the lowest at 2.6 per cent. The Department of Health had the highest percentage of recurrent expenditure to recurrent budget at 118.7 per cent while the County Assembly had the lowest at 25.1 per cent.

3.28.9 Key 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 the 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. A high wage bill that increased by 13.7 per cent from Kshs.4.56 billion in FY 2017/18 to Kshs.5.19 billion in the reporting period. The wage bill accounted for 41.4 per cent of total expenditure in the reporting period.
2. Delayed disbursement of the equitable share of revenue raised nationally by the National Treasury.
3. High expenditure on foreign and domestic travel, which increased by118.3 per cent from Kshs.255.18 million in FY 2017/18 to Kshs.557.18 million in the reporting period.
4. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Health. This is contrary to Section 135 and 154 of PFM Act, 2012.

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The County should implement the following measures 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 liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
3. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
4. *The County Treasury should ensure expenditure is within the approved budget.*

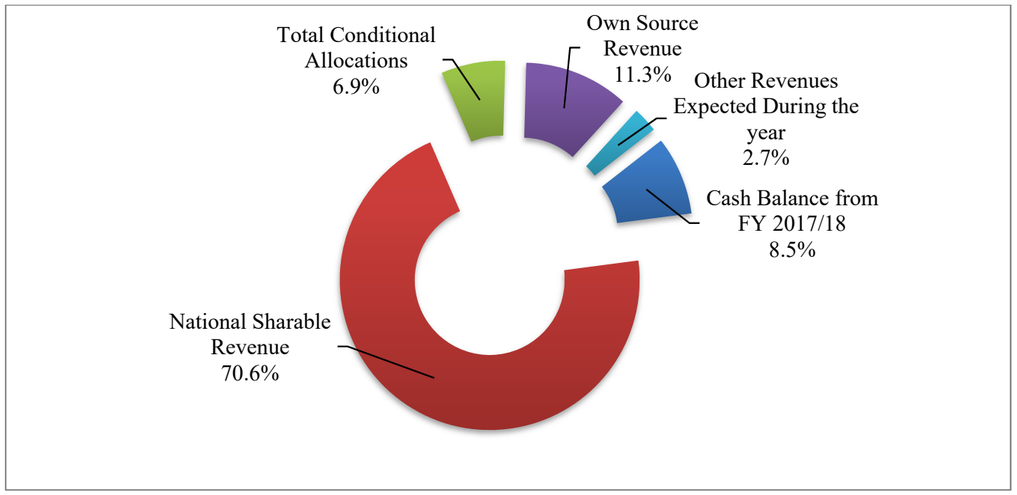
3.29 Murang'a County

3.29.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.8.85 billion, comprising of Kshs.3.59 billion (40.5 per cent) and Kshs.5.26 billion (59.5 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.25 billion (70.6 per cent) as equitable share of the revenue raised nationally, Kshs.613.44 million (6.9 per cent) as total conditional grants, generate Kshs.1 billion (11.3 per cent) from own sources of revenue, and Kshs.750 million (8.5 per cent) cash balance from FY 2017/18. The County also budgeted to received Kshs.40 million as Ad Valorem Levy, and Kshs.13.15 million for Agricultural Sector Development Support which were not contained in CARA, 2018.

Figure 3.113: Murang'a County, Expected Sources of Budget Financing in FY 2018/19



Source: *Murang'a County Treasury*

A breakdown of the conditional grants is provided in Table 3.83.

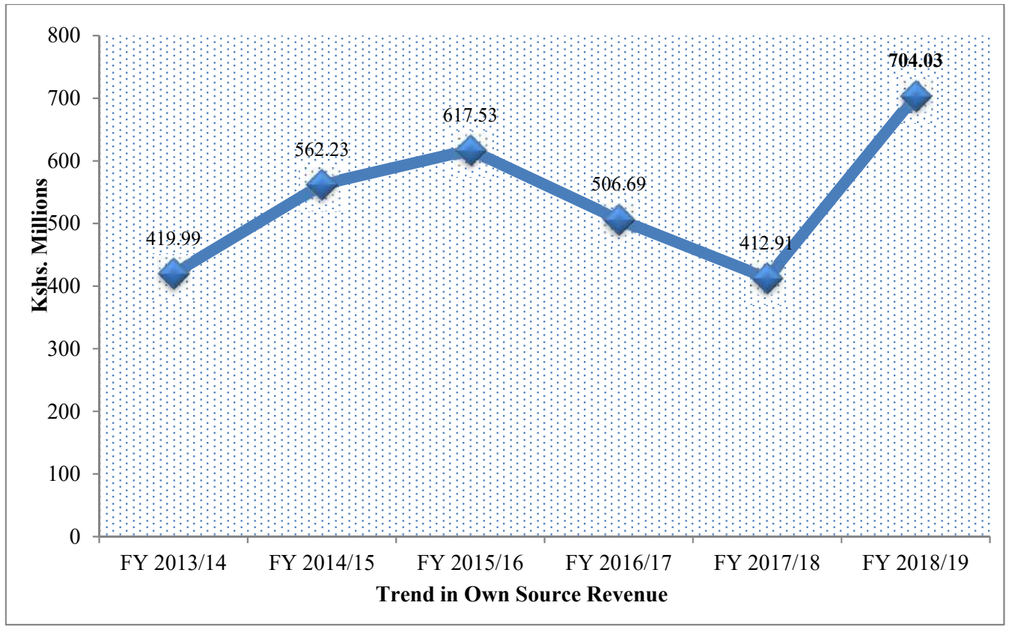
3.29.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.8.37 billion available for budget implementation. This amount consisted of Kshs.6.25 billion received as equitable share of the revenue raised nationally, Kshs.389.19 million as conditional grants, Kshs.704.03 million generated from own sources of revenue, and a cash balance of Kshs.1.03 billion from FY 2017/18.

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Figure 3.114 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.114: Murang'a County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Murang'a Treasury*

The County generated a total of Kshs.704.03 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.291.12 million compared to that realised in FY 2017/18 and was 70.4 per cent of the annual target respectively.

3.29.3 Conditional Grants

During the reporting period, the County received Kshs.389.19 billion as conditional grants as shown in Table 3.83.

Table 3.83: Murang'a County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	Road Maintenance Fuel Levy Fund	164,520,196	164,520,196	164,520,196	100
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Kenya Devolution Support Programme (KDSP)	48,244,593	48,244,593	-	-
4	Agricultural Sector development support programme (ASDSP)	19,046,832	-	6,934,526	36
5	DANIDA Grant	20,756,250	20,756,250	20,756,250	100
6	Kenya Urban Support Project (KUSP)	62,437,600	62,437,600	62,437,600	100
7	Development of Youth Polytechnics	65,710,000	65,710,000	-	-
8	Compensation for User Fee Foregone	20,138,691	20,138,691	20,138,691	100

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S/No	Grants	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
9	World Bank Loan for Transforming Health System for universal Care Project	50,000,000	50,000,000	23,120,327	46
10	World Bank Loan for National Agricultural & Rural Inclusive Project	140,435,163	140,435,163	50,078,476	36
11	IDA (World Bank) as credit for Kenya Urban Support Project-Urban institution grant plus balance carried forward in FY 2017/8	41,200,000	41,200,000	41,200,000	100
Sub Total		**832,489,325**	**613,442,493**	**389,186,066**	**47**
B	**Other Grants**				
12	Ad valorem Levy	-	40,013,000	-	-
13	Agricultural Sector development Support	-	13,153,855	-	-
Sub Total		**-**	**53,166,855**	**-**	**-**
Grand Total		**832,489,325**	**666,609,348**	**389,186,066**	**47**

Source: *Murang'a County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy Fund, DANIDA grant, Kenya Urban Support Project (KUSP), Compensation for User Fee Foregone, IDA (World Bank) as credit for Kenya Urban Support Project-Urban institution grant conditional grants recorded the highest performance in percentage terms, and accounted for 100 per cent of the annual target respectively.

3.29.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.7.97 billion from the CRF account. The withdrawals represented 90 per cent of the Approved Supplementary Budget and translated to an increase of 22.6 per cent from Kshs.6.50 billion in FY 2017/18 and comprised of Kshs.3.04 billion (38.2 per cent) towards development activities and Kshs.4.93 billion (61.8 per cent) for recurrent expenditure.

3.29.5 Overall Expenditure Review

A total of Kshs.7.16 billion was spent on both development and recurrent activities. This expenditure represented 89.9 per cent of the total funds released from the CRF account, and was an increase of 9 per cent from Kshs.6.57 billion spent in FY 2017/18.

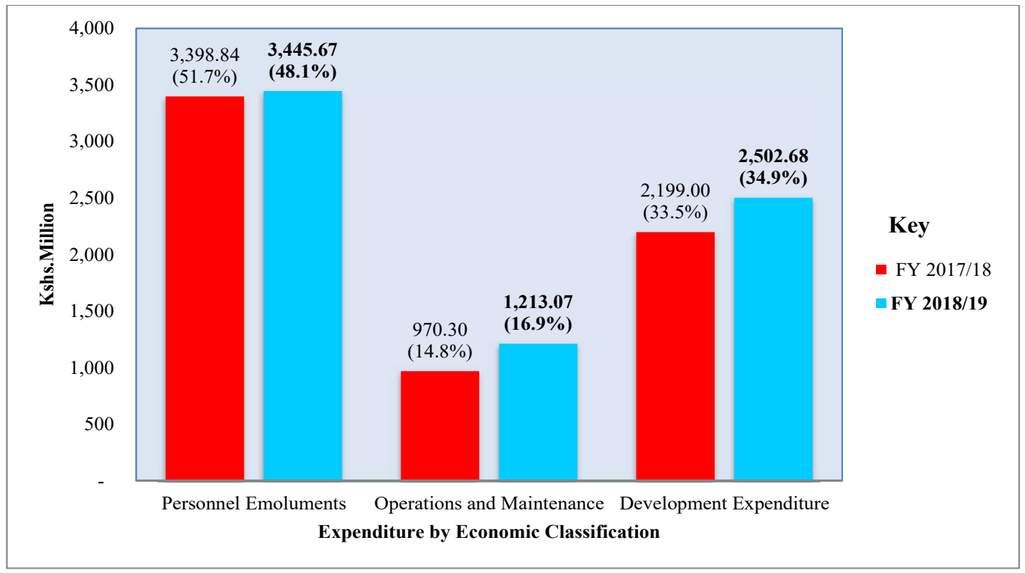
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.317.80 million for development activities and Kshs.39.52 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.2.50 billion while Kshs.4.66 billion was spent on recurrent activities. The development expenditure was 82.3 per cent of the funds released for development programmes, while recurrent expenditure was 94.6 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 69.7 per cent, which was a decrease from 72.8 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 88.5 per cent of the annual recurrent budget, an increase from 82.7 per cent recorded in FY 2017/18. Figure 3.115 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.115: Murang'a County, Expenditure by Economic Classification



Source: *Murang'a County Treasury*

3.29.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.50 billion represented 69.7 per cent of the annual development expenditure estimates of Kshs.3.59 billion. Table 3.84 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.84: Murang'a County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs)	Absorption Rate (%)
1	Maintenance of Access Roads	County Wide	550,000,000	550,000,000	100
2	Food and Nutrition Security Programme	County Wide	186,000,000	185,000,000	99.5
3	Opening of Access Roads	County Wide	42,000,000	42,000,000	100
4	Grading of Access Roads	All Wards	40,000,000	40,000,000	100
5	Construction of Bridges/ Footbridges and Box Culvert	10 Wards	30,000,000	30,000,000	100
6	Avocado support project	County Wide	50,000,000	26,800,000	53.6
7	Cabro Works	Kiria-ini and Murang'a	20,000,000	20,000,000	100
8	Improvement of waste disposal sites	Kangema and Kiharu	8,500,000	8,500,000	100
9	Firefighting and rescue equipment	Murang'a Kenol and Kangari	10,000,000	5,950,000	59.5
10	Dairy Breeding/Cow Ownership	County Wide	10,000,000	5,000,000	100

Source: *Murang'a County Treasury*

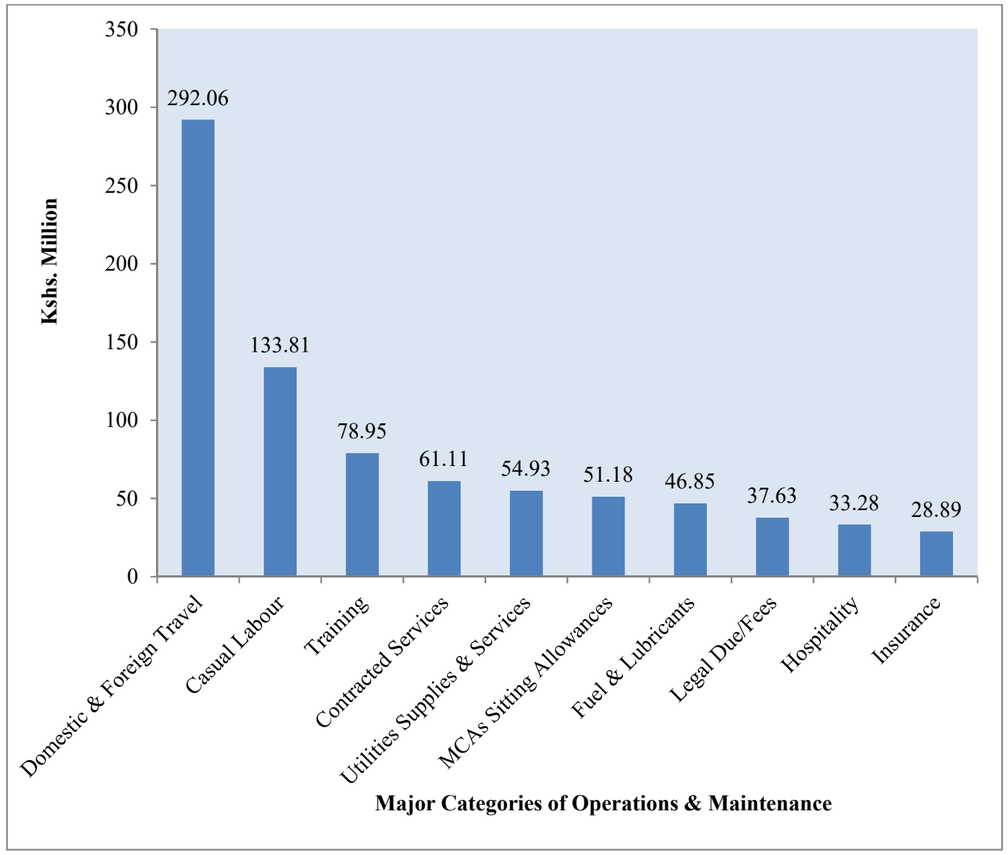
3.29.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.66 billion comprised of Kshs.3.45 billion (74 per cent) incurred on personnel emoluments and Kshs.1.21 billion (26 per cent) on operations and maintenance as shown in Figure 3.115.

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Expenditure on personnel emoluments represented an increase of 1.4 per cent compared to FY 2017/18 when the County spent Kshs.3.40 billion and was 48.1 per cent of the total expenditure in FY 2018/19 Figure 3.116 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.116: Murang'a County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source*:** *Murang'a County Treasury*

The County spent Kshs.51.18 million on committee sitting allowances for the 54 MCAs and Speaker against the annual budget allocation of Kshs.66.96 million. This represented an increase of 86.4 per cent compared to Kshs.27.46 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.78,977 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.292.06 million, and comprised of Kshs.170.17 million spent by the County Assembly and Kshs.121.88 million by the County Executive. This expenditure represented 6.3 per cent of total recurrent expenditure and was an increase of 36.6 per cent compared to Kshs.213.77 million spent in FY 2017/18.

3.29.8 Budget Performance by County Department

Table 3.85 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.85: Murang'a County, Budget Performance by Department in FY 2018/19

Department	Annual Budget Allocation in (Kshs. Million)		Exchequer Issues in (Kshs. Million)		Expenditure in (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	786.38	50.00	595	32	643.79	22.81	108.2	71.3	81.9	45.6
Governorship, County Coordination and Administration	367.78	-	341.92	-	305.09	-	89.2	-	83	-
Finance, Information Technology	247.30	19.16	188.45	2.01	178.76	7.41	94.9	369.4	72.3	38.7
Agriculture, Livestock and Fisheries	207.09	695.30	205.04	582.00	192.78	412.13	94	70.8	93.1	59.3
Energy, Transport and Infrastructure	98.44	1,104.06	98.24	966.74	82.35	955.74	83.8	98.9	83.7	86.6
Health and Sanitation	2,137.28	1,020.58	2,131.26	942.82	2,083.72	810.81	97.8	86	97.5	79.4
Commerce, Trade, Industry and Tourism	24.35	199.91	24.03	159.62	16.89	132.72	70.3	83.2	69.4	66.4
Lands, Housing and Physical Planning	60.56	102.94	20.26	69.11	21.36	2.89	105.4	4.2	35.3	2.8
Public Service Administration	885.09	-	884.09	-	725.19	-	82	-	81.9	-
Youth, Culture, Gender, Social Services & Cooperatives	103.19	90.35	102.03	27.02	85.26	64.75	83.6	239.6	82.6	71.7
Education and Technical Training	293.75	293.78	290.67	256.99	288.05	88.02	99.1	34.2	98.1	30
Environment & Natural Resources	17.70	12.50	17.50	4.40	10.36	5.40	59.2	122.7	58.5	43.2
Public Service Board	33.30	-	27.94	-	25.11	-	89.9	-	75.4	-
TOTAL	**5,262.20**	**3,588.58**	**4,926.43**	**3,042.71**	**4,658.74**	**2,502.68**	**94.6**	**82.3**	**88.5**	**69.7**

Source: Murang'a County Treasury

Analysis of expenditure by department shows that the Department of Energy, Transport and Infrastructure recorded the highest absorption rate of development budget at 86.6 per cent while the Department of Lands, Housing and Physical Planning recorded the lowest at 2.8 per cent. The Department of Education and Technical Training had the highest percentage of recurrent expenditure to recurrent budget at 98.1 per cent while the Department of Lands, Housing and Physical Planning had the lowest at 35.3 per cent.

3.29.9 Key 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 own revenue collection by 170.5 per cent from Kshs.412.91 million in FY 2017/18 to Kshs.704.03 million in the reporting period.

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

1. A high wage bill that increased by 1.4 per cent from Kshs.3.40 billion in FY 2017/18 to Kshs.3.45 billion in the reporting period. The wage bill accounted for 48.1 per cent of total expenditure in the reporting period.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
3. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
4. Failure by the County to provide a comprehensive report on execution of development projects during the financial year. This is despite reporting development expenditure of Kshs.2.50 billion during the

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reporting period.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
3. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
4. *The County Treasury should provide complete reports on status of implemented development projects in line with Section 166 of the PFM Act, 2012.*

3.30 Nairobi City County

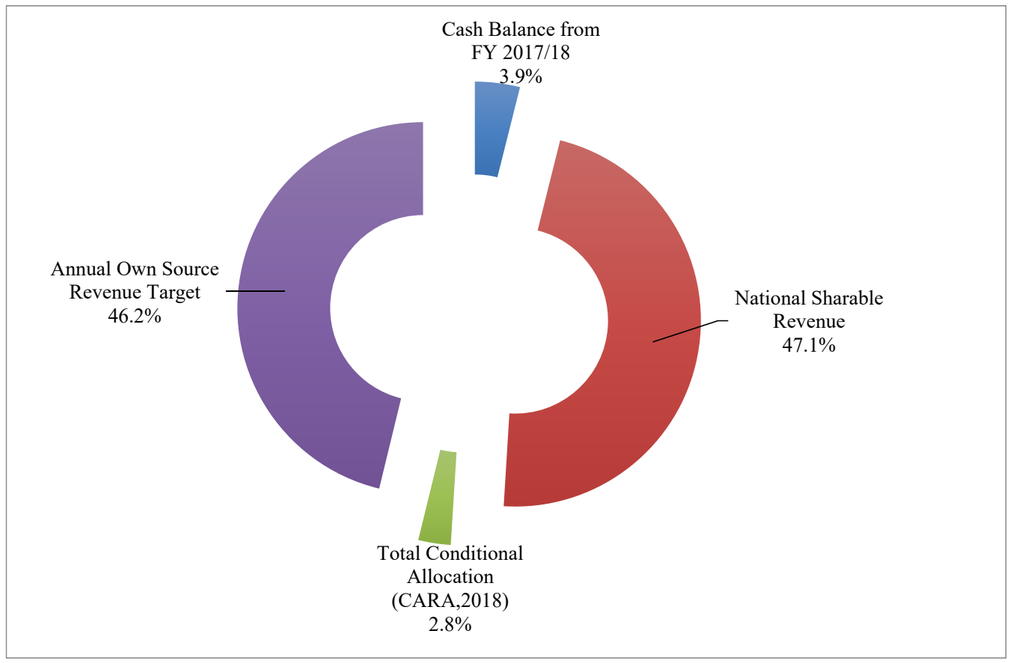
3.30.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.33.34 billion, comprising of Kshs.7.48 billion (22.4 per cent) and Kshs.25.87 billion (77.6 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.15.79 billion (46.2 per cent) as equitable share of the revenue raised nationally, Kshs.744.99 billion (2.8 per cent) as total conditional grants, generate Kshs.15.50 billion (47.1 per cent) from own sources of revenue, and Kshs.1.31 billion (3.9 per cent) cash balance from FY 2017/18.

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Figure 3.117: Nairobi City County, Expected Sources of Budget Financing in FY 2018/19



Source: *Nairobi City County Treasury*

A breakdown of the conditional grants is provided in Table 3.86.

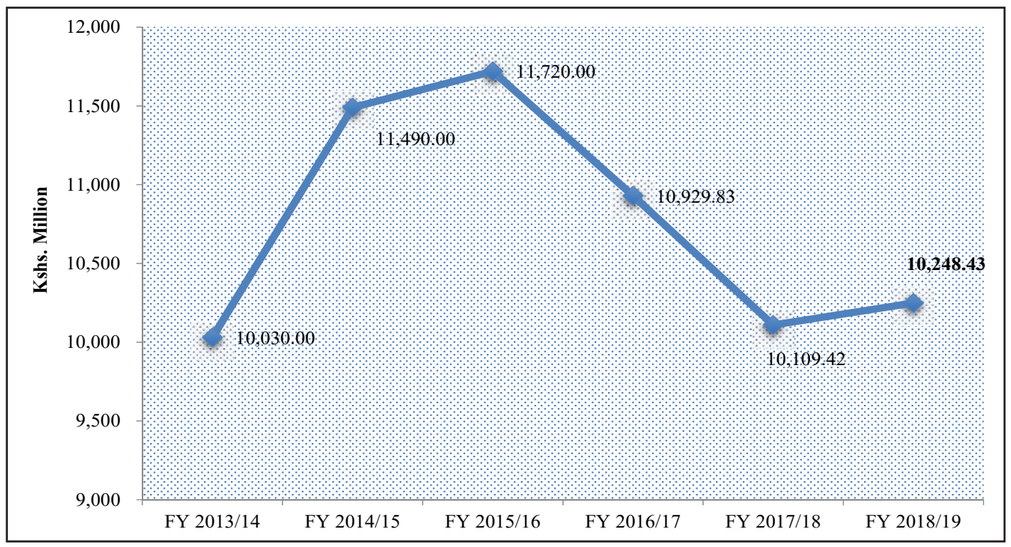
3.30.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.26.22 billion available for budget implementation. This amount consisted of Kshs.15.79 billion received as equitable share of the revenue raised nationally, Kshs.172.97 million as conditional grants, and Kshs.10.25 billion generated from own sources of revenue.

Figure 3.118 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.118: Nairobi City County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Nairobi City County Treasury*

The County generated a total of Kshs.10.25 billion from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.139.01 million compared to that realised in FY 2017/18 and was 66.1 per cent of the annual target.

3.30.3 Conditional Grants

During the reporting period, the County received Kshs.172.97 million as conditional grants as shown in Table 3.86 .

Table 3.86: Nairobi City County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grant Details	Annual Allocation-CARA, 2018) (Kshs)	Annual Budget Allocation (Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
1	Compensation for User Fee Foregone	79,423,251	79,423,251	79,423,251	100
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Road Maintenance Fuel Levy	415,847,530	415,847,530	-	-
4	Rehabilitation of Village Polytechnics	34,570,000	34,570,000	-	-
5	Transforming Health Systems for Universal Care Project (World Bank)	54,429,184	54,429,184	32,562,789	59.8
6	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	83,424,144	83,424,144	-	-
7	DANIDA - Universal Healthcare in Devolved System Programme	51,637,500	51,637,500	51,637,500	100
8	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	25,659,140	25,659,140	9,341,920	36.4
Total		**944,990,749**	**744,990,749**	**172,965,460**	**23.2**

Source: *Nairobi City County Treasury*

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During the reporting period, receipts from the Compensation for User Fee Foregone and DANIDA recorded the highest performance in percentage terms, and accounted 100 per cent of their respective annual targets.

3.30.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.24.43 billion from the CRF account. The withdrawals represented 73.3 per cent of the Approved Supplementary Budget and translated to an increase of 15.6 per cent from Kshs.21.13 billion in FY 2017/18 and comprised of Kshs.3.55 billion (14.5 per cent) towards development activities and Kshs.20.88 billion (85.5 per cent) for recurrent expenditure.

3.30.5 Overall Expenditure Review

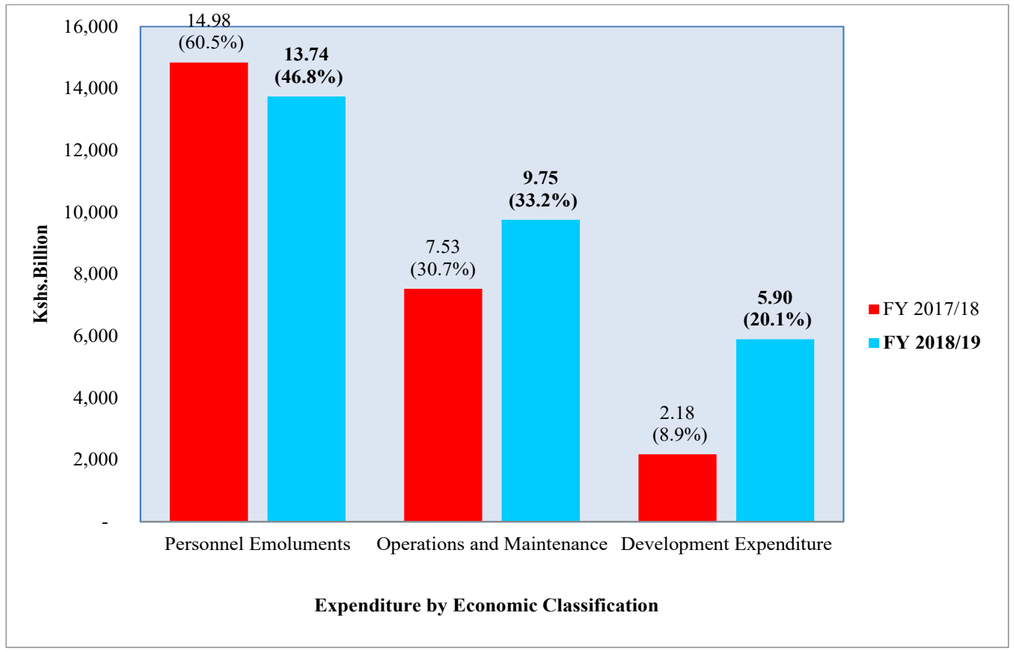
A total of Kshs.29.40 billion was spent on both development and recurrent activities. This expenditure represented 120.3 per cent of the total funds released from the CRF account, and was an increase of 19.8 per cent from Kshs.24.54 billion spent in FY 2017/18.

Expenditure on development programmes amounted to Kshs.5.90 billion while Kshs.23.50 billion was spent on recurrent activities. The development expenditure was 166.1 per cent of the funds released for development programmes, while recurrent expenditure was 112.5 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 78.9 per cent, which was an increase from 26.1per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 90.8 per cent of the annual recurrent budget, an increase from 88.4 per cent recorded in FY 2017/18.

Figure 3.119 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

Figure 3.119: Nairobi City County, Expenditure by Economic Classification



Source: *Nairobi City County Treasury*

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3.30.6 Development Expenditure Analysis

The total development expenditure of Kshs.5.90 billion represented 78.9 per cent of the annual development expenditure estimates of Kshs.7.48 billion. Table 3.87 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.87: Nairobi City County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Expenditure in FY 2018/19 (Kshs.)
1	Nairobi Regeneration Projects	Countywide	800,000,000
2	Construction of Matopeni Estate Roads	Matopeni	119,615,595
3	Construction of selected roads in Utawala Estate	Utawala	70,116,749
4	Rehabilitation of Gathuru Road	Kawangware	58,070,164
5	Construction of Perimeter Fence Wall at Highway Depot	Highways	52,436,302
6	Supply of water tanks	Citywide	51,775,862
7	Reconstruction of Jadongo Road	Ngara	40,622,332
8	Construction of Plainview Likoni Link Road	South B Ward	36,655,194
9	Construction of Kimondo Road	Pipeline	33,000,000
10	Construction of Lumumba Drive	Roysambu	22,000,000

Source: *Nairobi City County Treasury*

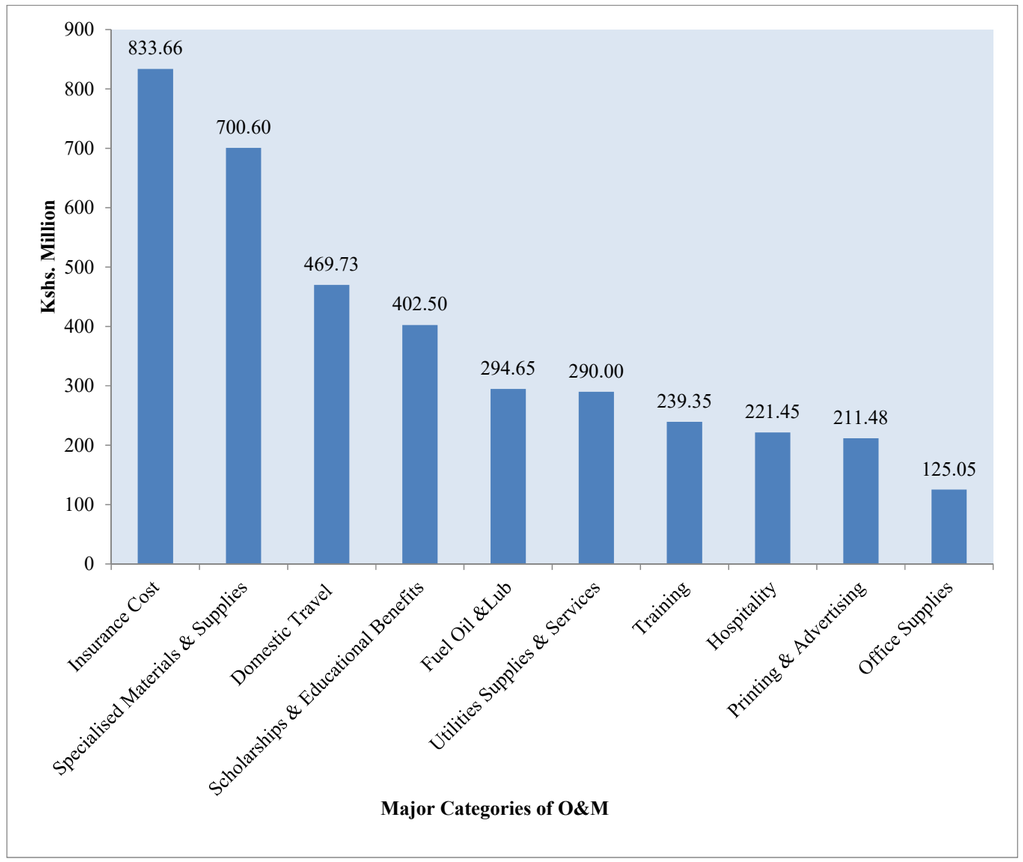
3.30.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.23.50 billion comprised of Kshs.13.74 billion (58.5 per cent) incurred on personnel emoluments and Kshs.9.75 billion (41.5 per cent) on operations and maintenance as shown in Figure 3.119.

Expenditure on personnel emoluments represented a decrease of 7.4 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.14.84 billion and was 47.2 per cent of the total expenditure in FY 2018/19. Figure 3.120 shows a summary of operations and maintenance expenditure by major categories.

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Figure 3.120: Nairobi City County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Nairobi City County Treasury*

The County spent Kshs.101.88 million on committee sitting allowances for the 128 MCAs and speaker against the annual budget allocation of Kshs.108.10 million. This represented an increase of 37.8 per cent compared to Kshs.73.93 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.88,436 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.641.11 million, and comprised of Kshs.95.60 million spent by the County Assembly and Kshs.545.51million by the County Executive. This expenditure represented 2.7 per cent of total recurrent expenditure and was an increase of 6.9 per cent compared to Kshs.599.61 million spent in FY 2017/18.

3.30.8 Budget Performance by County Department

Table 3.88 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.88: Nairobi City County, Budget Performance by Department in FY2018/19

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in FY 2018/19 (Kshs. Million)		Expenditure in FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	45.50	-	37.86	-	26.79	-	70.8	-	58.9	-
Office Of Governor & Deputy Governor	7,039.66	20.00	5,109.65	6.12	6,423.15	8.13	125.7	132.7	91.2	40.6
ICT, E-Govt & Public Communications	268.11	50.00	225.91	-	223.96	-	99.1	-	83.5	-
Finance & Economic Planning	3,099.59	1,409.00	2,098.77	87.01	2,806.43	1,352.00	133.7	1553.9	90.5	96.0
Health	6,251.73	304.34	5,784.80	84.38	5,415.70	154.49	93.6	183.1	86.6	50.8
Urban Planning and Lands	369.09	85.93	370.24	10.20	354.83	66.57	95.8	652.7	96.1	77.5
Public Works ,Transport & Infrastructure	1,173.35	4,411.36	1,078.46	3,180.78	1,095.49	3,589.42	101.6	112.8	93.4	81.4
Education, Youth Affairs, Sports, Culture & Social Services	1,608.40	342.44	1,510.46	47.65	1,540.54	316.86	102.0	665.0	95.8	92.5
Trade, Commerce, Tourism & Cooperatives	481.44	187.50	461.44	14.46	439.42	94.24	95.2	651.6	91.3	50.3
Public Service Management	953.94	-	773.52	-	925.93	-	119.7	-	97.1	-
Agriculture, Livestock Development, Fisheries & Forestry	369.99	63.40	249.27	16.65	261.95	28.47	105.1	170.9	70.8	44.9
Environment, Water, Energy & Natural Resources	2,471.11	245.20	1,790.50	81.90	2,293.54	97.05	128.1	118.5	92.8	39.6
Urban Renewal And Housing	128.15	84.97	104.72	2.05	109.85	41.43	104.9	2025.5	85.7	48.8
Ward Development Fund	15.70	86.11	-	-	13.65	86.11	-	-	87.0	100
Emergency Fund	-	80.00	-	-	-	29.68	-	-	-	37.1
Liquor Board	204.84	71.77	-	-	201.88	7.46	-	-	98.6	10.4
County Assembly	1,386.67	35.57	1,284.35	22.03	1,364.60	28.52	106.2	129.5	98.4	80.2
Total	**25,867.26**	**7,477.59**	**20,879.94**	**3,553.23**	**23,497.73**	**5,900.44**	**112.5**	**166.1**	**90.8**	**78.9**

Source: *Nairobi City County Treasury*

Analysis of expenditure by department shows that the Ward Development Fund Unit recorded the highest absorption rate of development budget at 100 per cent while the Department of ICT, E-Govt & Public Communications did not spend on the development budget. The Department of Liquor Board had the highest percentage of recurrent expenditure to recurrent budget at 98.6 per cent while the County Public Service Board had the lowest at 58.9 per cent.

3.30.9 Key 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 own source revenue collection by 1.4 per cent from Kshs.10.11 billion in FY 2017/18 to Kshs.10.25 billion in the reporting period.

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

1. Although the wage bill has declined by 7.4 per cent from Kshs.14.84 billion in FY 2017/18 to

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Kshs.13.74 billion FY 2018/19 the wage bill was high accounting for 46.8 per cent of total expenditure in the reporting period.

2. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report.
3. Failure by the County to provide a detailed report on pending bills as of the end of the financial year.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
3. *The County Treasury should provide a report on status of pending bills as at 30th June, 2019 as requested by the Controller of Budget in line with COB Act, 2016.*

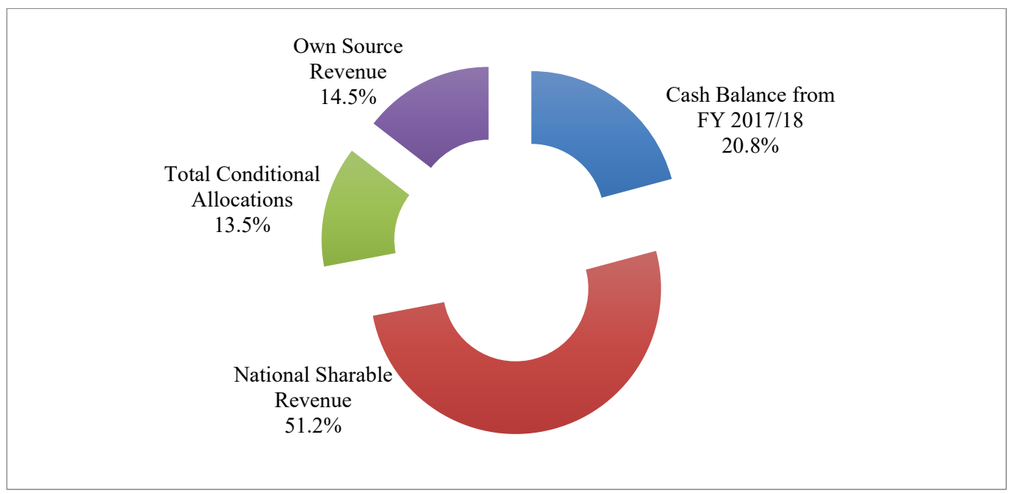
3.31 Nakuru County

3.31.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.18.48 billion, comprising of Kshs.10.47 billion (57 per cent) and Kshs.8 billion (43 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.45 billion (51.2 per cent) as equitable share of the revenue raised nationally, Kshs.2.48 billion (13.5 per cent) as total conditional grants, generate Kshs.2.69 billion (14.5 per cent) from own sources of revenue, and Kshs.3.85 billion (20.8 per cent) cash balance from FY 2017/18.

Figure 3.121: Nakuru County, Expected Sources of Budget Financing in FY 2018/19



Source: *Nakuru County Treasury*

A breakdown of the conditional grants is provided in Table 3.89.

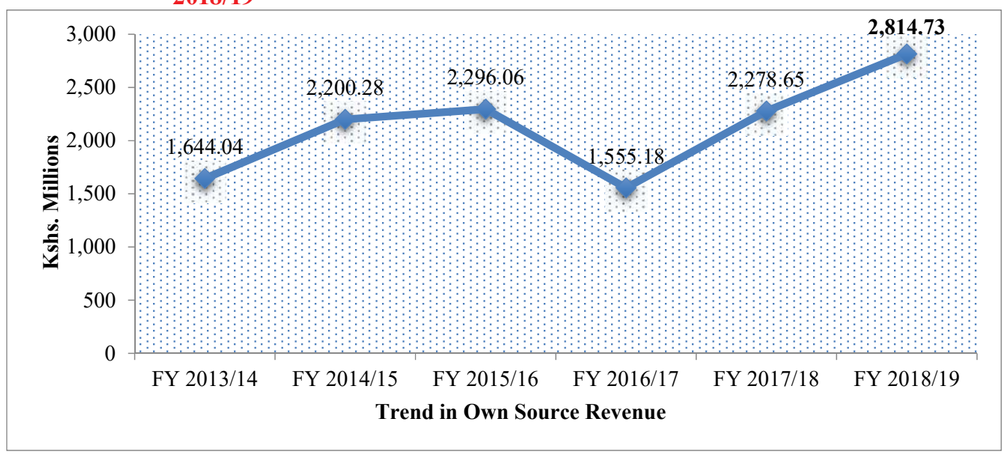
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3.31.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.18.4 billion available for budget implementation. This amount consisted of Kshs.9.45 billion received as equitable share of the revenue raised nationally, Kshs.2.16 billion as conditional grants, Kshs.2.81 billion generated from own sources of revenue and a cash balance of Kshs.3.85 billion from FY 2017/18.

Figure 3.2 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.122: Nakuru County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Nakuru County Treasury*

The County generated a total of Kshs.2.81 billion from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.545.56 million compared to that realised in FY 2017/18 and was 104.8 per cent of the annual target.

3.31.3 Conditional Grants

During the reporting period, the County received Kshs.2.16 billion as conditional grants as shown in Table 3.89.

Table 3.89: Nakuru County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1.	Kenya Urban Support Project (KUSP)	1,084,843,300	1,084,843,300	1,084,843,300	100
2.	Conditional Grants to Level - 5 Hospital	373,872,832	373,872,832	373,872,833	100
3.	Road Maintenance Fuel Levy	248,847,131	248,847,131	248,847,131	100
4.	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
5.	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	50,000,000	36
6.	Health Grant from National Government	99,999,999	99,999,999	99,999,945	100
7.	Transforming Health Systems for Universal Care Project (WB)	95,036,352	95,036,351	-	-

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S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in Year of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
8.	Kenya Devolution Sector support program (Level 1)	60,282,958	60,282,958	27,755,760	46
9.	Rehabilitation of Village Polytechnics	47,800,000	47,800,000	36,089,000	76
10.	Kenya Urban Support Program (KUSP)	41,200,000	41,200,000	41,200,000	100
11.	Compensation for User Fee Foregone	38,723,265	38,723,265	38,723,265	100
12.	DANIDA Grant	31,083,750	31,083,750	31,083,750	100
13.	Agricultural Sector Support Program	21,983,635	21,983,635	-	-
14.	DANIDA Grant (Previous FY Balance)	-	-	27,755,760	-
15.	Kenya Devolution Sector support program (Level 1)	-	-	100,974,396	-
Total		**2,484,108,385**	**2,484,108,384**	**2,161,145,140**	**92**

Source: *Nakuru County Treasury*

During the reporting period, receipts from the Road Maintenance, Level 5 Hospitals, Kenya Urban Support Project, grant to Nakuru Level-5 Hospital, Kenya Urban Support Program, Compensation for User Fee Foregone and DANIDA grant recorded the highest performance in percentage terms, and accounted for 100 per cent of the annual target respectively.

