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

REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

COUNTY GOVERNMENTS BUDGET IMPLEMENTATION REVIEW REPORT

HALF YEAR FY 2016/17

MARCH, 2017

COUNTY ASSEMBLIES FORUM (CAF)
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PREFACE

This is the fifteenth report in a series of quarterly County Governments Budget Implementation Review Reports (CBIRR) since transition to devolve governments in Kenya. The report covers the period, July to December 2016 and has been prepared in accordance with Article 228(6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget (COB) Act, 2016, which require the Controller of Budget (COB) to submit to Parliament reports on the implementation of the budgets of both the National and the County Governments every four months.

The report presents an analysis of financial returns from County Treasuries, and those generated from the Integrated Financial Management Information System (IFMIS) on revenue and expenditure performance.

The report also identifies challenges that affected budget implementation during the reporting period and makes appropriate recommendations to enhance budget implementation in the future. The Office urges the Counties to implement the recommendations contained in this report in order to enhance budget implementation and thereby, improve service delivery to citizens.

The Office is pleased to have worked with a number of key stakeholders in the preparation of this report including staff from the County Treasuries. Publication of this report was made possible by a core team of dedicated staff from my Office to whom I am grateful. I am confident that this report will contribute to constructive discussions by stakeholders, including the public on budget implementation, and assist County Governments to enhance budget execution in the future.

Mrs. Agnes Odhiambo, CBS
Controller of Budget

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ACRONYMS

CA	County Assembly
CARPS	Capacity Assessment and Rationalization of the Public Service
CBEF	County Budget and Economic Forum
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CEC	County Executive Committee.
CECM-F	County Executive Committee Member for Finance
COB	Controller of Budget
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
E-G	Electronic Governance
G-PAY	Government Payment System
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
IBEC	Intergovernmental Budget and Economic Council
LATF	Local Authority Transfer Fund
MCA	Member of County Assembly
MTEF	Medium Term Expenditure Framework
O&M	Operations and Maintenance
OCOB	Office of the Controller of Budget
P/E	Personnel Emoluments
PFM Act	Public Finance Management Act
SMEs	Small and Medium Enterprises

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EXECUTIVE SUMMARY

This 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 covers the period, July to December 2016 and highlights the progress made in budget implementation by each of the 47 County Governments. Specifically, revenue and expenditure performance is analyzed and compared against targets set in the FY 2016/17 Approved Budgets. The key challenges that faced budget implementation during the reporting period are identified and appropriate recommendations to mitigate the challenges are made.

The aggregate budget estimates for the 47 County governments in FY 2016/17 amounted to Kshs.396.89 billion and comprised of Kshs.230.90 billion (58.2 per cent) allocation for recurrent expenditure and Kshs.165.99 billion (41.8 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 must be allocated for development programs in the medium term.

In order to finance FY 2016/17 Budgets, the County Governments expect to receive Kshs.280.63 billion from the National Government as equitable share of revenue, Kshs.19.28 billion as conditional allocation from the National Government, Kshs.2.94 billion as additional conditional allocation from loans and grants from development partners, generate Kshs.59.34 billion from local revenue sources, and utilize the projected unspent funds carried forward from FY 2015/16 of Kshs.37.12 billion.

During the first half of FY 2016/17, a total of Kshs.167.37 billion was available to the County Governments. This amount consisted of Kshs.116.25 billion (equitable share of revenue, grant for Level 5 Hospitals, and grant from DANIDA), Kshs.13.4 billion as revenue raised from local revenue sources, and Kshs.37.12 billion as cash balance brought forward from FY 2015/16.

The local revenue of Kshs.13.4 billion generated during the period under review accounted for 22.6 per cent of the annual local revenue target of Kshs.59.34 billion, a decrease from Kshs.13.92 billion collected in a similar period of FY 2015/16.

Counties that generated the highest local revenue in absolute terms were Nairobi City, Narok, Kiambu, Mombasa and Nakuru at Kshs.4.21 billion (21.5 per cent of annual target), Kshs.1.21 billion (33.5 per cent of annual target), Kshs.874.64 million (23.2 per cent of annual target), Kshs.847.65 million (15.3 per cent of annual target) and Kshs.532.4 million (20.5 per cent of annual target) respectively. Conversely, Tana River, Lamu, Mandera, Wajir and Vihiga Counties generated the lowest local revenue at Kshs.13.30 million (22.2 per cent of target), Kshs.18.30 million (18.3 per cent of target), Kshs.29.18 million (11 per cent of target), Kshs.38.76 million (16.8 per cent of target) and Kshs.39.51 million (18 per cent of target) respectively.

During the reporting period, the Controller of Budget authorized withdrawal of **Kshs.146.79 billion** from the County Revenue Funds (CRF) representing 37.03 per cent of the total county governments Budget Estimates for FY 2016/17. This amount comprised of Kshs.102.31 billion (69.6 per cent) for recurrent and Kshs.44.48 billion (30.4 per cent) for development activities. Actual expenditure was **Kshs.128.36 billion**, which was 87.4 per cent of the total funds released for operations. This expenditure comprised of Kshs.92.64 billion for

recurrent activities (72.2 per cent) and Kshs.35.73 billion (27.8 per cent) for development activities.

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The overall county governments' expenditure represents an absorption rate of **32.13 per cent** of the aggregate annual County governments' budget estimates. Recurrent expenditure represented **40.1 per cent** of the annual recurrent budget estimates, a decrease from **40.4 per cent** recorded in a similar period of FY 2015/16 while development expenditure translated to an absorption rate of **21.5 per cent**, an increase from **9.8 per cent** recorded in a similar period of FY 2015/16 when development expenditure was Kshs.29.58 billion.

Counties that recorded the highest aggregate absorption rates were; Murang'a, Kericho and Machakos at **42.4 per cent**, **42.2 per cent**, and **40.9 per cent** respectively. Conversely, Uasin Gishu, Lamu and Kwale recorded the lowest absorption rates at **22.5 per cent**, **24.0 per cent** and **24.6 per cent** respectively. Analysis of the development expenditure as a proportion of the development budget estimates indicates that Kericho, Murang'a, and Bomet Counties had the highest absorption rates at **40.2 per cent, 37.2 per cent** and **35.9 per cent** respectively. Nyeri, Nyandarua and Nairobi City Counties had the lowest absorption rates of their development budget estimates at **0.04 per cent, 2.9 per cent** and **6.9 per cent** respectively. However, though Nairobi City County reported expenditure on development projects, it did not request funds to undertake any development activities.

The Office observed that most counties made progress in addressing some of the challenges highlighted in previous CBIRRs, such as; capacity building of technical staff, adoption of the Integrated Financial Management Information System (IFMIS), and compliance with budgetary timelines. However, there still exist challenges that continue to hamper effective budget execution that require attention. These include; late submission of county financial reports and reports on established County Funds to OCOB, IFMIS and E-procurement connectivity challenges, underperformance in local revenue collection, low expenditure on development projects, and high expenditure on personnel emoluments.

To address these challenges, the Office of the Controller of Budget recommends that County Treasuries and administrators of established County Funds should submit expenditure reports in a timely manner, and also liaise with the IFMIS Directorate for support in application of IFMIS and the E-procurement module. Further, Counties should develop and implement strategies to enhance local revenue collection and establish optimal staffing levels to ensure a sustainable wage bill.

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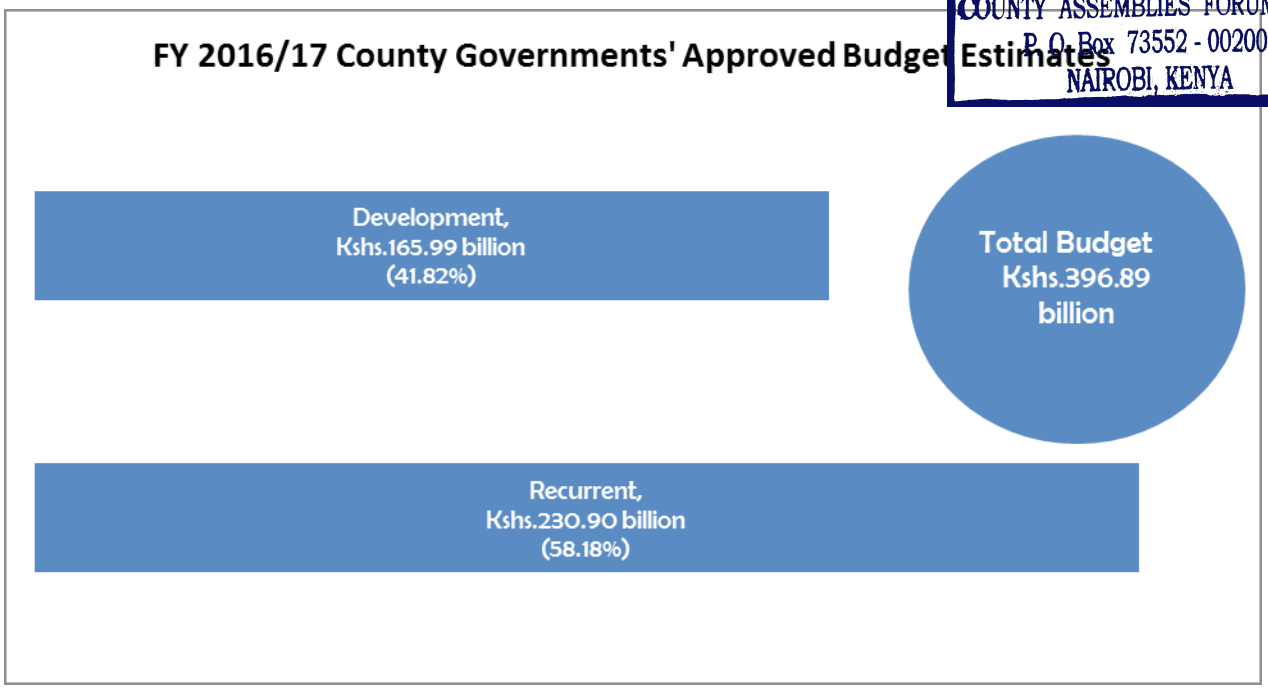

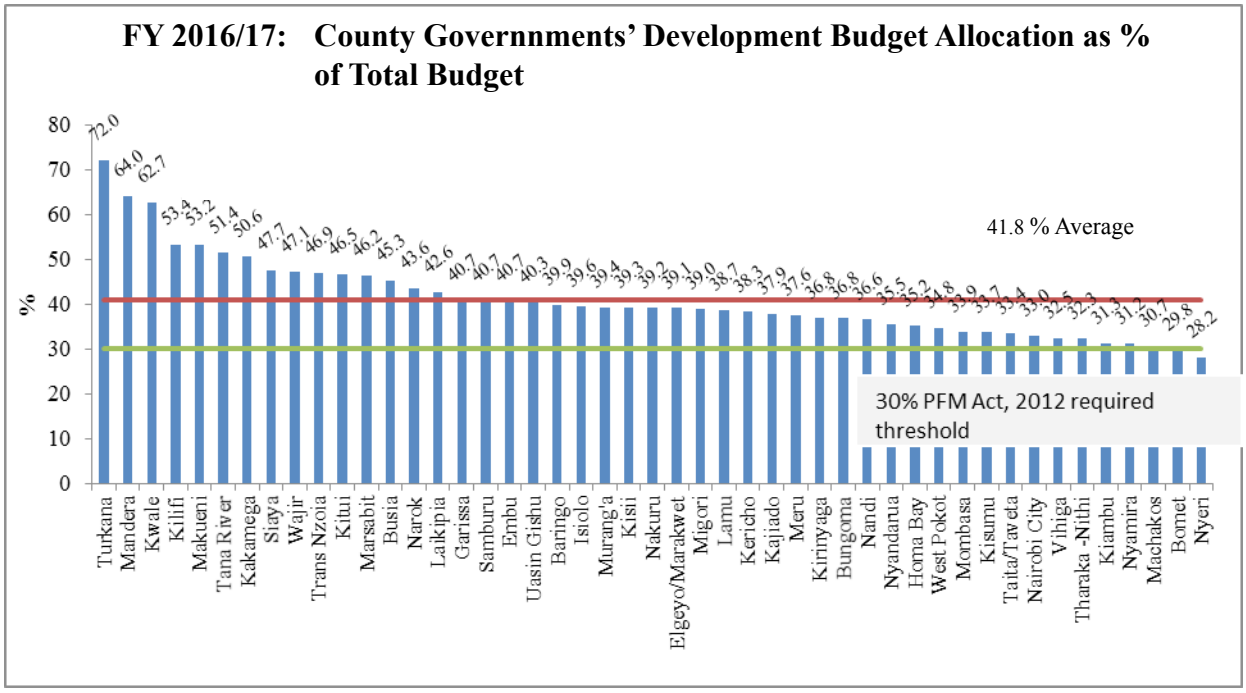

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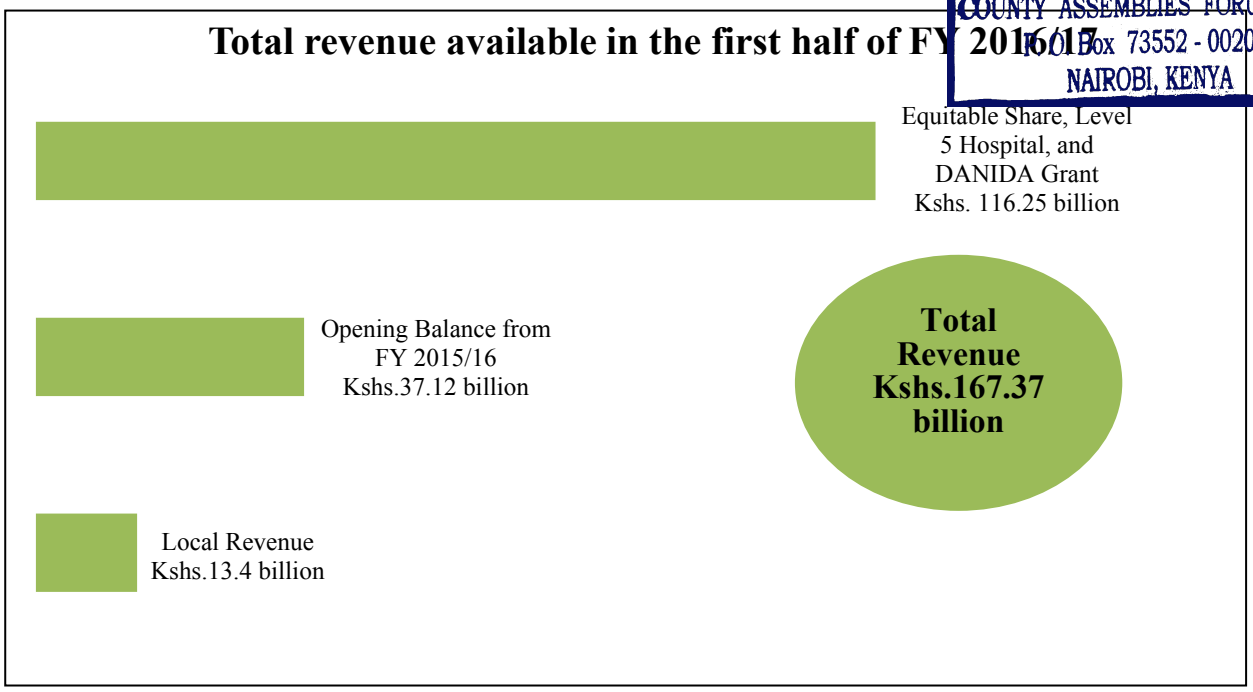

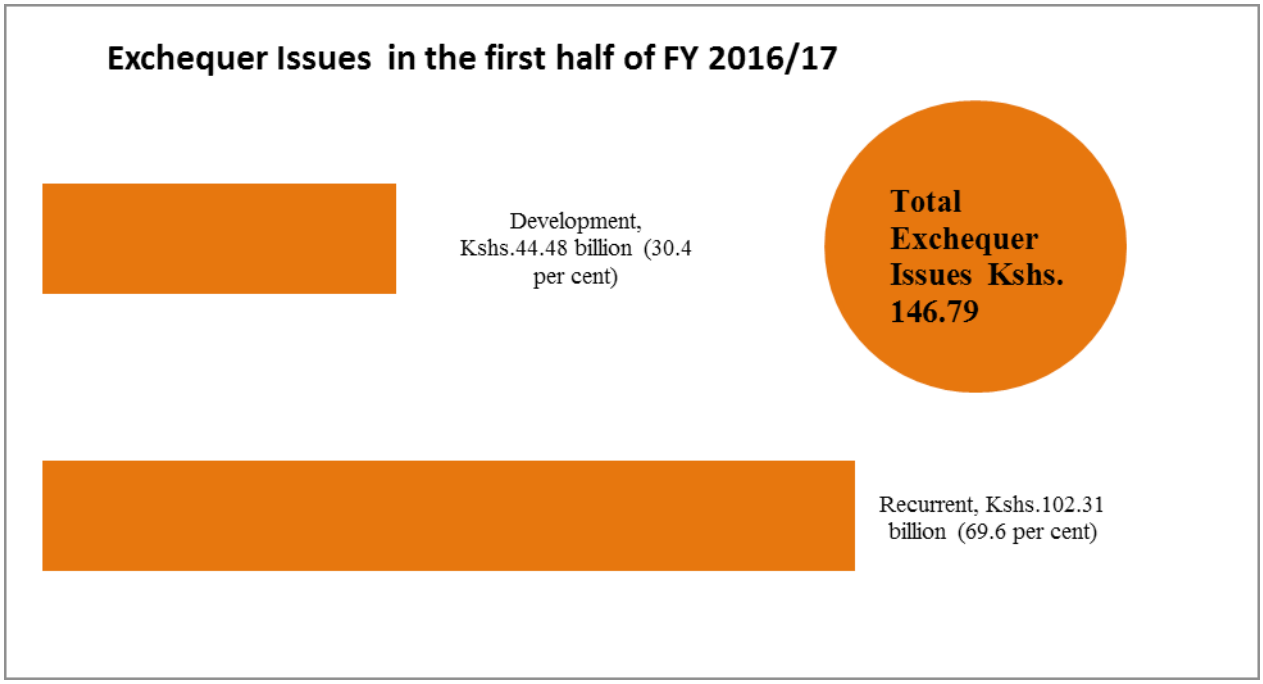

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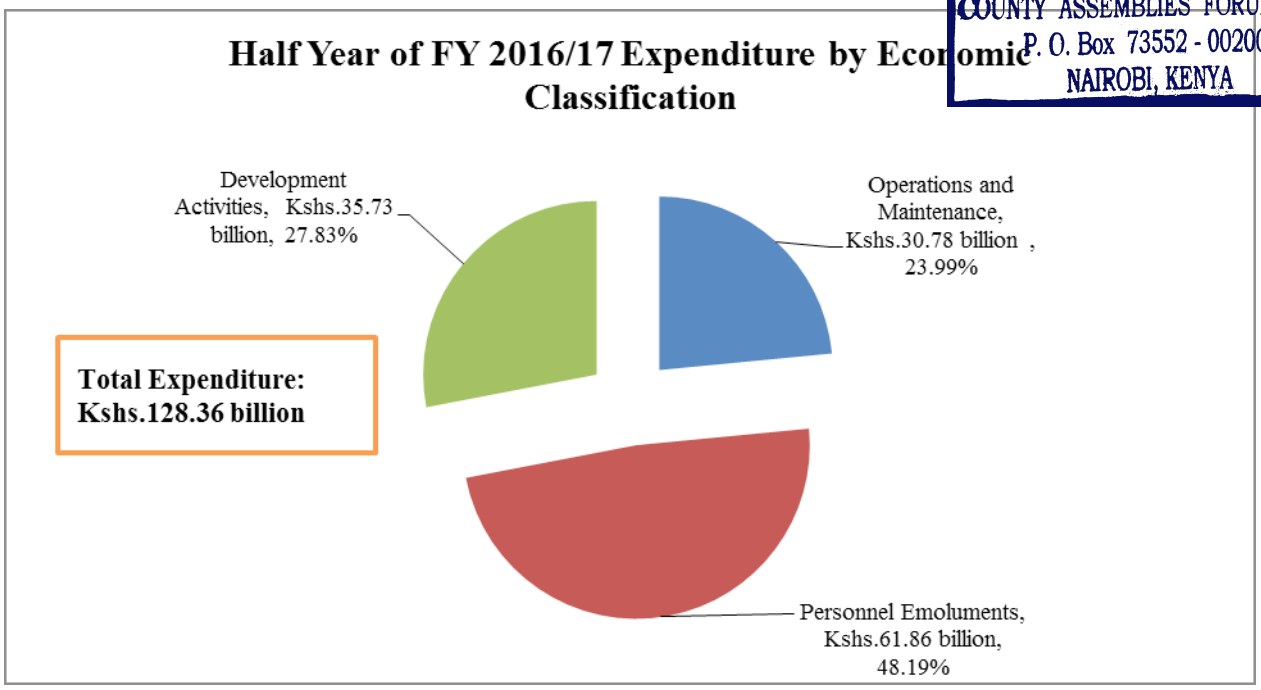

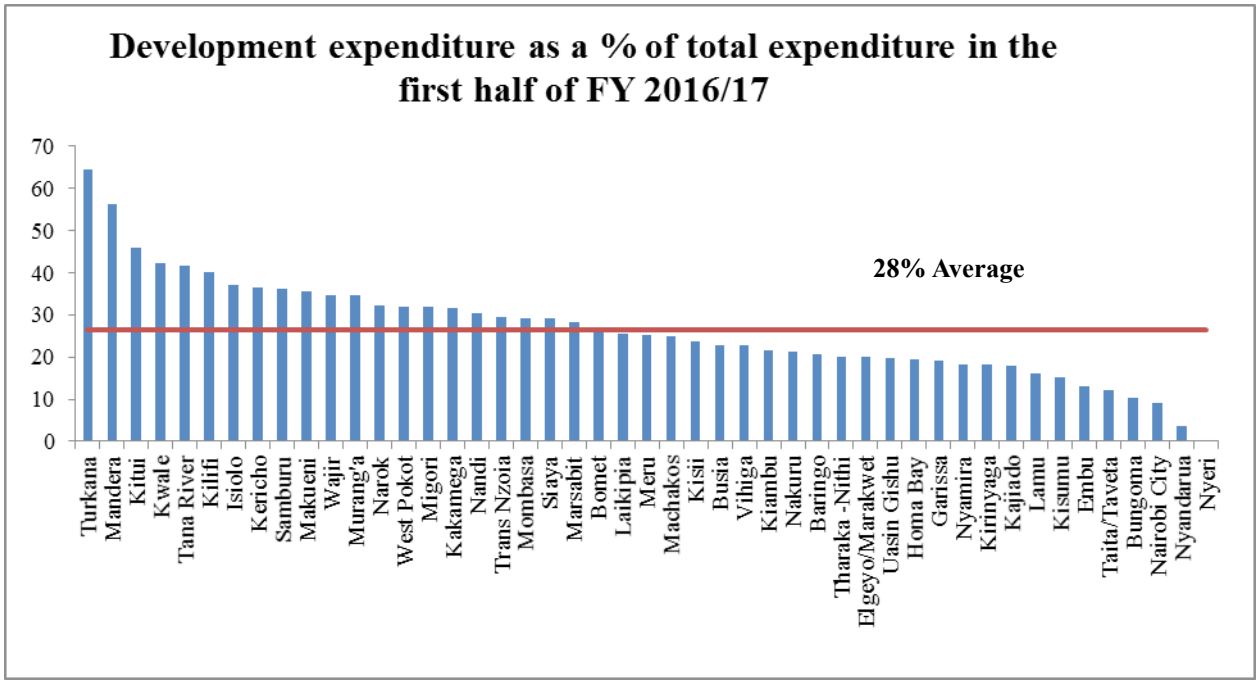

1 INTRODUCTION

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This is the first half County Budget Implementation Review Report (CBIRR) by the Office of the Controller of Budget (OCOB) for the FY 2016/17. The report presents the status of budget implementation by the 47 County Governments and provides; information on revenue raised by counties; transfers received from the National Government; highlights of actual expenditure against the approved county budgets; and, key challenges observed in budget implementation during the reporting period. The CBIRR is prepared in line with Article 228(6) of the Constitution of Kenya, 2010, Section 9 of the Controller of Budget Act, 2016, and Section 39(8) of the Public Finance Management (PFM) Act, 2012 that requires the Controller of Budget to ensure that members of the public are provided with information on budget implementation.

The CBIRR is based on the quarterly financial returns submitted to the COB by the County Governments in line with Section 166 and 168 of the Public Finance Management (PFM) Act, 2012, the Disbursement Schedule contained in the County Allocation of Revenue Act (CARA), 2016 and data obtained from the Integrated Financial Management System (IFMIS).

This report is organized into five chapters. Chapter one offers the introduction. Chapter two provides an analysis of budget performance by Counties. Specifically, it presents an analysis of revenue performance against set targets, and a review of actual expenditure against approved budget estimates for individual counties as well as the aggregate performance. Expenditure is classified into recurrent and development. Recurrent expenditure is further analysed into compensation of employees, and operations and maintenance. The absorption rate is used to measure performance and is computed as a percentage of actual expenditure against the approved annual budget estimates.

Chapter three presents individual county budget performance. It covers information on budget allocation, exchequer issues and expenditure in the first six months of FY 2016/17. It also highlights the progress made in implementing recommendations made in prior reports by the OCOB and identifies the issues that continue to affect budget execution in the reporting period. Appropriate recommendations are included to addressed the challenges faced by each County.

In an effort to enhance its advisory role, the Office has summarized the cross-cutting challenges that affected budget implementation by the county governments in the reporting period. A summary of these challenges is presented in chapter four, which also contains appropriate recommendations to address the challenges so as to enhance smooth execution of budgets. Lastly, chapter five provides the conclusion.

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

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2.1 Introduction

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

2.2 Annual Budget Financing

In FY 2016/17, the combined County Governments' Budgets approved by the County Assemblies amounted to Kshs.396.89 billion and comprise of Kshs.230.90 billion (58.2 per cent) allocated to recurrent expenditure and Kshs.165.99 billion (41.8 per cent) for development expenditure.

In order to finance the budgets, County Governments expects to receive Kshs.280.30 billion as equitable share of revenue raised nationally, Kshs.21.90 billion as total conditional grants from the National Government and Development Partners, generate Kshs.59.34 billion from local revenue sources, and utilize Kshs.37.12 billion projected cash balance brought forward from FY 2015/16. The conditional grants comprise of Kshs.4.50 billion for Leasing of Medical Equipment, Kshs.4.12 billion for Free Maternal Healthcare, Kshs.4 billion for Level 5 Hospitals, Kshs.4.31 billion from the Road Maintenance Fuel Levy Fund, Kshs.900 million for Compensation of User Fees Foregone, Kshs.200 million as special purpose grant to support Emergency Medical Services, Kshs.422.36 million from DANIDA, Kshs.1.30 billion as World Bank loan, and Kshs.2.15 billion as Conditional Allocation from Other Loans and Grants. These Conditional Grants were contained in the County Allocation of Revenue Act (CARA), 2016.

2.2.1 Budget Financing in the First Half of FY 2016/17

The total funds that were available to the County Governments in the first half of FY 2016/17 amounted to Kshs.167.37 billion. This amount consisted of Kshs.116.25 billion from the equitable share of revenue raised nationally, conditional grants to Level 5 Hospitals, and grants from DANIDA; Kshs.13.4 billion as revenue generated from local revenue sources, and Kshs.37.12 billion as cash balance brought forward from FY 2015/16.

2.3 Locally Collected Revenue

The aggregate annual local revenue target for counties in FY 2016/17 is Kshs.59.34 billion. During the reporting period, the County Governments generated a total of Kshs.13.4 billion, which was 22.6 per cent of the annual target. This was a decrease compared to Kshs.13.92 billion (24.6 per cent of FY 2015/16 annual revenue target) realised in a similar period of FY 2015/16. The monthly local revenue collection in the first half of FY 2016/17 and in a similar period of FY 2015/16 is shown in Figure 2.1.

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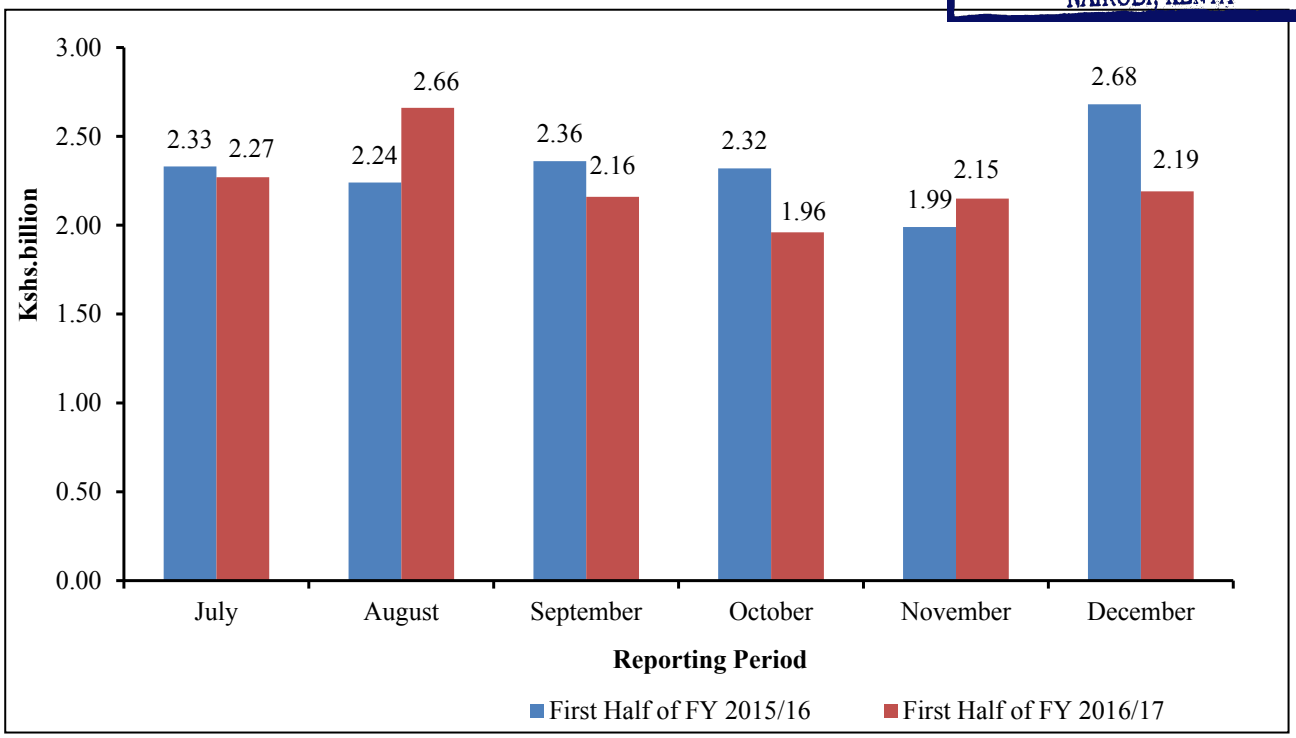
Figure 2.1: Monthly Local Revenue collection for the first half of FY 2016/17 and the first half of FY 2015/16 (Kshs. Billion)



Source: *County Treasuries*

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

Table 2.1: Monthly Local Revenue Collection for the Period July to December 2016

First half of FY 2016/17 locally generated revenue (Kshs. million)								Annual local revenue target for the FY 2016/17	% of the total local revenue generated to the annual target
County	Jul	Aug	Sept	Oct	Nov	Dec	Total local revenue for the half year of FY 2016/17		
Baringo	29.04	41.14	21.25	20.25	22.74	16.30	150.71	472.00	31.9
Bomet	8.39	77.17	14.61	20.59	10.98	5.60	137.34	207.71	66.1
Bungoma	29.35	42.30	33.88	35.01	39.73	27.86	208.12	731.90	28.4
Busia	22.41	28.90	18.68	22.60	21.48	20.31	134.39	587.51	22.9
Elgeyo/ Marakwet	8.52	9.00	7.38	7.09	8.20	5.25	45.45	160.00	28.4
Embu	33.01	30.93	34.81	34.90	32.95	26.25	192.84	803.77	24.0
Garissa	5.40	8.73	7.29	7.93	6.40	5.45	41.20	350.00	11.8
Homa Bay	12.62	15.28	12.79	11.46	11.24	8.20	71.61	233.54	30.7
Isiolo	9.19	16.59	12.16	7.48	6.40	6.32	58.14	250.00	23.3
Kajiado	37.90	32.42	29.25	41.46	61.21	9.47	211.70	1,248.37	17.0

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First half of FY 2016/17 locally generated revenue (Kshs. million)									
County	Jul	Aug	Sept	Oct	Nov	Dec	Total local revenue for the half year of FY 2016/17	Annual revenue target for the FY 2016/17	% of the total local revenue generated to the annual target
Kakamega	32.56	32.35	37.67	28.20	36.25	24.04	191.07	894.07	21.4
Kericho	15.29	11.86	35.23	20.48	57.91	23.16	163.92	620.35	26.4
Kiambu	141.79	195.42	118.35	176.45	144.29	98.35	874.64	3,767.97	23.2
Kilifi	36.14	30.29	66.31	85.39	57.06	31.45	306.65	1,585.88	19.3
Kirinyaga	19.47	42.94	15.67	21.60	15.69	11.93	127.30	460.00	27.7
Kisii	19.91	37.69	15.69	14.45	15.08	13.78	116.59	750.00	15.5
Kisumu	61.17	92.20	57.84	89.95	98.37	53.24	452.77	1,584.99	28.6
Kitui	31.54	33.67	26.04	21.34	19.09	15.95	147.63	668.61	22.1
Kwale	15.01	13.87	16.17	11.04	10.17	12.52	78.79	330.00	23.9
Laikipia	31.91	31.20	22.83	-	-	128.71	214.65	670.00	32.0
Lamu	0.63	1.86	2.37	4.41	3.56	5.47	18.30	100.00	18.3
Machakos	102.19	105.15	96.68	80.42	81.11	63.26	528.81	2,855.67	18.5
Makueni	15.09	14.83	13.83	9.78	9.10	7.88	70.50	500.00	14.1
Mandera	4.50	4.52	4.71	6.14	4.80	4.50	29.18	265.64	11.0
Marsabit	7.30	8.26	8.54	6.20	8.49	9.18	47.98	125.00	38.4
Meru	37.62	43.29	45.14	23.36	30.43	25.75	205.59	713.24	28.8
Migori	49.90	24.45	19.26	17.86	20.53	11.64	143.64	420.00	34.2
Mombasa	78.33	138.98	134.04	160.47	184.00	151.83	847.65	5,554	15.3
Murang'a	39.11	37.68	35.52	29.78	28.77	19.33	190.19	850.00	22.4
Nairobi City	723.89	724.65	589.81	489.76	675.23	1,003.46	4,206.81	19,565.66	21.5
Nakuru	91.66	97.65	86.26	86.22	87.78	82.82	532.40	2,597.26	20.5
Nandi	20.43	69.88	11.28	10.68	13.47	8.00	133.73	362.28	36.9
Narok	260.85	289.95	273.73	160.69	118.43	110.60	1,214.24	3,623.47	33.5
Nyamira	10.73	42.43	6.87	6.25	7.54	5.33	79.15	274.98	28.8
Nyandarua	16.11	18.25	14.74	21.49	17.04	15.03	102.66	390.00	26.3
Nyeri	59.07	53.40	57.37	54.04	56.43	27.90	308.21	1,095.10	28.1
Samburu	14.22	15.32	35.67	17.76	9.29	13.66	105.91	341.87	31.0
Siaya	13.78	13.14	11.88	10.29	10.72	7.61	67.41	270.00	25.0
Taita/Taveta	11.56	15.46	12.62	10.24	9.85	10.62	70.35	355.59	19.8

COUNTY ASSEMBLIES FORUM (CAF)
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First half of FY 2016/17 locally generated revenue (Kshs. million)									
County	Jul	Aug	Sept	Oct	Nov	Dec	Total local revenue for the half year of FY 2016/17	Annual local revenue target for the FY 2016/17	% of the total local revenue generated to the annual target
Tana River	4.24	2.67	1.44	1.52	0.65	2.78	13.30	60.00	22.2
Tharaka -Nithi	9.23	10.11	4.92	6.23	10.27	3.25	44.01	200.00	22.0
Trans Nzoia	23.18	27.97	15.97	10.07	14.43	6.21	97.82	500.00	19.6
Turkana	15.93	15.23	10.68	10.19	13.68	6.63	72.36	180.00	40.2
Uasin Gishu	43.35	39.93	34.40	34.16	37.46	30.38	219.86	1,192.00	18.4
Vihiga	7.60	9.96	6.00	6.03	6.44	3.49	39.51	220.00	18.0
Wajir	8.29	7.39	5.89	5.38	5.63	6.18	38.76	230.12	16.8
West Pokot	6.15	9.49	8.61	7.06	6.00	4.13	41.44	122.25	33.9
Total	**2,276**	**2,666**	**2,152**	**1,964**	**2,146**	**2,191**	**13,395**	**59,341**	**22.6**

Source: *County Treasuries*

The total local revenue collection for all the 47 counties was 22.6 per cent of the annual local revenue target of Kshs.59.34 billion. Analysis of local revenue as a proportion of the annual revenue target indicated that Bomet County attained the highest proportion at 66.1 per cent followed by Turkana and Marsabit at 40.2 per cent and 38.4 per cent respectively. Conversely, counties that recorded the lowest proportion of local revenue against annual targets were Mandera at 11 per cent, Garissa at 11.8 per cent and Makueni at 14.1 per cent.

2.4 Funds Released to the Counties

2.4.1 Funds released to counties from the Consolidated Fund

In first six months of FY 2016/17, the Controller of Budget approved transfer of Kshs.116.25 billion from the Consolidated Fund to the various County Revenue Funds (CRFs) in accordance with Article 206 (4) of the Constitution. The transferred amount included: Equitable share of revenue raised nationally, Conditional allocations from the National Government to the Level 5 Hospitals, and the conditional grant from DANIDA to supplement financing of County Health facilities.

2.4.2 Funds Released to the County Operational Accounts

The COB authorised withdrawal of Kshs.146.79 billion from the County Revenue Funds to the various County Operational Accounts. The transfers comprised of Kshs.102.31 billion (69.7 per cent) for recurrent expenditure and Kshs.44.48 billion (30.3 per cent) to finance development activities.

From the aggregate of Kshs.102.31 billion released for recurrent activities, Kshs.88.43 billion (86.4 per cent) was released to the County Executives, while Kshs.13.88 billion (13.6 per cent) to the County Assemblies. On the other hand, out of Kshs.44.48 billion released towards development activities, the County Executive and the County Assemblies received Kshs.43 billion (96.7 per cent) and Kshs.1.48 billion (3.3 per cent) respectively.

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

Table 2.2: Exchequer Issues to the County Assembly and the County Executive for the first half of FY

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

Exchequer Releases from the CRF to County Operations Accounts in the First Half of FY 2016/17 (Ksh. Mill...)									
County	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
Baringo	289.47	30.00	319.47	1,579.65	558.20	2,137.85	1,869.12	588.20	2,457.32
Bomet	259.63	-	259.63	1,694.67	540.76	2,235.43	1,954.29	540.76	2,495.05
Bungoma	409.85	26.34	436.19	2,368.41	438.36	2,806.77	2,778.26	464.70	3,242.96
Busia	289.70	40.00	329.70	1,646.00	1,015.00	2,661.00	1,935.70	1,055.00	2,990.70
Elgeyo/ Marakwet	211.24	5.46	216.70	1,209.84	304.39	1,514.22	1,421.08	309.84	1,730.92
Embu	248.92	-	248.92	1,424.24	457.01	1,881.25	1,673.16	457.01	2,130.17
Garissa	274.50	-	274.50	1,748.06	582.08	2,330.14	2,022.56	582.08	2,604.64
Homa Bay	300.00	-	300.00	1,771.00	655.00	2,426.00	2,071.00	655.00	2,726.00
Isiolo	262.00	-	262.00	797.73	410.00	1,207.73	1,059.73	410.00	1,469.73
Kajiado	250.56	48.40	298.96	1,516.65	494.11	2,010.76	1,767.21	542.51	2,309.72
Kakamega	374.97	-	374.97	2,396.50	1,758.93	4,155.43	2,771.47	1,758.93	4,530.40
Kericho	269.35	-	269.35	1,503.54	1,029.02	2,532.56	1,772.89	1,029.02	2,801.91
Kiambu	367.52	12.00	379.52	3,410.75	965.52	4,376.27	3,778.27	977.52	4,755.79
Kilifi	365.00	100.00	465.00	2,102.00	1,304.00	3,406.00	2,467.00	1,404.00	3,871.00
Kirinyaga	212.00	-	212.00	1,190.85	475.50	1,666.35	1,402.85	475.50	1,878.35
Kisii	385.00	53.00	438.00	2,670.53	884.67	3,555.21	3,055.53	937.67	3,993.21
Kisumu	333.08	-	333.08	2,223.29	793.88	3,017.17	2,556.37	793.88	3,350.25
Kitui	317.07	72.75	389.82	2,083.02	1,525.80	3,608.81	2,400.09	1,598.55	3,998.63
Kwale	230.15	270.00	500.15	1,538.52	1,349.98	2,888.50	1,768.67	1,619.98	3,388.65
Laikipia	118.00	-	118.00	902.00	495.51	1,397.51	1,020.00	495.51	1,515.51
Lamu	168.00	40.00	208.00	762.19	422.19	1,184.38	930.19	462.19	1,392.38
Machakos	369.78	85.50	455.28	3,193.55	1,059.12	4,252.67	3,563.33	1,144.62	4,707.95
Makueni	353.80	36.94	390.74	2,010.89	1,845.17	3,856.06	2,364.69	1,882.11	4,246.80
Mandera	266.69	57.62	324.31	1,888.05	2,949.83	4,837.88	2,154.74	3,007.45	5,162.19
Marsabit	270.67	-	270.67	1,679.05	824.65	2,503.71	1,949.73	824.65	2,774.38
Meru	462.95	-	462.95	2,492.54	1,108.19	3,600.72	2,955.48	1,108.19	4,063.67

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Exchequer Releases from the CRF to County Operations Accounts in the First Half of FY 2016/17 (Kshs Million)									
County	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
Migori	344.00	-	344.00	2,034.22	1,330.00	3,364.22	2,378.22	1,330.00	3,708.22
Mombasa	183.43	-	183.43	2,492.88	893.90	3,386.78	2,676.31	893.90	3,570.21
Murang'a	344.00	30.00	374.00	1,776.00	1,353.00	3,129.00	2,120.00	1,383.00	3,503.00
Nairobi City	696.23	-	696.23	7,500.84	-	7,500.84	8,197.07	-	8,197.07
Nakuru	493.34	102.20	595.55	3,315.72	1,525.42	4,841.14	3,809.07	1,627.62	5,436.69
Nandi	280.00	49.00	329.00	1,495.65	1,005.00	2,500.65	1,775.65	1,054.00	2,829.65
Narok	283.25	30.00	313.25	2,487.37	1,296.03	3,783.40	2,770.61	1,326.03	4,096.65
Nyamira	231.39	-	231.39	1,500.00	436.65	1,936.65	1,731.39	436.65	2,168.04
Nyandarua	282.48	55.00	337.48	1,327.26	320.98	1,648.24	1,609.74	375.98	1,985.73
Nyeri	259.50	-	259.50	2,102.89	524.83	2,627.72	2,362.38	524.83	2,887.22
Samburu	203.35	-	203.35	1,123.18	611.71	1,734.89	1,326.53	611.71	1,938.24
Siaya	322.00	12.82	334.82	1,630.00	653.18	2,283.18	1,952.00	666.00	2,618.00
Taita/Taveta	231.34	24.95	256.29	1,100.72	651.02	1,751.74	1,332.06	675.97	2,008.03
Tana River	210.31	45.85	256.16	848.52	1,056.14	1,904.66	1,058.83	1,101.99	2,160.82
Tharaka -Nithi	170.10	-	170.10	1,045.64	331.12	1,376.75	1,215.74	331.12	1,546.85
Trans Nzoia	267.14	-	267.14	1,497.44	950.49	2,447.92	1,764.57	950.49	2,715.06
Turkana	408.79	133.00	541.79	1,744.89	3,564.29	5,309.18	2,153.68	3,697.29	5,850.97
Uasin Gishu	260.13	12.00	272.13	1,810.18	473.40	2,283.58	2,070.31	485.40	2,555.71
Vihiga	278.43	50.00	328.43	1,261.11	500.94	1,762.05	1,539.55	550.94	2,090.48
Wajir	298.47	-	298.47	1,402.12	744.44	2,146.55	1,700.59	744.44	2,445.03
West Pokot	175.00	60.00	235.00	1,125.00	530.00	1,655.00	1,300.00	590.00	1,890.00
Total	**13,882.58**	**1,482.83**	**15,365.41**	**88,425.12**	**42,999.41**	**131,424.52**	**102,307.70**	**44,482.23**	**146,789.93**

Source: *County Treasuries and OCOB*

The Nairobi City County received the highest amount of funds from its CRF account into the operational accounts at Kshs.8.20 billion followed by Turkana and Nakuru counties at Kshs.5.85 billion and Kshs.5.44 billion respectively. Counties that received the lowest releases were; Lamu at Kshs.1.39 billion, Isiolo at Kshs.1.47 billion and Laikipia at Kshs.1.52 billion.

From the funds released towards recurrent activities, the Nairobi City County, Nakuru County, and Kiambu County received the highest amounts at Kshs.8.20 billion, Kshs.3.81 billion and Kshs.3.78 billion respectively.

Conversely, Lamu , Laikipia and Tana River Counties received the lowest amounts at Kshs.0.93 billion, Kshs.1.02 billion, and Kshs.1.06 billion respectively.

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Analysis of the funds released for development activities indicate that Turkana County, Mandera County, and Makueni County received the highest amount at Kshs.3.70 billion, Kshs.3.01 billion, and Kshs.1.88 billion respectively. Nairobi City County did not request for any funds towards development expenditure during the period under review.

2.5 Expenditure Analysis

The total expenditure by county governments in the first six months of FY 2016/17 was Kshs.128.36 billion representing an absorption rate of **32.1 per cent** of the total annual County Governments budgets. This was a marginal decrease from an absorption rate of **32.4 per cent** attained in a similar period of FY 2015/16 where total expenditure was Kshs.113.43 billion.

In the first half of FY 2016/17, recurrent expenditure was Kshs.92.64 billion, representing **40.1 per cent** of the annual recurrent budget, a marginal decrease from **40.4 per cent** reported in a similar period of FY 2015/16. Development expenditure amounted to Kshs.35.73 billion, representing an absorption rate of **21.5 per cent**, an increase from **19.9 per cent** attained in a similar period of FY 2015/16 where aggregate development expenditure was Kshs.29.58 billion.

Analysis of the expenditure by economic classification for the first half of FY 2016/17 is provided in Table 2.3.

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

County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Baringo	1,162,954,353	418,514,025	408,745,923	1,990,214,302
Bomet	1,207,181,508	483,569,639	604,022,235	2,294,773,382
Bungoma	1,567,329,742	1,055,448,649	297,553,743	2,920,332,134
Busia	1,173,875,967	679,484,441	549,936,278	2,403,296,686
Elgeyo/Marakwet	895,742,672	229,830,824	282,172,632	1,407,746,128
Embu	1,188,627,499	267,173,535	217,157,800	1,672,958,834
Garissa	1,248,000,724	754,557,544	472,454,456	2,475,012,724
Homa Bay	1,409,423,829	585,691,866	480,506,457	2,475,622,152
Isiolo	606,348,672	227,860,604	490,562,248	1,324,771,524
Kajiado	808,618,453	851,679,562	363,611,964	2,023,909,979
Kakamega	2,189,002,028	521,599,477	1,254,574,568	3,965,176,073
Kericho	1,002,935,137	666,870,020	962,266,212	2,632,071,369
Kiambu	2,601,598,987	1,369,828,397	1,083,392,779	5,054,820,163
Kilifi	1,287,284,632	1,245,144,324	1,694,813,337	4,227,242,293
Kirinyaga	903,728,065	269,132,036	258,959,930	1,431,820,031

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County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Kisii	2,237,543,103	629,187,705	894,044,433	3,760,775,241
Kisumu	1,665,798,348	637,543,633	411,622,088	2,714,964,069
Kitui	909,380,485	512,309,885	1,204,237,292	2,625,927,662
Kwale	874,078,440	280,599,286	848,046,628	2,002,724,354
Laikipia	1,080,202,779	307,099,159	478,794,954	1,866,096,892
Lamu	446,828,726	199,847,415	124,978,459	771,654,600
Machakos	2,405,639,724	935,324,594	1,101,901,920	4,442,866,238
Makueni	1,299,249,775	941,942,687	1,243,852,300	3,485,044,762
Mandera	895,670,259	1,078,376,414	2,526,736,994	4,500,783,667
Marsabit	563,758,312	715,959,838	501,754,357	1,781,472,507
Meru	1,656,543,904	611,006,137	759,717,948	3,027,267,989
Migori	1,179,864,369	611,429,293	843,024,546	2,634,318,208
Mombasa	1,909,610,434	619,368,893	1,041,553,221	3,570,532,548
Murang'a	1,309,739,245	727,625,943	1,075,164,673	3,112,529,861
Nairobi City	6,426,860,700	2,272,040,866	791,616,470	9,490,518,036
Nakuru	2,314,055,874	1,422,946,541	1,006,512,933	4,743,515,348
Nandi	936,615,054	712,364,725	716,883,919	2,365,863,698
Narok	1,273,546,558	1,322,763,867	1,231,615,123	3,827,925,548
Nyamira	818,939,632	437,993,145	281,728,926	1,538,661,703
Nyandarua	955,331,249	530,806,472	58,475,060	1,544,612,781
Nyeri	1,258,691,333	378,680,043	650,000	1,638,021,376
Samburu	562,566,532	472,967,937	583,532,988	1,619,067,457
Siaya	873,509,952	478,400,864	555,576,624	1,907,487,440
Taita/Taveta	1,005,995,082	437,818,166	200,677,425	1,644,490,673
Tana River	601,042,368	408,113,387	723,358,625	1,732,514,380
Tharaka -Nithi	900,056,338	212,655,982	281,634,553	1,394,346,873
Trans Nzoia	995,395,058	779,989,983	746,971,079	2,522,356,120
Turkana	1,348,349,717	785,810,988	3,854,046,225	5,988,206,930
Uasin Gishu	986,841,665	395,798,196	341,858,230	1,724,498,091
Vihiga	967,690,047	262,636,705	361,565,009	1,591,891,761
Wajir	1,289,942,042	585,510,701	992,984,728	2,868,437,471
West Pokot	654,797,938	449,142,635	519,930,566	1,623,871,139
Total	**61,856,787,310**	**30,780,447,028**	**35,725,778,858**	**128,363,013,196**

Source: *OCOB and County Treasuries*

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The Counties that attained the highest expenditure in absolute terms were; Nairobi City at Kshs.9.49 billion, Turkana at Kshs.5.99 billion, and Kiambu at Kshs.5.05 billion while the lowest expenditure was recorded by Lamu, Isiolo, and Tharaka Nithi counties at Kshs.0.77 billion, Kshs.1.32 billion, and Kshs. 1.39 billion, respectively.

Counties that recorded the highest overall absorption rates were Murang'a at 42.4 per cent, Kericho at 42.2 per cent, and Machakos at 40.9 per cent. Conversely, Kwale, Lamu, and Uasin Gishu Counties recorded the lowest overall absorption rates at 24.6 per cent, 24.0 per cent, and 22.5 per cent respectively. The overall absorption rate is computed as a percentage of total expenditure to the Approved County Budget.

Analysis of total expenditure as a percentage of the total funds authorized for withdrawal by the COB indicated that expenditure by six Counties, namely; Laikipia at 123.1 per cent, Wajir at 117.3 per cent, Kilifi at 109.2 per cent, Kiambu at 106.3 per cent, Nairobi City at 115.7 per cent and Turkana at 102.3 per cent exceeded the funds authorized for withdrawal by the Controller of Budget.

A review of cumulative expenditure by economic classification showed that Kshs.61.86 billion (48.2 per cent) was spent on personnel emoluments, Kshs.30.78 billion (23.8 per cent) on operations and maintenance, and Kshs.35.73 billion (28 per cent) on development activities.

2.5.1 Development Expenditure

The County Governments spent Kshs.35.73 billion on development activities, representing an absorption rate of **21.5 per cent** of the annual development budget, which is an increase from **19.9 per cent,** reported in a similar period of FY 2015/16 when development expenditure was Kshs.29.58 billion.

Kericho County recorded the highest absorption rate of development expenditure at 40.2 per cent, followed by Murang'a and Bomet counties at 37.2 per cent and 35.9 per cent respectively. Nairobi City, Nyandarua and Nyeri counties recorded the least at 6.9 per cent, 2.9 per cent and 0.04 per cent, respectively.

Analysis of County Budgets and expenditure in the first half of FY 2016/17 is provided in Table 2.4.