3.31.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.13.2 billion from the CRF account. The withdrawals represented 71.5 per cent of the Approved Supplementary Budget and translated to an increase of 44.3 per cent from Kshs.9.07 billion in FY 2017/18 and comprised of Kshs.4.14 billion (31.3 per cent) towards development activities and Kshs.9.07 billion (68.7 per cent) for recurrent expenditure.

3.31.5 Overall Expenditure Review

A total of Kshs.10.14 billion was spent on both development and recurrent activities. This expenditure represented 76.7 per cent of the total funds released from the CRF account, and was decrease of 4.9 per cent from Kshs.10.66 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.52.47 million for development activities and Kshs.42 million for recurrent costs.

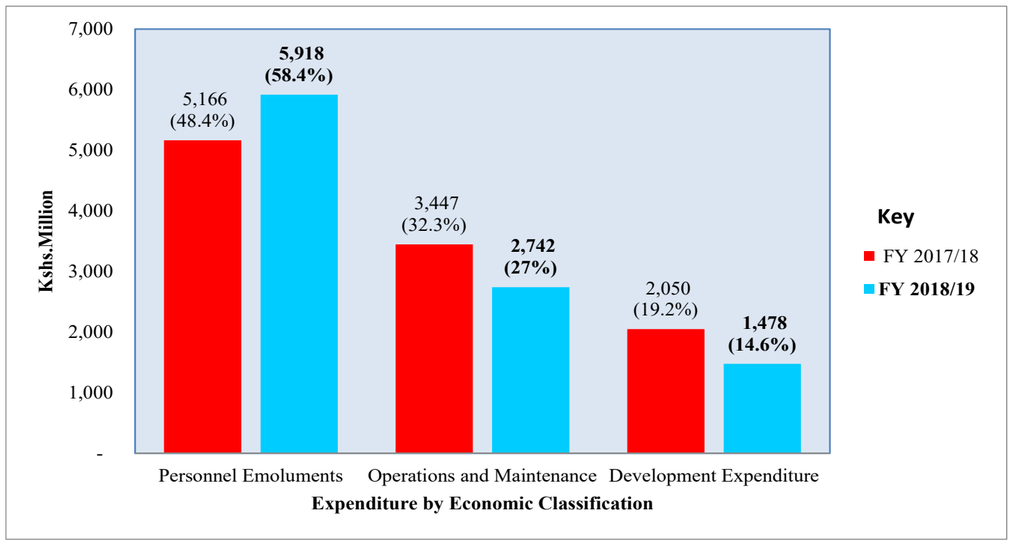
Expenditure on development programmes amounted to Kshs.1.48 billion while Kshs.8.66 billion was spent on recurrent activities. The development expenditure was 35.7 per cent of the funds released for development programmes, while recurrent expenditure was 95.5 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 18.4 per cent, which was a decrease from 25.6 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 82.7 per cent of the annual recurrent budget, a decrease from 80.2 per cent recorded in FY 2017/18.

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Figure 3.123 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

Figure 3.123: Nakuru County, Expenditure by Economic Classification



Source: *Nakuru County Treasury*

3.31.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.48 billion represented 18.4 per cent of the annual development expenditure estimates of Kshs.8.01 billion. Table 3.90 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.90: Nakuru County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Budget (Kshs.)	FY2018/19 Project Expenditure (Kshs.)	Absorption rate (%)
1	Rehabilitation of Rural Road (Provision for purchase of Tippers 8No)	64,000,000	64,000,000	100
2	Provision for purchase of medical equipment (Conditional Fund for Level 5 Hospital (Nakuru PGH))	70,000,000	60,000,000	86
3	Development of Revenue Management System	40,000,000	34,616,109	87
4	Purchase of Medical Equipment s& dental Equipment for various new health centres(HQ)	15,593,213	15,593,213	100
5	Routine Maintenance and Spot Improvement :Tarmacking and Extension of Menengai Climb Road to Capital Hill Hotel (0.5km)in Nakuru East Sub County	10,504,000	10,504,000	100
6	Supply and Installation of 34 No., 9m, 60W LED Solar lights in Nakuru County	9,860,000	9,860,000	100
7	Proposed Routine Maintenance and Periodic Improvement of Bus Park Tarmacking in Gilgil Sub County	9,454,080	9,454,080	100
8	Routine Maintenance and Spot Improvement of Gwa Kihanga-Magomano-Kwa Haji Road - IDP Road in Subukia Sub County	8,492,708	8,492,708	100
9	Construction of Bridge and Road Connecting Korao (Tinet) and Kiptagich Ward in Kuresoi South Sub County	8,487,400	8,487,400	100
10	Design and construction of administration block, polytechnic, and equipping of classrooms at Rhonda resource centre	7,000,000	6,982,588	100

Source: *Nakuru County Treasury*

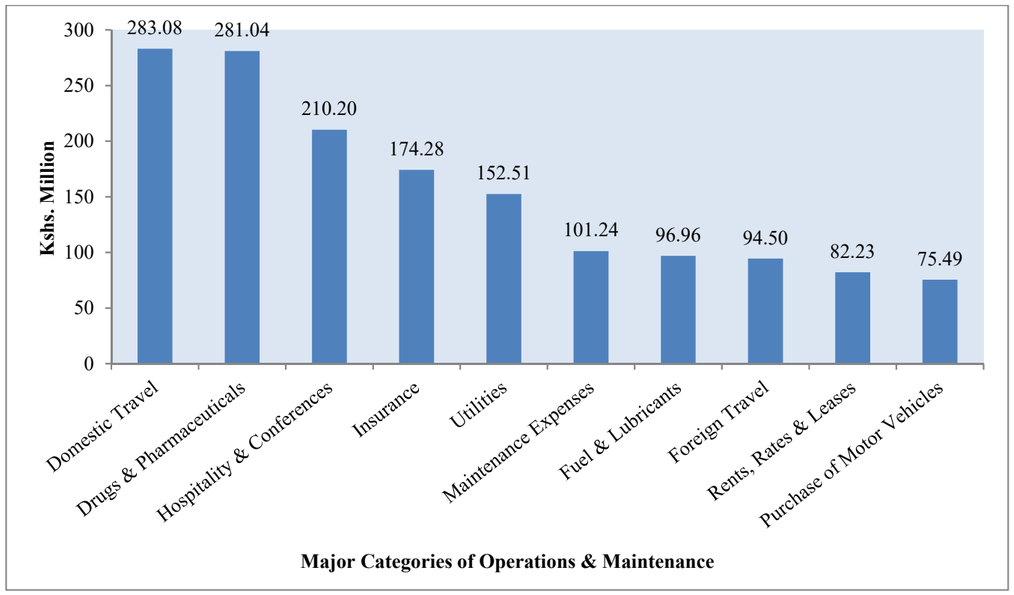
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3.31.7 Analysis of Recurrent Expenditure

The total recurrent expenditure comprised of Kshs.5.92 billion (68.3 per cent) incurred on personnel emoluments and Kshs.2.74 billion (31.7 per cent) on operations and maintenance as shown in Figure 3.123 .

Expenditure on personnel emoluments represented an increase of 14.6 per cent compared to FY 2017/18 when the County spent Kshs.5.17 billion and was 68.3 per cent of the total expenditure in FY 2018/19. Figure 3.124 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.124: Nakuru County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Nakuru County Treasury*

The County spent Kshs.106.8 million on committee sitting allowances for the 79 MCAs and speaker against the annual budget allocation of Kshs.106.8 million. This represented an increase of 124.6 per cent compared to Kshs.47.56 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.112,658 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.377.58 million, and comprised of Kshs.167.7 million spent by the County Assembly and Kshs.209.8 million by the County Executive. This expenditure represented 5.2 per cent of total recurrent expenditure and was an increase of 45.6 per cent compared to Kshs.259.4 million spent in FY 2017/18.

3.31.8 Budget Performance by County Department

Table 3.91 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.91: Nakuru County, Budget Performance by Department in FY 2018/19

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
County Assembly	999.54	287.46	940.50	158.08	946.57	167.33	100.6	105.9	94.7	58.2
Finance and Economic Planning	984.49	266.45	873.17	181.72	945.34	106.51	108.3	58.6	96.0	40.0
Public Service Training and Devolution	749.55	30.00	729.83	15.60	729.91	10.11	100.0	64.8	97.4	33.7
Agriculture, Livestock and Fisheries	551.76	460.59	551.52	293.12	509.54	136.16	92.4	46.5	92.3	29.6
Lands, Physical Planning and Housing	197.38	1,340.05	185.32	1,185.16	168.32	20.47	90.8	1.7	85.3	1.5
Office of The Governor and Deputy Governor	254.86	71.61	222.99	35.00	275.89	2.75	123.7	7.9	108.2	3.8
Education, ICT and E-Government	323.10	839.53	265.23	271.68	279.85	150.79	105.5	55.5	86.6	18.0
Trade, Industry Marketing and Tourism	171.77	354.95	157.11	81.87	155.00	45.81	98.7	56.0	90.2	12.9
Youth, Culture, Sports and Social Services	340.42	127.13	300.35	35.49	372.44	13.18	124.0	37.1	109.4	10.4
Infrastructure, Roads, Public Works and Transport	387.49	2,127.35	343.25	1,254.59	391.72	527.30	114.1	42.0	101.1	24.8
Environment, Water, Energy and Natural Resources	308.26	915.14	286.96	96.10	294.75	85.19	102.7	88.6	95.6	9.3
Health Services	5,152.40	1,186.91	4,177.82	528.38	3,556.35	209.14	85.1	39.6	69.0	17.6
CPSB	46.33	4.41	34.20	3.50	32.83	2.23	96.0	63.8	70.9	50.6
Total	**10,467**	**8,012**	**9,068**	**4,140**	**8,659**	**1,477**	**95.5**	**35.7**	**82.7**	**18.4**

Source: *Nakuru County Treasury*

Analysis of expenditure by department shows that the County Assembly recorded the highest absorption rate of development budget at 58.2 while the Department of Lands Physical Planning and Housing recorded the lowest at 1.5 per cent. The Department of Youth, Culture, Sports and Social Services had the highest percentage of recurrent expenditure to recurrent budget at 109.4 per cent while the Department of Health Services the lowest at 69 per cent.

3.31.9 Key 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 own-source revenue collection by 23.5 per cent to Kshs.2.81 billion in the reporting period compared to Kshs.2.28 billion in FY 2017/18.

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

1. High expenditure on domestic and foreign travel which increased by 45.6 per cent from Kshs.259.5 million in FY 2017/18 to Kshs.377.58 million in the reporting period.
2. Slow implementation of development activities in the reporting period. The County spent Kshs.1.48 billion, which represented 18.4 per cent of the annual development budget of Kshs.8.01 billion.
3. Late submission of reports on financial and non-financial performance by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
4. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund,

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Emergency Fund, Bursary Fund and the Trade Enterprise Fund contrary to Section 168 of the PFM Act, 2012.

5. A high wage bill that increased by 14.6 per cent from Kshs.5.19 billion in FY 2017/18 to Kshs.5.92 billion in the reporting period. The wage bill accounted for 68.3 per cent of total expenditure in the reporting period.

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

1. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
2. *The County should identify and address issues that cause delays in the implementation of development projects.*
3. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*
4. *All Fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Section 168 of PFM Act 2012.*
5. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*

3.32 Nandi County

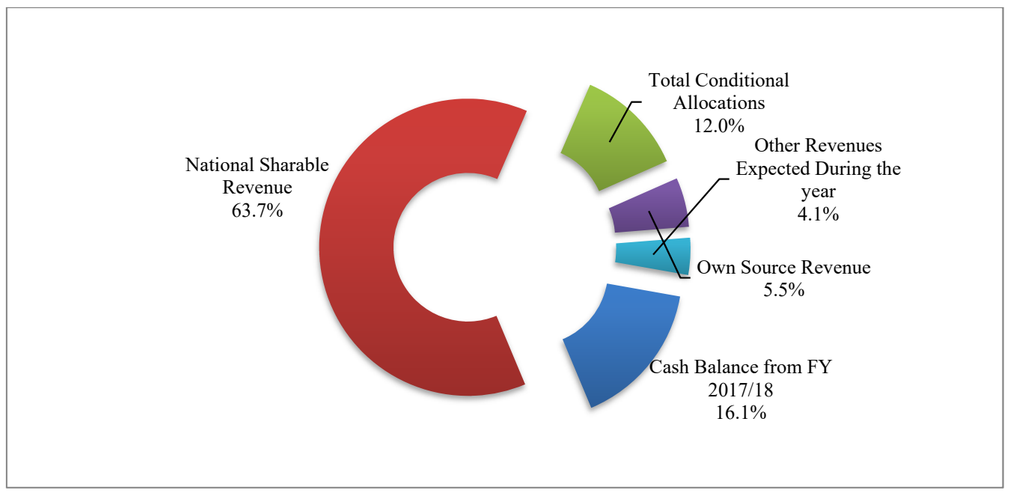
3.32.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.8.43 billion, comprising of Kshs.5.21 billion (61.8 per cent) and Kshs.3.22 billion (38.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.37 billion (63.7 per cent) as equitable share of revenue raised nationally, Kshs.972.51 million (11.5 per cent) as total conditional grants, generate Kshs.459.29 million (5.5 per cent) from own-sources of revenue, Kshs.344 million (4.1 per cent) as other revenue expected and Kshs.1.36 billion (16.1 per cent) cash balance from FY 2017/18.

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Figure 3.125: Nandi County, Expected Sources of Budget Financing in FY 2018/19



Source: *Nandi County Treasury*

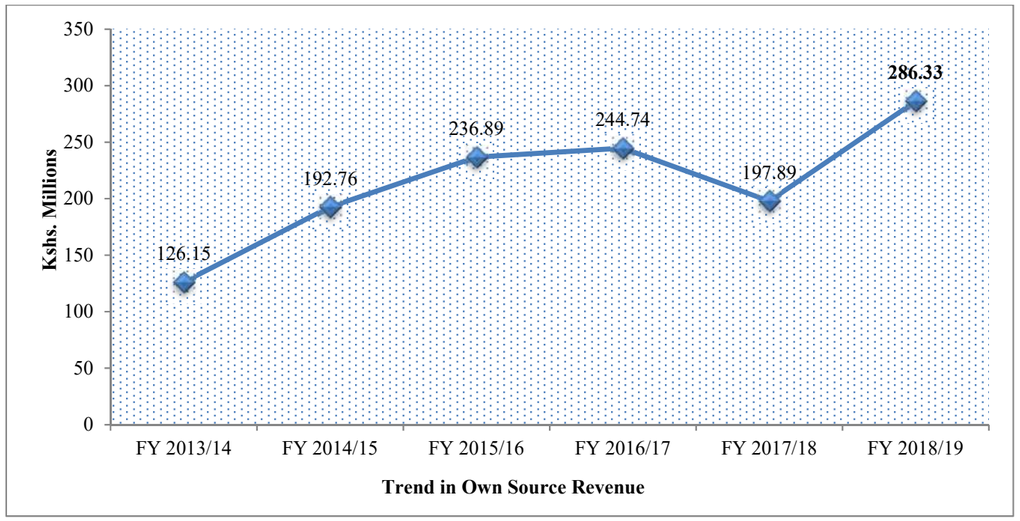
A breakdown of the conditional grants is provided in Table 3.92.

3.32.2 Revenue Analysis

During FY 2018/19, the County had a total of Kshs.7.85 billion available for budget implementation. This amount consisted of Kshs.5.37 billion received as equitable share of the revenue raised nationally, Kshs.530.44 million as conditional grants, Kshs.286.33 million generated from own sources of revenue, Kshs.299 million as other revenue sources and a cash balance of Kshs.1.36 billion from FY 2017/18. Figure 3.126 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.126: Nandi County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Nandi County Treasury*

The County generated a total of Kshs.286.33 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.88.43 million compared to that realised in FY 2017/18 and was 62.3 per cent of the annual target.

3.32.3 Conditional Grants

During the reporting period, the County received Kshs.530.44 million as conditional grants as shown in Table 3.92.

Table 3.92: Nandi County, Conditional Grants/Loans Received in the FY 2018/19

S/No.	Grants/Loans	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	Compensation for User Fees Foregone	18,086,363	18,086,363	18,086,363	100.0
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	Road Maintenance Fuel Levy	141,371,626	141,371,626	218,431,700	154.5
4	Rehabilitation of Village Polytechnics	37,255,000	37,255,000	-	-
5	Transforming Health Systems for Universal Care Project (World Bank)	97,229,498	97,229,498	42,496,971	43.7
6	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	50,078,476	35.7
7	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	44,551,044	44,551,044	-	-
8	IDA (World Bank) -Kenya Urban Support Project (KUSP)	177,231,700	177,231,700	177,231,700	100.0
9	DANIDA - Universal Healthcare in Devolved System Programme	17,111,250	17,111,250	17,111,250	100.0
10	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	19,236,534	19,236,534	7,003,592	36.4

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S/No.	Grants/Loans	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
11	EU - Water Tower Protection and Climate Change Mitigation and Adoption Programme (WaTER)	80,000,000	80,000,000	-	-
Sub Total		**972,508,178**	**972,508,178**	**530,440,052**	**54.5**
B	**Other Revenue Sources**				
12	Food and Agriculture Organization	-	40,000,000	-	-
13	Ford Foundation	-	5,000,000	-	-
14	County Health Facility Supplies	-	299,000,000	299,000,000	100
Sub Total		**-**	**344,000,000**	**299,000,000**	**98.4**
Grand Total		**972,508,178**	**1,316,508,178**	**829,440,052**	**65**

Source: *Nandi County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy, DANIDA, and Compensation for User Fee Foregone, Kenya Urban Support Project and grant for County Health Facility Supplies recorded the highest performance in percentage terms and accounted for 100 per cent of respective annual target.

3.32.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.7.24 billion from the CRF account. The withdrawals represented 85.9 per cent of the Approved Supplementary Budget translating to an increase of 33.8 per cent from the Kshs.5.41 billion withdrawn during the FY 2017/18. The total withdrawal comprised of Kshs.2.14 billion (29.5 per cent) towards development activities and Kshs.5.10 billion (70.5 per cent) for recurrent expenditure.

3.32.5 Overall Expenditure Review

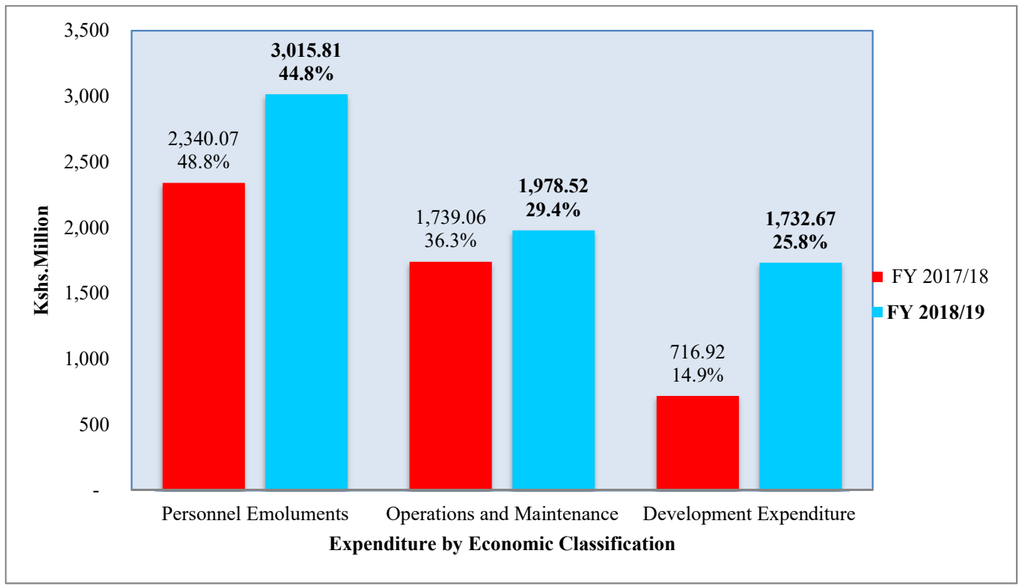
A total of Kshs.6.73 billion was spent on both development and recurrent activities. This expenditure represented 92.9 per cent of the total funds released from the County Revenue Fund account, and was an increase of 40.3 per cent from Kshs.4.80 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.1.76 billion for development activities and Kshs.12.95 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.73 billion while Kshs.4.99 billion was spent on recurrent activities. The development expenditure was 81 per cent of the funds released for development programmes, while recurrent expenditure was 97.9 per cent of funds released for recurrent activities.

Figure 3.127 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18. The figure also shows personnel emoluments, operations and development expenditure as a percentage of total annual expenditure.

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Figure 3.127: Nandi County, Expenditure by Economic Classification



Source: *Nandi County Treasury*

3.32.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.73 billion represents an absorption rate of 53.8 per cent of the annual development expenditure estimates of Kshs.3.22 billion.. Table 3.93 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.93: Nandi County County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure (Kshs)	Absorption Rate (%)
1	Building of Access Roads	County Wide	313,771,626	257,139,008	82.0
2	Water Supplies and Sewerage	County Wide	357,050,000	168,593,920	47.2
3	Livestock Products Value Addition and Marketing	County Wide	311,830,163	165,367,677	53.0
4	Construction of ECDE	County Wide	288,900,000	124,047,077	42.9
5	Construction of Buildings	Kapsabet County Referral Hospital	226,000,000	115,039,683	50.9
6	Construction of County Assembly Building	Kapsabet Town	135,250,000	95,391,990	70.5
7	Hire of Equipment, Plant and Machinery	County Wide	248,015,000	78,965,798	31.8
8	Construction of Nandi County Modern athletics Training Camp	Kapsabet	101,000,000	26,374,632	26.1
9	Purchase of Medical and Dental Equipment	Kapsabet County Referral Hospital	50,000,000	22,894,785	45.8
10	Other Infrastructure and Civil Works)-Urban Planning, Investment and Research	Kapsabet Town & Nandi Hills	157,231,160	14,998,500	9.5

Source: *Nandi County Treasury*

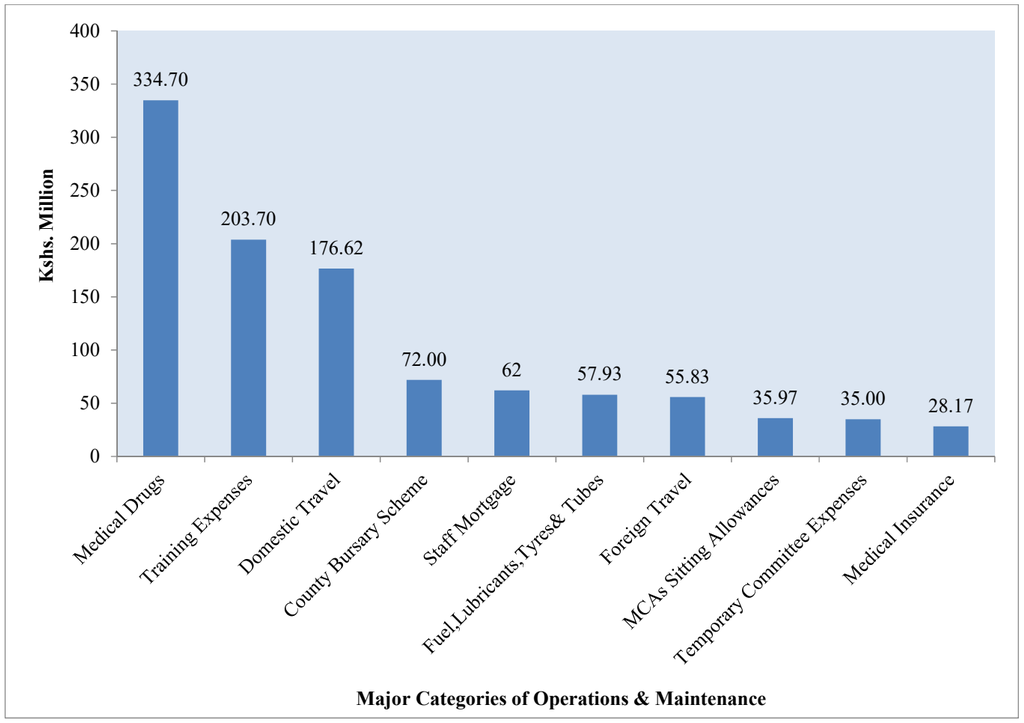
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3.32.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.99 billion comprised of Kshs.3.02 billion (60.5 per cent) incurred on personnel emoluments and Kshs.1.97 billion (39.5 per cent) on operations and maintenance as shown in Figure 3.127.

Expenditure on personnel emoluments represented an increase of 28.9 per cent compared to FY 2017/18 when the County spent Kshs.2.34 billion and was 44.8 per cent of the total expenditure in FY 2018/19. Figure 3.128 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.128: Nandi County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Nandi County Treasury*

The County spent Kshs.35.97 million on committee sitting allowances for the 40 MCAs and speaker against the annual budget allocation of Kshs.38.10 million. This represented an increase of 63.6 per cent compared to Kshs.21.99 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.74,948 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.232.45 million, and comprised of Kshs.69.66 million spent by the County Assembly and Kshs.162.80 million by the County Executive. This expenditure represented 3.5 per cent of total recurrent expenditure and was a decrease of 30.8 per cent compared to Kshs.255.10 million spent in FY 2017/18.

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3.32.8 Budget Performance by County Department

Table 3.94 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.94: Nandi County, Budget Performance by Department in the FY 2018/2019

Department	Budget Allocation (Kshs. Million)		Total Exchequer Issues (Kshs. Million)		Total Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	361.94	15.0	339.24	12.22	328.01	13.38	96.7	109.5	90.6	89.2
Finance and Economic Planning	941.04	30.0	888.87	29.63	916.08	30.00	103.1	101.2	97.3	100.0
Devolved Units and Special Programmes	318.33	223.98	316.02	203.74	307.52	56.41	97.3	27.7	96.6	25.2
Health and Sanitation	1,843.04	626.0	1,832.99	192.54	1,763.05	239.55	96.2	124.4	95.7	38.3
Agriculture, Livestock and Fisheries	308.6	531.33	305.74	296.07	300.33	256.29	98.2	86.6	97.3	48.2
Tourism, Culture and Co-operative Development	46.43	49.00	45.48	3.19	40.15	3.47	88.3	108.8	86.5	7.1
Youth, Gender and Social Services	56.78	112.50	55.61	65.62	53.53	47.03	96.3	71.7	94.3	41.8
Education Research and Vocational Training	312.61	288.90	311.96	258.06	303.30	163.26	97.2	63.3	97.0	56.5
Lands, Environment and Natural Resources	122.34	402.05	117.06	232.50	121.93	216.15	104.2	93.0	99.7	53.8
Roads Transport and Public Works	183.34	711.95	178.75	709.50	157.17	556.10	87.9	78.4	85.7	78.1
Trade and Industrial Development	53.52	94.30	52.57	39.60	49.23	55.29	93.6	139.6	92.0	58.6
Public Service and Labour	27.44	-	26.54	-	25.80	-	97.2	-	94.0	-
County Assembly	631.18	135.25	631.18	95.39	628.23	95.39	99.5	100.0	99.5	70.5
Total	**5,206.59**	**3,220.26**	**5,102.01**	**2,138.05**	**4,994.32**	**1,732.33**	**97.9**	**81.0**	**95.9**	**53.8**

Source: *Nandi County Treasury*

Analysis of expenditure by department shows that the Department of Finance and Economic Planning recorded the highest absorption rate of development budget at 100 while the Department of Tourism, Culture and Co-operative Development recorded the lowest at 7.1 per cent. The Department of Lands, Environment and Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 99.7 per cent while the Department of Roads, Transport and Public Works had the lowest at 85.7 per cent.

3.32.9 Key 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 own-source revenue collection by 44.7 per cent from Kshs.197.89 million in FY 2017/18 to Kshs.286.33 million in FY 2018/19.
ii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
iii. Improvement in the use of IFMIS and the Internet Banking platform to process financial transactions.

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

1. A high wage bill that increased by 28.9 per cent from Kshs.2.34 billion in FY 2017/18 to Kshs.3.02 billion in the reporting period. The wage bill accounted for 44.8 per cent of total expenditure in the

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reporting period.
2. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, Emergency Fund, and the Bursary Fund contrary to Section 168 of the PFM Act, 2012.
3. Late submission of reports on financial and non-financial performance by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *All Fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Section 168 of PFM Act 2012.*
3. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012.*

3.33 Narok County

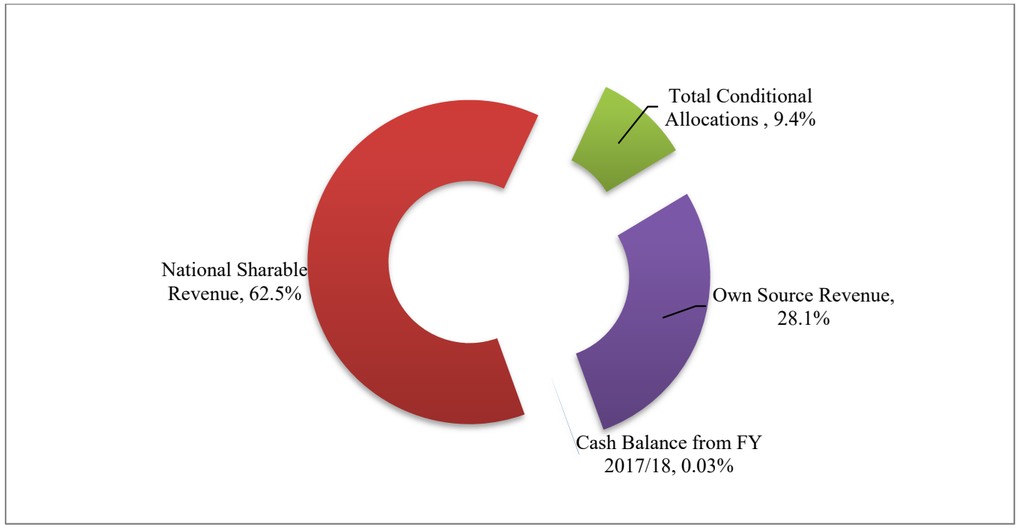
3.33.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.10.19 billion, comprising of Kshs.7.04 billion (69.1 per cent) and Kshs.3.15 billion (30.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.37 billion (62.5 per cent) as equitable share of revenue raised nationally, Kshs.958.17 million (9.4 per cent) as total conditional grants, generate Kshs.2.86 billion (28.1 per cent) from own revenue sources, and a cash balance of Kshs.2.67 million (0.03 per cent) from FY 2017/2018.

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Figure 3.129: Narok County, Expected Sources of Budget Financing in FY 2018/19



Source: *Narok County Treasury*

A breakdown of the conditional grants, as per CARA, 2018, is provided in Table 3.95 .

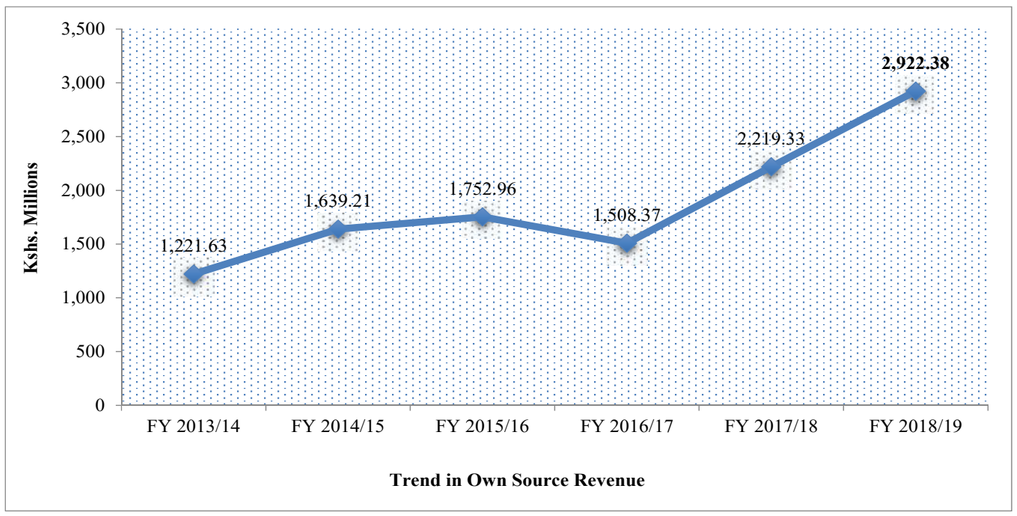
3.33.2 Revenue Analysis

During FY 2018/19, the County had a total of Kshs.10.14 billion available for budget implementation. This amount consisted of Kshs.6.37 billion received as equitable share of the revenue raised nationally, Kshs.631.15 million as conditional grants, Kshs.2.92 billion generated from own sources of revenue, and a cash balance of Kshs.2.67 million from the FY 2017/18.

Figure 3.130 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.130: Narok County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Narok County Treasury*

The County generated a total of Kshs.2.92 billion from own revenue sources in FY 2018/19. This amount represents an increase of Kshs.703.05 million compared to that realised in FY 2017/18 and was 102.1 per cent of the annual target.

3.33.3 Conditional Grants

During the reporting period, the County received Kshs.631.15 million as conditional grants as shown in Table 3.95.

Table 3.95: Narok County, Conditional Grants/Loans Received in the FY 2018/19

S/No.	Grant/Loans	Annual Allocation, CARA, 2018 (Kshs)	Annual Budget Allocation (Kshs)	Total Receipts(Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
1	Allocation for Rehabilitation of Village Polytechnics	30,820,000	30,820,000	-	-
2	Road Maintenance Levy Fund	167,827,135	167,827,135	167,827,135	100
3	Compensation for User Fees Foregone	20,595,297	20,595,297	20,595,297	100
4	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
5	World Bank-Kenya Devolution Support Programme (KDSP) Level II	130,963,563	130,963,563	185,020,331	141
6	IDA (World Bank)-Kenya Urban Support Programme (KUSP)	116,262,252	116,262,252	116,105,300	100
7	World Bank-Transforming Health Systems for Universal Care Project	100,000,000	100,000,000	69,649,081	70
8	World Bank-National Agricultural & Rural Inclusive Growth Project (NAGRIP)	140,435,163	140,435,163	50,078,476	36
9	DANIDA-Universal Healthcare for Devolved System Programme	30,267,011	30,267,011	21,870,000	72
10	Agricultural Sector Development Support Program (ASDSP)	21,002,709	21,002,709	-	-
Grand Total		**958,173,130**	**958,173,130**	**631,145,620**	**69.5**

Source: *Narok County Treasury*

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During the reporting period, receipts from World Bank in support of the Kenya Devolution Support Programme Level II recorded the highest performance accounting for 141 per cent of the annual target.

3.33.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.10.04 billion from the CRF account. The withdrawals represented 98.5 per cent of the Approved Supplementary Budget and translated to an increase of 20.6 per cent from Kshs.8.33 billion in FY 2017/18 and comprised of Kshs.3.01 billion (30 per cent) towards development activities and Kshs.7.03 billion (79 per cent) for recurrent expenditure.

3.33.5 Overall Expenditure Review

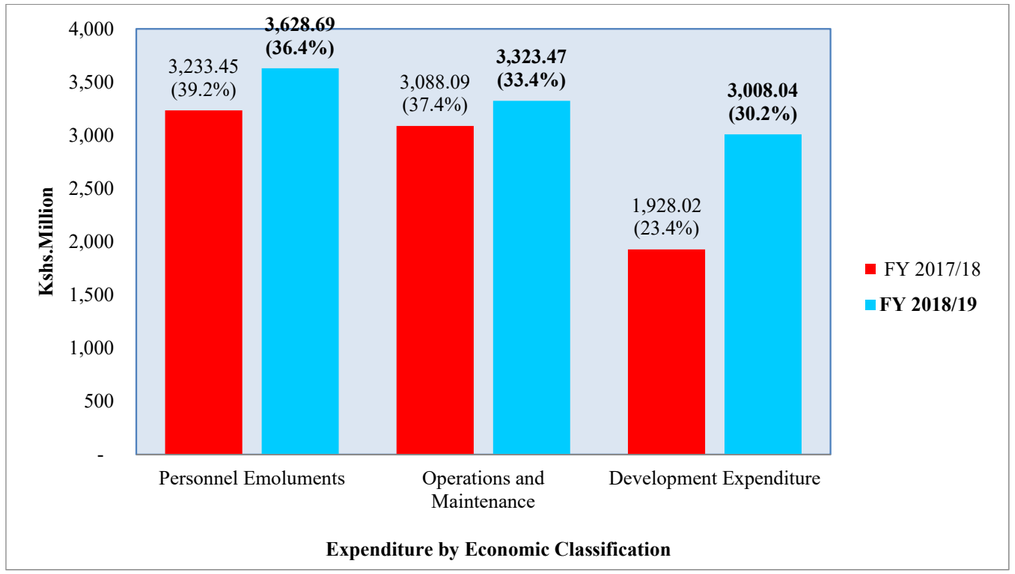
A total of Kshs.9.96 billion was spent on both development and recurrent activities. This expenditure represented 99.1 per cent of the total funds released from the CRF account, and was an increase of 20.7 per cent from Kshs.8.25 billion spent in FY 2017/18. The expenditure excluded pending bills which amounted to Kshs.867.11 million for development activities and Kshs.316.94 million for recurrent expenditure as at June 30, 2019.

Expenditure on development programmes amounted to Kshs.3.0 billion while Kshs.6.95 billion was spent on recurrent activities. The development expenditure was 99.8 per cent of the funds released for development programmes, while recurrent expenditure was 98.8 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 95.4 per cent on total funds released, which was an increase from 58.6 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 98.7 per cent of the annual recurrent budget, an increase from 97 per cent recorded in FY 2017/18.

Figure 3.131 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

Figure 3.131: Narok County, Expenditure by Economic Classification



Source: *Narok County Treasury*

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3.33.6 Development Expenditure Analysis

The total development expenditure of Kshs.3.0 billion represented 95.4 per cent of the annual development expenditure estimates of Kshs.3.15 billion. Table 3.96 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.96: Narok County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs)	Project Expenditure (Kshs)	Absorption Rate (%)
1	Roads Infrastructure	Narok South, North, East, Kilgoris	976,147,135	976,810,921	100
2	Civil works and Infrastructure	Narok South, North, East, Kilgoris	459,312,435	433,985,584	94
3	Acquisition of roads & civil works machines	County Head Quarters	228,000,000	240,037,239	105
4	Buildings & Infrastructure	Narok South, North, East, Kilgoris	352,799,000	352,272,650	100
5	Transfers to Bursary fund & Maasai Mara & Assembly	County Head Quarters	569,375,110	439,198,662	77
6	Rehabilitation of Mara & Markets yards	Narok South, North, East, Kilgoris	130,000,000	129,623,208	100
7	Specialised Supplies & Services	Health Facilities & Head Quarters	313,547,716	312,203,444	100
8	Hospital Equipment & Related Maintenance	Health Facilities & Head Quarters	124,191,973	123,913,145	100

Source: *Narok County Treasury*

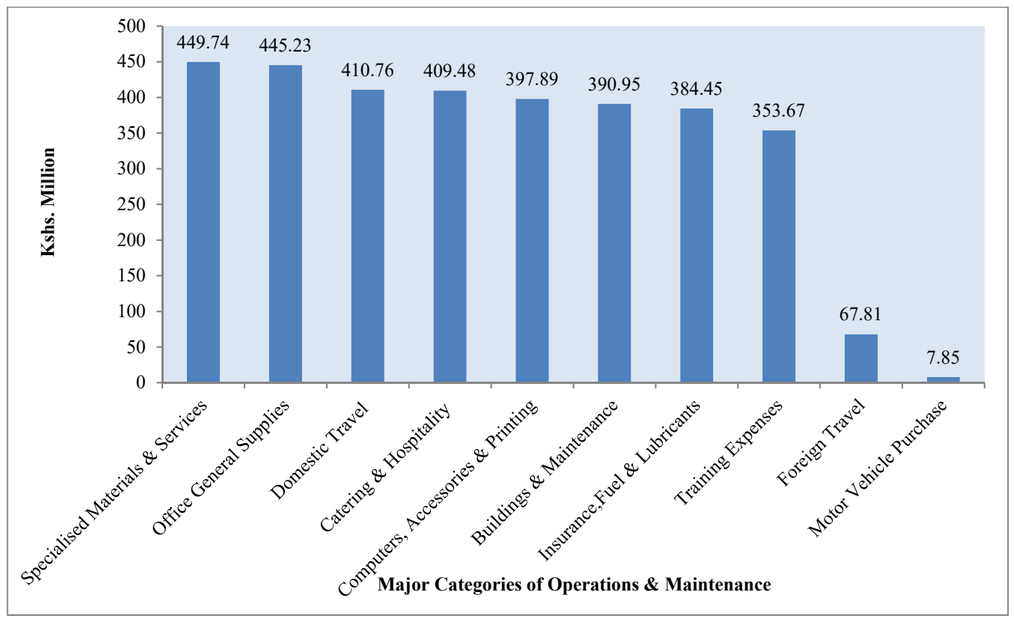
3.33.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.95 billion comprised of Kshs.3.63 billion (52.2 per cent) incurred on personnel emoluments and Kshs.3.32 billion (47.8 per cent) on operations and maintenance as shown in Figure 3.131.

Expenditure on personnel emoluments represented an increase of 12.2 per cent compared to FY 2017/18 when the County spent Kshs.3.23 billion and was 36.4 per cent of the total expenditure in FY 2018/19. Figure 3.132 shows a summary of operations and maintenance expenditure by major categories.

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Figure 3.132: Narok County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Narok County Treasury*

The County spent Kshs.63.74 million on committee sitting allowances for the 48 MCAs and Speaker against the annual budget allocation of Kshs.63.81 million. This represents an increase of 99.5 per cent compared to Kshs.31.9 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.110,663 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.478.57 million, and comprised of Kshs.256.88 million spent by the County Assembly and Kshs.221.69 million by the County Executive. This expenditure represented 5.9 per cent of total recurrent expenditure and was an increase of 187.4 million compared to Kshs.166.49 million spent in FY 2017/18.

3.33.8 Budget Performance by County Department

Table 3.97 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.97: Narok County, Budget Performance by Department in the FY 2018/19

Department	Annual Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Total Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	709.07	120.00	705.0	704.99	44.69	44.69	100	99.3	99.4	37.2
Office of the Governor	306.11		305.75	302.63	-	-	99	-	98.9	-
Finance and Economic Planning	553.27	299.56	552.98	546.02	259.82	259.82	98.7	99.9	98.7	86.7
Roads, Transport and Public Works	233.47	922.14	233.32	231.35	899.51	899.51	99.2	99.8	99.1	97.5

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Department	Annual Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Total Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Youth, Sports, Culture & Social Services	917.51	394.93	917.22	902.01	394.32	394.32	98.3	99.8	98.3	99.8
Environment Protection, Energy, Water and Natural Resources	89.35	315.04	89.31	88.12	314.07	314.07	98.7	99.7	98.6	99.7
County Public Service Board	71.45	-	71.35	70.85	-	-	99.3	-	99.2	-
Agriculture, Livestock and Fisheries	350.71	516.37	350.70	344.31	513.66	513.66	98.2	99.9	98.2	99.5
Health and Sanitation	2,310.53	206.76	2,310.40	2,277.00	206.46	206.46	98.6	99.9	98.5	99.9
Lands, Housing, Physical Planning and Urban Development	183.98	166.91	183.95	183.28	166.57	166.57	99.6	99.8	99.6	99.8
Tourism, Wildlife, Trade, Industry and Cooperative Development	103.36	131.86	103.19	96.33	174.19	174.19	93.4	100.	93.2	99.2
County Administration and Public Service Management	1,125.36	35.55	1,123.27	1,125.13	34.76	34.76	100.2	98.5	100	97.8
Total	**7,041.48**	**3,153.37**	**7,033.71**	**3,013.05**	**6,952.16**	**3,008.04**	**98.8**	**99.8**	**98.7**	**95.4**

Source: *Narok County Treasury*

Analysis of expenditure by department shows that the Department of Health and Sanitation recorded the highest absorption rate of development budget at 99.9 while the County Assembly recorded the lowest at 37.2 per cent. The Department of County Administration and Public Service Management had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the Department of Tourism, Wildlife, Trade, Industry and Cooperative Development had the lowest at 93.2 per cent.

3.33.9 Key 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. Automation of own source revenue collections which enabled the County to improve revenue collection by 31.7 per cent from Kshs.2.23 billion in FY 2017/18 to Kshs.2.92 billion in the reporting period.
ii. Improvement in the absorption of development budget from 58.6 per cent in FY 2017/18 to 95.4 per cent in FY 2018/19.

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 to the County.
2. IFMIS connectivity challenges which led to delays in the approval of procurement requests and payment of suppliers.
3. Inadequate budgetary control that resulted to high pending bills at the end of the financial year which amounted to Kshs.1.19 billion.
4. High expenditure on personnel emoluments which has increased by 12.2 per cent from Kshs.3.23 billion to Kshs.3.63 billion. The wage bill accounted for 36.4 per cent of total expenditure in the reporting period.
5. High expenditure on foreign and domestic travel, which increased by187.4 per cent from Kshs.166.49 million in FY 2017/18 to Kshs.478.57 million in the reporting period.

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

1. *The County Treasury should liaise with the National Treasury to ensure timely disbursement of equitable share of revenue raised nationally.*
2. *The County Treasury should liaise with the IFMIS Directorate to address the IFMIS connectivity challenge.*
3. *The County leadership should finalize verification of the pending bills and provide for the same as a first charge on the FY 2019/20 budget.*
4. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
5. *The County Treasury should ensure that expenditure on non-core budget items is rationalized to provide more resources for development projects.*

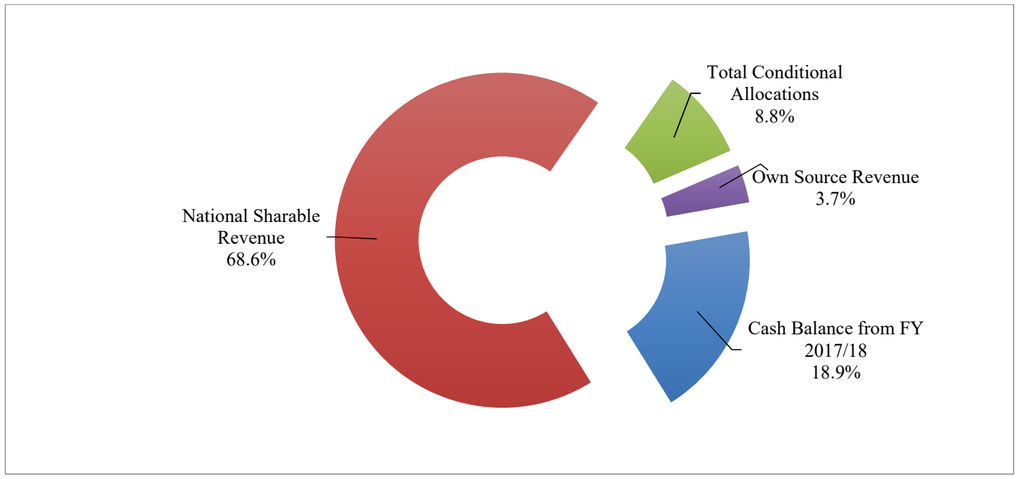
3.34 Nyamira County

3.34.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.6.96 billion, comprising of Kshs.2.13 billion (30.6 per cent) and Kshs.4.83 billion (69.4 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.77 billion (68.6 per cent) as equitable share of the revenue raised nationally, Kshs.615.80 million (8.8 per cent) as total conditional grants, generate Kshs.255.57 million (3.7 per cent) from own sources of revenue, and Kshs.1.31 billion (18.9 per cent) cash balance from FY 2017/18.

Figure 3.133: Nyamira County, Expected Sources of Budget Financing in FY 2018/19



Source: *Nyamira County Treasury*

A breakdown of the conditional grants is provided in Table 3.98.

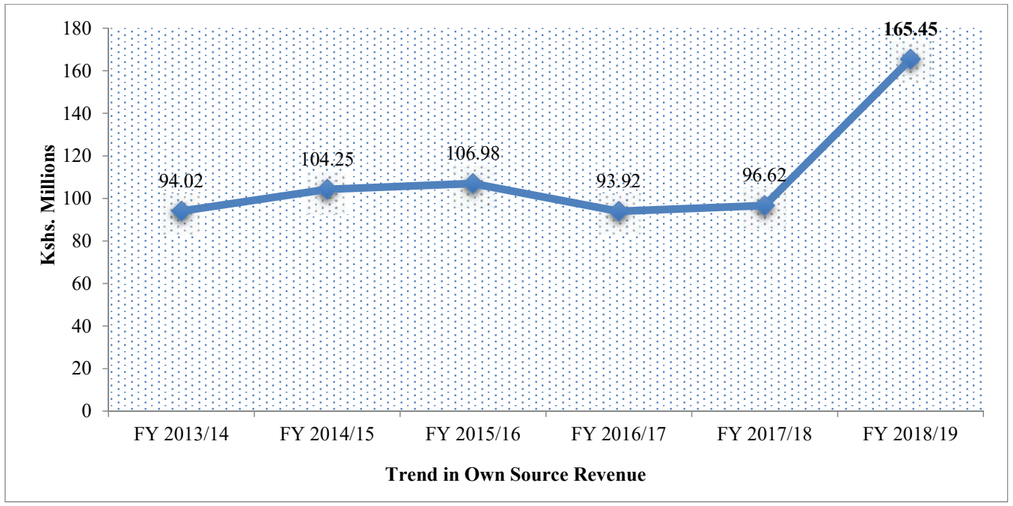
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3.34.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.6.68 billion available for budget implementation. This amount consisted of Kshs.4.77 billion received as equitable share of the revenue raised nationally, Kshs.431.47 million as conditional grants, Kshs.165.45 million generated from own sources of revenue, and a cash balance of Kshs.1.31 billion from FY 2017/18.

Figure 3.134 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.134: Nyamira County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Nyamira County Treasury*

The County generated a total of Kshs.165.45 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.68.83 million compared to that realised in FY 2017/18 and was 64.7 per cent of the annual target.

3.34.3 Conditional Grants

During the reporting period, the County received Kshs.431.47 million as conditional grants as shown in Table 3.98.

Table 3.98: Nyamira County, Conditional Grants/Loans Received in the FY 2018/19

S/No.	Grant/Loans	Annual Allocation-CARA, 2018) (Kshs)	Annual Budget Allocation (Kshs)	Total Receipts (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
1	World Bank Loan for National Agricultural & Rural Inclusive Project	140,435,163	140,435,163	50,078,476	35.7
2	Road Maintenance Fuel Levy	125,663,667	125,663,667	125,663,668	100
3	IDA (World Bank) Credit: Kenya Urban Support Programme	114,705,300	114,705,300	114,705,300	100
4	Rehabilitation of Youth Polytechnics	52,915,000	52,915,000	39,950,825	75.5
5	World Bank Loan for Transforming Health System for universal Care Project	50,000,000	50,000,000	23,985,548	48

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S/No.	Grant/Loans	Annual Allocation-CARA, 2018) (Kshs)	Annual Budget Allocation (Kshs)	Total Receipts (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
6	Kenya Devolution Support Programme (KDSP) "Level 1 grant"	42,383,765	42,383,765	-	-
7	IDA (World Bank) Credit: Kenya Urban Support Programme (KUSP) - Urban Institutional Grant (UIG) + Bal C/F in FY 2017/18	41,200,000	41,200,000	41,200,000	100.0
8	Sweden - Agricultural Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	19,827,574	19,827,574	7,218,777	36.4
9	DANIDA Grant (Universal Healthcare in Devolved Systems Program)	15,491,250	15,491,250	15,491,250	100.0
10	Compensation for User Fee Foregone	13,175,221	13,175,221	13,175,221	100.0
11	Leasing of Medical Equipment	200,000,000	-	-	0.0
Grand Total		**815,796,940**	**615,796,940**	**431,469,065**	**52.9**

Source: *Nyamira County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy, IDA (World Bank) Credit: Kenya Urban Support Programme, DANIDA Grant (Universal Healthcare in Devolved Systems Program), and, Compensation for User Fee Foregone conditional grants recorded the highest performance in percentage terms, and accounted for 100 per cent of their respective annual targets.

3.34.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.5.62 billion from the CRF account. The withdrawals represented 80.7 per cent of the Approved Supplementary Budget and translated to an increase of 15.9 per cent from Kshs.4.85 billion in FY 2017/18 and comprised of Kshs.1.03 billion (18.3 per cent) towards development activities and Kshs.4.59 billion (81.7 per cent) for recurrent expenditure.

3.34.5 Overall Expenditure Review

A total of Kshs.5.60 billion was spent on both development and recurrent activities. This expenditure represented 99.8 per cent of the total funds released from the CRF account, and was an increase of 32.4 per cent from Kshs.4.23 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.1.54 million for development activities and Kshs.1.52 million for recurrent costs for the County Assembly. The County Executive did not provide pending bills report as of June, 30th 2019.

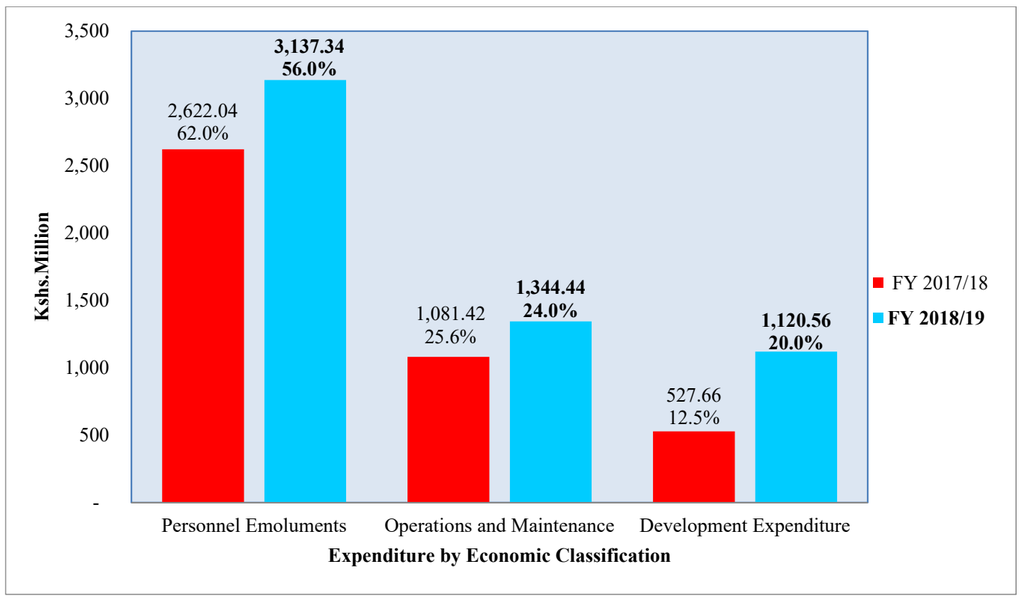
Expenditure on development programmes amounted to Kshs.1.12 billion while Kshs.4.48 billion was spent on recurrent activities. The development expenditure was 108.8 per cent of the funds released for development programmes while recurrent expenditure was 97.7 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 52.6 per cent, which was an increase from 27.9 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 92.8 per cent of the annual recurrent budget, an increase from 87.7 per cent recorded in FY 2017/18.

Figure 3.135 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.135: Nyamira County, Expenditure by Economic Classification



Source: Nyamira County Treasury

3.34.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.12 billion represents 52.6 per cent of the annual development expenditure estimates of Kshs.2.13 billion. Table 3.99 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.99: Nyamira County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Proposed Construction and Completion of Nyamira County Head Quarters	Township	382,970,401	32,600,000	8.5
2	Proposed Construction of Amenity Block with the Doctor's Plaza at Nyamira Referral (Female and Male Wards)	Township	142,319,154	25,921,364	18.2
3	Hire of Equipment and Mechanical Services from the Mechanical Transport Fund for road construction across the County	County Wide	100,000,000	99,801,500	99.8
4	Youth Polytechnic Education Support Programme in Collaboration with the Ministry of Education (National Government)	County Wide	52,915,950	25,410,000	48
5	Supply, Delivery, Customization, Commissioning & Maintenance of Revenue Collection Automation in the County	County wide	50,000,000	14,030,000	28.1
6	Construction of 6th Floor Office Block for MCAs and Staff Phase II	Nyamira Town HQs	47,092,269	44,091,179	93.6
7	Proposed Delivery, Installation, Testing and Commissioning of Medical Oxygen Generating Plant at Nyamira County Referral Hospital	Township	26,000,000	26,000,000	100
8	Proposed Construction and Completion of Kiabonyoru 1 Water Supply	Kiabonyoru	22,181,629	15,583,978	70.3

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S/No.	Project Name	Project Location	Project Budget	Project Ex-penditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
9	Supply of Fuel for Roads Construction works across the County	County Wide	16,110,000	13,530,000	84.0
10	Supply, Delivery, Installation, Commissioning, and Maintenance of Solar Powered Street Lighting within the County	County Wide	14,783,040	14,783,040	100

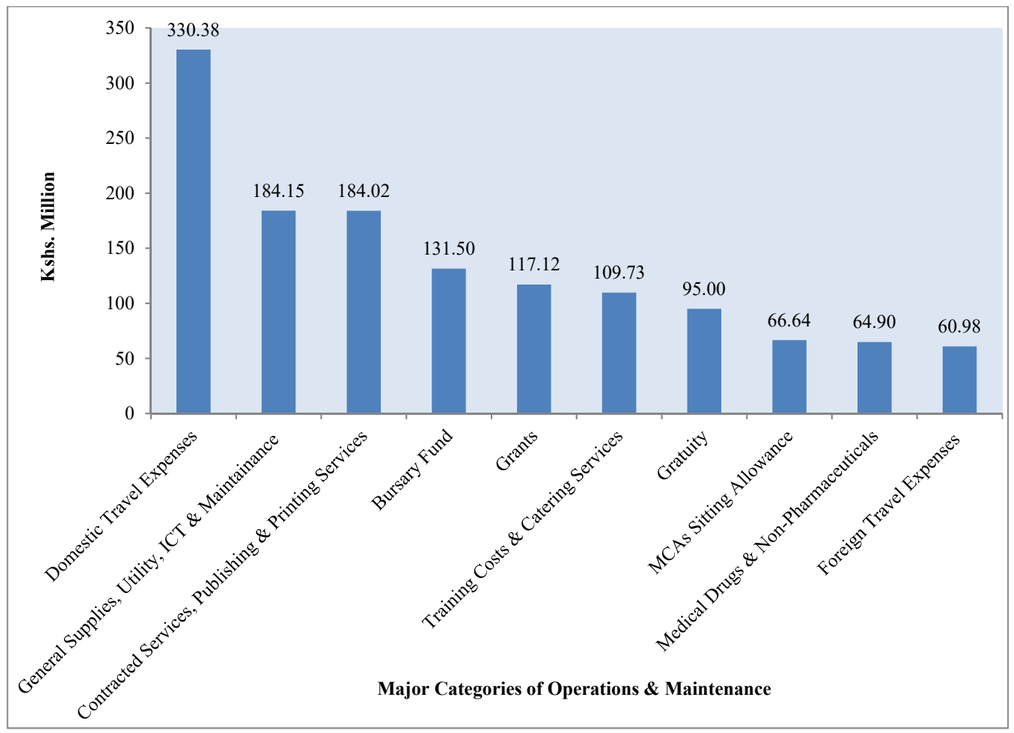
Source: *Nyamira County Treasury*

3.34.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.48 billion comprised of Kshs.3.14 billion (70 per cent) incurred on personnel emoluments and Kshs.1.34 billion (30 per cent) on operations and maintenance as shown Figure 3.135.

Expenditure on personnel emoluments represented an increase of 19.7 per cent compared to FY 2017/18 when the County spent Kshs.2.62 billion and was 56 per cent of the total expenditure in FY 2018/19. Figure 3.136 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.136: Nyamira County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Nyamira County Treasury*

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The County spent Kshs.66.64 million on committee sitting allowances for the 36 MCAs and Speaker against the annual budget allocation of Kshs.66.64 million. This represented an increase of 109.6 per cent compared to Kshs.31.80 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.150,097 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.391.37 million, and comprised of Kshs.147.61 million spent by the County Assembly and Kshs.243.75 million by the County Executive. This expenditure represented 8.7 per cent of total recurrent expenditure and was an increase of 40 per cent compared to Kshs.280.24 million spent in FY 2017/18.

3.34.8 Budget Performance by County Department

Table 3.100 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.100: Nyamira County, Budget Performance by Department in FY 2018/2019

Department	Annual Budget Allocation (Kshs. M)		Total Exchequer Issues (Kshs. Million)		Total Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	587.43	80.00	587.43	65.89	587.43	64.35	100	97.7	100.0	80.4
Executive Office	477.21	-	477.21	-	417.41	-	87.5	-	87.5	-
Finance & Economic Planning	457.03	50.33	446.47	14.03	380.45	17.03	85.2	121.4	83.2	33.8
Agriculture, Livestock & Fisheries	188.95	260.17	182.14	85.26	208.15	79.92	114.3	93.7	110.2	30.7
Environment, Water, Natural Resources, Energy & Mining	133.05	223.52	116.67	98.89	104.68	142.78	89.7	144.4	78.7	63.9
Education & Youth Empowerment	506.27	295.83	487.86	85.17	499.11	132.00	102.3	155.0	98.6	44.6
Health Services	1,716.98	267.50	1,618.34	101.21	1,634.32	148.31	101.0	146.5	95.2	55.4
Lands, Housing & Urban Development	152.77	197.61	102.53	170.43	103.82	58.04	101.3	34.1	68.0	29.4
Roads, Transport & Public Works	129.17	606.47	118.75	384.93	115.97	433.23	97.7	112.5	89.8	71.4
Trade, Tourism, Industrialization & Cooperatives Development	59.78	87.00	52.52	19.44	51.38	28.11	97.8	144.6	85.9	32.3
Gender, Culture & Social Services	76.68	57.47	61.54	3.30	48.97	15.59	79.6	472.4	63.9	27.1
County Public Service Board	59.23	-	57.13	-	55.38	-	96.9	-	93.5	-
Public Service Management	280.55	3.20	277.99	1.20	274.71	1.20	98.8	100.0	97.9	37.5
Total	**4,825.10**	**2,129.10**	**4,586.59**	**1,029.76**	**4,481.79**	**1,120.56**	**97.7**	**108.8**	**92.9**	**52.6**

Source: *Nyamira County Treasury*

Analysis of expenditure by department shows that the County Assembly recorded the highest absorption rate of development budget at 80.4 per cent while the Department of Sports, Gender, and Culture & Social Services recorded the lowest at 27.1 per cent. The Department of Agriculture, Livestock & Fisheries had the highest percentage of recurrent expenditure to recurrent budget at 110.2 per cent while the Department of Sports, Gender, Culture & Social Services had the lowest at 63.9 per cent.

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3.34.9 Key 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 performance of own-source revenue by 71.2 per cent when compared to Kshs.96.62 million realised in FY 2017/18.
ii. Improvement in the absorption of development budget by 112.4 per cent from Kshs.527.66 million in FY 2017/18 to Kshs.1.12 billion in the reporting period.

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

1. A high wage bill that increased by 19.7 per cent from Kshs.2.62 billion in FY 2017/18 to Kshs.3.14 billion in the reporting period. The wage bill accounted for 56 per cent of total expenditure in the reporting period.
2. The average monthly MCAs sitting allowance translated to Kshs.150,097 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.
3. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
4. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
5. Failure by the County to provide a detailed report on pending bills as of the end of the financial year.
6. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Agriculture, Livestock & Fisheries. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*
2. *The County Assembly should ensure the MCAs sitting allowance is within the SRC set ceiling.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*
4. *The County Treasury should liaise with the IFMIS Directorate to address connectivity challenges.*
5. *The County Treasury should provide a report on status of pending bills as at 30th June, 2019 as requested by the Controller of Budget in line with COB Act, 2016.*
6. *The County Treasury should ensure expenditure is within the approved budget.*

3.35 Nyandarua County

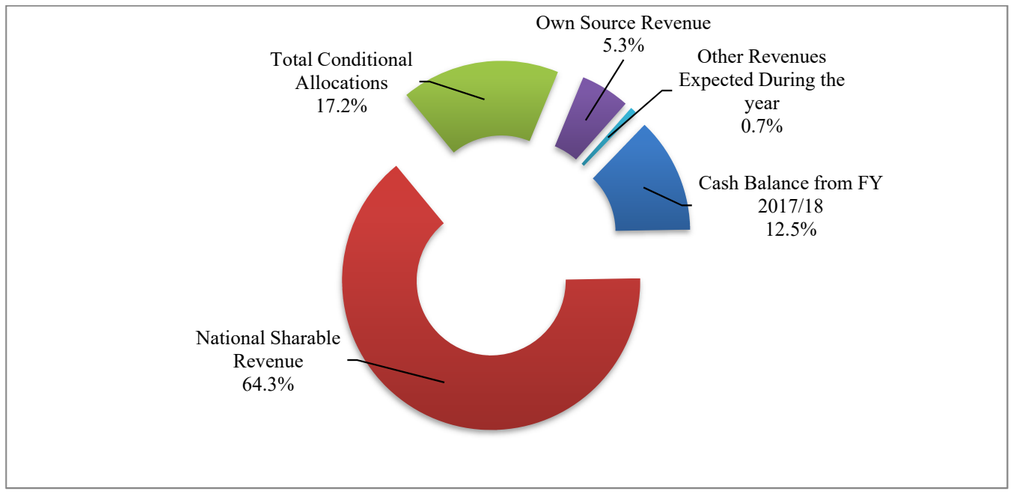
3.35.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Second Supplementary Budget was Kshs.7.67 billion, comprising of Kshs.3.17 billion (41.3 per cent) and Kshs.4.5 billion (58.7 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.93 billion (64.3 per cent) as equitable share of revenue raised nationally, Kshs.1.37 billion (17.2 per cent) as total conditional grants, generate Kshs.410 million (5.3 per cent) from own-source of revenue, Kshs.51.27 million (0.7 per cent) as other expected revenues, and Kshs.959.84 million (12.5 per cent) cash balance from FY 2017/18.

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Figure 3.137: Nyandarua County, Expected Sources of Budget Financing in FY 2018/19



Source: *Nyandarua County Treasury*

A breakdown of the conditional grants is provided in Table 3.101.

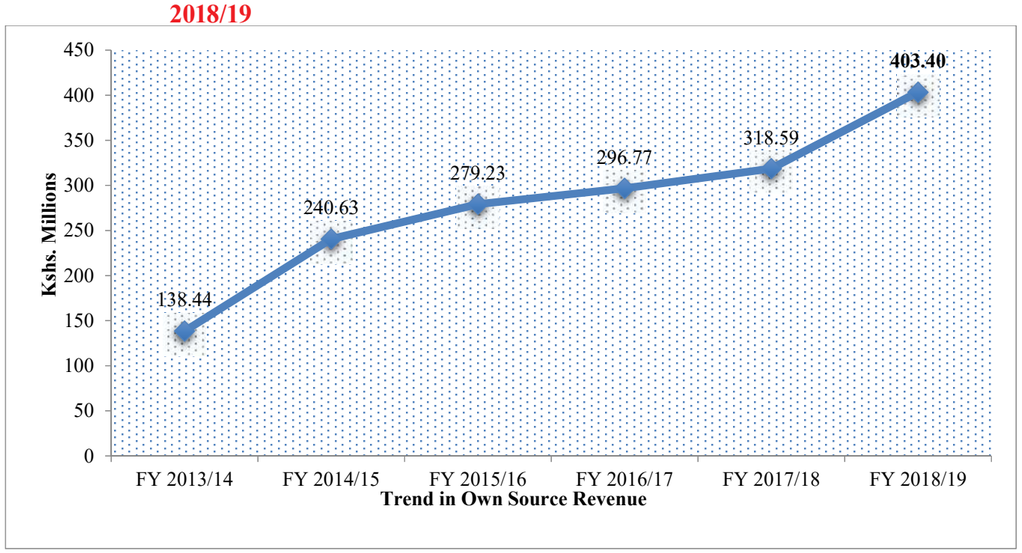
3.35.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.7.01 billion available for budget implementation. This amount consisted of Kshs.4.93 billion received as equitable share of the revenue raised nationally, Kshs.721.89 million as conditional grants, Kshs.403.4 million generated from own sources of revenue, and a cash balance of Kshs.959.84 million from FY 2017/18.

Figure 3.138 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.138: Nyandarua County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Nyandarua County Treasury*

The County generated a total of Kshs.403.4 million from own revenue sources in FY 2018/19. This amount represented an increaseof Kshs.84.82 million compared to that realised in FY 2017/18 and was 98.4 per cent of the annual target.

3.35.3 Conditional Grants

During the reporting period, the County received Kshs.721.89 million as conditional grants as shown in Table 3.101.

Table 3.101: Nyandarua County, Conditional Grants/Loans Received in the FY 2018/19

S/ No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
2	Compensation for User Fee Foregone	12,735,922	12,735,922	12,735,922	100
3	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
4	Road Maintenance Fuel Levy Fund	129,797,341	129,797,341	129,797,341	100
5	Rehabilitation of Village Polytechnics	39,700,000	39,700,000	-	-
6	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	50,000,000	17,501,836	35
7	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	37,877,017	32
8	IDA (World Bank) Kenya Devolution Support Programme “Level 1 grant”	43,069,316	43,069,316	-	-
9	IDA (World Bank) -Kenya Urban Support Project (KUSP)	135,543,400	135,543,400	135,543,400	100
10	DANIDA - Universal Healthcare in Devolved System Programme	15,997,500	15,997,500	15,997,500	100
11	EU Grant- Instruments for Devolution Advice and Support- IDEAS)	45,000,000	78,766,766	78,775,576	175
12	Kenya Devolution Support Programme “Level 2 grant” Bal C/F in FY 2017/18	-	282,647,811	254,280,493	-
13	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	18,522,640	18,522,640	6,743,680	36

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S/ No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
14	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	41,200,000		-
15	Road Maintenance Fuel Levy Bal C/F in FY 2017/18	-	32,641,949	32,641,949	-
Sub Total		**969,566,119**	**1,318,622,645**	**721,894,714**	**74**
B	**Other Grants**				
16	Rehabilitation of Village Polytechnics Bal C/F 2017/18	-	21,274,457		-
17	Linda Mama	-	30,000,000		-
Sub Total		-	51,274,457	-	-
Grand Total		**969,566,119.0**	**1,369,897,102.0**	**721,894,714.0**	**74**

Source: *Nyandarua County Treasury*

During the reporting period, the County Government received a grant from the European Union towards the Instrument for Devolution Advice and Support project which recorded the highest performance in percentage terms accounting for 175 per cent of the annual target.

3.35.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.5.69 billion from the CRF account. The withdrawals represented 74.2 per cent of the Approved Supplementary Budget and translated to an increase of 18.3 per cent from Kshs.4.81 billion in FY 2017/18 and comprised of Kshs.1.68 billion (29.5 per cent) towards development activities and Kshs.4.01 billion (70.5 per cent) for recurrent expenditure.

3.35.5 Overall Expenditure Review

A total of Kshs.5.48 billion was spent on both development and recurrent activities. This expenditure represented 96.2 per cent of the total funds released from the CRF account, and was an increase of 20.5 per cent from Kshs.4.54 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.718.07 million for development activities and Kshs.93.12 million for recurrent costs.

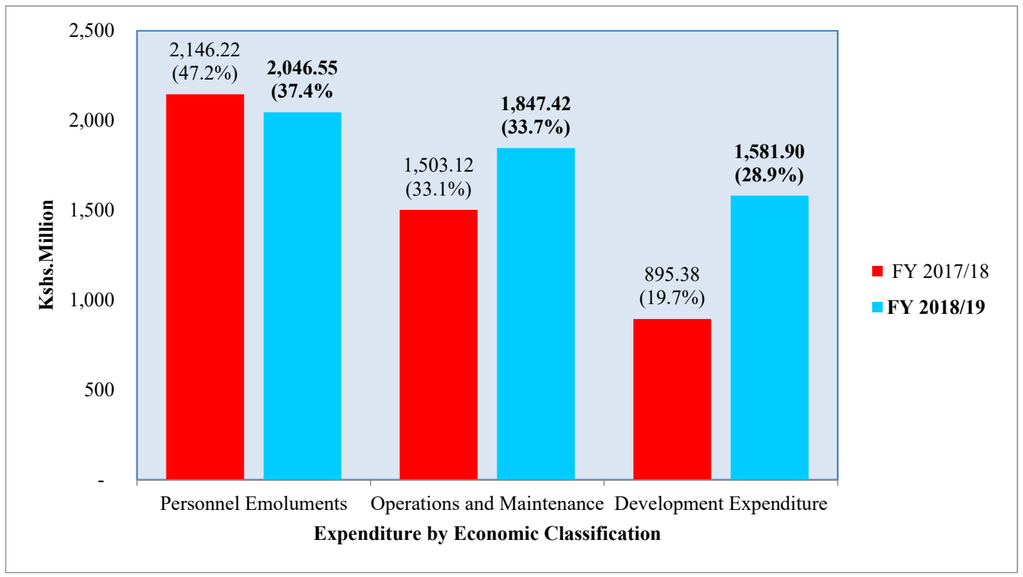
Expenditure on development programmes amounted to Kshs.1.58 billion while Kshs.3.89 billion was spent on recurrent activities. The development expenditure was 94.3 per cent of the funds released for development programmes, while recurrent expenditure was 97.0 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 50 per cent, which was an increase from 44.2 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 86.5 per cent of the annual recurrent budget, a decrease from 89.4 per cent recorded in FY 2017/18.

Figure 3.139 presents a comparison between the total expenditure in FY 2018/19and FY 2017/18.

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Figure 3.139: Nyandarua County, Expenditure by Economic Classification



Source: *Nyandarua County Treasury*

3.35.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.58 billion represented 50 per cent of the annual development expenditure estimates of Kshs.3.17 billion. Table 3.102 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.102: Nyandarua County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project budget (Kshs.)	Project Expenditure (Kshs.)	Absorption Rate (%)
1	Construction of an Office Block	186,100,000	119,241,819	64
2	Purchase of a Fire Truck	52,400,000	52,400,000	100
3	Construction of Bus Parks, Parking lots and Drainage	40,000,000	40,000,000	100
4	Other Infrastructure and Civil Works- (Climate Smart Agricultural Projects)	101,170,050	37,877,017	37
5	Upgrading of Olkalou markets and construction of new stalls	30,000,000	30,000,000	100
6	Construction of 20 kilometre Municipal Roads	26,543,400	26,543,400	100
7	Construction of street lighting of roads in Huruma, Jua Kali Estates and Housing Scheme Estates	20,000,000	20,000,000	100
8	Construction of Lands Office	20,000,000	19,724,032	99
9	Input subsidy (fertilizer and seeds)	21,000,000	18,210,000	87
10	County Spatial Plan	15,688,971	15,688,971	100

Source: *Nyandarua County Treasury*

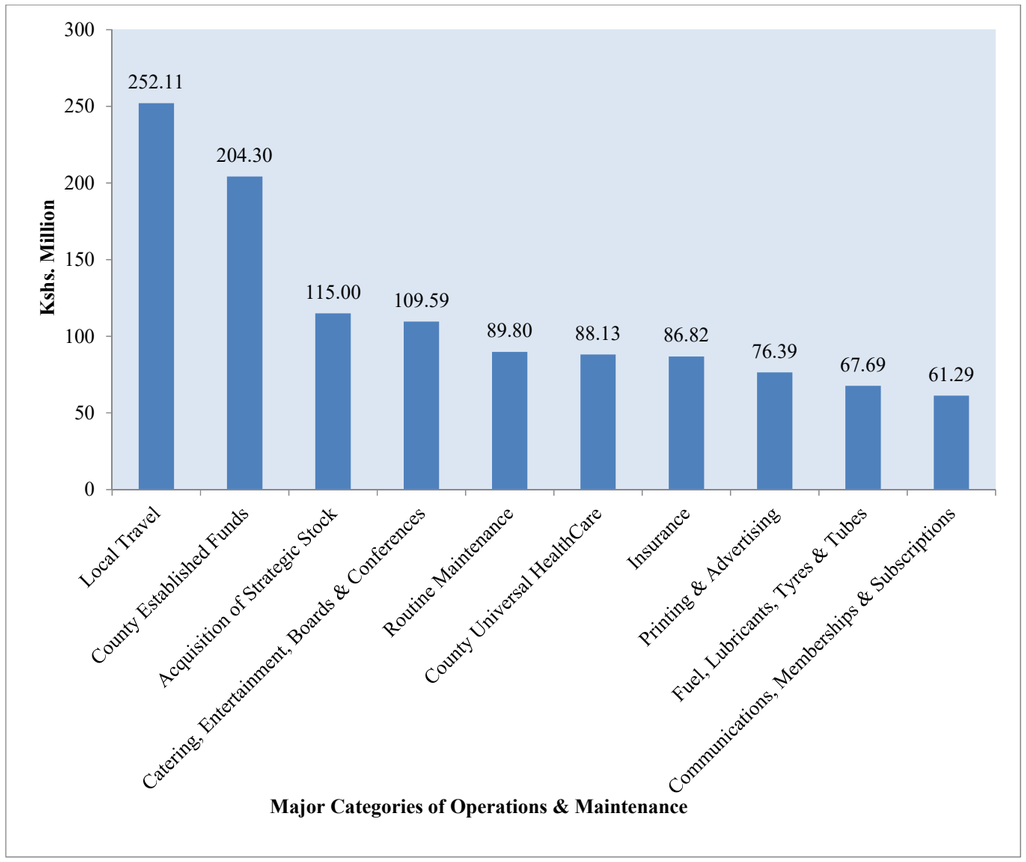
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3.35.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.89 billion comprised of Kshs.2.05 billion (52.6 per cent) incurred on personnel emoluments and Kshs.1.85 billion (47.4 per cent) on operations and maintenance as shown in Figure 3.139.

Expenditure on personnel emoluments represented a decrease of 4.6 per cent compared FY 2017/18 when the County spent Kshs.2.15 billion and was 37.4 per cent of the total expenditure in FY 2018/19. Figure 3.140 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.140: Nyandarua County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Nyandarua County Treasury*

The County spent Kshs.43.76 million on committee sitting allowances for the 40 MCAs and Speaker against the annual budget allocation of Kshs.43.76 million. This represented an increase of 98.1 per cent compared to Kshs.22.66 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.91,161 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

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Expenditure on domestic and foreign travel amounted to Kshs.292.1 million, and comprised of Kshs.97.51 million spent by the County Assembly and Kshs.194.59 million by the County Executive. This expenditure represented 5.3 per cent of total recurrent expenditure and was an increase of 48.1 per cent compared to Kshs.151.69 million spent in FY 2017/18.

3.35.8 Budget Performance by County Department

Table 3.103 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.103: Nyandarua County, Budget Performance by Department in the FY 2018/19

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Total Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Transport, Energy & Public Works	89.50	1,124.67	88.81	673.32	88.27	619.95	99.4	92.1	98.6	55.1
Agriculture Livestock & Fisheries	127.30	281.51	104.87	142.40	93.99	91.82	89.6	64.5	73.8	32.6
County Assembly	643.47	196.10	640.54	130.74	639.74	129.24	99.9	98.9	99.4	65.9
County Attorney	15.03	1.76	15.03	0.75	15.03	0.75	100.0	100.0	100	42.9
County Public Service Board	12.69	-	12.68	-	10.69	-	84.3	-	84.2	-
Education, Gender, Youth, Culture and Social Services	96.70	184.26	61.44	65.11	96.60	65.01	157.2	99.8	99.9	35.3
Finance & Economic Development	549.51	-	459.25	-	473.33	-	103.1	-	86.1	-
Governor's Office & Service Delivery	178.85	5.00	177.14	-	173.90	-	98.2	-	97.2	-
Health Services	597.17	188.04	368.15	98.38	255.32	98.38	69.4	100.0	42.8	52.3
Industrialization Cooperatives, Trade & Enterprise Development	43.18	453.73	28.17	48.93	29.52	50.82	104.8	103.9	68.4	11.2
Lands, Housing & Physical Planning	76.37	300.89	74.75	233.81	75.38	242.65	100.9	103.8	98.7	80.6
Public Administration & ICT	54.37	2.50	52.58	1.00	49.24	1.00	93.6	100.0	90.6	39.9
County Secretary	1,911.05	-	1,824.35	-	1,786.22	-	97.9	-	93.5	-
Water , Environment, Tourism &Natural resources	62.55	349.66	61.56	207.02	62.55	207.02	101.6	100	100	59.2
Youth, Sports and Arts	45.08	78.58	44.94	75.26	44.18	75.25	98.3	100	98.0	95.8
Total	**4,502.83**	**3,166.7**	**4,014.26**	**1,676.74**	**3,893.97**	**1,581.90**	**97.0**	**94.3**	**86.5**	**50.0**

Source: *Nyandarua County Treasury*

Analysis of expenditure by department shows that the Department of Youth, Sports and the Arts recorded the highest absorption rate of development budget at 95.8 while the Department of Industrialization, Cooperatives, Trade & Enterprise Development recorded the lowest at 11.2 per cent. The Department of Water, Environment, Tourism & Natural Resources and the County Attorney recorded the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the Department of Health Services had the lowest at 42.8 per cent.

3.35.9 Key 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 own revenue collection by 26.6 per cent from Kshs.318.59 million in FY 2017/18 to

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Kshs.403.4 million realised in the reporting period.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. High expenditure on foreign and domestic travel, which increased by 48.1 per cent from Kshs.151.69 million in FY 2017/18 to Kshs.292.1 million in the reporting period.
3. Although the wage bill has declined by 4.6 per cent from Kshs.2.15 billion in FY 2017/18 to Kshs.2.05 billion in the reporting period.

The County should implement the following measures 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.*
2. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*

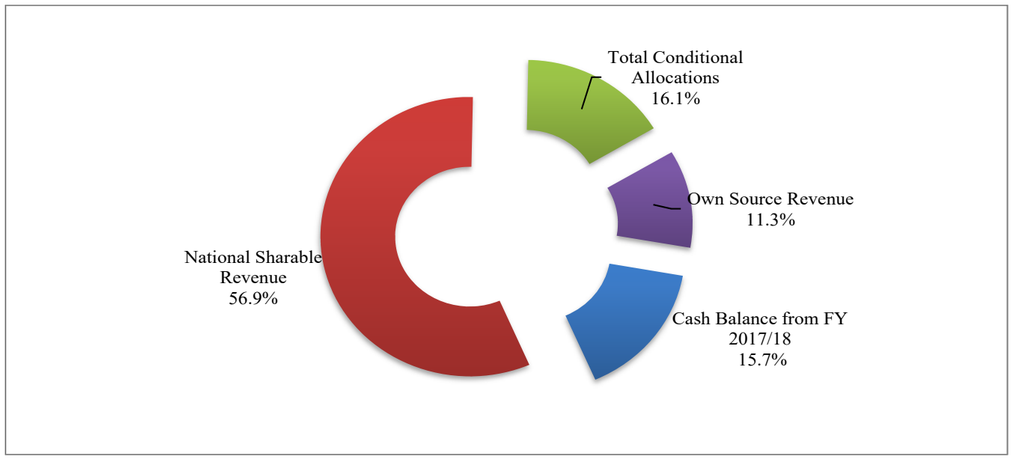
3.36 Nyeri County

3.36.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.8.84 billion, comprising of Kshs.2.86 billion (32.4 per cent) and Kshs.5.98 billion (67.6 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.02 billion (56.9 per cent) as equitable share of the revenue raised nationally, Kshs.1.43 billion (16.1 per cent) as total conditional grants, generate Kshs.1.0 billion (11.3 per cent) from own sources of revenue, and Kshs.1.39 billion (15.7 per cent) cash balance from FY 2017/18.

Figure 3.141: Nyeri County, Expected Sources of Budget Financing in FY 2018/19



Source: *Nyeri County Treasury*

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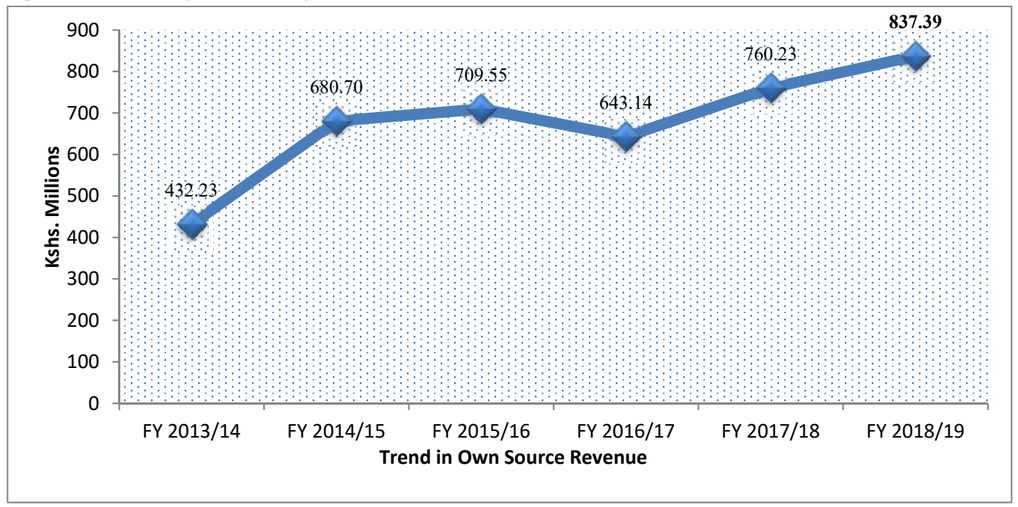
A breakdown of the conditional grants is provided in Table 3.104.