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

County Title	Budget Estimates (Kshs. Million)			Expenditure (Kshs. Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	H=E/B*100	I=F/C*100
Baringo	3,921.23	2,600.12	6,521.34	1,581.47	408.75	1,990.21	40.3	15.7	30.5
Bomet	3,962.96	1,682.04	5,644.99	1,690.75	604.02	2,294.77	42.7	35.9	40.7
Bungoma	6,401.31	3,732.46	10,133.77	2,622.78	297.55	2,920.33	41.0	8.0	28.8
Busia	4,634.42	3,831.58	8,466.00	1,853.36	549.94	2,403.30	40.0	14.4	28.4
Elgeyo/ Marakwet	2,886.76	1,852.41	4,739.17	1,125.57	282.17	1,407.75	39.0	15.2	29.7
Embu	3,988.55	2,736.62	6,725.17	1,455.80	217.16	1,672.96	36.5	7.9	24.9

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County Title	Budget Estimates (Kshs. Million)			Expenditure (Kshs. Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	H=E/B*100	I=F/C*100
Garissa	4,487.78	3,082.73	7,570.52	2,002.56	472.45	2,475.01	44.6	15.3	32.7
Homa Bay	4,342.76	2,353.88	6,696.64	1,995.12	480.51	2,475.62	45.9	20.4	37.0
Isiolo	2,264.09	1,482.33	3,746.42	834.21	490.56	1,324.77	36.8	33.1	35.4
Kajiado	4,354.48	2,655.90	7,010.38	1,660.30	363.61	2,023.91	38.1	13.7	28.9
Kakamega	6,080.46	6,225.15	12,305.61	2,710.60	1,254.57	3,965.18	44.6	20.2	32.2
Kericho	3,850.07	2,391.15	6,241.21	1,669.81	962.27	2,632.07	43.4	40.2	42.2
Kiambu	8,769.88	3,990.08	12,759.97	3,971.43	1,083.39	5,054.82	45.3	27.2	39.6
Kilifi	6,076.82	6,954.61	13,031.43	2,532.43	1,694.81	4,227.24	41.7	24.4	32.4
Kirinyaga	3,244.79	1,892.44	5,137.23	1,172.86	258.96	1,431.82	36.1	13.7	27.9
Kisii	6,103.97	3,952.04	10,056.01	2,866.73	894.04	3,760.78	47.0	22.6	37.4
Kisumu	6,087.57	3,094.76	9,182.33	2,303.34	411.62	2,714.96	37.8	13.3	29.6
Kitui	5,594.90	4,871.57	10,466.47	1,421.69	1,204.24	2,625.93	25.4	24.7	25.1
Kwale	3,031.61	5,105.16	8,136.77	1,154.68	848.05	2,002.72	38.1	16.6	24.6
Laikipia	3,409.17	2,533.97	5,943.14	1,387.30	478.79	1,866.10	40.7	18.9	31.4
Lamu	1,970.46	1,243.81	3,214.26	646.68	124.98	771.65	32.8	10.0	24.0
Machakos	7,539.57	3,336.43	10,876.00	3,340.96	1,101.90	4,442.87	44.3	33.0	40.9
Makueni	4,921.71	5,601.70	10,523.40	2,241.19	1,243.85	3,485.04	45.5	22.2	33.1
Mandera	4,326.27	7,694.42	12,020.69	1,974.05	2,526.74	4,500.78	45.6	32.8	37.4
Marsabit	3,553.39	3,056.52	6,609.91	1,279.72	501.75	1,781.47	36.0	16.4	27.0
Meru	6,017.89	3,624.94	9,642.83	2,267.55	759.72	3,027.27	37.7	21.0	31.4
Migori	4,442.94	2,841.13	7,284.06	1,791.29	843.02	2,634.32	40.3	29.7	36.2
Mombasa	7,875.97	4,035.90	11,911.87	2,528.98	1,041.55	3,570.53	32.1	25.8	30.0
Murang'a	4,454.13	2,890.51	7,344.63	2,037.37	1,075.16	3,112.53	45.7	37.2	42.4
Nairobi City	23,161.54	11,392.99	34,554.53	8,698.90	791.62	9,490.52	37.6	6.9	27.5
Nakuru	8,963.23	5,779.10	14,742.33	3,737.00	1,006.51	4,743.52	41.7	17.4	32.2
Nandi	4,377.21	2,526.11	6,903.32	1,648.98	716.88	2,365.86	37.7	28.4	34.3

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County Title	Budget Estimates (Kshs. Million)			Expenditure (Kshs. Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	H=E/B*100	I=F/C*100
Narok	5,537.70	4,273.61	9,811.31	2,596.31	1,231.62	3,827.93	46.9	28.8	39.0
Nyamira	4,082.10	1,853.02	5,935.12	1,256.93	281.73	1,538.66	30.8	15.2	25.9
Nyandarua	3,615.15	1,991.52	5,606.67	1,486.14	58.48	1,544.61	41.1	2.9	27.5
Nyeri	4,640.96	1,823.61	6,464.56	1,637.37	0.65	1,638.02	35.3	0.04	25.3
Samburu	2,711.98	1,861.34	4,573.31	1,035.53	583.53	1,619.07	38.2	31.4	35.4
Siaya	3,836.82	3,492.67	7,329.49	1,351.91	555.58	1,907.49	35.2	15.9	26.0
Taita/ Taveta	3,119.45	1,565.26	4,684.72	1,443.81	200.68	1,644.49	46.3	12.8	35.1
Tana River	2,227.56	2,357.66	4,585.21	1,009.16	723.36	1,732.51	45.3	30.7	37.8
Tharaka -Nithi	2,542.64	1,214.78	3,757.41	1,112.71	281.63	1,394.35	43.8	23.2	37.1
Trans Nzoia	3,648.97	3,222.04	6,871.01	1,775.39	746.97	2,522.36	48.7	23.2	36.7
Turkana	4,207.94	10,818.38	15,026.32	2,134.16	3,854.05	5,988.21	50.7	35.6	39.9
Uasin Gishu	4,563.37	3,085.10	7,648.47	1,382.64	341.86	1,724.50	30.3	11.1	22.5
Vihiga	3,194.67	1,535.96	4,730.63	1,230.33	361.57	1,591.89	38.5	23.5	33.7
Wajir	4,588.44	4,093.50	8,681.95	1,875.45	992.98	2,868.44	40.9	24.3	33.0
West Pokot	3,288.59	1,752.72	5,041.30	1,103.94	519.93	1,623.87	33.6	29.7	32.2
Total	**230,904.18**	**165,985.70**	**396,889.88**	**92,637.23**	**35,725.78**	**128,363.01**	**40.1**	**21.5**	**32.3**

Source: *OCOB and County Treasuries*

2.5.2 Recurrent Expenditure

During the reporting period, the Counties spent an aggregate of Kshs.92.64 billion, translating to 72.2 per cent of the total expenditure on recurrent activities. This expenditure represents **40.1 per cent** of the annual County Governments' budgets for recurrent activities, a marginal decrease from **40.4 per cent** recorded in a similar period of FY 2015/16 where expenditure was Kshs.81.08 billion.

Turkana County reported the highest percentage of recurrent expenditure to annual recurrent budget at 50.7 per cent, followed by Trans Nzoia County at 48.7 per cent, and Kisii County at 47 per cent. Nyamira County, Uasin Gishu County, and Kitui County recorded the lowest proportion of recurrent expenditure to annual recurrent budgets at 30.8 per cent, 30.3 per cent, and 25.4 per cent respectively.

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2.5.3 Personnel Emoluments

The County Governments spent Kshs.61.86 billion on personnel emoluments, representing 67.4 per cent of the total recurrent expenditure and 48.2 per cent of total expenditure. This expenditure was an increase of 9.82 per cent from Kshs.56.33 billion spent in a similar period of FY 2015/16 where the 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 Nyeri, Embu and Nairobi City recorded the highest percentage at 76.8 per cent, 74.4 per cent and 67.8 per cent respectively. Kilifi, Turkana, and Mandera reported the least proportions at 30.5 per cent, 22.5 per cent and 19.9 per cent respectively.

2.5.4 Operations and Maintenance Expenditure

A total of Kshs.30.78 billion was spent on operations and maintenance expenditure during the reporting period, which translated to 23.98 per cent of the total expenditure.

Analysis of expenditure on operations and maintenance as a proportion of the total expenditure by county indicated that Kajiado had the highest proportion at 42.1 per cent, followed by Marsabit and Bungoma Counties at 40.2 per cent and 36.1 per cent respectively. The Counties that attained the least proportion of operations and maintenance expenditure to their total expenditure during the reporting period were; Turkana, Kakamega, and Kwale at 13.1 per cent, 13.2 per cent and 14.0 per cent respectively.

2.5.4.1 Review of MCA's Sitting Allowances

During the reporting period, the County Assemblies spent Kshs.1.29 billion on MCA's sitting allowances against an approved budget allocation of Kshs.3.4 billion. This expenditure translates to 37.9 per cent of the approved MCA's sitting allowance budget, a marginal decrease from 38.2 per cent attained in a similar period of FY 2015/16 where Kshs.1.37 billion was spent.

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

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

County	MCA Sitting Allowances				
	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption %	No. of MCAs & Speaker	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/6
Baringo	50,207,630	25,806,896	51.4	49	87,779
Bomet	48,094,000	17,402,840	36.2	36	80,569
Bungoma	32,674,908	27,488,200	84.1	64	71,584
Busia	107,827,201	29,853,700	27.7	54	92,141
Elgeyo/Marakwet	37,496,000	17,606,703	47.0	31	94,660

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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/6
Embu	33,216,000	13,616,600	41.0	34	66,748
Garissa	87,000,000	34,180,200	39.3	49	116,259
Homa Bay	126,313,600	49,054,720	38.8	64	127,747
Isiolo	30,615,936	5,938,080	19.4	21	47,128
Kajiado	66,440,344	12,008,100	18.1	42	47,651
Kakamega	169,674,400	60,816,295	35.8	88	115,182
Kericho	84,589,230	32,710,300	38.7	48	113,577
Kiambu	100,000,000	47,396,752	47.4	88	89,767
Kilifi	80,712,000	31,898,001	39.5	54	98,451
Kirinyaga	62,000,000	19,388,500	31.3	30	107,714
Kisii	95,411,955	49,446,200	51.8	72	114,459
Kisumu	86,050,000	28,956,100	33.7	50	96,520
Kitui	69,638,400	27,236,180	39.1	58	78,265
Kwale	55,216,000	21,723,135	39.3	34	106,486
Laikipia	31,984,000	15,103,065	47.2	24	104,882
Lamu	38,726,400	11,074,000	28.6	21	87,889
Machakos	85,472,714	31,273,200	36.6	60	86,870
Makueni	50,000,000	31,280,500	62.6	48	108,613
Mandera	63,000,000	14,936,800	23.7	49	50,805
Marsabit	40,000,000	14,000,000	35.0	34	68,627
Meru	131,991,600	45,541,600	34.5	70	108,432
Migori	111,783,200	35,250,500	31.5	64	91,798
Mombasa	96,651,324	30,376,463	31.4	46	110,060
Murang'a	87,609,600	42,126,322	48.1	52	135,020
Nairobi City	140,599,158	59,902,700	42.6	128	77,998
Nakuru	110,000,000	42,101,990	38.3	75	93,560
Nandi	73,382,400	35,506,900	48.4	49	120,772
Narok	71,510,400	20,947,520	29.3	48	72,734
Nyamira	68,812,800	15,744,300	43.3	34	77,178

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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/6
Nyandarua	68,414,000	22,864,973	33.4	42	90,734
Nyeri	88,857,600	27,950,200	31.5	48	97,049
Samburu	43,873,601	19,852,460	45.2	27	122,546
Siaya	84,361,600	36,489,321	43.3	49	124,113
Taita/Taveta	65,436,800	17,504,500	26.8	36	81,039
Tana River	45,000,000	9,347,387	20.8	27	57,700
Tharaka –Nithi	36,660,000	13,605,100	37.1	25	90,701
Trans Nzoia	82,272,000	38,134,200	46.4	40	158,893
Turkana	73,776,000	35,765,588	48.5	48	124,186
Uasin Gishu	50,060,000	25,985,700	51.9	45	96,243
Vihiga	10,330,000	4,970,790	48.1	40	20,712
Wajir	70,361,200	15,127,300	21.5	46	54,809
West Pokot	56,907,060	22,444,300	39.4	33	113,355
Total	**3,401,011,061**	**1,287,735,181**	**37.9**	**2,274**	**95,381**

Source: *OCOB and County Treasuries*

Three County Assemblies reported higher monthly average expenditure on MCA's sitting allowances than the SRC's recommended monthly maximum of Kshs.124,800. These are: Trans Nzoia at Kshs.158,893, Murang'a at Kshs.135,020 and Homabay at Kshs. 127,747.

2.5.4.2 Review of Expenditure on Domestic and Foreign Travels

The County Governments spent Kshs.5.28 billion on domestic and foreign travel against an approved annual budget allocation of Kshs.12.25 billion. This expenditure represents 43.1 per cent of the total budget allocation towards domestic and foreign travel, a slight decrease from 43.5 per cent attained in a similar period of FY 2015/16 when total expenditure was Kshs.4.58 billion.

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

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

COUNTY ASSEMBLIES FORUM (CAF)
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County	County Assembly			County Executive			Total Expenditure		
	Budget	Expenditure	Performance	Budget	Expenditure	Performance	Budget	Expenditure	Performance
	A	B	C=B/A*100	D	E	F=E/D*100	G=A+D	H=B+E	I=H/G*100
Baringo	48.09	28.30	58.9	87.57	22.42	25.6	135.66	50.72	37.4
Bomet	83.20	65.78	79.1	109.14	49.01	44.9	192.34	114.79	59.7
Bungoma	14.00	1.58	11.3	235.89	184.14	78.1	249.89	185.72	74.3
Busia	47.02	24.89	52.9	188.17	73.57	39.1	235.20	98.46	41.9
Elgeyo/ Marakwet	57.74	37.39	64.8	29.98	13.39	44.6	87.73	50.78	57.9
Embu	89.41	58.90	65.9	63.72	8.78	13.8	153.13	67.68	44.2
Garissa	66.40	21.72	32.7	94.00	32.45	34.5	160.40	54.17	33.8
Homa Bay	62.33	50.60	81.2	102.22	45.67	44.7	164.54	96.26	58.5
Isiolo	74.60	17.65	23.7	111.08	36.42	32.8	185.67	54.07	29.1
Kajiado	92.80	60.37	65.1	149.28	49.36	33.1	242.08	109.73	45.3
Kakamega	157.00	75.75	48.2	153.13	42.32	27.6	310.13	118.07	38.1
Kericho	72.53	63.97	88.2	107.57	58.15	54.1	180.09	122.12	67.8
Kiambu	211.50	71.54	33.8	230.25	104.53	45.4	441.75	176.07	39.9
Kilifi	128.65	50.21	39.0	108.96	69.71	64.0	237.61	119.92	50.5
Kirinyaga	103.00	51.50	50.0	76.56	16.68	21.8	179.56	68.18	38.0
Kisii	96.25	43.29	45.0	304.09	145.39	47.8	400.34	188.68	47.1
Kisumu	78.46	10.22	13.0	264.86	84.80	32.0	343.32	95.02	27.7
Kitui	117.34	43.24	36.9	324.40	73.34	22.6	441.74	116.59	26.4
Kwale	67.60	49.07	72.6	84.37	35.27	41.8	151.97	84.35	55.5
Laikipia	52.50	26.90	51.2	33.29	14.62	43.9	85.79	41.52	48.4
Lamu	80.22	29.45	36.7	77.48	29.35	37.9	157.70	58.80	37.3
Machakos	178.00	129.69	72.9	374.69	137.16	36.6	552.69	266.85	48.3
Makueni	66.00	36.77	55.7	120.56	91.35	75.8	186.56	128.13	68.7
Mandera	98.56	39.40	40.0	118.10	33.37	28.3	216.67	72.77	33.6
Marsabit	107.50	37.50	34.9	148.30	46.44	31.3	255.80	83.94	32.8
Meru	118.55	24.95	21.0	109.43	27.95	25.5	227.98	52.90	23.2
Migori	91.83	64.28	70.0	157.59	106.68	67.7	249.42	170.95	68.5
Mombasa	46.68	0.26	0.5	320.22	37.30	11.6	366.90	37.55	10.2

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County	County Assembly			County Executive			Total Expenditure		
	Budget	Expenditure	Performance	Budget	Expenditure	Performance	Budget	Expenditure	Performance
	A	B	C=B/A*100	D	E	F=E/D*100	G=A+D	H=B+E	I=H/G*100
Murang'a	108.00	51.93	48.1	82.65	77.89	94.2	190.65	129.82	68.1
Nairobi City	296.63	161.12	54.3	934.88	99.51	10.6	1,231.49	260.63	21.2
Nakuru	32.50	20.95	64.5	86.26	217.08	251.7	118.76	238.02	200.4
Nandi	65.00	31.49	48.4	204.00	107.21	52.6	269.00	138.70	51.6
Narok	21.98	26.89	122.3	134.42	37.68	28.0	156.40	64.57	41.3
Nyamira	124.13	68.59	55.3	256.58	124.83	48.7	380.71	193.42	50.8
Nyandarua	104.15	68.91	66.2	189.55	88.91	46.9	293.71	157.82	53.7
Nyeri	110.00	44.79	40.7	146.20	14.02	9.6	256.20	58.81	23.0
Samburu	37.78	20.33	53.8	108.47	33.60	31.0	146.25	53.93	36.9
Siaya	74.25	31.03	41.8	235.70	74.15	31.5	309.94	105.18	33.9
Taita Taveta	110.48	47.66	43.1	174.93	83.92	48.0	285.42	131.58	46.1
Tana River	92.22	11.64	12.6	137.72	29.21	21.2	229.94	40.85	17.8
Tharaka Nithi	53.55	24.65	46.0	117.94	24.67	20.9	171.49	49.32	28.8
Trans Nzoia	48.91	34.45	70.4	75.00	111.04	148.1	123.91	145.49	117.4
Turkana	98.48	53.64	54.5	153.55	122.03	79.5	252.03	175.68	69.7
Uasin Gishu	65.40	53.07	81.1	141.51	30.57	21.6	206.92	83.64	40.4
Vihiga	130.35	50.13	38.5	150.29	49.23	32.8	280.64	99.36	35.4
Wajir	118.63	84.99	71.6	185.61	61.32	33.0	304.24	146.31	48.1
West Pokot	50.20	21.40	42.6	196.52	101.43	51.6	246.72	122.84	49.8
Total	**4,250.40**	**2,122.81**	**49.9**	**7,996.67**	**3,157.94**	**39.5**	**12,247.05**	**5,280.76**	**43.1**

Source: *OCOB and County Treasuries*

In absolute terms, Machakos County had the highest expenditure of domestic and foreign travel at Kshs.266.85 million, followed by Nairobi City County and Nakuru County at Kshs.260.63 million and Kshs.238.02 million, respectively. The Counties that recorded the least expenditure are; Mombasa Laikipia, Tana River, and at Kshs.37.55 million, Kshs.40.85 million and Kshs.41.52 million, respectively.

Analysis of expenditure on domestic and foreign travel as a proportion of the annual budgetary allocation by County indicated that Nakuru had more than doubled its expenditure against the budget allocation recording 200.4 per cent while Trans Nzoia exceeded their budget allocation by 17.4 per cent. Those with the lowest proportions were Nairobi City, Tana River and Mombasa Counties at 21.2 per cent, 17.8 per cent and 10.2 per cent respectively.

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This chapter provides individual County budget performance for the first half of FY 2016/17. The 47 County Governments are presented in alphabetical order.

3.1 Baringo County

3.1.1 Overview of the FY 2016/17 Budget

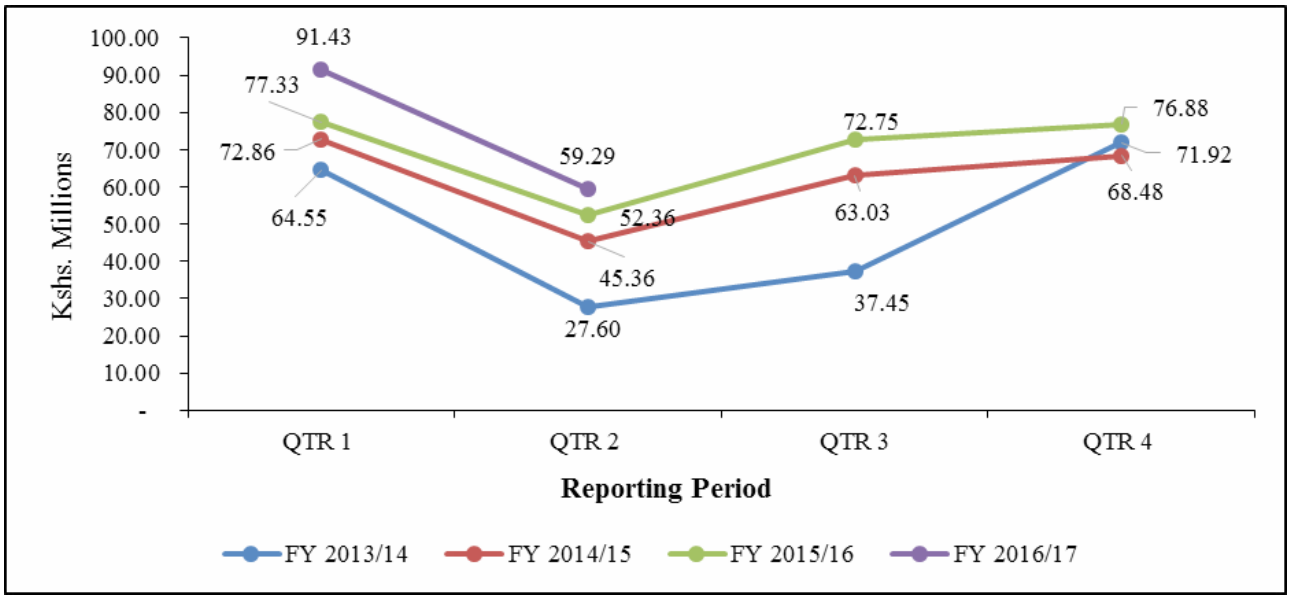
The County's FY 2016/17 Approved Budget was Kshs.6.52 billion, comprising of Kshs.3.92 billion (60.1 per cent) and Kshs.2.60 billion (39.9 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County is expects to receive Kshs.4.79 billion (73.5 per cent) as equitable share of revenue raised nationally, Kshs.269.45 million (4.1 per cent) as total conditional grants, generate Kshs.472 million (7.2 per cent) from local revenue sources and Kshs.892.71 million (13.7 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.64.66 million (24 per cent) for Free Maternal Healthcare, Kshs.73.62 million (27.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.37 million (5 per cent) for User Fees Foregone, Kshs.12.99 million (4.8 per cent) from DANIDA, Kshs.77.76 million (28.9 per cent) as World Bank support to Health Facilities, and Kshs.27.05 million (10 per cent) for the Capacity and Performance Grant.

3.1.2 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.61 billion as equitable share of the revenue raised nationally, Kshs.55.35 million as total conditional allocations, raised Kshs.150.71 million from local revenue sources, and had a cash balance of Kshs.892.71 million brought forward from FY 2015/16. Figure 3.1 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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



Source: *Baringo County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.130.71 million which was an increase of 16.6 per cent compared to Kshs.129.68 million generated in a similar period of FY 2015/16. This revenue accounted for 31.9 per cent of the annual local revenue target.

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3.1.3 Conditional Grants

Table 3.1 shows an analysis of conditional grants disbursed in the first half of FY 2016/17.

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

No.	Conditional Grant	Amount allocations based on CARA 2016 (Kshs.)	First Half of FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	36,810,208	81,165,000	50.0
2	Compensation for User Fees Forgone	6,685,258	94,317,309	50.0
3	Conditional Allocation for Free Maternal Healthcare	11,852,500	-	18.3
Total		**269,452,298**	**55,347,966**	**20.5**

Source: *Baringo County Treasury*

Analysis of the conditional grants released during the period under review indicates that Road Maintenance Fuel Levy Fund and User Fees Foregone recorded the highest receipts against annual target at 50.0 per cent while the Free Maternal Healthcare recorded 18.3 per cent. There were no releases for all other grants.

3.1.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.46 billion from the CRF account, which was 37.7 per cent of the approved budget. This amount represents a marginal increase from Kshs.2.45 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.87 billion (76.1 per cent) for recurrent expenditure and Kshs.588.20 million (23.9 per cent) for development activities.

3.1.5 Overall Expenditure Review

The County spent Kshs.1.99 billion, which was 81 per cent of the total funds released for operations. This represented a decrease of 10.4 per cent from Kshs.2.22 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.58 billion was spent on recurrent activities, while Kshs.408.75 million was spent on development activities. The recurrent expenditure was 84.6 per cent of the funds released for recurrent activities while development expenditure accounted for 69.5 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.53.72 million for development and Kshs.111.23 million for recurrent expenditure.

The recurrent expenditure represented 40.3 per cent of the annual recurrent budget, a decrease from 50.3 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 15.7 per cent, which was a decrease from 20.5 per cent attained in a similar period of FY 2015/16. Figure 3.2 presents a comparison between the total expenditure in the first half of FY 2016/17 and FY 2015/16.

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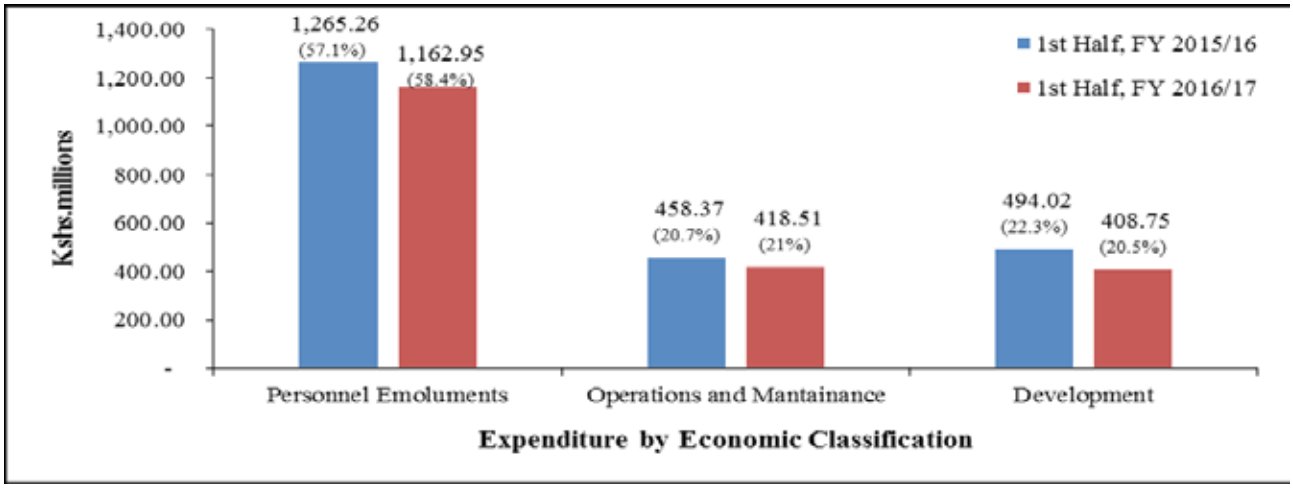
Figure 3.2: Baringo County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



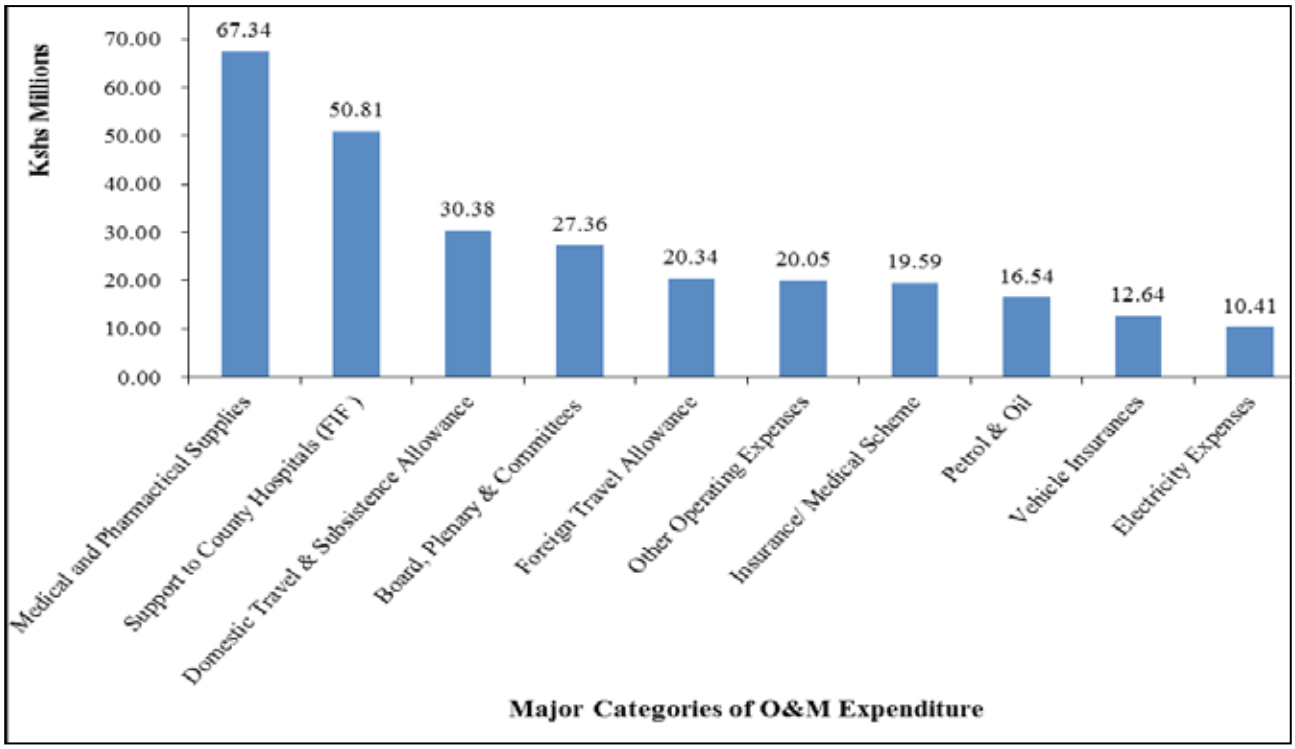
Source: *Baringo County Treasury*

3.1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.58 billion consisted of Kshs.1.16 billion (73.5 per cent) spent on personnel emoluments and Kshs.418.51 million (26.5 per cent) on operations and maintenance as shown in Figure 3.2. Expenditure on personnel emoluments represented a decrease of 8.7 per cent compared to FY 2015/16 when the County spent Kshs.1.27 billion.

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

Figure 3.3: Baringo County, Operations and Maintenance Expenditure by major categories for First Half of FY 2016/17



Source: *Baringo County Treasury*

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The County spent Kshs.25.81 million on sitting allowances for the 49 MCAs and the Speaker against the annual budget allocation of Kshs.50.21 million. This was an increase of 75.5 per cent compared to Kshs.14.71 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.87,779 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.50.72 million compared to Kshs.73.10 million spent in a similar period of FY 2015/16, representing a decline of 30.6 per cent. The amount consisted of Kshs.22.42 million for County executive and Kshs.28.30 million for the County assembly.

3.1.7 Development Expenditure Analysis

The total development expenditure of Kshs.408.75 billion represents 15.7 per cent of the annual development budget of Kshs.2.60 billion. Table 3.2 provides a list of development projects with the highest expenditure during the period under review.

Table 3.2: Baringo County, list of development projects with the highest expenditure for the First half of FY 2016/17

Department	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
Transport & Infrastructure	Upgrade of Eldama Ravine mission hospital Road	Ravine Ward	29,901,440.00	16,511,116.94	55.2
Transport & Infrastructure	Mogotio Bitumen Road	Mogotio Ward	28,400,000.00	5,635,572.32	19.8
Health	Chemolingot - Casualty Block	Ribkwo Ward	16,297,350.00	1,887,146.80	11.6
Treasury & Economic Planning	30% setup fee Revenue Collection Solution	Countywide	12,920,000.00	5,168,000.00	40.0
Environment & Natural Resources	Compensation For KIMAO Land	Countywide	10,000,000.00	10,000,000.00	100.0
Health	Supply of Electricity to Mogotio Hospital	Mogotio	7,000,000.00	1,473,486.00	21.0
Trade & Tourism	Co-operative Development Fund	Countywide	6,000,000.00	3,000,000.00	50.0
Trade & Tourism	SME FUND	Countywide	6,000,000.00	3,000,000.00	50.0
Youths & Gender	Supply of balls, Nets and Uniforms	Countywide	6,000,000.00	5,964,000.00	99.4
Lands, Housing & Urban Planning	Cabro works at Kabarnet town	Kabarnet Ward	5,897,440.00	2,849,424.00	48.3
Total			**128,416,230.00**	**55,488,746.06**	**43.2**

Source: *Baringo County Treasury*

Analysis of the development projects with the highest expenditure indicates that Kshs.16.51 million was spent on the Upgrading of the Eldama Ravine mission hospital Road, while Kshs.10 million spent on compensation for KIMAO Land.

3.1.8 Budget and Budget Performance Analysis by Department

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

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

Department	Budget Allocation (Kshs. Million)		First half FY 2016/17 Exchequer Issues (Kshs. Million)		First half FY 2016/17 Expenditure (Kshs. Million)		First half FY 2016/17 Expenditure to Exchequer Issues (%)		First half FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	573.78	65.75	289.47	30.0	259.41	13.77	89.6	45.9	45.2	20.9
Governor/County Executive services	393.64	153.6	190.54	21.59	133.21	5.19	69.9	24.0	33.8	3.4
County Treasury Services	258.06	26.48	100.69	25.76	90.47	12.07	89.9	46.9	35.1	45.6
Transport and Infrastructure	56.16	533.07	29.71	149.22	28.23	99.12	95.0	66.4	50.3	18.6
Industrialization, Commerce and Tourism	80.08	90.7	42.95	14.0	47.77	22.69	111.2	162.1	59.7	25.0
Education, Sports, Culture & Art	286.42	237.78	129.17	52.5	104.15	73.22	80.6	139.5	36.4	30.8
Health	1,818.57	466.23	857.38	77.46	747.04	48.17	87.1	62.2	41.1	10.3
Housing & Urban Development	65.11	114.14	30.9	13.9	20.45	14.64	66.2	105.3	31.4	12.8
Agriculture, Livestock, Fisheries & Marketing	227.37	251.89	113.84	78.25	94.33	38.67	82.9	49.4	41.5	15.4
Youth, Gender & Social Security Services	33.77	160.97	14.57	33.4	13.01	19.82	89.3	59.3	38.5	12.3
Water & Irrigation	100.12	424.96	55.96	70.1	31.96	44.51	57.1	63.5	31.9	10.5
Environment & Natural Resources	28.16	74.53	13.92	22.03	11.44	16.87	82.2	76.6	40.6	22.6
TOTAL	**3,921.24**	**2,600.10**	**1,869.10**	**588.21**	**1,581.47**	**408.74**	**84.6**	**69.5**	**40.3**	**15.7**

Source: *Baringo County Treasury*

Analysis of budget performance by department shows that the County Treasury attained the highest absorption rate of development budget at 45.6 per cent while the Governor's office attained the lowest rate at 3.4 percent. On the other hand, the Department of Industrialization, Commerce and Tourism had the highest percentage of recurrent expenditure to its recurrent budget at 59.7 per cent while the Housing and Urban Development had the lowest at 31.4 per cent.

3.1.9 Observations and Recommendations

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

i. Improvement in local revenue collection by 16.2 per cent from Kshs.129.68 collected in the first half of FY 2015/16 to Kshs.150.71 million in the reporting period.

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

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.1.61 billion had been disbursed against an expected disbursement of Kshs.2.42 billion
2. Failure to reconcile IFMIS payroll data to the IPPD data while IFMIS reports indicated total expenditure on personnel emoluments as Kshs.1.16 billion, the IPPD report indicated that Kshs.940.23 million as the total payroll costs for the same period.
3. The County operationalized the Baringo County Executive Mortgage Fund prior to approval of the Fund Regulations contrary Section 116 of the PFM Act, 2012.
4. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA 2016 Disbursement Schedule.*
2. *The County should reconcile the IFMIS & IPPD data on a monthly basis to enhance accuracy in reporting.*
3. *The County should ensure that Fund Regulations are in place prior to operationalization of any established County Fund.*
4. *The County Treasury should liaise with IFMIS Directorate for support in application of IFMIS and the E-procurement module.*

3.2 Bomet County

3.2.10 Overview of the FY 2016/17 Budget

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

To finance the budget, the County expects to receive Kshs.5.17 billion (91 per cent) as equitable share of revenue raised nationally, Kshs.170.99 million (3 per cent) as total conditional grants, generate Kshs.207.7 million (4 per cent) from local revenue sources, and Kshs.95.77 million (2 per cent) as conditional allocation grants from Lease of Medical Equipment . The conditional grants comprise of Kshs.58.45 million (34.2 per cent) for Free Maternal Healthcare, Kshs.78.03 million (45.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.90 million (9.9 per cent) for User Fees Foregone, Kshs.17.60 million (10.3 per cent) from DANIDA.

3.2.11 Revenue Analysis

During the first half of 2016/17, the County received Kshs.2.49 billion as equitable share of the revenue raised nationally, Kshs.73.81 million from conditional grants allocations, raised Kshs.137.34 million from local revenue sources, and had a cash balance of Kshs.35 million brought forward from FY 2015/16. The County did not borrow any funds during the year to supplement budget financing.

Figure 3.4 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the

second quarter of FY 2016/17.

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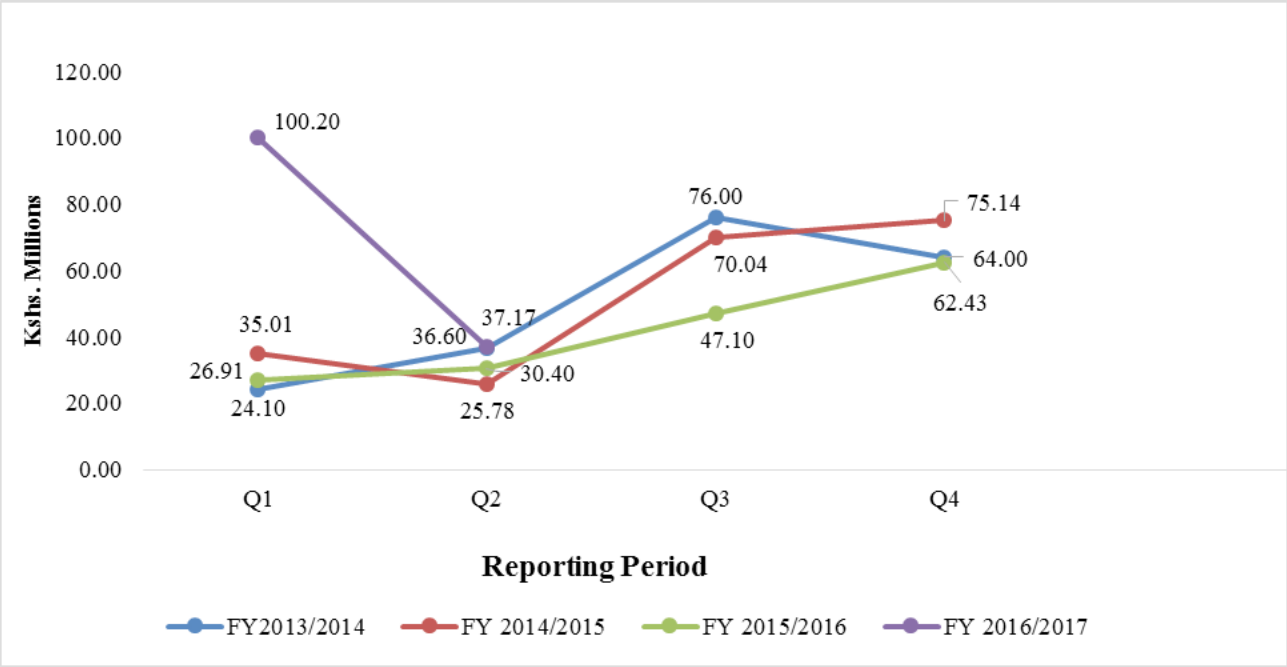
Figure 3.4: Bomet County, Trend in Local Revenue Collection by Quarter from first quarter FY 2013/14 to second quarter FY 2016/17



Source: *Bomet County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.137.34 million which is an increase of 139.5 per cent compared to Kshs.57.34 million generated in a similar period of 2015/16. This revenue was 66.1 per cent of the annual local revenue target.

3.2.12 Conditional Grants

Table 3.4 shows an analysis of conditional grant disbursement in the first quarter of FY 2016/17.

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

No.	Conditional Grant	Allocations based on CARA, 2016 (Kshs.)	First Half, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	78,035,696.00	39,017,848.00	50
2	Free Maternal Healthcare	58,452,800.00	27,692,500.00	47
3	User Fees Foregone	16,880,750.00	7,095,883.00	42
4	DANIDA Grant	17,620,000.00	-	0
5	World Bank Loan	-	-	
6	Other Loans and Grants	-	-	
Total		**170,989,246.00**	**73,806,231.00**	**43**

Source: *Bomet County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road

Maintenance Fuel Levy Fund recorded the highest receipts against annual target at 50 per cent followed by Free Maternal Healthcare at 47 per cent, and User Fees Foregone at 42 per cent.

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3.2.13 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.49 billion from the CRF account, which was 44.20 per cent of the approved budget. This amount was similar to that authorized in a similar period of FY 2015/16 and consisted of Kshs.1.95 million (78.31 per cent) for recurrent expenditure and Kshs 540.76 million (21.67 per cent) for development activities.

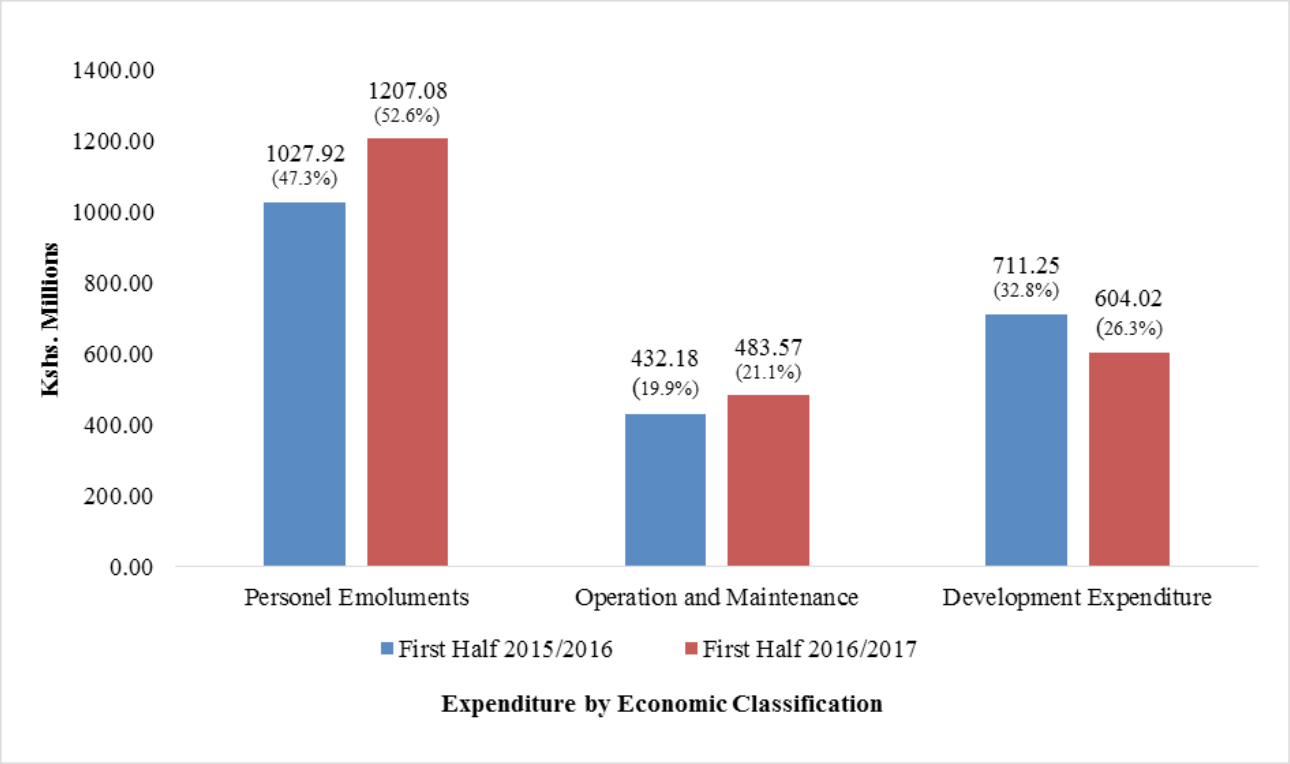
3.2.14 Overall Expenditure Review

The County spent Kshs.2.29 million, which was 92 per cent of the total funds released for operations. This was a decrease of 1.7 per cent from Kshs.2.33 million spent in a similar period in FY 2015/16.

A total of Kshs.1.69 billion was spent on recurrent activities, while Kshs.604.02 million was spent on development activities. The recurrent expenditure was 86.5 per cent of the funds released for recurrent activities while development expenditure accounted for 111.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.75.72 million for development and Kshs.73.69 million for recurrent expenditure.

The recurrent expenditure represented 42.7 per cent of the annual recurrent budget, a decrease from 44.3 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 35.9 per cent, which was a decrease from 51.2 per cent attained in a similar period of FY 2015/16. Figure 3.5 presents a comparison between the total expenditure in the first half of FY 2016/17 and a similar period in FY 2015/16.

Figure 3.5: Bomet County, Expenditure by Economic Classification for the First Half of FY 2016/17 and the First Half FY 2015/16



Source: *Bomet County Treasury*

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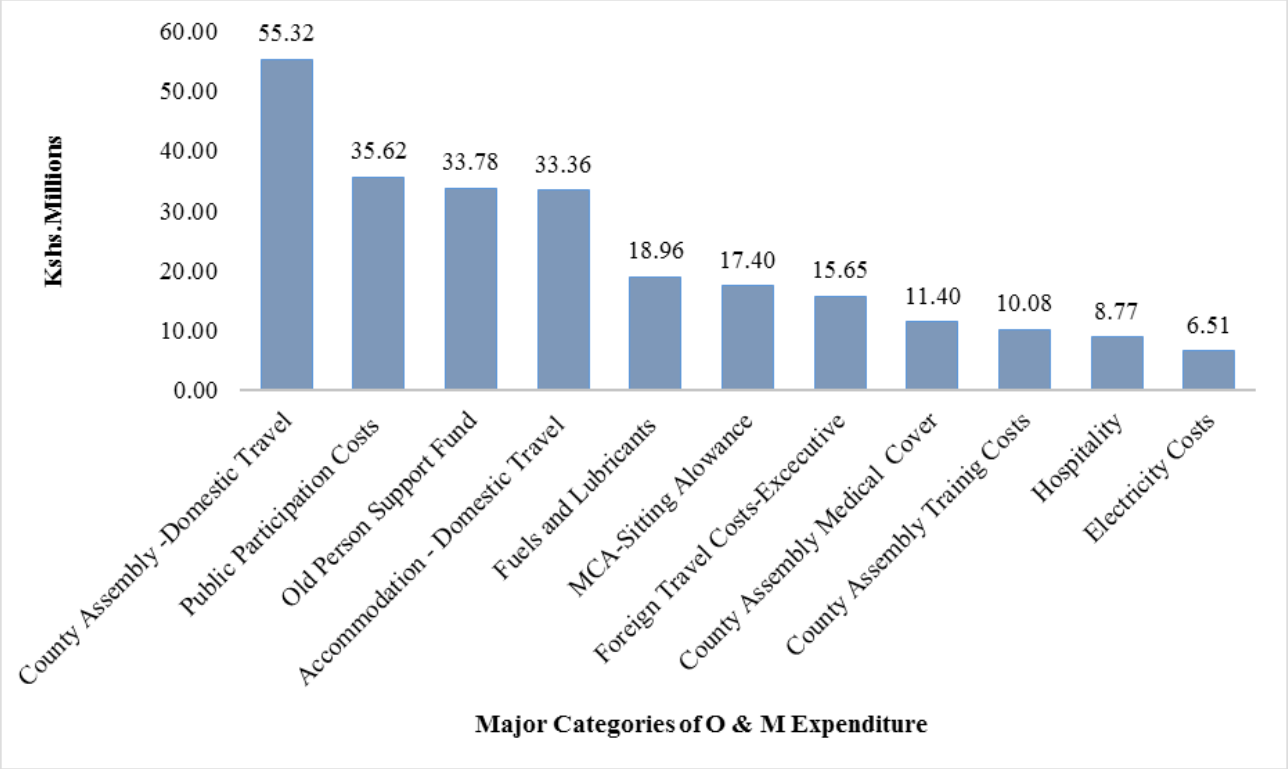
3.2.15 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.69 billion represents 42.7 per cent of the annual recurrent budget of Kshs.3.96 billion. The County spent Kshs.1.21 billion (71.6 per cent) on personnel emoluments and Kshs.483.57 million (28.4 per cent) on operations and maintenance as shown in Figure 3.5. Expenditure on personnel emoluments represented an increase of 28.3 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.940.67 million.

Figure 3.6 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.6: Bomet County, Operations and Maintenance Expenditure by major catgories for First Quarter, FY 2016/17



Source: *Bomet County Treasury*

The County spent Kshs.17.40 million on sitting allowances for the 35 MCAs and the Speaker against the annual budget allocation of Kshs.45 million. This was an increase of 10.3 per cent compared to Kshs.15.77 million spent in the same period of FY 2015/16. The average monthly sitting allowance per MCA was Kshs.82,871 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.114.79 million and consisted of Kshs.65.78 million spent by the County Assembly and Kshs.49.01 million for the County Executives. This was an increase of 37.5 per cent compared to Kshs.83.45 million spent in a similar period of FY 2015/16.

3.2.16 Development Expenditure Analysis

The total development expenditure of Kshs.604.02 million represents 35.9 per cent of the annual development budget of Kshs.1.68 billion. Table 3.5 provides a list of development projects with the highest expenditure during the period under review.

Table 3.5 : Bomet County, Summary of development projects with the highest expenditure in the first half of FY 2016/17

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No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Construction of ECD and VTI	Various schools	147,607,706.00	54,285,370.00	37
	Spport of Sigor and Sergutiet Water project	Sigor Ward	100,000,000.00	10,000,000.00	10
2	Construction of stadium	Nyongores Ward	46,000,000.00	17,200,000.00	37
3	Construction of Governors office	Head Quarters	45,600,000.00	36,984,857.00	81
4	Construction of youth farmers pack house	Longisa Ward	19,579,968.20	2,500,000.00	13
5	Landscaping of Governors Office	Head Quarters	14,000,000.00	6,738,157.00	48
6	Construction of Itembe sale yard	Nyongores Ward	7,877,888.05	2,000,000.00	25
7	construction of Chebunyo sale yard	Chebuyo Ward	7,774,028.00	4,933,233.00	63
8	Construction of Kipsonoi ward office	Kipsonoi Ward	7,294,130.00	2,431,376.67	33
9	Construction of Ndaraweta ward office	Ndaraweta Ward	6,947,544.00	6,000,000.00	86
10	Construction of Sigor ward office	Sigor Ward	6,448,275.00	4,300,000.00	67
	Total		**409,129,539.25**	**147,372,993.67**	**36**

Source: *Bomet County Treasury*

Analysis of the development expenditure by project indicates that the highest expenditure of Kshs.54.28 million was incurred on construction of ECD classrooms, followed by Kshs.36.98 million on construction of the Governor's Office. Further, a total of Kshs.17.2 million was spent on construction of a Stadium, Kshs.10 million on the Sigor Water project, Kshs.6.74 million on Landscaping of the Governor's Office, and Kshs.4.93 million on Construction of Chebuyo Cattle sale Yard in Chebuyo Ward.

3.2.17 Budget and Budget Performance Analysis by Department

Table 3.6 shows a summary of Second quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.6: Bomet County Second quarter FY 2016/17 budget estimates and budget performance by department

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Bomet County Expenditure By Department										
Department	Budget Allocation (Kshs Million)		First Half of FY 2016/17 Exchequer Issues (Kshs. Million)		First Half of FY 2016/17Expenditure (Kshs. Million)		First Half of FY 2016/17Expenditure To Exchequer Issues (%)		First Half of FY 2016/17 Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executives	325.57	0.00	191.40		164.86		86.1	0.0	50.6	0.0
Public Service Board	47.52	0.00	27.17		13.41					
Administration	371.61	60.00	216.10	24.32	297.58	32.58	137.7	134.0	80.1	54.3
Finance, Economic Planning and Development	314.43	25.36	194.45	1.80	131.25		67.5	0.0	41.7	0.0
Land,Public And Environment	205.52	121.76	121.73	50.75	97.00	27.70	79.7	54.6	47.2	22.7
Agri-Business, Coopertives& Marketing	182.69	207.08	106.80	67.32	78.70	72.07	73.7	107.1	43.1	34.8
Social Services	543.98	30.70	33.51	7.50	59.47	75.80	177.5	1010.7	10.9	246.9
Medical Services	936.03	55.40	514.68	21.27	430.14	16.85	83.6	79.2	46.0	30.4
Economic Planning And Development	45.40	30.00	24.63	0.00	14.61	0.00	59.3	0.0	32.2	0.0
Water Services	92.97	284.00	52.00	122.90	32.50	93.12	62.5	75.8	35.0	32.8
Education And Vocational Trainings	182.03	253.36	104.35	80.24	84.27	44.94	80.8	56.0	46.3	17.7
Roads And Public Works	135.87	429.78	73.80	149.14	41.50	211.97	56.2	142.1	30.5	49.3
Ict,Training And Industry	60.08	68.20	34.04	15.51	6.09	9.13	17.9	58.9	10.1	13.4
County Assembly	519.25	116.41	259.63	0.00	225.51	2.14	86.9	0.0	43.4	1.8
Total	**3,962.95**	**1,682.05**	**1,954.29**	**540.75**	**1,690.75**	**604.02**	**86.5**	**111.7**	**42.7**	**35.9**

Bomet County Treasury

Analysis of budget performance by department shows that the Department of Social Services attained the highest absorption rate of development budget at 246.9 per cent while the Finance, Economic Planning and Development did not incur any development expenditure. On the other hand, the Administration Department had the highest percentage of recurrent expenditure to recurrent budget at 80.1 per cent while the ICT, Training and Industry had the lowest at 10.1 per cent.