3.36.2 Revenue Analysis

During the FY 2018/19, the County had a total of Khs.8.60 billion available for budget implementation. This amount consisted of Kshs.5.02 billion received as equitable share of the revenue raised nationally, Kshs.1.35 billion as conditional grants, Kshs.837.39 million generated from own sources of revenue, and a cash balance of Kshs.1.39 billion from FY 2017/18.

Figure 3.142 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.142: Nyeri County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Nyeri County Treasury*

The County generated a total of Kshs.837.39 million from own revenue sources in the FY 2018/19. This amount represented an increase of Kshs.77.16 million compared to that realised in FY 2017/18 and was 83.7 per cent of the annual target.

3.36.3 Conditional Grants

During the reporting period, the County received Kshs.1.35 billion as conditional grants as shown in Table 3.104 .

Table 3.104: Nyeri County, Conditional Grants/Loans Received in the FY 2018/19

S/No.	Grant/Loans	Annual Allocation CARA, 2018) (Kshs)	Annual Budget Allocation (Kshs)	Total Receipts (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
1	IDA (World Bank) -Kenya Urban Support Project (KUSP)	236,639,100	236,639,100	236,639,100	100
2	DANIDA - Universal Healthcare in Devolved System Programme	16,605,000	16,605,000	16,605,000	100
3	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	50,000,000	27,901,561	55.8
4	Grants to Level- 5 Hospital	407,861,272	407,861,272	407,861,272	100
5	Sweden-Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	17,424,659	17,424,659	6,343,929	36.4

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S/No.	Grant/Loans	Annual Allocation CARA, 2018) (Kshs)	Annual Budget Allocation (Kshs)	Total Receipts (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
6	Leasing of Medical Equipment	117,000,000	-	-	-
7	IDA (World Bank) – Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	40,980,203	35
8	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	41,200,000	41,200,000	100
9	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	43,740,998	43,740,998	-	-
10	Rehabilitation of Village Polytechnics	28,795,000	28,795,000	-	-
11	Road Maintenance Fuel Levy	132,277,544	132,277,544	165,996,793	125.5
12	Compensation for User Fee Foregone	13,701,379	13,701,379	13,701,379	100
13	Transforming Health Systems for Universal Care Project (GOK)	319,788,780	319,788,780	159,894,390	50
14	Kenya Devolution Support Programme-Level 2	-	-	229,776,792	-
Grand Total		**1,542,033,732**	**1,425,033732**	**1,346,900,419**	**87.3**

Source: *Nyeri County Treasury*

During the reporting period, receipts from the Roads Maintenance Fuel Levy recorded the highest performance in percentage terms accounting for 125.5 per cent of the annual target.

3.36.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.7.77 billion from the CRF account. The withdrawals represented 87.9 per cent of the Approved Supplementary Budget and translated to an increase of 18.8 per cent from Kshs.6.54 billion in the FY 2017/18 and comprised of Kshs. 2.19 billion (28.2 per cent) towards development activities and Kshs.5.58 billion (71.8 per cent) for recurrent expenditure.

3.36.5 Overall Expenditure Review

A total of Kshs.7.05 billion was spent on both development and recurrent activities. This expenditure represented 90.7 per cent of the total funds released from the CRF account, and was an increase of 24.8 per cent from Kshs.5.65 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.22.18 million for development activities and Kshs.39.51 million for recurrent costs.

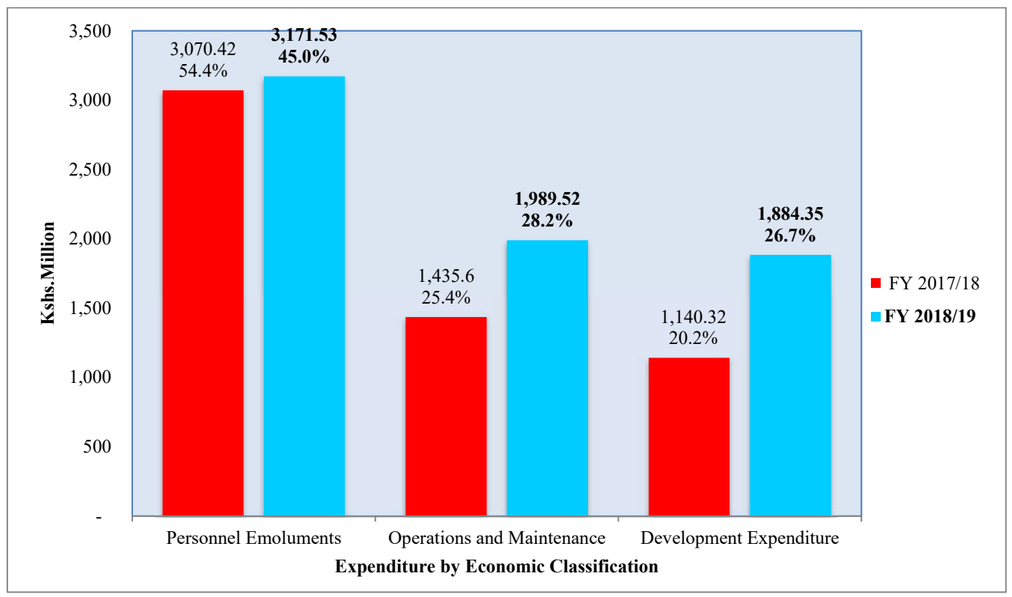
Expenditure on development programmes amounted to Kshs.1.88 billion while Kshs.5.16 billion was spent on recurrent activities. The development expenditure was 86.2 per cent of the funds released for development programmes, while recurrent expenditure was 92.5 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 65.9 per cent, which was an increase from 45.8 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 86.1 per cent of the annual recurrent budget, an increase from 82.4 per cent recorded in FY 2017/18.

Figure 3.143 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18 and shows personnel emoluments, operations and maintenance and development expenditure as a percentage of total annual expenditure.

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Figure 3.143: Nyeri County, Expenditure by Economic Classification



Source: *Nyeri County Treasury*

3.36.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.88 billion represented 65.9 per cent of the annual development expenditure estimates of Kshs.2.86 billion. Table 3.105 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.105: Nyeri County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Access Roads Improvement	County-wide	615,517,337	546,528,999	89
2	Re-carpeting of Town Roads	Nyeri, Karatina & Othaya towns	288,125,859	126,104,937	44
3	Installation of Street Lights	County-wide	70,000,000	63,592,523	91
4	Preparation of County Spatial Plan	County-wide	59,500,000	56,682,604	95
5	Construction/Refurbishment Health Facilities	County-wide	100,643,830	52,746,936	52
6	Purchase of 5 Dump Truck Tippers	County-wide	45,000,000	42,150,000	94
7	Purchase of Medical Equipment	County-wide	36,638,000	24,510,068	67
8	Purchase of Bulldozer	County-wide	25,000,000	22,580,000	90
9	Greening Program	County-wide	22,000,000	20,563,990	93
10	Purchase of Lime	County-wide	15,151,290	15,151,290	100

Source: *Nyeri County Treasury*

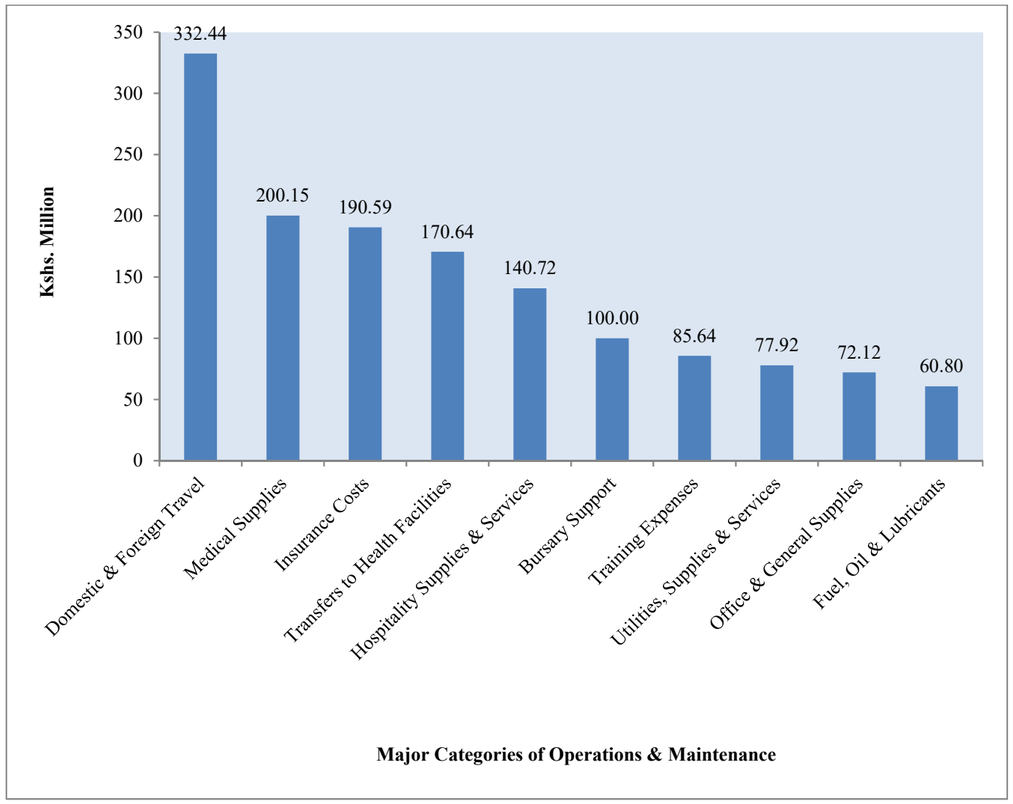
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3.36.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.16 billion comprised of Kshs.3.17 billion (61.4 per cent) incurred on personnel emoluments and Kshs.1.99 billion (38.6 per cent) on operations and maintenance as shown in Figure 3.143 .

Expenditure on personnel emoluments represented an increase of 3.3 per cent compared to FY 2017/18 when the County spent Kshs.3.07 billion and was 45 per cent of the total expenditure in FY 2018/19. Figure 3.144 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.144: Nyeri County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Nyeri County Treasury*

The County spent Kshs.39.76 million on committee sitting allowances for the 44 MCAs and the Speaker against the annual budget allocation of Kshs.79.16 million. This represented an increase of 93.1 per cent compared to Kshs.20.59 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.73,633 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.332.44 million. This amount comprised of Kshs.213.6 million and Kshs.118.84 million spent by the County Assembly and the County Executive respectively. This expenditure represented 6.4 per cent of the total recurrent expenditure and was an increase of 60.4 per cent compared to Kshs.200.86 million spent in FY 2017/18.

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3.36.8 Budget Performance by County Department

Table 3.106 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.106: Nyeri County, Budget Performance by Department in FY 2018/19

Department	Annual 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
County Assembly	659.45	5.00	654.26	1.72	650.07	1.72	99.4	100.0	98.6	34.4
Office of the Governor & Deputy Governor	166.26	40.00	165.86	0.00	128.22	0.00	77.3	-	77.1	-
Office of the County Secretary	234.58	8.39	212.29	2.49	211.24	1.74	99.5	69.7	90.0	20.7
Finance and Economic Planning	557.99	311.19	488.16	259.66	455.03	271.49	93.2	104.6	81.5	87.2
Lands, Physical Planning, Housing and Urbanization	52.61	358.75	49.75	307.60	49.28	78.81	99.0	25.6	93.7	22.0
Health Services	2,809.43	244.55	2,616.54	158.58	2,315.09	105.75	88.5	66.7	82.4	43.2
Youth, Gender and Social Services	122.14	21.48	121.84	8.05	109.79	9.82	90.1	122.0	89.9	45.7
County Public Service & Administration	184.57	5.00	183.46	5.00	181.70	4.98	99.0	99.6	98.4	99.6
Agriculture, Livestock and Fisheries	372.34	216.09	315.89	159.25	333.44	109.12	105.6	68.5	89.6	50.5
Trade, Culture, Tourism & Cooperative Development	63.29	119.37	61.24	80.49	59.95	84.03	97.9	104.4	94.7	70.4
Education, Science and Technology	413.56	163.30	380.53	132.73	377.19	133.85	99.1	100.8	91.2	82.0
Water, Environment & Natural resources	139.55	320.31	129.00	227.01	119.38	241.22	92.5	106.3	85.5	75.3
County Public Service Board	43.22	-	42.02	-	39.15	-	93.2	-	90.6	-
Transport, Public Works & Infrastructure	156.86	1,047.26	156.66	847.17	131.52	841.81	84.0	99.4	83.8	80.4
Total	**5,975.85**	**2,860.69**	**5,577.50**	**2,189.74**	**5,161.05**	**1,884.35**	**92.5**	**86.1**	**86.4**	**65.9**

Source: *Nyeri County Treasury*

Analysis of expenditure by department shows that the Department of County Public Service & Administration had the highest absorption rate of development budget at 99.6 per cent while the Office of the Governor and Deputy Governor did not spend on development expenditure. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 98.6 per cent while the Office of the Governor and Deputy Governor had the lowest at 77.1 per cent.

3.36.9 Key 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 own-source revenue performance by 10 per cent to Kshs.837.39 million, from Kshs.760.23 million in FY2017/18.
ii. Improvement in the absorption of the development budget to 65.9 per cent compared to 45.8 per cent in FY 2017/18.

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

1. A high wage bill that increased by 3.3 per cent from Kshs.3.07 billion in the FY 2017/18 to Kshs.3.17

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billion during the reporting period. The wage bill accounted for 45 per cent of total expenditure in the reporting period.
2. High expenditure on domestic and foreign travel, which increased by 60.4 per cent from Kshs.200.86 million in FY 2017/18 to Kshs.332.44 million in the reporting period.
3. Failure to constitute the County Budget and Economic Forum (CBEF) as required under Section 137 of the PFM Act, 2012 for consultation in the budget process.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*
2. *The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*
3. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*

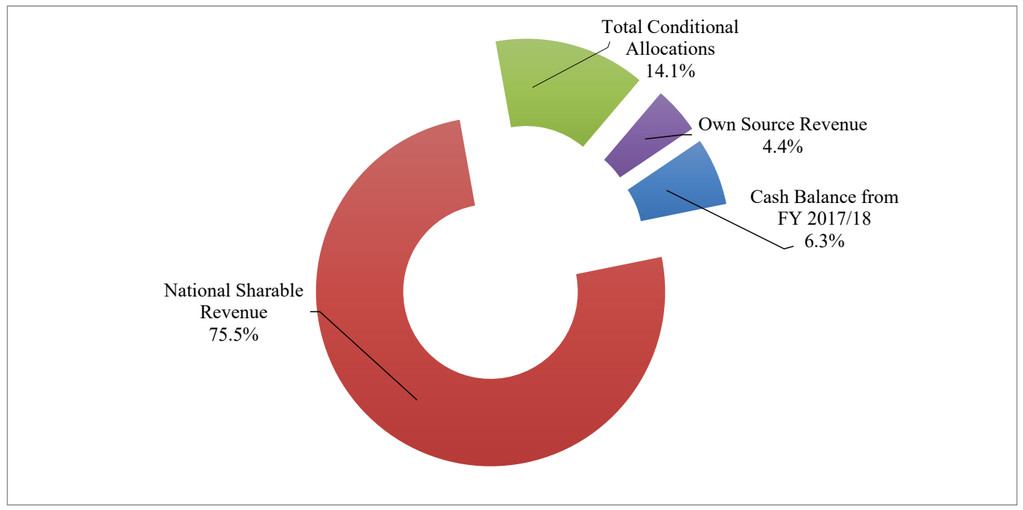
3.37 Samburu County

3.37.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.5.86 billion, comprising of Kshs.3.86 billion (65.8 per cent) and Kshs.2.0 billion (34.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.43 billion (75.5 per cent) as equitable share of revenue raised nationally, Kshs.825 million (14 per cent) as total conditional grants, generate Kshs.255.03 million (4.4 per cent) from own-sources of revenue, and Kshs.367.47 million (6.3 per cent) cash balance from FY 2017/18.

Figure 3.145: Samburu County, Expected Sources of Budget Financing in FY 2018/19



Source: *Samburu County Treasury*

The conditional grants contained in the CARA, 2018 are shown in Table 3.107.

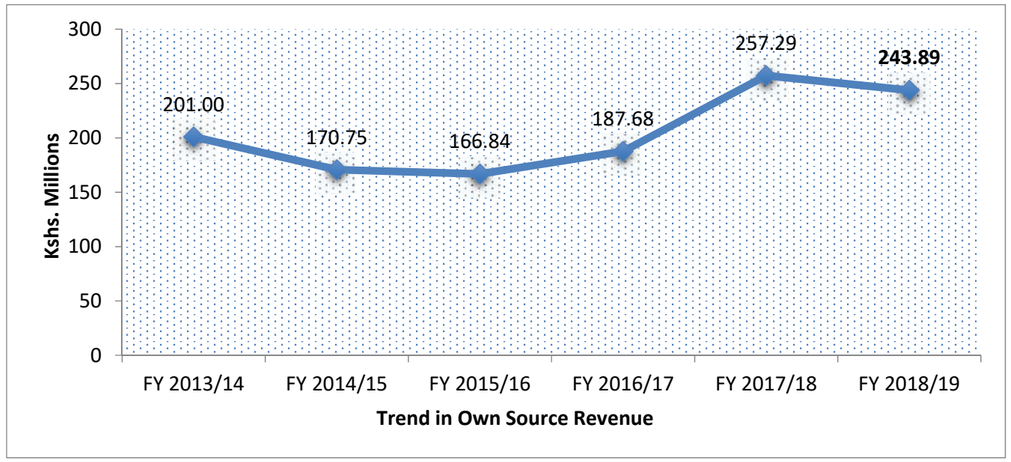
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3.37.2 Revenue Analysis

During the FY 2018/19, the County received Kshs.4.43 billion as equitable share of the revenue raised nationally, Kshs.350.76 million as total conditional grants, raised Kshs.243.89 million from own-sources of revenue, and had a cash balance of Kshs.367.47 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.5.39 billion.

Figure 3.146 shows the trend in annual own-source revenue collection from the FY 2013/14 to the FY 2018/19.

Figure 3.146: Samburu County, Own Source Revenue Collection from the FY 2013/14 to FY 2018/19



Source: *Samburu County Treasury*

The County generated a total of Kshs.243.89 million from own revenue sources during the FY 2018/19. This amount represented a decrease of Kshs.13.4 million compared to that realised during a similar period of the FY 2017/18 and was 96 per cent of the annual target.

3.37.3 Conditional Grants

The County received Kshs.350.76 million as conditional grants in the financial year 2018/19 as shown in Table 3.107.

Table 3.107: Samburu County, Conditional Grants/Loans Received in the FY 2018/19

S/No.	Grants	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Agriculture Sector Development Support Programme (ASDSP)	22,652,198	22,652,198	-	-
2	Compensation for User Fee Foregone	5,235,578	5,235,578	5,235,578	100
3	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
4	FAO Funds	-	8,766,690	-	-
5	Road Maintenance Fuel Levy	116,569,586	116,569,586	143,493,610	123
6	Rehabilitation of Village Polytechnics	20,905,000	20,905,000		-
7	Transforming Health Systems for Universal Care Project (WB)	97,143,610	97,143,610	47,993,129	49
8	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	50,078,476	36
9	EU Grant for Instrument for devolution advice and support (IDEAS)	70,000,000	70,000,000	-	-

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S/No.	Grants	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
10	Kenya Devolution Support Project (KDSP) "Level 1 grant"	39,330,852	39,330,852	-	-
11	DANIDA Grant	12,757,500	12,757,500	12,757,500	100
12	IDA (World Bank) Kenya Urban Support Project - Urban Institutional Grants	41,200,000	41,200,000	41,200,000	100
13	Kenya Urban Support Programme	50,000,000	50,000,000	50,000,000	100
	Total	**816,229,487**	**824,996,177**	**350,758,293**	**43**

Source: *Samburu County Treasury*

During the FY 2018/19, the County Government received the highest receipts as a percentage of annual budget allocation from Road Maintenance Fuel Levy Fund at 123 per cent of the annual target.

3.37.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.54 billion from the CRF account. The withdrawals represented 94 per cent of the Approved Budget and translated to an increase of 14.7 per cent from Kshs.3.96 billion approved in the FY 2017/18 and comprised of Kshs.3.59 billion (78.9 per cent) to fund recurrent expenditure and Kshs.958.63 million (21.1 per cent) for development activities.

3.37.5 Overall Expenditure Review

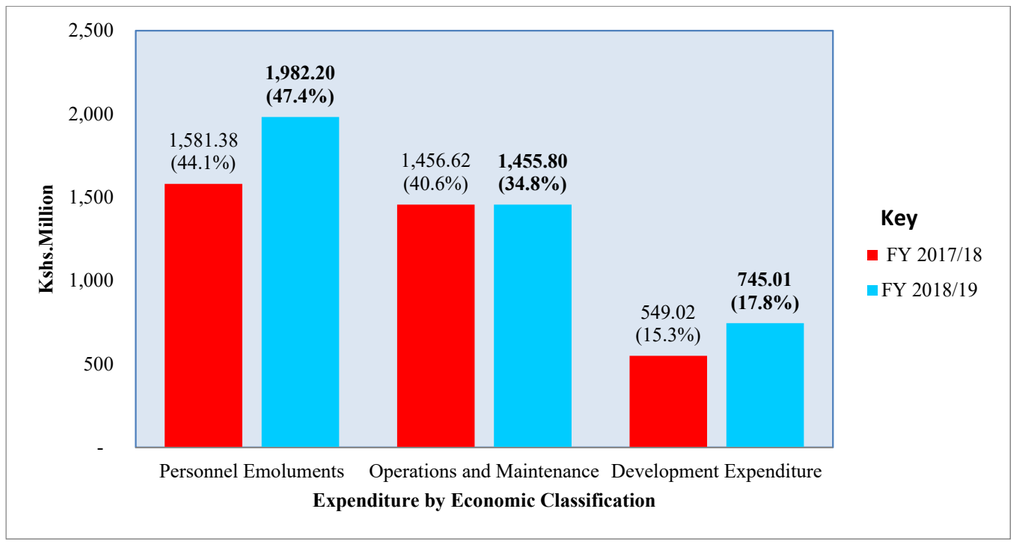
The County Government spent a total of Kshs.4.18 billion on recurrent and development activities. This expenditure represented 92 per cent of the total funds released from the CRF account and was an increase of 16.6 per cent from Kshs.3.59 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.134.9 million for development activities.

Expenditure on recurrent activities amounted to Kshs.3.44 billion while Kshs.745.01 million was spent on development activities. The recurrent expenditure was 95.9 per cent of the funds released for recurrent activities, while development expenditure was 77.7 per cent of funds released for development activities.

The recurrent expenditure represented 89.2 per cent of the annual recurrent budget, a decrease from 89.9 per cent recorded in the FY 2017/18. Development expenditure recorded an absorption rate of 37.2 per cent, which was a decrease from 37.6 per cent attained in FY 2017/18. Figure 3.147 presents a comparison between the total expenditure in the FY 2018/19 and in FY 2017/18.

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Figure 3.147: Samburu County, Expenditure by Economic Classification



Source: *Samburu County Treasury*

3.37.6 Development Expenditure Analysis

The total development expenditure of Kshs.745.01 million represented 37.2 per cent of the annual development expenditure budget of Kshs.2.0 billion. Table 3.108 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.108: Samburu County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure (Kshs.)
1	Construction of County Headquarters	Maralal Ward	1,041,603,768	49,461,530
2	Construction of Roads	Waso Ward	27,783,000	14,879,049
3	Construction of borehole and piping system	Loosuk,Suguta	8,918,003	8,918,003
4	Construction of Access Roads	Poro Ward	19,179,060	8,486,000
5	Construction of Roads	Wamba	20,345,880	9,310,000
6	Construction of Buildings	Samburu North	25,811,498	8,073,089
7	Construction of Roads	Ndoto Ward	21,966,300	7,550,000
8	Construction of cafeteria	Malaso Ward	5,802,356	5,802,356

Source: *Samburu County Treasury*

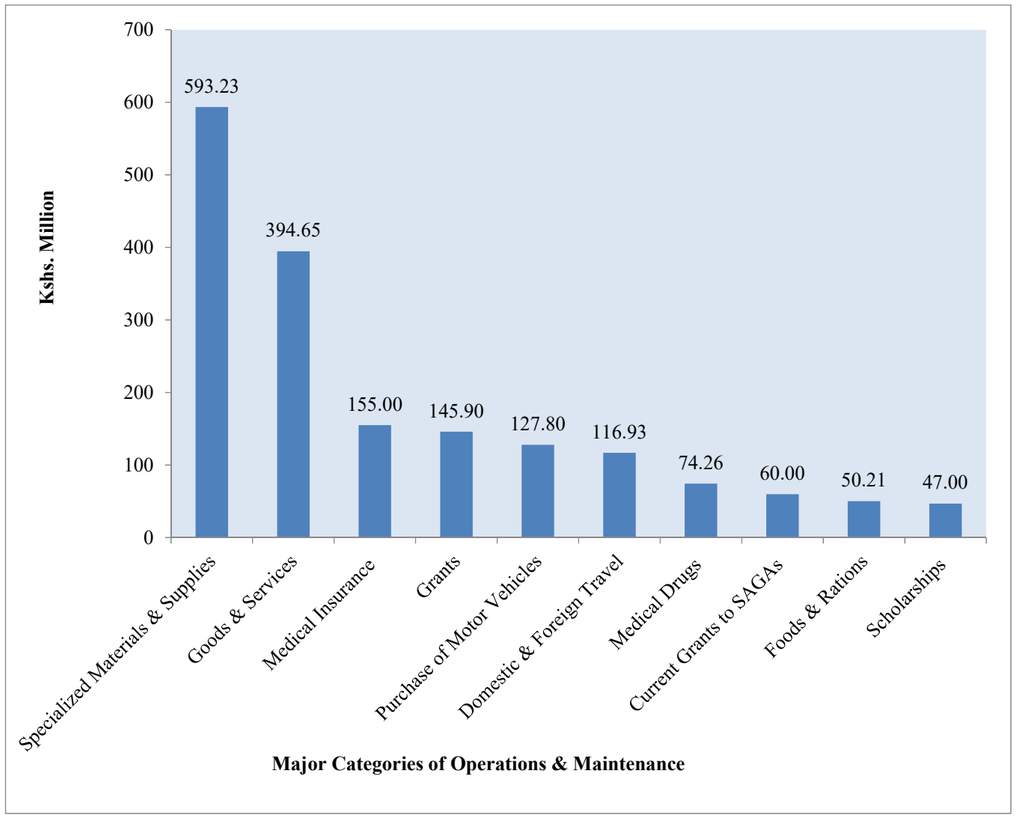
3.37.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.44 billion comprised of Kshs.1.98 billion (57.7 per cent) incurred on personnel emoluments and Kshs.1.46 billion (42.3 per cent) on operations and maintenance as shown in Figure 3.147.

Expenditure on personnel emoluments represented an increase of 25.3 per cent compared to FY 2017/18 when the County spent Kshs.1.58 billion and was 47.4 per cent of total expenditure in the FY 2018/19. Figure 3.148 shows a summary of operations and maintenance expenditure by major categories.

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Figure 3.148: Samburu County, Operations and Maintenance Expenditure by Major Categories in theFY 2018/19



Source: *Samburu County Treasury*

The County spent Kshs.29.02 million on committee sitting allowances for the 28 MCAs and Speaker against the annual budget allocation of Kshs.29.02 million. This represented an increase of 159.3 per cent compared to Kshs.11.19 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.86,369 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.116.93 million and comprised of Kshs.72.44 million spent by the County Assembly and Kshs.44.49 million spent by the County Executive.

3.37.8 Budget Performance by County Department

Table3.109 shows a summary of the approved budget allocation and performance by department in the FY 2018/19.

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Table3.109: Samburu County, Budget Performance by Department in the FY 2018/2019

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Total Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.
County Executive	420.25	17.90	417.55	12.60	402.09	12.60	96.3	100.0	95.7	70.4
Finance & Economic planning	638.60	44.16	598.82	19.00	573.87	11.66	95.8	61.4	89.9	26.4
Agriculture, Livestock, Veterinary & Fisheries	327.73	278.83	279.42	51.69	267.80	36.23	95.8	70.1	81.7	13.0
Environment & Natural Resources	171.49	302.16	143.49	121.50	128.75	121.45	89.7	100.0	75.1	40.2
Education, Youth Affairs & Social Development	364.05	175.10	356.92	73.00	343.25	71.45	96.2	97.9	94.3	40.8
County Health Services	887.51	342.11	826.15	109.92	825.85	63.21	100.0	57.5	93.1	18.5
Lands, Physical Planning and Urban Development	128.48	126.66	106.99	119.81	100.25	43.17	93.7	36.0	78.0	34.1
Transport, Public Works and Water Services	116.73	431.74	105.07	256.17	80.79	192.19	76.9	75.0	69.2	44.5
Trade, Tourism, Cooperatives and Enterprise Development	190.94	171.55	163.78	115.79	162.80	113.89	99.4	98.4	85.3	66.4
Culture, Social Services and Gender	136.43	39.69	113.50	9.17	102.04	9.13	89.9	99.6	74.8	23.0
County Assembly	474.01	75.00	474.01	70.00	450.65	70.00	95.1	100.0	95.1	93.3
Total	**3,856.21**	**2,004.91**	**3,585.70**	**958.65**	**3,438.00**	**745.00**	**95.9**	**77.7**	**89.2**	**37.2**

Source: *Samburu County Treasury*

Analysis of expenditure by department shows that the County Assembly recorded the highest absorption rate of development budget at 93.3 per cent while the Department of Agriculture, Livestock, Veterinary & Fisheries had the lowest absorption of development budget at 13 per cent. The County Executive had the highest percentage of recurrent expenditure to recurrent budget at 95.7 per cent while the Department of Transport, Public Works and Water Services had the lowest absorption rate at 69.2 per cent.

3.37.9 Key Observations and Recommendations

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

i. Timely submission of financial reports by the County Treasury to the Office of the Controller of Budget in line with Section 166 of the PFM Act, 2012 and COB Act, 2016.
ii. Improved internet connectivity, resulting into effective use of IFMIS. This has led to an improvement in the processing of financial transactions.

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

1. A high wage bill that increased by 25.3 per cent from Kshs.1.58 billion in the FY 2017/18 to Kshs.1.98 billion in the reporting period. The wage bill accounted for 47.4 per cent of total expenditure in the reporting period.
2. Delay in the disbursement of equitable share of revenue raised nationally by the National Treasury.

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

1. *The County Public Service Board should ensure expenditure on personnel costs are within 35 per cent of County's total revenue in line with regulation 25(1) (b) of the PFM (County Government)*

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Regulations, 2015.

2. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*

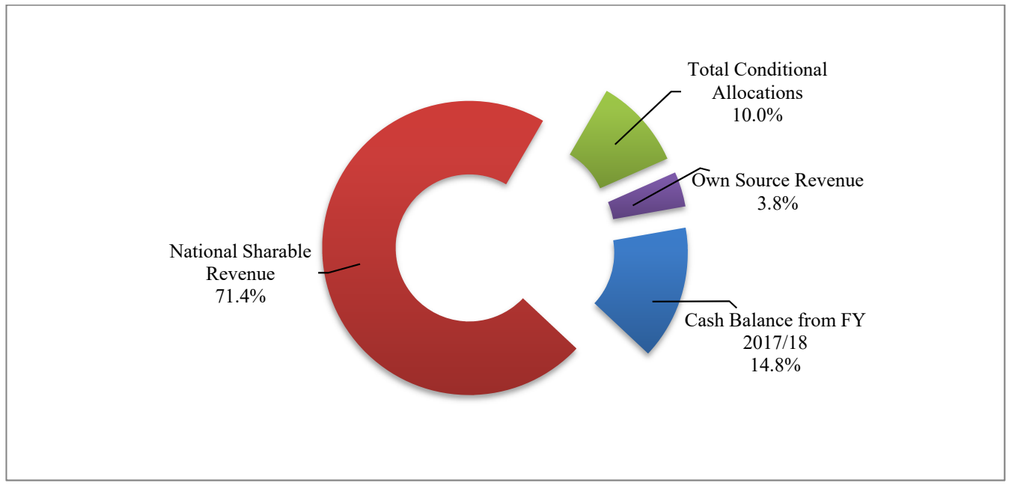
3.38 Siaya County

3.38.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 second Supplementary Budget was Kshs.8.44 billion, comprising of Kshs.4.71 billion (55.8 per cent) and Kshs.3.74 billion (44.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.03 billion (71.4 per cent) as equitable share of the revenue raised nationally, Kshs.844.3 million (10 per cent) as total conditional grants, generate Kshs.325 million (3.8 per cent) from own sources of revenue, and Kshs.1.25 billion (14.8 per cent) cash balance from FY 2017/18.

Figure 3.149: Siaya County, Expected Sources of Budget Financing in FY 2018/19



Source: *Siaya County Treasury*

A breakdown of the conditional grants is provided in Table 3.110.

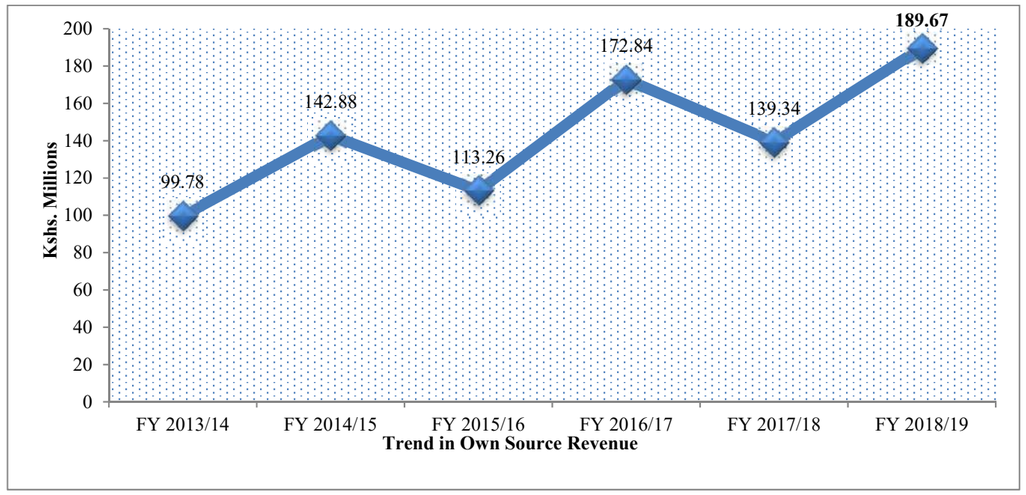
3.38.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.7.86 billion available for budget implementation. This amount consisted of Kshs.6.03 billion received as equitable share of the revenue raised nationally, Kshs.392.99 million as conditional grants, Kshs.189.67 million generated from own sources of revenue, and a cash balance of Kshs.1.25 billion from FY 2017/18.

Figure 3.150 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.150: Siaya County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Siaya County Treasury*

The County generated a total of Kshs.189.67 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.50.33 million compared to that realised in FY 2017/18 and was 58.4 per cent of the annual target.

3.38.3 Conditional Grants

During the reporting period, the County received Kshs.392.99 million as conditional grants as shown in Table 3.110.

Table 3.110: Siaya County, Conditional Grants/Loans Received in the FY 2018/19

S/No.	Grants	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Total Receipts (Kshs.)	Total Receipts as Percentage of Annual Allocation (%)
1	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
2	Road Maintenance Fuel Levy Fund	158,733,053	158,733,053	158,733,053	100
3	(World Bank)-Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	38,278,224	32.7
4	EU - Water Tower and Protection Climate Change Mitigation and Adaptive Programme (WATER)	80,000,000	80,000,000	-	-
5	(World Bank)-Transforming Health Systems for Universal Care Project	56,758,154	56,758,154	31,951,817	56.3
6	(World Bank)- Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100
7	(World Bank)- Kenya Devolution Support Project (KDSP) - Level 1	46,076,429	46,076,429	-	-
8	IDA (World Bank) - Kenya Urban Support Project (KUSP) Urban Institution	41,200,000	41,200,000	41,200,000	100
9	Rehabilitation of Youth Polytechnics	38,500,000	38,500,000	29,067,500	75.5
10	Sweden- Agricultural Sector Development Support Program (ASDSP)	19,311,593	19,311,593	7,030,920	36.4
11	DANIDA - Universal Healthcare for Devolved System Program	18,528,750	18,528,750	18,528,750	100
12	Compensation for User Fees Foregone	18,194,808	18,194,808	18,194,808	100
Total		**844,302,787**	**844,302,787**	**392,985,072**	**46.5**

Source: *Siaya County Treasury*

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During the reporting period, receipts from the Road Maintenance Fuel Levy Fund, Kenya Urban Support Project, DANIDA, and Compensation for User Fees Foregone recorded the highest performance in percentage terms, accounting for 100 per cent of the respective annual target.

3.38.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.6.26 billion from the CRF account. The withdrawals represented 74.1 per cent of the Approved Supplementary Budget and translated to an increase of 15.1 per cent from Kshs.5.44 billion in FY 2017/18 and comprised of Kshs.4.53 billion (72.4 per cent) towards recurrent activities and Kshs.1.73 billion (27.6 per cent) for development expenditure.

3.38.5 Overall Expenditure Review

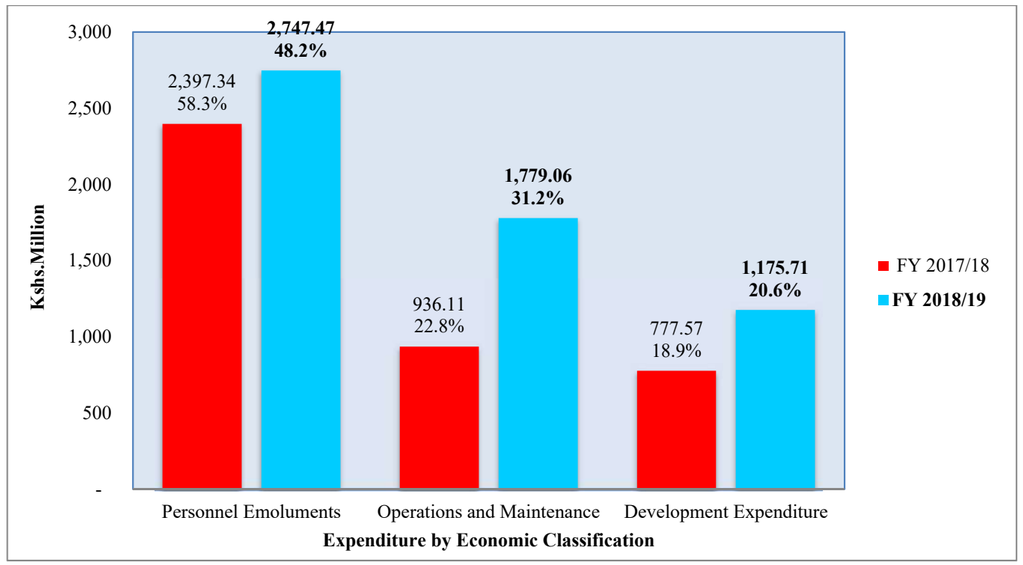
A total of Kshs.5.7 billion was spent on both development and recurrent activities. This expenditure represented 91 per cent of the total funds released from the CRF account, and was an increase of 38.7 per cent from Kshs.4.11 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.187.42 million for development activities and Kshs.258.26 million for recurrent costs.

Expenditure on development programmes amounted to Kshs.1.18 billion while Kshs.4.53 billion was spent on recurrent activities. The development expenditure was 68.1 per cent of the funds released for development programmes, while recurrent expenditure was 99.9 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 31.5 per cent, which was an increase from 30.5 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 96.1 per cent of the annual recurrent budget, an increase from 77.5 per cent recorded in FY 2017/18. Figure 3.151 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

Figure 3.151: Siaya County, Expenditure by Economic Classification



Source: *Siaya County Treasury*

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3.38.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.18 billion represented 31.5 per cent of the annual development expenditure estimates of Kshs.3.74 billion. Table 3.111 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.111: Siaya County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure (Kshs.)	Absorption Rate (%)
16.	Construction of Siaya County Stadium	Siaya town	180,000,000	85,303,489	47.4
17.	Acquisition, Supervision and Installation of Hansard and Information Technology System Infrastructure and Equipment Development	County Assembly Chambers	60,735,050	32,897,056	54.2
18.	Maintenance of River Yala and Lake Kanyaboli dykes	Central Alego Ward	20,000,000	19,925,666	99.6
19.	Preparation of Siaya County Spatial Plan	County Headquarters	35,000,000	18,483,200	52.8
20.	Provision of WAN and Internet services (Recurring development costs)	County Headquarters	18,000,000	18,000,000	100
21.	Construction of County Annex Siaya	County Headquarters	35,000,000	11,995,022	34.3
22.	Development of East Uyoma Water Project (co-funding of the project)	East Uyoma Ward	10,000,000	9,915,691	99.2
23.	Increasing access and quality of health care for the vulnerable group through Universal Health Care	Spread across the entire County	20,000,000	9,000,000	45
24.	Construction of Pap - Kodero Twin Box Culvert FL	West Uyoma Ward	12,119,733	8,954,460	73.9
25.	Routine Maintenance Of Ndai/Kanyaboli/Kubar Pr. Sch. /Obambo Pr. Sch. Road	Central Alego Ward	8,265,600	8,252,145	99.8

Source: *Siaya County Treasury*

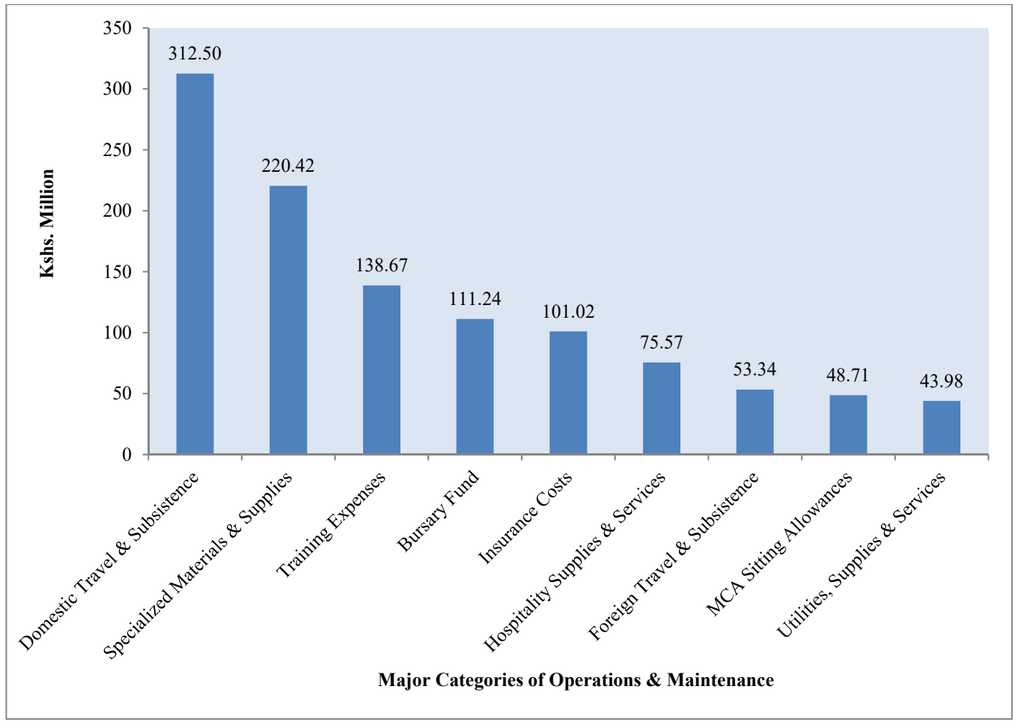
3.38.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.53 billion comprised of Kshs.2.75 billion (60.7 per cent) incurred on personnel emoluments and Kshs.1.78 billion (39.3 per cent) on operations and maintenance as shown in Figure 3.151.