3.2.18 Observations and Recommendations

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

i. The County has established an Internal Audit Committee in line with Section 155 (5) of the PFM Act, 2012.
ii. The County has established a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

1. The County's wage bill has remained high, having increased by 28.3 per cent from Kshs.940.67 million in the first half of FY 2015/16 to Kshs.1, 207.18 million during the period under review. Increase in the wage bill may affect implementation of development projects
2. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
2. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*

3.3 Bungoma County

3.3.19 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.10.13 billion, comprising of Kshs.6.40 billion (63.2 per cent) and Kshs.3.73 billion (36.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.28 billion (81.7 per cent) as equitable share of revenue raised nationally, Kshs.357.48 million (3.5 per cent) as total conditional grants, generate Kshs.731.90 million (7.2 per cent) from local revenue sources, and Kshs.762.19 million (7.5 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.189.57 million (53.0 per cent) for Free Maternal Healthcare, Kshs.127.25 million (35.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.33.28 million (9.3 per cent) for User Fees Foregone and Kshs.7.38 million (2.1 per cent) from DANIDA.

3.3.20 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.3.24 billion as equitable share of the revenue raised nationally, raised Kshs.208.13 million from local revenue sources, and had a cash balance of Kshs.762.19 million brought forward from FY 2015/16.

Figure 3.7 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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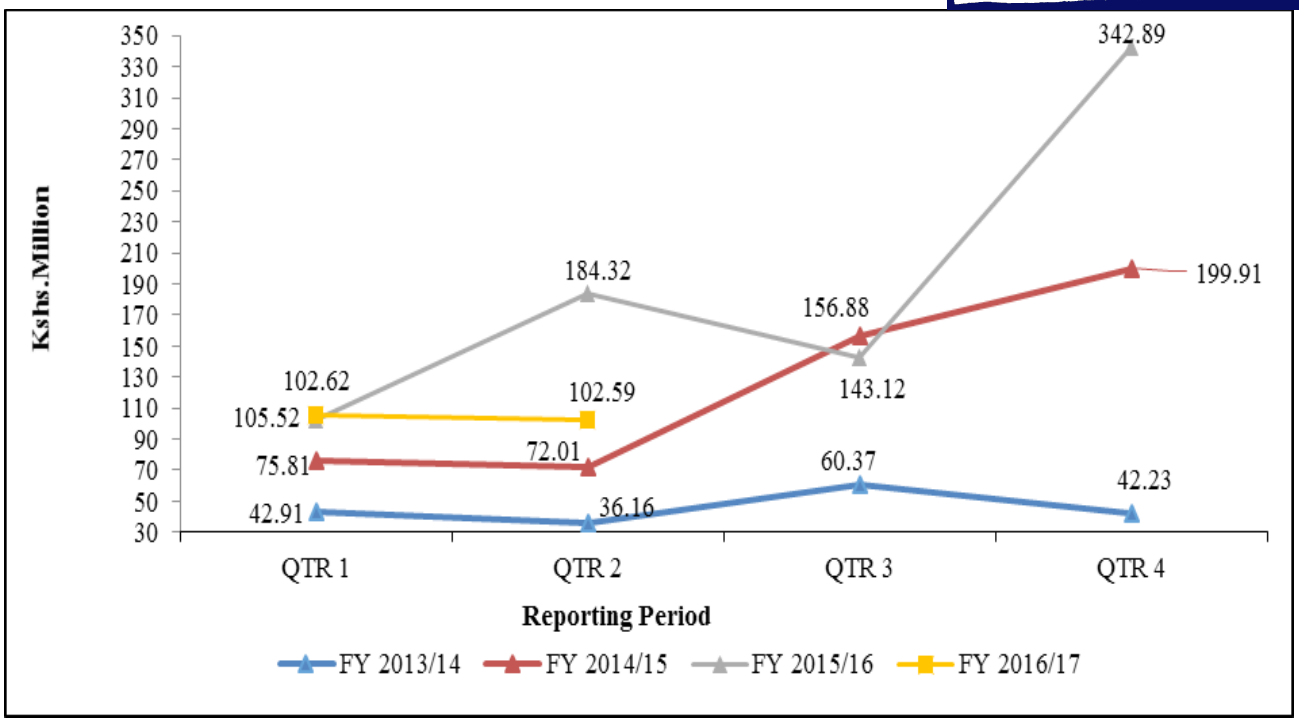
Figure 3.7: Bungoma County, Trend in Local Revenue Collection by quarter from FY 2013/14 to FY 2016/17



Source: *Bungoma County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.208.13 million which is an increase of 12.9 per cent compared to Kshs.184.32 million generated in a similar period of FY 2015/16. This revenue was 28.4 per cent of the annual local revenue target.

3.3.21 Conditional Grants

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

Table 3.7: Bungoma County analysis of conditional grants released in First Half of FY 2016/17

No.	Conditional Grant	Amount allocated based on CARA 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	127,250,840	63,625,420	50.0
2	Free Maternal Healthcare	189,574,801	-	-
3	User Fees Foregone	33,282,912	-	-
4	DANIDA Grant	7,375,000	-	-
Total		**357,483,553**	**63,625,420**	**17.8**

Source: *Bungoma County Treasury*

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Analysis of the conditional grants released during for the period under review indicates that the Road Maintenance Fuel Levy Fund recorded the highest performance against its annual target at 50.0 per cent.

3.3.22 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.24 billion from the CRF account, which was 32.0 per cent of the Approved Supplementary Budget. This amount represents a decrease of 11.7 per cent from Kshs.3.67 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.78 billion (85.7 per cent) for recurrent expenditure and Kshs.464.70 million (14.3 per cent) for development activities.

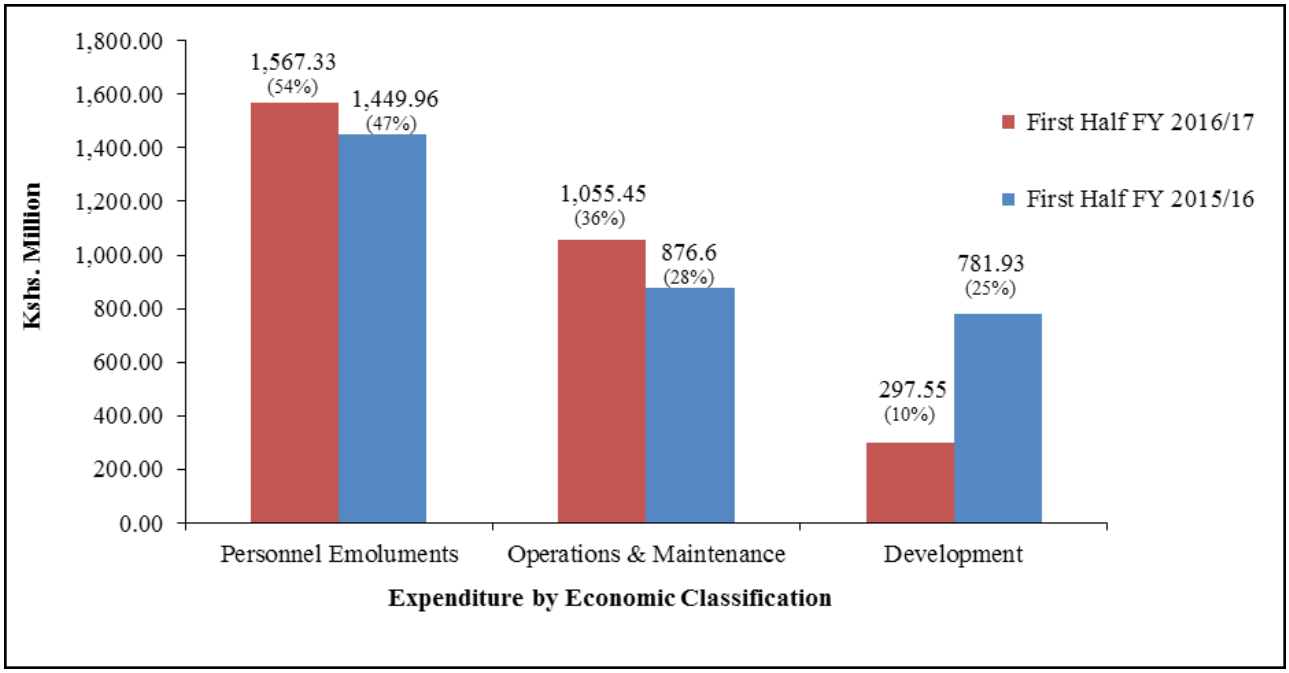
3.3.23 Overall Expenditure Review

The County spent Kshs.2.92 billion, which was 90.1 per cent of the total funds released for operations. This was a decrease of 6.1 per cent from Kshs.3.11 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.62 billion was spent on recurrent activities, while Kshs.297.55 million was spent on development activities. The recurrent expenditure was 94.4 per cent of the funds released for recurrent activities while development expenditure accounted for 64.0 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.10.2 million for development and Kshs.9.35 million for recurrent expenditure.

The recurrent expenditure represented 41.0 per cent of the annual recurrent budget, an increase from 40.3 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 8.0 per cent, which was a decrease from 18.7 per cent attained in a similar period of FY 2015/16. Figure 3.8 presents a comparison between the total expenditure in the first half of FY 2016/17 and the first half of FY 2015/16.

Figure 3.8: Bungoma County, Expenditure by Economic Classification for the First Half of FY 2016/17 and the First Half FY 2015/16



Source: *Bungoma County Treasury*

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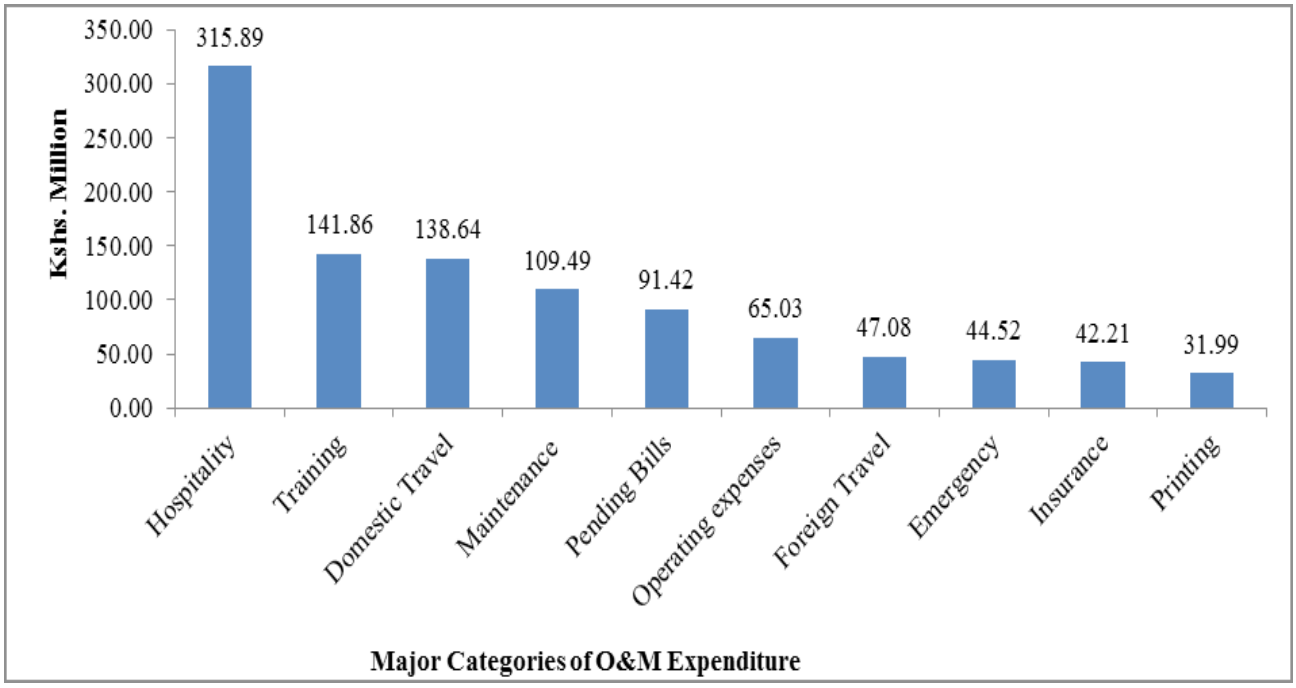
3.3.24 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.62 billion consisted of Kshs.1.57 billion (60.0 per cent) spent on personnel emoluments and Kshs.1.06 billion (40.0 per cent) on operations and maintenance as shown in Figure 3.8. Expenditure on personnel emoluments represented an increase of 8.3 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.45 billion.

Figure 3.9 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.9: Bungoma County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Bungoma County Treasury*

The County spent Kshs.27.49 million on sitting allowances for the 64 MCAs and the Speaker against the annual budget allocation of Kshs.32.67 million. This was a decrease of 35.7 per cent compared to Kshs.42.78 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.71,584 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.185.71 million and consisted of Kshs.1.58 million spent by the County Assembly and Kshs.184.14 million spent by the County Executive. This was a decrease of 1.8 per cent compared to Kshs.189 million spent in a similar period of FY 2015/16.

3.3.25 Development Expenditure Analysis

The total development expenditure of Kshs.297.55 million represents 8 per cent of the annual development budget of Kshs.3.73 billion. Table 3.8 provides a list of the top development projects with the highest expenditure during the period under review.

Table 3.8 : Bungoma County, List of development projects with the highest expenditure in the First Half of FY 2016/17

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No.	Project Name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Construction of administration block	County Assembly	49,660,408	17,496,570	35.23
2	Periodic maintenance of Nasusi-Chesamisi-Maliki road	Kimilili-kamukuywa	15,499,788	15,475,801	100.00
3	Upgrading of ACK-Nabuyole Road	Webuye Town	20,346,868	11,570,628	57.00
4	Contruction of High Altitude Training Centre	Elgon ward	37,068,630	10,000,000	30.00
5	Construction of 8 High Flood Mast at major markets	Mayanja, Chwele,Kamukywa, Lugulu, Kanduyi, Chepais, Lwakhaha and Myanga marktes.	24,490,280	8,696,718	36.00
6	Proposed Erection of Ward Administrator's office	Maeni ward	9,905,518	8,634,989	87.00
7	Proposed Erection of Ward Administrator's office	Kaptama ward	9,403,690	8,600,499	91.50
8	Construction of Nandigwa-Lunakwe-Lumboka-Mulukoma Road	South Bukusu ward (Lumboka)	12,721,720	8,262,514	65.00
9	Supply credit	County Assembly HQ's	8,339,592	8,200,752	98.33
10	Construction of Kaberwa gate	Elgon ward	11,000,000	8,188,808	74.43
	Total		**198,436,494**	**105,127,279**	**53.0**

Source: *Bungoma County Treasury*

Analysis of development projects with the highest expenditure indicates that, Kshs.17.50 million was incurred by the County Assembly on payment for drawings and tender documents for an administration block followed by Kshs.15.48 million spent on periodic maintenance of Nasusi-Chesamisi-Maliki road by the Department of Roads and Public Works. A total of Kshs.11.57 million was incurred by the Roads and Public Works Department on upgrading of the ACK-Nabuyole road, Kshs.10 million on construction of a high Altitude Training Centre by the Education Department, and Kshs.8.7 million on construction of 8 High Flood Masts in major markets by the Trade, Lands, Energy and Industrialization Department.

3.3.26 Budget and Budget Performance Analysis by Department

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

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Table 3.9: Bungoma County, Budget Performance by Department in the First Half of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Administration	315.62	42.25	121.91	5.02	123.20	16.94	101.1	337.3	39.0	40.1
Finance and Economic Planning	1,249.98	1232.77	596.33	20.00	633.93	90.02	106.3	450.1	50.7	7.3
Lands, Urban and Physical Planning	68.18	212.67	30.04	48.29	53.31	26.52	177.5	54.9	78.2	12.5
Agriculture	393.59	387.04	159.26	84.02	158.44	2.81	99.5	3.3	40.3	0.7
Trade, Energy and Industrialization	57.56	135.42	26.83	13.60	21.01	27.02	78.3	198.6	36.5	20.0
Roads and Public Works	116.94	857.17	51.11	148.02	51.57	41.79	100.9	28.2	44.1	4.9
Tourism and water	63.30	267.22	31.80	61.81	30.47	35.85	95.8	58.0	48.1	13.4
Education	535.65	139.00	171.76	25.25	173.70	17.68	101.1	70.0	32.4	12.7
Governors' office	363.54	0.00	176.59	0.00	173.43	0.00	98.2	0.0	47.7	0.0
Deputy Governor's Office	43.08	0.00	18.59	0.00	19.24	0.00	103.5	0.0	44.7	0.0
County Secretary	54.40	15.68	21.89	2.25	23.23	0.00	106.2	0.0	42.7	0.0
Sub County Administration	33.00	0.00	13.01	0.00	10.44	0.00	80.3	0.0	31.7	0.0
Health	2,083.83	209.08	868.33	21.33	726.78	9.73	83.7	45.6	34.9	4.7
CPSB	49.60	0.00	24.80	0.00	21.44		86.5	0.0	43.2	0.0
Assembly	838.41	68.00	409.85	26.34	338.80	25.70	82.7	97.6	40.4	37.8
Gender and Culture	98.41	89.07	42.47	0.00	52.09	0.00	122.6	0.0	52.9	0.0
Housing and Sanitation	36.22	77.08	13.70	8.77	11.70	3.51	85.4	40.0	32.3	4.5
Total	**6,401.31**	**3732.46**	**2778.26**	**464.70**	**2622.78**	**297.55**	**94.4**	**64.0**	**41.0**	**8.0**

Source: *Bungoma County Treasury*

Analysis of budget performance by department shows that the Department of Public Administration attained the highest absorption rate of its development budget at 40.1 per cent while Department of Gender and Culture, Governors' office, Deputy Governor's Office, County Secretary and Sub County Administration did not incur any development expenditure. On the other hand, the Lands, Urban and Physical Planning Department had the highest percentage of its recurrent budget at 78.2 per cent while the Department of Sub County Administration had the lowest at 31.7 per cent.

3.3.27 Observations and Recommendations

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

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i. Adoption of IFMIS in processing of financial transactions.
ii. Improvement in staff capacity through training.
iii. Enactment of regulations to operationalize established Funds such as the Emergency Fund Regulations 2014, Trade Development Loans Fund Regulations 2014, and Education Promotion Bursary Regulations 2014.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of the budget implementation report.
2. High wage bill that increased by 8.3 per cent from Kshs.1.45 billion in the first half of FY 2015/16 to Kshs.1.57 billion during the period under review. The wage bill was 53.7 per cent of the total expenditure in the reporting period, which may reduce resources available for development activities.
3. From analysis of bank statements and expenditure returns, the Office has noted that the Departments of Health and Agriculture did not bank all revenue receipts into the CRF account contrary to Section109 of the PFM Act, 2012.
4. 4. Low absorption of development budget during the first half of FY 2016/17. The County spent Kshs.297.55 million on development projects which represented 8 per cent of the annual development budget of Kshs.3.73 billion compared to an absorption rate of 18.7 per cent (Kshs.781.93 million) attained in a similar period of FY 2015/16.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County should ensure all Departments adhere to Section 109 of the PFM Act, 2012 and bank all revenue receipts intact into the CRF account.*
4. *The County should identify and address issues that cause delays in implementation of development projects.*

3.4 Busia County

3.4.28 Overview of the FY 2016/17 Budget

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

To finance the budget, the County expects to receive Kshs.5.87 billion (69.3 per cent) as equitable share of revenue raised nationally, Kshs.206.07 million (2.4 per cent) as total conditional grants, generate Kshs.587.51 million (6.9 per cent) from local revenue sources, Kshs.137.77 million (1.7 per cent) from other sources and Kshs.1.66 billion (19.7 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.92.08 million (44.7 per cent) for Free Maternal Healthcare, Kshs.90.19 million (43.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.17.30 million (8.4 per cent) for User Fees Foregone and Kshs.6.50 million (3.1 per cent) from DANIDA. The conditional grant of Kshs.95.74 million allocated for Leasing of

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Medical Equipment was not included in the budget.

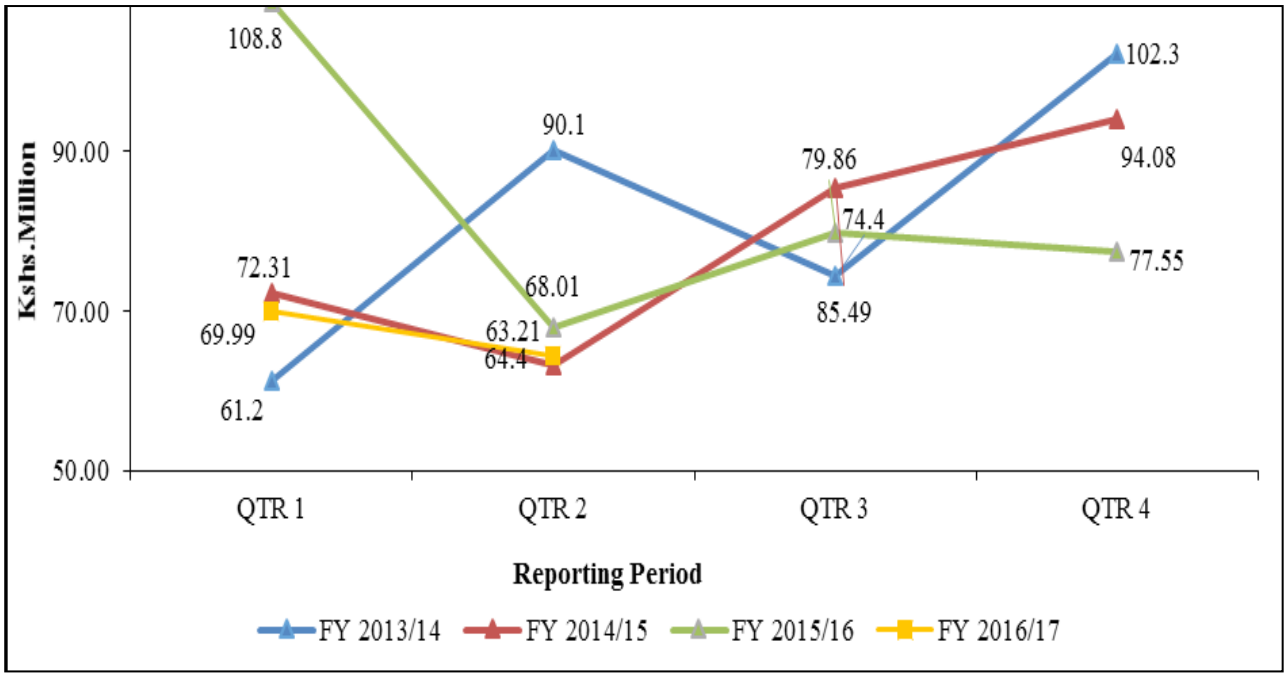
Other sources of revenue included Kshs.29.76 million (21.6 per cent) from Kenya Devolution Support Programme and Kshs.108 million (78.4 per cent) as Appropriations-in-Aid from the County Assembly Revolving Fund. The estimated cash balance brought forward of Kshs.1.66 billion from FY 2015/16 was higher than the actual balance of Kshs.899.23 million.

3.4.29 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.2.49 billion as equitable share of the revenue raised nationally; Kshs.97.63 million as total conditional allocations, raised Kshs.134.39 million from local revenue sources, and had a cash balance of Kshs.899.23 million brought forward from FY 2015/16. The County also received Kshs.12.99 million as DANIDA conditional grant being the allocation for the previous FY 2015/16.

Figure 3.10 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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



Source: *Busia County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.134.39 million which is a 24 per cent decrease compared to Kshs.176.81 million generated in a similar period of FY 2015/16. This revenue was 22.9 per cent of the annual local revenue target.

3.4.30 Conditional Grants

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

Table 3.10: Busia County Analysis of Conditional Grants released in First Half of FY 2016/17

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No.	Conditional Grant	Annual Allocation based on CARA, 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	90,194,001.00	45,097,000.00	50
2	Free Maternal Healthcare	92,079,522.00	46,039,760.00	50
3	User Fees Foregone	17,302,828.00	6,492,094.00	37.5
4	DANIDA Grant	6,495,000.00	0.00	0
5	World Bank Loan	0.00	0.00	0
6	Other Loans and Grants	0.00	0.00	0
Total		**206,071,351.00**	**97,628,854.00**	**47.4**

Source: *Busia County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and Free Maternal Healthcare grants recorded the highest receipts against annual target at 50 per cent. These were followed by releases for User Fees Foregone at 37.5 per cent.

3.4.31 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.99 billion from the CRF account, which was 35.3 per cent of the Approved Budget. This amount represents a decrease of 2.3 per cent from Kshs.3.06 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.94 billion (64.7 per cent) for recurrent expenditure and Kshs.1.06 billion (35.3 per cent) for development activities.

3.4.32 Overall Expenditure Review

The County spent Kshs.2.40 billion, which was 80.4 per cent of the total funds released for operations. This was a 10.6 per cent increase from Kshs.2.17 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.85 billion was spent on recurrent activities, while Kshs.549.94 million was spent on development activities. The recurrent expenditure was 95.7 per cent of the funds released for recurrent activities while development expenditure accounted for 52.1 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 which the County had not reported by the time of finalizing this report.

The recurrent expenditure represented 40 per cent of the annual recurrent budget, a decrease from 44.1 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 14.4 per cent, which was a decrease from 24 per cent attained in a similar period of FY 2015/16. Figure 3.11 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

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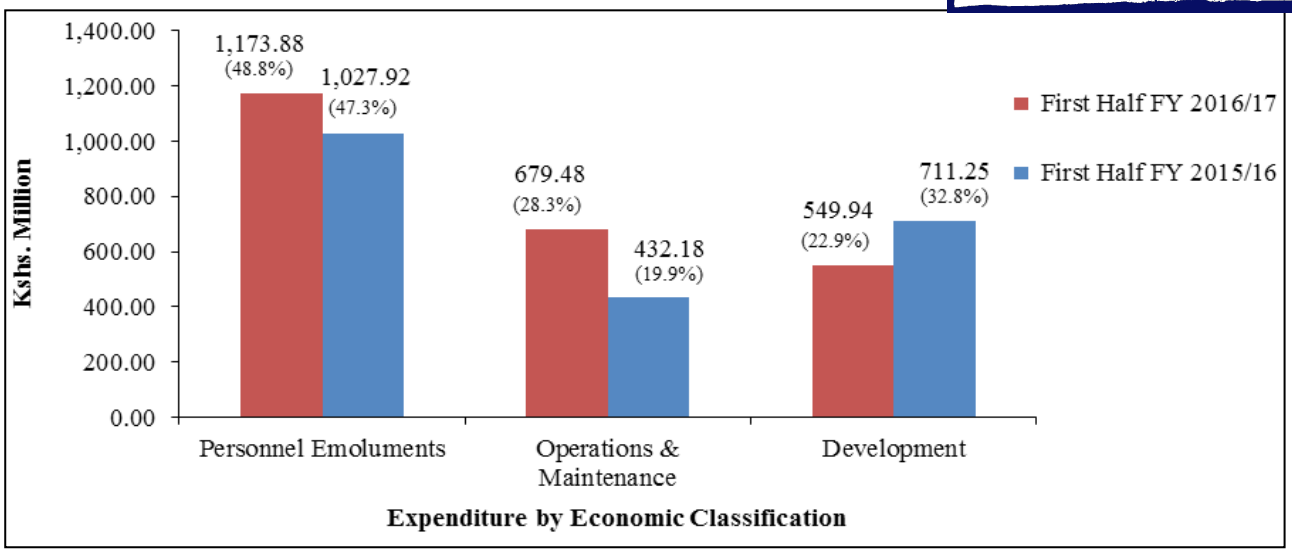
Figure 3.11: Busia County, Expenditure by Economic Classification for the First Half of FY 2016/17 and the First Half of FY 2015/16



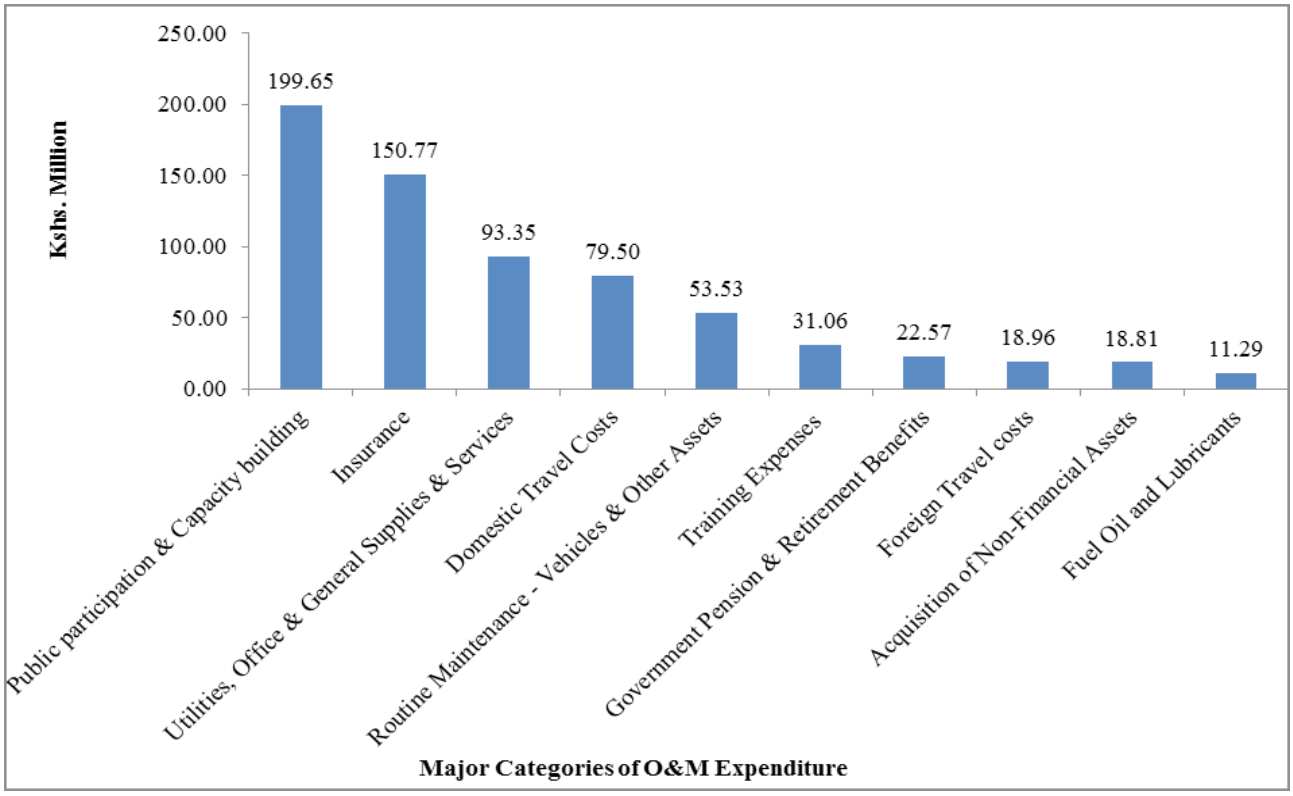
Source: *Busia County Treasury*

3.4.33 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.85 billion consisted of Kshs.1.17 billion (63.3 per cent) spent on personnel emoluments and Kshs.679.48 million (36.7 per cent) on operations and maintenance as shown in Figure 3.11. Expenditure on personnel emoluments represented an increase of 13.6 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.03billion.

Figure 3.12 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.12: Busia County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Busia County Treasury*

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The County spent Kshs.29.86 million on sitting allowances for the 54 MCAs and the Speaker against the annual budget allocation of Kshs.107.83 million. This was 17.9 per cent increase compared to Kshs.25.32 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.92,141 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.98.46 million and consisted of Kshs. 24.89 million spent by the County Assembly and Kshs.73.57 million spent by the County Executive. This was a 23.3 per cent decrease compared to Kshs.128.3million spent in a similar period of FY 2015/16.

3.4.34 Development Expenditure Analysis

The total development expenditure of Kshs.549.94 million represents 14.4 per cent of the annual development budget of Kshs.3.83 billion. Table 3.11 provides a list of development projects with highest expenditure during the period under review.

Table 3.11: Busia County, Summary of Ten Spending Development Projects with highest expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Acquisition of Land for County Govt Projects	Entire County	28,881,680	15,465,000	53.4
2	Urban Street Lighting	Busia County major towns	17,271,819	13,254,837	76.7
3	Construction of Bridges and Culverts	Across the County	60,000,000	30,497,276	50.8
4	Purchase of Animal and Breeding Stock	Across the County	24,995,546	17,648,237	70.6
5	Construction of a Disaster management Center	Busia Town	135,000,000	12,335,664	9.1
6	Purchase of Fire Fighting Equipment for Disaster response	Busia Town	40,000,000	8,581,517	21.5
7	Water Supply and Sewerage Works	Entire County	47,529,703	10,525,363	22.1
8	ICT Networking and Communication Equipment	Funyula, Nambale and Teso	9,680,000	6,421,962	66.3
9	Construction of ICT Resource Center	Bukhalalire	6,000,000	6,372,379	106.2
10	Completion of Busia Medical Training College	Busia Town	45,000,000	4,045,804	9
Total			**414,358,748**	**125,148,039**	**30.2**

Source: *Busia County Treasury*

Analysis of the development expenditure by project indicates that the highest expenditure of Kshs.30.49 million was incurred by the Department of Public Works, Roads, Transport and Energy on construction of bridges and box culverts across the entire county. This was followed by the Department of Agriculture and Animal Resources which incurred Kshs. 17.65 million on purchase of Animal and Breeding Stock across

the County. The Department of Health and Sanitation incurred the least expenditure of Kshs.4.05 million on Completion of the Busia Medical Training College.

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3.4.35 Budget and Budget Performance Analysis by Department

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

Table 3.12: Busia County, Budget Performance by Department for First Half FY 2016/17

Department	Budget Allocation (Kshs. Million)		First Half FY 2016/17 Exchequer Issues (Kshs. Million)		First Half of FY 2016/17 Expenditure (kshs. Millions)		First Half of FY 2016/17 Expenditure to Exchequer Issues (%)		First Half of FY 2016/17 Absorption Rate(%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Agriculture and Animal Resources	221.21	268.73	98.11	81	112.03	50.35	114.2	62.2	50.6	18.7
Economic Planning, Trade, Co-operative and Industrialization	68.84	188.88	30.86	35.9	17.8	5.54	57.7	15.4	25.9	2.9
Education and Vocational Training	306.1	358.23	123.35	77	128.5	1.87	104.2	2.4	42	0.5
Finance and ICT	836.92	108.35	364.22	48.3	563.41	25.45	154.7	52.7	67.3	23.5
Community, Culture, Sports & Social Services	94.28	148.59	42.29	46	42.2	19.43	99.8	42.2	44.8	13.1
Public Works, Roads, Transport and Energy	85.39	1135.04	38.3	351.4	16.96	206.23	44.3	58.7	19.9	18.2
Public Service Management	171.2	0	76.79	0	67.28	0	87.6		39.3	
Lands, Housing & Urban development	121.84	375.61	54.65	63	21.98	62.07	40.2	98.5	18	16.5
Water, Environment & natural resources	68.67	515.01	30.8	86.3	14.54	79.11	47.2	91.7	21.2	15.4
Health and Sanitation	1308.98	407.75	589.94	141.1	436.23	26.1	73.9	18.5	33.3	6.4
County Public Service Board	60.44	0	19.48	0	14.8	0	76	0	24.5	0
Office of the Governor	421.9	224.54	136.1	85	184.52	73.78	135.6	0	43.7	33
Office of the Deputy Governor	30.84	0	9.95	0	2.15	0	21.6	0	7	0
Office of the County Secretary	96.07	0	31.16	0	6.36	0	20.4	0	6.6	0
County Assembly	741.73	100.84	289.7	40	224.6	0	77.5	0	30.3	0
Total	**4,634.41**	**3,831.57**	**1,935.70**	**1,055.00**	**1,853.36**	**549.93**	**95.7**	**52.1**	**40**	**14.4**

Source: *Busia County Treasury*

Analysis of budget performance by department shows that the Office of the Governor attained the highest absorption rate of its development budget at 33 per cent while the County Assembly did not incur any development expenditure. On the other hand, the Department of Finance and ICT had the highest percentage of recurrent expenditure to its recurrent budget at 67.3 per cent while the Office of the County Secretary had the lowest at 6.6 per cent.

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3.4.36 Observations and Recommendations

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

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

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

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

1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
2. Under-performance in local revenue collection. The local revenue collection has declined by 24 per cent from Kshs.176.81 million in the first half of FY 2015/16 to Kshs.134.39 million in the reporting period.
3. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 14.4 per cent compared to 24 per cent in a similar period in FY 2015/16.
4. Delay by the County Assembly in the approval of key planning policy documents such as the ADP, CFSP, CBROP and the Supplementary Budget which affected budget implementation.

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

1. The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012
2. The County Treasury should formulate and implement strategies to enhance local revenue collection.
3. The County Departments should come up with elaborate plans and liaise with the County Treasury to ensure development projects are implemented on time.
4. The County Assembly should observe the timelines stipulated in law in the approval of key planning documents so as to facilitate smooth implementation of the budget.

3.5 Elgeyo Marakwet County

3.5.37 Overview of the FY 2016/17 Budget

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

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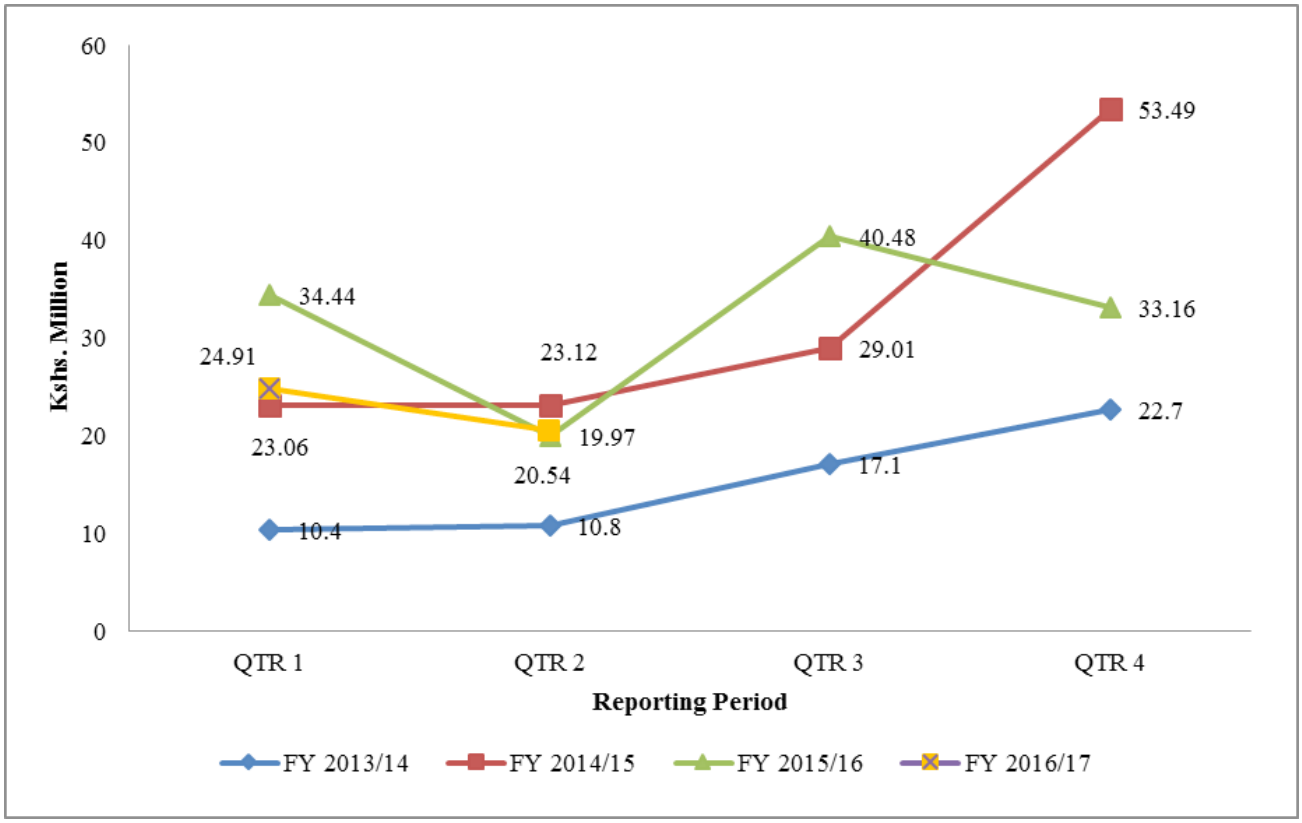
To finance the budget, the County expects to receive Kshs.3.53 billion (74.5 per cent) as equitable share of revenue raised nationally, Kshs.204.61 million (4.3 per cent) as total conditional grants, generate Kshs.160.02 million (3.4 per cent) from local revenue sources, and Kshs.845.69 million (17.8 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.50.23 million (24.5 per cent) for Free Maternal Healthcare, Kshs.54.22 million (26.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.96 million (4.4 per cent) for User Fees Foregone, Kshs.10.40 million (5.1 per cent) from DANIDA, Kshs.56.95 million (27.8 per cent) from the World Bank and Kshs.23.88 million (11.7 per cent) as conditional grants from Other Loans and Grants.

3.5.38 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.18 billion as equitable share of the revenue raised nationally, Kshs.38.97 million as total conditional allocations, raised Kshs.45.45 million from local revenue sources, and had a cash balance of Kshs.845.69 million brought forward from FY 2015/16.

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

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



Source: *Elgeyo Marakwet County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.45.45 million, representing a decrease of 16.5 per cent compared to Kshs.54.41million generated in a similar period of FY 2015/16. This revenue was 28.4 per cent of the annual local revenue target.

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3.5.39 Conditional Grants

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

Table 3.13: Elgeyo Marakwet County analysis of conditional grants released in First Half of FY 2016/17

No.	Conditional Grant	Annual allocation based on CARA 2016 (Kshs.)	Actual receipts for the First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	54,220,715	13,555,179	25.0
2	Free Maternal Healthcare	50,228,374	20,932,500	41.7
3	User Fees Foregone	8,956,070	4,478,035	50.0
4	DANIDA Grant	10,400,000	-	0.0
5	World Bank Loan	56,932,570	-	0.0
6	Other Loans and Grants	23,875,566	-	0.0
Total		**204,613,295**	**38,965,714**	**19.0**

Source: *Elgeyo Marakwet County Treasury*

Analysis of the conditional grants received against the annual target indicated that User Fees Foregone had the highest percentage of annual allocation at 50 per cent while there were no receipts from the DANIDA grant, World Bank Loan, and Other Loans & Grants.

3.5.40 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.73 billion from the CRF account, which was 36.5 per cent of the Approved Supplementary Budget. This amount represents an increase of 19.3 per cent from Kshs.1.45 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.42 billion (82.1 per cent) for recurrent expenditure and Kshs.309.84 million (17.9 per cent) for development activities.

3.5.41 Overall Expenditure Review

The County spent Kshs.1.41 billion, which was 81.5 per cent of the total funds released for operations. This was an increase of 22.6 per cent from Kshs.1.15 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.13 billion was spent on recurrent activities, while Kshs.282.17 million was spent on development activities. The recurrent expenditure was 79.2 per cent of the funds released for recurrent activities while development expenditure accounted for 91.1 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.129.49 million for development and Kshs.6.57 million for recurrent expenditure.

The recurrent expenditure represented 39.0 per cent of the annual recurrent budget, an increase from 37.8 per cent recorded in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 15.2 per cent, which was a decrease from 18.0 per cent attained in a similar period of FY 2015/16. Figure 3.14 presents a comparison between the total expenditure in the first half of FY 2016/17 and the first half of FY 2015/16.

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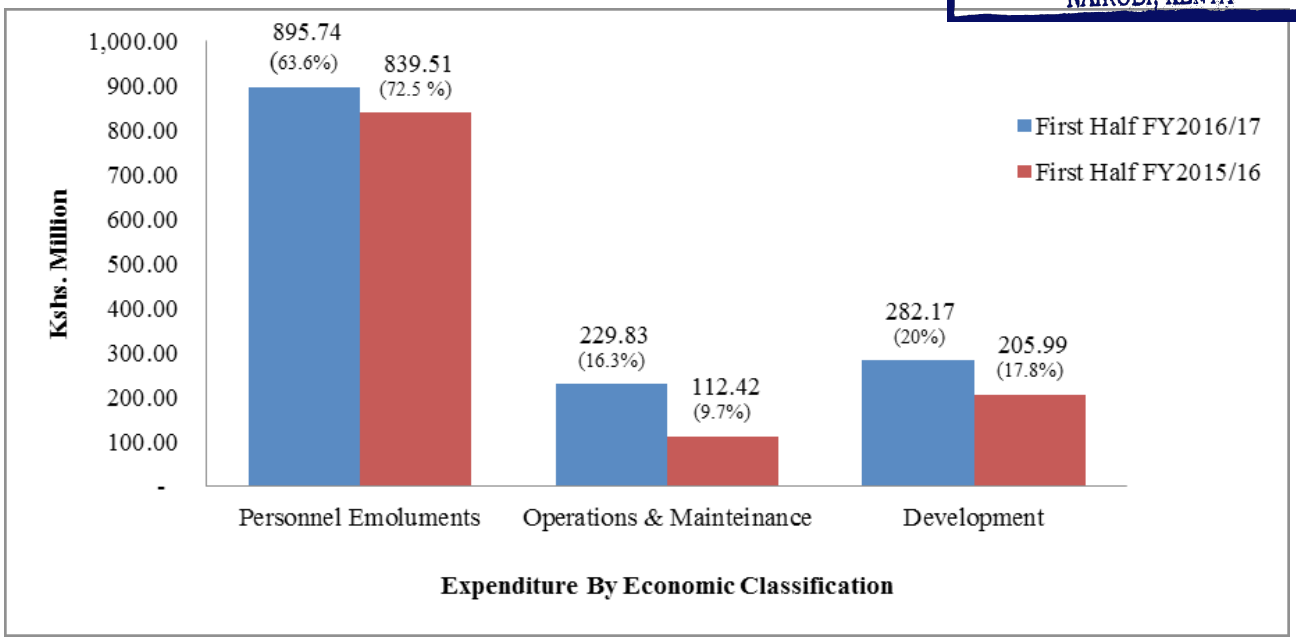
Figure 3.14: Elgeyo Marakwet County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16

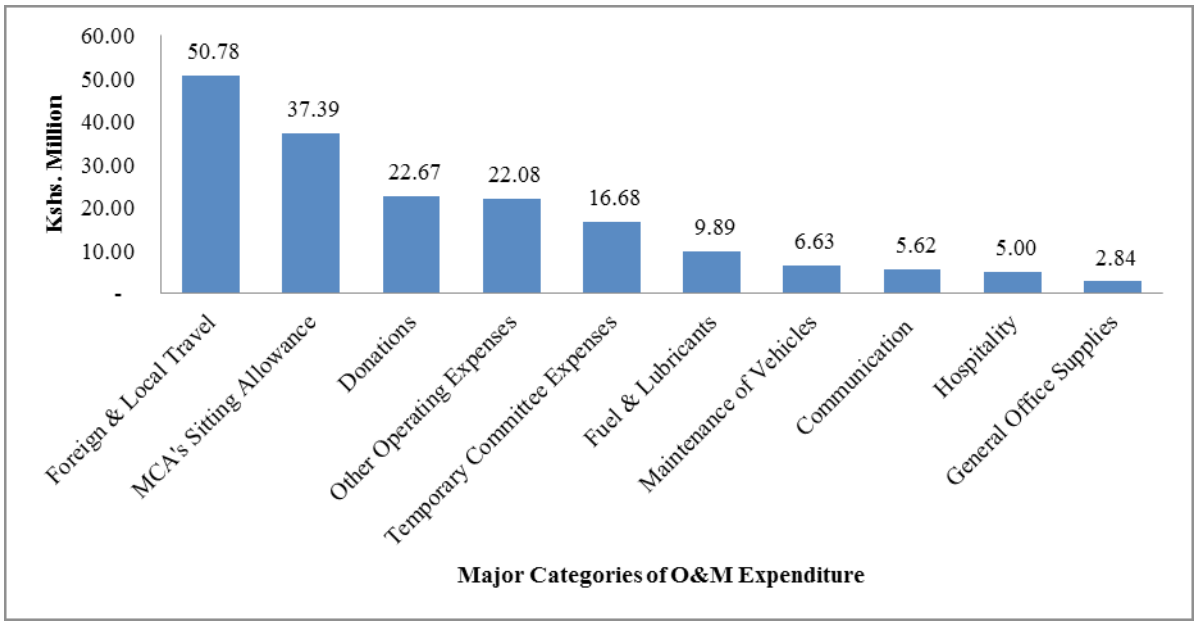


Source: *Elgeyo Marakwet County Treasury*

3.5.42 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.13 billion consisted of Kshs.895.74 million (79.6 per cent) spent on personnel emoluments and Kshs.229.83 million (20.4 per cent) on operations and maintenance as shown in Figure 3.14. Expenditure on personnel emoluments represented an increase of 6.7 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.839.51 million. Figure 3.15 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.15: Elgeyo Marakwet County, Operations and Maintenance Expenditure by major categories in the First Half of FY 2016/17



Source: *Elgeyo Marakwet County Treasury*

The County spent Kshs.17.61 million on sitting allowances for the 30 MCAs and the Speaker against the

annual budget allocation of Kshs.37.50 million. This was a decrease of 7.7 per cent compared to Kshs.19.07 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.94,660 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

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Expenditure on domestic and foreign travel amounted to Kshs.50.78 million and consisted of Kshs.37.39 million spent by the County Assembly and Kshs.13.39 million spent by the County Executive. This was an increase of 24.7 per cent compared to Kshs.40.73 million spent in a similar period of FY 2015/16.

3.5.43 Development Expenditure Analysis

The total development expenditure of Kshs.282.17 million represents 15.2 per cent of the annual development budget of Kshs.1.85 billion. Table 3.14 provides a list of the development projects with the highest expenditure during the period under review.

Table 3.14 : Elgeyo Marakwet County, List of development projects with highest expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Construction of County Assembly Cafeteria	Headquarters	5,470,951	4,163,700	76.1
2	Construction of Chepsigot-Chekobei Water Project	Soy North	3,872,850	3,872,850	100.0
3	Construction of Arror - Sisisya Road	Arror	3,500,000	3,000,000	85.7
4	Installation of Solar Power	Keiyo South	2,413,320	2,413,320	100.0
5	Construction of Kipchiloi –Kapletingi water projct	Chepkorio	3,897,360	1,873,485	48.1
6	Construction of Kaptiony ECD twin classroom	Cherangany/ Chebororwa	2,219,390	1,532,130	69.0
7	Construction of Kipkermen ECD twin classroom	Cherangany/ Chebororwa	2,200,000	1,530,980	69.6
8	Construction of Theatre at Iten County Referral Hospital	Headquarters	1,450,000	1,450,000	100.0
9	Construction of dormitory at Kipchawat Vocational Training Centre	Kamariny	2,261,390	1,361,770	60.2
10	Construction of Toilets at Iten County Referral Hospital	Headquarters	1,241,004	1,241,004	100.0
Total			**28,526,265**	**22,439,239**	**78.7**

Source: *Elgeyo Marakwet County Treasury*

Analysis of the development expenditure indicates that the construction of the Chepsigot – Chepkobei water project under the Department of Water, Lands and Physical Planning; installation of solar power under the Department of Trade, Tourism, Cooperatives and Wildlife; construction of Theatre at Iten County Referral Hospital (Health Services Department), and construction of Toilets at Iten County Referral Hospital (Health Services Department) had fully exhausted the annual budget allocation.

3.5.44 Budget and Budget Performance Analysis by Department

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

Table 3.15: Elgeyo Marakwet County, Budget Performance by Department for the First Half FY 2016/17

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Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	171.54	36.37	84.54	33.00	51.01	-	60.3	-	29.7	-
Administration	29.89	-	15.78	-	9.45	-	59.9	-	31.6	-
County Assembly	467.09	17.5	211.24	5.46	182.05	6.33	86.2	115.9	39.0	36.2
Finance and Economic Planning	212.36	1.93	99.33	0.27	82.92	0.76	83.5	281.5	39.0	39.4
Roads, Public Works & Transport	70.08	377.61	34.82	41.01	29.45	78.99	84.6	192.6	42.0	20.9
Youth Affairs, Culture, Children and Social Services	19.8	116.74	10.35	25.77	8.16	18.50	78.8	71.8	41.2	15.8
Education and Technical Training	177.82	340.27	89.16	90.27	49.94	53.07	56.0	58.8	28.1	15.6
Health Services	1,281.69	235.75	613.30	23.10	512.52	28.18	83.6	122.0	40.0	12.0
Water, lands, Housing and Physical Planning	77.01	344.81	43.79	30.81	27.08	37.92	61.8	123.1	35.2	11.0
Trade, Trade, Cooperatives and Wildlife	56.11	110.35	29.27	11.09	20.82	9.20	71.1	83.0	37.1	8.3
Agriculture, Livestock, Fisheries & Marketing	182.6	199.96	95.75	29.05	75.30	41.85	78.6	144.1	41.2	20.9
ICT and Public Service	105.93	69.62	75.72	19.81	57.45	7.37	75.9	37.2	54.2	10.6
County Public Service Board	34.85	1.51	18.02	0.20	15.40	-	85.5	-	44.2	-
TOTAL	**2,886.76**	**1,852.41**	**1,421.08**	**309.84**	**1,125.58**	**282.17**	**79.2**	**91.1**	**39.0**	**15.2**

Source: *Elgeyo Marakwet County Treasury*

Analysis of budget performance by department shows that the Department of Finance and Economic Planning attained the highest absorption of development budget at 39.4 per cent while the Office of the Governor, and the County Public Service Board did not incur any development expenditure. On the other hand, the ICT and Public Service Department had the highest percentage of recurrent expenditure to recurrent budget at 54.2 per cent while the Department of Education and Vocational Training had the lowest at 28.1 per cent.

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3.5.45 Observations and Recommendations

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

i. Timely submission of quarterly reports by the County Government entities in line with Section 166 of the PFM Act, 2012. The quarterly report for the reporting period was submitted on 15th of January 2017.
ii. Adoption of IFMIS and e-procurement module in processing of financial transactions.

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

High wage bill that increased by 6.7 per cent from Kshs.839.51 million in the first half of FY 2015/16 to Kshs.895.74 million during the period under review. Further analysis of the County Budget indicates that the County wage bill now stands at 52.1 per cent of the County's total annual budget which is contrary to Regulation 25(1) (b) of the Public Finance Management (County Governments) Regulations, 2015 that has set the ceiling on wages at 35 per cent of the County Government's total revenue.

2. Under-performance in local revenue collection. The local revenue collection has declined by 16.5 per cent from Kshs.54.41 million in the first half of FY 2015/16 to Kshs.45.45 million in the reporting period.
3. Failure by County Executive Committee Members to regularly repay the Car and Mortgage Loans.
4. Failure to reconcile IFMIS payroll data to the IPPD data. While IFMIS reports indicated total expenditure on personnel emoluments as Kshs.895.74 million, data from the IPPD indicated Kshs.813.39 million as the total payroll costs for the same period.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill and ensure compliance with Regulation 25(1) (b) of the Public Finance Management (County Governments) Regulations, 2015.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The Administrator of the Executive Car Loan and Mortgage Fund should ensure all disbursed loans are repaid as per the approved regulations.*
4. *The County should reconcile the IFMIS & IPPD data on a monthly basis to enhance accuracy in reporting.*

3.6 Embu County

3.6.46 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.6.73 billion, comprising of Kshs.3.99 billion (59.3 per cent) and Kshs.2.74 billion (40.7 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.14 billion (61.6 per cent) as equitable share of revenue raised nationally, Kshs.555.75 million (8.3 per cent) as total conditional grants, generate Kshs.803.77 million (11.9 per cent) from local revenue sources, and Kshs.1.22 billion (18.2 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.286.70 million (51.6 per cent) for Level 5 Hospital, Kshs.54.million (9.9 per cent) for Free Maternal Healthcare, Kshs.63.63 million (11.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.10.78 million (1.9 per cent) for User Fees Foregone, Kshs.6.87 million (1.2 per cent) as a grant from DANIDA, and Kshs.37.0 million (6.7 per cent) from Other Loans and Grants.

3.6.47 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.39 billion as equitable share of the revenue raised nationally, Kshs.127.86 million as total conditional allocations, raised Kshs.191.34 million from local

revenue sources, and had a cash balance of Kshs.1.22 billion brought forward from FY 2015/16.

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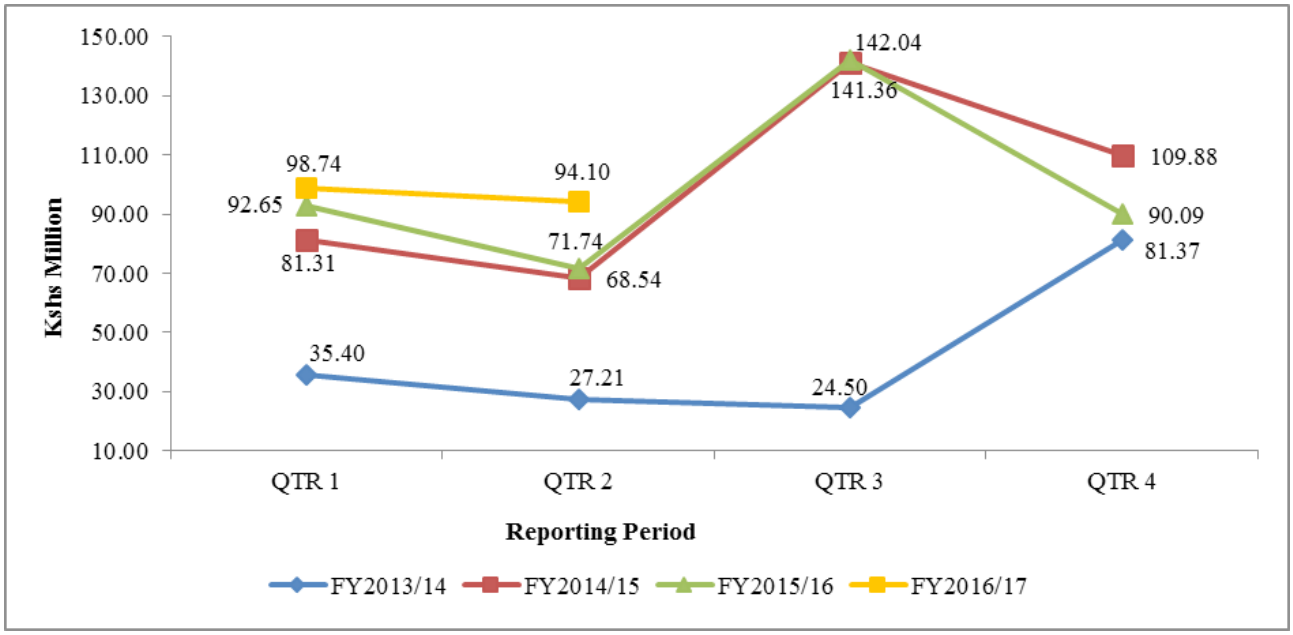
Figure 3.16 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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



Source: *Embu County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.192.84 million which is a 17.3 per cent increase compared to Kshs.164.39 million generated in a similar period of FY 2015/16. This revenue was 24.0 per cent of the annual local revenue target.

3.6.48 Conditional Grants

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

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

No.	Conditional Grant	Annual Allocation based on CARA, 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	63,629,297	31,814,648	50.0
2	Free Maternal Healthcare	54,985,378	-	0.0
3	User Fees Foregone	10,776,608	-	0.0
4	DANIDA Grant	6,875,000	-	0.0
5	Level 5 Hospital	286,705,202	96,046,242	33.5
6	World Bank Loan	-	-	-
7	Other Loans and Grants	37,031,019	-	0.0
Total		**434,585,213**	**127,860,890**	**29.4**

Source: *Embu County Treasury*

Analysis of the conditional grants released indicates that the Road Maintenance Fuel Levy Fund recorded the highest performance against annual target at 50 per cent. This was followed by the Level 5 Hospital grant at 33.5 per cent.

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3.6.49 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.13 billion from the CRF account, which was 31 per cent of the Approved Supplementary Budget. This amount represents an increase of 20.3 per cent from Kshs.1.77 billion authorized in a similar period of FY 2015/16 and comprised of Kshs.1.67 billion (78.5 per cent) for recurrent expenditure and Kshs.457.01 million (21.5 per cent) for development activities.

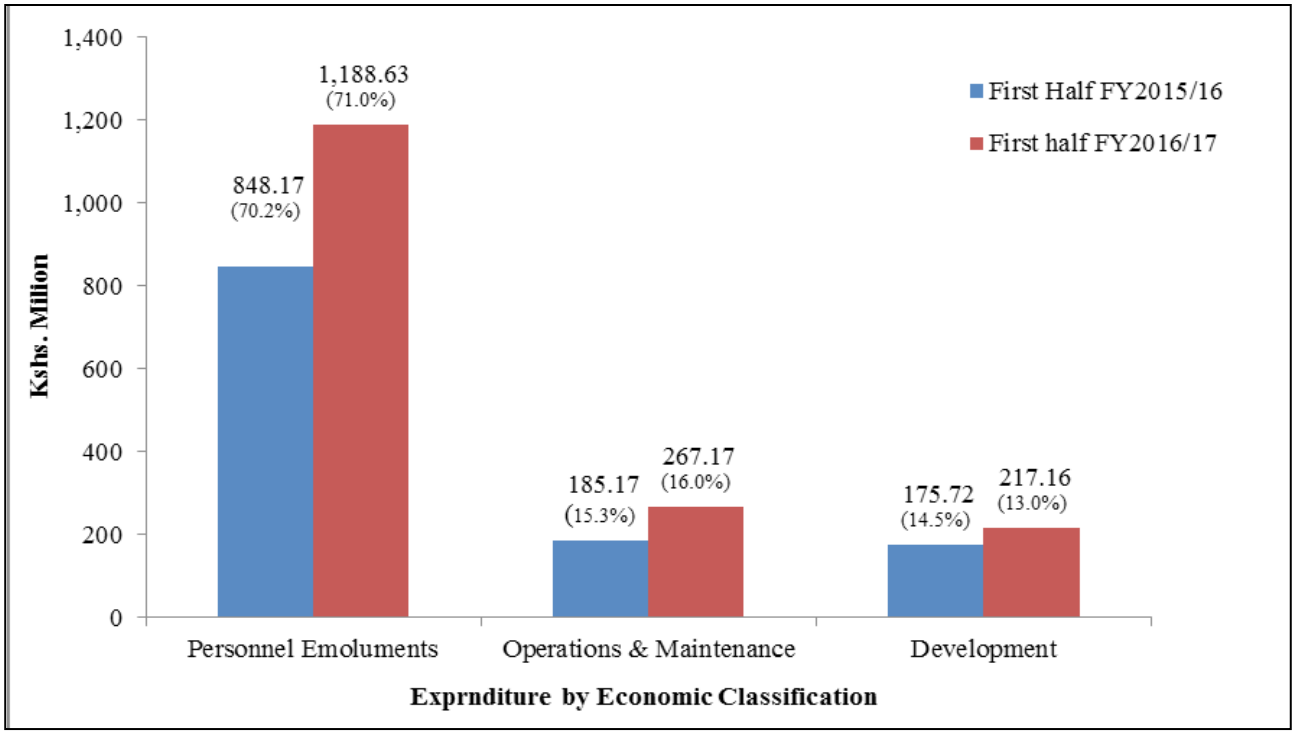
3.6.50 Overall Expenditure Review

The County spent Kshs.1.67 billion, which was 78.5 per cent of the total funds released for operations. This was a 40.5 per cent increase from Kshs.1.21 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.46 billion was spent on recurrent activities, while Kshs.217.16 million was spent on development activities. The recurrent expenditure was 87.0 per cent of the funds released for recurrent activities while development expenditure accounted for 47.5 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.884.73 million for development and Kshs.278.73 million for recurrent expenditure.

The recurrent expenditure represented 36.5 per cent of the annual recurrent budget, an increase from 31.3 per cent achieved in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 7.9 per cent, which was a decrease from 11.2 per cent attained in a similar period of FY 2015/16. Figure 3.17 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.17: Embu County, County, Expenditure by Economic Classification for the FY 2016/17 and the First Half of FY 2015/16



Source: *Embu County Treasury*

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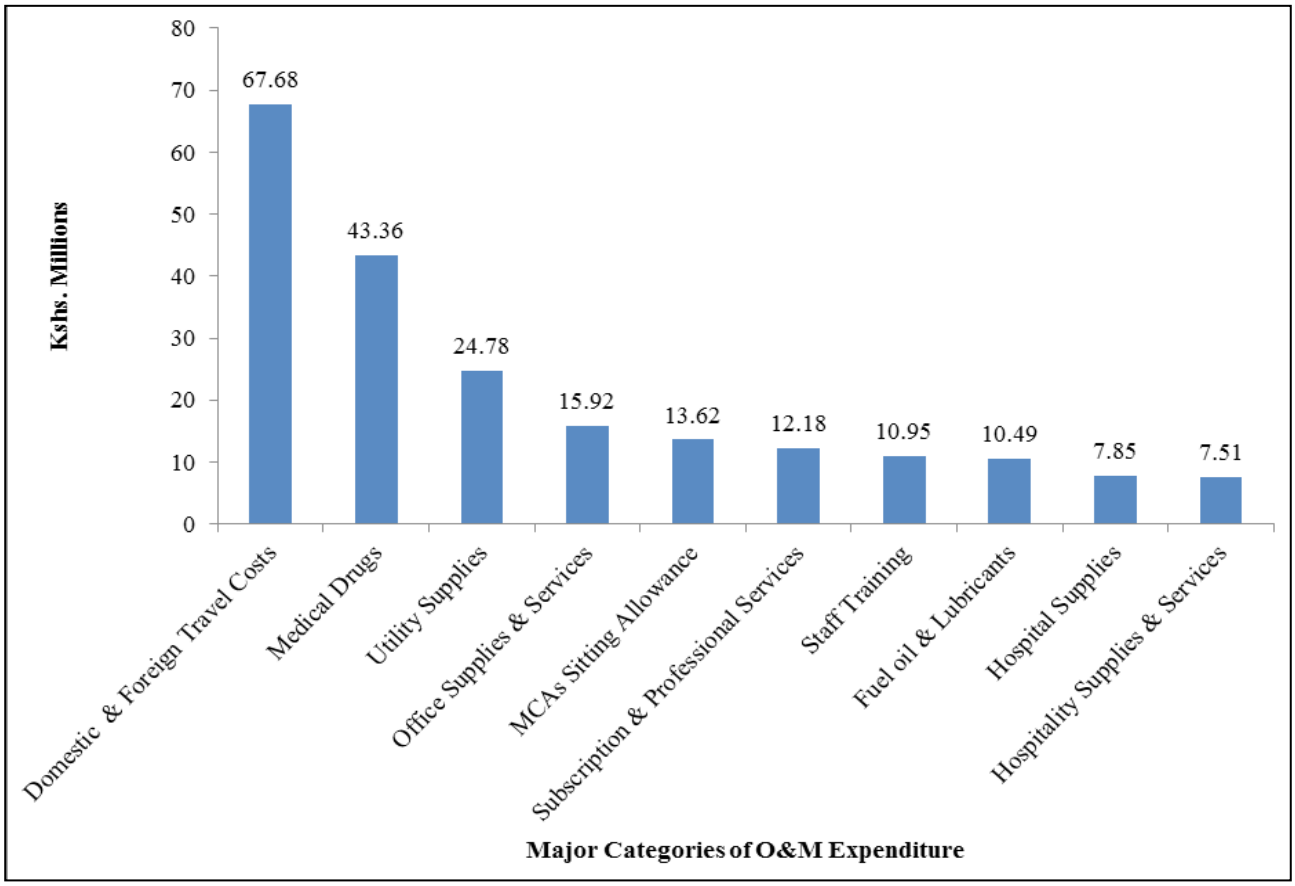
3.6.51 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.46 billion comprised of Kshs.1.19 billion (81.6 per cent) spent on personnel emoluments and Kshs.267.17 million (18.4 per cent) on operations and maintenance as shown in Figure 3.17. Expenditure on personnel emoluments represented an increase of 40.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.848.17 million.

Figure 3.18 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.18: Embu County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Embu County Treasury*

The County spent Kshs.13.62 million on sitting allowances for the 33 MCAs and the Speaker against the annual budget allocation of Kshs.33.21 million. This was a 17.9 per cent decrease compared to Kshs.16.59 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.66,748 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.67.68 million and consisted of Kshs.58.90 million spent by the County Assembly and Kshs.8.78 million spent by the County Executive. This was a significant increase compared to Kshs.39.39 million spent in a similar period of FY 2015/16.

3.6.52 Development Expenditure Analysis

The total development expenditure of Kshs.217.16 billion represents 7.9 per cent of the annual development budget of Kshs.2.74 billion. Table 3.17 provides a list of development projects with the highest expenditure during the period under review.

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Table 3.17: Embu County, Summary of development projects with the highest Expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Tarmacking of Embu-Kibugu Road	Kirimari/Nginda	346,512,554	26,389,983	8
2	Acquisition of Land Parcel Mbeti / Gachoka/749	Mbeti South	9,900,000	9,900,000	100
3	Tarmacking - Dallas Road Phase II	Kirimari	0.00	9,558,438	∞
4	Construction of a maternity ward, X-ray room ,dental room and renovations - Siakago Level 4 Hospital	Nthawa	4,684,382	7,133,340	152
5	Solar Street Lighting Embu-Meru Road	Kirimari/ Mbeti South	14,556,000	6,052,213	41.6
6	Supply of Milk Cooler for Ugweri	Kagaari South	4,993,650	4,993,650	100
7	Replacement of leaking asbestos roof/renovation, construction of a theatre, Mortuary - Kianjokoma Sub District Hospital-Phase 1	Ruguru-Ngandori	3,763,274	4,882,815	∞
8	Construction of Market Sheds-Makima	Makima	3,993,938	3,993,938	100
9	Construction of Rehabilitation Centre with Gymnasium and Sauna	Kirimari	3,954,240	3,954,240	100
10	Completion of maternity at Ugweri	Kagaari South	2,000,000	3,799,887	190
	Total		**394,358,038**	**80,658,504**	**20**

Source: *Embu County Treasury*

Analysis of the development expenditure by project indicates that the highest expenditure was on tarmacking of the Embu - Kibugu road followed by acquisition of land, both under the Department of Infrastructure and Public Works.

3.6.53 Budget and Budget Performance Analysis by Department

Table 3.18 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

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

Department	Budget Allocation (Kshs. Million)		First Half FY 2016/17 Exchequer Issues (Kshs. Million)		First Half FY 2016/17 Expenditure (Kshs. Million)		First Half FY 2016/17 Expenditure to Exchequer Issues (%)		First Half FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	356.6	-	156.89	-	142.02	-	90.5	-	39.8	-
Public Service & Administration	318.5	4.5	106.65	-	126.61	-	118.7	-	39.8	-
County Public service Board	38.4	-	15.91	-	11.53	-	72.4	-	30.0	-

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Department	Budget Allocation (Kshs. Million)		First Half FY 2016/17 Exchequer Issues (Kshs. Million)		First Half FY 2016/17 Expenditure (Kshs. Million)		First Half FY 2016/17 Expenditure to Exchequer Issues (%)		First Half FY 2016/17 Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance and Economic Planning	186.7	40.51	72.61	23.01	9.90	4.26	13.6	-	5.3	-
Health Services	1,636.9	363.69	696.34	105.98	664.01	35.98	95.4	34.0	40.6	9.9
Embu Level 5 Hospital	283.2	189.69	100.20	-	49.84	8.42	49.7	-	17.6	4.4
Trade, Investment & Industrialization	35.3	171.60	18.36	25.49	5.15	11.01	28.1	43.2	14.6	6.4
Education, Science & Technology	188.6	303.39	76.27	14.92	76.98	10.62	100.9	71.2	40.8	3.5
Youth Empowerment & Sports	12.4	108.75	4.90	28.00	3.05	20.08	62.3	71.7-	24.6	18.5
Infrastructure & Public Works	66.5	1,010.4	27.40	259.60	20.56	121.89	75.0	47.0	30.9	12.1
Gender Empowerment & Culture	16.7	90.59	6.50	-	1.48	-	22.8	-	8.9	-
Lands, Water & Natural Resources	113.30	233.72	32.01	-	26.04	-	81.3	-	23.0	-
Agriculture, Livestock & Fisheries	231.85	131.64	110.17	-	95.74	9.15	86.9	-	41.3	7.0
County Assembly	503.66	88.10	248.92	-	222.87	-	89.5	-	44.3	-
TOTAL	**3,988.6**	**2,736.6**	**1,673.2**	**457.01**	**1,455.8**	**242.66**	**87.0**	**53.1**	**36.5**	**8.9**

Source: *Embu County Treasury*

Analysis of budget performance by department shows that the Department of Youth Empowerment & Sports attained the highest absorption rate of its development budget at 18.5 per cent while the Department of Education, Science & Technology had the lowest absorption at 3.5 per cent. The Departments of Public Service & Administration, Gender Empowerment & Culture, Lands & Water and County Assembly did not incur any development expenditure. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 44.3 per cent while the Department of Finance & Economic Planning had the lowest at 5.3 per cent.

3.6.54 Observations and Recommendations

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

(i) Improvement in local revenue collection by 16.4 per cent from Kshs.164.39 million collected in the first half of FY 2015/16 to Kshs.191.34 million in the reporting period.

(ii) Adherence to budget timelines. The CECM - Finance submitted the budget estimates to the County Assembly on 29th April 2016, in line with Section 129 (2)(a) of the PFM Act, 2012.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation review reports by the OCOB.
2. Failure by Fund Administrators to submit expenditure reports on the established County Funds contrary to Section 168 of the PFM Act, 2012.
3. Failure to develop regulations to operationalize some established County Public Funds such as the Emergency and Women Trust Fund contrary to Section 116 of the PFM Act, 2012.
4. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
5. Low absorption of development budget which stood at 7.9 per cent of annual allocation compared to 11.2 per cent in the same period of FY 2015/16.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should ensure timely submission of expenditure reports on the established Funds in line with Section 168 of the PFM Act, 2012.*
3. *Before the operationalization of any County Fund, the County should ensure regulations establishing the County Public Fund are in place in line with Section 116 of the PFM Act, 2012.*
4. *The County Treasury should liaise with IFMIS Directorate for support in the use of IFMIS and the E-procurement module.*
5. *The County should develop and operationalize appropriate structures and systems to improve absorption of development funds.*

3.7 Garissa County

3.7.55 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.7.57 billion, comprising of Kshs.4.48 billion (59.3 per cent) and Kshs.3.08 billion (40.7 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.23 billion (82.3 per cent) as equitable share of revenue raised nationally, Kshs.686.8 million (9.1 per cent) as total conditional grants, generate Kshs.350 million (4.6 per cent) from local revenue sources and Kshs.306 million (4 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.328.32 million (47.8 per cent) for the Level 5 Hospital, Kshs.53.77 million (7.8 per cent) for Free Maternal Healthcare, Kshs.95.74 million (13.9 per cent) for Leasing of Medical Equipment, Kshs.95.69 million (13.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.13 million (1.9 per cent) for User Fees Foregone, Kshs.8.97 million (1.3 per cent) from DANIDA, Kshs.50.13 million (7.3 per cent) as World Bank Loan, and Kshs.41.03 million (6.0 per cent) as conditional grants from Other Loans and Grants.

3.7.56 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.2 billion as equitable share of the revenue raised nationally, Kshs.212.71 million as total conditional allocations, raised Kshs.41.2 million from local revenue sources, and had a cash balance of Kshs.306 million brought forward from FY 2015/16.

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

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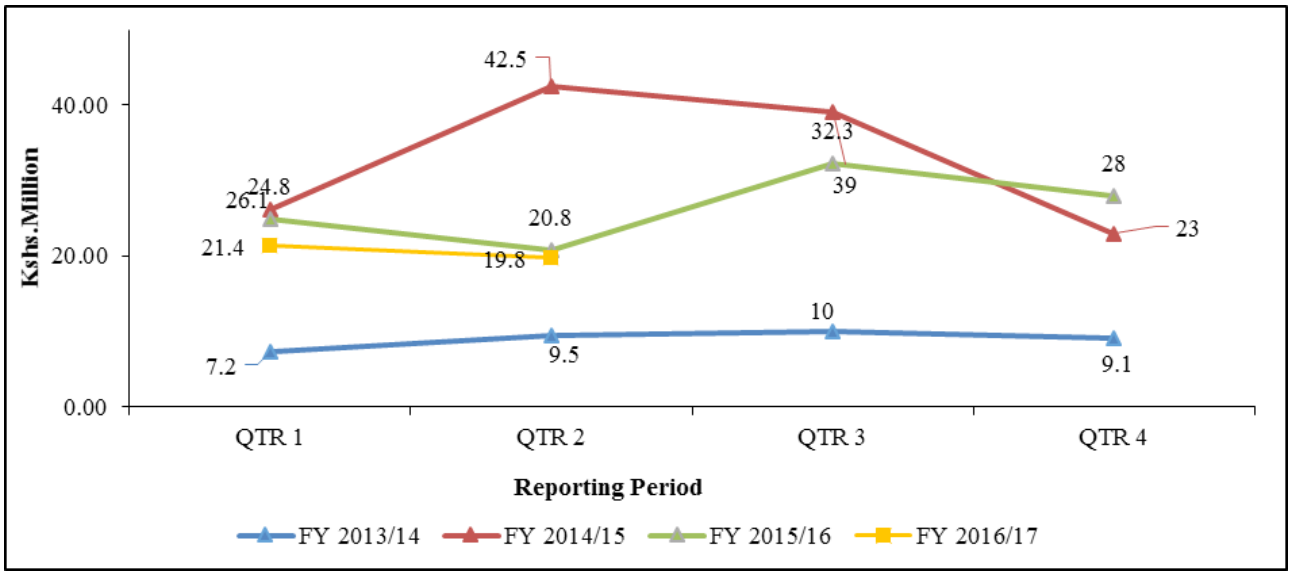
Figure 3.19: Garissa County, Trend in Local Revenue Collection by quarter from first quarter of FY 2013/14 to second quarter of FY 2016/17



Source: *Garissa County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.41.20 million, representing a decrease of 9.6 per cent compared to Kshs.45.60 million generated in a similar period of FY 2015/16. This revenue was 11.8 per cent of the annual local revenue target.

3.7.57 Conditional Grants

Table 3.19 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.19 : Garissa County, Trend in Local Revenue Collection by quarter from FY 2013/14 to second quarter FY 2016/17

No.	Conditional Grant	Allocation based on CARA 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	95,688,977	23,922,244	24.9
2	Free Maternal Healthcare	53,772,809	11,675,231	21.7
3	User Fees Foregone	13,126,919	11,308,402	86.1
4	DANIDA Grant	8,970,000	0	0
5	Level 5 Hospital	328,323,699	165,803,468	50.5
6	World Bank Loan	50,131,467	0	0
7	Other Loans and Grants	136,774,681	0	0
Total		**686,788,552**	**212,709,345**	**30.9**

Source: *Garissa County Treasury*

Analysis of receipts from conditional grants indicates that; User Fee Foregone was the highest conditional grant received at 86.1 per cent of its annual target, followed by the Level Five Hospital grant at 50.5 per cent, Road Maintenance Fuel Levy Fund at 24.9 per cent and Free Maternal Healthcare at 21.7 per cent.

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3.7.58 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.6 billion from the CRF account, which was 34.4 per cent of the Approved Budget. This amount represents an increase of 15.4 per cent from Kshs.2.20 billion authorized in a similar period of FY 2015/16 and comprised of Kshs.2.02 billion (77.7 per cent) for recurrent expenditure and Kshs.582.08 million (22.3 per cent) for development activities.

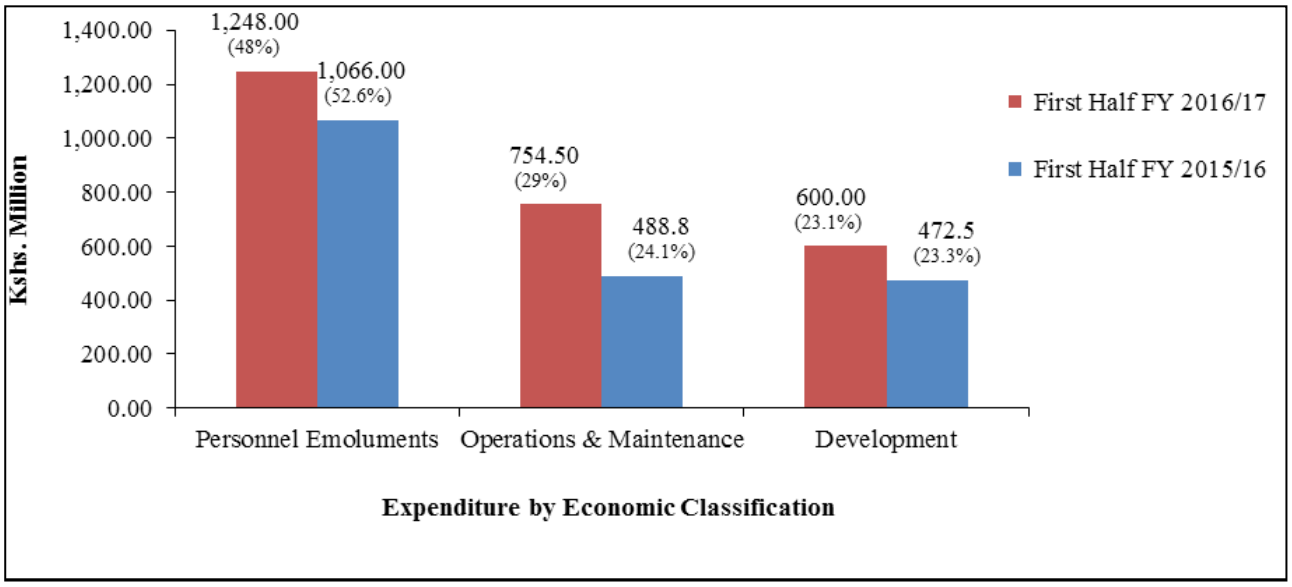
3.7.59 Overall Expenditure Review

The County spent Kshs.2.48 billion, which was 95 per cent of the total funds released for operations. This was an increase of 12.7 per cent from Kshs.2.20 billion spent in a similar period of FY 2015/16.

A total of Kshs.2 billion was spent on recurrent activities, while Kshs.472.45 million was spent on development activities. The recurrent expenditure was 99 per cent of the funds released for recurrent activities while development expenditure accounted for 81.2 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.109.6 million for development and Kshs.20 million for recurrent expenditure.

The recurrent expenditure represented 44.6 per cent of the annual recurrent budget, an increase from 39.7 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 15.3 per cent, which was a decrease from 17.4 per cent attained in a similar period of FY 2015/16. Figure 3.20 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.20: Garissa County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16



Source: *Garissa County Treasury*

3.7.60 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2 billion consisted of Kshs.1.25 billion (62.3 per cent) spent on personnel emoluments and Kshs.754.56 million (37.7 per cent) on operations and maintenance as shown in **Figure 3.20**. Expenditure on personnel emoluments represented an increase of 17.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.07 billion.

Figure 3.21 shows a summary of the operations and maintenance expenditure by major categories.

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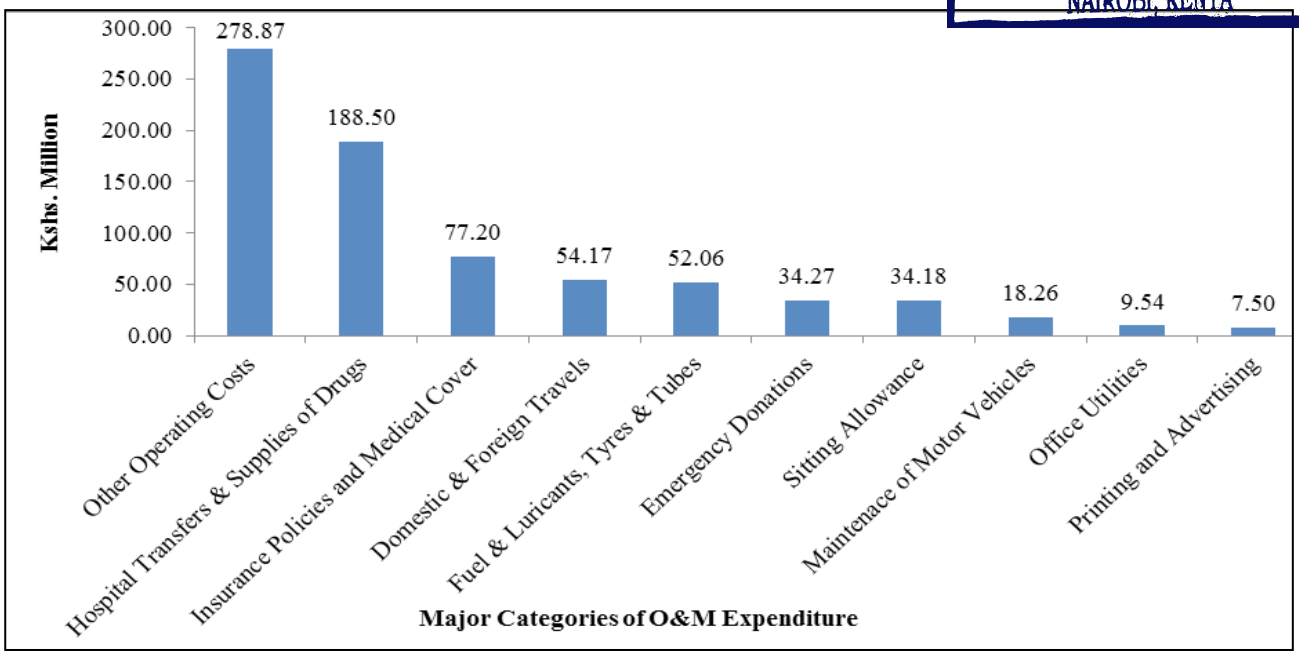
Figure 3.21: Garissa County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Garissa County Treasury*

The County spent Kshs.34.2 million on sitting allowances for the 49 MCAs and the Speaker against the annual budget allocation of Kshs.87 million. This was an increase of 2.1 per cent compared to Kshs.33.5 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.116,259 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.54.17 million and consisted of Kshs.21.72 million spent by the County Assembly and Kshs.32.45 million spent by the County Executive. This was an increase of 16.2 per cent compared to Kshs.46.6 million spent in a similar period of FY 2015/16.

3.7.61 Development Expenditure Analysis

The total development expenditure of Kshs.472.45 million represents 15.3 per cent of the annual development budget of Kshs.3.08 billion. **Table 3.20** provides a list of development projects with the highest during the period under review.

Table 3.20 : Garissa County, List of development projects with the highest expenditure for the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Expected Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Aden wobi water pan	Hulugho	12,600,000	12,600,000	100
2	Hareri dherow water pan	Hulugho	17,400,000	17,400,000	100
3	Piping of waber west	Township	20,000,000	19,200,000	96
4	Construction of water supply ijara subcounty	Masalani	108,750,000	70,000,000	64.4
5	Construction of new water supply at mudhey centre	Mudhey	10,865,209	10,865,209	100
6	Perimeter Wall Fence At Masalani Office	Masalani	17,050,000	17,050,000	100

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No.	Project Name	Ward (Location of the Project)	Annual Expected Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate
7	Construction of Balambala Office	Balambala	10,847,421	10.847,421	100
8	Construction of Dadaab Office	Dadaab	6,632,880	6,632,880	100
9	Refurbishment of Modogashe-Lagdera Offices	Modogashe	9,000,000	9,000,000	100
10	Clearing And Grading Of Quranhindi Hulugho Road	Hulugho	26,786,000	26,786,000	100
11	Upgrading Of Sangole Kamor Rufa Road	Ijara	18,900,000	15,400,000	81
12	Grading Of Guyobombi Dam -Baraki Road	Baraki	18,486,294	18,486,294	100
	Total		**277,317,804**	**223,420,383**	**80.6**

Source: *Garissa County Treasury*

Analysis of the development expenditure by project indicates that the highest expenditure of Kshs.70 million was spent on construction of water pans in Ijara, followed by Kshs.26.79 million spent on grading of the Quranhindi Hulugho road.

3.7.62 Budget and Budget Performance Analysis by Department

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

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

Department	Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half ofFY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Transport ,Infrastructure and Lands	96.6	818.7	9.5	213.6	9.5	213.6	100	100	9.8	26.1
Water Services	138.3	499	59	170	54	170	91.5	100	39	34.1
Finance and Economic planning	1081	375	543	180	543	88.9	100	49.4	50.2	23.7
Health and Sanitation	1374.6	612.2	660.6	0	648.6	0	98.2	0	47.2	0
Education	345.5	69	151	0	151	0	100	0	43.7	0
Trade, cooperative and Youth	79.2	43	17	0	17	0	100	0	17.7	0
Environment, Energy and Natural Resources	34.8	100	7	18.5	7	0	100	0	20.1	0
Urban Services	168.4	191	85	0	82	0	96.5	0	48.7	0
Agriculture	109.1	120	54	0	54	0	100	0	49.5	0
Livestock and Pastoral Economy	84.5	115	42	0	42	0	100	0	49.7	0
Women Affairs and Culture	42.4	49.8	20	0	20	0	100	0	47.2	0
Executive Services	280.6	40	100	0	100	0	100	0	35.7	0
County Assembly	653	50	274.5	0	274.5	0	100	0	42	0
TOTAL	**4,488**	**3,083**	**2,022**	**582**	**2,002.6**	**472.5**	**99**	**81.2**	**44.6**	**15.3**

Source: *Garissa County Treasury*

Analysis of budget performance by department shows that the Water Services Department attained the highest absorption rate of development budget at 34.1 per cent. On the other hand, the Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to its recurrent budget at 36.2 per cent while the Department of Transport had the lowest absorption rate of its recurrent budget at 9.8 per cent.

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3.7.63 Observations and Recommendations

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

i. Improved adherence to budget timelines. The ADP and the CFSP were submitted to the County Assembly on 14th September, 2016 and approved on 30th September, 2016.
ii. The County has established a County Budget and Economic Forum as per the provisions of Section 137 of the PFM Act, 2012.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation review reports.
2. Under-performance in local revenue collection. The local revenue collection has declined by 9.6 per cent from Kshs.45.6 million in the first quarter of FY 2015/16 to Kshs.41.2 million in the reporting period.
3. Failure to designate an administrator for the Scholarship Fund contrary to Section 116 of the PFM Act, 2012.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County Treasury should designate an Administrator for the Scholarship Fund to ensure effective management and reporting.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3.8 Homa Bay County

3.8.64 Overview of the FY 2016/17 Budget

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

To finance the budget, the County expects to receive Kshs.6.08 billion (90.3 per cent) as equitable share of revenue raised nationally, Kshs.382.91 million (5.7 per cent) as total conditional grants, generate Kshs.233.54 million (3.5 per cent) from local revenue sources, and Kshs.34.10 million (0.5 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.128.74 million (1.9 per cent) for Free Maternal Healthcare, Kshs.93.42 million (1.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.62 million (0.3 per) for User Fees Foregone, Kshs.12.09 million 0.2 per cent) from DANIDA and Kshs.30.29 million (0.4 per cent) as conditional grants from Other Loans and Grants.

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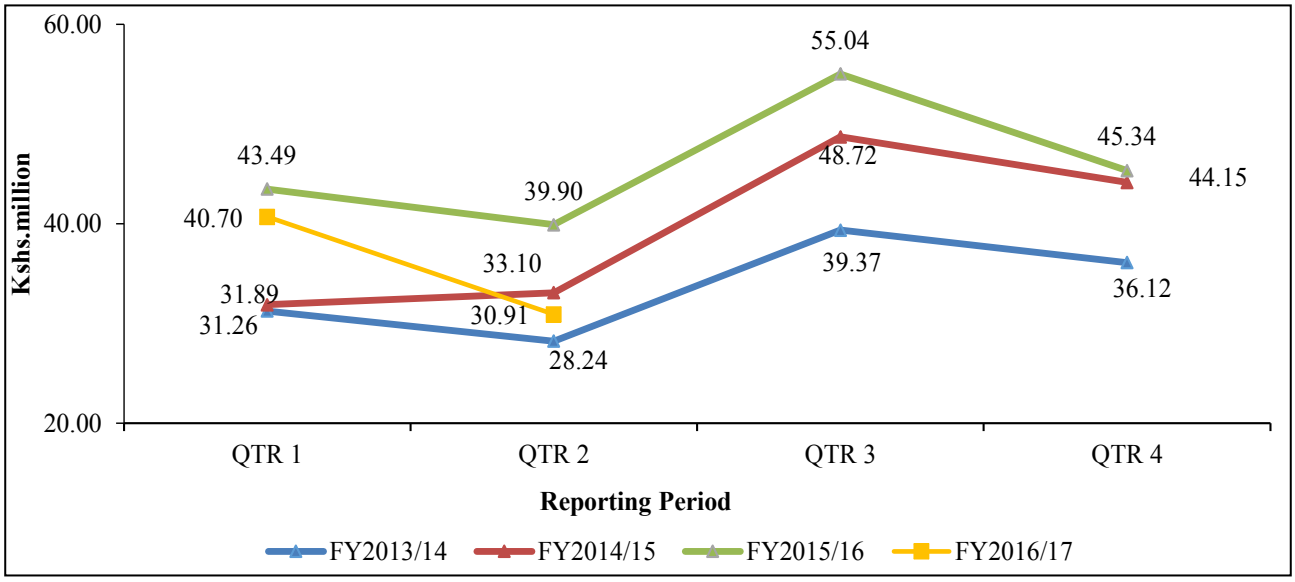
3.8.65 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.2.73 billion as equitable share of the revenue raised nationally, Kshs.107.17 million as total conditional allocations, raised Kshs.71.61million from local revenue sources, and had a cash balance of Kshs.34.10 million brought forward from FY 2015/16.

Figure 3.22 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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



Source: *Homa Bay County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.71.61 million which is a 14 per cent decrease compared to Kshs.83.39 million generated in a similar period of FY 2015/16. This revenue was 30.7 per cent of the annual local revenue target.

3.8.66 Conditional Grants

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

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

No.	Conditional Grant	Annual Allocation based on CARA, 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	93,422,137	46,711,068	50
2	Free Maternal Healthcare	128,736,441	49,155,000	38.2
3	User Fees Foregone	22,616,803	11,308,402	50
4	DANIDA Grant	12,385,000	0	0
5	World Bank Loan	30,293,030	-	0
6	Leasing of Medical Equipment	95,744,681	-	0
Total		**383,198,092**	**107,174,470**	**28.0**

Source: *Homa Bay County Treasury*

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Analysis of the conditional grants released during the period under review indicates that the Road Maintenance Fuel Levy Fund and User Fees Foregone recorded the highest receipts against annual target at 50.0 per cent. Free Maternal Healthcare recorded the lowest receipts at 38.2 per cent. There were no releases from all other grants.

3.8.67 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.73 billion from the CRF account, which was 40.8 per cent of the Approved Budget. This amount represents an increase of 14.2 per cent from Kshs.2.39 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.07 billion (76 per cent) for recurrent expenditure and Kshs.655 million (24 per cent) for development activities.

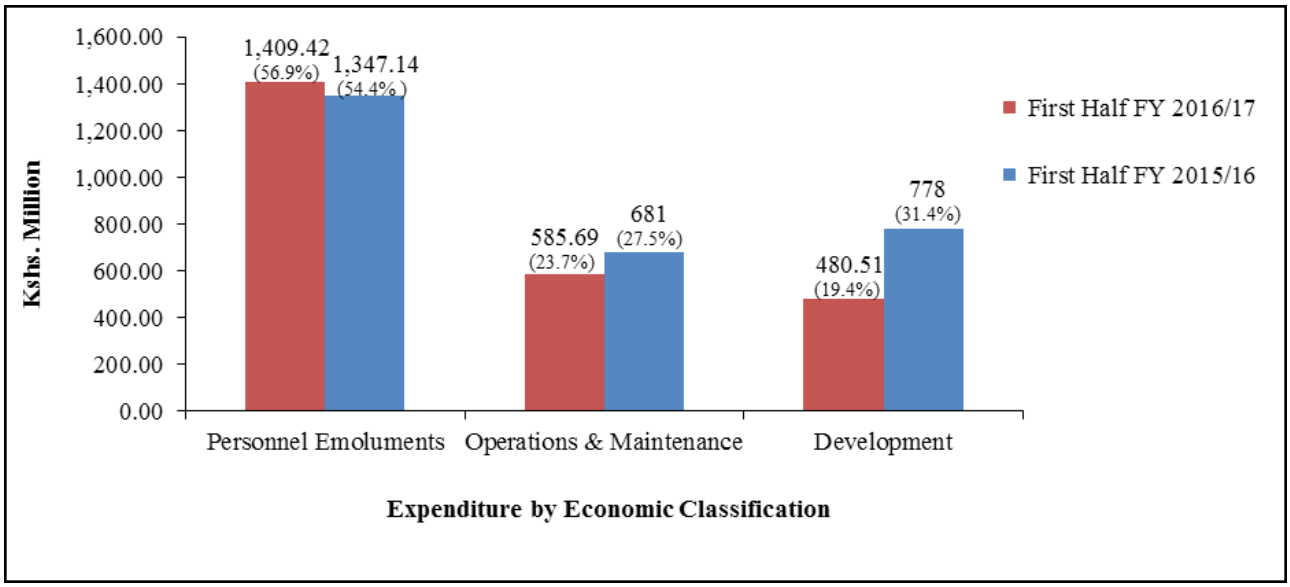
3.8.68 Overall Expenditure Review

The County spent Kshs.2.47 billion, which was 90.8 per cent of the total funds released for operations. This was a decrease of 12 per cent from the Kshs.2.81 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.99 billion was spent on recurrent activities, while Kshs.480.51million was spent on development activities. The recurrent expenditure was 96.3 per cent of the funds released for recurrent activities while development expenditure accounted for 73.3 per cent of the funds released for development activities.

The recurrent expenditure represented 45.9 per cent of the annual recurrent budget, a decrease from 51.3 per cent achieved in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 20.4 per cent, which was a decrease from 35.1 per cent attained in a similar period of FY 2015/16. Figure 3.23 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.23: Homa Bay County, Expenditure by Economic Classification for the FY 2016/17 and the First Half of FY 2015/16



Source: *Homa Bay County Treasury*

3.8.69 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.99 billion consisted of Kshs.1.41billion (70.6 per cent) spent on personnel emoluments and Kshs.585.69 million (29.4 per cent) on operations and maintenance as shown in Figure 3.23. Expenditure on personnel emoluments represented an increase of 4.2 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.35 billion.

Figure 3.24 shows a summary of the operations and maintenance expenditure by major categories.

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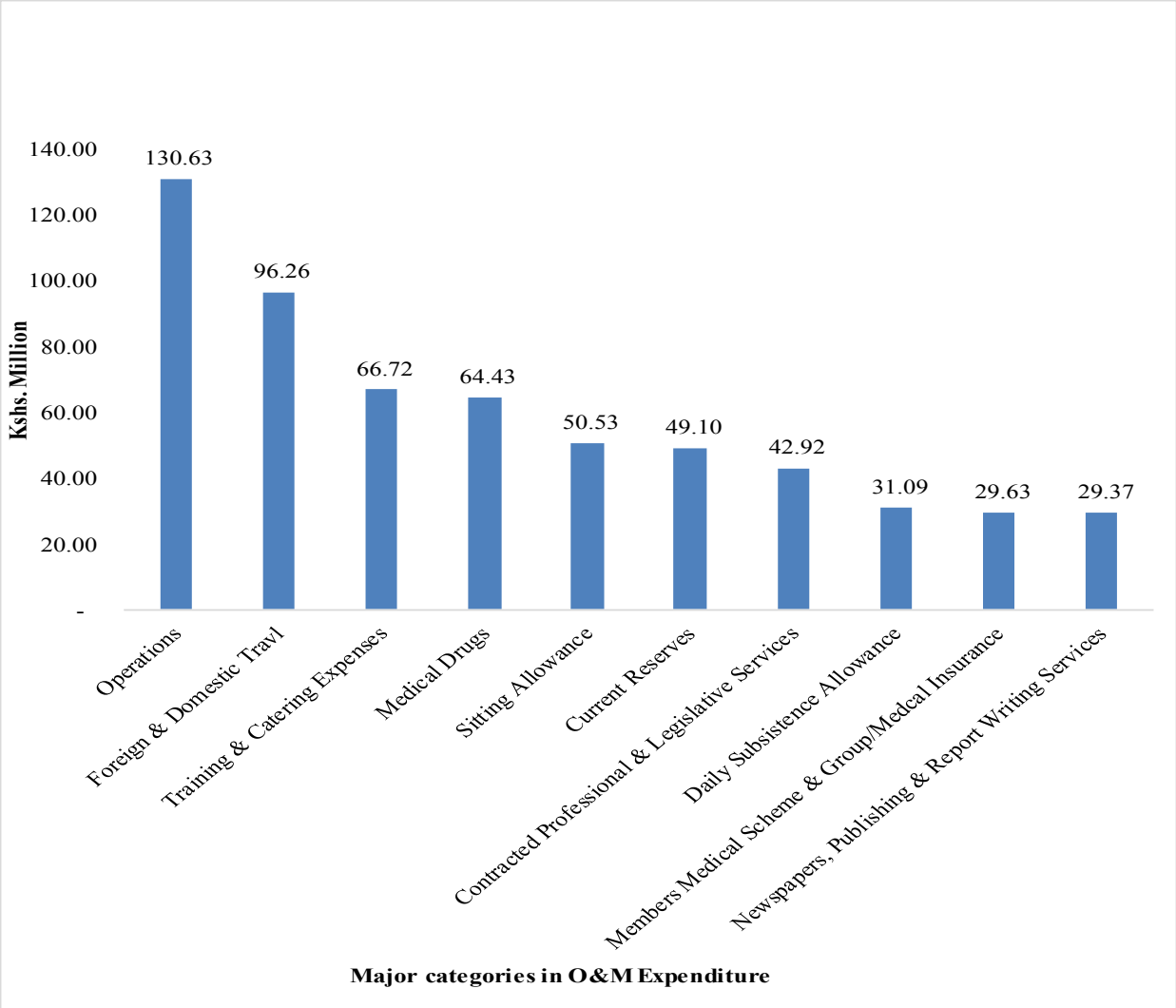
Figure 3.24: Homa Bay County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Homa Bay County Treasury*

The County spent Kshs.50.53 million on sitting allowances for the 63 MCAs and the Speaker against the annual budget allocation of Kshs.126.31 million. This was a decrease of 11.2 per cent compared to Kshs.56.91 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.63,873 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.96.26 million and comprises of Kshs.50.60 million spent by the County Assembly and Kshs.45.67 million spent by the County Executive. This was a decrease compared to Kshs.122.31 million spent in a similar period of FY 2015/16.

3.8.70 Development Expenditure Analysis

The total development expenditure of Kshs.480.51 billion represents 20 per cent of the annual development budget of Kshs.2.35 billion. Table 3.23 provides a list of development projects with the highest expenditure during the period under review.

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Table 3.23 : Homa Bay County, County, Summary of Ten Development Projects with the highest expenditure for the First Half of FY 2016/17

No.	Project Name	Department	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Construction and Buildings	Health &Edu	Homa Bay	427,072,000	126,046,041	29.5
2	Civil Works	Energy	Homa Bay	212,626,000	73,223,360	34.4
3	Other Infrastructure and Civil Works	All Departments	Homa Bay	352,807,358	70,786384	20.1
4	Construction and Expansion of Water Supply	Water and Environment	Homa Bay	417,600,000	55,517,738	13.3
5	Routine maintenance – Other	Transport & Infrastructure	Homa Bay	181,275,440	46,098,501.99	25.4
6	Purchase of Plant and Machinery	Transport & Infrastructure	Homa Bay	50,000,000	43,450,000	86.9
7	Purchase of Equipments,Tools and Accessories	Education and ICT	Homa Bay	277,679,000	40,992,888.99	14.8
8	Construction of Water and Waste Water Lab	Water and Environment	Homa Bay	3,700,000	20,840,353	563.2
9	Engineering and Design Plans	Lands & Housing	Homa Bay	12,219,632	3,391,190	27.8
10	Reorganisation of IFMIS System and Installation of 8 Barriers	County Assembly	Homa Bay	5,000,000	160,000	3.2
	Total			**1,939,979,430**	**480,506,457**	**25**

Source: *Homa Bay County Treasury*

Analysis of development expenditure shows that the Department of Education and Health attained the highest development expenditure of Kshs.126.05 million on construction and building, followed by Kshs.73.33 million on civil works by the Department of Energy and Kshs.70.79 million on other infrastructure and civil works by all the Departments. The Department of Lands and Housing and the County Assembly attained the lowest development expenditure of Kshs.3.39 million and Kshs.160,000 respectively.

3.8.71 Budget and Budget Performance Analysis by Department

Table 3.24 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.24: Homa Bay County, Budget Performance by Department for the First Half FY 2016/17

Department	Budget Allocation (Kshs. Million)		First Half FY 2016/17 Exchequer Issues (Kshs. Million)		First Half FY 2016/17 Expenditure (Kshs. Million)		First Half FY 2016/17 Expenditure to Exchequer Issues (%)		First Half FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Fisheries	194.26	204.00	127.00	65	78.68	2.89	62.0	4.4	40.5	1.4
Tourism, Culture and Sports	83.39	60.00	51.00	20	22.10	29.83	43.3	149.2	26.5	49.7
Transport and Infrastructure	74.46	613.99	53.50	202	20.95	158.06	39.2	78.2	28.1	25.7
Energy and Natural Resources	30.98	100.01	15.60	30	9.85	13.99	63.1	46.6	31.8	14.0

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Department	Budget Allocation (Kshs. Million)		First Half FY 2016/17 Exchequer Issues (Kshs. Million)		First Half FY 2016/17 Expenditure (Kshs. Million)		First Half FY 2016/17 Expenditure to Exchequer Issues (%)		First Half FY 2016/17 Absorption rate (%)	
Education and ICT	325.89	102.00	228.00	20.00	126.03	9.48	55.3	47.4	38.7	9.3
Health	1474.60	265.00	778.00	103	868.51	94.52	111.6	91.8	58.9	35.7
Lands, Housing and Physical Planning	45.84	76.00	25.00	0.00	19.35	9.63	77.4	-	42.2	12.7
Trade, Industry and Investment	122.79	130.00	100.00	0.00	51.40	17.88	51.4	-	41.9	13.8
Water and Environment	115.30	600.00	49.00	170	42.13	77.95	86.0	45.9	36.5	13.0
Finance and Economic Planning	299.34	109.88	125.90	25	135.36	45.88	107.5	183.5	45.2	41.8
Office of the Governor	539.03	65.00	208.00	20	243.17	8.86	116.9	44.3	45.1	13.6
County Public Service Board	99.16	10.00	10.00	0.00	22.83	0.00	228.3	-	23.0	0.0
County Assembly Service Board	937.72	18.00	300.00	0.00	354.75	11.54	118.3	-	37.8	64.1
Total	**4342.76**	**2353.88**	**2071.00**	**655.00**	**1995.11**	**480.51**	**96.3**	**73.4**	**45.9**	**20.4**

Source: *Homa Bay County Treasury*

Analysis of budget performance by department shows that the County Assembly attained the highest absorption rate of its development budget at 64.1 per cent while the County Public Service Board did not incur any development expenditure. On the other hand, the Department of Health had the highest percentage of recurrent expenditure to its recurrent budget at 58.9 per cent while the County Public Service Board had the lowest at 23 per cent.

3.8.72 Observations and Recommendations

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

i. Improved adherence to budget timelines. The County Executive Committee Member for Finance (CECMF) submitted the budget estimates to the County Assembly on 30th April 2016, which was approved on 30th June, 2016, while the Annual Development Plan (ADP) was submitted to the County Assembly on 1st September, 2016 and approved on 30th September, 2016.

ii. The County has established a County Budget and Economic Forum (CBEF) as per the provisions of Section 137 of the PFM Act, 2012.

iii. Automation of locally collected revenue by the County Treasury which is anticipated to increase County revenue.