Expenditure on personnel emoluments represented an increase of 14.6 per cent compared to FY 2017/18 when the County spent Kshs.2.40 billion and was 48.2 per cent of the total expenditure in FY 2018/19. Figure 3.152 shows a summary of operations and maintenance expenditure by major categories.

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Figure 3.152: Siaya County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Siaya County Treasury*

The County spent Kshs.48.71 million on committee sitting allowances for the 43 MCAs and Speaker against the annual budget allocation of Kshs.48.69 million. This represented an increase of 136 per cent compared to Kshs.20.64 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.94,395 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.365.84 million, and comprised of Kshs.132.26 million spent by the County Assembly and Kshs.233.58 million by the County Executive. This expenditure represented 6.9 per cent of total recurrent expenditure and was an increase of 116.4 per cent compared to Kshs.169.02 million spent in FY 2017/18.

3.38.8 Budget Performance by County Department

Table 3.112 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.112: Siaya County, Budget Performance by Department in the FY 2018/19

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
Governance and Administration	571.08	39.77	571.08	19.34	569.47	12.00	99.7	62.0	99.7	30.2
Finance, and Economic Planning	640.30	13.94	585.22	8.54	640.16	7.90	109.4	92.6	100.0	56.7
Agriculture, Livestock & Fisheries	282.06	264.30	269.78	103.70	281.17	41.06	104.2	39.6	99.7	15.5
Water, Environment & Natural Resources	84.42	410.56	84.42	202.57	83.05	127.03	98.4	62.7	98.4	30.9
Education, Youth Affairs, Sports & Social Services	297.46	440.81	297.46	223.81	295.86	183.91	99.5	82.2	99.5	41.7
Health Services	1,725.16	548.33	1,700.35	150.82	1,622.08	69.98	95.4	46.4	94.0	12.8
Lands, Housing, Physical Planning & Survey	120.95	113.12	71.45	72.85	117.64	27.40	164.6	37.6	97.3	24.2
Trade, Industry and Co-operative Development	98.80	154.13	98.80	24.78	91.08	18.89	92.2	76.2	92.2	12.3
Tourism and ICT	122.61	223.82	122.61	112.17	116.22	109.40	94.8	97.5	94.8	48.9
Roads, Transport & Public Works	81.13	1,059.31	81.13	753.40	61.49	523.91	75.8	69.5	75.8	49.5
County Assembly	688.66	462.87	648.66	54.23	648.31	54.23	99.9	100.0	94.1	11.7
Total	**4,712.63**	**3,730.96**	**4,530.96**	**1,726.21**	**4,526.53**	**1,175.71**	**99.9**	**68.1**	**96.1**	**31.5**

Source: *Siaya County Treasury*

Analysis of expenditure by department shows that the Department of Finance and Economic Planning recorded the highest absorption rate of development budget at 56.7 per cent while the County Assembly recorded the lowest at 11.7 per cent. 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 Roads, Transport & Public Works had the lowest at 75.8 per cent.

3.38.9 Key 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 from 30.5 per cent in the previous financial year to 31.5 per cent 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, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
3. A high wage bill that increased by 14.6 per cent from Kshs.2.4 billion in the FY 2017/18 to Kshs.2.74 billion in the reporting period. The wage bill accounted for 48.2 per cent of total expenditure in the reporting period
4. Under-performance of own-source revenue collection. At the end of the period under review, the County had collected Kshs.189.67 million; representing 58.4 per cent of the annual target of Kshs.325 million.
5. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
6. Failure by the County Executive to establish an Internal Audit Committee to oversee financial

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operations in the County contrary to Section 155 of the PFM Act, 2012.

7. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, and Bursary Fund contrary to Section 168 of the PFM Act, 2012.
8. Failure to constitute a County Budget and Economic Forum (CBEF) as per the requirement of Section 137 of the PFM Act, 2012 for consultation in the budget process.

The County should implement the following measures 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 liaise with the National Treasury to ensure that funds are released in a timely manner in line with the disbursement schedule.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*
4. *The County Treasury should undertake a review aimed at enhancing own source revenue collection.*
5. *The County should liaise with the IFMIS Directorate to address IFMIS connectivity issues.*
6. *The County should establish an Internal Audit Committee and strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
7. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
8. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*

3.39 Taita Taveta County

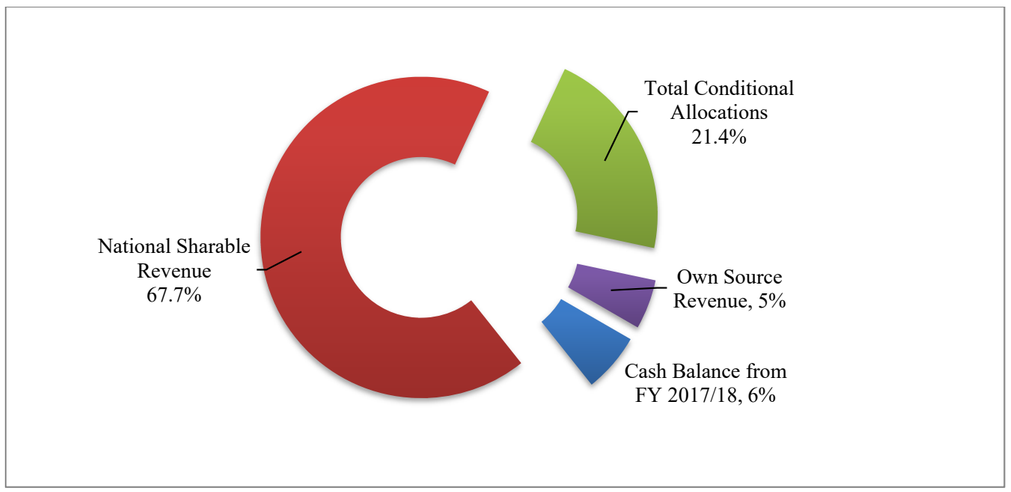
3.39.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.5.99 billion comprising of Kshs.3.96 billion (66.1 per cent) and Kshs.2.03 billion (33.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.05 billion (67.7 per cent) as equitable share of the revenue raised nationally, Kshs.1.28 billion (21.4 per cent) as total conditional grants, generate Kshs.300 million (5 per cent) from own sources of revenue, and Kshs.356.66 million (6 per cent) cash balance from FY 2017/18.

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Figure 3.153: Taita Taveta County, Expected Sources of Budget Financing in FY 2018/19



Source: *Taita Taveta County Treasury*

A breakdown of the conditional grants, as contained in CARA, 2018, is provided in Table 3.113.

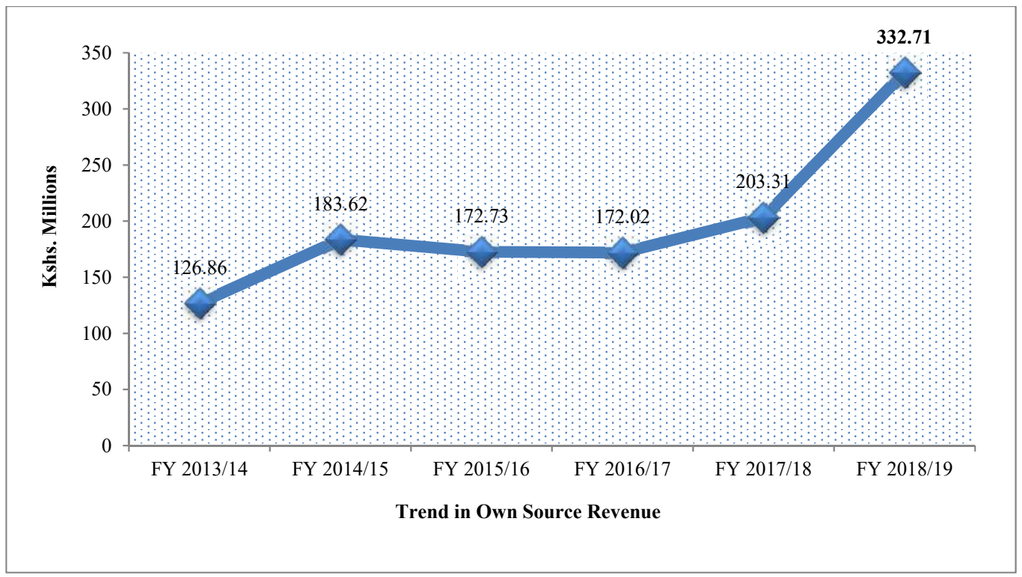
3.39.2 Revenue Analysis

During the FY 2018/19, the County had a total of Khs.5.46 billion available for budget implementation. This amount consisted of Kshs.4.05 billion received as equitable share of the revenue raised nationally, Kshs.431.09 million as conditional grants, Kshs.332.71 million generated from own sources of revenue, and a cash balance of Kshs.356.66 million from FY 2017/18.

Figure 3.154 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.154: Taita Taveta County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Taita Taveta County Treasury*

The County generated a total of Kshs.332.71 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.129.41 million compared to that realised in FY 2017/18 and was 110.9 per cent of the annual target.

3.39.3 Conditional Grants

During the reporting period, the County received Kshs.431.09 million as conditional grants as shown in Table 3.113.

Table 3.113: Taita Taveta County, Conditional Grants/Loans Received in the FY 2018/19

S/No.	Grants/Loans	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	IDA (World Bank) - Water & Sanitation Development Project (WSDP)	400,000,000	400,000,000	-	-
2	IDA (World Bank) Kenya Climate Smart Agriculture Project (KSSAP)	117,000,000	117,000,000	40,805,066	34.9
3	EU Grant- Instruments for Devolution Advice and Support- IDEAS)	90,000,000	90,000,000	55,179,709	61.3
4	IDA (World Bank) -Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	91,200,000	182.4
5	Transforming Health Systems for Universal Care Project (WB)	50,000,000	50,000,000	29,240,344	58.4
6	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + balance C/F in FY 2017/18	41,200,000	41,200,000.00	41,200,000	100
7	IDA(World Bank) credit; Kenya Devolution Support Project (KDSP) "Level 1 grant"	39,327,939	39,327,939.00	-	-

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S/No.	Grants/Loans	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
8	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	19,996,264	19,996,264.00	7,280,193	26.4
9	DANIDA-Universal Healthcare in Devolved System Programme	13,061,250	13,061,250.00	13,061,250	100
10	Allocation for Rehabilitation of Youth Polytechnics balance c/f from FY 2017/18	37,504,625	49,747,167	37,504,625	100
11	Compensation for User fees Foregone	5,296,305	5,296,305	5,296,305	100
Sub Total		**863,386,383**	**875,628,925**	**320,767,492**	**37.2**
B	**Other Revenue Sources**				
12	Grants from other development partners	-	136,772,544	-	-
13	Allocation from Road Maintenance And Fuel Levy Fund FY 2017/18 BF	-	106,648,770	79,986,578	-
14	Water Sector Trust Fund Programme (EU)	-	76,000,000	-	-
15	Allocation for Rehabilitation of Youth Polytechnics c/f from FY 2018/19	-	49,675,000	-	-
16	Allocation from Road Maintenance And Fuel Levy Fund FY 2017/18 BF	-	25,082,187	25,082,187	-
17	DANIDA (Universal Healthcare in Devolved System Programme)(FY 2017/18 BF)	-	5,255,484	5,255,484	-
18	IDA (World Bank) Credit: Kenya Devolution Support Project (KDSP) "Level 1 Grant" balance b/f from FY 2017/2018	-	5,125,249	-	-
Sub Total		**-**	**404,559,234**	**110,324,249**	**-**
Grand Total		**863,386,383**	**1,280,188,159**	**431,091,741**	**49.9**

Source: *Taita Taveta County Treasury*

During the reporting period, receipts from IDA (World Bank) Kenya Urban Support Programme recorded the highest performance in percentage terms, accounting for 182.4 per cent of the annual target.

3.39.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved the withdrawal of Kshs.5.07 billion from the CRF account. The withdrawals represented 84.7 per cent of the Approved Supplementary Budget and translated to an increase of 21.5 per cent from Kshs.4.17 billion realised in the FY 2017/18 and comprised of Kshs.1.22 billion (24.1 per cent) towards development activities and Kshs.3.85 billion (75.9 per cent) for recurrent expenditure.

3.39.5 Overall Expenditure Review

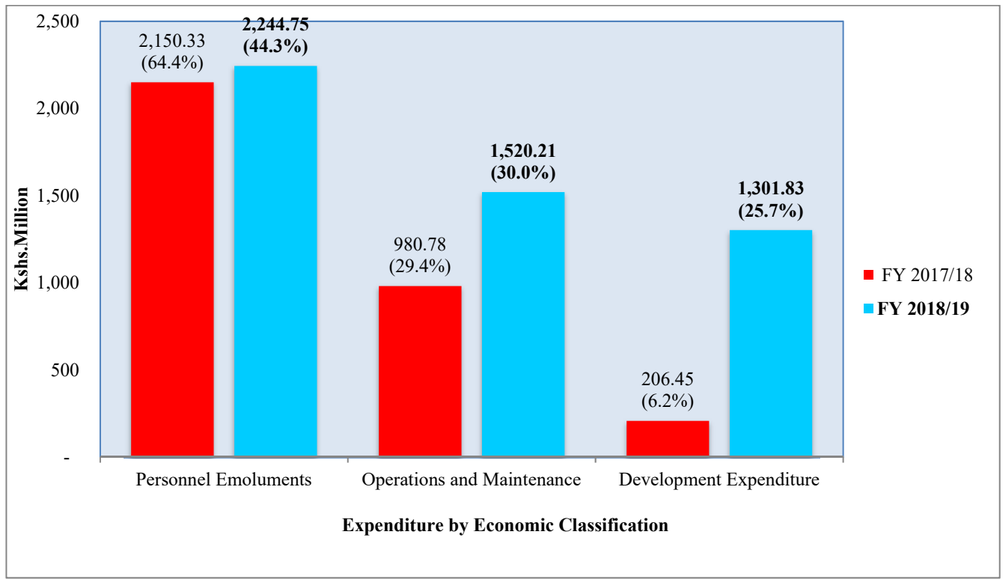
A total of Kshs.5.06 billion was spent on both development and recurrent activities. This expenditure represented 99.9 per cent of the total funds released from the CRF account, and was an increase of 51.8 per cent from Kshs.3.34 billion spent in FY 2017/18. The expenditure included pending bills as at June 30, 2019 which amounted to Kshs.199.41 million for both development activities and recurrent costs.

Expenditure on development programmes amounted to Kshs.1.30 billion while Kshs.3.76 billion was spent on recurrent activities. The development expenditure was 106.4 per cent of the funds released for development programmes, while recurrent expenditure was 97.9 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 64.1 per cent, which was an increase from 12.7 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 95.2 per cent of the annual recurrent budget, an increase from 80.4 per cent recorded during the FY 2017/18. Figure 3.155 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.155: Taita Taveta County, Expenditure by Economic Classification



Source: *Taita Taveta County Treasury*

3.39.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.30 billion represented 64.1 per cent of the annual development expenditure budget of Kshs.2.03 billion. Table 3.114 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.114: Taita Taveta County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure (Kshs.)	Absorption Rate (%)
1	Construction of ECD Classrooms	County Wide	89,023,868	86,296,719	97
2	Water Projects & Bore Hole	County Wide	187,475,783	185,303,796	99
3	Construction and Maintenance of Access Roads	County Wide	131,730,957	127,303,554	97
4	Vocational Training Centre (VTC) Capitation & support programme	County Wide	125,441,767	124,459,470	99
5	Completion and maintenance of access roads-Roads Levy	County Wide	75,277,932	73,159,328	97
6	Construction of Mwatate Administration offices Pending Bill	Mwatate Administration	23,300,000	22,090,388	95
7	Completion and renovation of various Medical centres, Equipping and Stocking of Medical drugs	County Wide	74,874,999	67,902,308	91
8	Purchase of Artificial Insemination Semen Kit, Vaccines and Certified Crop Seed	Headquarter	56,529,465	54,316,766	96
9	Refurbishment of County Assembly Headquarter	Headquarter	65,000,000	30,309,437	47
10	Purchase of ICT Networking and Communication Equipment	Headquarter	14,500,000	11,968,061	83

Source: *Taita Taveta County Treasury*

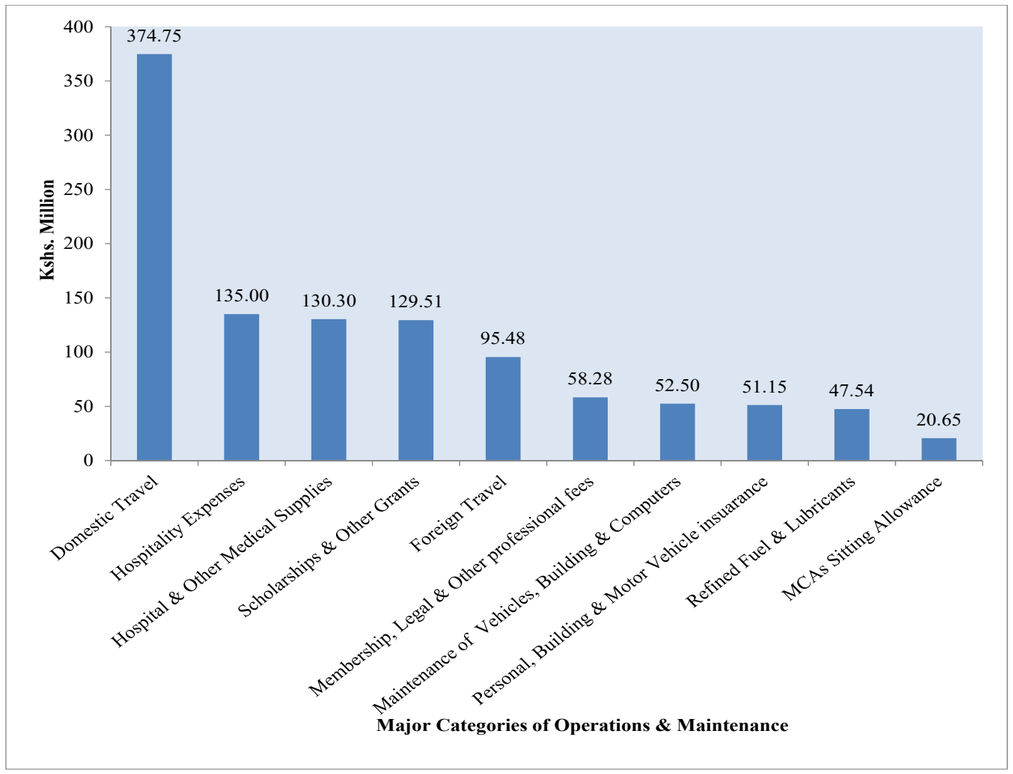
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3.39.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.76 billion comprised of Kshs.2.24 billion (59.6 per cent) incurred on personnel emoluments and Kshs.1.52 billion (40.4 per cent) on operations and maintenance as shown in Figure 3.155.

Expenditure on personnel emoluments represented an increase of 4.4 per cent compared to FY 2017/18 when the County spent Kshs.2.15 billion and was 64.4 per cent of the total expenditure in FY 2018/19. Figure 3.156 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.156: Taita Taveta County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Taita Taveta County Treasury*

The County spent Kshs.20.65 million on committee sitting allowances for the 34 MCAs and Speaker against the annual budget allocation of Kshs.23.95 million. This represented a decrease of 37.3 per cent compared to Kshs.32.95 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.50,620 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.470.25 million and comprised of Kshs.188.77 million spent by the County Assembly and Kshs.281.47 million by the County Executive.

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3.39.8 Budget Performance by County Department

Table 3.115 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.115: Taita Taveta County, Budget Performance by Department in the FY 2018/19

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Total Expenditure (Kshs. Million)		Total Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	636.24	65.00	597.88	-	608.26	30.31	101.7	-	95.6	46.6
Administration and Devolution	2,233.51	23.30	2,209.39	15.93	2,081.67	22.10	94.2	138.7	93.2	94.8
The Governor's And Deputy Governor's Office	158.88	18.90	176.91	21.85	195.70	16.23	110.6	74.3	123.2	85.9
Finance and Planning	298.96	4.25	246.57	5.65	393.89	4.03	159.7	71.3	131.8	94.8
Agriculture, Livestock and Fisheries	43.79	300.81	42.83	167.28	33.81	128.02	78.9	76.5	77.2	42.6
Water and Irrigation	17.38	678.36	17.38	203.26	13.67	205.83	78.6	101.3	78.6	30.3
Education and Libraries	187.88	214.47	175.27	167.89	142.96	210.76	81.6	125.5	76.1	98.3
Health	227.76	148.49	239.66	132.01	191.79	113.09	80.0	85.7	84.2	76.2
Trade , Tourism & Co-operative Development	29.28	41.14	29.76	52.86	26.07	42.09	87.6	79.6	89.0	102.3
County Public Service Board	16.50		17.37	-	17.03	-	98.0	-	103.2	-
Infrastructure and Public Works	26.06	283.43	28.11	259.38	16.62	283.43	59.1	109.3	63.8	100.0
Lands , Environment & Natural Resources	56.44	77.15	40.14	68.27	22.09	73.68	55.0	107.9	39.1	95.5
Mining	6.85	6.70	7.37	7.82	1.81	1.51	24.6	19.3	26.4	22.5
Youth, Gender, sports, Culture and Social Services	16.23	169.70	17.28	121.59	19.56	170.76	113.2	140.4	120.6	100.6
TOTAL	**3,955.76**	**2,031.69**	**3,845.92**	**1,223.79**	**3,764.93**	**1,301.84**	**97.9**	**106.4**	**95.2**	**64.1**

Source: *Taita Taveta County Treasury*

Analysis of expenditure by department shows that the Department of Trade, Tourism & Cooperative Development recorded the highest absorption rate of development budget at 102.3 per cent while the Department of Mining recorded the lowest at 22.5 per cent. The Department of Finance & Planning had the highest percentage of recurrent expenditure to recurrent budget at 131.8 per cent while the Department of Mining had the lowest at 26.4 per cent.

3.39.9 Key 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 own-source revenue collection, which increased by 63.7 per cent from Kshs.203.31 million in FY 2017/18 to Kshs.332.71 million in the reporting period. The collection surpassed the

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annual target by 10.9 per cent.

ii. Improvement in the absorption of the development budget from 12.7 per cent in FY 2017/18 to 64.1 per cent in the reporting period.

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

1. Delay by the Car Loan and Mortgage Fund Administrator to submit expenditure reports contrary to Section 168 of the PFM Act, 2012.
2. Weak budgetary controls which resulted in expenditures exceeding approved budget allocation.
3. A high wage bill that increased by 4.4 per cent from Kshs.2.15 billion in the FY 2017/18 to Kshs.2.24 billion in the reporting period. The wage bill represented 44.3 per cent of total expenditure in the reporting period.

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

1. *All fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Section168 of PFM Act 2012.*
2. *The County Treasury should put in place adequate systems to ensure expenditure is within approved budget allocations.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*

3.40 Tana River County

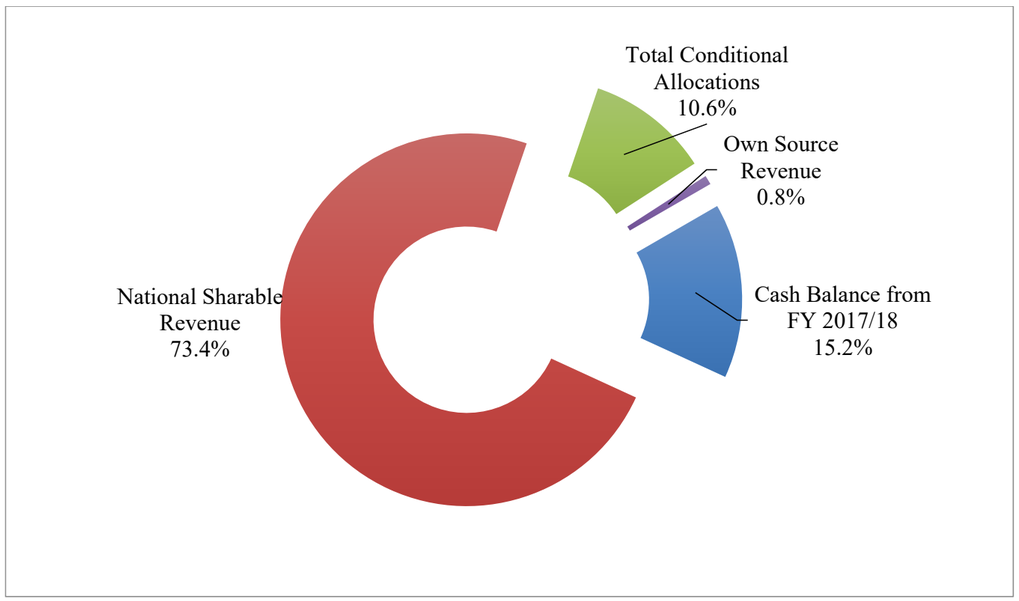
3.40.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.7.57 billion comprising of Kshs.2.94 billion (38.8 per cent) and Kshs.4.64 billion (61.2 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.56 billion (73.4 per cent) as equitable share of the revenue raised nationally, Kshs.806.4 million (10.6 per cent) as total conditional grants, generate Kshs.60 million (0.8 per cent) from own sources of revenue, and Kshs.1.15 billion (15.2 per cent) cash balance from the FY 2017/18.

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Figure 3.157: Tana River County, Expected Sources of Budget Financing in FY 2018/19



Source: *Tana River County Treasury*

A breakdown of the conditional grants is provided in Table 3.116.

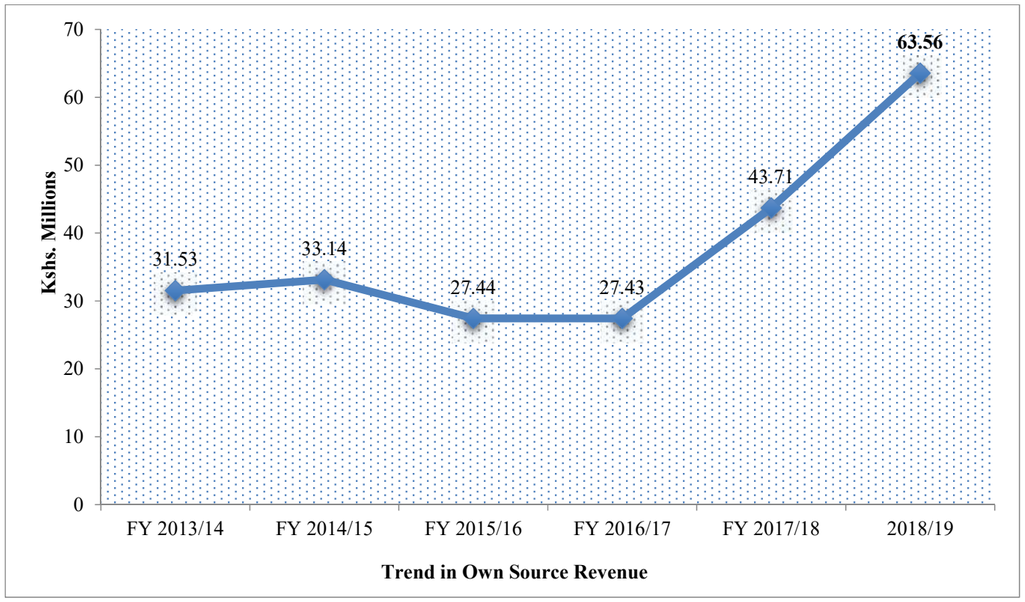
3.40.2 Revenue Analysis

During the FY 2018/19, the County had a total of Khs.7.20 billion available for budget implementation. This amount consisted of Kshs.5.56 billion received as equitable share of the revenue raised nationally, Kshs.430.57 million as conditional grants, Kshs.63.56 million generated from own sources of revenue, and a cash balance of Kshs.1.15 billion from FY 2017/18.

Figure 3.158 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.158: Tana River County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Tana River County Treasury*

The County generated a total of Kshs.63.56 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.19.85 million compared to that realised in FY 2017/18 and was 105.9 per cent of the annual own-source revenue collection target.

3.40.3 Conditional Grants

During the reporting period, the County received Kshs.430.57 million as conditional grants as shown in Table 3.116.

Table 3.116: Tana River County, Conditional Grants/Loans Received in the FY 2018/19

	Grant/Loans	Annual Allocation-CARA, 2018) (Kshs)	Annual Budget Allocation (Kshs)	Total Receipts (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
1	Road Maintenance Fuel Levy Fund	146,332,034	146,332,034	146,332,034	100.0
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Construction of County Headquarters	121,000,000	121,000,000	-	-
4	Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	31,585,475	21.1
5	User Fees Foregone	5,682,537	5,682,537	5,682,537	100.0
6	KSDP Level 1 Grant	44,003,842	44,003,842	-	-
7	EU Grant- IDEAS	80,000,000	80,000,000	79,838,365	99.8
8	IDA (World Bank) -Kenya Urban Support Project (KUSP) Bal 2017/18	41,200,000	41,200,000	41,200,000	100.0
9	Rehabilitation of Village Polytechnics	24,490,000	24,490,000	6,910,819	28.2
10	ASDSP	24,526,177	24,526,177	-	-
11	FAO	-	1,245,700.00	-	-
12	Transforming Health Systems for Universal Care Project (World Bank)	100,000,000	100,000,000	51,096,293	51.1

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	Grant/Loans	Annual Allocation-CARA, 2018) (Kshs)	Annual Budget Allocation (Kshs)	Total Receipts (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
13	Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100.0
14	DANIDA - Universal Healthcare in Devolved System Programme	17,921,250	17,921,250	17,921,250	100.0
	Total	**1,005,155,840**	**806,401,540**	**430,566,773**	**42.8**

Source: *Tana River County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy, User Fees Foregone, Kenya Urban Support Programmes and DANIDA conditional grants recorded the highest performance in percentage terms, and accounted for 100 per cent of the respective annual target.

3.40.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.6.08 billion from the CRF account. The withdrawals represented 80.2 per cent of the Approved Supplementary Budget and translated to an increase of 56 per cent from Kshs.3.90 billion in FY 2017/18 and comprised of Kshs.1.69 billion (27.8 per cent) towards development activities and Kshs.4.39 billion (72.2 per cent) for recurrent expenditure.

3.40.5 Overall Expenditure Review

A total of Kshs.4.79 billion was spent on both development and recurrent activities. This expenditure represented 79.8 per cent of the total funds released from the CRF account, and was an increase of 50.8 per cent from Kshs.3.18 billion spent in the FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.891.60 million for development activities and Kshs.490.51 million for recurrent costs.

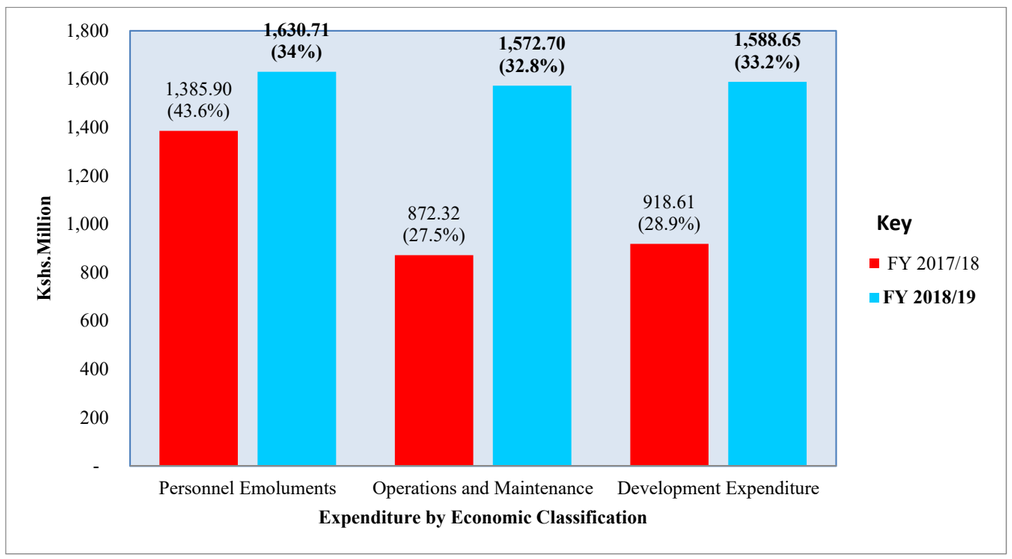
Expenditure on development programmes amounted to Kshs.1.59 billion while Kshs.3.20 billion was spent on recurrent activities. The development expenditure was 94 per cent of the funds released for development programmes, while recurrent expenditure was 73 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 54.1 per cent, which was an increase from 37.4 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 69.1 per cent of the annual recurrent budget, an increase from 59.9 per cent recorded in FY 2017/18.

Figure 3.159 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.159: Tana River County, Expenditure by Economic Classification



Source: *Tana River County Treasury and IFMIS Data*

3.40.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.59 billion represents 54.1 per cent of the annual development expenditure estimates of Kshs.2.94 billion. Table 3.117 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.117: Tana River County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Expenditure (Kshs.)
1	Bububu ECD	Bububu Village	3,287,300
2	Water Supply- Renovation and Upgrading to Solar system of JICA 2 Borehole (Madogo)	Madogo	6,806,996
3	Water Supply- Installation transformer and associated accessories for Emmaus Bore-holes (Hola)	Chewani	4,000,000
4	Construction of WC washrooms and murraming of the inlet road including installation of a standard gate at the entrance for the Water Department Offices	Chewani	4,000,000
5	Water Supply-Rehabilitation of shallow wells in Garsen South Ward	Garsen South	3,459,120
6	Water Supply- Drilling and Test pumping of 2No Boreholes in Kipini for the KIPWA group.	Kipini east	4,000,000
7	Water bowsers	Chewani	34,509,400
8	Construction of a Fence at madogo polytechnic	Madogo	4,000,000

Source: *Tana River County Treasury*

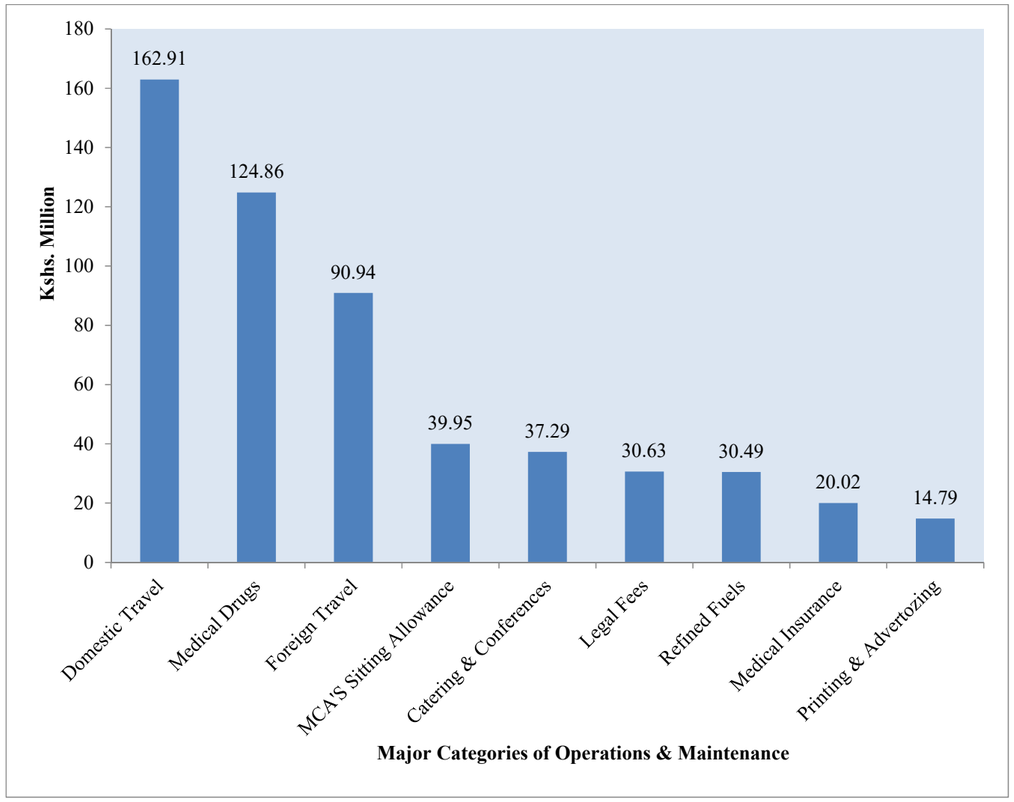
3.40.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.20 billion comprised of Kshs.1.63 billion (50.9 per cent) incurred on personnel emoluments and Kshs.1.57 billion (49.1 per cent) on operations and maintenance as shown in Figure 3.159 .

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Expenditure on personnel emoluments represented an increase of 17.7 per cent compared to FY 2017/18 when the County spent Kshs.1.39 billion and was 34 per cent of the total expenditure in FY 2018/19. Figure 3.160 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.160: Tana River County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Tana River County Treasury*

The County spent Kshs.39.95 million on committee sitting allowances for the 23 Members of the County Assembly and Speaker against the annual budget allocation of Kshs.39.95 million. This represented an increase of 48.2 per cent compared to Kshs.26.96 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.138,706 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.253.85 million and comprised of Kshs.49.71 million spent by the County Assembly and Kshs.204.15 million by the County Executive. This expenditure represented 7.9 per cent of total recurrent expenditure and was a decrease of 13.9 per cent compared to Kshs.294.75 million spent in FY 2017/18.

3.40.8 Budget Performance by County Department

Table 3.118 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.118: Tana River County, Budget Performance by Department in FY 2018/2019

Department	Annual 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
County Assembly	509.82	200.00	499.27	56.00	373.02	41.96	74.7	74.9	73.2	21.0
Office of the Governor	507.36	-	502.35	-	306.43	3.16	61.0	-	60.4	-
Finance & Planning	508.68	230.00	508.68	223.19	498.31	36.47	98.0	16.3	98.0	15.9
Trade, Tourism, Wildlife and Cooperative Development	120.84	85.00	68.84	29.94	87.34	60.72	126.9	202.8	72.3	71.4
Agriculture and Rural Development	448.73	356.54	433.23	189.19	208.58	233.27	48.1	123.3	46.5	65.4
Gender, Culture & Services	83.80	92.50	81.56	28.06	47.51	37.96	58.3	135.3	56.7	41.0
Water, Health& Sanitation	1,185.31	161.00	1,115.24	107.93	326.26	78.01	29.3	72.3	27.5	48.5
Education, Vocational Training	368.71	226.83	345.60	78.94	273.77	66.90	79.2	84.7	74.2	29.5
Cohesion & Special Programmes	260.63	10.00	260.63	5.74	256.69	4.95	98.5	86.2	98.5	49.5
Roads, Transport, Public Works, Housing and Urbanisation	160.52	1,191.29	152.88	808.47	348.52	798.00	228.0	98.7	217.1	67.0
Public Service, Administration and Citizen Participation	379.64	66.50	316.58	19.41	296.41	19.09	93.6	98.3	78.1	28.7
Environment and Natural Resources	103.26	316.40	103.26	142.41	180.58	208.17	174.9	146.2	174.9	65.8
Total	**4,637.30**	**2,936.06**	**4,388.11**	**1,689.27**	**3,203.41**	**1,588.65**	**73.0**	**94.0**	**69.1**	**54.1**

Source: *Tana River County Treasury and IFMIS Data*

Analysis of expenditure by department shows that the Department of Trade, Tourism and Industrialization recorded the highest absorption rate of development budget at 71.4 per cent while the Department of Finance & Planning recorded the lowest at 15.9 per cent.

3.40.9 Key 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 own source revenue collection by 45.4 per cent from Kshs.43.71 million in FY 2017/18 to Kshs.63.56 million in the reporting period, and was 105.9 per cent of the annual target.
ii. Improvement in the absorption of the development budget to 54.1 per cent compared to 37.4 per cent attained in FY 2017/18.

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

1. A high wage bill that increased by 17.7 per cent from Kshs.1.39 billion in the FY 2017/18 to Kshs.1.63 billion in the reporting period.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
3. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
4. 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.
5. Delay by the County to provide a report on execution of development projects during the financial

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year. This is despite reporting development expenditure of Kshs.1.59 billion during the reporting period.