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. As at the end of the reporting period, Kshs.2.73 billion had been disbursed against an expected disbursement of

Kshs.3.07 billion.

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2. Failure by Fund Administrators to submit expenditure reports on the Bursary Fund, Emergency Fund, Car Loan & Mortgage Fund contrary to Section 168 of the PFM Act, 2012.
3. High wage bill that increased by 4.2 per cent from Kshs.1.35 billion in the first half of FY 2015/16 to Kshs.1.41 billion during the period under review.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. Intermittent use of IFMIS which affects the accuracy and completeness of reports generated from the system.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*
2. *The Bursary, Car Loan, Mortgage, and Emergency Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *All Accounting Officers should ensure that payments are made through the prescribed system – IFMIS.*

3.9 Isiolo County

3.9.73 Overview of the FY 2016/17 Budget

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

To finance the budget, the County expects to receive Kshs.3.30 billion (88.0 per cent) as equitable share of revenue raised nationally, Kshs.198.35 million (5.3 per cent) as total conditional grants, generate Kshs.250 million (6.7 per cent) from local revenue sources, and Kshs.9.96 million (0.3 per cent) as cash balance from FY 2015/16. The conditional grants comprised of Kshs.95.74 million (48.30 per cent) for Leasing of Medical Equipment, Kshs.22.18 million (11.2 per cent) for Free Maternal Healthcare, Kshs.50.67 million (25.50 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.3.51 million (1.8 per cent) for User Fees Foregone, Kshs.3.99 million (2.0 per cent) from DANIDA and Kshs.22.25 million (11.2 per cent) from Other Loans and Grants.

3.9.74 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.67 billion as equitable share of the revenue raised nationally, Kshs.51.43 million as total conditional allocations, raised Kshs.58.14 million from local revenue sources, and had a cash balance of Kshs.10.12 million brought forward from FY 2015/16.

Figure 3.25 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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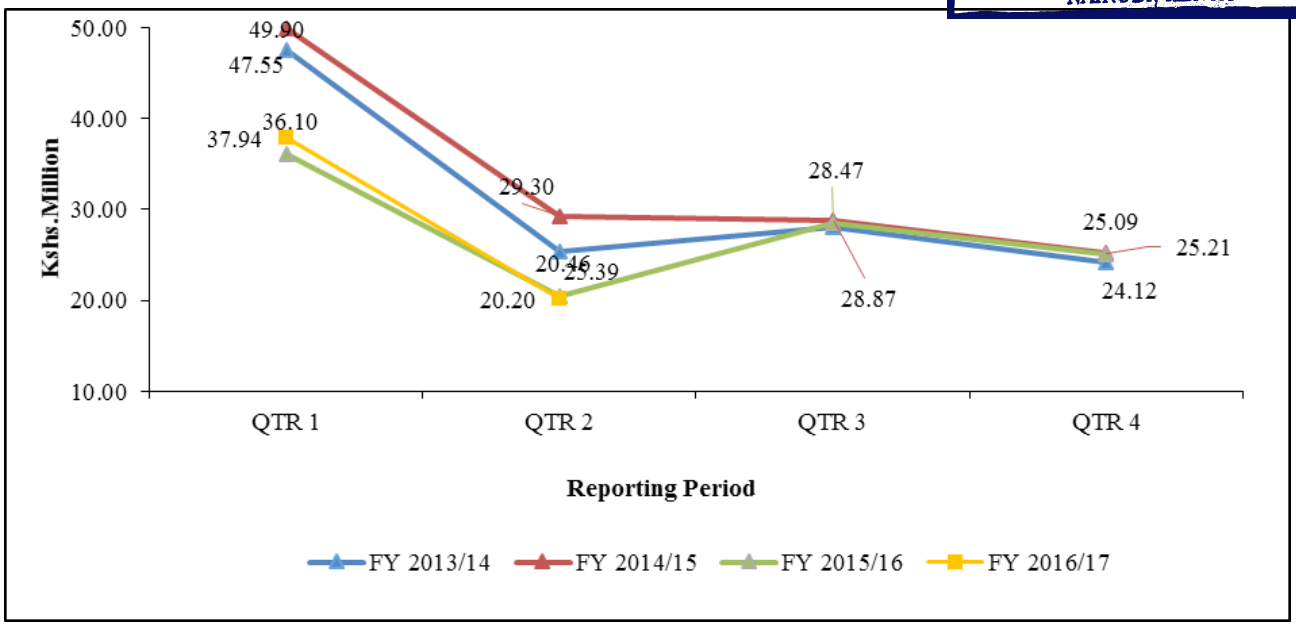
Figure 3.25 : Isiolo County, Trend in Local Revenue Collection by quarter from FY 2013/14 to Second Quarter FY 2016/17



Source: *Isiolo County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.58.14 million which is a 2.8 per cent increase compared to Kshs.56.56 million generated in a similar period of FY 2015/16. This revenue was 23.3 per cent of the annual local revenue target.

3.9.75 Conditional Grants

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

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

No.	Conditional Grant	Annual Allocation based on CARA, 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	50,674,844	25,337,436	50.0
2	Free Maternal Healthcare	22,181,866	11,201,442	50.0
3	User Fees Foregone	3,514,477	1,774,811	50.0
4	DANIDA Grant	3,985,000	1,992,500	50.0
5	World Bank Loan	22,247,373	11,123,686	50.0
Total		**102,603,560.0**	**51,429,875**	**50.0**

Source: *Isiolo County Treasury*

Analysis of the conditional grants released during the period under review indicates that Road Maintenance Fuel Levy Fund, User Fees Foregone, DANIDA Grant, and Free Maternal Healthcare, recorded receipts of 50.0 per cent against annual target.

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3.9.76 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.47 billion from the CRF account, which was 39.2 per cent of the Approved Budget. This amount represents an increase of 5.5 per cent from Kshs.1.39 billion authorized in a similar period of FY 2015/16 and comprised of Kshs.1.06 billion (72.1 per cent) for recurrent expenditure and Kshs.410 million (27.9 per cent) for development activities.

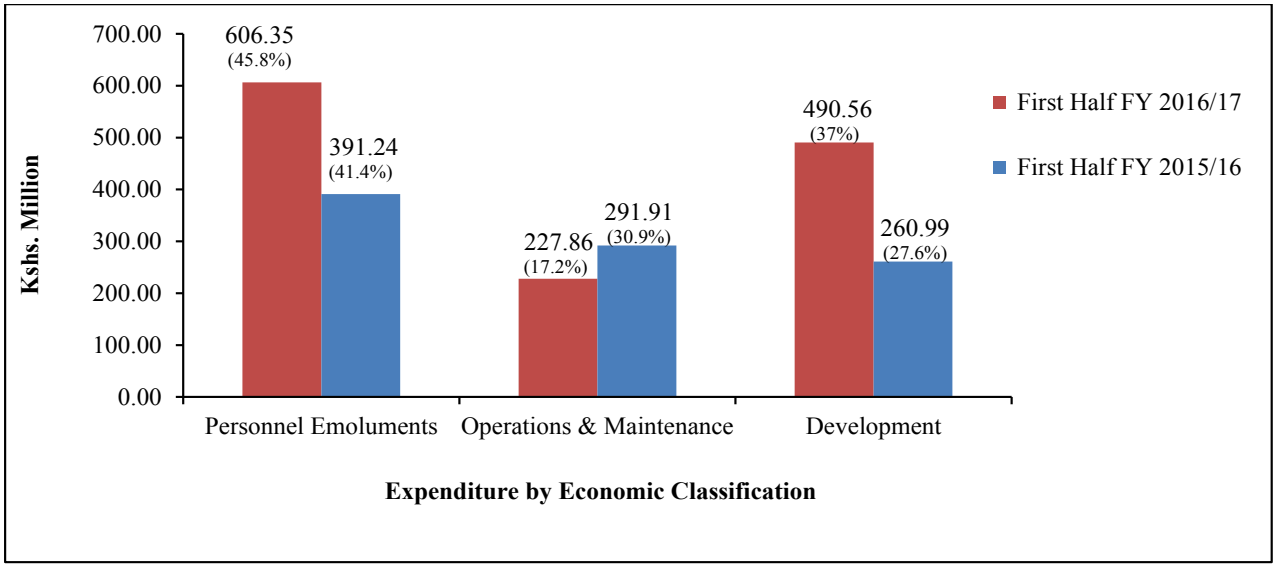
3.9.77 Overall Expenditure Review

The County spent Kshs.1.32 billion, which was 90.1 per cent of the total funds released for operations. This was a 39.8 per cent increase from Kshs.944 million spent in a similar period of FY 2015/16.

A total of Kshs.834.21 million was spent on recurrent activities, while Kshs.490.56 million was spent on development activities. The recurrent expenditure was 78.7 per cent of the funds released for recurrent activities while development expenditure accounted for 119.6 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.11.22 million for development and Kshs.21.69 million for recurrent expenditure.

The recurrent expenditure represented 36.8 per cent of the annual recurrent budget, an increase from 32.3 per cent spent in the same period of FY 2015/16. Development expenditure recorded an absorption rate of 33.1 per cent, which was an increase from 15.5 per cent attained in a similar period of FY 2015/16. Figure 3.26 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.26: Isiolo County, Expenditure by Economic Classification for the first Half of FY 2016/17 and the First Half of FY 2015/16.



Source: *Isiolo County Treasury*

3.9.78 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.834.21 million consisted of Kshs.606.35 million (72.7 per cent) spent on personnel emoluments and Kshs.227.86 million (27.3 per cent) on operations and maintenance as shown in Figure 3.26 . Expenditure on personnel emoluments represented an increase of 55.0 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.391.24 million. Figure 3.27 shows a summary of the operations and maintenance expenditure by major categories.

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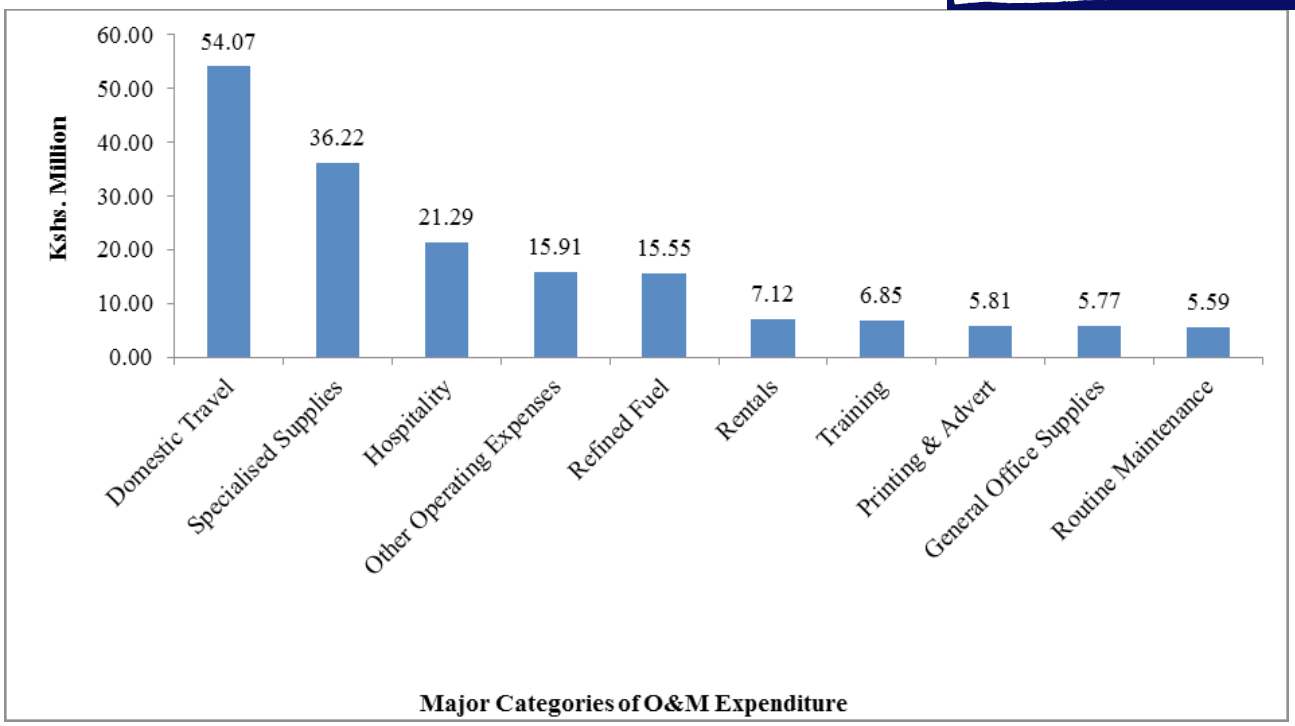
Figure 3.27: Isiolo County, Operations and Maintenance Expenditure by Major Categories for the First Half of FY 2016/17



Source: *Isiolo County Treasury*

The County spent Kshs.5.94 million on sitting allowances for the 20 MCAs and the Speaker against the annual budget allocation of Kshs.30.62 million. This was a 29.1 per cent decrease compared to Kshs.8.38 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.47,128 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.54.07 million and consisted of Kshs.17.65 million spent by the County Assembly and Kshs.36.42 million spent by the County Executive. This was a 12 per cent decrease compared to Kshs.61.45 million spent in a similar period of FY 2015/16.

3.9.79 Development Expenditure Analysis

The total development expenditure of Kshs.490.56 million represents 33.1 per cent of the annual development budget of Kshs.1.48 billion. Table 3.26 provides a list of the development projects with the highest expenditure during the period under review.

Table 3.26 : Isiolo County, Two Development Projects with the highest expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Emergency Relief Supplies	ALL	50,956,246	50,236,000	98.60
2	County Assembly Ward Offices	ALL Wards	30,000,000	11,950,905	39.8
	Total		**80,956,246**	**62,186,905**	**76.8**

Source: *Isiolo County Treasury*

Analysis of development expenditure by project revealed that Emergency Relief Supplies incurred an expenditure of Kshs.50.24 million while Ksh.11.95 million was spent on construction of County Assembly Ward Offices.

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3.9.80 Budget and Budget Performance Analysis by Department

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

Table 3.27: Isiolo County, First Half FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	377.92	157.72	262.00	0.00	90.67	13.48	34.6	0	24.0	8.5
Office of the Governor	194.78	90.96	98.86	10.00	83.72	69.21	84.7	692.1	43.0	76.1
County Public Service Board	64.01	0.00	17.77	0.00	21.65	32.83	121.8	-	33.8	-
Office of the County Secretary	11.65	0.00	3.51	0.00	3.33	0.00	95.0	-	28.6	-
County treasury and Planning	325.35	245.02	122.21	10.00	115.37	0.00	94.4	-	35.5	-
Lands Development	34.71	50.50	11.87	13.00	7.55	2.50	63.6	19.2	21.7	5.0
Roads, Housing and Works	25.52	152.00	13.05	110.00	10.25	144.26	78.6	131.1	40.2	94.9
Agriculture	56.99	35.00	21.91	13.00	24.34	2.47	111.1	19.0	42.7	7.0
Livestock and Fisheries	77.99	110.00	32.48	60.00	34.86	50.58	107.3	84.3	44.7	46.0
Cohesion and Intergovernmental relations	16.85	-	3.50	-	9.14	0.00	261.5	-	54.2	-
Education and Vocational training	151.14	86.00	46.24	45.00	59.50	27.17	128.7	60.4	39.4	31.6
Sports, Youth and Culture	9.95	33.00	1.63	5.00	1.35	16.38	82.3	327.7	13.5	49.6
Tourism, culture and Social services	49.60	50.00	21.32	20.00	17.75	0.00	83.3	-	35.8	-
Public Service Management and ICT	81.46	49.00	46.73	0.00	10.72	27.37	22.9	-	13.2	55.9
Water and Irrigation	56.80	177.50	26.57	35.00	20.83	33.87	78.4	96.8	36.7	19.1
Environment and Natural Resources	34.02	45.50	12.98	27.00	13.29	8.47	102.4	31.4	39.1	18.6
Medical Services	352.85	54.18	155.90	26.00	157.58	17.97	101.1	69.1	44.7	33.2
Public Health	307.82	101.95	147.12	36.00	138.79	25.37	94.3	70.5	45.1	24.9
Trade, Industriliazation	25.36	32.00	10.49	0.00	10.30	12.63	98.2	-	40.6	39.5
Town Administration	9.31	12.00	3.56	0.00	3.21	6.00	90.1	-	34.5	50.0
TOTAL	**2,264.09**	**1,482.33**	**1,059.73**	**410.00**	**834.21**	**490.56**	**78.7**	**119.6**	**36.8**	**33.1**

Source: *Isiolo County Treasury*

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Analysis of budget performance by department shows that the Department of Roads, Housing and Works attained the highest absorption rate of its development budget at 94.6 per cent while the Office of the Governor did not incur any development expenditure. On the other hand, the County Cohesion and Intergovernmental Relations Department had the highest percentage of recurrent expenditure to its recurrent budget at 54.2 per cent while the Department of Public Service Management had the lowest at 13.2 per cent.

3.9.81 Observations and Recommendations

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

(i) Improved capacity of technical staff through training.

(ii) Improved absorption of development budget by 17.6 percentage points from 15.5 per cent (Kshs.269.99 million) attained in a similar period of FY 2015/16 to 33.1 per cent (Ksh.490.56 million).

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of the budget implementation review report.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
3. The County has not constituted the CBEF as per Section 137 of the PFM Act, 2012.
4. Huge wage bill which accounted for 45.9 per cent of the total expenditure during the reporting period thus constraining funding to other programmes.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
3. *The County should establish CBEF in line with Section 137 of the PFM Act, 2012*
4. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*

3.10 Kajiado County

3.10.82 Overview of the FY 2016/17 Budget

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

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

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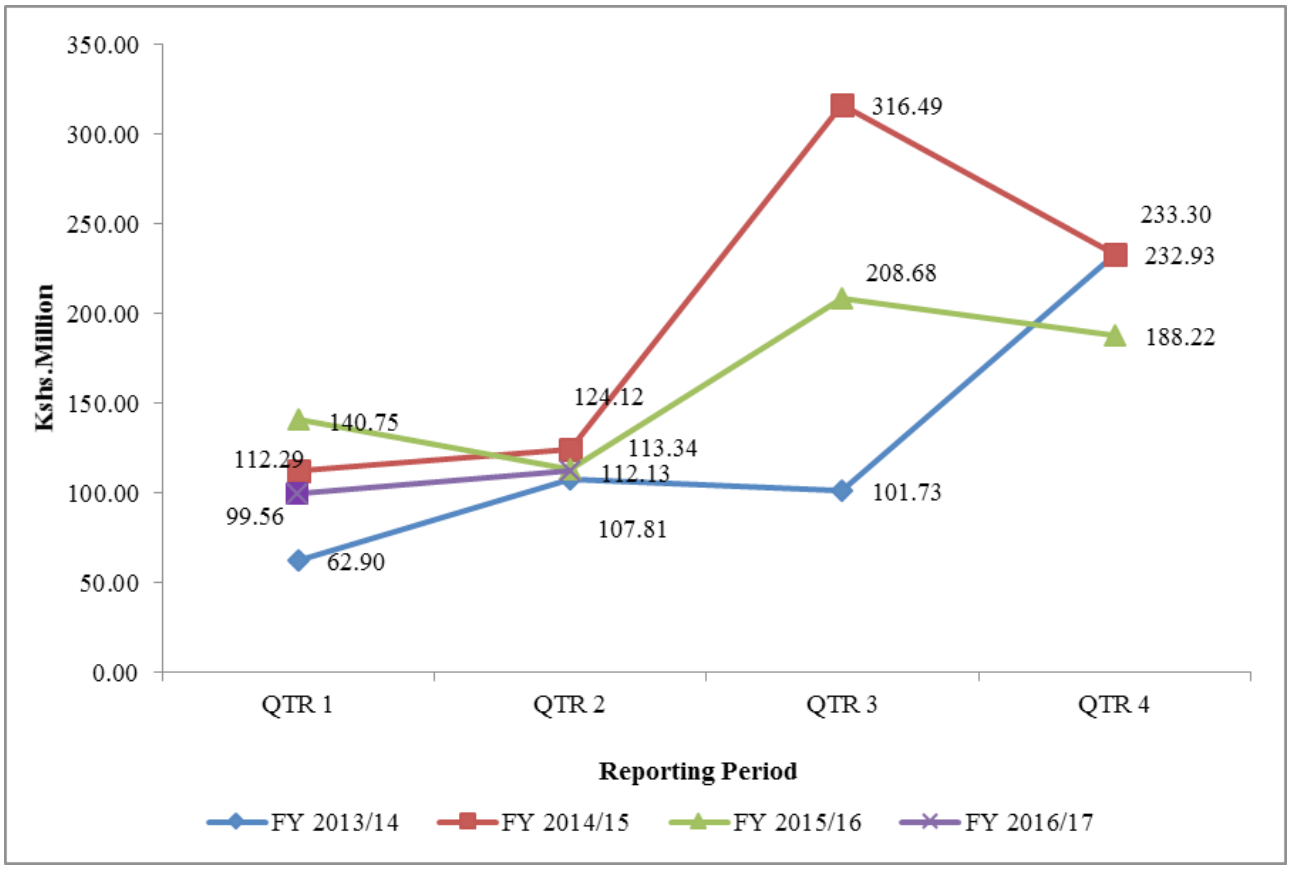
3.10.83 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.59 billion as equitable share of revenue raised nationally, Kshs.64.71 million as total conditional allocations, raised Kshs.211.69 million from local revenue sources, and had a cash balance of Kshs.720 million brought forward from FY 2015/16.

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

Figure 3.28: Kajiado County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to first half of FY 2016/17



Source: *Kajiado County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.211.69 million, representing a decrease of 27.4 per cent compared to Kshs.290.75 million generated in a similar period of FY 2015/16. This revenue was 17 per cent of the annual local revenue target.

3.10.84 Conditional Grants

Table 3.28 shows an analysis of conditional grants received in the first half of FY 2016/17.

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

No.	Conditional Grant	Annual allocation based on CARA 2016 (Kshs.)	Actual receipts for the First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	73,157,028	36,578,514	50.0
2	Free Maternal Healthcare	54,758,022	10,257,500	18.7
3	User Fees Foregone	16,311,160	8,155,580	50.0
4	DANIDA Grant	8,945,000	-	-
5	World Bank Loan	100,581,341	9,717,500	9.7
6	Other Loans and Grants	40,000,000	-	-
Total		**293,752,551**	**64,709,094**	**22.0**

Source: *Kajiado County Treasury*

Analysis of receipts from conditional grants indicates that, the Road Maintenance Fuel Levy Fund and User Fees Foregone received the highest receipts at 50 per cent of the annual target respectively. The County Treasury did not report any receipts from the DANIDA grant and Other Loans and Grants.

3.10.85 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.31billion from the CRF account, which was 32.9 per cent of the Approved Budget. This amount represents a decrease of 6.1 per cent from Kshs.2.46 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.77 billion (76.5 per cent) for recurrent expenditure and Kshs.542.51 million (23.5 per cent) for development activities.

3.10.86 Overall Expenditure Review

The County spent Kshs.2.02 billion, which was 87.6 per cent of the total funds released for operations. This was an increase of 6.9 per cent from Kshs.1.89 billion spent in a similar period in FY 2015/16.

The expenditure comprised of Kshs.1.66 billion for recurrent activities and Kshs.363.61 million for development activities. The recurrent expenditure was 94 per cent of the funds released for recurrent activities whereas development expenditure accounted for 67 per cent of the total funds released for development programmes. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.640.72 million for development expenditure and Kshs.289.99 million for recurrent expenditure.

The recurrent expenditure represented 38.1 per cent of the annual recurrent budget, an increase from 33.6 per cent spent in a similar period of FY 2015/16, whereas development expenditure recorded an absorption rate of 13.7 per cent, a decrease from 21.5 per cent attained in a similar period of FY 2015/16. Figure 3.29 presents a comparison between the total expenditure in the first half of FY 2016/and FY 2015/16.

Figure 3.29: Kajiado County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16

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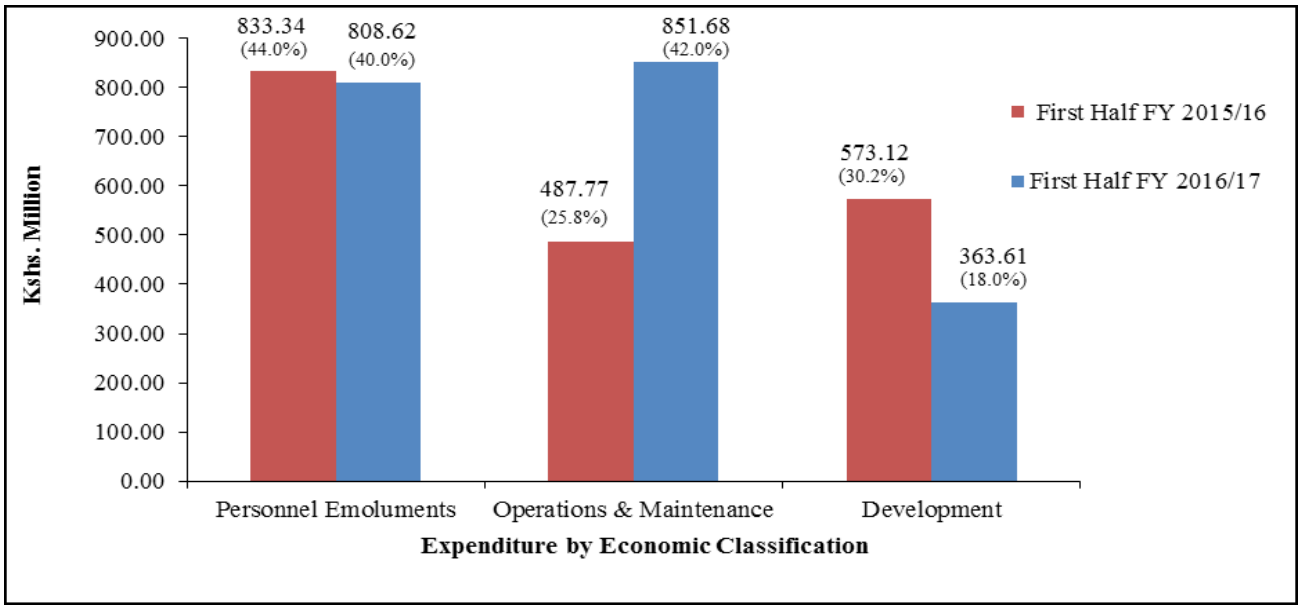


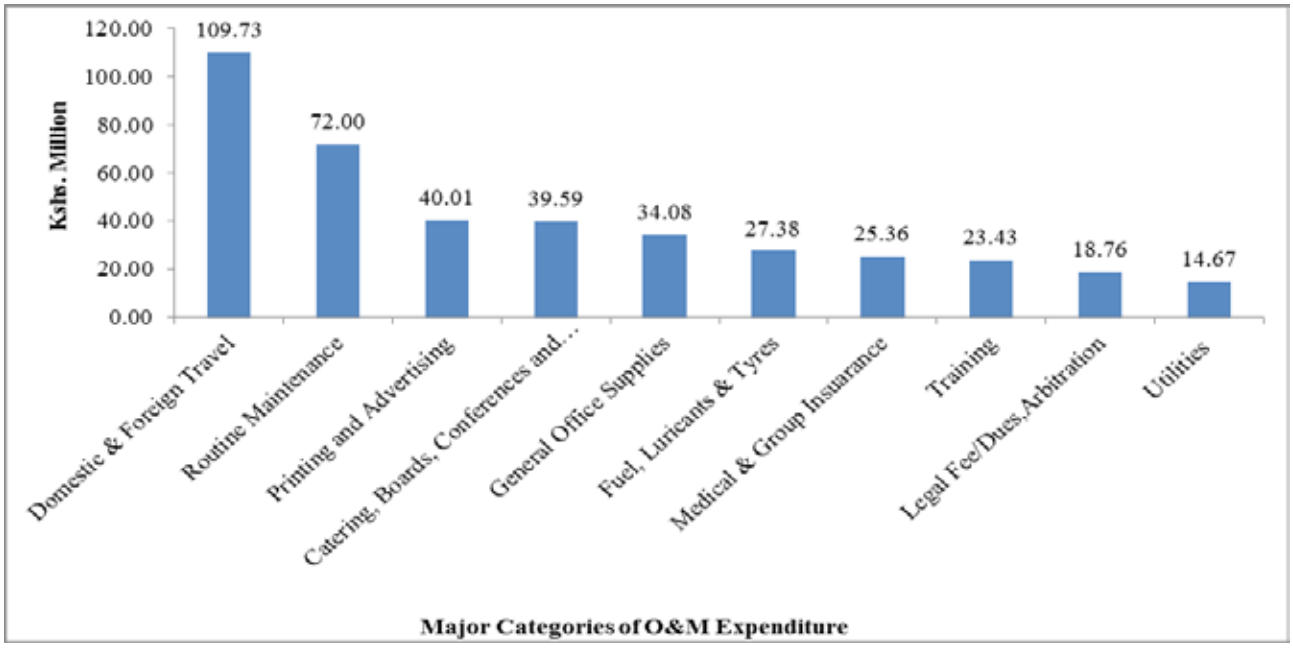
Source: *Kajiado County Treasury*

3.10.87 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.66 billion represents 38.1 per cent of the annual recurrent budget of Kshs.4.35 billion. The County spent Kshs.808.62 million (48.7 per cent) on personnel emoluments and Kshs.851.68 million (51.3 per cent) on operations and maintenance as shown in Figure 3.29. Expenditure on personnel emoluments represented a decrease of 3 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.833.34 million.

Figure 3.30 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.30: Kajiado County, Operations and Maintenance Expenditure for First Half of FY 2016/17



Source: *Kajiado County Treasury*

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The County spent Kshs.12.01 million on sitting allowances for the 41 MCAs and the Speaker against the annual budget allocation of Kshs.66.44 million. This was a decrease of 37.4 per cent compared to Kshs.19.20 million spent in the same period of FY 2015/16. The average monthly sitting allowance per MCA was Kshs.47,651 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.109.73 million and consisted of Kshs.60.37 million spent by the County Assembly and Kshs.49.36 million spent by the County Executive. This was an increase of 31.9 per cent compared to Kshs.81.32 million spent in a similar period of FY 2015/16.

3.10.88 Development Expenditure Analysis

The total development expenditure of Kshs.363.61 million represents 13.7 per cent of the annual development budget of Kshs.2.66 billion. Table 3.29 provides a list of development projects with the highest expenditure during the period under review.

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

No.	Project Name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Construction of Kimana market phase III	Kimana	19,383,407	15,127,154	78.0
2	Construction of Loitoktok market	Loitoktok	27,947,613	13,966,794	50.0
3	KCB ground fence at Kajiado	Kajiado Central	19,461,384	13,478,620	69.3
4	Masonry wall and gate at Rongai market	Ong'ata Rongai	12,710,433	12,420,433	97.7
5	Isinya market sheds, shops and toilet	Isinya	19,995,952	9,109,004	45.6
6	Market shed and refuse bin at Kimana market	Kimana	12,419,634	8,939,238	72.0
7	Masonry wall, administration office and other works at Kiserian market	Kiserian	35,587,500	8,027,500	22.6
8	Kitengela slip road west	Kitengela	7,468,295	7,465,975	100.0
9	Maternity wing and ward at Kajiado Hospital	Kajiado Central	53,279,145	6,236,343	11.7
10	Kitengela Primary Sch. road	Kitengela	5,493,992	5,285,192	96.2
	Total		**213,747,355**	**100,056,253**	**46.8**

Source: *Kajiado County Treasury*

Analysis of the development projects with the highest expenditure indicated that Kshs.15.13 million was incurred on construction of phase III of the Kimana market, followed by Kshs.13.97 million on construction of the Loitoktok market by the Department of Trade, Industrialization & Enterprise Development. The Department of Lands, Physical Planning, Environment, Wildlife and Natural Resources incurred Kshs.13.48 million on fencing of the KCB grounds in Kajiado town.

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3.10.89 Budget and Budget Performance Analysis by Department

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

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

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and the Deputy Governor	166.71	-	70.38	0.00	72.12	0.00	102.5	-	43.3	-
Finance and Economic Planning	442	87.84	129.66	32.85	141.98	2.45	109.5	7.5	32.1	2.8
Lands, Physical Planning, Environment, Wildlife and Natural Resources	177.26	124.48	78.79	3.62	83.08	21.44	105.4	591.8	46.9	17.2
County Public Service Board	78.04	-	33.46	0.00	20.89	0.00	62.4	-	26.8	-
Agriculture, Livestock and Fisheries	261.43	46.09	98.10	4.00	88.28	1.03	90.0	25.8	33.8	2.2
Trade, Industrialization & Enterprise Development	97.03	189.63	42.75	52.81	43.44	82.49	101.6	156.2	44.8	43.5
Public Works, Roads, Transport, and Housing	175.86	705.22	47.49	146.27	33.29	87.06	70.1	59.5	18.9	12.3
Water and Irrigation	98.62	403.85	44.11	35.50	46.88	47.18	106.3	132.9	47.5	11.7
Education, Youth, Sports, and Social Services	268.22	519.93	91.85	140.80	106.73	64.40	116.2	45.7	39.8	12.4
Ict and Gender	81.16	101.98	33.40	15.58	22.16	3.92	66.3	25.2	27.3	3.8
Health Services	1,518.88	346.36	677.59	62.68	601.20	53.63	88.7	85.6	39.6	15.5
County Public Service	428.41	10	169.06	0.00	181.19	0.00	107.2	0.0	42.3	0.0
County Assembly	560.87	120.52	250.56	48.40	219.05	0.00	87.4	0.0	39.1	0.0
Total	**4,354.48**	**2,655.90**	**1767.21**	**542.51**	**1660.298**	**363.61**	**94.0**	**67.0**	**38.1**	**13.7**

Source: *Kajiado County Treasury*

Analysis of budget performance by department shows that the Department of Trade, Industrialization & Enterprise Development attained the highest absorption rate of development budget at 43.5 per cent while the County Assembly and the County Public Service Department did not incur any development expenditure. On the other hand, the Water and Irrigation Department had the highest percentage of recurrent expenditure to its recurrent budget at 47.5 per cent while the Department of Public Works, Roads, Transport, and Housing had the lowest at 18.9 per cent.

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3.10.90 Observations and Recommendations

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

i. Improved adherence to budget timelines. For example, the CECMF submitted the CBROP to the County Assembly for approval within the legal timelines.

ii. A decline in the wage bill by 3 per cent (Kshs.24.72 million) from Kshs.833.34 million in the first half of FY 2015/16 to Kshs.808.62 million during the period under review.

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

1. Failure by Fund Administrators to regularly submit quarterly expenditure reports on the Bursary Fund, Emergency Fund, Car & Mortgage Fund for Executive, Disability Fund, and Youth and Women Enterprise Fund contrary to Section 168 of the PFM Act, 2012.
2. Under-performance in local revenue collection. The local revenue collection declined by 27.2 per cent from Kshs.290.75 million in the first half of FY 2015/16 to Kshs.211.69 million in the reporting period.
3. Operational delays due to IFMIS connectivity challenges, which slowed down approval of procurement requests and payments.

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

1. *The County Treasury should ensure timely submission of expenditure reports on County established Funds in line with Section 168 of the PFM Act, 2012.*
2. *The County should develop and implement strategies to enhance revenue collection.*
3. *The County Treasury should liaise with IFMIS Directorate for support in the use of IFMIS and the E-procurement module.*

3.11 Kakamega County

3.11.91 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.12.30 billion, comprising of Kshs.6.08 billion (49.4 per cent) and Kshs.6.22 billion (50.6 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.61 billion (78.1 per cent) as equitable share of revenue raised nationally, Kshs.861.35 million (7 per cent) as total conditional grants, generate Kshs.894.10 million (7.3 per cent) from local revenue sources, and Kshs.938.10 million (7.6 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.406.94 million (47.2 per cent), for Level 5 Hospital, Kshs.217.18 million (25.2 per cent) for Free Maternal Healthcare, Kshs.147.70 million (17.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.38.62 million (4.5 per cent) for User Fees Foregone, Kshs.11.75 million (1.4 per cent) from DANIDA and Kshs.39.17 million (4.5 per cent) from Other Loans and Grants.

3.11.92 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.3.22 billion as equitable share of the revenue raised nationally, Kshs.210.84 million as total conditional allocations, raised Kshs.191.07 million from local revenue sources, and had a cash balance of Kshs.938.09 million brought forward from FY 2015/16.

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

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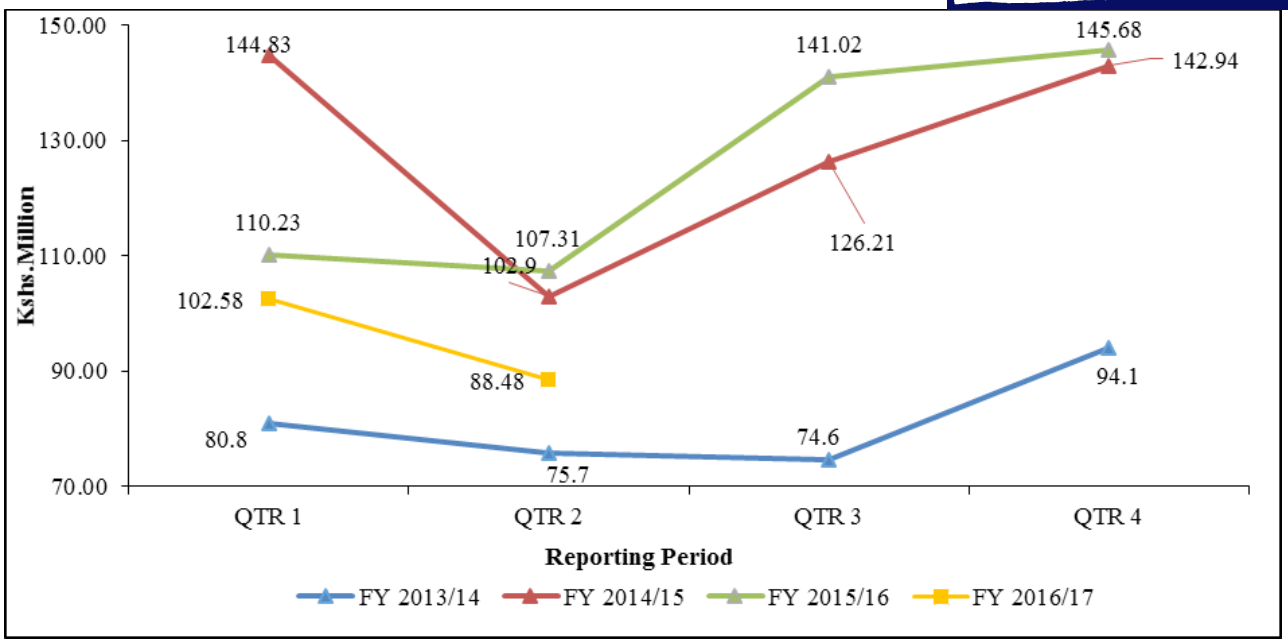
Figure 3.31: Kakamega County, Trend in Local Revenue Collection by quarter from first quarter of FY 2013/14 to second quarter of FY 2016/17



Source: *Kakamega County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.191.07 million, representing a decrease of 12.2 per cent compared to Kshs.217.54 million generated in a similar period of FY 2015/16. This revenue was 21.4 per cent of the annual local revenue target.

The County did not deposit revenue from Alcoholic drink licenses into the County Revenue Fund account at the Central Bank of Kenya Contrary to Article 207 of the Constitution.

3.11.93 Conditional Grants

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

Table 3.31: Kakamega County Analysis of Conditional Grants released in First Half of FY 2016/17

No.	Conditional Grant	Allocation based on CARA 2016 (Kshs.)	FY 2016/17 Actual receipts from Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	147,689,749	36,922,437	25.0
2	Free Maternal Healthcare	217,184,083	37,595,000	17.3
3	User Fees Foregone	38,617,147	-	-
4	DANIDA Grant	11,750,000	-	-
5	Level 5 Hospital	406,936,416	136,323,699	33.5
6	World Bank Loan	39,175,578	-	-
Total		**861,352,973.00**	**210,841,136**	**24.5**

Source: *Kakamega County Treasury*

Analysis of performance of conditional grants released during the period under review shows that the Level 5 Hospital had the highest receipts against annual target at 33.5 per cent followed by the Road Maintenance Fuel Levy Fund at 25 per cent, and Free Maternal Healthcare at 17.3 per cent. Other Conditional grants did not report any receipts.

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3.11.94 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.4.35 billion from the CRF account, which was 36.8 per cent of the Approved Supplementary Budget. This amount represents a decrease of 13.3 per cent from Kshs.5.02 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.77 billion (61.2 per cent) for recurrent expenditure and Kshs.1.78 billion (38.8 per cent) for development activities.

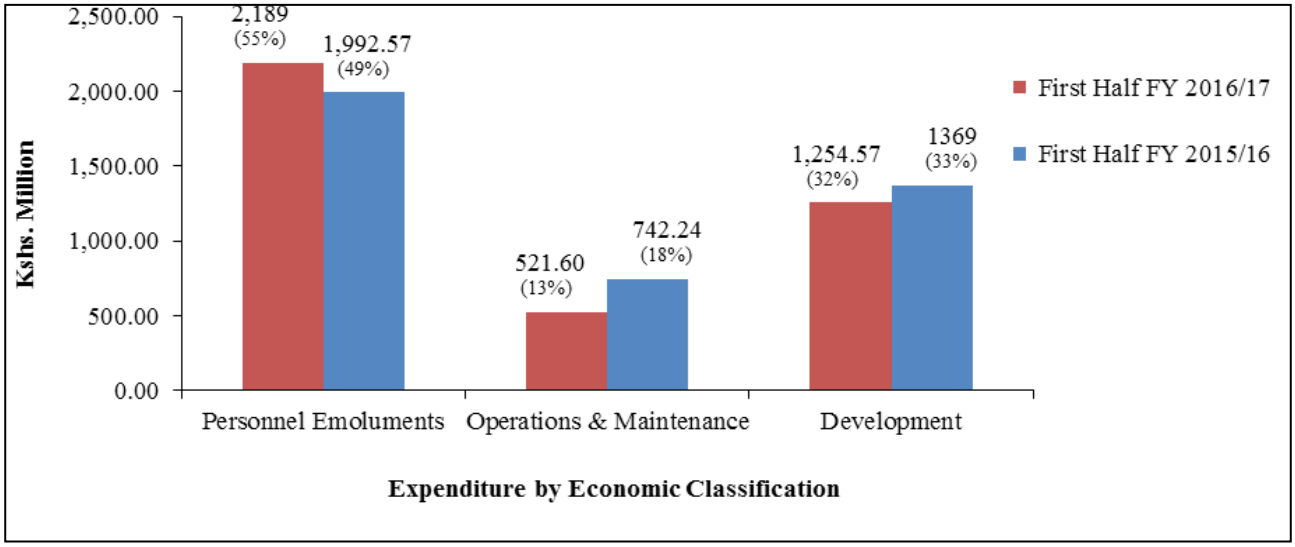
3.11.95 Overall Expenditure Review

The County spent Kshs.3.97 billion, which was 91.2 per cent of the total funds released for operations. This was a decrease of 3.2 per cent from Kshs.4.10 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.71 billion was spent on recurrent activities, while Kshs.1.25 billion was spent on development activities. The recurrent expenditure was 97.8 per cent of the funds released for recurrent activities while development expenditure accounted for 71.3 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.259.20 million for development and Kshs.99.24 million for recurrent expenditure.

The recurrent expenditure represented 44.6 per cent of the annual recurrent budget, an increase from 43.6 per cent spent in a similar period in FY 2015/16. Development expenditure recorded an absorption rate of 20.2 per cent, which was a decrease from 22.6 per cent attained in a similar period of FY 2015/16. Figure 3.32 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.32: Kakamega County, Expenditure by Economic Classification for first half of FY 2016/17 and first half of FY 2015/16



Source: *Kakamega County Treasury*

3.11.96 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.71 billion consisted of Kshs.2.19 billion (80.7 per cent) spent on personnel emoluments and Kshs.521.60 million (19.3 per cent) on operations and maintenance as shown in Figure 3.32. Expenditure on personnel emoluments represented an increase of 10.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.99 billion.

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

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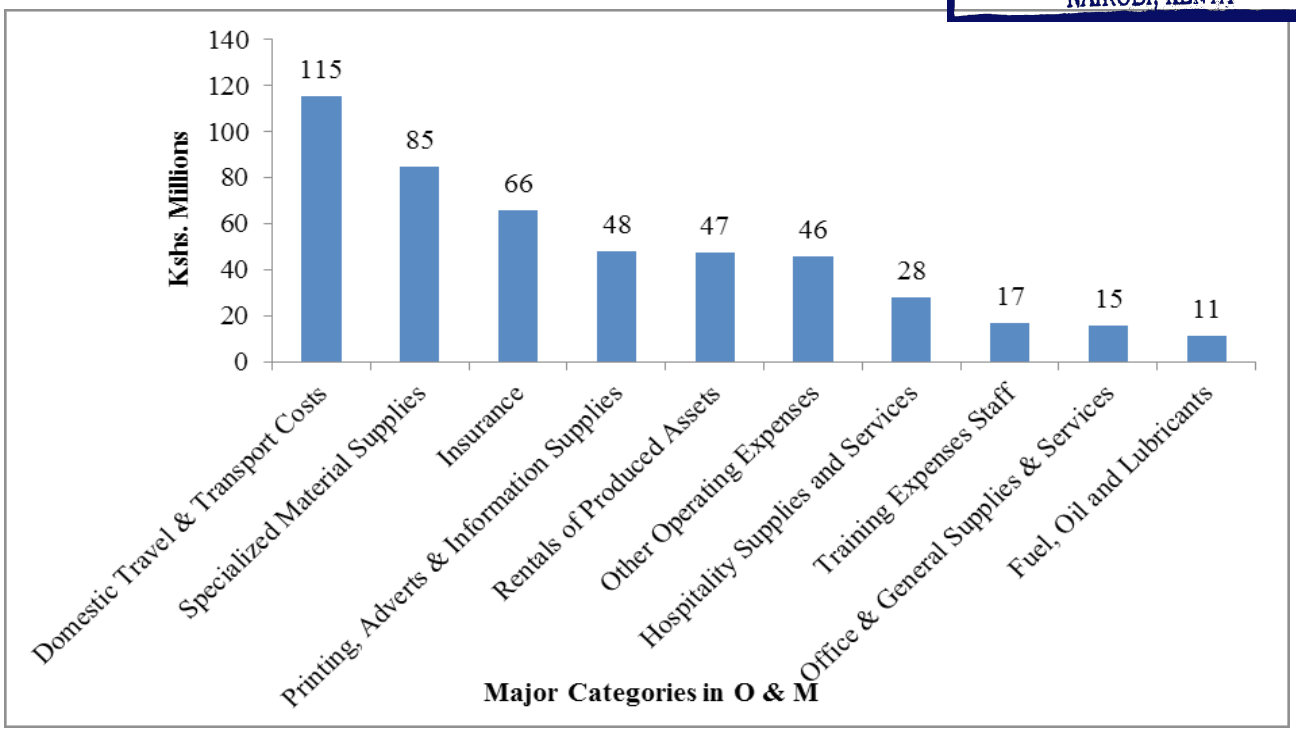
Figure 3.33: Kakamega County, Operations and Maintenance Expenditure by Major Categories for the First Half of FY 2016/17



Source: *Kakamega County Treasury*

The County spent Kshs.60.82 million on sitting allowances for the 88 MCAs and the Speaker against the annual budget allocation of Kshs.169.67 million. This was an increase of 10.7 per cent compared to Kshs.54.93 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.115,182 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.118.07 million and consisted of Kshs. 75.75 million spent by the County Assembly and Kshs.42.32 million spent by the County Executive. This was a decrease of 15.2 per cent compared to Kshs.139.21 million spent in a similar period of FY 2015/16.

3.11.97 Development Expenditure Analysis

The total development expenditure of Kshs.1.25 billion represents 20.2 per cent of the annual development budget of Kshs.6.23 billion. Table 3.32 provides a list of development projects with the highest expenditure during the period under review.

Table 3.32: Kakamega County, list of development expenditure projects with the highest expenditure for the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Construction of ECD centres	Countywide	168,500,000.00	75,000,000.00	44.6
1	Construction of Khayega-Shinyalu road in Shinyalu Sub-county	Shinyalu Sub-county	Not Availed	65,212,117.00	
2	Construction of Khayega Shinyalu	Shinyalu	Not Availed	54,926,360.00	
3	Construction of Lot 1 kari to Shieywe-Amalemba	Kakamega Town	Not Availed	53,281,171.00	

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No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
4	Construction of Kencom Rd Kakamega	Kakamega Town	Not Availed	42,338,945.00	
5	Maintenance and improvement of posta mocco road	Kakamega Town	Not Availed	39,170,247.00	
6	Scholarships, Bursary and other Educational Benefits - Tertiary Education	Countywide	172,200,000.00	32,214,618.00	18.7
7	Machine Hire for Road Construction	Countywide	Not Availed	26,994,400.00	
8	Hire of equipment and machines for 10km ward based road projects	Countywide	Not Availed	26,408,640.00	
9	Construction of Khaunga Bridge Mumias East	Mumias East	Not Availed	25,335,789.00	

Source: *Kakamega County Treasury*

Analysis of the development projects with the highest expenditure indicates that Kshs.75 million was spent on construction of ECD centres followed by Kshs.65.21 million on construction of the Khayega Shinyalu road. Nonetheless, data on budgeted amounts for most projects was not availed.

3.11.98 Budget and Budget Performance Analysis by Department

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

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

Department	Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	230.60	229.00	86.77	-	69.17	0.14	79.7		30.0	0.1
Public Service and Administration	3,972.26	176.35	1,942.67	62.30	2,034.88	15.46	104.7	24.8	51.2	8.8
County Treasury	153.30	177.15	24.20	74.40	24.49	5.00	101.2	6.7	16.0	2.8
Environment, Natural Resource, Water and Forestry	22.63	211.42	11.34	77.05	2.28	53.44	20.1	69.4	10.1	25.3
Labour, Social Services, Youth & Sports	24.95	348.09	12.60	40.42	0.75	5.57	6.0	13.8	3.0	1.6
Transport, Infrastructure & Public Works	12.92	2,052.59	7.19	853.74	3.33	698.63	46.4	81.8	25.8	34.0
Lands, Housing, Urban Areas & Physical planning	43.75	289.60	22.03	22.78	7.79	29.26	35.4	128.5	17.8	10.1
Health Services	567.65	1,173.25	226.57	271.73	116.76	231.30	51.5	85.1	20.6	19.7
Agriculture, Livestock, Fisheries & Co-operatives	66.25	514.96	30.81	27.21	8.06	22.61	26.2	83.1	12.2	4.4

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Department	Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Industrialization, Trade & Tourism	25.91	408.00	10.59	168.06	3.72	73.45	35.2	43.7	14.4	18.0
Education, Science & Technology	26.48	544.73	11.17	161.24	2.62	119.71	23.5	74.2	9.9	22.0
County Public Service Board	33.86	-	10.57	-	14.29	-	135.2	0.0	42.2	-
County Assembly	899.91	100.00	374.97	-	422.45	-	112.7	0.0	46.9	-
TOTAL	**6,080.46**	**6,225.15**	**2,771.47**	**1,758.93**	**2,710.60**	**1,254.57**	**97.80**	**71.33**	**44.58**	**20.15**

Source: *Kakamega County Treasury*

Analysis of budget performance by department shows that the Department of Transport, Infrastructure & Public Works attained the highest absorption rate of its development budget at 34 per cent while the County Assembly did not incur any development expenditure. On the other hand, the Department of Public Service and Administration had the highest percentage of recurrent expenditure to its recurrent budget at 51.2 per cent while the Department of Labour, Social Services, Youth & Sports had the lowest at 3 per cent.

3.11.99 Observations and Recommendations

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

i. Appointment of a County Audit Committee.
ii. Improved internet connectivity, resulting into effective use of IFMIS.
iii. Appointment of Accounting Officers and Chief Officers for County Departments.

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

1. Late submission of financial reports by the County Treasury.
2. Failure by MCAs to regularly repay the Car and Mortgage loans.
3. Under-performance in local revenue collection. The local revenue collection has declined by 12.2 per cent from Kshs.217.54 million in the first half of FY 2015/16 to Kshs.191.07 million in the reporting period.
4. Intermittent use of IFMIS in processing financial transactions contrary to Section 12 of the PFM Act, 2012.
5. Failure to develop legislation to operationalize some established County Public Funds such as the Mkopo Mashinani contrary to Section 116 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely submission of expenditure reports on the established County Funds in line with Section 168 of the PFM Act, 2012.*
2. *The Administrator of the Car Loan and Mortgage Fund should ensure that all disbursed loans are repaid in line with the approved Regulation.*
3. *The County Treasury should develop and implement strategies to enhance local revenue collection.*

4. *The County Treasury should ensure IFMIS is used by all county public entities in processing financial transactions.*

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5. *The County should ensure that regulations establishing any County Public Fund are in place before operationalization of the Fund in line with Section 116 of the PFM Act, 2012.*

3.12 Kericho County

3.12.100 Overview of the FY 2016/17 Budget

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

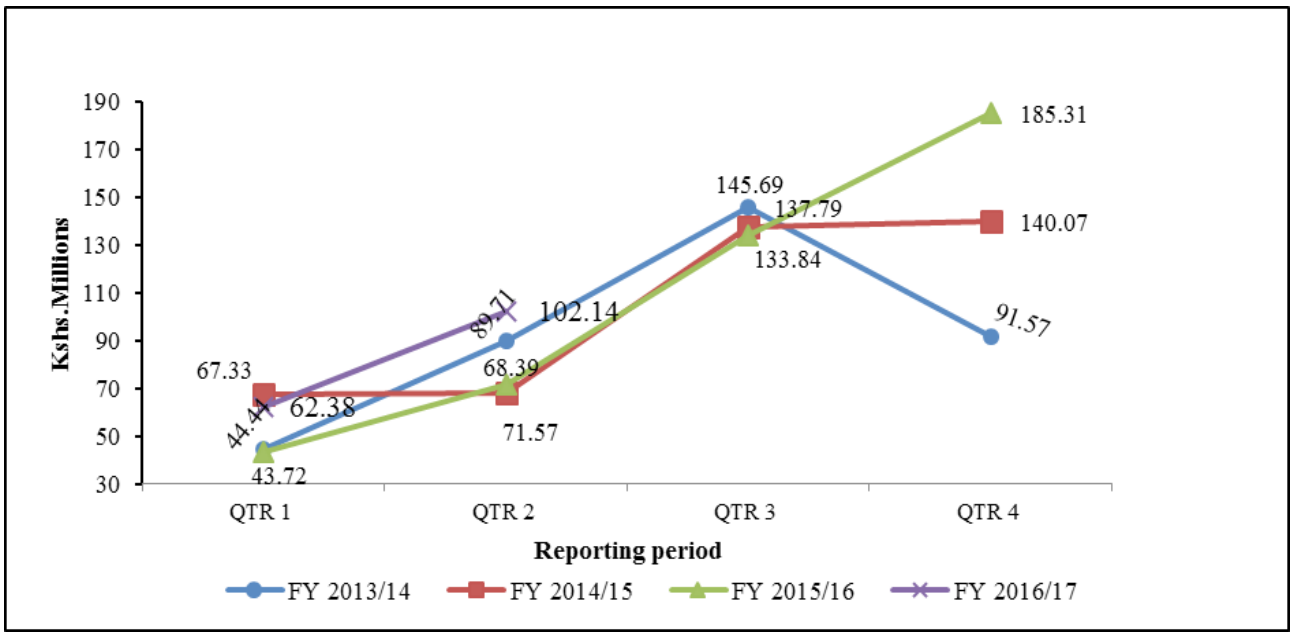
To finance the budget, the County expects to receive Kshs.4.86 billion (77.9 per cent) as equitable share of revenue raised nationally, Kshs.192.30 million (3.1 per cent) as total conditional grants, generate Kshs.620.35 million (9.9 per cent) from local revenue sources, Kshs.27.18 million (0.4 per cent) as a grant from the World Bank for Kenya Devolution Support Programme, and Kshs.540.37 million (8.7 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.89.33 million (46.5 per cent) for Free Maternal Healthcare, Kshs.74.69 million (38.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.31 million (8.3 per cent) for User Fees Foregone, and Kshs.9.97 million (5.2 per cent) from DANIDA as outlined in CARA, 2016.

3.12.101 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.2.07 billion as equitable share of the revenue raised nationally, Kshs.86.18 million as total conditional allocations, raised Kshs.163.92 million from local revenue sources, and had a cash balance of Kshs.540.37 million brought forward from FY 2015/16.

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

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



Source: *Kericho County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.163.92 million which is an increase of 42.2 per cent compared to Kshs.115.29 million generated in a similar period of FY 2015/16. This revenue was 26.4 per cent of the annual local revenue target.

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3.12.102 Conditional Grants

Table 3.34 shows an analysis of conditional grants released in the first half of FY 2016/17.

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

No.	Conditional Grant	Allocation based on CARA 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	74,689,564	37,344,782	50.0
2	User Fees Foregone	18,313,556	9,156,778	50.0
3	Free Maternal Healthcare	89,327,921	39,675,000	44.4
4	DANIDA Grant	9,965,000	-	-
Total		**192,296,041**	**86,176,560**	**44.8**

Source: *Kericho County Treasury*

Analysis of conditional grants released during the period under review shows that, the County realised 50 per cent from both the Road Maintenance Fuel Levy Fund and User Fees Forgone, and 44.4 per cent from Free Maternal Healthcare grant.

3.12.103 Exchequer Issue

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.80 billion from the CRF account, which was 44.9 per cent of the Approved Budget. This amount represents an increase of 16.0 per cent from Kshs.2.42 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.77 billion (63.3 per cent) for recurrent expenditure and Kshs.1.03 billion (36.7 per cent) for development activities.

3.12.104 Overall Expenditure Review

The County spent Kshs.2.63 billion, which was 93.9 per cent of the total funds released for operations. This was a significant increase of 27.1 per cent from Kshs.2.07 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.67 billion was spent on recurrent activities, while Kshs.962.27 million was spent on development activities. The recurrent expenditure was 94.2 per cent of the funds released for recurrent activities while development expenditure accounted for 93.5 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.315.74 million for development and Kshs.25.88 million for recurrent expenditure.

The recurrent expenditure represented 43.4 per cent of the annual recurrent budget, a marginal increase from 41.2 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 40.2 per cent, which was also a slight increase from 39.8 per cent attained in a similar period of FY 2015/16. Figure 3.35 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

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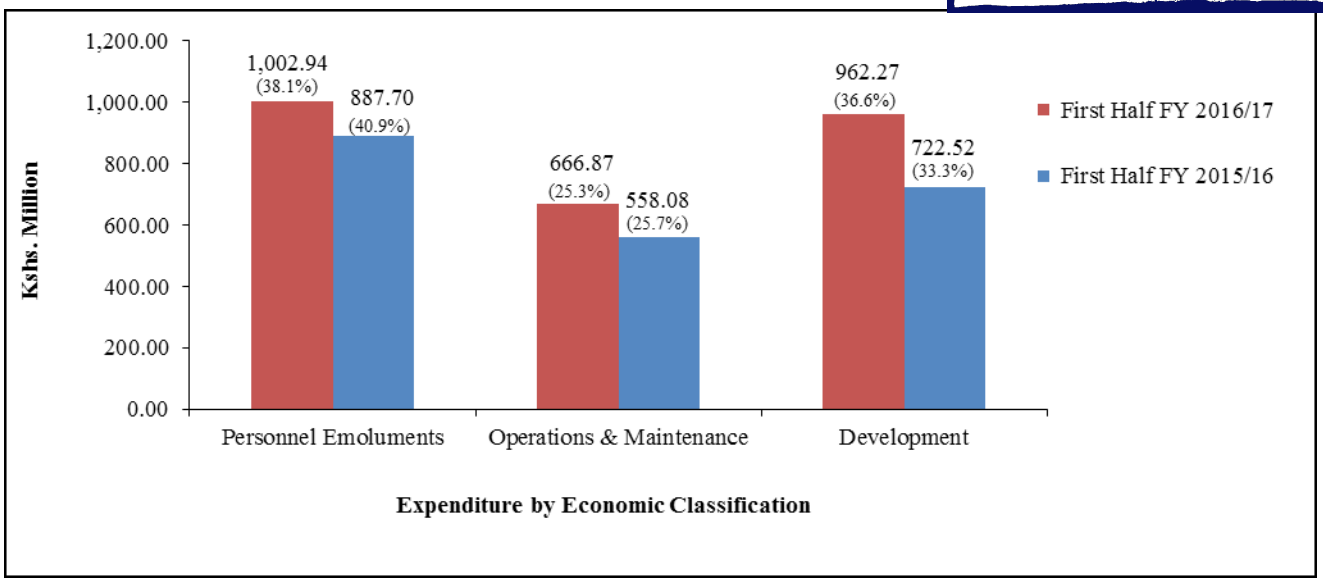
Figure 3.35: Kericho County, Expenditure by Economic Classification for first half of FY 2016/17 and first half of FY 2015/16



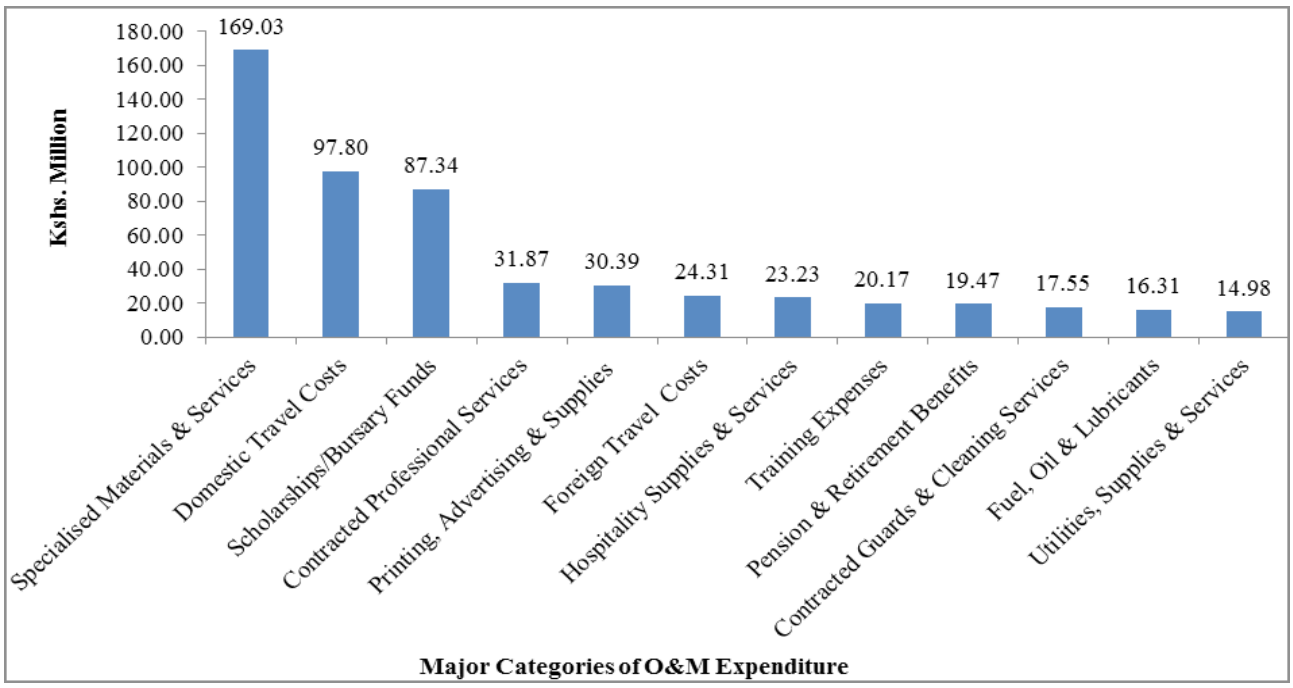
Source: *Kericho County Treasury*

3.12.105 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.67 billion consisted of Kshs.1 billion (60.1 per cent) spent on personnel emoluments and Kshs.666.87 million (39.9 per cent) on operations and maintenance as shown in Figure 3.35. Expenditure on personnel emoluments represents an increase of 13 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.887.7 million.

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

Figure 3.36: Kericho County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Kericho County Treasury*

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The County spent Kshs.32.71 million on sitting allowances for the 47 MCAs and the Speaker against the annual budget allocation of Kshs.84.59 million. This was a decrease of 10.4 per cent compared to Kshs.36.51 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.115,577 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

An aggregate expenditure on domestic and foreign travel amounted to Kshs.122.12 million and consisted of Kshs.63.97 million spent by the County Assembly and Kshs.58.15 million spent by the County Executive. This was an increase compared to Kshs.88.47 million spent in a similar period of FY 2015/16.

3.12.106 Development Expenditure Analysis

The total development expenditure of Kshs.962.27 million represents 40.2 per cent of the annual development budget of Kshs.2.39 billion. Table 3.35 provides a list of development projects with the highest expenditure during the period under review.

Table 3.35 : Kericho County, Summary of ten Development projects with Highest Expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption (%)
1	Completion of 319 km span of developed and maintained rural access roads for FY 2015/2016	Across 30 wards	614,585,465	601,860,669	97.9
2	A close to 135 newly constructed & completion of pre- existing ECDE nursery classrooms	Within 30 wards	97,500,000	65,119,462	66.8
3	Designing & construction of road drainage structures, infrastructures & other civil works (Bridges & culverts)	Across 30 wards	50,378,361	44,588,111	88.5
4	Construction of water & sewerage infrastructures including pipelines works to benefit areas not serviced by KEWASCO	Sub-counties	40,007,512	40,007,512	100
5	Maintenance of urban access roads & drainage systems	Urban areas	36,800,000	35,450,493	96.3
6	Emergency funds- all works, services & goods attributed to unforeseen circumstances	Across the County	113,500,000	22,000,325	19.4
7	Construction of market sheds & installation of cattle weighing machine in newly rehabilitated slaughter houses	Sub-counties	35,556,524	21,800,696	61.3
8	Construction of perimeter wall within the County Assembly premises & rehabilitation of County office buildings	County Headquarter & County Assembly premises	16,313,212	18,953,188	116.2
9	Construction & completion of health centers & dispensaries	57 centers across the County	18,722,485	18,722,485	100
10	Construction & rehabilitation of existing residential rental estates	Belgut & Moi Lower estates	14,092,264	14,092,264	100
	Total		**1,037,455,823**	**882,595,205**	**85.1**

Source: *Kericho County Treasury*

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Analysis of the development expenditure indicates that the highest expenditure of Kshs.601.86 million was incurred by the Public Works, Roads & Transport Department on FY 2015/16 pending bills relating to road works across the 30 wards. The second highest expenditure of Kshs.65.12 million was spent by the Education, Youth, Culture & Social Services Department in construction of 135 ECDE classrooms. The department of Public Works utilized Kshs.44.59 million in design & construction of road drainage structures, infrastructure & other civil works (bridges & culverts) while Kshs.40.01 million was incurred on establishment of water and sewerage infrastructure in areas not serviced by Kericho Water and Sewerage Company (KEWASCO).

3.12.10 Budget and Budget Performance Analysis by Department

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

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

Department	Budget Allocation (Kshs. Million)		First Half of FY 2016/17 Exchequer Issues (Kshs. Million)		First Half of FY 2016/17 Expenditure (Kshs. Million)		First Half of FY 2016/17 Expenditure to Exchequer Issues (%)		First Half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	612.30	-	269.35	-	253.50	-	94.1	-	41.4	-
Public Service and Administration	294.10	41.91	131.77	-	122.40	-	92.9	-	41.6	-
Office of the Governor & Deputy Governor	146.43	-	79.26	-	95.98	-	121.1	-	65.5	-
County Public Service Board	58.39	-	26.38	-	18.38	-	69.7	-	31.5	-
Finance &Economic Planning	356.39	180.67	73.26	27.00	98.29	22.00	134.2	81.5	27.6	12.2
Agriculture, Livestock &Fisheries	177.29	231.06	86.88	60.00	79.18	25.76	91.1	42.9	44.7	11.2
Environment, Water, Energy & Natural Resources	84.08	228.54	40.06	70.00	38.75	51.74	96.7	73.9	46.1	22.6
Education ,Youth, Culture & Social services	508.35	341.11	218.40	65.00	194.55	68.00	89.1	104.6	38.3	19.9
Health Services	1,374.97	298.41	738.41	113.00	673.40	28.37	91.2	25.1	49.0	9.5
Land, Housing & Physical Planning	45.18	81.92	21.25	10.00	18.30	35.35	86.2	353.5	40.5	43.2
Public Works, Roads & Transport	63.11	818.45	27.49	634.02	26.32	695.92	95.7	109.8	41.7	85.0
ICT & E-Government	41.15	77.55	21.85	20.00	14.03	11.37	64.2	56.8	34.1	14.7
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	88.33	91.54	38.53	30.00	36.72	23.75	95.3	79.2	41.6	25.9
TOTAL	**3,850.07**	**2,391.15**	**1,772.89**	**1,029.02**	**1,669.81**	**962.27**	**94.2**	**93.5**	**43.4**	**40.2**

Source: *Kericho County Treasury*

Analysis of budget performance by department shows that the Department of Public Works, Roads & and Transport attained the highest absorption rate of its development budget at 85 per cent while the County

Assembly , Public Service & Administration, Office of the Governor and County Public Service Board did not incur any development expenditure. On the other hand, the Office of the Governor reported the highest percentage of recurrent expenditure to recurrent budget at 65.5 per cent while the County Public Service Board registered the lowest percentage at 31.5 per cent.

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3.12.108 Observations and Recommendations

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

i. Timely submission of quarterly reports by the County Government entities to the Office of the Controller of Budget in line with Section 166 of the PFM Act, 2012.
ii. Improvement in local revenue collection by 43.6 per cent from Kshs.115.29 million in the first half of FY 2015/16 to Kshs.163.92 million in the reporting period

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

1. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and processing of payments to suppliers.
2. High wage bill that has risen by 13 per cent from Kshs. 887.70 million in the first half of FY 2015/16 to Kshs.1 billion during the period under review.

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

1. *The County Treasury should liaise with the IFMIS Directorate to address the operational delays and downtime challenges hampering effective application of IFMIS and the E-procurement module.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

3.13 Kiambu County

3.13.109 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was 12.76 billion, comprising of Kshs.8.77 billion (68.7 per cent) and Kshs.3.99 billion (31.3 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.05 billion (63.5 per cent) as equitable share of revenue raised nationally, Kshs.849.4 million (6.7 per cent) as total conditional grants, generate Kshs.3.77 billion (29.7 per cent) from local revenue sources, and Kshs.78.10 (0.6 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.393.06 million (46.3 per cent) for the Thika Level V hospital, Kshs.221.52 million (26.1 per cent) for Free Maternal Healthcare, Kshs.123.74 million (14.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.35.77 million (4.2 per cent) for User Fees Foregone, Kshs.9.6 million (1.1 per cent) from DANIDA, and Kshs.65.34 million (7.7 per cent) from Other Loans and Grants.

3.13.110 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.3.59 billion as equitable share of the revenue raised nationally, Kshs.375.49 million as total conditional allocations, raised Kshs.874.64 million from local revenue sources, and had a cash balance of Ksh.78.11 million brought forward from FY 2015/16.

Figure 3.37 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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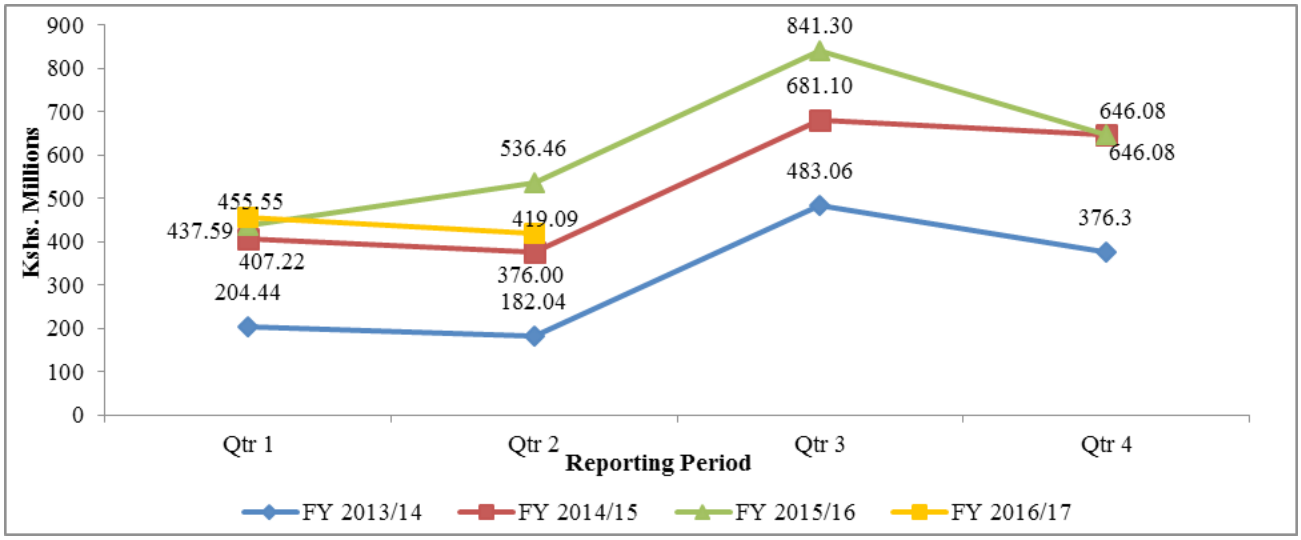
Figure 3.37: Kiambu County, Trend in Local Revenue Collection by quarter from FY 2013/14 to second quarter FY 2016/17



Source: *Kiambu County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.874.64 million, representing a decrease of 10.2 per cent compared to Kshs.974.05 million generated in a similar period of FY 2015/16. This revenue was 23 per cent of the annual local revenue target.

3.13.111 Conditional Grants

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

Table 3.37: Kiambu County analysis of conditional grant released in First Half of FY 2016/17

No.	Conditional Grant	Allocations based on CARA 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	123,738,238	61,869,118	50.0
2	Free Maternal Healthcare	221,521,352	97,237,500	43.9
3	User Fees Foregone	35,773,082	17,886,541	50.0
4	DANIDA Grant	9,600,000	0	0.0
5	Level 5 Hospital	393,063,584	198,497,109	50.5
6	World Bank Loan	35,253,497	0	0.0
7	Other Loans and Grants	30,087,000	30087000	100.0
Total		**849,036,753**	**405,577,268**	**47.8**

Source: *Kiambu County Treasury*

Analysis of the conditional grants released in the period under review indicates that, the Thika level V Hospital, Roads Maintenance Levy Fund and User Fees Foregone recorded the highest receipts of funds at 50 per cent

while Free Maternal Healthcare received 43.9 per cent. Donor funds from UN Habitat that had been rolled over from FY 2015/16 were received in full.

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3.13.112 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.76 billion from the CRF account, which was 37.33 per cent of the Supplementary Budget. This amount represents an increase of 6.95 per cent from Kshs.4.45 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.78 billion (79.5 per cent) for recurrent expenditure and Kshs.977.50 million (20.5 per cent) for development activities.

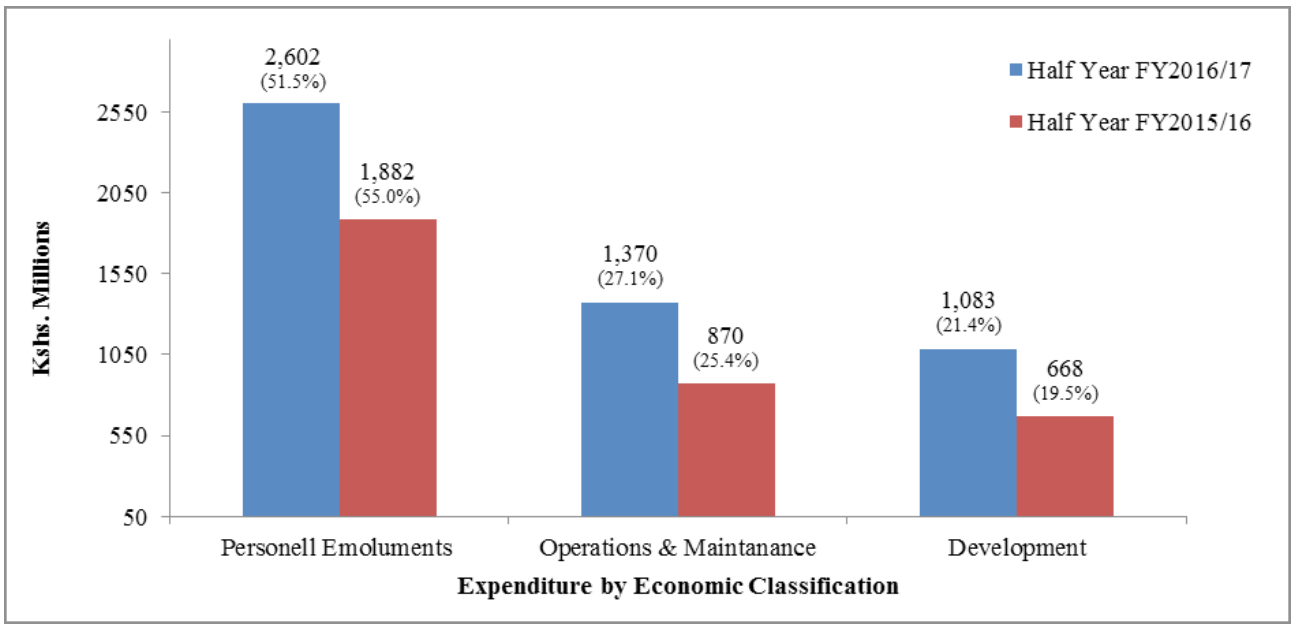
3.13.113 Overall Expenditure Review

The County spent Kshs.5.05 billion, which was 106.09 per cent of the total funds released for operations. This was an increase of 35.4 per cent from Kshs.3.73 billion spent in a similar period of FY 2015/16.

A total of Kshs.3.97 billion was spent on recurrent activities and Kshs.1.08 billion was spent on development activities. The recurrent expenditure was 105.1 per cent of the funds released for recurrent activities while development expenditure accounted for 110.8 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.321.75 million for development and Kshs.461.7 million for recurrent expenditure.

The recurrent expenditure represented 45.3 per cent of the annual recurrent budget, an increase from 34.3 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 27.2 per cent, which was an increase from 24.5 per cent attained in a similar period of FY 2015/16. Figure 3.38 presents a comparison between the total expenditure in the first half of FY 2016/17and first half of FY 2015/16.

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



Source: *Kiambu County Treasury*

3.13.114 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.97 billion consisted of Kshs.2.60 billion (65.5 per cent) spent on personnel emoluments and Kshs.1.37 billion (34.5 per cent) on operations and maintenance as shown in

Figure 3.39.Expenditure on personnel emoluments represents an increase of 38.3 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.88 billion.

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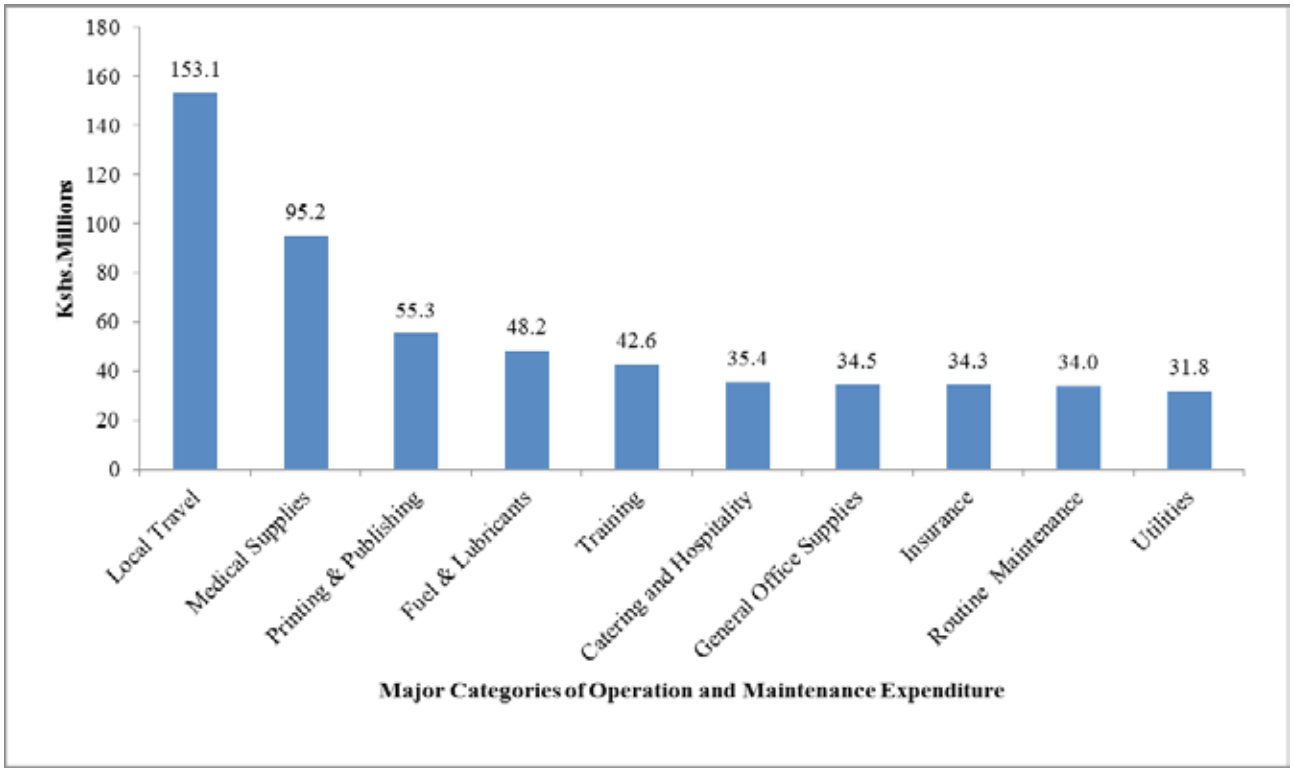
Figure 3.39 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.39:Kiambu County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



***Source**: Kiambu County Treasury*

The County spent Kshs.47.4 million on sitting allowances for the 87 MCAs and the Speaker against the annual budget allocation of Kshs.100 million. This was a decrease compared to Kshs.53.22 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.89,767 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.176.07 million and consisted of Kshs.104.5 million spent by the County Executive and Kshs.71.5 million spent by the County Assembly. This was an increase compared to Kshs.131.91 million spent in a similar period of FY 2015/16.

3.13.115 Development Expenditure Analysis

The total development expenditure of Kshs1.08 billion represents 27.2 per cent of the annual development budget of Kshs.3.99 billion. Table 3.38 provides a list of development projects with the highest expenditure during the period under review.

Table 3.38: Kiambu County, List of Development Projects with the Highest Expenditure For The First Half of FY 2016/17

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No.	Project name	Ward(Location of the project)	Annual bugdget(Kshs.)	Expenditure as at 31st December,2016	Absorption rate (%)
1	Construction of Wangige Level four Hospital	Wangige	310,000,000	10,252,066	3.3
2	Construction of three storeyed type medical ward block at Tigoni sub district hospital	Tigoni	310,000,000	23,566,940	7.6
3	Construction of bio digester at Gatundu Level four Hospital	Gatundu	310,000,000	14,700,000	4.7
4	Purchase of 3 advanced ambulances	Kiambu Headquarters	22,000,000	21,999,999	100
5	Construction and Rehabilitation of Gatitu Road	Thika Town	330,000,000	51,706,127	15.7
6	Construction and Rehabilitation of Githunguri CBD	Githunguri Town	330,000,000	40,989,084	12.4
7	Proposed market re-roofing and storm drainage un-clogging of wangige market	Wangige	214,000,000	19,036,747	8.9
8	Proposed rehabilitation & construction Ruiru Stadium	Gitothua-Ruiru	30,000,000	13,638,048	45.5
9	Supply of skip loaders	Kiambu Headquarters	31,000,000	11,598,000	37.4
Total			**1,887,000,000**	**207,487,011**	**11**

Source: *Kiambu County Treasury*

Analysis of development expenditure by project indicates that, the highest expenditure of Kshs.92.6 million was incurred on construction and rehabilitation of roads in Thika and Githunguri towns, Kshs.10.25 million on the ongoing construction of Wangige Level Four hospital, Kshs.23.57 million on construction the Tigoni Sub district hospital; Kshs.14.7 million on construction of a bio digester at Gatundu Level Four hospital and Kshs.22 million on purchase of advanced ambulances. Other expenditure includes; Kshs.19.04 million on re-roofing and storm drainage works of Wangige market, Kshs.13.64 million on rehabilitation of the Ruiru stadium, and Kshs.11.6 million on acquisition of skip loaders.

3.13.116 Budget and Budget Performance Analysis by Department

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

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Table 3.39: Kiambu County, First Half FY2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First half FY 2016/17 Exchequer Issues (Kshs. Million)		First half FY 2016/17 Expenditure (Kshs. Million)		First half FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	906.25	47.64	367.5	12	362.32	3.58	98.6	29.8	40.0	7.5
County Executive	367.13	7.2	137.4	0	132	2.84	96.1		36.0	39.4
County Public Service Board	62.52	-	21.45	0	19.12	0	89.1		30.6	
Finance and Econ. Planning	1,342.90	38	492.54	0	636.67	0	129.3		47.4	0.0
Administrative & Public Service	483.17	91.8	253.3	0	249.38	0.76	98.5		51.6	0.8
Agriculture, Livestock & Fisheries	396.83	260.56	197.18	6.5	185.68	30.18	94.2	464.3	46.8	11.6
Water, Environment & Natural Resources	253.22	332.2	130.03	73.81	106.12	40.99	81.6	55.5	41.9	12.3
Health Services	3,199.19	1,030.06	1,599.78	381.32	1,824.73	196.08	114.1	51.4	57.0	19.0
Education, Culture, ICT & Social Services	680.31	282.07	174.27	35.21	185.84	61.58	106.6	174.9	27.3	21.8
Youth, Sports & Communications	151.88	338.86	23.69	69.32	15.16	102.32	64.0	147.6	10.0	30.2
Lands, Physical Planning & Housing	176.77	169.14	68.47	7.55	62.87	12.41	91.8	164.4	35.6	7.3
Trade, Tourism, Industry & Cooperative	268.65	166.82	91.75	64.6	41.12	68.83	44.8	106.5	15.3	41.3
Roads, Transport & Public Works	481.06	1,125.67	220.85	327.2	150.01	563.82	67.9	172.3	31.2	50.1
Total	**8,769.88**	**3,890.02**	**3,778.21**	**977.51**	**3,971.02**	**1,083.39**	**105.1**	**110.8**	**45.3**	**27.2**

Source: *Kiambu County Treasury*

Analysis of budget performance by department shows that the Department of Roads, Transport and Public Works attained the highest absorption rate for development expenditure at 50.09 per cent while the Finance and Economic Planning Department did not report any development expenditure. On the other hand, the Health Services Department realized the highest percentage of expenditure to its recurrent budget at 57 per cent followed by Administration and Public Works Department at 51.6 per cent, while the Department of Youth and Sports had the lowest at 9.98 per cent.

3.13.117 Observations and Recommendations

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

1. Streamlining management of the established County Funds through appointment of fund administrators.
2. Improvement in the utilization of development funds from an absorption rate of 24.5 per cents in the first six months of FY 2015/16 to 27.2 per cent in the period under review.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of the budget implementation report.

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

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

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3.14 Kilifi County

3.14.118 Overview of the FY 2016/17 Budget

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

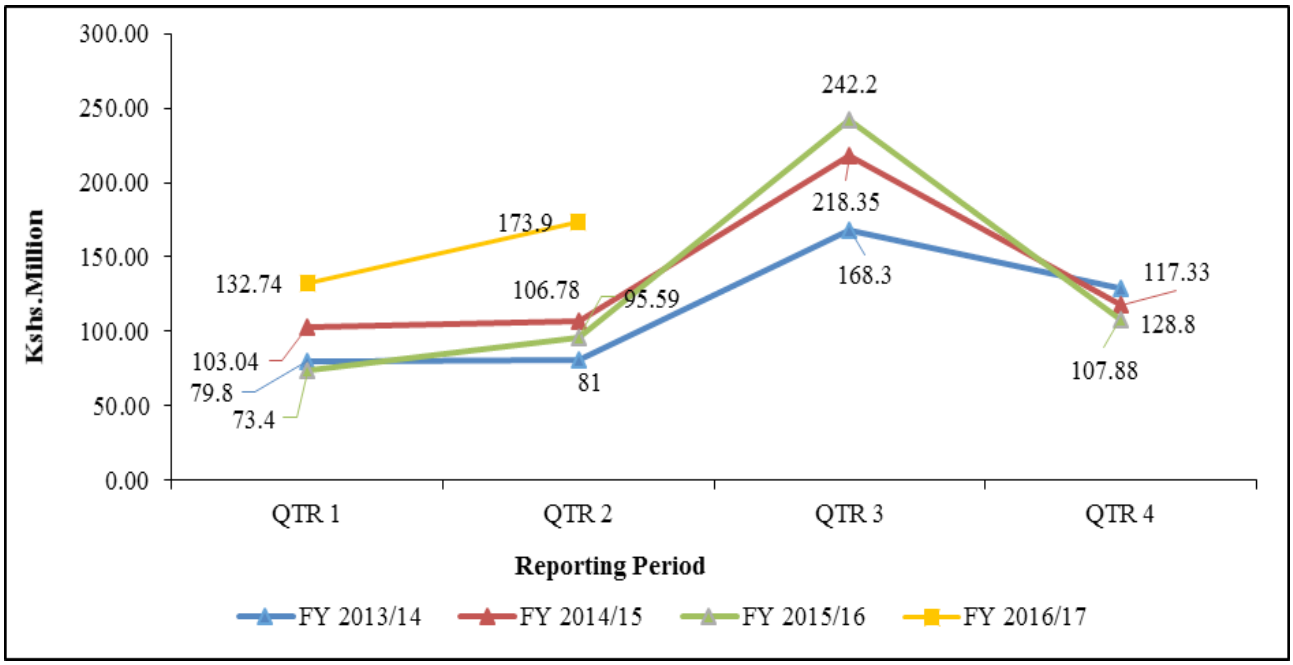
To finance the budget, the County expects to receive Kshs.8.03 billion (61.6 per cent) as equitable share of revenue raised nationally, Kshs.584.79 million (4.5 per cent) as total conditional grants, g generate Kshs.1.59 billion (12.2 per cent) from local revenue sources, and Kshs.2.83 billion (21.7 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.181.67 million (31.1 per cent) for Free Maternal Healthcare, Kshs.123.37 million (21.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.39 million (4.5 per cent) for User Fees Foregone, Kshs.7.77 million (1.3 per cent) from DANIDA, Kshs.114.66 million (19.6 per cent) as a loan from World Bank, Kshs.95.74 million (16.4 per cent) for Leasing of Medical Equipment, and Kshs.35.19 million (6.0 per cent) as World Bank, Kenya Devolution Support Program Capacity & Performance Grant.

3.14.119 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.3.41 billion as equitable share of the revenue raised nationally, Kshs.30 million as total conditional allocations, raised Kshs.306.65 million from local revenue sources, and had a cash balance of Kshs.121.27 million brought forward from FY 2015/16.

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

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



Source: *Kilifi County Treasury*

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The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.306.64 million which is an increase of 81.5 per cent compared to Kshs.168.99 million generated in a similar period of FY 2015/16. This revenue was 19.3 per cent of the annual local revenue target.

3.14.120 Conditional Grants

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

Table 3.40: Kilifi County analysis of conditional grants released in First Half of FY 2016/17

No.	Conditional Grant	Annual allocation based on CARA 2016 (Kshs.)	Actual receipts for the First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	123,368,108	30,842,027	25
2	Free Maternal Healthcare	181,669,778	-	-
3	User Fees Foregone	26,392,597	-	-
4	Leasing of Medical Equipment	95,744,681	-	-
5	DANIDA Grant	7,765,000	-	-
6	World Bank Loan	114,657,642	-	-
7	World Bank, Kenya Devolution Support Program Capacity &Performance Grant. (Not contained in CARA, 2016)	35,193,507	-	-
Total		**584,791,313**	**30,842,027**	**5.3**

Source: *Kilifi County Treasury*

Analysis of conditional grants shows that as at the end of December, 2016, the County had received Kshs.30.84 million from the Road Maintenance Fuel Levy Fund. The County Treasury did not report any receipts from the other categories of conditional grants.

3.14.121 Exchequer Issues

During the reporting period, The Controller of Budget authorised withdrawal of Kshs.3.87 billion from the CRF account, which was 29.7 per cent of the Approved Budget. This amount represents an increase of over 100 per cent from Kshs.1.42 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.47 billion (63.7 per cent) for recurrent expenditure and Kshs.1.40 billion (36.3 per cent) for development activities.

3.14.122 Overall Expenditure Review

The County spent Kshs.4.23 billion, which was 109.2 per cent of the total funds released for operations. This was an increase of 52.2 per cent from Kshs.2.78 million spent in a similar period of FY 2015/16.

A total of Kshs.2.53 billion was spent on recurrent activities, while Kshs.1.69 billion was spent on development activities. The recurrent expenditure was 102.7 per cent of the funds released for recurrent activities while development expenditure accounted for 120.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.376.71 million for development and Kshs.333.27 million for recurrent expenditure.

The recurrent expenditure represented 41.7 per cent of the annual recurrent budget, an increase from 38.5 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 24.4 per cent, which was an increase from 10.5 per cent attained in a similar period of FY 2015/16. Figure 3.41 presents

a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

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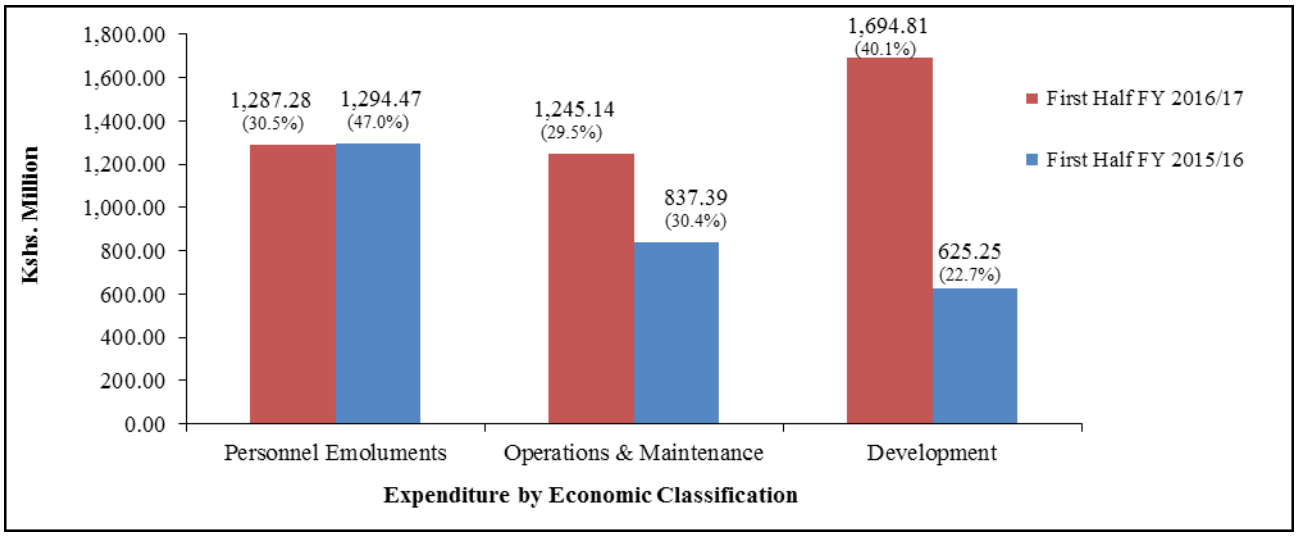
Figure 3.41: Kilifi County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16



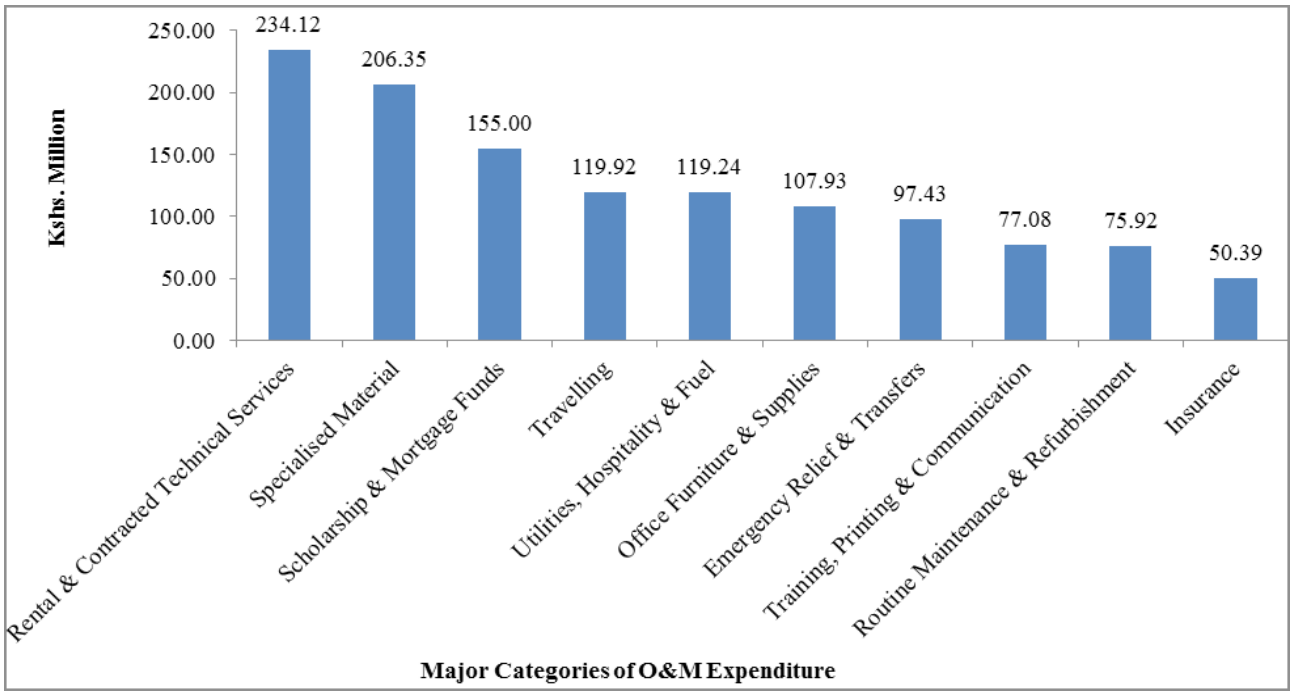
Source: *Kilifi County Treasury*

3.14.123 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.53 billion comprised of Kshs.1.287 billion (50.8 per cent) spent on personnel emoluments and Kshs.1.24 million (49.2 per cent) on operations and maintenance as shown in Figure 3.41. Expenditure on personnel emoluments represented a slight decrease of 0.6 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.294 billion.

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

Figure 3.42: Kilifi County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Kilifi County Treasury*

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The County spent Kshs.31.90 million on sitting aallowances for the 53 MCAs and the Speaker against the annual budget allocation of Kshs.80.71 million. This was a decrease of 11.4 per cent compared to Kshs.36 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.98,431 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.119.92 million and consisted of Kshs.50.21 million spent by the County Assembly and Kshs.69.71 million spent by the County Executive. This was a decrease of 29.9 per cent compared to Kshs.171.09 million spent in a similar period of FY 2015/16.

3.14.124 Development Expenditure Analysis

The total development expenditure of Kshs.1.69 billion represents 24.4 per cent of the annual development budget of Kshs.6.95 billion. Table 3.41 provides a list of development projects with the highest expenditure during the period under review.

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

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Purchase of Boats	Sokoni	14,870,750.00	14,870,750.00	100
2	Construction of Mjanaheri Market	Gongoni	4,000,000	3,791,552.80	94.8
3	Purchase of Fertilizer	County wide	22,000,000	15,802,500.00	71.8
4	Renovation of the Trade department headquarters	Sokoni	12,500,003.00	6,031,959.40	48.3
5	Mariakani market stalls	Mariakani	4,320,000.00	2,001,319.00	46.3
6	Construction of Kwajiwa Market phase II	Sokoni	25,000,000	9,288,537.60	37.2
7	Construction of Assembly Office Complex	Malindi	370,000,000	128,923,260	34.8
8	Mtwapa market phase II	Shimo la Tewa	89,950,635	28,560,613.00	31.8
9	Capacity building and sensatization on Mbegu Fund	County wide	50,000,000	12,389,350.00	24.8
10	Completion of Mariakani Highrise	Mariakani	41,044,688.00	7,208,465.05	17.6
Total			**633,686,076.00**	**228,868,306.85**	**36.1**

Source: *Kilifi County Treasury*

Analysis of development expenditure by project shows that the purchase of boats attained the highest absorption rate of its development budget at 100 per cent, followed by the construction of the Mjanaheri market, which attained an absorption rate of 94.8 per cent, while the Purchase of Fertilizer attained 71.8 per cent.

3.14.125 Budget and Budget Performance Analysis by Department

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

Table 3.42: Kilifi County, Budget Performance by Department for the First Half of FY 2016/17

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Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	774.92	415.14	365.00	100.00	387.54	128.92	106.2	128.9	50.0	31.1
County Executive	342.25	-	124.93	0.00	138.00	-	110.5		40.3	-
Finance and Economic Planning	567.91	40.06	173.41	0.00	181.45	6.73	104.6	-	32.0	16.8
Agriculture, Livestock and Fisheries	300.99	478.52	135.87	117.14	119.71	120.64	88.1	103.0	39.8	25.2
Water, Environment, Natural Resources and Solid Waste Management	174.36	1,144.19	89.19	202.21	96.84	371.38	108.6	183.7	55.5	32.5
Education, Sports and Youth Affairs	698.06	1,211.66	313.35	188.52	213.36	301.40	68.1	159.9	30.6	24.9
County Health Services	1,949.51	990.29	691.04	286.50	883.40	155.43	127.8	54.3	45.3	15.7
Roads, Transport & Public Works	209.97	1,559.06	112.54	150.98	108.69	376.95	96.6	217.8	51.8	24.2
Lands, Physical Planning, Housing and Energy	235.33	308.41	97.22	173.11	110.70	48.03	113.9	93.6	47.0	15.6
ICT, E-Government, Culture And Social Services	110.4	215.23	56.56	51.29	54.71	47.43	96.7	92.5	49.6	22.0
Trade Development And Regulation	80.58	438.55	41.63	92.38	25.14	96.61	60.4	104.6	31.2	22.0
Public Service Board	67.03	-	33.47	0.00	29.87	-	89.3		44.6	-
Public Service Management	565.49	153.49	232.81	41.88	183.02	41.29	78.6	98.6	32.4	26.9
TOTAL	**6,076.82**	**6,954.61**	**2,467.00**	**1,404.00**	**2,532.43**	**1,694.81**	**102.7**	**120.7**	**41.7**	**24.4**

Source: *Kilifi County Treasury*

Analysis of budget performance by department shows that the Department of Water, Environment, Natural Resources and Solid Waste Management attained the highest absorption rate of both development and recurrent budgets at 32.5 per cent 55.5 per cent respectively.

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3.14.126 Observations and Recommendations

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

i. Improvement in budget implementation. The County spent Kshs.4.23 billion during the reporting period, which represents an increase of 52.2 per cent from Kshs.2.78 million spent in a similar period of FY 2015/16.
ii. Improvement in local revenue collection by 81.5 per cent from Kshs.168.99 million in the first half of FY 2015/16 to Kshs.306.64 million 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 the budget implementation review report.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
3. The County has not constituted the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation in the budget process.

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

1. *The County Treasury should ensure timely submission of financial reports in line with Section 166 of the PFM Act, 2012.*
2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
3. *The County should establish an effective CBEF for consultation in the budget and economic processes in line with Section 137 of the PFM Act, 2012.*

3.15 Kirinyaga County

3.15.127 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.5.14 billion, comprising of Kshs.3.24 billion (63.2 per cent) and Kshs.1.89 billion (36.8 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.82 billion (74.3 per cent) as equitable share of revenue raised nationally, Kshs.167.18 million (3.3 per cent) as total conditional grants, generate Kshs.460 million (9 per cent) from local revenue sources, and Kshs.448.95 million (8.7 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.45.39 million (27.2 per cent) for Free Maternal Healthcare, Kshs.58.66 million (35.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.11.63 million (7.0 per cent) for User Fees Foregone, Kshs.6.39 million (3.8 per cent) from DANIDA, Kshs.24.6 million (14.7 per cent) as World Bank Loan and Kshs.20.52 million (12.3 per cent) from Other Loans and Grants.

3.15.128 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.62 billion as equitable share of the revenue raised nationally, Kshs.52.58 million as total conditional allocations, raised Kshs.127.30 million from local revenue sources, and had a cash balance of Kshs.448.95 million brought forward from FY 2015/16.

Figure 3.43 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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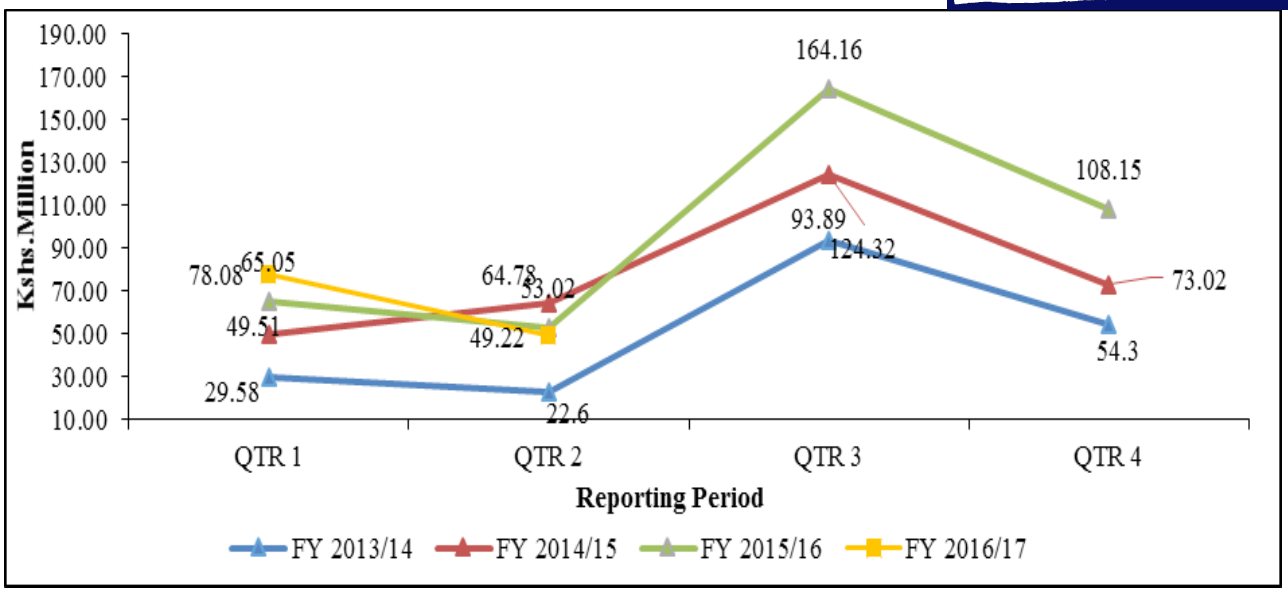
Figure 3.43: Kirinyaga County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter of FY 2016/17



Source: *Kirinyaga County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.127.30 million which is an increase of 7.8 per cent compared to Kshs.118.07 million generated in a similar period of FY 2015/16. This revenue was 27.7 per cent of the annual local revenue target.