The County should implement the following measures 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 liaise with the National Treasury to ensure that funds are released in a timely manner.*
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 an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *The County should provide complete financial reports in line with Section 166 of the PFM Act, 2012.*

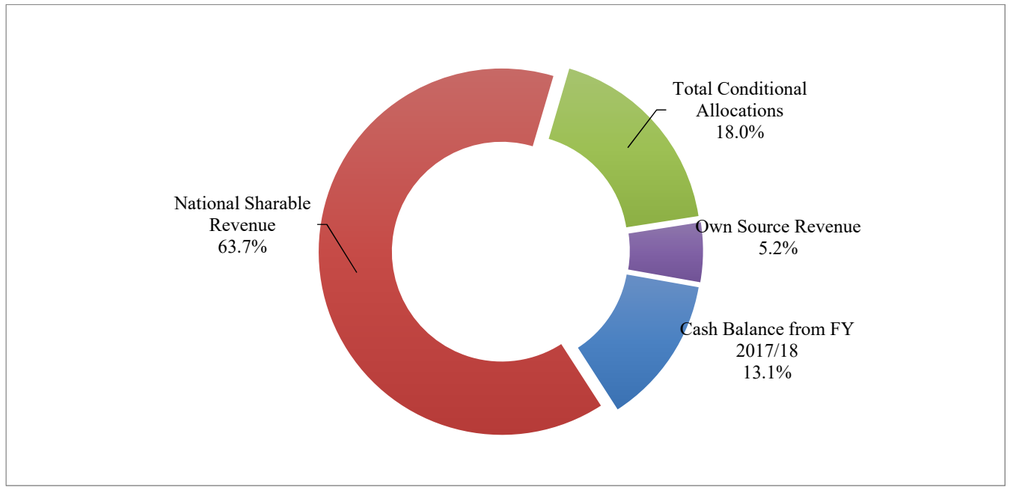
3.41 Tharaka Nithi County

3.41.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.5.72 billion, comprising of Kshs.2.17 billion (38.1 per cent) and Kshs.3.54 billion (61.9 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.64 billion (63.7 per cent) as equitable share of the revenue raised nationally, Kshs.1.03 billion (18 per cent) as total conditional grants, generate Kshs.300 million (5.2 per cent) from own sources of revenue, and Kshs.749.93 million (13.1 per cent) cash balance from the FY 2017/18.

Figure 3.161: Tharaka Nithi County, Expected Sources of Budget Financing in FY 2018/19



Source: *Tharaka Nithi County Treasury*

A breakdown of the conditional grants is provided in Table 3.119.

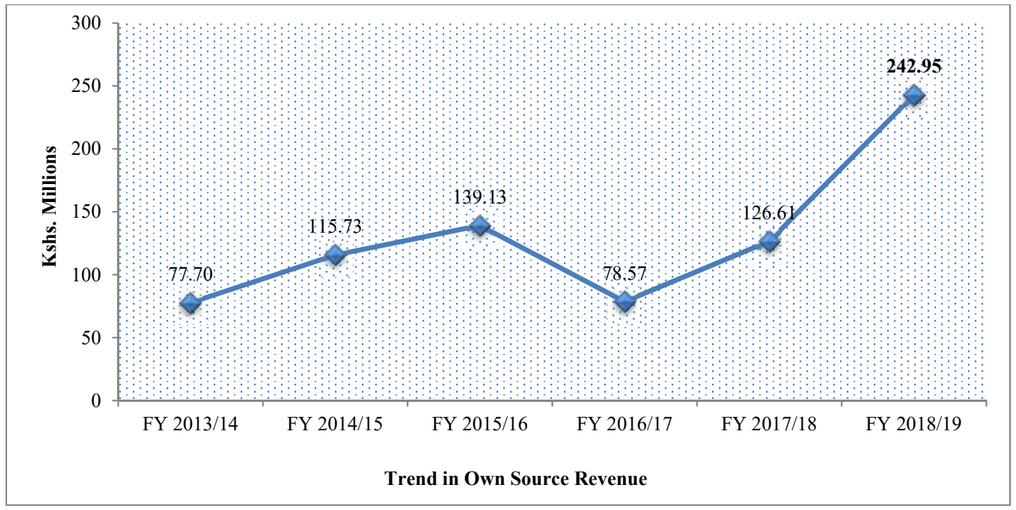
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3.41.2 Revenue Analysis

During FY 2018/19, the County had a total of Kshs.4.90 billion available for budget implementation. This amount consisted of Kshs.3.64 billion received as equitable share of the revenue raised nationally, Kshs.271.19 million as conditional grants, Kshs.242.95 million generated from own sources of revenue, and a cash balance of Kshs.749.93 million from FY 2017/18.

Figure 3.162 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

Figure 3.162: Tharaka Nithi County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Tharaka Nithi County Treasury*

The County generated a total of Kshs.242.95 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.116.35 million compared to that realised in FY 2017/18 and was 81 per cent of the annual own revenue collection target.

3.41.3 Conditional Grants

During the reporting period, the County received Kshs.271.19 million as conditional grants as shown in Table 3.119.

Table 3.119: Tharaka Nithi County, Conditional Grants/Loans Received in the FY 2018/19

S/No.	Grants/Loans	Annual CARA, 2018 Allocation (Kshs.)	Annual Budget Allocation (Kshs.)	Total Receipts (Kshs.)	Total Receipts as Percentage of Annual Budget Allocation (%)
1	Supplement for Construction of County Headquarters	121,000,000	-	-	-
2	Compensation for User Fee Foregone	8,218,119	8,218,119	8,218,119	100
3	Leasing of Medical Equipment	200,000,000		-	-
4	Road Maintenance Fuel Levy	95,901,220	128,101,220	95,901,220	100
5	Rehabilitation of Village Polytechnics	40,090,000	78,211,638	-	-

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S/No.	Grants/Loans	Annual CARA, 2018 Allocation (Kshs.)	Annual Budget Allocation (Kshs.)	Total Receipts (Kshs.)	Total Receipts as Percentage of Annual Budget Allocation (%)
6	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	50,000,000	17,451,240	34.9
7	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	117,000,000	-	-	-
8	IDA (World Bank) -Kenya Climate Smart Agriculture Project	117,000,000	117,000,000	39,557,498	33.8
9	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	38,536,081	77,072,162	-	-
10	IDA (World Bank) -Kenya Urban Support Project (KUSP)	50,000,000	92,000,000	91,200,000	182.4
11	DANIDA - Universal Healthcare in Devolved System Programme	12,352,500	12,352,500	12,352,500	100
12	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	12,352,500	12,352,500	6,509,045	52.7
13	Other Conditional Grants	-	453,361,325	-	-
Total		**862,450,420**	**1,028,669,464**	**271,189,622**	**31.4**

Source: *Tharaka Nithi County Treasury*

During the reporting period, receipts from IDA (World Bank) -Kenya Urban Support Project (KUSP) conditional grant recorded the highest performance in percentage terms, accounting for over 182 per cent of the respective annual budget allocation target.

3.41.4 Exchequer Issues

In order to implement the County budget, the Controller of Budget approved the withdrawal of Kshs.4.72 billion from the County Revenue Fund (CRF) account. The withdrawals represented 82.7 per cent of the Approved Supplementary Budget translating to an increase of 25.1 per cent from Kshs.3.78 billion withdrawn during the FY 2017/18. The total withdrawal comprised of Kshs.1.39 billion (29.5 per cent) towards development activities and Kshs.3.33 billion (70.5 per cent) for recurrent expenditure.

3.41.5 Overall Expenditure Review

A total of Kshs.4.60 billion was spent on both development and recurrent activities. This expenditure represented 97.3 per cent of the total funds released from the CRF account, and was an increase of 26.1 per cent from Kshs.3.65 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.143.6 million for development activities and Kshs.189.61 million for recurrent costs.

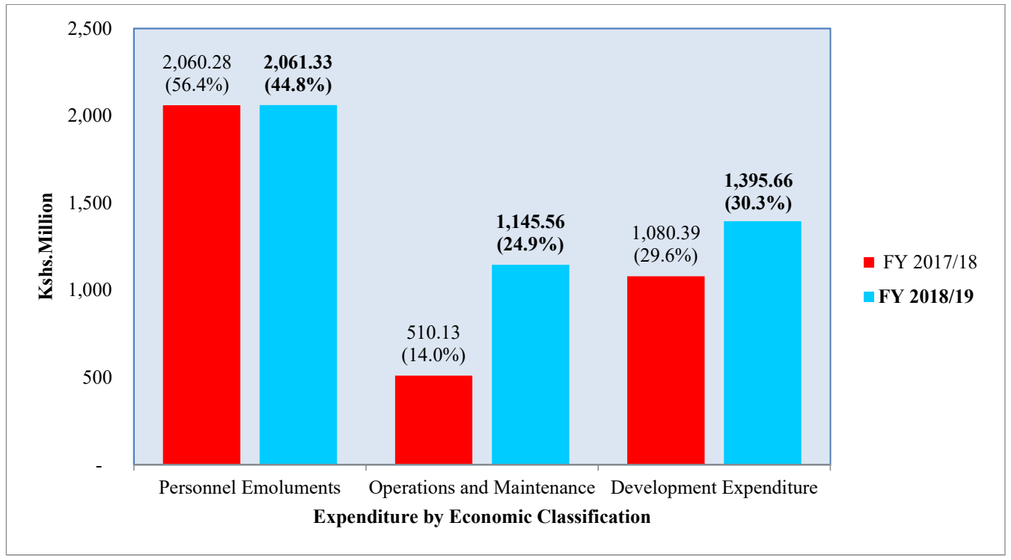
Expenditure on development programmes amounted to Kshs.1.4 billion while Kshs.3.21 billion was spent on recurrent activities. The development expenditure was 100 per cent of the funds released for development programmes, while recurrent expenditure was 96.2 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 64.1 per cent, which was a decrease from 67.7 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 90.5 per cent of the annual recurrent budget, an increase from 84.7 per cent recorded in FY 2017/18.

Figure 3.163 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18 and shows personnel emoluments, operations and maintenance and development expenditure as a percentage of total expenditure.

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Figure 3.163: Tharaka Nithi County, Expenditure by Economic Classification



Source: *Tharaka Nithi County Treasury*

3.41.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.4 billion represented 64.1 per cent of the annual development expenditure estimates of Kshs.2.17 billion. Table 3.120 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.120: Tharaka Nithi County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Total Project Expenditure (Kshs.)	Absorption Rate (%)
1	Upgrading of Kambandi-Cheera-Ruguti Road to bitumen standards	Mungwe	60,000,000	60,000,000	100
2	Purchase of Rig	Countywide	57,023,288	57,023,288	100
3	Development of Kathwana Municipality	Igambang'ombe Ward	50,000,000	34,831,662	70
4	Construction of Garbage Incinerator	karingani ward	35,000,000	34,998,500	100
5	Upgrading of Kibugua Town Roads to Bitumen standards	Magumoni	35,000,000	30,750,788	88
6	Construction of ATC at Itugururu	Igambang'ombe Ward	28,000,000	20,816,767	74
7	Construction of Mukothima Grain Store	Mukothima	23,000,000	22,999,999	100
8	Subsidized A.I. Service	County wide	20,000,000	19,897,319	99
9	Construction of Vet. Laboratory at Marimanti	Marimanti	18,000,000	17,035,644	95
10	Construction of Magutuni Market	Mwimbi	9,400,000	9,373,110	100

Source: *Tharaka Nithi County Treasury*

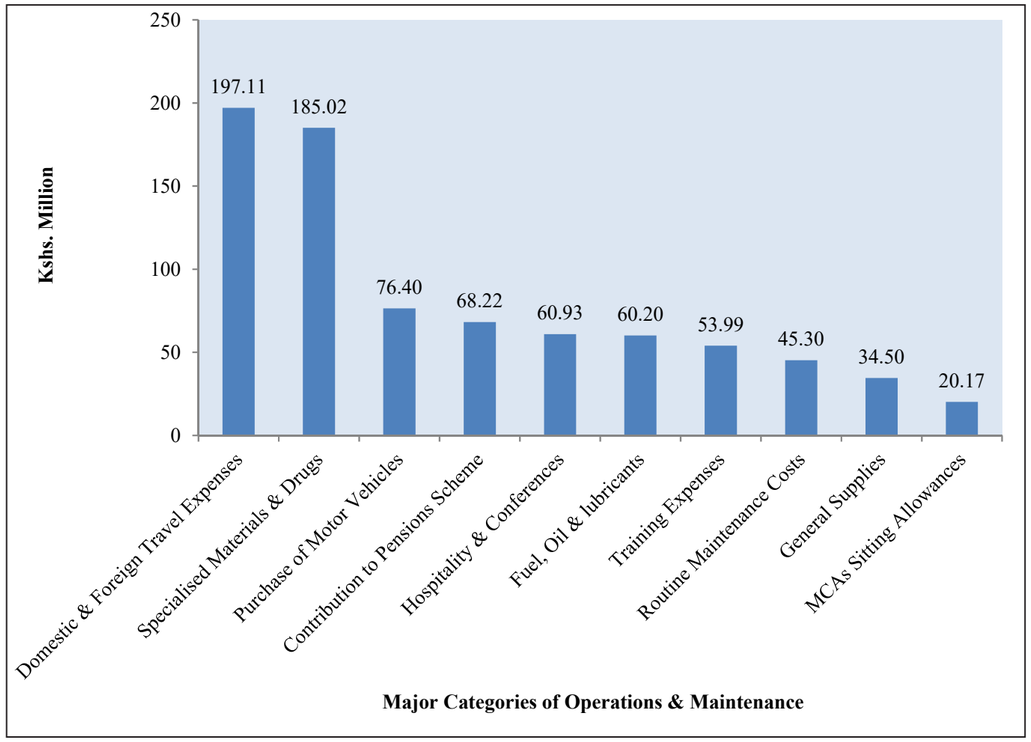
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3.41.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.21 billion comprised of Kshs.2.06 billion (64.3 per cent) incurred on personnel emoluments and Kshs.1.14 billion (35.7 per cent) on operations and maintenance as shown in Figure 3.163.

Expenditure on personnel emoluments represented a decrease of 0.1 per cent compared to FY 2017/18 when the County spent Kshs.2.06 billion and was 44.8 per cent of the total expenditure in FY 2018/19. Figure 3.164 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.164: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Tharaka Nithi County Treasury*

The County spent Kshs.20.17 million on committee sitting allowances for the 20 MCAs and Speaker against the annual budget allocation of Kshs.28.37 million. This represented an increase of 238.9 per cent compared to Kshs.5.9 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.80,046 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.197.11 million, and comprised of Kshs.97.49 million spent by the County Assembly and Kshs.99.61 million by the County Executive. This expenditure represented 6.1 per cent of total recurrent expenditure and was an increase of 70.9 per cent compared to Kshs.115.29 million spent in FY 2017/18.

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3.41.8 Budget Performance by County Department

Table 3.121 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.121: Tharaka Nithi County, Budget Performance by Department for the FY 2018/19

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
County Assembly	352.0	17.0	352.00	-	351.07	-	99.7	-	99.7	-
County Executive	161.2	-	159.25	-	150.38	-	94.4	-	93.3	-
Finance and Economic Planning	311.22	234.12	252.74	164.85	237.52	163.99	94.0	99.5	76.3	70
Agriculture	104.93	219.0	99.82	110.61	92.58	106.08	92.7	95.9	88.2	48.4
Environment and Natural Resources	99.0	35.0	0.74	35.0	0.72	35.00	97.0	100	72.3	100
Education, Cultural and Vocational Training	229.92	107.59	178.40	27.49	177.48	26.59	99.5	96.7	77.2	24.7
Medical Services	1,550.88	293.7	1,550.64	201.13	1,533.26	200.89	98.9	99.9	98.9	68.4
Physical Planning and Land	121.4	208.4	64.48	158.12	62.85	157.33	97.5	99.5	51.8	75.5
Roads, Transport, Housing, Public Works	49.89	783.25	43.44	528.86	42.16	528.38	97.1	99.9	84.5	67.5
Administration and Public Services	298.81	-	289.85	-	266.16	-	91.8	0.0	89.1	-
Trade, Industry and Cooperatives	94.20	-	88.94	-	92.05	-	103.5	-	97.7	-
Water Services and Irrigation	46.90	162.0	40.40	98.43	42.85	97.31	106.1	98.9	91.4	60.1
County Public Services Board	12.28	-	12.28	-	2.59	-	21.1	-	21.1	-
Livestock, Veterinary and Fisheries Development	69.45	53.0	67.19	45.54	58.62	44.71	87.2	98.2	84.4	84.4
Public Health And Sanitation	54.24	-	52.24	-	24.62	-	47.1	-	45.4	-
Energy and ICT	32.31	24.00	32.31	13.35	31.72	23.95	98.2	179.3	98.2	99.8
Youth ,Culture, Sport And Tourism	52.32	41.00	47.61	12.76	40.27	11.45	84.6	89.7	77.0	27.9
Total	**3,542.94**	**2,178.06**	**3,332.33**	**1,396.13**	**3,206.89**	**1,395.66**	**96.2**	**100**	**90.5**	**64.1**

Source: *Tharaka Nithi County Treasury*

Analysis of expenditure by department shows that the Department of Environment and Natural Resources recorded the highest absorption rate of development budget at 100 per cent while the County Assembly did not spend on the development budget. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.7 per cent while the County Public Service Board had the lowest at 21.1 per cent.

3.41.9 Key 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 own source revenue collections by 91.9 per cent from Ksh.126.61 million in the FY 2017/18 to Ksh.242.95 million in the reporting period.
ii. Timely submission of financial reports to the Controller of Budget in line with Section 166 of the

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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 travel which increased by 70.9 per cent from Kshs.115.29 million in FY 2017/18 to Kshs.197.11 million in FY 2018/19.
3. A high wage bill that accounted for 44.8 per cent of total expenditure in the reporting period and is above 35 per cent of the county's revenue as required by Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.

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

1. *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.*
2. *The County should rationalize expenditure on non-core budget items to free up resources for development programmes.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015.*

3.42 Trans Nzoia County

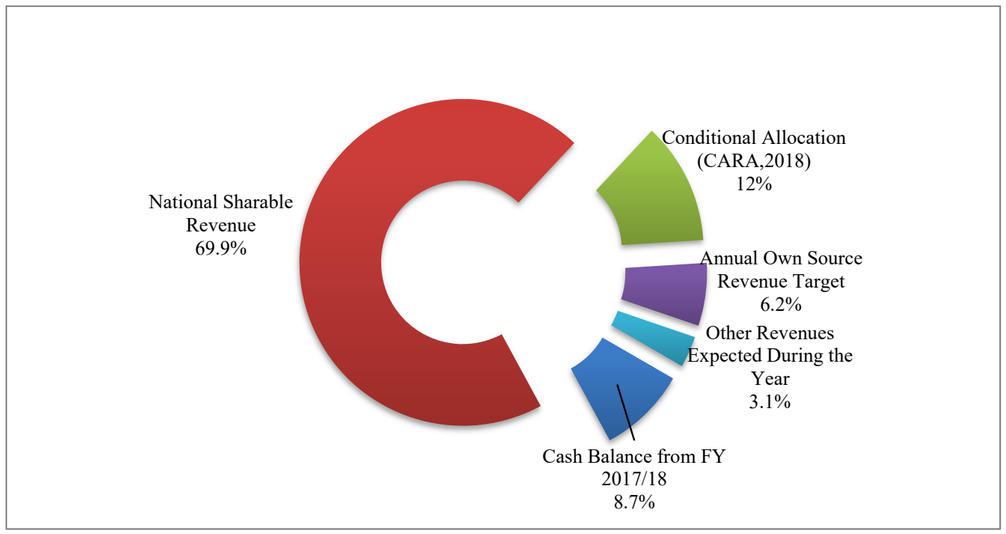
3.42.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.8.04 billion, comprising of Kshs.4.87 billion (60.5 per cent) and Kshs.3.18 billion (39.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.62 billion (69.9 per cent) as equitable share of revenue raised nationally, Kshs.968.73 million (12.1 per cent) as total conditional grants, generate Kshs.500 million (6.2 per cent) from own-source of revenue, Kshs.250 million (3.1 per cent) as other grants and Kshs.703.23 million (8.7 per cent) cash balance from FY 2017/18.

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Figure 3.165: Trans Nzoia County, Expected Sources of Budget Financing in FY 2018/19



Source: *Trans Nzoia County Treasury*

A breakdown of the conditional grants is provided in Table 3.122.

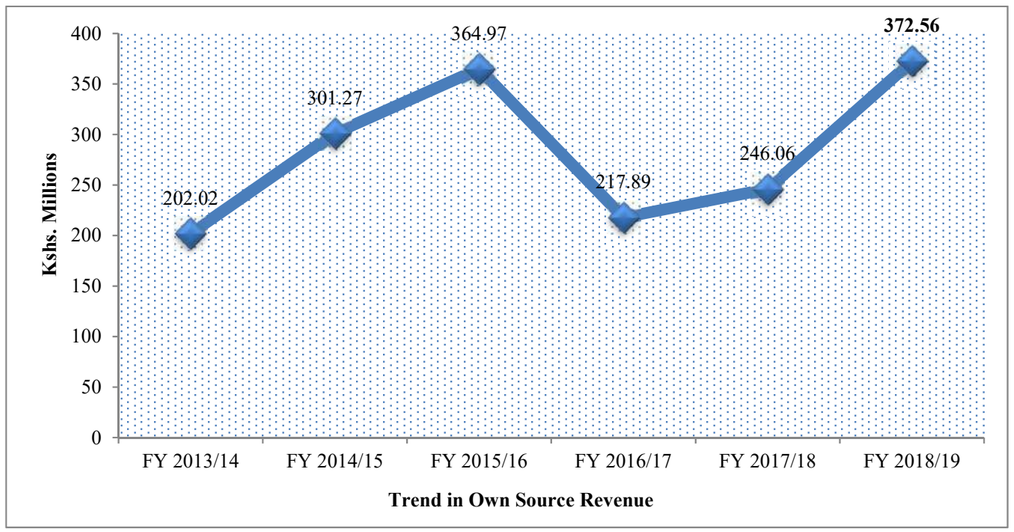
3.42.2 Revenue Analysis

During FY 2018/19, the County had a total of Kshs.7.32 billion available for budget implementation. This amount consisted of Kshs.5.62 billion received as equitable share of the revenue raised nationally, Kshs.619.39 million as conditional grants, Kshs.372.56 million generated from own sources of revenue, and a cash balance of Kshs.703.23 million from FY 2017/18.

Figure 3.166 shows the trend in annual own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.166: Trans Nzoia County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Trans Nzoia County Treasury*

The County generated a total of Kshs.372.56 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.126.50 million compared to that realised in FY 2017/18 and was 74.5 per cent of the annual target.

3.42.3 Conditional Grants

During the reporting period, the County received Kshs.619.39 million as conditional grants as shown in.

Table 3.122: Trans Nzoia County, Conditional Grants/Loans Received in the FY 2018/19

S/No.	Grant/Loans	Annual Allocation- CARA, 2018 (Kshs)	Annual Budget Allocation(Kshs)	Actual Receipts (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
A	**Grants/Loans contained in CARA, 2018**				
1.	IDA (World Bank) -Kenya Urban Support Project	340,306,900	340,306,900	340,306,900	100
2.	DANIDA - Universal Healthcare to Devolved System Programme	18,933,750	18,933,750	18,933,750	100
3.	Compensation for User Fee Foregone	21,304,915	21,304,915	21,304,915	100
4.	Road Maintenance Fuel Levy Fund	147,985,503	147,985,503	147,985,503	100
5.	World Bank-Transforming Health Systems for Universal Care Project	100,000,000	100,000,000	40,855,977.9	40.9
6.	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project	140,435,163	140,435,163	50,000,000	35.6
7.	Leasing of Medical Equipment	200,000,000	-	-	-
8.	Rehabilitation of Village Polytechnics	53,710,000	53,710,000	-	-
9.	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	46,456,661	46,456,661	-	-
10.	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	19,595,837	19,595,837	-	-

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S/No.	Grant/Loans	Annual Allocation- CARA, 2018 (Kshs)	Annual Budget Allocation(Kshs)	Actual Receipts (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
A	**Grants/Loans contained in CARA, 2018**				
11.	EU - Water Tower Protection and Climate Change Mitigation and Adoption Programme (WATER)	80,000,000	80,000,000	-	-
12.	**Total**	**1,168,728,729**	**968,728,729**	**619,387,045.9**	**53**

Source: *Trans Nzoia County Treasury*

During the reporting period, receipts from Kenya Urban Support Project, DANIDA, Compensation for User Fee Foregone, and Road Maintenance Fuel Levy Fund recorded the highest performance in percentage terms, and accounted for 100 per cent of the respective annual target.

3.42.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.6.90 billion from the CRF account. The withdrawals represented 85.8 per cent of the Approved Supplementary Budget and translated to an increase of 19.2 per cent from Kshs.5.79 billion in FY 2017/18, and comprised of Kshs.2.11 billion (30.5 per cent) towards development activities and Kshs.4.79 billion (69.5 per cent) for recurrent expenditure.

3.42.5 Overall Expenditure Review

A total of Kshs.6.39 billion was spent on both development and recurrent activities. This expenditure represented 92.6 per cent of the total funds released from the CRF account, and was an increase of 51.4 per cent from Kshs.4.22 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.421.71 million for development activities and Kshs.317.51 million for recurrent costs.

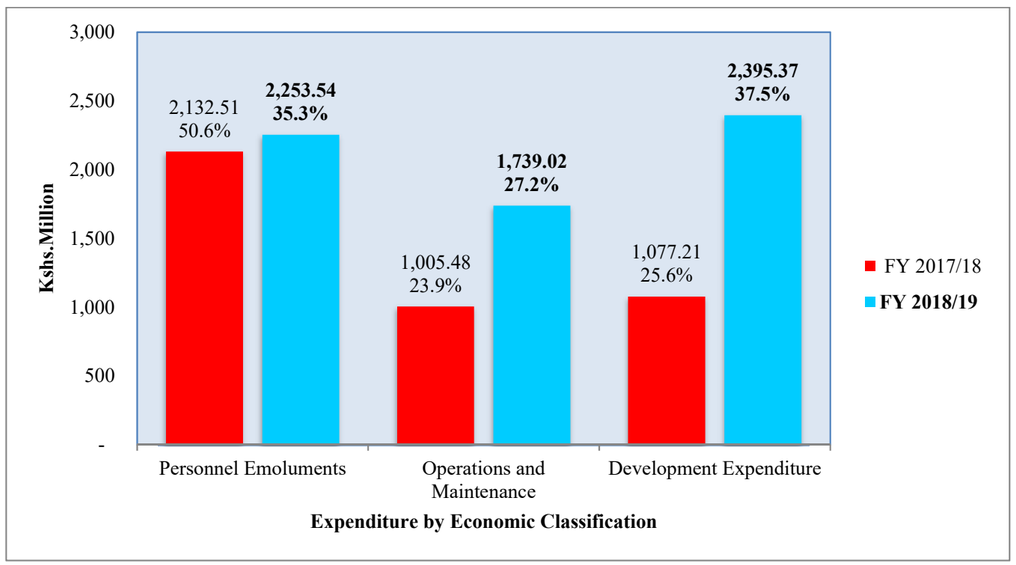
Expenditure on development programmes amounted to Kshs.2.40 billion while Kshs.3.99 billion was spent on recurrent activities. The development expenditure was 113.4 per cent of the funds released for development programmes, while recurrent expenditure was 83.3 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 75.4 per cent, which was an increase from 54 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 82 per cent of the annual recurrent budget, an increase from 67.7 per cent recorded in FY 2017/18.

Figure 3.167 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.167: Trans Nzoia County, Expenditure by Economic Classification



Source: *Trans Nzoia County Treasury*

3.42.6 Development Expenditure Analysis

The total development expenditure of Kshs.2.40 billion represented 75.4 per cent of the annual development expenditure estimates of Kshs.3.18 billion.Table 3.123 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.123: Trans Nzoia County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Construction of County Referral Hospital	Matisi	435,000,000	408,032,302	93.8
2	Road Construction and Maintenance	County wide	203,912,852	190,524,208	93.4
3	Purchase of Certified Seeds, Breeding Stock and Live Animals	County Wide	41,000,000	31,677,200	77.3
4	Rehabilitation and Renovation of Plant, Machinery and Equipment	County Wide	42,827,111	32,279,288	75.4
5	Refurbishment of Buildings	County Wide	122,149,877	90,931,951	74.4
6	Construction of County Assembly Perimeter Wall	Matisi	32,700,000	19,958,026	61.0
7	Purchase of Specialised Plant, Machinery and Equipment	County Wide	224,103,221	113,888,999	50.8
8	Construction of ECDE Classes	County wide	155,252,171	77,121,921	49.7
9	Research, Feasibility Studies, Project Preparation and Design	County Wide	22,400,401	7,223,503	32.2
10	Overhaul and Refurbishment of Construction and Civil Works	County wide	121,200,000	33,737,930	27.8

Source: *Trans Nzoia County Treasury*

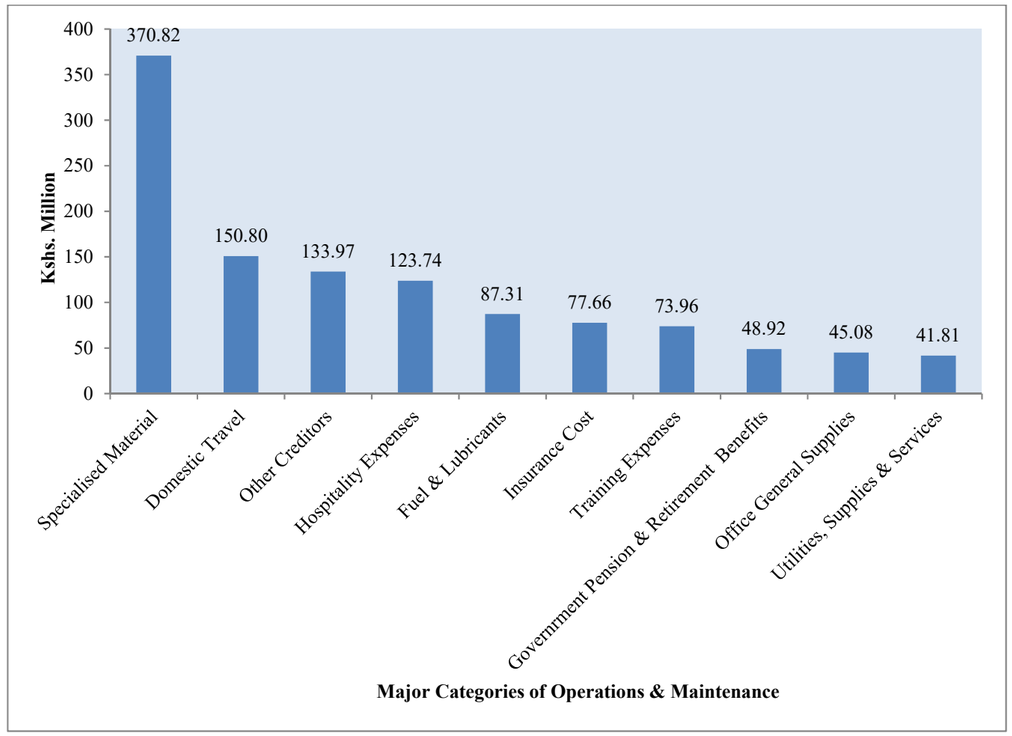
3.42.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.99 billion comprised of Kshs.2.25 billion (56.4 per cent) incurred on personnel emoluments and Kshs.1.74 billion (43.6 per cent) on operations and maintenance as shown in

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Figure 3.167. Expenditure on personnel emoluments represented an increase of 5.7 per cent compared to FY 2017/18 when the County spent Kshs.2.13 billion and was 35.3 per cent of the total expenditure in FY 2018/19. Figure 3.168 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.168: Trans Nzoia County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Trans Nzoia County Treasury*

The County spent Kshs.31.49 million on committee sitting allowances for the 39 MCAs and Speaker against the annual budget allocation of Kshs.69.30 million. This represented an increase of 114.4 per cent compared to Kshs.14.69 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.65,597 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.185.74 million, and comprised of Kshs.132.77 million spent by the County Assembly and Kshs.52.97 million by the County Executive.

3.42.8 Budget Performance by County Department

Table 3.124 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.124: Trans Nzoia County, Budget Performance by Department in FY 2018/19

Department	Annual 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	297.64	328.15	289.53	184.18	268.60	142.94	92.8	77.6	90.2	43.6
Livestock	16.27	90.30	10.34	19.76	16.27	65.97	157.4	333.9	100	73.1
Trade, Commerce and Industry	38.44	53.26	38.44	8.78	14.62	32.06	38.0	365.1	38.0	60.2
Water, Environment and Natural Resources	85.84	377.02	73.79	181.56	58.77	323.30	79.6	178.1	68.5	85.8
Public Works, Roads and Infrastructure	279.42	514.40	275.83	514.20	211.29	464.66	76.6	90.4	75.6	90.3
Health and Corporate Services	1,675.59	638.94	1,672.12	424.74	1,433.27	522.28	87.7	123.0	85.5	81.7
Lands, Housing and Urban Development	66.14	426.91	56.02	361.46	33.15	388.45	59.2	107.5	50.1	91.0
Gender, Youth, Sports, Culture, Social Services & Tourism	72.42	74.56	61.94	20.10	52.34	66.79	84.5	332.3	72.3	89.6
Governance and Public Service Management	598.39	42.00	588.97	12.95	480.82	11.20	81.6	86.5	80.4	26.7
County Public Service Board	32.26	27.35	26.78	0	23.39	4.69	87.3	0	72.5	17.1
Education and ICT	344.42	285.00	344.42	204.60	333.69	178.44	96.9	87.2	96.9	62.6
Finance	711.08	146.56	711.07	134.84	442.90	135.09	62.3	100.2	62.3	92.2
Economic Planning	35.15	30.97	27.68	10.40	9.54	24.91	34.5	239.5	27.1	80.4
County Assembly	614.08	140.00	614.08	34.60	613.92	34.60	100	100.0	100	24.7
TOTAL	**4,867.14**	**3,175.42**	**4,791.0**	**2,112.16**	**3,992.57**	**2,395.37**	**83.3**	**113.4**	**82.0**	**75.4**

Source: *Trans Nzoia County Treasury*

Analysis of expenditure by department shows that the Department of Finance recorded the highest absorption rate of development budget at 92.2 per cent while the Department of County Public Service Board recorded the lowest at 17.1 per cent. The Department of Livestock and the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent respectively while the Department of Economic Planning had the lowest at 27.1per cent.

3.42.9 Key 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 own source of revenue collection by 51.4 per cent from Kshs.246.06 million in the FY 2017/18 to Kshs.372.56 million in the reporting period.
ii. Improvement in the absorption of the development budget from 54 per cent in FY 2017/18 to 75.4 per cent in the reporting period.

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

1. A high wage bill that increased by 5.7 per cent from Kshs.2.13 billion in the FY 2017/18 to Kshs.2.25 billion in the reporting period. The wage bill accounted for 35.3 per cent of total expenditure in the reporting period.
2. Late submission of financial returns by the County Treasury, which affected timely preparation of

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budget implementation report by OCOB contrary to Section 166 of the PFM Act, 2012.

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.

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

1. *The County Public Service Board should put in place measures to ensure the wage bill does not increase above the legal limit in the medium term.*
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 should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

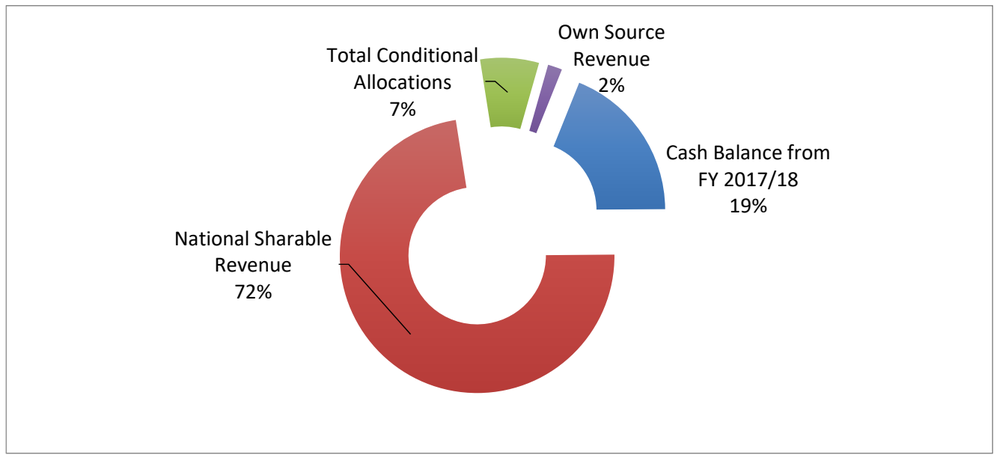
3.43 Turkana County

3.43.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.15.35 billion, comprising of Kshs.9.6 billion (62.5 per cent) and Kshs.5.75 billion (37.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.71 billion (69.8 per cent) as equitable share of revenue raised nationally, Kshs.1.02 billion (6.6 per cent) as total conditional grants, generate Kshs.250 million (1.6 per cent) from own-source of revenue, and Kshs.2.77 billion (18 per cent) cash balance from FY 2017/18.

Figure 3.169: Turkana County, Expected Sources of Budget Financing in FY 2018/19



Source: *Turkana County Treasury*

The conditional grants contained in the CARA, 2018 are shown in Table 3.125 .

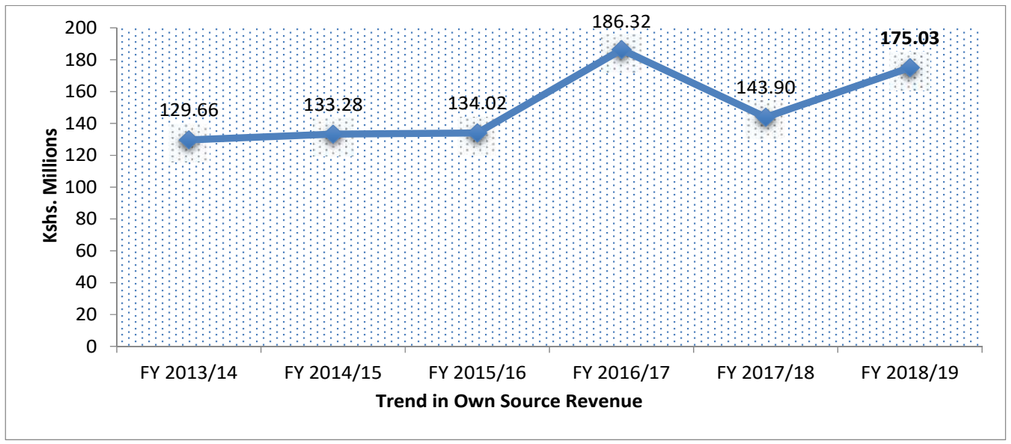
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3.43.2 Revenue Analysis

During the FY 2018/19, the County received Kshs.10.77 billion as equitable share of the revenue raised nationally, Kshs.588.43 million as total conditional grants, raised Kshs.175.03 million from own-source revenue, and had a cash balance of Kshs.2.77 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs. 14.3 billion.

Figure 3.170 shows the yearly trend in own-source revenue collection from the FY 2013/14 to the FY 2018/19.

Figure 3.170: Turkana County, Own Source Revenue Collection for the FY 2013/14 to FY 2018/19



Source: *Turkana County Treasury*

The County generated a total of Kshs.175.03 million from own revenue sources during the FY 2018/19. This amount represented an increase of Kshs.31.13 million compared to that realised during a similar period of FY 2017/18 and was 70 per cent of the annual target.

3.43.3 Conditional Grants

The County received Kshs.588.43 million as conditional grants in the financial year 2018/19 as shown in Table 3.125.

Table 3.125: Turkana County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Compensation for User Fee Foregone	25,634,941	25,634,941	25,634,941	100
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	Kenya Urban Support Programme Bal C/F 2017/18	41,200,000	41,200,000	41,200,000	100
4	Road Maintenance Fuel Levy	283,569,986	283,569,986	283,569,986	100
5	Rehabilitation of Village Polytechnics	25,285,000	25,285,000	26,258,855	-
6	Transforming Health Systems for Universal Care Project (WB)	100,000,000	100,000,000	48,512,781	49
7	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	50,078,476	36

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S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
8	FAO-Vaccination Programmes for PPR, SGP and Disease Surveillance	-	9,912,300	10,641,040	-
9	Kenya Devolution Support Project (KDSP) "Level 1 grant"	65,446,016	65,446,016	-	-
10	Kenya Urban Support Project (KUSP)	95,023,200	95,023,200	95,023,200	100
11	DANIDA Grant	33,766,875	33,766,875	33,766,875	100
Total		**1,010,361,181**	**1,020,273,481**	**588,427,299**	**58**

Source: *Turkana County Treasury*

During the FY 2018/19, receipts from the Kenya Urban Support Project (KUSP), DANIDA grant, Road Maintenance Fuel Levy, and Compensation for User Fee Foregone received the highest receipts as percentage of annual budget allocation from conditional grant at 100 per cent of their respective annual allocation.

3.43.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.11.7 billion from the CRF account. The withdrawals represented 72.8 per cent of the Approved Budget and translated to an increase of 32.3 per cent from Kshs.8.45 billion approved in the FY 2017/18 and comprised of Kshs.8.57 billion (76.7 per cent) to fund recurrent expenditure and Kshs.2.6 billion (23.3 per cent) for development activities.

3.43.5 Overall Expenditure Review

The County Government spent a total of Kshs.10.35 billion on recurrent and development activities. This expenditure represented 92.6 per cent of the total funds released from the CRF account and was an increase of 27.3 per cent from Kshs.8.13 billion spent in FY 2017/18.

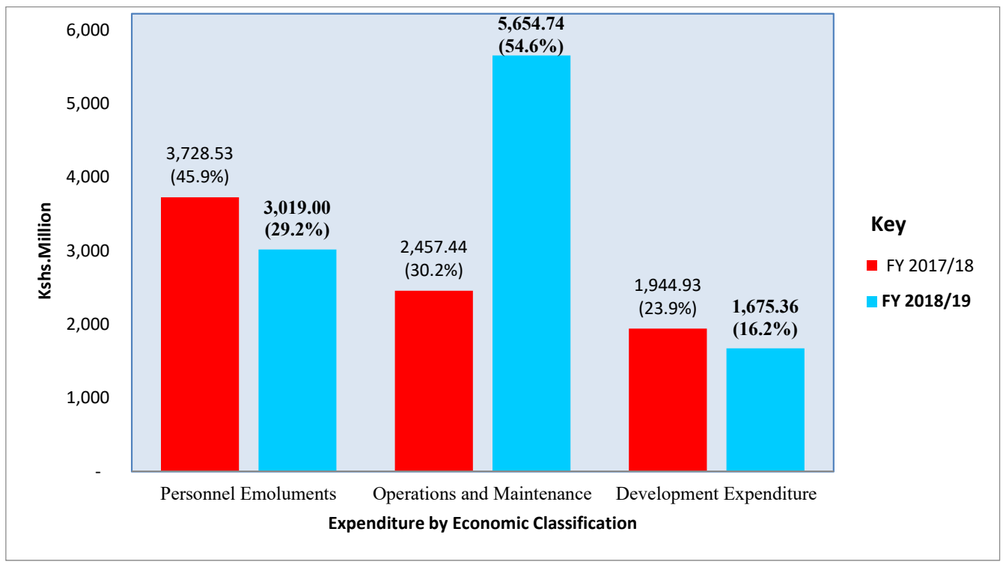
The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.1.9 billion for development activities and Kshs.345.07 million for recurrent costs.