3.15.129 Conditional Grants

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

Table 3.43: Kirinyaga County Analysis of Conditional Grants released in First Half of FY 2016/17

No.	Conditional Grant	Amount allocations based on CARA 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	58,660,195.00	29,330,098.00	50.0
2	Free Maternal Healthcare	45,389,754.00	23,245,039.00	51.2
3	User Fees Foregone	11,625,078.00	-	0.0
4	DANIDA Grant	6,385,000.00	-	0.0
5	World Bank Loan	24,601,287.00	-	0.0
6	Other Loans and Grants	20,517,876.00	-	0.0
Total		**167,179,190.00**	**52,575,137.00**	**31.4**

Source: *Kirinyaga County Treasury*

Analysis of the conditional grants released during the period under review indicates that the Free

Maternal Healthcare recorded the highest receipts against annual target at 51.2 per cent while Road Maintenance Fuel Levy Fund receipt was 50 per cent of its annual target.

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3.15.130 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.88 billion from the CRF account, which was 36.6 per cent of the Approved Supplementary Budget. This amount represents a decrease of 0.7 per cent from Kshs.1.89 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.40 billion (74.7 per cent) for recurrent expenditure and Kshs.475.50 million (25.3 per cent) for development activities.

3.15.131 Overall Expenditure Review

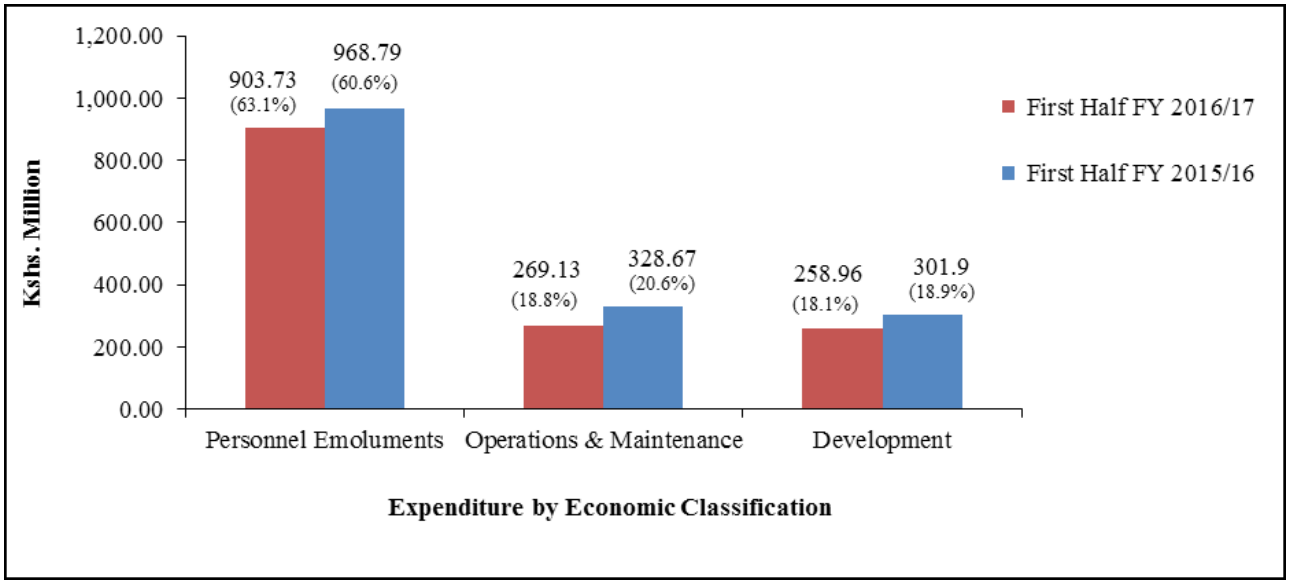
The County spent Kshs.1.43 billion, which was 76.2 per cent of the total funds released for operations. This was a decrease of 10.6 per cent from Kshs.1.60 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.17 billion was spent on recurrent activities, while Kshs.258.96 million was spent on development activities. The recurrent expenditure was 83.6 per cent of the funds released for recurrent activities while development expenditure accounted for 54.5 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.103.28 million for development and Kshs.45.59 million for recurrent expenditure.

The recurrent expenditure represented 36.1 per cent of the annual recurrent budget, a decrease from 42.3 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 16.7 per cent, which was an increase from 13.5 per cent attained in a similar period of FY 2015/16.

Figure 3.44 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.44: Kirinyaga County, Expenditure by Economic Classification for the first half of FY 2016/17 and first half of FY 2015/16



Source: *Kirinyaga County Treasury*

The total recurrent expenditure of Kshs.1.17 billion consisted of Kshs.903.73 million (77.1 per cent) spent

on personnel emoluments and Kshs.269.13 million (22.9 per cent) on operations and maintenance as shown in Figure 3.44. Expenditure on personnel emoluments represented a decrease of 6.7 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.968.79 million.

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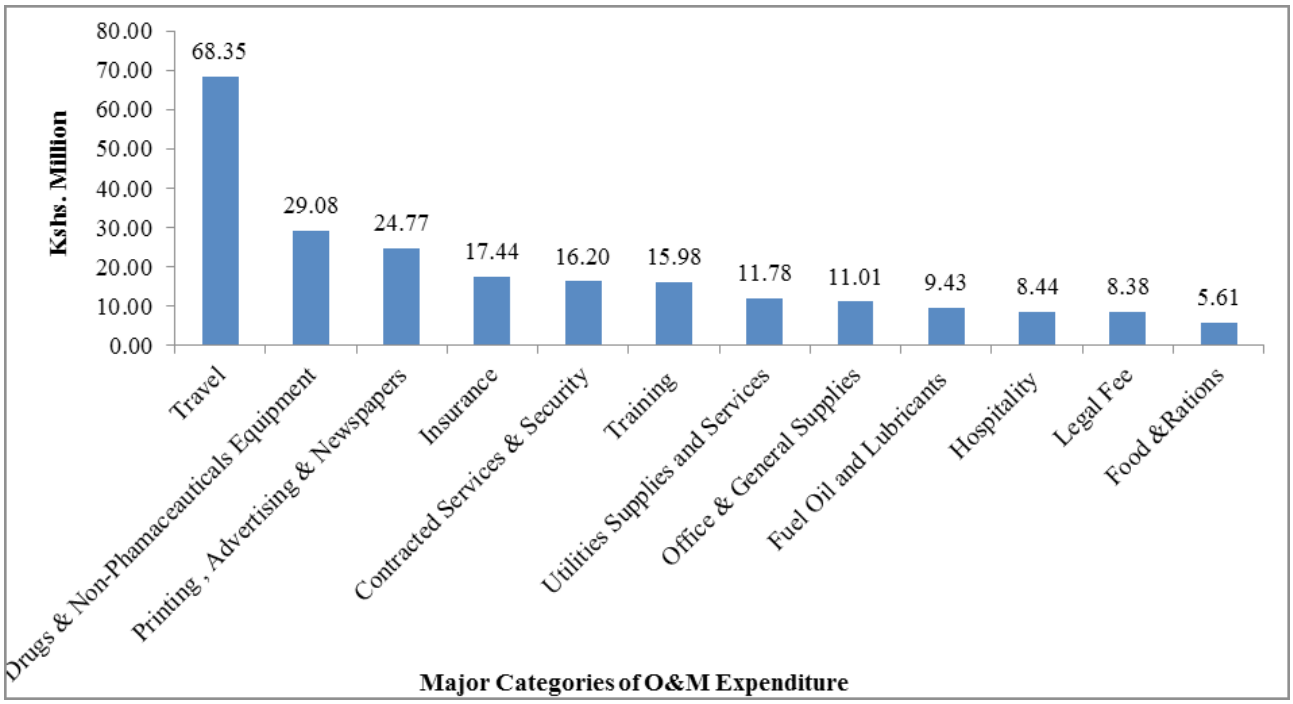
Figure 3.45 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.45: Kirinyaga County, Operations and Maintenance Expenditure by major categories the First Half of FY 2016/17



Source: *Kirinyaga County Treasury*

The County spent Kshs.19.39 million on sitting allowances for the 30 MCAs and the Speaker against the annual budget allocation of Kshs.62.00 million. This was a decrease compared to Kshs.20.20 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.107,714 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.68.18 million and consisted of Kshs.51.50 million spent by the County Assembly and Kshs.16.68 million spent by the County Executive. This was a decrease compared to Kshs.102.52 million spent in a similar period of FY 2015/16. Drugs, non-pharmaceuticals and laboratory supply had an expenditure of Kshs.29.08 million followed by printing, advertising and newspapers/ communication at Kshs.24.7 million. Food and rations had the lowest expenditure of Kshs.5.61 million followed by Legal fees at Kshs.8.38 million and Hospitality expenditure at Kshs.8.44 million.

3.15.133 Development Expenditure Analysis

The total development expenditure of Kshs.258.96 million represents 13.7 per cent of the annual development budget of Kshs.1.89 billion. Table 3.44 provides a summary of development expenditure during the period under review.

Table 3.44 : Kirinyaga County, Summary of development projects with the highest expenditure in the First Half of FY 2016/17

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No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Non Residential Building-County H/Q	Kutus	149,843,258	100,039,233.10	64.5
2	Mwea Maikima Water Project	Mwea	25,957,762	9,989,703	38.5
3	Construction of Market	Kagio	17,000,000.0	7,148,954.9	42.1
4	Kangai Water Project	Kangai	6,200,000	6,200,000	100
5	Renovations of the Out Patients and other In-Patient Departments Phase 1(Kerugoya Referral)	Kerugoya	6,000,000	5,999,122	100
6	Access Road Maintenance	Baragwi	5,000,000.00	5,000,000.00	100
7	Renovations of the Out Patients and other In-Patient Departments Phase 1(Kianyaga)	Baragwi	4,000,000	3,999,992	100
8	Murruming of Kianyaga Hosp/Disp and other Public Access Road	Baragwi	3,841,394.00	3,621,500.00	94.3
9	Construction and Equip Offices Kiamwathi & Rwambiti	Baragwi	5,225,589.00	2,864,718.40	54.8
10	Kagumo Phase 2	Mutira	2,600,000.0	2,599,327.6	99.97
	Total		**225,668,003**	**147,462,551.00**	**65.3**

Source: *Kirinyaga County Treasury*

Analysis of the development expenditure indicates that the highest expenditure was by the Office of the Governor on the construction of County headquarters at Kshs.100.04 million. The second highest expenditure of Kshs.9.99 million was incurred in the implementation of Mwea-Makima water project by the Environment and Natural Resources Department and the third highest expenditure of Kshs.7.15 million was on construction of Kagio Market at Kagio Town under the Department of Trade and Cooperative Development. The other significant development expenditure related to the construction and equipping of Offices at Kiamwathi and Rwambiti in Baragwi Ward at 2.86 million and payment of phase two of Kagumo Market in Mutira Ward at 2.60 million.

3.15.134 Budget and Budget Performance Analysis by Department

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

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

Department	Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (K9*shs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	480.47	52.00	212.00	-	210.45		99.3	-	43.8	0.0
County Executive Services	362.61	149.84	172.96	117.21	111.35	100.04	64.4	85.3	30.7	66.8
Finance and Economic planning	428.43	12.68	206.09	1.71	151.02	-	73.3	0.0	35.2	0.0
Medical Services	1,257.63	328.79	550.64	63.98	493.85	21.76	89.7	34.0	39.3	6.6
Education	235.09	87.64	61.82	6.98	53.41	2.67	86.4	38.3	22.7	3.1
Agriculture	208.31	117.88	86.51	28.87	74.48	11.48	86.1	39.8	35.8	9.7
Gender/Culture &Social Services	51.67	104.91	21.77	13.30	16.90	4.55	77.7	34.2	32.7	4.3
Trade & Co-operative Development	33.76	92.21	13.29	11.88	9.67	9.76	72.8	82.2	28.6	10.6
Environment and natural resources	85.20	233.40	38.27	83.49	23.47	64.20	61.3	76.9	27.6	27.5
Physical Planning and Housing	26.18	100.39	9.04	15.36	7.41	-	81.9	0.0	28.3	0.0
Transport and Infrastructure	75.46	612.70	30.46	132.71	20.85	44.50	68.5	33.5	27.6	7.3
TOTAL	**3,244.79**	**1,892.44**	**1,402.85**	**475.50**	**1,172.86**	**258.96**	**83.6**	**54.5**	**36.1**	**13.7**

Source: *Kirinyaga County Treasury*

Analysis of budget performance by department shows that the County Executive Services Department attained the highest absorption rate of its development budget at 66.8 per cent while County Assembly, Physical Planning and Housing, and the Finance and Economic Planning Departments did not incur any development expenditure. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to its recurrent budget at 43.8 per cent while the Department of Education had the lowest at 22.7 per cent.

3.15.135 Observations and Recommendations

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

i. Compliance with the requirement to use IFMIS and internet banking by the County Assembly, which has ensured transparent financial management and standard financial reporting in the County Assembly

as contemplated by Article 226 of the Constitution.

ii. Involvement of the County Budget and Economic Forum (CBEF) in budgeting as per Section 137 of the PFM Act, 2012.

iii. Improvement in local revenue performance. The local revenue collection improved by 7.8 per cent from Kshs.118.07 million in the first half of FY 2015/16 to Kshs.127.30 in the reporting period

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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. As at the end of the reporting period, Kshs.1.62 billion had been disbursed against an expected disbursement of Kshs.1.93 billion.
2. Failure by both the County Executive and the County Assembly to establish an Internal Audit Committee to oversee financial operations, contrary to Section 155 of the PFM Act, 2012.
3. Failure by MCAs to regularly repay the Car and Mortgage Loans.
4. Delay by Fund Administrators to submit expenditure reports on the established County Funds such as the Bursary Fund and the Car Loans and Mortgage Fund, contrary to Section 168 of the PFM Act, 2012.
5. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2016 Disbursement Schedule*
2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
3. *The Administrator of the MCA's Car Loan and Mortgage Fund should ensure all disbursed loans are repaid as per the approved regulations.*
4. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
5. *The County Treasury should liaise with IFMIS Directorate to ensure support in use of IFMIS and the E-procurement module*

3.16 Kisii County

3.16.136 Overview of the FY 2016/17 Budget

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

To finance the budget, the County expects to receive Kshs.7.65 billion (76.1 per cent) as equitable share of revenue raised nationally, Kshs.961.85 million (9.6 per cent) as total conditional grants, generate Kshs.750 million (7.5 per cent) from local revenue sources, and Kshs.690.05 million (6.9 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.397.69 million (41.3 per cent) for Kisii Level 5 Hospital, Kshs.168.13 million (17.5 per cent) for Free Maternal Healthcare, Kshs.117.61 million (12.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.95 million (2.8 per cent) for User Fees Foregone, Kshs.11.48 million (1.2 per cent) from DANIDA and Kshs.95.74 million (10.0 per cent) for Leasing of Medical Equipment and Kshs.144.25 million (15 per cent) from Other Loans and Grants.

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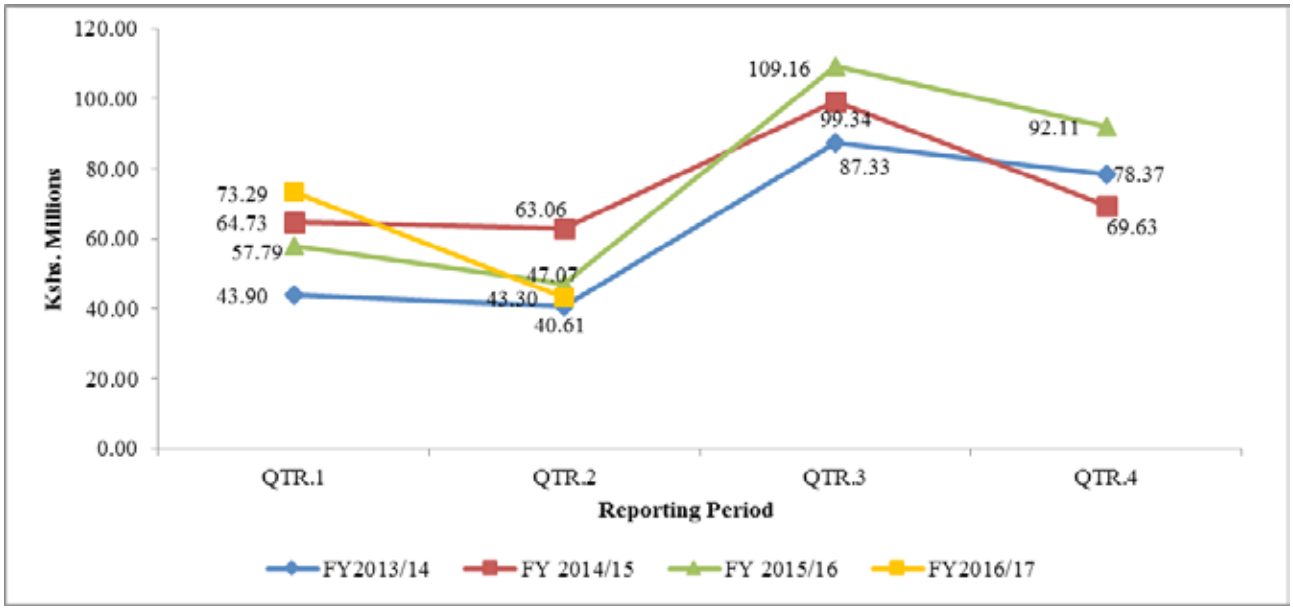
3.16.137 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.3.25 billion as equitable share of the revenue raised nationally, Kshs.312.45 million as total conditional allocations, raised Kshs.116.59 million from local revenue sources, and had cash balance of Kshs.687.91 million brought forward from FY 2015/16.

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

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



Source: *Kisii County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.116.59 million which is an increase of 11.2 per cent compared to Kshs.104.86 million generated in a similar period of FY 2015/16. This revenue was 15.5 per cent of the annual local revenue target.

3.16.138 Conditional Grants

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

Table 3.46: Kisii County analysis of conditional grants released in the First Half of FY 2016/17

No.	Conditional Grant	Annual allocation based on CARA 2016 (Kshs.)	FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	117,605,419	58,802,710	50
2	Free Maternal Healthcare	168,133,301	78,973,585	47
3	Kisii Level 5 Hospital	397,687,861	169,017,341	42.5

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No.	Conditional Grant	Annual allocation based on CARA 2016 (Kshs.)	FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipt as a percentage of Annual Allocation (%)
4	User Fees Foregone	26,947,170	5,654,377	21
54	DANIDA grant	11,475,000	-	-
6	Leasing of Medical Equipment	95,744,681	-	-
7	Other Loans and Grants (Not contained in the CARA, 2016)	144,251,811	-	-
Total		**961,845,243**	**312,448,013**	**32.5**

Source: *Kisii County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipts against annual target at 50.0 per cent. This was followed by the Free Maternal Healthcare grant at 47.0 per cent, grant for the Kisii Level 5 Hospital at 42.5 per cent and User Fees Foregone at 21 per cent of the annual budget.

3.16.139 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.99 billion from the CRF account, which was 39.7 per cent of the Approved Budget. This amount represents an increase of 3.5 per cent from Kshs.3.86 billion authorized in a similar period of FY 2015/16 and comprised of Kshs.3.06 billion (76.5 per cent) for recurrent expenditure and Kshs.937.67 million (23.5 per cent) for development activities.

3.16.140 Overall Expenditure Review

The County spent Kshs.3.76 billion, which was 94.2 per cent of the total funds released for operations. This was a decrease of 2.6 per cent from Kshs.3.86 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.87 billion was spent on recurrent activities, while Kshs.894.04 million was spent on development activities. The recurrent expenditure was 93.8 per cent of the funds released for recurrent activities while development expenditure accounted for 95.3 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.255.69 million and Kshs.42.07 million for development and recurrent expenditure respectively.

The recurrent expenditure represented 47.0 per cent of the annual recurrent budget, a decrease from 49.6 per cent attained in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 22.6 per cent, which was a decline from 25.5 per cent attained in a similar period of FY 2015/16. Figure 3.47 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

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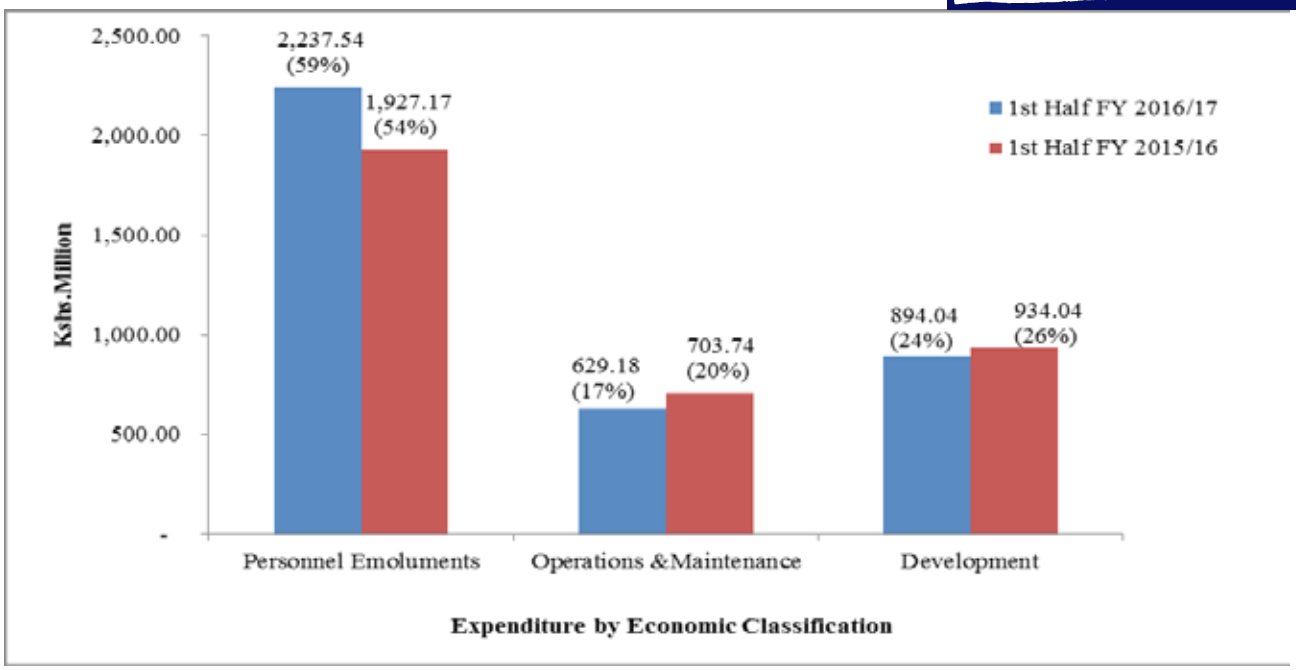
Figure 3.47: Kisii County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16



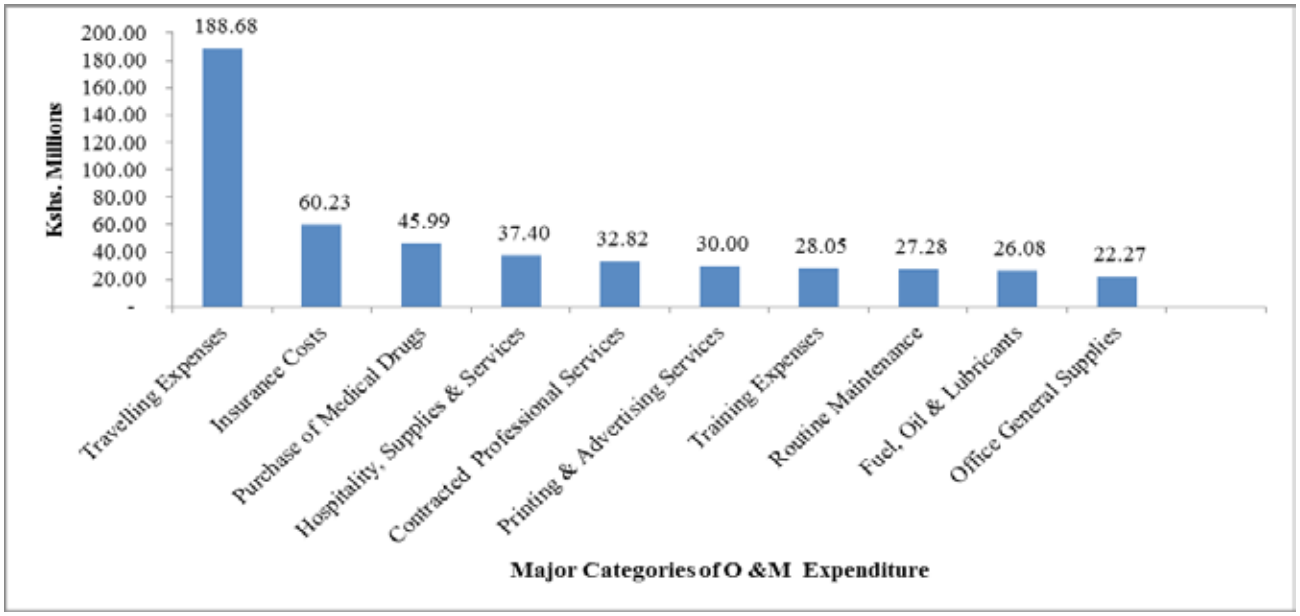
Source: *Kisii County Treasury*

3.16.141 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.87 billion consisted of Kshs.2.24 billion (78.1 per cent) spent on personnel emoluments and Kshs.629.18 million (21.9 per cent) on operations and maintenance as shown in Figure 3.47. Expenditure on personnel emoluments represented an increase of 16.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.93 billion.

Figure 3.48 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.48: Kisii County, Operations and Maintenance Expenditure by Major Categories for the First Half of FY 2016/17



Source: *Kisii County*

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The County spent Kshs.49.45 million on sitting allowances for the 71 MCAs and the Speaker against the annual budget allocation of Kshs.95.42 million. This was a decrease of 18 per cent compared to Kshs.60.33 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.114,459 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.188.68 million and comprised of Kshs.43.26 million spent by the County Assembly and Kshs.145.39 million spent by the County Executive. This was an increase of 10.9 per cent compared to Kshs.170.12 million spent in a similar period of FY 2015/16.

3.16.142 Development Expenditure Analysis

The total development expenditure of Kshs.894.04 million represents 22.6 per cent of the annual development budget of Kshs.3.95 billion. Table 3.47 provides a list of development projects with the highest expenditure during the period under review.

Table 3.47: Kisii County, List of development projects with the highest expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Riosera – Gesabakwa – Iyabe – Rianyamondo – Rianyakagwa.	Bonchari Sub County	7,110,399	7,110,399	100.0
2	Marani - Masakwe road	Marani Ward	5,866,235	5,866,235	100.0
3	Construction of Mortuary	Kisii Level 5 Hospital	21,000,000	15,729,408	74.9
4	Drilling of a borehole at Mochengo	Keumbu Ward	17,031,900	11,000,000	64.6
5	Construction of County Assembly car park	Kisii Town	25,000,000	12,499,999	50.0
6	Artificial Insemination Programme	Across the County	40,000,000	19,711,890	49.3
7	Spot improvement Nyanchwa stadium - Itierio Road	Kisii Central Ward	16,347,204	8,010,130	49.0
8	Extension of County Assembly office building	Kisii Town	30,000,000	11,857,681	39.5
9	Chitago – Obwari Rd	Nyaribari Chache Sub County	7,371,410	2,665,954	36.2
10	Revenue collection and management system	County Treasury	65,000,000	20,594,800	31.7
	Total		**234,727,148**	**115,046,496**	**49.0**

Source: *Kisii County Treasury*

Analysis of development expenditure by project indicates that, constructions of Riosera – Gesabakwa – Iyabe – Rianyamondo – Rianyakagwa road in Bassi Chache ward and the Marani - masakwe road in Marani ward had the highest absorption of 100 per cent of development budget. On the other hand, Revenue collection and management system which is a project of the County Treasury had the lowest absorption at 31.7 per cent of the of development budget.

3.16.143 Budget and Budget Performance Analysis by Department

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

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Table 3.48: Kisii County, Budget Performance by Department for the First Half FY 2016/17

Department	Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.
Health Services	2,296.07	776.60	1323.38	188.50	1214.99	168.14	91.8	89.2	52.9	21.7
Agriculture, Livestock and Fisheries	296.38	238.50	143.01	39.50	142.67	38.46	99.8	97.4	48.1	16.1
County Assembly	883.79	195.00	385.00	53.00	327.44	28.36	85.0	53.5	37.0	14.5
County Executive (Office of the Governor and Deputy Governor) & CPSB	385.50	20.00	211.36	-	198.98	-	94.1	-	51.6	-
County Administration	511.98	143.50	272.23	29.00	267.07	26.99	98.1	93.1	52.2	18.8
Finance and Economic Planning	595.62	144.49	213.44	32.00	259.40	38.46	121.5	120.2	43.6	26.6
Water and Environment	152.00	399.95	78.87	57.00	62.26	57.19	78.9	100.3	41.0	14.3
Education and Youth Affairs	545.76	327.50	201.26	49.50	188.85	26.22	93.8	53.0	34.6	8.0
Land, Physical Planning & Urban Development	85.24	169.70	48.49	22.85	42.29	26.57	87.2	116.3	49.6	15.7
Roads, Public Works and Transport	130.58	983.81	69.13	404.32	60.46	414.04	87.5	102.4	46.3	42.1
Trade Regulations & Development	68.92	256.00	36.62	23.00	30.08	35.96	82.1	156.3	43.6	14.0
Culture and Social Services	82.74	253.00	41.12	34.00	40.67	33.66	98.9	99.0	49.2	13.3
Kisii Town	69.39	44.00	31.61	5.00	31.58	-	99.9	-	45.5	-
TOTAL	**6,103.97**	**3,952.04**	**3,055.53**	**937.67**	**2,866.73**	**894.04**	**93.8**	**95.3**	**47.0**	**22.6**

Source: *Kisii County Treasury*

Analysis of budget performance by department shows that the Department of Roads, Public Works and Transport attained the highest absorption rate of development budget at 42.1 per cent while the County Executive (Office of the Governor and Deputy Governor) & CPSB and the Kisii Town Department did not incur any development expenditure. On the other hand, the Health Services Department had the highest percentage of recurrent expenditure to its recurrent budget at 52.9 per cent while the Department Education and Youth Affairs had the lowest at 34.6 per cent.

3.16.144 Observations and Recommendations

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

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

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

iii. iii. Local revenue collection has improved by 11.2 per cent from Kshs.104.86 million in the first

half of FY 2015/16 to Kshs.116.59 million in the reporting period.

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

1. High wage bill that increased by 16.1 per cent from Kshs.1.93 billion in the first half of FY 2015/16 to Kshs.2.24 billion during the period under review. The wage bill translated to 59.5 per cent of the total expenditure during the reporting period, which may limit expenditure on development activities.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.3.42 billion had been disbursed against an expected disbursement of Kshs.4.07 billion.
3. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*
3. *The County Treasury should liaise with IFMIS Directorate for support in the application of IFMIS and the E-procurement module.*

3.17 Kisumu County

3.17.145 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.9.18 billion, comprising of Kshs.6.09 billion (66.3 per cent) and Kshs.3.09 billion (33.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.13 billion (66.8 per cent) as equitable share of revenue raised nationally, Kshs.749.96 million (8.2 per cent) as total conditional grants, generate Kshs.1.58 billion (17.2 per cent) from local revenue sources, and Kshs.717.23 million (7.8 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.351.45 million (46.9 per cent) for the Kisumu Level 5 Hospital, Kshs.118.02 million (15.7 per cent) for Free Maternal Healthcare, Kshs.94.19 million (12.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (12.8 per cent) for Leasing of Medical Equipment, Kshs.21.85 million (2.9 per cent) for User Fees Foregone, Kshs.8.29 million (1.1 per cent) from DANIDA, Kshs.30.42 million (4.1 per cent) for KSDP grant and Kshs.30 million (4.0 per cent) from Other Loans and Grants.

3.17.146 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.2.75 billion as equitable share of the revenue raised nationally, Kshs.262.08 million as total conditional allocations, raised Kshs.452.77 million from local revenue sources, and had cash balance of Kshs.717.23 million brought forward from FY 2015/16.

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

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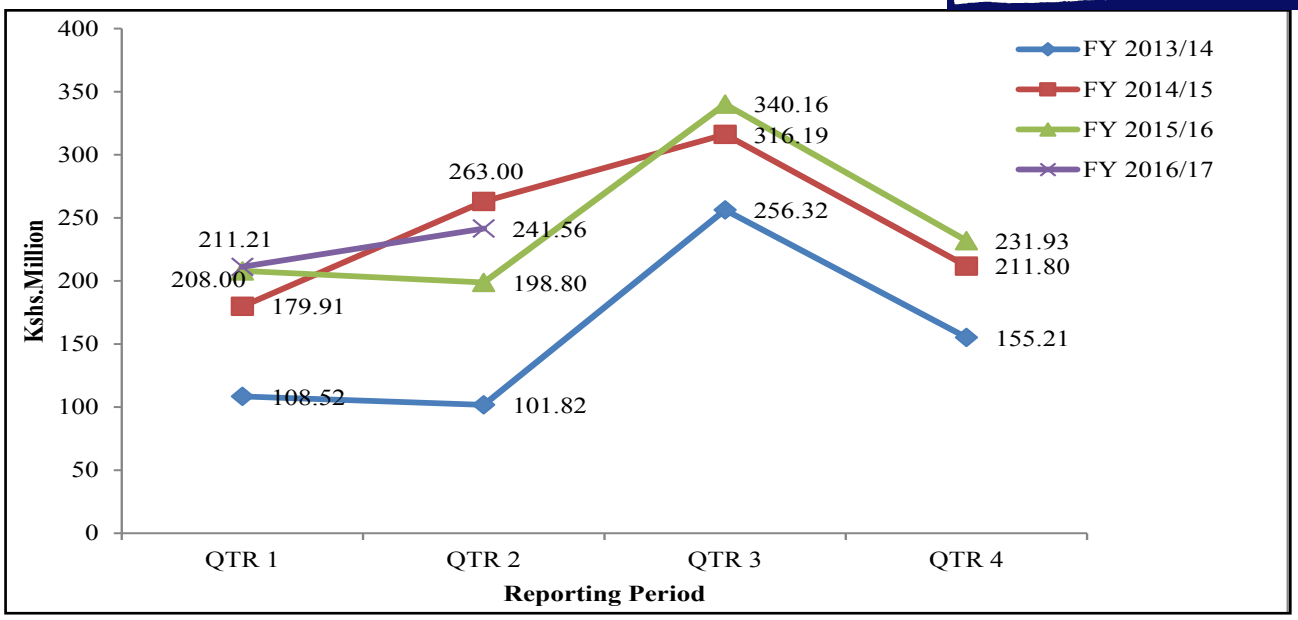
Figure 3.49: Kisumu County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Kisumu County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.452.77 million which is an increase of 11.3 per cent compared to Kshs.406.80 million generated in a similar period of FY 2015/16. This revenue was 28.6 per cent of the annual local revenue target.

3.17.147 Conditional Grants

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

Table 3.49: Kisumu County analysis of conditional grants released in the First Half of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	Actual receipts from Conditional Grant, First Half FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	94,189,837	47,094,918	50.0
2	User Fees Foregone	21,854,292	10,927,146	50.0
3	Free Maternal Healthcare	118,015,691	54,695,000	46.3
4	Level 5 Hospital	351,445,087	149,364,162	42.5
5	DANIDA Grant	8,290,000	-	-
6	Leasing of Medical Equipment	95,744,681	-	-
7	Other Loans and Grants	30,000,000	-	-
8	KDSP Grant	-	-	-
Total		**718,739,588**	**262,081,226**	36.4

Source: *Kisumu County Treasury*

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Analysis of receipts from conditional grants during the period under review indicates that receipts from the Road Maintenance Fuel Levy Fund and User Fees Forgone recorded the highest receipts against annual target at 50 per cent respectively. These were followed by receipts from the Free Maternal Healthcare grant at 46.5 per cent and the Kisumu Level 5 Hospital at 42.5 per cent. Other grants did not report any receipt during the period under review.

3.17.148 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.35 billion from the CRF account, which was 36.5 per cent of the Approved Supplementary Budget. This amount represents an increase of 6.25 per cent from Kshs.3.20 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.56 billion (76.4 per cent) for recurrent expenditure and Kshs.793.88 million (23.6 per cent) for development activities.

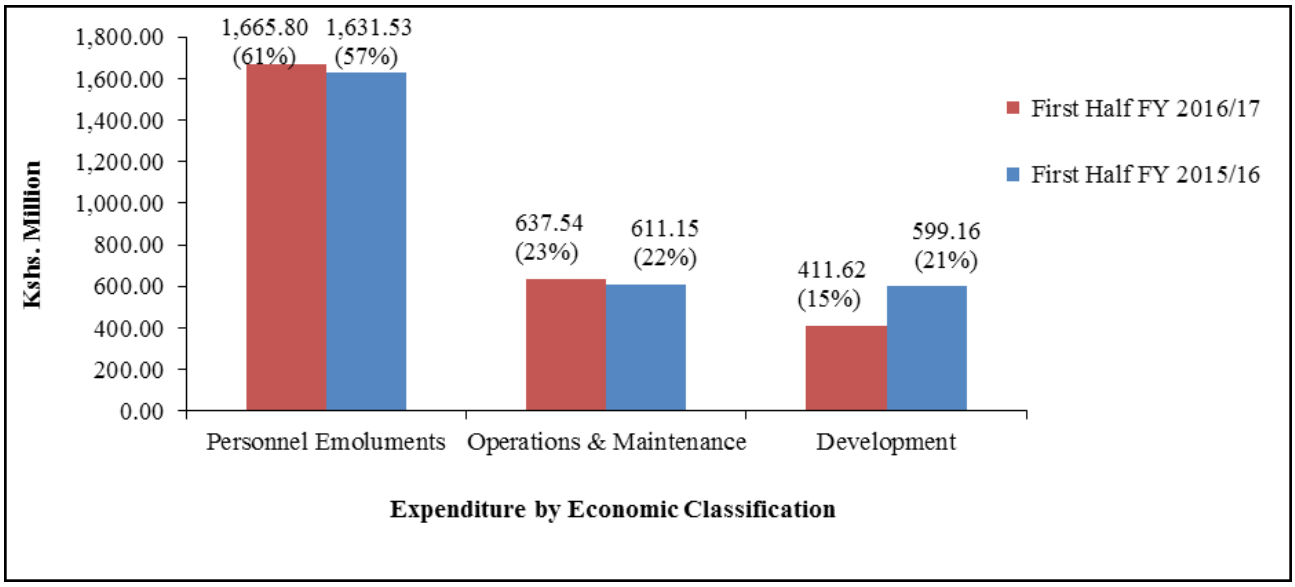
3.17.149 Overall Expenditure Review

The County spent Kshs.2.71 billion, which was 80.9 per cent of the total funds released for operations. This was a decrease of 4.6 per cent from Kshs.2.84 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.30 billion was spent on recurrent activities while Kshs.411.62 million was spent on development activities. The recurrent expenditure was 90.1 per cent of the funds released for recurrent activities while development expenditure accounted for 51.8 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.939.13 million for development and Kshs.162.22 million for recurrent expenditure.

The recurrent expenditure represented 37.8 per cent of the annual recurrent budget, a decrease from 39.3 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 13.3 per cent, which was a slight decline from 15.2 per cent attained in a similar period of FY 2015/16. **Figure 3.50** presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.50: Kisumu County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of 2016/17



Source: *Kisumu County Treasury*

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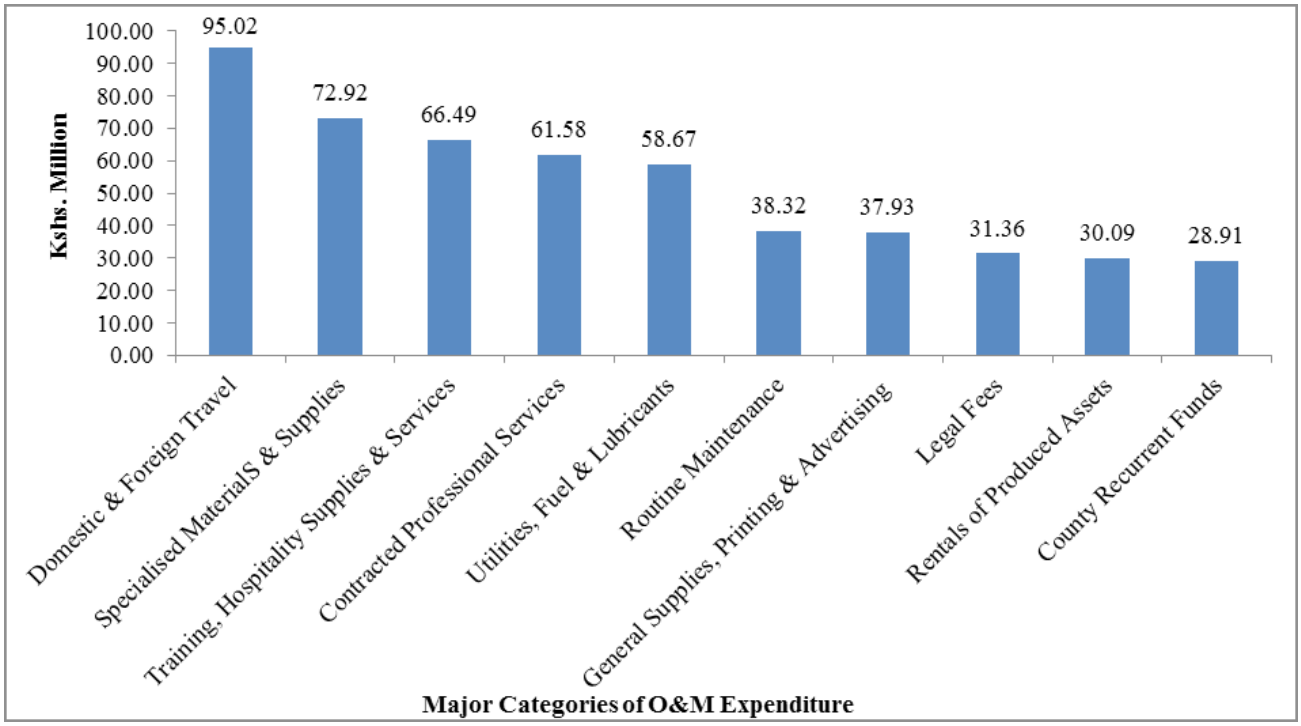
3.17.150 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.30 billion comprised of Kshs.1.67 billion (72.6 per cent) spent on personnel emoluments and Kshs.637.54 million (27.4 per cent) on operations and maintenance as shown in **Figure 3.50**. Expenditure on personnel emoluments represents an increase of 2.5 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.63 billion. **Figure 3.51** shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.51: Kisumu County, Operations and Maintenance Expenditure by major categories the First Half of FY 2016/17



Source: *Kisumu County Treasury*

The County spent Kshs.28.96 million on sitting allowances for the 49 MCAs and the Speaker against the annual budget allocation of Kshs.86.05 million. This was a decrease of 33.0 per cent compared to Kshs.43.22 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.96,520 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.95.02 million and comprised of Kshs.10.22 million spent by the County Assembly and Kshs.84.80 million spent by the County Executive. This was an increase of 51.6 per cent compared to Kshs.62.68 million spent in a similar period of FY 2015/16.

3.17.151 Development Expenditure Analysis

The total development expenditure of Kshs.411.62 billion represents 13.3 per cent of the annual development budget of Kshs.3.09 billion and included Kshs.321.06 million for pending bills from prior financial years and Kshs.90.56 million for FY 2016/17 projects. Table 3.50 provides a list of development projects with the highest expenditure during the period under review.

Table 3.50 : Kisumu County, List of development projects with highest expenditure in the First Half of FY 2016/17

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No.	Project Name	Ward (Location of the Project)	Annual Budget FY2016/17 (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Opening and Improvement of Koru – Sauset – Kandege Access Road	Koru	-	6,409,944.00	
2	De-silting of Miriu – Kanyagwal 8.0KM SEC: Nyagugu –Kanjolo - Ligala	Nyando	-	5,583,600.00	
3	Purchase of Animals & Breeding Stock	County Wide	4,996,000.00	5,202,136.00	104.1
4	Capacity Build Youths and Women on Micro-enterprise Development	County Wide	2,500,000.00	5,133,999.90	205.4
5	De-silting of Dajo Stream	Nyando	-	5,090,202.00	
6	Rehabilitation of Ogada Stadium	Kisumu North	4,000,000.00	4.999,960.00	125.0
7	De-silting of Miriu River Phase III 4.9KM	Nyando	-	4,873,500.00	
8	De-silting of Kachiawo River	Muhoroni	-	4,658,399.70	
9	Completion of Holo Ngere Resource Centre	Holo	2,000,000.00	3,999,971.65	200.0
10	Perimeter Fence at Slaughter House Mamboleo	Kajulu	4,000,000.00	3,779,160.00	94.5

Source: *Kisumu County Treasury*

Analysis of development expenditure indicates that the highest expenditure of Kshs.6.41 million was incurred by the Office of the Governor and the County Administration Department to settle pending bills on opening and improvement of the Koru – Sauset – Kandege Access Road. This expenditure was however not factored in the approved budget. Conversely, the least expenditure of Kshs.3.78 million was incurred by the Agriculture, Livestock & Fisheries Department to settle pending bills on construction of a perimeter fence at Mamboleo Slaughter House.

3.17.152 Budget and Budget Performance Analysis by Department

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

Table 3.51: Kisumu County, Budget Performance by Department for the First Half FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and County Administration	417.85	127.50	184.58	67.98	578.94	68.03	313.6	100.1	138.6	53.4
Finance and Economic Planning	752.62	1,040.94	248.96	167.32	281.19	243.75	112.9	145.7	37.4	23.4
Health	2,245.35	222.87	957.84	94.15	755.09	0.00	78.8	0.0	33.6	0.0

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Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Youth, Culture & Social Development	378.45	146.25	102.07	49.50	178.76	20.03	175.1	40.5	47.2	13.7
Roads, Transport & Public Works	119.35	300.00	52.90	130.40	25.97	27.31	49.1	20.9	21.8	9.1
Agriculture, Livestock & Fisheries	272.50	170.00	123.91	33.45	59.27	38.33	47.8	114.6	21.8	22.5
Water, Environment & Natural Resources	157.38	250.00	68.45	83.36	36.25	0.00	53.0	0.0	23.0	0.0
Industrialization, Enterprise Development, Energy & Mining	120.93	272.00	55.59	53.45	19.97	5.13	35.9	9.6	16.5	1.9
Commerce, Tourism & Heritage	76.76	178.92	33.41	38.27	7.10	0.00	21.2	0.0	9.2	0.0
County Assembly	654.62	0.00	333.08	0.00	187.33	0.00	56.2		28.6	
Land, Housing & Physical Planning	30.04	156.40	13.12	35.00	4.49	3.03	34.2	8.7	14.9	1.9
Communication & Information Technology	65.12	127.50	28.28	10.00	5.15	6.00	18.2	60.0	7.9	4.7
City of Kisumu	749.45	102.38	334.83	31.00	159.69	0.00	47.7		21.3	
County Public Service Board	47.15	0.00	19.34	0.00	4.13	0.00	21.4		8.8	
TOTAL	**6,087.57**	**3,094.76**	**2,556.37**	**793.88**	**2,303.33**	**411.61**	**90.1**	**51.8**	**37.8**	**13.3**

Source: *Kisumu County Treasury*

Analysis of budget performance by department shows that the Office of the Governor and County Administration attained the highest absorption rate of development budget at 53.4 per cent while the Health Department, and Water, Environment & Natural Resources Department did not incur any development expenditure. On the other hand, the Office of the Governor and County Administration had the highest percentage of recurrent expenditure to recurrent budget at 138.6 per cent occasioned by staff costs that were charged against this vote. The Department of Communication and Information Technology had the lowest percentage of recurrent expenditure to recurrent budget at 7.9 per cent during the reporting period.

3.17.153 Observations and Recommendations

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

i. Improvement in local revenue collection by 11.3 per cent from Kshs.406.80 million in the first half of FY 2015/16 to Kshs.452.77 million in the reporting period.

ii. Establishment of the County Budget and Economic Forum (CBEF) as per Section 137 of the PFM Act, 2012.

iii. Improved adherence to budget timelines. The County Executive Committee Member for Finance (CECMF) submitted the budget estimates to the County Assembly on 29th April 2016, and were approved on 30th June 2016.

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

1. Operational delays due to IFMIS connectivity challenges, which affected timely approval of procurement requests and payment to suppliers.
2. Failure to reconcile IFMIS payroll data to the IPPD data. IFMIS reports indicate that total expenditure on personnel emoluments was Kshs.1.67 billion, while data from IPPD indicates that the total payroll costs for the same period were Kshs.1.53 billion.

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

1. *The County Treasury should liaise with the IFMIS Directorate for support in operationalisation of IFMIS and E-procurement module.*
2. *The County should reconcile the IFMIS & IPPD data on a monthly basis to enhance accuracy in financial reporting.*

3.18 Kitui County

3.18.154 Overview of the FY 2016/17 Budget

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

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

3.18.155 Revenue Analysis

During the first half of 2016/17, the County received Kshs.2.63 billion as equitable share of the revenue raised nationally, Kshs.98.78 million as total conditional allocations, raised Kshs.147.63 million from local revenue sources, and had a cash balance of Kshs.1.57 billion brought forward from FY 2015/16.

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

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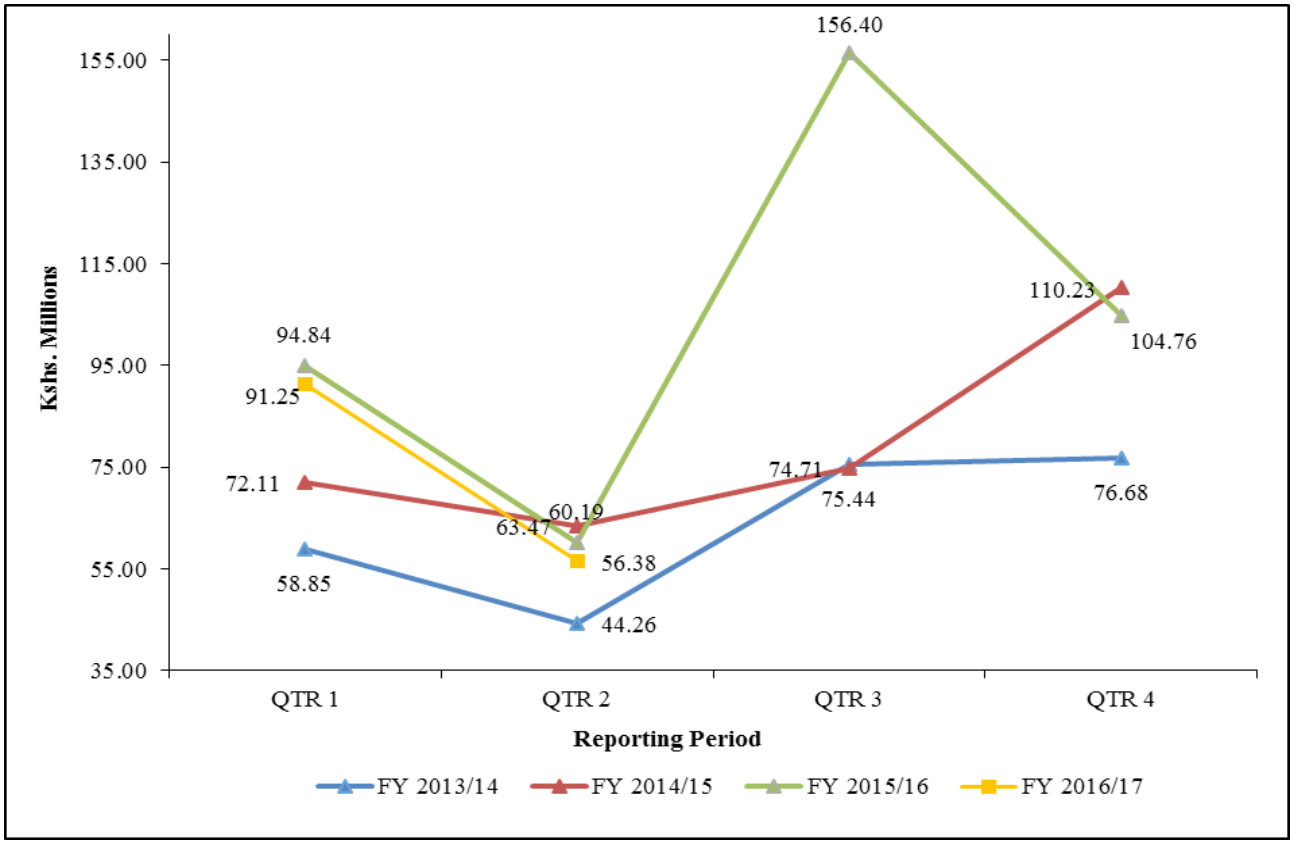
Figure 3.52: Kitui County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Kitui County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.147.63 million which was a decrease of 4.77 per cent compared to Kshs.155.03 million generated in a similar period of FY 2015/16. This revenue was 22.1 per cent of the annual local revenue target.

3.18.156 Conditional Grants

Table 3.52 shows an analysis of conditional grant disbursements in the first half of FY 2016/17.

Table 3.52: Kitui County analysis of conditional Grants released in the First Half of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	Actual receipt from Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	120,484,293	60,242,146	50.0
2	User Fees Foregone	23,144,997	11,572,498	50.0
3	Free Maternal Healthcare	54,367,434	26,967,500	49.6
4	World Bank Loan to Supplement Financing of County Health Facilities	131,525,244	-	-
5	DANIDA Grant	18,495,000	-	-
6	Other Loans and Grants - Kenya Support for Devolution Programme (World Bank)	34,721,395	-	-
Total		**382,738,363**	**98,782,144**	**25.8**

Source: *Kitui County Treasury*

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Analysis of the conditional grants released during the period under review indicates that grants from Road Maintenance Fuel Levy Fund and Compensation for User Fees Foregone recorded the highest receipts against their respective annual targets at 50 per cent, followed by releases towards the Free Maternal Healthcare at 49.6 per cent.