Expenditure on recurrent activities amounted to Kshs.8.67 billion while Kshs.1.68 billion was spent on development activities. The recurrent expenditure was 101.2 per cent of the funds released for recurrent activities, while development expenditure was 64.4 per cent of funds released for development activities.

The recurrent expenditure represented 90.3 per cent of the annual recurrent budget, a decrease from 96.3 per cent recorded in FY 2017/18. Development expenditure recorded an absorption rate of 29.1 per cent, which was a decrease from 46.7 per cent attained in FY 2017/18. Figure 3.171 presents a comparison between the total expenditure in the FY 2018/19 and in FY 2017/18.

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Figure 3.171: Turkana County, Expenditure by Economic Classification



Source: *Turkana County Treasury*

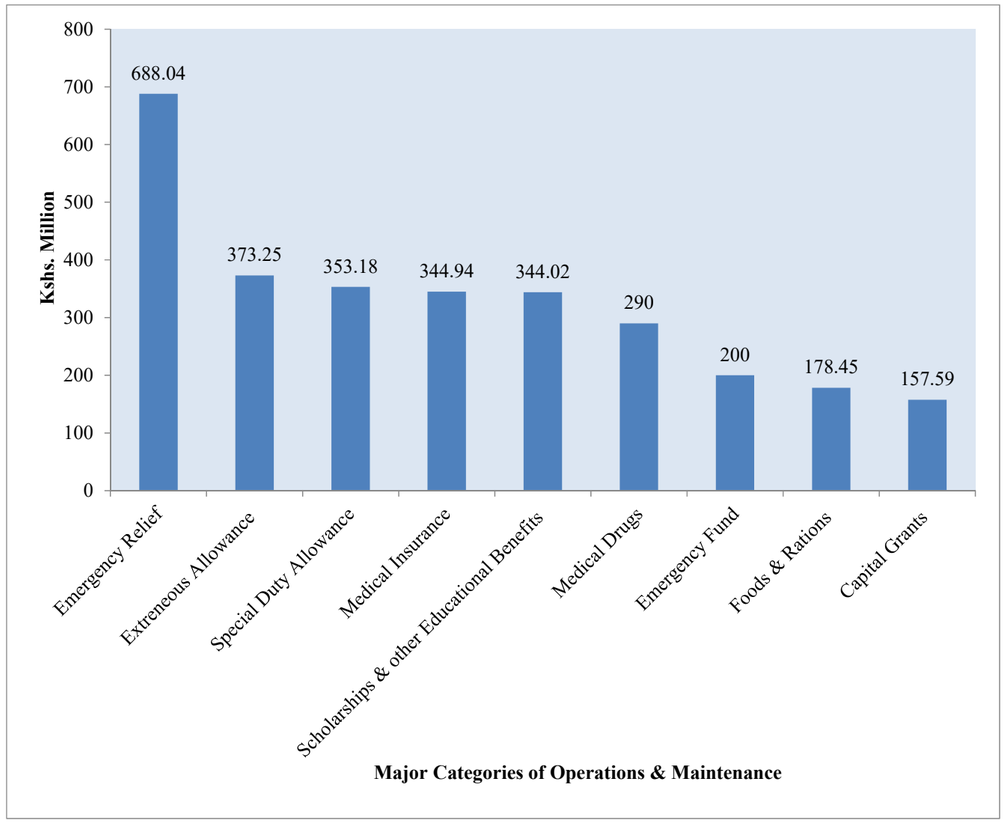
3.43.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.8.67 billion comprised of Kshs.3.02 billion (65.2 per cent) incurred on personnel emoluments and Kshs.5.65 billion (34.8 per cent) on operations and maintenance as shown in Figure 3.171.

Expenditure on personnel emoluments represented a decrease of 19 per cent compared to FY 2017/18 when the County spent Kshs.3.73 billion and was 29.2 per cent of total expenditure in FY 2018/19. Figure 3.172 shows a summary of operations and maintenance expenditure by major categories.

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Figure 3.172: Turkana County, Operations and Maintenance Expenditure by Major Categories in the FY 2018/19



Source: *Turkana County Treasury*

The County spent Kshs.23.45 million on committee sitting allowances for the 48 MCAs and speaker against the annual budget allocation of Kshs.81.76 million. This represented an increase of over 100 per cent compared to Kshs.5.65 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.40,709 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.292.42 million and comprised of Kshs.207.04 million spent by the County Assembly and Kshs.85.38 million spent by the County Executive.

3.43.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.68 billion represented 29.1 per cent of the annual development expenditure budget of Kshs.5.75 billion. Table 3.126 provides a summary of development projects with the highest expenditure in the financial year.

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Table 3.126: Turkana County County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	FY 2018/19 Project Expenditure (Kshs.)
1	Construction of County Headquarters	Township	695,854,432	465,517,656
2	Lokiriama Revenue Resource Centre	Lokiriama	95,894,400	83,190,308
3	Installation of Air Conditioners And Other Mechanical at County Headquarters Building	Headquater	82,588,770	82,588,770
4	Citizen Resource Centre-Kaeris	Kaeris	34,704,636	34,704,636
5	Kakuma Resource Centre	Kakuma	33,494,796	30,145,316
6	Katilu Resource Centre	Katilu	32,759,468	29,483,521
7	Lowarengak Resource Centre	Lowarengak	34,319,912	18,500,000
8	Kerio Social Hall-Resource Centre	Kerio Delta	18,209,410	17,547,592
9	Kerio Social Hall-Resource Centre	Kerio Delta	18,209,410	16,388,469
10	Citizen Resource Centre-Kanamkemer	Kanamkemer Ward	40,000,000	16,000,000

Source: *Turkana County Treasury*

3.43.8 Budget Performance by County Department

Table 3.127 shows a summary of the approved budget allocation and performance by department in the FY 2018/19.

Table 3.127: Turkana County, Budget Performance by Department in FY 2018/19

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		FY Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governance (Office of the Gvn and Liaison)	397.94	205.14	121.70	25.00	307.68	-	252.8	-	77.3	-
Office of the Deputy Governor	24.42	-	21.14	-	15.91	-	75.3	-	65.2	-
County Attorney	125.27	-	43.27	-	138.10	-	319.2	-	110.2	-
Finance and Planning	587.19	448.01	341.14	178.41	219.24	251.31	64.3	140.9	37.3	56.1
Water Services, Environment and Mineral Resources	225.89	693.21	212.04	314.46	181.92	288.29	85.8	91.7	80.5	41.6
Health & Sanitation Services	1,046.28	584.89	955.53	311.50	990.96	159.34	103.7	51.2	94.7	27.2
Trade, Gender and Youth Affairs	105.43	481.25	106.63	281.42	101.98	105.00	95.6	37.3	96.7	21.8
Education, Sports and Social Protection	699.71	700.56	408.33	417.33	605.56	402.53	148.3	96.5	86.5	57.5
Public Services, Decentralized Administration & Disaster Management	4,860.71	156.35	5,006.03	22.15	4,541.38	146.06	90.7	659.4	93.4	93.4
Infrastructure Transport & Public Works	45.93	863.89	36.56	722.97	-	47.31	-	6.5	-	5.5
Agriculture, Pastoral Economy & Fisheries	221.93	757.38	296.56	158.21	255.73	191.70	86.2	121.2	115.2	25.3
Tourism, Culture and Natural Resources	158.53	139.73	30.37	22.19	125.41	23.00	412.9	103.7	79.1	16.5
Lands, Energy, Housing & Urban Areas Mgt.	138.41	265.68	53.51	-	129.28	60.82	241.6	-	93.4	22.9
County Public Service Board	123.38	3.60	100.46	-	97.07	-	96.6	-	78.7	-

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Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		FY Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	839.30	452.28	839.00	298.86	785.49	298.86	93.6	100.0	93.6	66.1
TOTAL	**9,600.32**	**5,751.97**	**8,572.27**	**2,752.50**	**8,495.71**	**1,974.22**	**99.1**	**71.7**	**88.5**	**34.3**

Source: *Turkana County Treasury*

Analysis of expenditure by department shows that the Department of Water Services, Environment and Mineral Resources recorded the highest absorption rate of development budget at 74.9 while the County Public Service Board and Lands, Energy, Housing & Urban Areas Management did not incur any development expenditure. The Department of Agriculture, Pastoral Economy & Fisheries had the highest percentage of recurrent expenditure to its recurrent budget at 115.2 per cent while the Department of Public Services, Decentralized Administration & Disaster Management had the lowest at 0.9 per cent.

3.43.9 Key Observations and Recommendations

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

Improvement in own-source revenue collection by 21.6 per cent from Kshs.143.9 million generated in FY 2017/18 to Kshs.175.03 million in FY 2018/19.

i. Improved internet connectivity, resulting into effective use of IFMIS to process financial transactions.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Failure to constitute the County Budget and Economic Forum (CBEF) as per the requirement of Section 137 of the PFM Act, 2012 for consultation in the budget process.
3. Late submission of reports on financial and non-financial performance by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012. Further, the Office noted inconsistencies in development expenditure from the financial reports submitted by the County Treasury.
4. Inadequate budgetary control that resulted in expenditure above approved budget by the Department of Agriculture, Pastoral Economy & Fisheries and the Office of the County Attorney. This is contrary to Section 135 and 154 of PFM Act, 2012.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds are released in a timely manner.*
2. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*
3. *The County Treasury should ensure timely preparation and submission of reports on financial and non-financial performance in line with Section 166 of PFM Act, 2012. The County Treasury should further put in place mechanisms to ensure that the financial reports are reviewed and authenticated before submission to oversight institutions.*
4. *The County Treasury should ensure expenditure is within the approved budget.*

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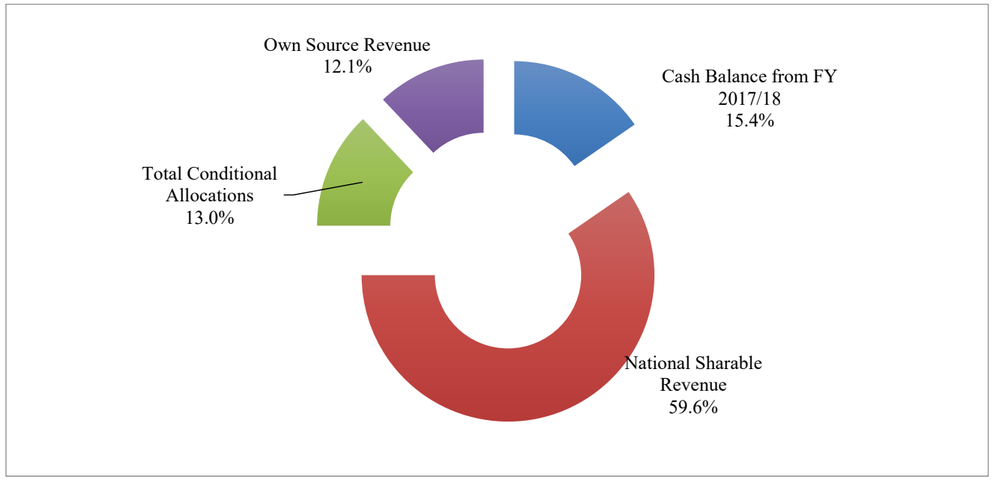
3.44 Uasin Gishu County

3.44.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.9.96 billion, comprising of Kshs.4.49 billion (45.1 per cent) and Kshs.5.47 billion (54.9 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.94 billion (59.6 per cent) as equitable share of the revenue raised nationally, Kshs.1.29 billion (13 per cent) as total conditional grants, generate Kshs.1.20 billion (12.1 per cent) from own sources of revenue, and Kshs.1.53 billion (15.4 per cent) cash balance from FY 2017/18.

Figure 3.173: Uasin Gishu County, Expected Sources of Budget Financing in FY 2018/19



Source: *Uasin Gishu County Treasury*

A breakdown of the conditional grants is provided in Table 3.128

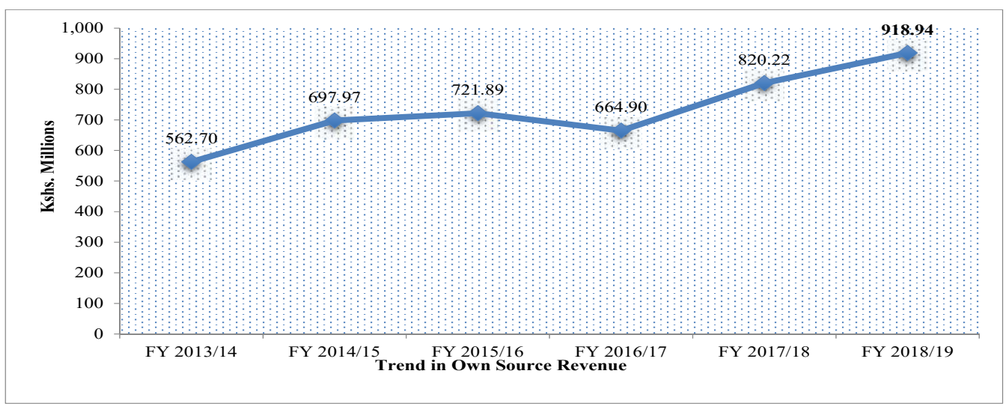
3.44.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.9.42 billion available for budget implementation. This amount consisted of Kshs.5.93 billion received as equitable share of the revenue raised nationally, Kshs.1.04 billion as conditional grants, Kshs.918.94 million generated from own sources of revenue, and a cash balance of Kshs.1.53 billion from FY 2017/18.

Figure 3.174 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.174: Uasin Gishu County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Uasin Gishu County Treasury*

The County generated a total of Kshs.918.94 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.110.20 million compared to that realised in FY 2017/18 and was 76.6 per cent of the annual target.

3.44.3 Conditional Grants

During the reporting period, the County received Kshs.1.04 billion as conditional grants as shown in Table 3.128

Table 3.128: Uasin Gishu County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grant Details	Annual Allocation-CARA, 2018) (Kshs)	Annual Budget Allocation (Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
1	IDA (World Bank) -Kenya Urban Support Project (KUSP)	630,147,800	630,147,800	630,147,800	100.0
2	Road Maintenance Fuel Levy	156,252,849	156,252,849	156,252,849	100.0
3	IDA (World Bank) Kenya Climate Smart Agriculture project	117,000,000	117,000,000	40,941,086	35.0
4	Transforming Health Systems for Universal Care Project (World Bank)	81,893,450	81,893,450	38,716,725	47.3
5	EU –Water Tower protection and Climate Change Mitigation and Adoption Programme (WATER)	80,000,000	80,000,000	-	-
6	IDA (World Bank) Kenya Devolution Support Project *Level 1 grant*	46,739,163	46,739,163	-	-
7	EU Grant –Instruments for Devolution Advice and Support (IDEAS)	45,000,000	45,000,000	48,775,296	108.4
8	World Bank - Kenya Urban Support Project (KUSP) - Urban Institutional Grants	41,200,000	41,200,000	41,200,000	100.0
9	Rehabilitation of Village Polytechnics	33,250,000	33,250,000	25,103,750	75.5
10	Compensation of User Fees Foregone	20,813,065	20,813,065	20,813,065	100.0
11	DANIDA grant for the Universal Healthcare in Devolved System Programme	19,136,250	19,136,250	27,379,194	143.1
12	Sweden Agriculture Sector Development Support programme (ASDSP) II + Bal C/F in FY2017/18	18,994,969	18,994,969	6,915,644	36.4
Grand Total		**1,290,427,546**	**1,290,427,546**	**1,036,245,409**	**80.3**

Source: *Uasin Gishu County Treasury*

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During the reporting period, receipts from the DANIDA grant for the Universal Healthcare in Devolved System Programme recorded the highest performance in percentage terms, and accounted 143.1 per cent of the annual target.

3.44.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.7.77 billion from the CRF account. The withdrawals represented 78 per cent of the Approved Supplementary Budget and translated to an increase of 21.6 per cent from Kshs.6.39 billion in FY 2017/18 and comprised of Kshs.2.59 billion (33.3 per cent) towards development activities and Kshs.5.18 billion (66.7 per cent) for recurrent expenditure.

3.44.5 Overall Expenditure Review

A total of Kshs.6.75 billion was spent on both development and recurrent activities. This expenditure represented 86.9 per cent of the total funds released from the CRF account, and was an increase of 2 per cent from Kshs.6.29 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.51.73 million for development activities and Kshs.229.8 million for recurrent costs.

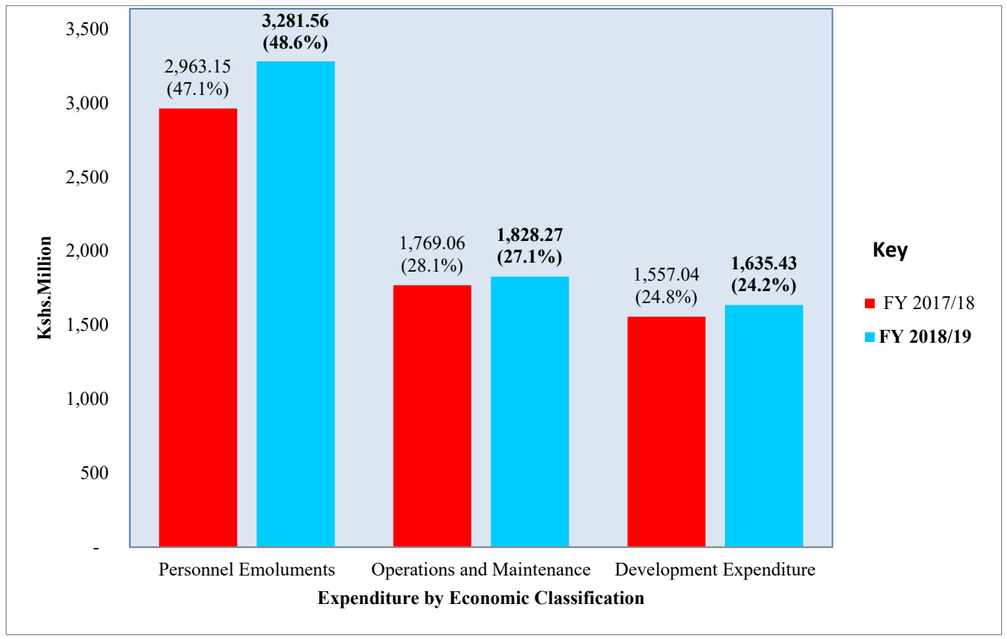
Expenditure on development programmes amounted to Kshs.1.64 billion while Kshs.5.11 billion was spent on recurrent activities. The development expenditure was 63.3 per cent of the funds released for development programmes, while recurrent expenditure was 98.7 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 36.4 per cent, which was a decrease from 52.5 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 93.4 per cent of the annual recurrent budget, a decrease from 94.3 per cent recorded in FY 2017/18.

Figure 3.175 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.175: Uasin Gishu County, Expenditure by Economic Classification



Source: *Uasin Gishu County Treasury*

3.44.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.64 billion represented 36.4 per cent of the annual development expenditure estimates of Kshs.4.49 billion. Table 3.129 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.129: Uasin Gishu County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Supply and Delivery of assorted water Equipment and machinery (4No. Long Arm Excavators, 3No. Crawler Excavators, 6No. Large Tippers, 3No. Dozers, 2No. Fuel Tankers, 2No. Wheel Loaders and 2No. Back Hoe Loaders	Headquarters	459,847,523	450,988,000	98.1
2	Construction of Ward Offices	Countywide	181,782,096	158,589,524	87.2
3	Supply, Delivery, Installation, Testing and Commissioning of 32No. Boreholes	Countywide	123,500,000	131,129,519	106.2
4	Construction of Nyengilel VCT Centre	Nyengilel Ward	65,000,000	34,693,015	53.4
5	Renovation and Extension of Eldoret CBD Wholesale Market	Eldoret CBD	25,000,000	33,670,998	134.7
6	Supply and Delivery of Mouldboard Plough, Tipper and Double Cab	AMS Station –Chebororwa	62,703,802	32,286,000	51.5
7	Construction of Milk Coolers Generator Houses	Countywide	29,851,500	26,517,335	88.8
8	Supply of ECDE Teachers and Learning Materials	Countywide	21,029,360	21,966,208	104.5

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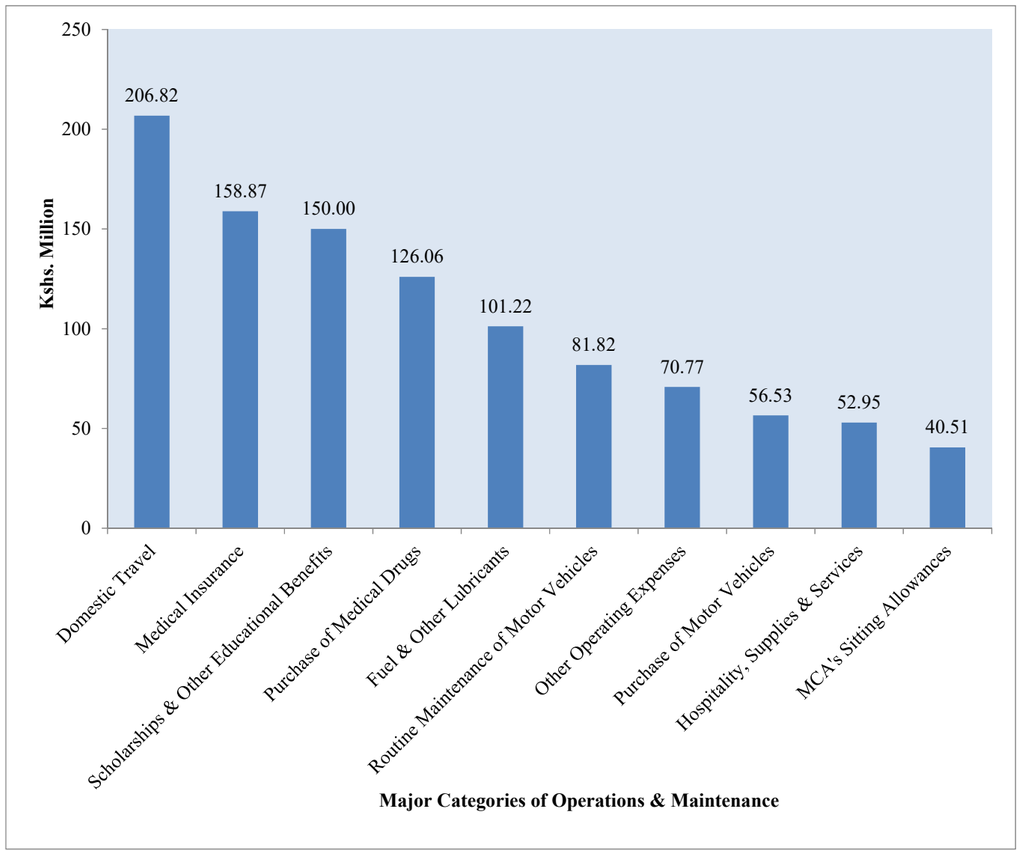
S/No.	Project Name	Project Location	Project Budget	Project Ex-penditure in FY 2018/19 (Kshs.)	Absorption Rate (%)
9	Design Plans and BQs for 64 Stadium	Eldoret CBD	30,000,000	17,458,452	58.2
10	Supply of FMD Deseal Vaccine	Countywide	15,666,125	15,310,475	97.7

Source: *Uasin Gishu County Treasury*

3.44.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.11 billion comprised of Kshs.3.28 billion (64.2 per cent) incurred on personnel emoluments and Kshs.1.83 billion (35.8 per cent) on operations and maintenance as shown in Figure 3.175 Expenditure on personnel emoluments represented an increase of 10.7 per cent compared to FY 2017/18 when the County spent Kshs.2.96 billion and was 48.6 per cent of the total expenditure in FY 2018/19.Figure 3.176 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.176: Uasin Gishu County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Uasin Gishu County Treasury*

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The County spent Kshs.40.51 million on committee sitting allowances for the 47 MCAs and Speaker against the annual budget allocation of Kshs.40.51 million. This represented an increase of 35.9 per cent compared to Kshs.29.81 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.70,329 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.267.38 million, and comprised of Kshs.142.54 million spent by the County Assembly and Kshs.124.84 million by the County Executive.

3.44.8 Budget Performance by County Department

Table 3.130 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.130: Uasin Gishu County, Budget Performance by Department in FY 2018/19

Department	Annual Budget Allocation (Kshs. Million)		Exchequer Issues FY 2018/19 (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	115.94	-	114.90	-	115.33	-	100.4	-	99.5	-
Finance	407.64	-	357.11	-	353.55	-	99.0	-	86.7	-
Public Service Management	579.57	20.27	574.18	0.11	563.10	2.39	98.1	2,172.7	97.2	11.8
ICT & E-Government	36.96	47.14	35.91	13.14	35.75	13.15	99.5	100.1	96.7	27.9
Roads, Transport, Energy and Public Works	438.31	643.93	435.95	541.28	427.21	374.23	98.0	69.1	97.5	58.1
Land and Housing	59.51	519.97	56.94	41.12	54.26	41.32	95.3	100.5	91.2	7.9
Water, Environment, Natural resources, Tourism and Wildlife	138.09	888.49	132.85	728.08	117.91	649.78	88.8	89.2	85.4	73.1
Health Services	1,966.37	258.53	1,866.66	41.64	1,884.62	46.49	101.0	111.6	95.8	18.0
Agriculture	247.40	349.29	230.59	111.87	225.48	74.06	97.8	66.2	91.1	21.2
Trade, Investment and Industrialization	38.70	222.64	38.13	117.74	36.20	54.28	94.9	46.1	93.5	24.4
Education, culture and Social Services	382.12	110.21	381.09	91.90	380.90	92.86	100.0	101.0	99.7	84.3
County Public Service Board	32.85	-	31.59	-	28.19	-	89.2	-	85.8	-
County Assembly	671.97	100.80	671.48	-	670.94	-	99.9	-	99.8	-
Budget and Economic Planning	82.69	-	79.58	-	56.59	-	71.1	-	68.4	-
Devolution and Public Administration	38.37	192.85	31.67	75.26	27.75	92.57	87.6	123.0	72.3	48.0
Youth, Affairs, Gender and Sports Development	89.58	178.52	88.67	85.99	88.61	64.37	99.9	74.9	98.9	36.1
Cooperatives and Enterprise Development	72.12	10.67	24.99	4.57	19.22	9.09	76.9	198.9	26.7	85.1
Physical Planning and Urban Development	57.39	750.05	14.33	671.26	10.88	79.73	75.9	11.9	18.9	10.6
Livestock Development and Fisheries	13.93	195.19	11.35	67.20	13.35	41.11	117.6	61.2	95.8	21.1
TOTAL	**5,469.52**	**4,488.54**	**5,177.97**	**2,591.16**	**5,109.83**	**1,635.43**	**98.7**	**63.1**	**93.4**	**36.4**

***Source**: Uasin Gishu County Treasury*

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Analysis of expenditure by department shows that the Department of Cooperatives and Enterprise Development recorded the highest absorption rate of development budget at 85.1 while the County Assembly did not implement its development budget. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.8 per cent while the Department of Physical Planning and Urban Development had the lowest at 18.9 per cent.

3.44.9 Key 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 own source revenue collection by 13.6 per cent to Kshs.918.94 million compared to Kshs.820.22 million raised in FY 2017/18.
ii. Improvement in the use of E-procurement, IFMIS and Internet Banking.

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

1. Slow implementation of development activities during FY 2018/19. The County spent Kshs.1.64 billion, which represented 36.4 per cent of the annual development budget of Kshs.4.49 billion. This was a decline from an absorption rate of 52.5 per cent reported in FY 2017/18.
2. Delays by the County to provide quarterly reports on the execution of development projects during the financial year.
3. A high wage bill that increased by10.7 per cent from Kshs.2.96 billion in the FY 2017/18 to Kshs.3.28 billion in the reporting period. The wage bill accounted for 48.6 per cent of total expenditure in the reporting period.

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

1. *The County should identify and address issues that cause delays in the implementation of development projects.*
2. *The County should provide complete financial reports in line with Section 166 of the PFM Act, 2012.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with Regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*

3.45 Vihiga County

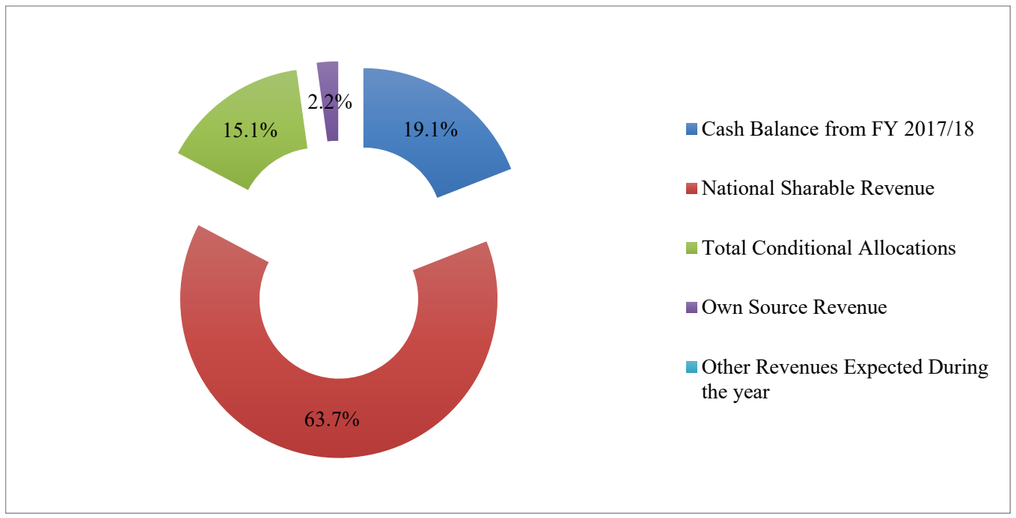
3.45.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.7.00 billion, comprising of Kshs.4.51 billion (64.5 per cent) and Kshs.2.49 billion (35.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.56 billion (63.7 per cent) as equitable share of the revenue raised nationally, Kshs.1.06 billion (19.1 per cent) as total conditional grants, generate Kshs.153.67 million (2.1 per cent) from own sources of revenue, and Kshs.1.33 billion (15.1 per cent) cash balance from FY 2017/18.

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Figure 3.177: Vihiga County, Expected Sources of Budget Financing in FY 2018/19



Source: *Vihiga County Treasury*

A breakdown of the conditional grants is provided in Table 3.131.

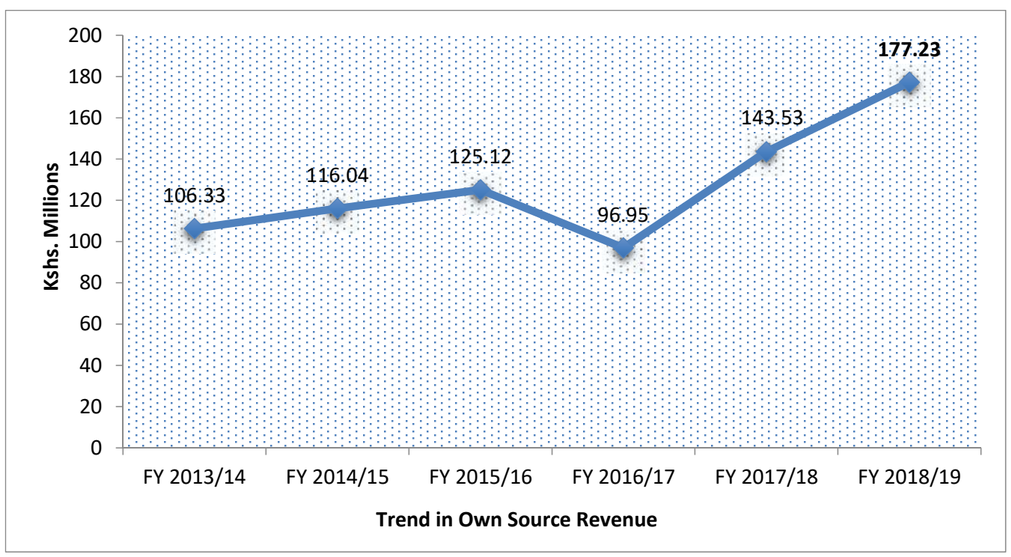
3.45.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.6.58 billion available for budget implementation. This amount consisted of Kshs.4.56 billion received as equitable share of the revenue raised nationally, Kshs.604.8 million as conditional grants, Kshs.177.23 million generated from own sources of revenue, and a cash balance of Kshs.1.33 billion from FY 2017/18.

Figure 3.178 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.178: Vihiga County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Vihiga County Treasury*

The County generated a total of Kshs.177.23 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.143.53 million compared to that realised in FY 2017/18 and represented 115.3 per cent of the annual target.

3.45.3 Conditional Grants

During the reporting period, the County received Kshs.604.80 million as conditional grants as shown in Table 3.131

Table 3.131: Vihiga County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	117,396,321	212,686,815	146,949,295	125.2
2	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	18,161,321	18,161,320	6,612,131	36.4
3	Compensation for User Fee Foregone	12,657,201	19,158,582	12,657,201	100.0
4	DANIDA Grant	14,782,500	20,930,173	14,782,500	100.0
	Leasing of Medical Equipment	200,000,000	-	-	-
5	IDA (World Bank) -Kenya Urban Support Project (KUSP)	250,950,700	250,950,700	250,950,700	100.0
6	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	41,604,116	75,302,439	-	-
7	Development of Youth Polytechnics	55,000,000	70,891,386	41,525,000	75.5
8	IDA (World Bank) - Water & Sanitation Development Project (WSDP)	80,000,000	80,000,000	-	-
9	World Bank Loan for Transforming Health System for universal Care Project	73,956,778	73,172,815	40,048,468	54.2

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S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
10	World Bank Loan for National Agricultural & Rural Inclusive Project	140,435,163	193,368,318	50,078,480	35.7
11	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	41,200,000	41,200,000	100.0
Total		**1,046,144,100**	**1,055,822,548**	**604,803,775**	**57.8**

Source: *Vihiga County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy Fund conditional grant recorded the highest performance in percentage terms, and accounted 125.2 per cent of the annual target.

3.45.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.6.23 billion from the CRF account. The withdrawals represented 89 per cent of the Approved Supplementary Budget and translated to an increase of 35.5 per cent from Kshs.4.02 billion in FY 2017/18, and comprised of Kshs.1.73 billion (27.8 per cent) towards development activities and Kshs.4.5 billion (72.2 per cent) for recurrent expenditure.

3.45.5 Overall Expenditure Review

A total of Kshs.5.70 billion was spent on both development and recurrent activities. This expenditure represented 91.4 per cent of the total funds released from the CRF account, and was an increase of 52.5 per cent from Kshs.2.71 billion spent in FY 2017/18.

The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.61.25 million for development activities and Kshs.113.51million for recurrent costs.

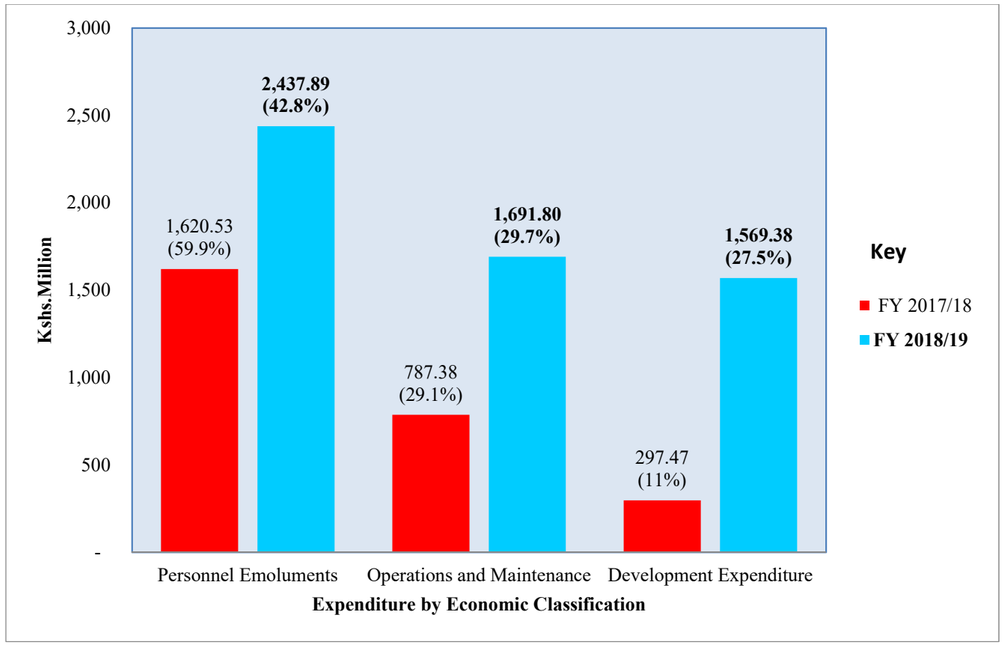
Expenditure on development programmes amounted to Kshs.1.57 billion while Kshs.4.13 billion was spent on recurrent activities. The development expenditure was 90.6 per cent of the funds released for development programmes, while recurrent expenditure was 91.7 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 63.2 per cent, which was an increase from 17.5 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 91.4 per cent of the annual recurrent budget, an increase from 62 per cent recorded in FY 2017/18.

Figure 3.179 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.179: Vihiga County, Expenditure by Economic Classification



Source: *Vihiga County Treasury*

3.45.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.57 billion represented 63.2 per cent of the annual development expenditure estimates of Kshs.2.49 billion. Table 3.132 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.132: Vihiga County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project location	Project Budget (Kshs.)	FY2018/19 Project Expenditure (Kshs.)
1	Construction and Civil Works	Across all Five Sub counties	534,559,630	464,952,088
2	Construction of Buildings	Across all Five Sub counties	457,299,400	302,383,803
3	Construction of Roads	Across all Five Sub counties	360,165,615	301,454,567
4	Purchase of Fertiliser and Seeds and Breeding Stock	Across all Five sub counties	89,500,000	87,530,059
5	Purchase of fire fighting Machine	Vihiga County Headquarters	60,000,000	57,598,230
6	Construction of 160 bed Capacity Hospital Plaza	Vihiga County Referral Hospital	65,000,000	56,577,981
7	construction of Water Springs and spring protection	Across all Five Sub counties	49,193,360	48,023,527
8	Purchase of Education and related equipment	Across all Five Sub counties	59,600,000	47,578,848
9	Purchase of Specialized Plant, Equipment and Machinery	Across all Five Sub counties	64,800,000	46,876,706
10	Rehabilitation and Renovation of Buildings	Across all Five sub counties	77,448,936	34,089,914

Source: *Vihiga County Treasury*

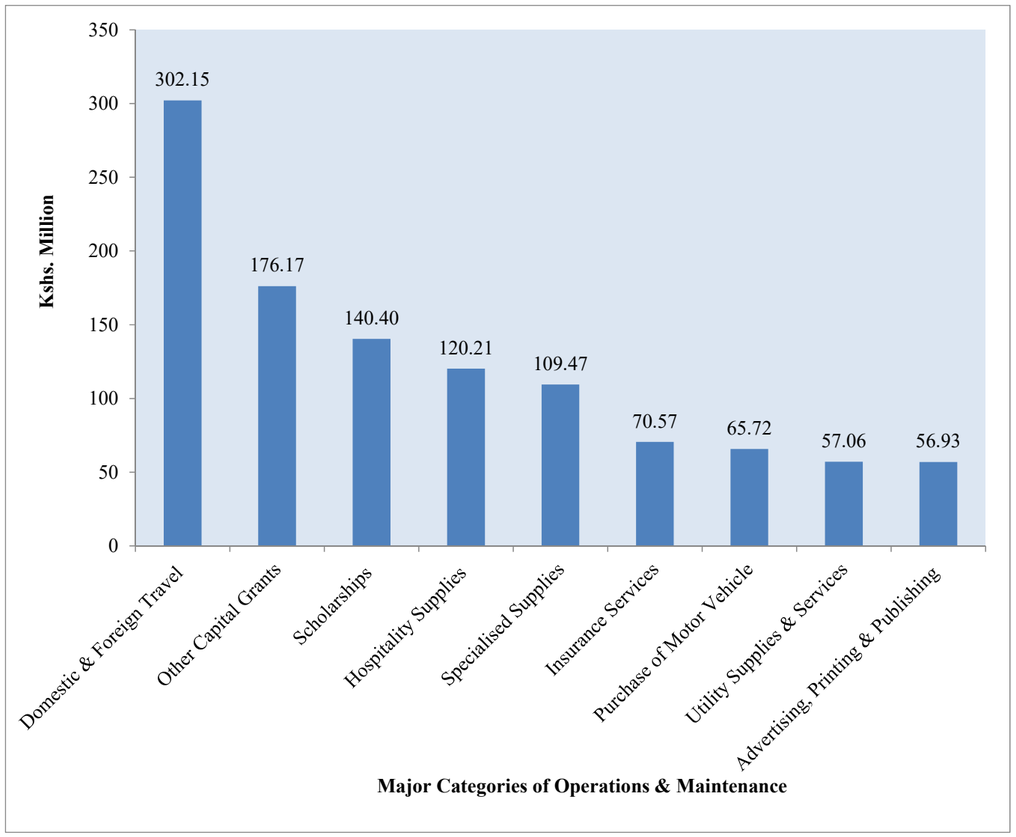
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3.45.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.13 billion comprised of Kshs.2.44 billion (59.1 per cent) incurred on personnel emoluments and Kshs.1.69 billion (40.9 per cent) on operations and maintenance as shown in Figure 3.179

Expenditure on personnel emoluments represented an increase of Kshs.817.36 million compared FY 2017/18 when the County spent Kshs.1.62 billion of the total expenditure in FY 2018/19. Figure 3.180 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.180: Vihiga County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



***Source**: Vihiga County Treasury*

The County spent Kshs.38.14 million on committee sitting allowances for the 39 MCAs and Speaker against the annual budget allocation of Kshs.44.68 million. This represented a decrease of 4.9 per cent compared to Kshs.39.99 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.81,493 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.302.15 million, and comprised of Kshs.99.65 million spent by the County Assembly and Kshs.202.50 million by the County Executive.

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3.45.8 Budget Performance by County Department

Table 3.133 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.133: Vihiga County, Budget Performance by Department in FY 2018/19

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
Office of the Governor	427.58	22.50	424.58	19.10	318.13	19.10	74.9	100.0	74.4	84.9
Finance & Economic Planning	489.24	100.00	489.24	57.17	428.07	50.63	87.5	88.6	87.5	50.6
Agriculture, Livestock, Fisheries &Cooperatives	165.35	380.16	165.35	209.34	140.88	150.95	85.2	72.1	85.2	39.7
Health Services	1,295.39	314.16	1,285.44	229.62	1,297.17	252.04	100.9	109.8	100.1	80.2
Education, Science, Technical and Vocational Training	433.34	282.19	433.34	239.76	431.65	228.73	99.6	95.4	99.6	81.1
Gender, Culture, Youth, Sports and Social Services	169.38	52.00	169.38	37.75	167.70	37.75	99.0	100.0	99.0	72.6
Trade, Industry, Tourism and Entrepreneurship.	111.41	56.90	109.45	13.21	72.76	20.59	66.5	155.9	65.3	36.2
County Public Service Board	50.92	-	50.92	-	46.30	-	90.9	0	90.9	0
Environment, Water, Energy & Natural Resources.	90.25	172.31	90.25	87.84	87.49	92.59	96.9	105.4	96.9	53.7
Transport, Infrastructure & Communication	163.74	671.46	163.74	508.24	131.62	570.24	80.4	112.2	80.4	84.9
Physical Planning, Land and Housing	125.41	327.95	125.41	308.25	75.87	118.43	60.5	38.4	60.5	36.1
County Assembly	607.25	94.03	607.25	18.35	550.38	18.32	90.6	99.8	90.6	19.5
Administration and Coordination of County Affairs	388.18	11.46	388.18	3.68	381.66	10.00	98.3	271.7	98.3	87.3
TOTAL	**4,517.44**	**2,485.12**	**4,502.53**	**1,732.31**	**4,129.68**	**1,569.37**	**91.7**	**90.6**	**91.4**	**63.2**

Source: *Vihiga County Treasury*

Analysis of expenditure by department shows that the Department of Administration and Coordination of County Affairs recorded the highest absorption rate of development budget at 87.3 while the County Assembly recorded the lowest at 19.5 per cent. The Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 100.1 per cent while the Department of Physical Planning, Land and Housing had the lowest at 60.5 per cent.

3.45.9 Key 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. Decentralising IFMIS mandate functionalities to departments and ensuring IFMIS connectivity to all departments through point to point, VPN, and Modem networks.
ii. Establishing of the Audit Committee in line with Section 155 of the PFM Act, 2012.
iii. Improvement in the performance of own-source revenue which represented 115.3 per cent of the annual target.
iv. Establishment of the County Budget and Economic Forum in line with Section 137 of PFM Act, 2012.

Despite the above progress, the following challenge affected effective budget implementation;

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1. A high wage bill that increased by 50.4 per cent from Kshs.1.62 billion in the FY 2017/18 to Kshs.2.44 billion in the reporting period. The wage bill accounted for 42.8 per cent of total expenditure in the reporting period.

The Department will continue to implement the following measures 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.*

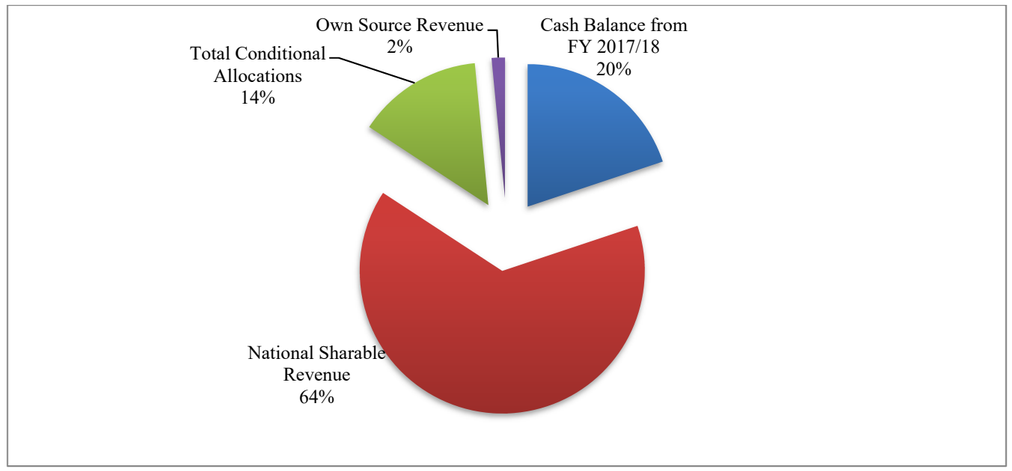
3.46 Wajir County

3.46.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.13.18 billion, comprising of Kshs.6.76 billion (51.3 per cent) and Kshs.6.42 billion (48.7 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.48 billion (64.3 per cent) as equitable share of revenue raised nationally, Kshs.1.88 billion (14.3 per cent) as total conditional grants, generate Kshs.200 million (1.5 per cent) from own revenue sources, and Kshs.2.62 billion (19.9 per cent) cash balance from FY 2017/18.

Figure 3.181: Wajir County, Expected Sources of Budget Financing in FY 2018/19



Source: *Wajir County Treasury*

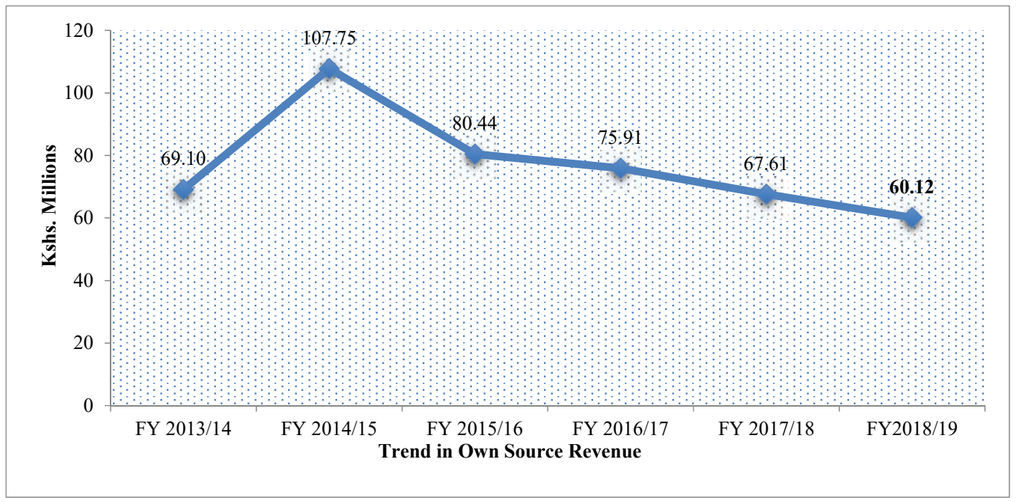
3.46.2 Revenue Analysis

During the FY 2018/19, the County received Kshs.8.48 billion received as equitable share of the revenue raised nationally, Kshs.642.71 million as total conditional grants, Kshs.60.12 million from own sources of revenue, and had a cash balance of Kshs.1.53 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.10.71 billion.

Figure 3.182 shows the yearly trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.182: Wajir County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *Wajir County Treasury*

The County generated a total of Kshs.60.12 million from own revenue sources in FY 2018/19. This amount represented a decrease of 10.9 per cent from Kshs.67.61 million realised in FY 2017/18 and was 30.1 per cent of the annual target.

3.46.3 Conditional Grants

The County received Kshs.642.71 million as conditional grants in the financial year 2018/19 as shown in Table 3.134

Table 3.134: Wajir County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual re-ceipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	**Grants Contained in the CARA, 2018**				
1	Road Maintenance Fuel Levy Fund	223,218,356	223,218,356	223,218,356	100
2	Kenya Devolution Support Programme (KDSP)	53,401,112	53,401,112	44,715,675	83.7
3	Compensation for User Fee Foregone	15,784,997	15,784,997	15,784,997	100
4	DANIDA Grant	38,772,225	38,772,225	27,868,875	71.2
5	Development of Youth Polytechnics	21,295,000	21,295,000	-	-
6	Conditional Allocation - Other Loans & Grants	355,643,500	355,643,500	257,991,893	72.5
7	World Bank Loan for Transforming Health System for universal Care Project	100,000,000	100,000,000	44,828,334	44.8
8	World Bank Loan for National Agricultural & Rural Inclusive Project	25,000,000	25,000,000	-	-
9	EU Grant	45,000,000	45,000,000	28,302,474	62.9
Sub Total		**878,115,190**	**878,115,190**	**642,710,604**	**73.2**
B	**Other Grants**				
10	IDA (World Bank) - Water & Sanitation Development Project (WSDP)	1,000,000,000	1,000,000,000	-	-

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S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
Sub Total		1,000,000,000	1,000,000,000	-	-
Grand Total		1,878,115,190	1,878,115,190	642,710,604	31.2

Source: *Wajir County Treasury*

During the FY 2018/19, the County Government received the highest receipt as percentage of annual budget allocation from the Compensation for User Fee Foregone and the Road Maintenance Fuel Levy Fund at 100 per cent of their respective annual targets.

3.46.4 Exchequer Issues

To finance the budget, the Controller of Budget approved withdrawal of Kshs.10.61 billion from the CRF account. The withdrawals represented 80.5 per cent of the Approved Supplementary Budget and translated to an increase of 62 per cent from Kshs.6.5 billion in FY 2017/18 and comprised of and Kshs.6.05 billion (57 per cent) for recurrent expenditure and Kshs.4.56 billion (43 per cent) for development activities .

3.46.5 Overall Expenditure Review

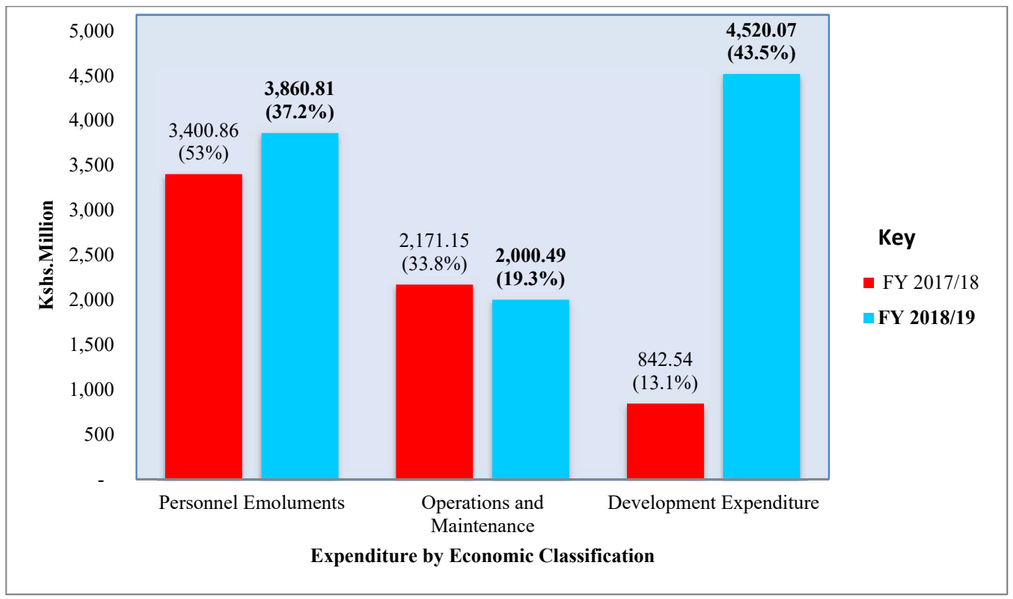
The County Government spent a total of Kshs.10.38 billion on recurrent and development activities. This expenditure represented 97.8 per cent of the total funds released from the CRF account, and was an increase of 61.8 per cent from Kshs.6.4 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which amounted to Kshs.40 million for development activities and Kshs.188.45 million for recurrent costs.

Expenditure on recurrent activities amounted to Kshs.5.86 billion while Kshs.4.52 billion was spent on development activities. The recurrent expenditure was 96.9 per cent of funds released for recurrent activities while development expenditure represented 99.1 per cent of the funds released for development activities.

The recurrent expenditure represented 91.3 per cent of the annual recurrent budget, a decrease from 97.9 per cent recorded in FY 2017/18. Development expenditure recorded an absorption rate of 66.9 per cent, which was an increase from 22.9 per cent attained in FY 2017/18.Figure 3.183 presents a comparison between the total expenditure in the FY 2018/19 and a similar period in FY 2017/18.

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Figure 3.183: Wajir County, Expenditure by Economic Classification



Source: *Wajir County Treasury*

3.46.6 Development Expenditure Analysis

The total development expenditure of Kshs.4.52 billion represented 66.9 per cent of the annual development expenditure estimates of Kshs.6.76 billion. The County Treasury did not provide a report on status of development programmes and projects implemented in FY 2018/19.

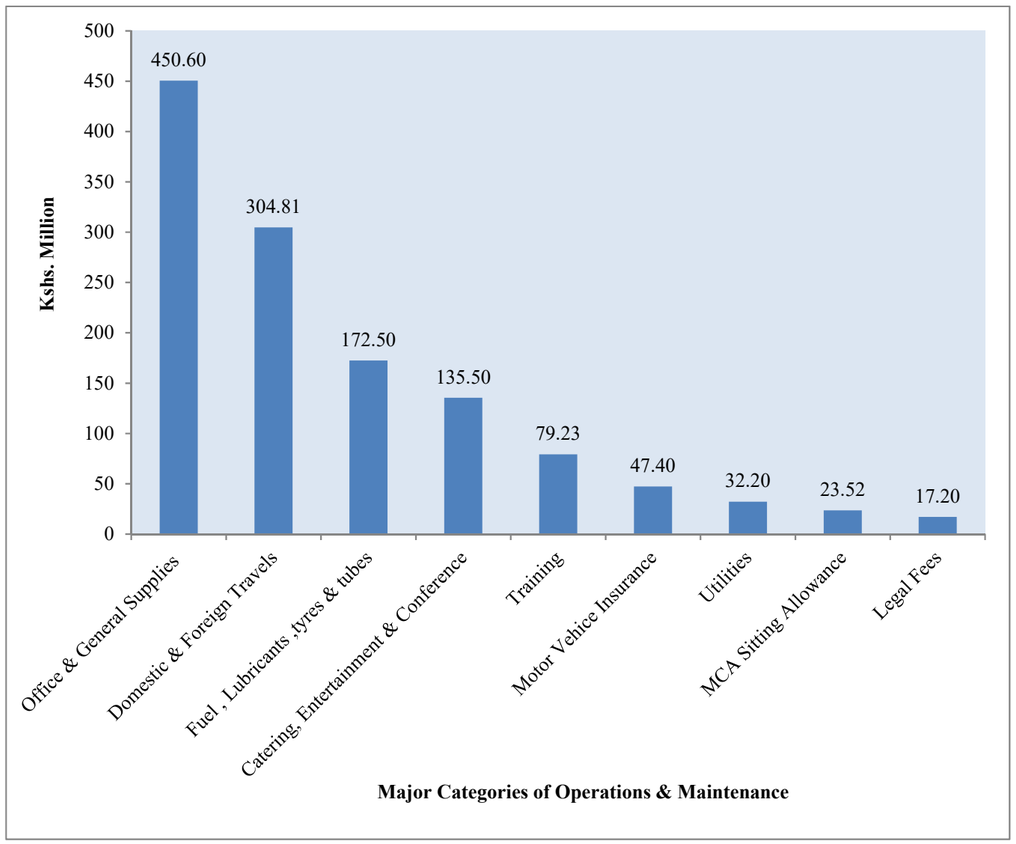
3.46.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.86 billion comprised of Kshs.3.86 billion (65.9 per cent) incurred on personnel emoluments and Kshs.2 billion (34.1 per cent) on operations and maintenance as shown inFigure 3.183

Expenditure on personnel emoluments represented an increase of 13.5 per cent compared to FY 2017/18 when the County spent Kshs.3.4 billion and was 37.2 per cent of the total expenditure in FY 2018/19. Figure 3.184 shows a summary of operations and maintenance expenditure by major categories.

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Figure 3.184: Wajir County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *Wajir County Treasury*

The County spent Kshs.23.52 million on committee sitting allowances for the 46 MCAs and Speaker against the annual budget allocation of Kshs.23.75 million. This represented a decrease 9.5 per cent compared to Kshs.26 million spent in FY 2017/18. The average monthly sitting allowance translated to Kshs.42,617 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.304.81million, and comprised of Kshs.92.64 million spent by the County Assembly and Kshs.212.17 million by the County Executive.

3.46.8 Budget Performance by County Department

Table 3.135 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

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Table 3.135: Wajir County, Budget Performance by Department in FY 2018/19

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
Office of the Governor	503.40	-	452.80	-	452.8	-	100	-	89.9	-
Finance and Economic Planning	654.90	4.00	584.30	-	584.3	-	100	-	89.2	-
Agriculture and Livestock	230.30	683.60	232.90	300.50	232.9	300.50	100	100.	100	44.0
Public Health and Medical Service	1,715.80	743.50	1,730.20	664.90	1,541.70	664.90	89.1	100.0	89.9	89.4
Roads and Transport	145.40	1,453.10	129.90	1,483.20	129.9	1,483.20	100	100.	89.3	102.1
Water	200.90	1,136.13	183.50	966.70	183.5	966.70	100.	100.	91.3	85.1
Environment and Energy	73.20	362.70	72.20	155.00	72.2	115.00	100.	74.2	98.6	31.7
Public Service ,Special Program and Town Administration	1,085.90	265.10	974.90	203.40	974.9	203.40	100	100	89.8	76.7
Education , Youth and Gender	650.20	458.40	584.80	365.14	584.8	365.14	100	100	89.9	79.7
ICT AND Trade	210.30	190.60	176.40	90.12	176.4	90.12	100	100	83.9	47.3
Public Works , Land and Housing	87.70	238.00	81.30	110.70	81.3	110.70	100.	100	92.7	46.5
WAJWASCO	69.20	1,223.10	58.50	220.50	58.5	220.50	100	100	84.5	18
CPSP	70.40	-	68.30	-	68.3	-	100	-	97	-
County Assembly	719.80	-	719.80	-	719.8	-	100	-	100	-
TOTAL	**6,418**	**6,758.2**	**6,049.8**	**4560**	**5,861.3**	**4,520.16**	**96.9**	**99.1**	**91.3**	**66.9**

Source: *Wajir County Treasury*

Analysis of expenditure by department shows that the Department of Roads and Transport recorded the highest absorption rate of development budget at 102.1 per cent while the Department of Finance and Economic Planning did not implement the development budget. The County Assembly and the Department of Agriculture and Livestock had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent.

3.46.9 Key Observations and Recommendation

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 operationalisation of Bursary Funds Regulations in line with Section 116 of the PFM Act, 2012.

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

1. A high wage bill that increased by 13.5 per cent from Kshs.3.4 billion in FY 2017/18 to Kshs.3.86 billion in the reporting period. The wage bill accounted for 37.2 per cent of total expenditure in the reporting period.
2. Late submission of financial reports by the County Treasury to the Office of the Controller of Budget, which affected timely preparation of the Budget Implementation Review Report contrary to 166 of the PFM Act, 2012.
3. Under-performance in own source revenue collection, which decreased by 10.9 per cent from Kshs.67.61 million in FY 2017/18 to Kshs.60.12 million in the reporting period.
4. Failure by the County to provide a report on execution of development projects during the financial year. This is despite reporting development expenditure of Kshs.4.52 billion during the reporting period.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*
2. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012*
3. *The County Treasury should formulate policy and strategize on improvement of its own source revenue collection.*
4. *The County should provide complete financial reports in line with Section 166 of the PFM Act, 2012.*

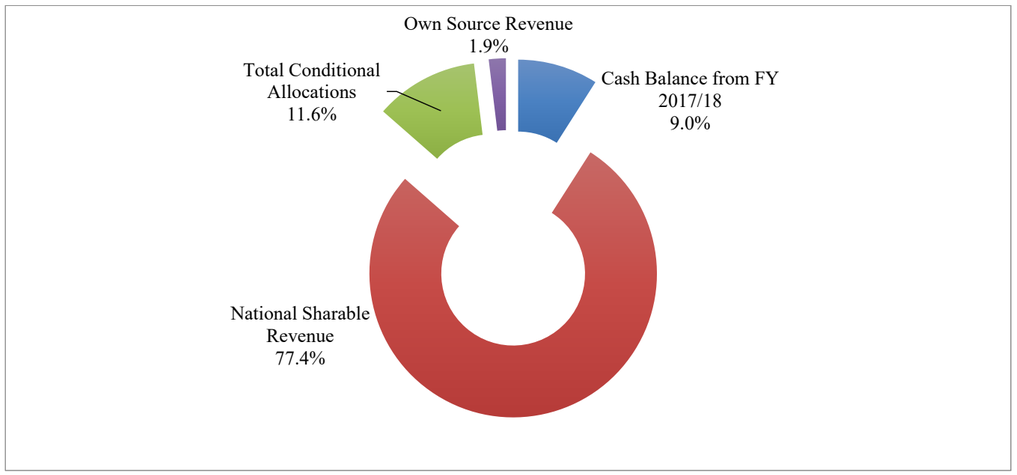
3.47 West Pokot County

3.47.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.6.37 billion, comprising of Kshs.4.14 billion (65 per cent) and Kshs.2.23 billion (35 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.93 billion (77.4 per cent) as equitable share of the revenue raised nationally, Kshs.740.81 million (11.6 per cent) as total conditional grants, generate Kshs.122.37 million (1.9 per cent) from own sources of revenue, and Kshs.574.97 million (9per cent) cash balance from FY 2017/18.

Figure 3.185: West Pokot County, Expected Sources of Budget Financing in FY 2018/19



Source: *West County Treasury*

A breakdown of the conditional grants is provided inTable 3.136.

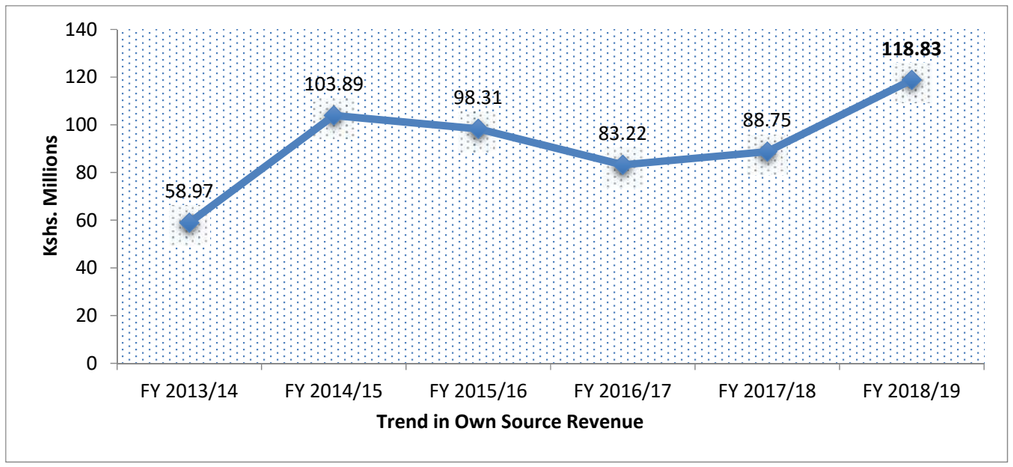
3.47.2 Revenue Analysis

During FY 2018/19, the County had a total of Khs.6.02 billion available for budget implementation. This amount consisted of Kshs.4.93 billion received as equitable share of the revenue raised nationally, Kshs.397.08 million as conditional grants, Kshs.118.83 million generated from own sources of revenue, and a cash balance of Kshs.574.94 million from FY 2017/18.

Figure 3.186 shows the annual trend in own-source revenue collection from FY 2013/14 to FY 2018/19.

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Figure 3.186: West Pokot County, Own Source Revenue Collection for FY 2013/14 to FY 2018/19



Source: *West Pokot County Treasury*

The County generated a total of Kshs.118.83 million from own revenue sources in FY 2018/19. This amount represented an increase of Kshs.33.9 million compared to that realised in FY 2017/18 and was 97.1 per cent of the annual target.

3.47.3 Conditional Grants

During the reporting period, the County received Kshs.397.08 million as conditional grants as shown inTable 3.136.

Table 3.136: West Pokot County, Conditional Grants/Loans Received in the FY 2018/19

S/No	Grant Details	Annual Allocation-CARA, 2018 (Kshs)	Annual Budget Allocation (Kshs)	Receipts in FY 2018/19 (Kshs)	Receipts as Percentage of Annual Budget Allocation (%)
1	Road Maintenance Fuel Levy Fund	129,797,341	129,797,341	129,797,341	100
2	Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	39,517,239	34
3	World Bank Loan for Transforming Health System for universal Care Project	100,000,000	100,000,000	41,812,121	41.8
4	EU-Water Tower Protection and Climate Change Mitigation and Adaptation Programme (water)	80,000,000	80,000,000	-	-
5	EU Grant	70,000,000	77,504,904	-	-
6	Kenya Urban Support Project (KUSP)	73,392,300	73,392,300	73,392,300	100
7	Kenya Devolution Support Programme (KDSP)	42,917,546	42,917,546	13,487,351	31
8	Kenya Urban Support Project (KUSP)- Urban Institutional Grants	41,200,000	41,200,000	41,200,000	100
9	Development of Youth Polytechnics	28,885,000	28,885,000	21,808,175	76
10	Sweden-Agricultural Sector Development Support Programme(ASDSP) II + Bal c/s FY 2017/18	22,091,862	22,091,862	8,043,154	36
11	DANIDA Grant	15,896,250	15,896,250	15,896,250	100
12	Compensation for User Fee Foregone	12,128,484	12,128,484	12,128,484	100
13	Leasing of Medical Equipment	200,000,000	-	-	-
Grand Total		**933,308,783**	**740,813,687**	**397,082,414**	**47**

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Source: *West Pokot County Treasury*

During the reporting period, receipts from the Road Maintenance Fuel Levy, DANIDA, Kenya Urban Support Project (KUSP)- Urban Institutional Grants, Compensation for User Fee Foregone and IDA (World Bank) Kenya Urban Support Project (KUSP) conditional grant recorded the highest performance in percentage terms, and accounted 100 percent of the annual target respectively.

3.47.4 Exchequer Issues

In order to implement the budget, the Controller of Budget approved withdrawal of Kshs.5.64 billion from the CRF account. The withdrawals represented 88.5 per cent of the Approved Supplementary Budget and translated to an increase of 11.8 per cent from Kshs.5.04 billion in FY 2017/18 and comprised of Kshs.1.50 billion (26.6 per cent) towards development activities and Kshs.4.14 billion (73.4 per cent) for recurrent expenditure.

3.47.5 Overall Expenditure Review

A total of Kshs.5.52 billion was spent on both development and recurrent activities. This expenditure represented 97.9 per cent of the total funds released from the CRF account, and was an increase of 25.2 per cent from Kshs.4.41 billion spent in FY 2017/18. The expenditure excluded pending bills as at June 30, 2019 which was not provided.

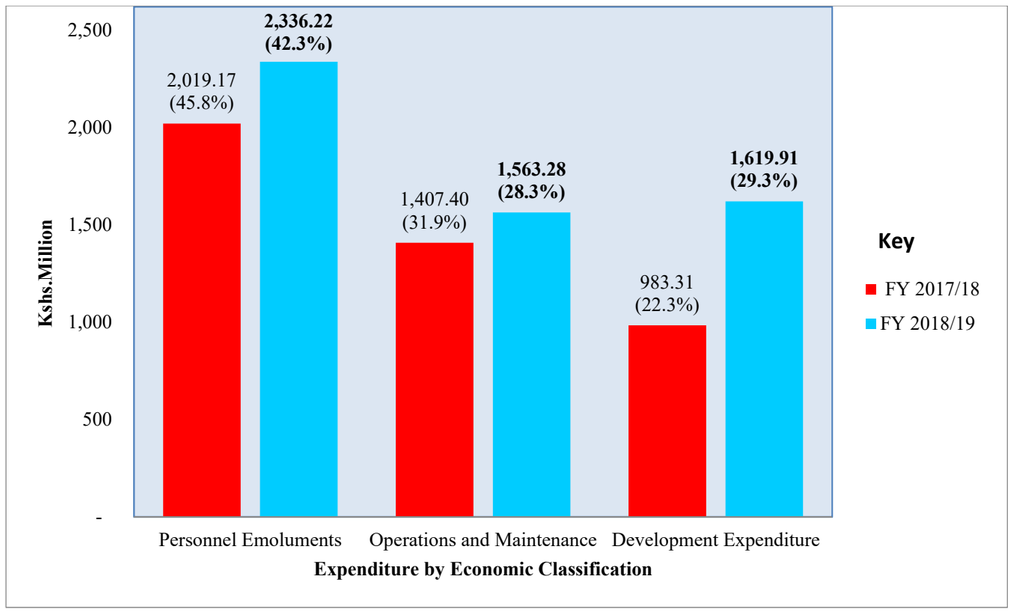
Expenditure on development programmes amounted to Kshs.1.62 billion while Kshs.3.90 billion was spent on recurrent activities. The development expenditure was 109 per cent of the funds released for development programmes, while recurrent expenditure was 94.2 per cent of funds released for recurrent activities.

Development expenditure recorded an absorption rate of 69.5 per cent, which was an increase from 57.2 per cent attained in FY 2017/18. Conversely, recurrent expenditure represented 94.2 per cent of the annual recurrent budget, an increase from 87.2 per cent recorded in FY 2017/18.

Figure 3.187 presents a comparison between the total expenditure in FY 2018/19 and FY 2017/18.

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Figure 3.187: West Pokot County, Expenditure by Economic Classification



Source: *West Pokot County Treasury*

3.47.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.62 billion represented 69.5 per cent of the annual development expenditure estimates of Kshs.2.23 billion. Table 3.137 provides a summary of development projects with the highest expenditure in the financial year.

Table 3.137: West Pokot County, List of Development Projects with the Highest Expenditure in FY 2018/19

S/No.	Project Name	Project Location	Project Budget	Project Expenditure in FY 2018/19 (Kshs.)
1	Consolidated KRB Roads	Countywide	-	125,006,731
2	Nasukuta		77,503,804	77,503,804
3	Labour Based Projects	Countywide	-	57,594,126
4	Major Roads KUSP	Countywide	52,645,949	52,645,949
5	World Bank Results Based Financing RBS	Countywide	100,000,000	45,126,898
6	Purchase of Certified Seeds	Countywide	50,586,339	45,092,305
7	Construction of County Assembly	Kapenguria	80,000,000	41,550,000
8	Transforming Health Systems Universal Healthcare THS-UHC PROJECT	Countywide	50,378,964	33,108,023
9	Construction of Speakers Residence	Countywide	55,450,000	32,634,187
10	Supply of Lightening Arrestors	Countywide	30,000,000	30,000,000

Source: *West Pokot County Treasury*

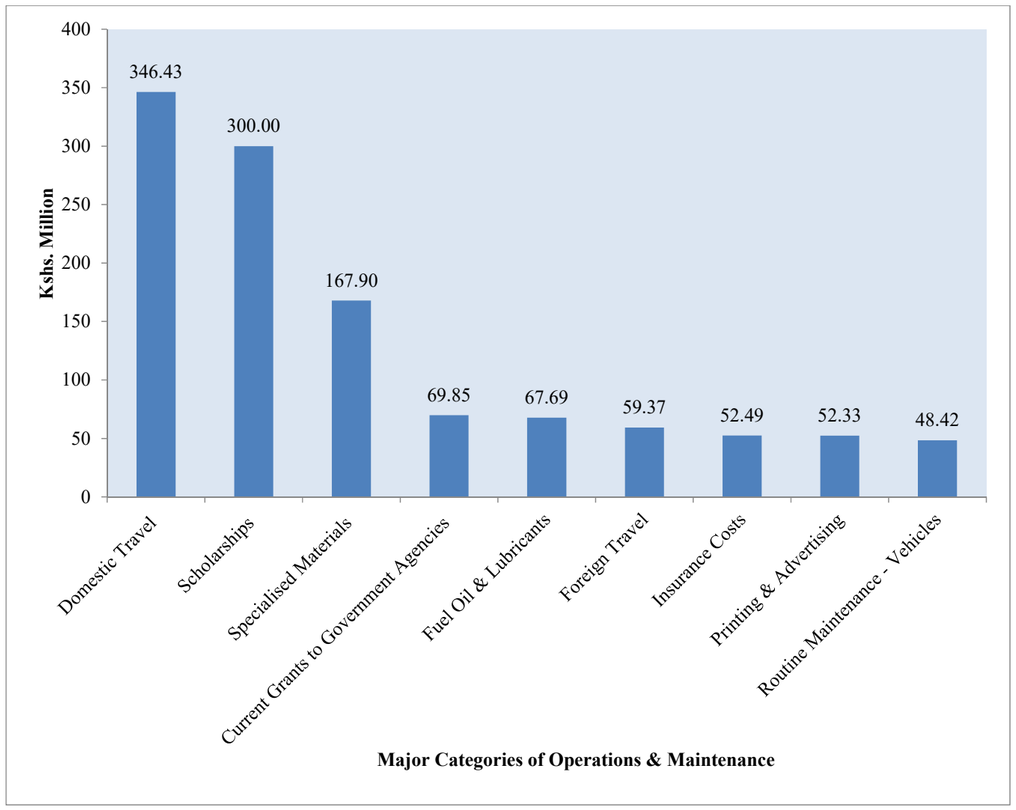
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3.47.7 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.90 billion comprised of Kshs.2.34 billion (59.9 per cent) incurred on personnel emoluments and Kshs.1.56 billion (40.1 per cent) on operations and maintenance as shown inFigure 3.187.

Expenditure on personnel emoluments represented an increase of 15.7 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.02 billion and was 42.4 per cent of the total expenditure in FY 2018/19 Figure 3.188 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.188: West Pokot County, Operations and Maintenance Expenditure by Major Categories in FY 2018/19



Source: *West Pokot County Treasury*

The County spent Kshs.17.85 million on committee sitting allowances for the 34 MCAs and speaker against the annual budget allocation of Kshs.21.16 million. This represented a decrease of 8.6 per cent compared to Kshs.19.52 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.43,751 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

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Expenditure on domestic and foreign travel amounted to Kshs.405.8 million, and comprised of Kshs.155.70 million spent by the County Assembly and Kshs.250.10 million by the County Executive. This expenditure represented 7.3 per cent of total recurrent expenditure and was an increase of 28.4 per cent compared to Kshs.315.96 million spent in FY 2017/18.

3.47.8 Budget Performance by County Department

Table 3.138 shows a summary of the approved budget allocation and performance by department in FY 2018/19.

Table 3.138: West Pokot County, Budget Performance by Department in FY 2018/19

Department	Annual 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
County Executive	444.03	51.62	434.80	20.35	426.08	49.21	98.0	241.8	96.0	95.3
Finance and Economic Planning	283.61	-	277.63	-	265.05	-	95.5	-	93.5	-
Public Works, Transport and Infrastructure	79.14	400.29	117.59	376.39	71.79	333.16	61.0	88.5	90.7	83.2
Health, Sanitation and Emergencies	1,265.03	493.70	1,269.64	348.63	1,254.51	363.47	98.8	104.3	99.2	73.6
Education and Technical Training	659.98	195.80	640.52	195.81	568.79	188.58	88.8	96.3	86.2	96.3
Agriculture and Irrigation	116.41	198.31	115.77	95.42	113.99	85.05	98.5	89.1	97.9	42.9
Pastoral Economy	107.93	211.77	106.98	165.89	100.23	177.11	93.7	106.8	92.9	83.6
Trade, Industrialization, Investment and Cooperative Development	58.24	33.73	57.91	10.99	54.52	20.71	94.2	188.5	93.6	61.4
Land, Housing, Physical Planning and Urban Development	80.10	134.84	78.41	83.39	77.39	71.19	98.7	85.4	96.6	52.8
Water Development, Environment and Natural Resources	90.81	220.67	113.22	29.75	79.87	95.25	70.5	320.2	88.0	43.2
Youth, Sports, Tourism, Gender and Social Services	71.31	59.45	69.47	22.60	68.18	51.68	98.1	228.7	95.6	86.9
Public Service, ICT and Decentralised Units	204.45	22.10	202.16	20.00	196.35	20.00	97.1	100.0	96.0	90.5
Special Programmes and Directorates	104.74	65.00	94.18	53.50	90.37	47.30	96.0	88.4	86.3	72.8
County Assembly	573.46	143.00	559.79	78.97	532.39	117.18	95.1	148.4	92.8	81.9
Total	**4,139.23**	**2,330.28**	**4,138.07**	**1,501.68**	**3,899.50**	**1,619.91**	**94.2**	**107.9**	**94.2**	**69.5**

Source: *West Pokot County Treasury*

Analysis of expenditure by department shows that the Department of Education and Technical Training recorded the highest absorption rate of development budget at 96.3 per cent while the Department of Agriculture and Irrigation recorded the lowest 42.9 per cent. The Department of Health, Sanitation and Emergencies had the highest percentage of recurrent expenditure to recurrent budget at 99.2 per cent while the Department of Education and Technical Training had the lowest at 86.2 per cent.

3.47.9 Key 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 of own source revenue by 33.9 per cent from Kshs.88.75 million in FY 2017/18 to Kshs.118.83 million in FY 2018/19.

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

1. Delay in submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.
2. The County's wage bill has remained high, having increased by 15.7 per cent from Kshs.2.02 billion in FY 2017/18 to Kshs.2.35 billion in the period under review. Increase in wage bill may affect implementation of development projects.
3. Failure by the County to provide a detailed report on pending bills as of the end of the financial year.

The County should implement the following measures 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 and adopt an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County Treasury should provide a report on status of pending bills as at 30th June, 2019 as requested by the Controller of Budget in line with COB Act, 2016.*

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4 KEY CHALLENGES AND RECOMMENDATIONS

This section highlights cross-cutting issues that affected budget implementation in the FY 2018/19 and makes appropriate recommendations aimed at addressing the challenges in order to enhance smooth budget execution. The cross-cutting challenges included:

4.1 High Expenditure on Personnel Emoluments

The County Governments spent Kshs.162.77 billion on personnel emoluments (PE), which accounted for 43.2 per cent of the total expenditure for the period. This expenditure represented an increase of 7.7 per cent from Kshs.151.09 billion incurred in FY 2017/18 where the personnel expenditure translated to 49.7 per cent of the total expenditure. Only five counties: namely Tana River, Marsabit, Turkana, Mandera and Kilifi reported expenditure on personnel emoluments that was within the maximum allowed limit of 35 per cent of their total expenditure in FY 2018/19 at 34 per cent, 32.7 per cent, 29.2 per cent, 24.2 per cent and 21.1 per cent respectively. The increase in wage bill is unsustainable and will crowd out spending on key development activities.

Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 sets a limit of the County Government's expenditure on wages and benefits at 35 per cent of the County's total revenue.

The Office recommends that expenditure on personnel emoluments be contained at sustainable levels in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

4.2 Delays in Submission of Financial Reports to the Controller of Budget

During the period under review, the Office noted delays in submission of quarterly financial reports by County Treasuries, which led to late preparation of the County Budget Implementation Review Report (CBIRR), thereby affecting monitoring of budget implementation.

County Treasuries are required to prepare and submit quarterly financial reports in line with Section 166 (4) and 168 (3) of the PFM Act, 2012 not later than one month after the end of each quarter. The quarterly financial reports should be prepared in compliance with templates as prescribed by the Public Sector Accounting Standards Board and the templates provided by the Controller of Budget in line with the COB Act, 2016.

The Office recommends that County Treasuries should ensure timely preparation and submission of financial reports in line with Section 166 (4) and 168 (3) of the PFM Act, 2012 and Section 16 of the Controller of Budget Act, 2016.

4.3 High Expenditure on Travel Costs

The County Governments incurred Kshs.16.2 billion on domestic and foreign travel which was 4.3 per cent of total expenditure in the reporting period. This amount comprised of Kshs.13.44 billion on domestic travel and Kshs.2.75 billion on foreign travel. Expenditure on travel increased by 42.5 per cent from Kshs.11.36 billion incurred in FY 2017/18. The high expenditure on travel, which is a non-core activity, may lead to reduced expenditure on key development programmes.

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High expenditure on non-core activity is contrary to the requirements of Article 201 of the Constitution which requires public money to be used in a prudent and responsible way. The Office recommends that expenditure on non-core activities, such as travelling, should be rationalised in order to free fund for implementation of key development programmes.

4.4 Failure to Establish County Budget and Economic Forums(CBEF)

As at June 2019 some County Governments had not constituted County Budget and Economic forums in line with section 137 of PFM Act, 2012.

To improve planning, budgeting, and execution framework in the County Government, the Office recommends that counties prioritize establishment of these forums to encourage public participation in the budget process.

4.5 Failure to Establish Internal Audit Committees

Some County Government had not established internal Audit Committees in contrary to the provision in Section 155 (5) of the PFM Act, 2012 to oversee financial operations and management in their respective Counties.

The Office recommends that Counties which have not yet constituted Internal Audit Committees prioritise their establishment as per the law and to improve oversight in the use of public funds by the County Governments..

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5 CONCLUSION

This report sought to provide information on the status of budget implementation by County Governments in the FY 2018/19. It is prepared in fulfilment of Article 228(6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016.

The aggregate budget estimates for the 47 County Governments amounted to Kshs.483.47 billion and comprised of Kshs.297.71 billion (61.6 per cent) allocation for recurrent expenditure and Kshs.185.76 billion (38.4 per cent) for development expenditure. The aggregate development expenditure allocation conforms to Section 107 (2(b)) of the PFM Act, 2012, which requires that at least 30 per cent of budget shall be allocated to development expenditure.

The County Governments spent a total of Kshs.376.43 billion which translated to an absorption rate of 77.9 per cent, and was an increase from 74 per cent attained in FY 2017/18. A total of Kshs.269 billion was spent on recurrent expenditure while Kshs.107.44 billion was spent on development expenditure. The expenditure translated to an absorption rate of 90.4 per cent and 57.8 per cent for recurrent and development expenditure respectively. The Office noted an improvement in performance of own sources of revenue collections, which increased by 24 per cent to Kshs.40.30 billion from Kshs.32.49 billion in FY 2017/18.

This report has also identified the key challenges that hampered effective budget execution during the reporting period. They included; high expenditure on Personnel Emoluments, late submission of quarterly financial reports to the Controller of Budget, and high expenditure on travel costs. The report has provided appropriate recommendations on how to address the identified challenges in order to enhance smooth execution of the budget.

The OCOB is committed on ensuring there is prudent and effective use of public resources by County Governments and implores accounting officers and institutions to implement the recommendations contained in this report.

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THE REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

COUNTY GOVERNMENTS ANNUAL BUDGET IMPLEMENTATION REVIEW REPORT

FY 2018/19

AUGUST, 2019

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