3.18.157 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.00 billion from the CRF account, which was 38.2 per cent of the Approved Budget. This amount represents an increase of 19.2 per cent from Kshs.3.35 billion authorized in a similar period of FY 2015/16 and comprised of Kshs.2.40 billion (60.0 per cent) for recurrent expenditure and Kshs.1.60 billion (40.0 per cent) for development activities.

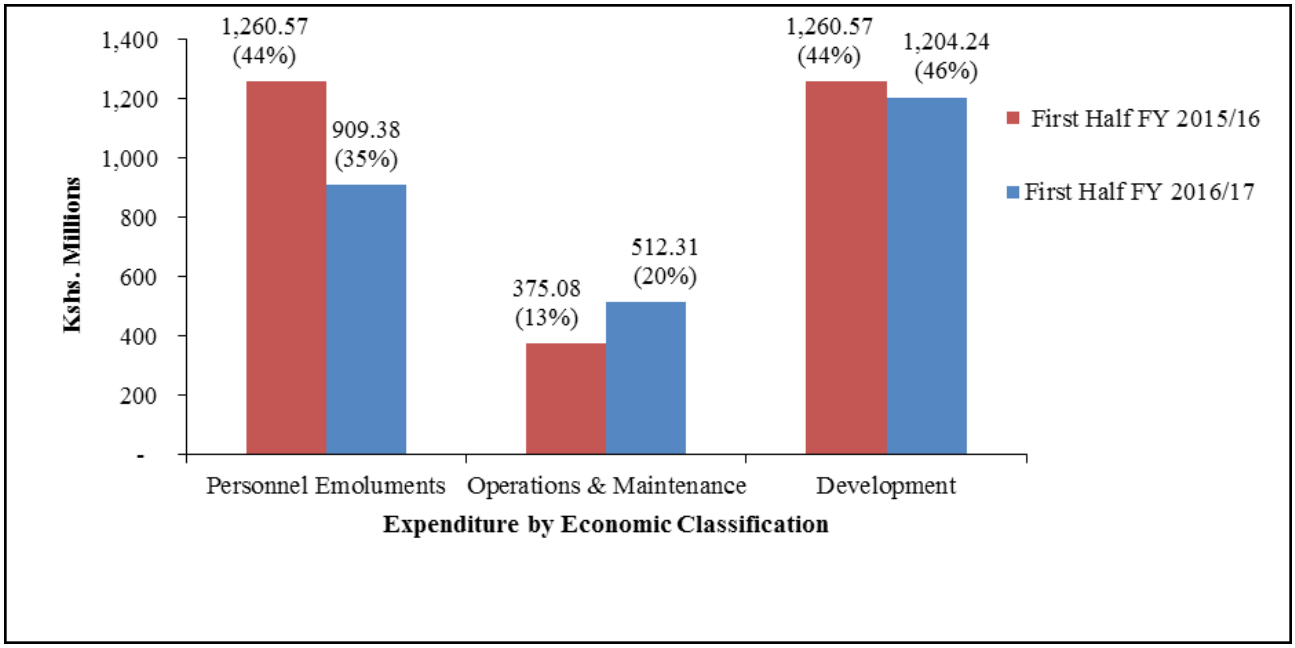
3.18.158 Overall Expenditure Review

The County spent Kshs.2.63 billion, which was 65.7 per cent of the total funds released for operations. This was a decrease of 9.6 per cent from Kshs.2.91 billion spent in a similar period in FY 2015/16.

A total of Kshs.1.42 billion was spent on recurrent activities, while Kshs.1.20 billion was spent on development activities. The recurrent expenditure was 59.2 per cent of the funds released for recurrent activities while development expenditure accounted for 75.3 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.611.59 million for development and Kshs.319.88 million for recurrent expenditure.

The recurrent expenditure represented 25.4 per cent of the annual recurrent budget, a decrease from 34.1 per cent achieved in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 24.7 per cent, which was an increase from 23.4 per cent absorbed in a similar period of FY 2015/16. Figure 3.53 presents a comparison between total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.53: Kitui County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16



Source: *Kitui County Treasury*

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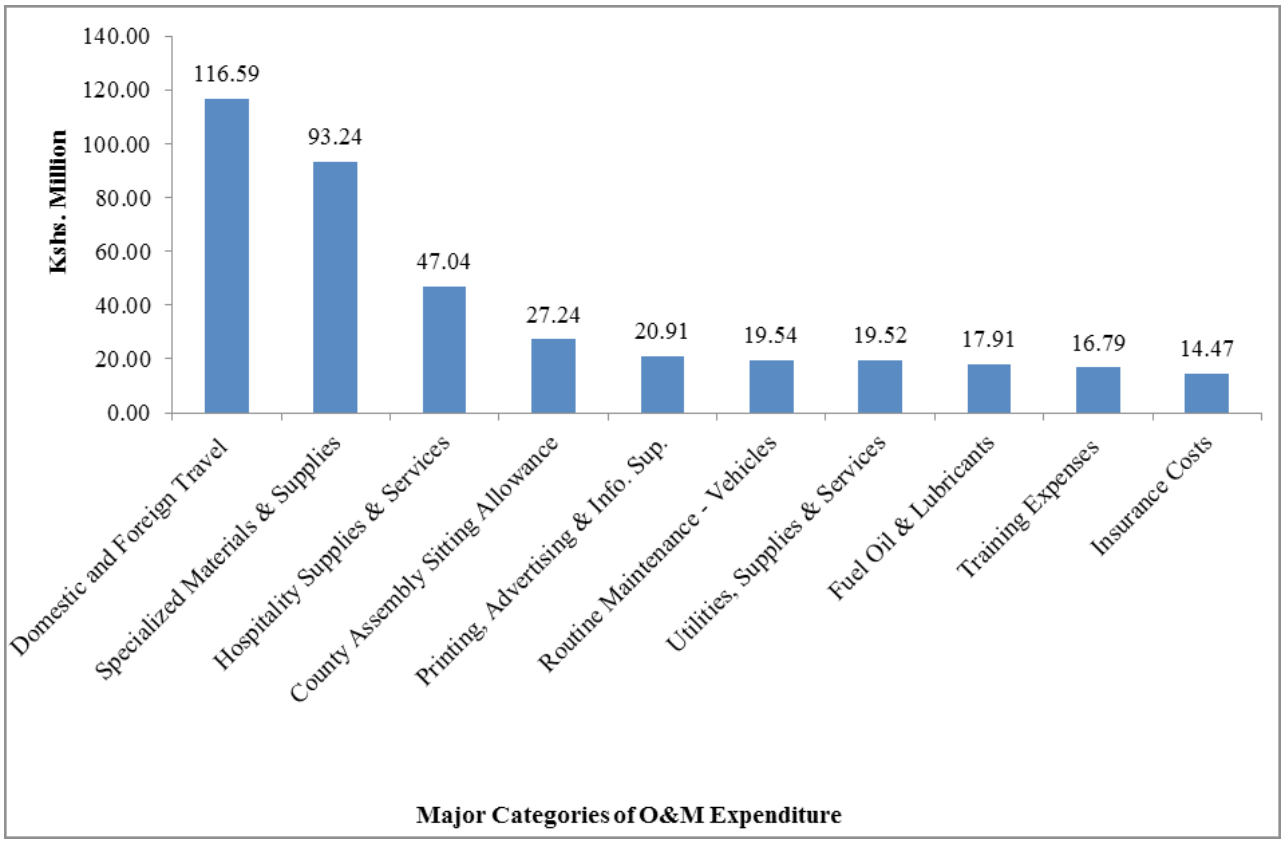
3.18.159 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.42 billion consisted of Kshs.909.38 million (64.0 per cent) on personnel emoluments and Kshs.512.31 million (36.0 per cent) on operations and maintenance as shown in Figure 3.53. Expenditure on personnel emoluments represents a decrease of 27.9 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.26 billion. Figure 3.54 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.54: Kitui County, Operations and Maintenance Expenditure by major categories the first half of FY 2016/17



Source: *Kitui County Treasury*

The County spent Kshs.27.24 million on sitting allowances for the 57 MCAs and the Speaker against the annual budget allocation of Kshs.69.64 million. This was a decrease of 6.8 per cent compared to Kshs.29.23 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.78,265 per MCA compared to SRC's recommended monthly ceiling of Kshs. 124,800.

Expenditure on domestic and foreign travel amounted to Kshs.116.59 million and consisted of Kshs.43.24 million spent by the County Assembly and Kshs.73.34 million spent by the County Executive. This was an increase of 25.6 compared to Kshs.92.82 million spent in a similar period of FY 2015/16.

3.18.160 Development Expenditure Analysis

The total development expenditure of Kshs.1.20 billion represents 24.7 per cent of the annual development budget of Kshs.4.87 billion. Table 3.53 provides a list of development projects with the highest expenditure during the period under review.

Table 3.53: Kitui County, Summary of 13 spending Development projects with highest expenditure for the First Half of FY 2016/17

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No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Community Level Infrastructure Development Programme (CLIDP)	Kitui County (County-wide)	638,140,656	90,348,341	14.2
2	Completion of the Ultra-Modern Chambers/Galleries/Auxiliary Offices	Kitui Central	165,502,473	71,852,239	43.4
3	Pro-Poor Programme	Kitui County	200,000,000	24,966,046	12.5
4	Opening up of road from Bavaria junction to Mutuni road through Kamangu Stream & Kalundu River	Kitui Central	26,482,891	22,521,184	85.0
5	Construction of Enziu (Kwa Muthui) River Ddrift		18,834,669	15,811,306	83.9
6	Construction of lot 2 drifts on b7 Kisasi-Mbitini-Yongela-Vood507(e725) road	Kitui Rural	13,927,068	11,790,378	84.7
7	Procurement of 10,000ltrs exhauster	Mwingi Central	9,320,000	9,320,000	100.0
8	Construction of Itongolani river drift	Mwingi Central	10,950,073	9,303,780	85.0
9	Supply of specialized survey equipment	Kitui County	9,190,680	9,190,680	100.0
10	Supply of solar driven vaccine refrigeration	Kitui Central	9,125,000	9,125,000	100.0
11	Supply, delivery, installation and commissioning of hospital equipment(Mutomo)	Kitui South	9,744,742	8,911,800	91.5
12	Construction of Kathiano river drift	Mwingi Central	8,229,312	6,635,896	80.6
13	Supply and delivery of bee keeping equipment	Kitui County	6,168,000	6,168,000	100.0
	Total		**1,125,615**	**295,944,650**	**26.3**

Source: *Kitui County Treasury*

Analysis of the development expenditure indicates that the highest expenditure of Kshs.90.35 million was incurred by the Office of the Governor to run several projects under Community Level Infrastructure Development Programme (CLIDP). The second highest expenditure of Kshs.71.85 million was incurred by the County Assembly on construction of ultra-modern chambers/galleries and auxiliary offices. The Department of Trade, Industry, ICT and Cooperatives incurred Kshs.6.17 million on purchase and delivery of bee keeping equipment.

3.18.161 Budget and Budget Performance Analysis by Department

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

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Table 3.54: Kitui County, Budget Performance by Department for the First Half of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure(Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	544.81	889.29	211.35	0.00	141.08	123.91	66.8	-	25.9	13.9
Administration & Coordination	494.99	151.83	226.16	52.04	83.90	16.93	37.1	32.5	17.0	11.1
Agriculture, Water & Irrigation	425.88	702.19	204.72	275.66	110.11	183.96	53.8	66.7	25.9	26.2
Basic Education, Training, & Skills Development	380.57	405.15	171.41	200.01	134.26	41.28	78.3	20.6	35.3	10.2
Land, Infrastructure & Urban Development	270.86	639.43	118.39	292.80	74.90	276.33	63.3	94.4	27.7	43.2
Health & Sanitation	1,774.82	542.03	800.21	198.17	435.43	146.97	54.4	74.2	24.5	27.1
Trade, Industry & Cooperatives	75.50	225.61	35.27	94.33	19.08	121.48	54.1	128.8	25.3	53.8
Culture, Youth, Sports & Social Services	66.24	183.24	28.56	42.28	13.10	36.63	45.9	86.6	19.8	20.0
Environment, Energy & Minerals Investment Development	45.18	279.43	19.95	99.96	15.63	67.78	78.3	67.8	34.6	24.3
Natural Resources & Tourism	58.22	104.66	28.04	46.61	17.12	16.57	61.1	35.5	29.4	15.8
Finance & Economic Planning	516.24	102.81	145.36	0.00	88.92	0.00	61.2	-	17.2	-
County Public Service Board	64.71	0.00	28.17	0.00	21.23	0.00	75.4	-	32.8	-
County Assembly	729.13	185.38	317.07	72.75	241.22	73.12	76.1	100.5	33.1	39.4
Kitui Town Administration	88.22	350.02	36.96	168.79	14.50	40.97	39.2	24.3	16.4	11.7
Mwingi Town Administration	59.54	110.49	28.46	55.17	11.21	58.31	39.4	105.7	18.8	52.8
TOTAL	**5594.90**	**4871.57**	**2400.08**	**1598.55**	**1421.69**	**1204.24**	**59.2**	**75.3**	**25.4**	**24.7**

Source: *Kitui County Treasury*

Analysis of budget performance by department shows that the Department of Trade, Industry and Cooperatives attained the highest absorption rate of development budget at 53.8 per cent while the Finance and Economic Planning Department and the County Public Service Board did not incur any development expenditure. On the other hand, the Department of Basic Education, Training, & Skills Development had the highest percentage of recurrent expenditure to its recurrent budget at 35.3 per cent, while the Kitui Town Administration Department had the lowest at 16.4 per cent.

3.18.162 Observations and Recommendations

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

i. Adherence to budget timelines. The Annual Development Plan (ADP) for FY 2017/18 was submitted by the County Executive on 1st September 2016.

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

1. Delay in development of legislation to operationalize some established County Public Funds, such as the County Executive (Staff) Car Loan and Mortgages contrary to Section 116 of the PFM Act, 2012.
2. Under-performance in local revenue collection. Local revenue collection declined by 5 per cent from Kshs.155.03 million in the first half of FY 2015/16 to Kshs.147.63 million in the reporting period.
3. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.2.64 billion had been disbursed against expected disbursement of Kshs.3.96 billion.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

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

1. *The County should ensure the legislations establishing any County Public Fund are in place in line with Section 116 of the PFM Act, 2012, prior to operationalization of the Fund.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3.19 Kwale County

3.19.163 Overview of the FY 2016/17 Budget

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

To finance the budget, the County expects to receive Kshs.5.53 billion (68 per cent) as equitable share of revenue raised nationally, Kshs.433.4 million(5.3 per cent) as total conditional grants, generate Kshs.330.0 million (4.1 per cent) from local revenue sources, had Kshs.1.84 billion (22.6 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.119.38 million (1.5 per cent) for Free Maternal Healthcare, Kshs.85.0 million (1.0 per cent) for Roads Maintenance Fuel Levy Fund, Kshs.95.74 million (1.2 per cent) for leasing Medical Equipment, Kshs.28.91 million (0.4 per cent) for the World Bank Capacity Building and Performance grant, Kshs.15.40 million (0.2 per cent) for User Fees Foregone, Kshs.6.81 million (0.1 per cent) from DANIDA and Kshs.82.17 million (1.0 per cent) as conditional grants from other loans and grants

3.19.164 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.2.35 billion as equitable share of the revenue raised nationally, Kshs.66.41 million as total conditional allocations, raised Kshs.78.79 million from local revenue sources, and had cash balance of Kshs.1.84 billion from FY 2015/16.

Table 3.55 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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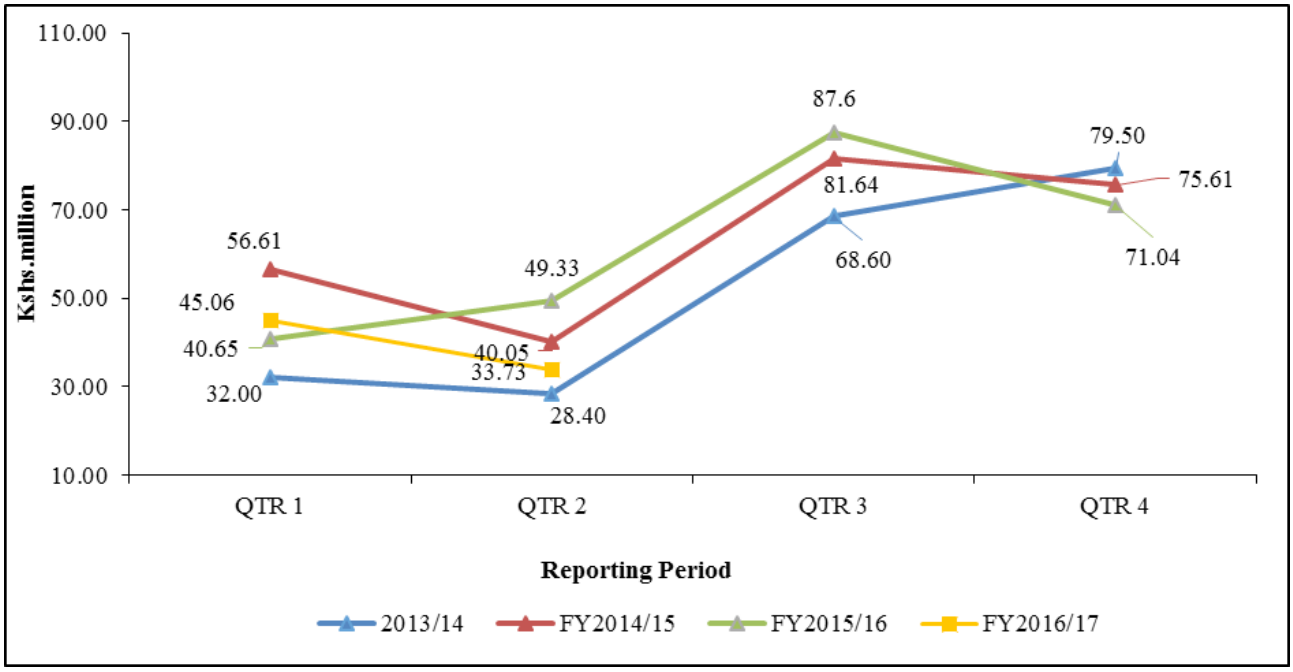
Figure 3.55: Kwale County, Trend in Local Revenue Collection by quarter from FY2013/14 to the second quarter FY 2016/17.



Source: *Kwale County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.78.79 million, representing a decrease of 12.4 per cent compared to Kshs.89.98 million generated in a similar period of FY 2015/16. This revenue was 23.9 per cent of the annual local revenue target.

3.19.165 Conditional Grants

Table 3.55: Kwale County Analysis of Conditional Grants released in First Half of FY 2016/17

No.	Conditional Grant	Allocations based on CARA 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	84,979,062.00	42,489,530.00	50.0
2	User Fees Foregone	15,397,611.00	7,698,806.00	50.0
3	Free Maternal Healthcare	119,385,662.00	16,222,500.00	13.6
4	Leasing of Medical Equipment	95,744,681.00	-	-
5	DANIDA Grant	6,810,000.00	-	-
6	World Bank (WB) Loan to Supplement Financing of Health Facilities (Capacity Building & Performance)	28,911,337.61	-	-
7	Other- (WB) Kenya Grant on Devolution Support program	82,166,289.00	-	-
	Total	**433,394,642.61**	**66,410,836.00**	**15.3**

Source: *Kwale County Treasury*

Analysis of the conditional grants released during the period under review shows that, the County received 50 per cent from Roads Maintenance Fuel Levy Fund and User Fees Foregone and 13.6 per cent from the Free Maternal Healthcare grant.

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3.19.166 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.39 billion from the CRF account, which was 41.6 per cent of the Approved Budget. This amount represents an increase of 24 per cent from Kshs.3.15 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.77 billion (52.2 per cent) for recurrent expenditure and Kshs.1.62 billion (47.8 per cent) for development activities.

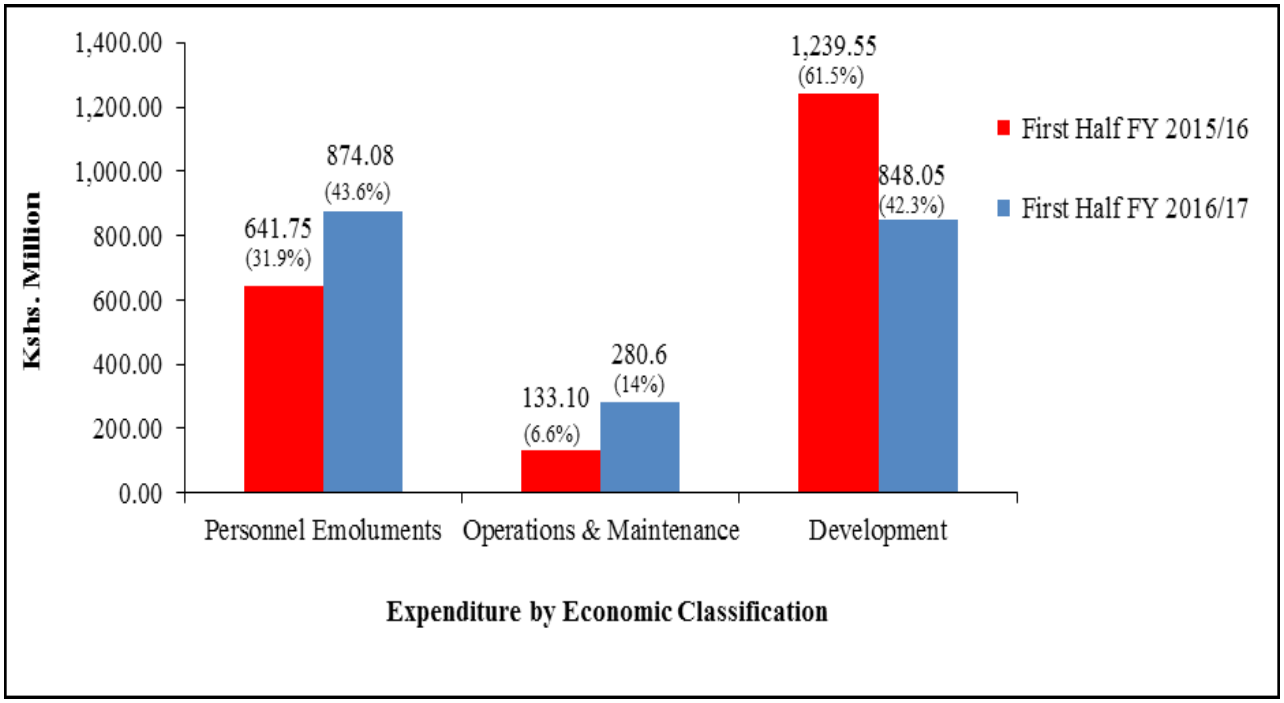
3.19.167 Overall Expenditure Review

The County spent Kshs.2 billion, which was 59.1 per cent of the total funds released for operations. This was almost equivalent to the Kshs.2.01 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.15 billion was spent on recurrent activities, while Kshs.848.05 million was spent on development activities. The recurrent expenditure accounted for 65.3 per cent of the funds released for recurrent activities while development expenditure accounted for 52.3 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.792.59 million for development and Kshs.44.56 million for recurrent expenditure.

The recurrent expenditure represents 38.09 per cent of the annual recurrent budget, an increase from 27.3 per cent achieved in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 16.6 per cent, which was a decrease from 25.9 per cent attained in a similar period of FY 2015/16. Figure 3.56 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

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



Source: *Kwale County Treasury*

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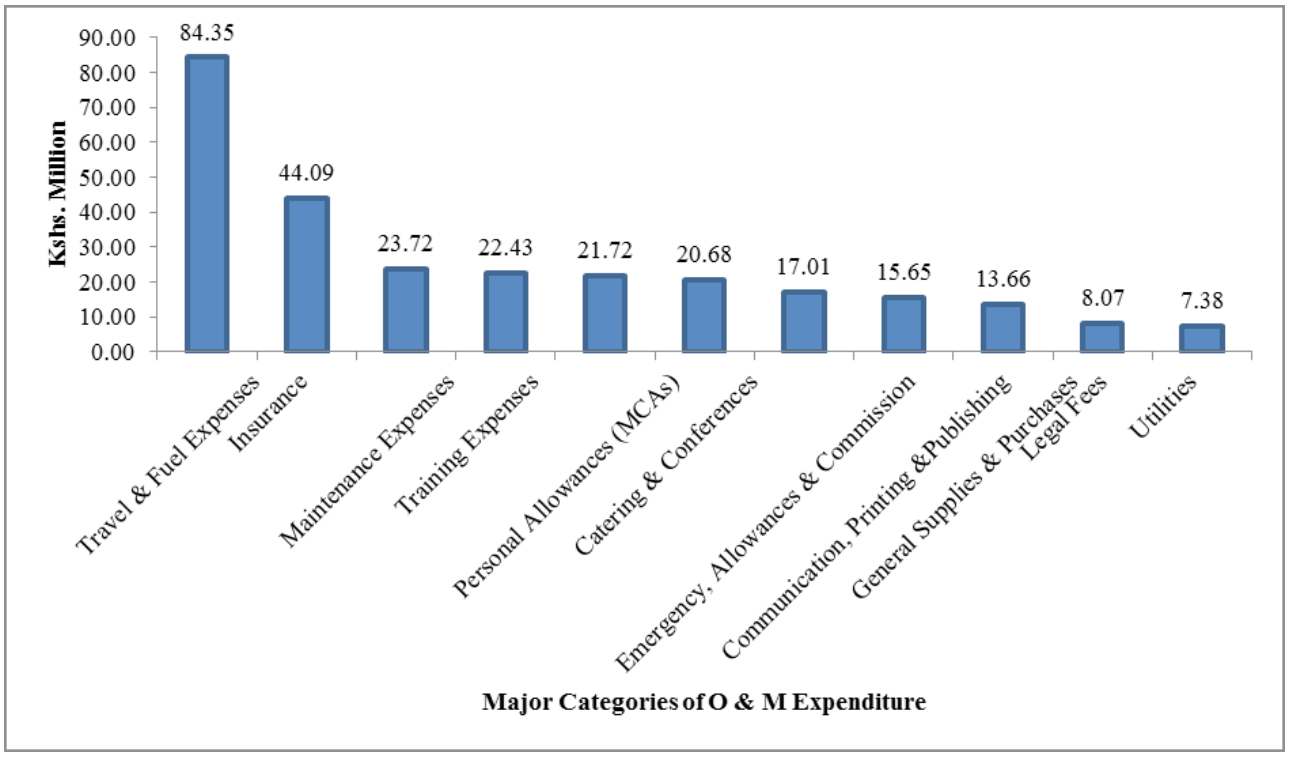
3.19.168 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.15 billion comprised of Kshs.874.08 million (75.7 per cent) spent on personnel emoluments and Kshs.280.60 million (24.3 per cent) on operations and maintenance as shown in Figure 3.56. Expenditure on personnel emoluments represents an increase of 36.2 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.641.75 million. Figure 3.69 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.57 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.57: Kwale County, Operations and Maintenance Expenditure by major categories the First Half of FY 2016/17



Source: *Kwale County Treasury*

The County spent Kshs.21.73 million on sitting allowances for the 33 MCAs and the Speaker against the annual budget allocation of Kshs.55.22 million. This was an increase of 65.0 per cent compared to Kshs.13.17 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.106,486 per million per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.84.35 million and consisted of Kshs.49.07 million spent by the County Assembly and Kshs.35.27 million spent by the County Executive. This was an increase of 58.1 per cent compared to Kshs.53.36 million spent in a similar period of FY 2015/16.

3.19.169 Development Expenditure Analysis

The total development expenditure of Kshs.848.05 million represents 16.6 per cent of the annual development budget of Kshs.5.11 billion. Table 3.56 provides a list of development projects with the highest expenditure during the period under review.

Table 3.56 : Kwale County, Summary of development project with the highest expenditure in the First Half of FY 2016/17

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No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Education - Building of 100 ECDs	All Wards	181,495,032.29	130,984,049.85	72.2
2	Infrastructure - 16 Roads opening & gravelling	All Wards	100,617,703.00	71,723,879.00	71.3
3	Community Development - 20 Community centres & Social amenities	All Wards	70,153,512.44	32,220,584.00	45.9
4	Trade - Jua Kali Sheds & Markets	All Wards	155,737,807.32	28,670,967.87	18.4
5	Water - Mwananyamala Dzombo Water pipelines	Ramisi, Pongwe & Dzombo Wards	73,343,807.20	28,015,352.00	38.2
6	County Assembly HQ	Matuga Ward	150,178,459.00	20,656,943.00	13.8
7	Health -Kwale Accident Emergency Unit	Kinango Ward	31,992,628.00	18,948,653.00	59.2
8	Agriculture - 3 Auction Rings	Mwaereni, Davaya & Kinondo Wards	21,065,426.00	16,069,868.80	76.3
9	ICT - Fibre Optic backbone cable	Matuga Ward	18,396,056.85	14,716,845.55	80.0
10	Public Admin - Ward Admin Offices & a garbage skipper	All Wards	22,831,280.50	13,046,446.00	57.1
	Total		**825,811,712.60**	**375,053,589.07**	**45.4**

Source: *Kwale County Treasury*

Analysis of the development expenditure indicates that the highest development expenditure of Kshs.130.98 million was incurred by the Education Department on construction of ECDs. The second highest expenditure of Kshs.71.72 million was incurred by the Infrastructure and Public Works Department to open up and gravel 16 new roads within the County.

3.19.170 Budget and Budget Performance Analysis by Department

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

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

Department	Budget Allocation (Kshs. Million)		First of half FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure(Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance & Economic Planning	285.15	55.97	167.99	47.97	103.89	9.19	61.84	19.16	36.43	16.4
Agriculture, Livestock &Fisheries	168.73	189.8	96.54	97.40	62.13	31.16	64.36	31.99	36.82	16.4

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Department	Budget Allocation (Kshs. Million)		First of half FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure(Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Lands, Housing & Physical planning	53.92	74.56	28.75	35.71	14.36	9.96	49.94	27.89	26.63	13.4
Medical & Public Health Services	1,047.83	939.39	610.24	182.57	465.94	161.73	76.35	88.59	44.47	17.2
County Assembly	497.98	330.18	267.84	270.00	168.14	79.37	62.78	29.40	33.76	24.0
Industry, Trade & Investment	57.48	234.36	31.36	110.35	15.01	28.48	47.87	25.81	26.11	12.2
Community, Culture & Talent Management	70.14	330.27	37.79	110.65	21.28	40.61	56.31	36.70	30.34	12.3
Office of the Governor & CPSB	151.93	162.69	100.81	58.69	59.29	5.41	58.81	9.22	39.02	3.3
Education, Research & Human Resources	236.85	1,320.64	151.30	269.72	95.23	201.84	62.94	74.83	40.21	15.1
Water Services	51.31	794.16	27.65	167.67	16.26	163.14	58.82	97.30	31.69	20.5
Infrastructure & Public Works	122.1	465.3	65.55	141.73	43.55	75.3	66.44	53.13	35.67	16.2
Tourism and ICT	38.6	164.32	23.53	84.02	11.92	34.21	50.66	40.71	30.88	20.8
Public Service & Administration	249.59	43.51	159.33	43.51	77.68	7.65	48.75	17.58	31.12	17.6
TOTAL	**3,031.61**	**5,105.16**	**1,768.67**	**1,619.98**	**1,154.68**	**848.05**	**65.29**	**52.35**	**38.09**	**16.6**

Source: *Kwale County Treasury*

Analysis of budget performance by department shows that the County Assembly attained the highest absorption rate of its development budget at 24.0 per cent while the Office of the Governor & the County Public Service Board incurred the least expenditure at 3.3 per cent. On the other hand, the Department of Medical and Health Services had the highest percentage of recurrent expenditure to its recurrent budget at 44.5 per cent while the Department of Lands and Physical Planning had the lowest at 26.1 per cent.

3.19.171 Observations and Recommendations

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

implementation. Some of the progress made included:

i. Establishment of an Internal Audit Committee in line with Section 155 (5) of the PFM Act, 2012.
ii. Submission of quarterly reports in time as stipulated under Section 166 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.2.35 billion had been disbursed against an expected disbursement of Kshs.2.77 billion.
2. High wage bill that increased by 36.2 per cent from Kshs.641.75 million in the first half of FY 2015/16 to Kshs.874.08 million in the period under review.
3. Under-performance in local revenue collection. The local revenue collection has declined by 12.4 per cent from Kshs. 89.98 in the first half of FY 2015/16 to Kshs.78.79 in the reporting period.
4. Failure to develop regulations to operationalize some established County Public Funds such as the Bursary Fund and the Women &Youth Fund, contrary to Section 116 of the PFM Act, 2012.
5. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2016 Disbursement Schedule.*
2. *The County Public Service Board should establish an optimal staffing structure in order to manage the rising wage bill.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The County should ensure the regulations establishing any County Public Funds are in place in line with Section 116 of the PFM Act, 2012 before operationalization of the same.*
5. *The County Treasury should liaise with IFMIS Directorate for support in the use of IFMIS and the E-procurement module.*

3.20 Laikipia County

3.20.172 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.5.94 billion, comprising of Kshs.3.41 billion (57.4 per cent) and Kshs.2.53 billion (42.6 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.72 billion (62.6 per cent) as equitable share of revenue raised nationally, Kshs.290 million (4.4 per cent) as total conditional grants, generate Kshs.670 million (11.3 per cent) from local revenue sources, generate Kshs.903.76 million (15.2 per cent) from other sources, and Kshs.357.23 million (6 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.61.4 million (21.9 per cent) for Free Maternal Healthcare, Kshs.57.19 million (19.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.9.87 million (3.4 per cent) for User Fees Foregone, Kshs.5.76 million (2 per cent) from DANIDA, Kshs.95.74 million (33 per cent) for Leasing of Medical Equipment and Kshs.60.05 million (20.7 per cent) from Other Loans and Grants.

3.20.173 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.88 billion as equitable share of the revenue raised nationally, Kshs.59.99 million as total conditional allocations, raised Kshs.214.65 million from local

revenue sources, and had cash balance of Kshs.357.23 million brought forward from FY 2015/16.

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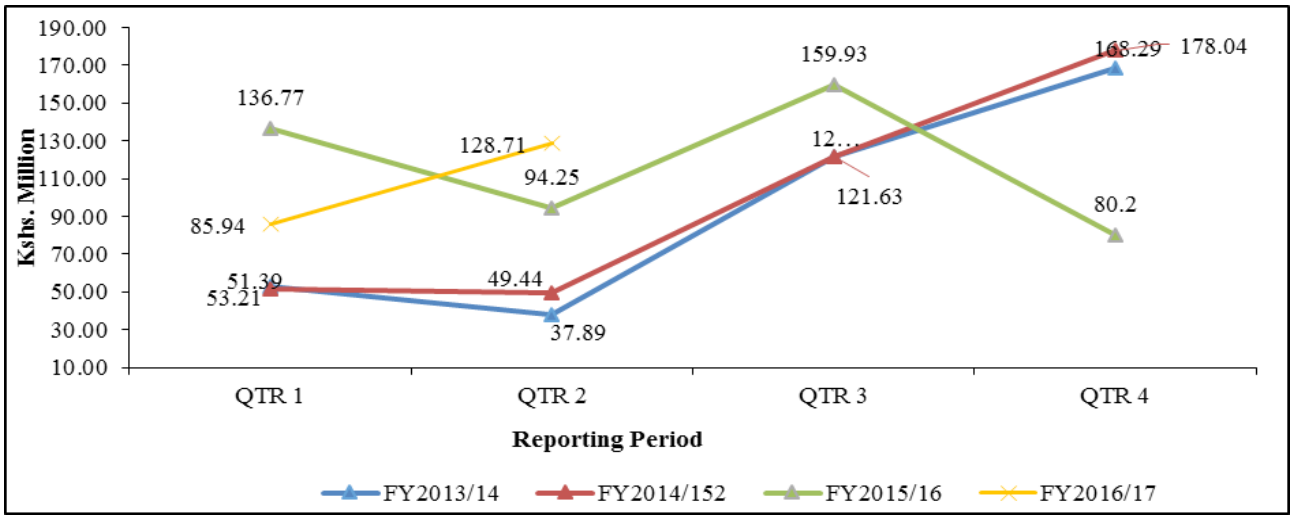
Figure 3.58 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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



Source: *Laikipia County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.214.65 million which is a decrease of 7.1 per cent compared to Kshs.231.02 million generated in a similar period of FY 2015/16. This revenue was 32 per cent of the annual local revenue target.

3.20.174 Conditional Grants

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

Table 3.58: Laikipia County analysis of conditional grants released in the First Half of FY 2016/17

No.	Conditional Grant	Amount allocations based on CARA, 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	57,190,153.00	28,595,076.00	49.99
2	Free Maternal Healthcare	61,409,667.00	26,460,000.00	43.08
3	User Fees Foregone	9,872,539.00	4,936,270.00	50.00
4	DANIDA Grant	5,765,000.00	0.00	0.00
5	World Bank Loan	60,049,676.00	0.00	0.00
6	Other Loans and Grants	0.00	0.00	0.00
Total		**290,031,716.00**	**59,991,346.00**	**20.7**

Source: *Laikipia County Treasury*

Analysis of the conditional grants released for the period under review indicates that, User Fee Forgone recorded the highest receipts against annual target at 50 per cent followed by the Road Maintenance Fuel Levy Fund at 49.9 per cent and Free Maternal Healthcare 43 per cent. The County did not receive any money against the other conditional allocations.

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3.20.175 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.59 billion from the CRF account, which was 46.8 per cent of the Approved Budget. This amount represented an decrease of 8.6 per cent from Kshs.1.74 billion authorized in a similar period of FY 2015/16 and comprised of Kshs.1.74 billion (33.9 per cent) for recurrent expenditure and Kshs.495.5 million (19.6per cent) for development activities.

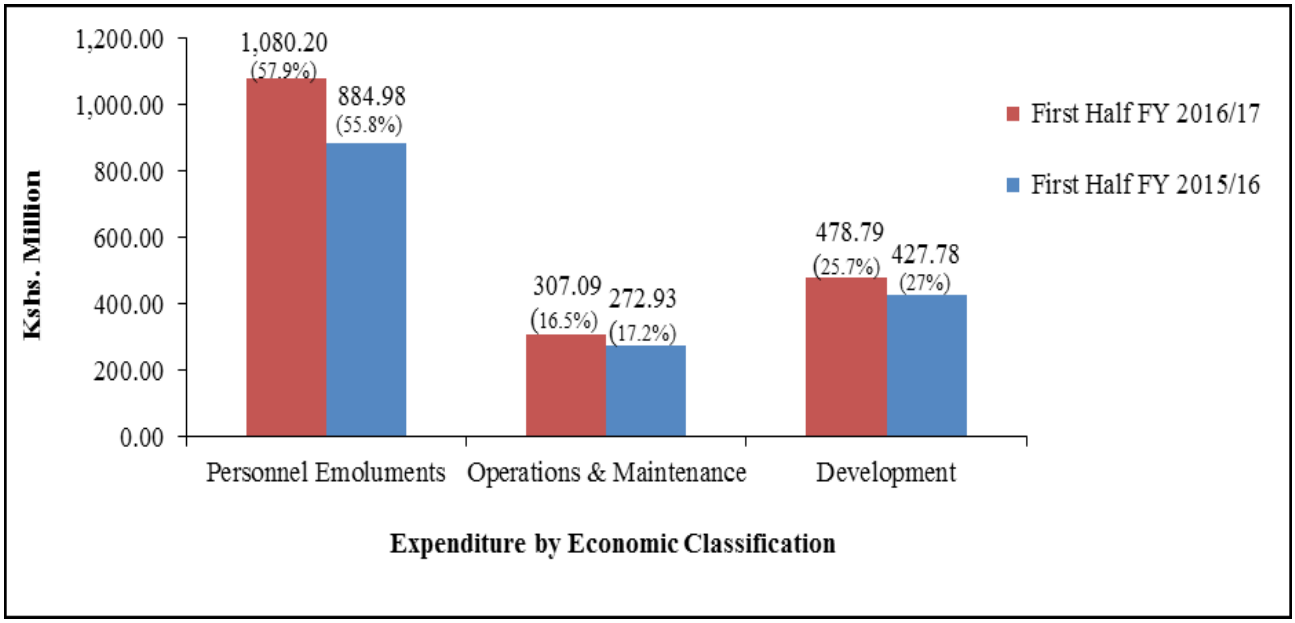
3.20.176 Overall Expenditure Review

The County spent Kshs.1.87 billion, which was 89.2 per cent of the total funds released for operations. This was an increase of 17.6 per cent from Kshs.1.59 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.39 billion was spent on recurrent activities, while Kshs.478.79 million was spent on development activities. The recurrent expenditure was 86.9 per cent of the funds released for recurrent activities while development expenditure accounted for 96.6 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.438.16 million for development and Kshs.43.63 million for recurrent expenditure.

The recurrent expenditure represented 40.7 per cent of the annual recurrent budget, a slight increase from 40.5 per cent achieved in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 18.9 per cent, which was a slight increase from 18.8 per cent attained in a similar period of FY 2015/16. Figure 3.59 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.59: Laikipia County, Expenditure by Economic Classification for the first half FY 2016/17 and the first half of FY 2015/16



Source: *Laikipia County Treasury*

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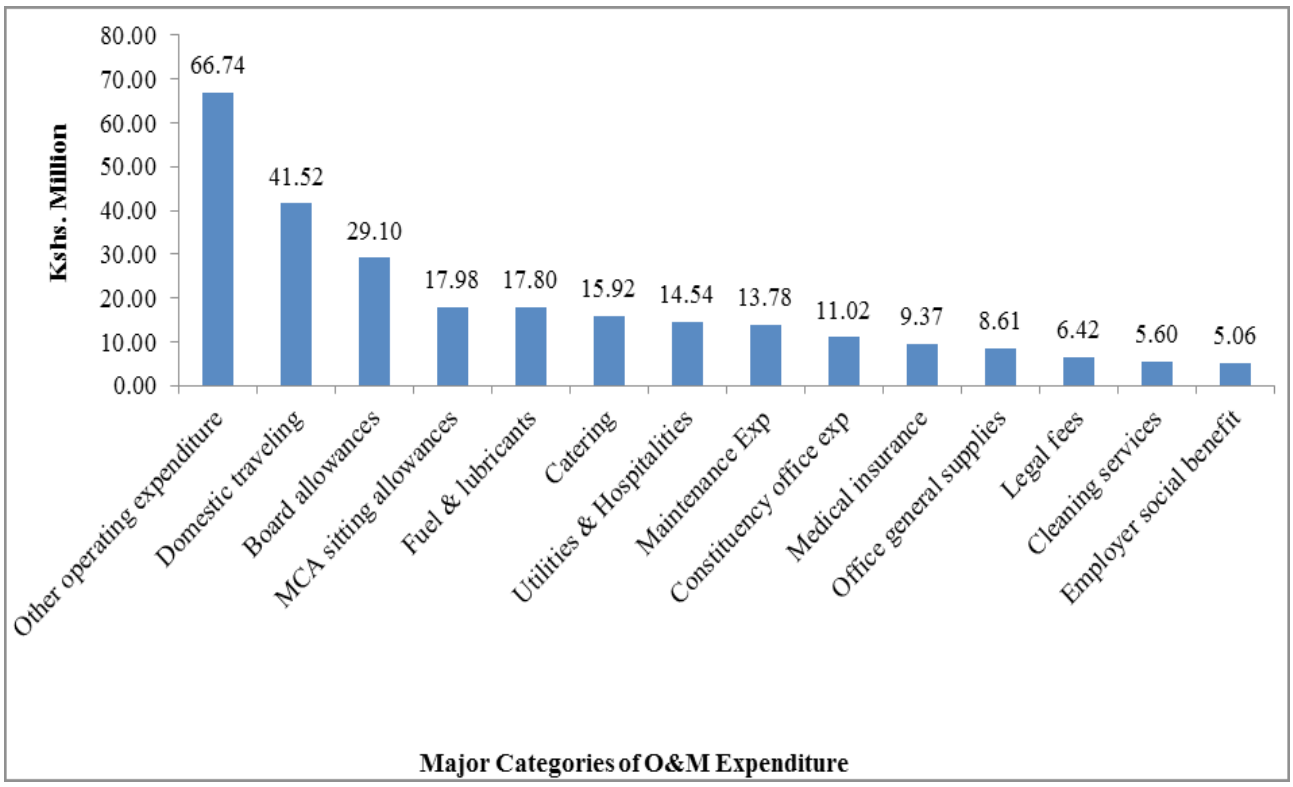
3.20.177 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs1.38 billion comprised of Kshs.1.08 billion (78.3 per cent) spent on personnel emoluments and Kshs.307.09 million (21.7 per cent) on operations and maintenance as shown in Figure 3.59. Expenditure on personnel emoluments represents an increase of 18.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.884.98 million.

Figure 3.60 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.60: Laikipia County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Laikipia County Treasury*

The County spent Kshs.15.10 million on sitting allowances for the 24 MCAs and the Speaker against the annual budget allocation of Kshs.31.98 million. This was a decrease compared to Kshs.17.2 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.104,882 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.41.52 million and consisted of Kshs.26.90 million spent by the County Assembly and Kshs.14.62 million spent by the County Executive. This was a decrease compared to Kshs.63.53 million spent in a similar period of FY 2015/16.

3.20.178 Development Expenditure Analysis

The total development expenditure of Kshs.478.79 million represents 18.9 per cent of the annual development budget of Kshs.2.53 billion. Table 3.59 provides a list of development projects with the highest expenditure during the period under review.

Table 3.59: Laikipia County, List of development projects with the highest expenditure for the First Half of FY 2016/17

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No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Supply of fire engine	Pending bills	31,387,932.00	31,387,932.00	100
2	Construction of Ewaso Ngiro bridge	Pending bills	27,921,576.00	27,921,576.00	100
3	Supply of drugs	Pending bills	19,619,169.00.00	19,619,169.00	100
4	Purchase of plastic tanks	All wards	15,571,000.00	14,077,800.00	90.41
5	Supply of electrical materials	Pending bills	10,623,539.00	10,623,539.00	100
6	Supply, delivery, installation, commissioning 250kva generator	N/A	7,815,650.00	7,815,650.00	100
7	Supply and delivery of 30,000 sq meters of dam liners	All wards	7,650,084.00	7,650,084.00	100
8	Wall fence and cabro paving hospital grounds	Nanyuki	7,300,000.00	7,300,000.00	100
9	Construction of labolaatory at nanyuki teaching and referal hospiatal	Pending bills	6,757,526.00	6,757,526.00	100
10	Revenue automation	Pending bills	6,336,207.00	6,336,207.00	100
Total			**140,982,683.00**	**139,489,483.00**	**98.9**

Source: *Laikipia County Treasury*

Analysis of development expenditure by project indicates that, the highest expenditure of Kshs.31.39 million was incurred on fire engines, followed by construction of Ewaso Ngiro bridge at Kshs.27.92 million and supply of drugs at Kshs. 19.62 million.

3.20.179 Budget and Budget Performance Analysis by Department

Table 3.60 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.60: Laikipia County, First Half FY 2016/17 Budget Performance by Department

DEPARTMENT	BUDGET ALLOCATION (Kshs)		First Half FY 2016/17 Exchequer Issues (Kshs.Million)		First Half of FY 2016/17 Expenditure (kshs. Millions)		First Half of FY 2016/17 Expenditure to Exchequer Issues (%)		First Half of FY 2016/17 Absorption Rate(%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Administration	2,406.15	129.86	1,184.93	-	1,029.19	1.54	86.86	0	42.8	1.9
Finance and Planning	232.36	1,144.96	77.57	449.81	75.62	438.16	0.97	0.97	32.6	38.3

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DEPARTMENT	BUDGET ALLOCATION (Kshs)		First Half FY 2016/17 Exchequer Issues (Kshs.Million)		First Half of FY 2016/17 Expenditure (kshs. Millions)		First Half of FY 2016/17 Expenditure to Exchequer Issues (%)		First Half of FY 2016/17 Absorption Rate(%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	235.98	423.45	97.13	31.4	56.7	29.57	0.58	0	24	7
Agriculture	16.91	107.36	5.57	-	2.96	2.47	0.53	0	17.5	2.3
Infrastructure	31.41	321.4	7.89	14.3	6.17	-	0.78	0	19.6	0
Education	41.84	113.8	8.33	-	15.7	-	1.88	0	37.5	0
Trade & Industrialization	23.82	88	6.62	-	8.41	-	1.27	0	35.3	0
Water	29.22	165.14	7.95	-	11.01	7.06	1.39	0	37.7	4.27
County Assembly	391.47	40	200	-	181.54	-	0.91	0	46.4	0
TOTAL	**3,409.17**	**2,533.97**	**1,596.00**	**495.51**	**1,387.30**	**478.79**	**95.18**	**0.22**	**40.7**	**18.9**

Source: *Laikipia County Treasury*

Analysis of budget performance by department shows that, the Department of Finance and Economic Planning attained the highest absorption rate of development budget at 38.3 per cent while the departments for Infrastructure, Education, Trade & Industrialization, and the County Assembly did not incur any development expenditure. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 46.4 per cent while the Department of Agriculture had the lowest at 17.5 per cent.

3.20.180 Observations and Recommendations

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

i. Timely submission of quarterly reports by the County Government entities in line with Section 166 of the PFM Act, 2012.

ii. Adherence to budget timelines. The County Executive Committee Member for Finance (CECMF) submitted the budget estimates to the County Assembly on 30th April 2016, which was approved on 30th June 2016.

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

1. High wage bill that increased by 18.1per cent from Kshs. 884.98 million in the first half of FY 2015/16 to Kshs.1.08 billion during the period under review representing 57.9 per cent of total expenditure.

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

3. Under-performance in local revenue collection. The local revenue collection declined by 7.1 per cent

from Kshs.231.02 million in the first half of FY 2015/16 to Kshs.214.65 million in the reporting period.

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4. Failure to constitute the CBEF as required by Section 137 of the PFM Act, 2012 for consultation in the budget process.

5. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

4. *The County should establish the CBEF for consultation in the budget and economic processes in line with Section 137 of the PFM Act, 2012*

5. *The County Treasury should liaise with IFMIS Directorate for support.*

3.21 Lamu County

3.21.181 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.3.21 billion, comprising of Kshs.1.97 billion (61.0 per cent) and Kshs.1.24 billion (39.0 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.2.21 billion (69.0 per cent) as equitable share of revenue raised nationally, Kshs.223.19 million (7.0 per cent) as total conditional grants, generate Kshs.100 million (3.0 per cent) from local revenue sources, and Kshs.677.06 million (21.0 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.19.80 million (8.9 per cent) for Free Maternal Healthcare, Kshs.46.34 million (20.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.2.48 million (1.1 per cent) for User Fees Foregone, Kshs.10.52 million (4.7 per cent) from DANIDA, Ksh.23.48 million (10.5 per cent) as World Bank loan to supplement health facilities and Kshs.120.57 million (54.0 per cent) as conditional allocations from Other Loans and Grants.

3.21.182 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.741.69 million as equitable share of the revenue raised nationally, Kshs.36.02 million as total conditional allocations, raised Kshs.18.3 million from local revenue sources, and had a cash balance of Kshs.677.06 million brought forward from FY 2015/16.

Figure 3.61 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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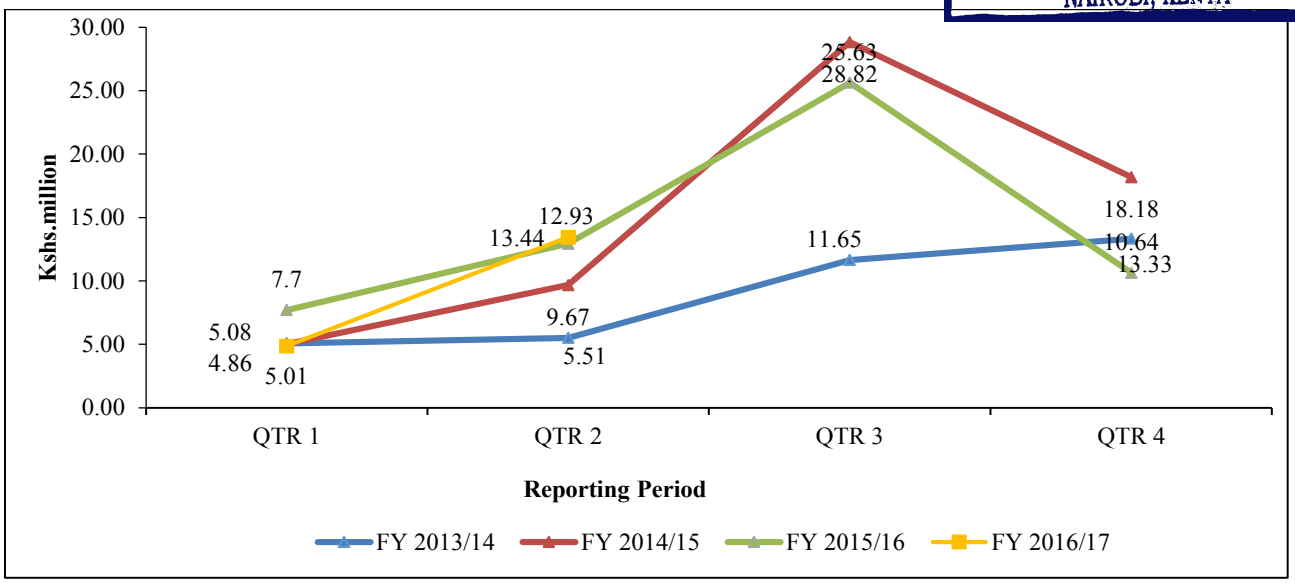
Figure 3.61: Lamu County, Trend in Local Revenue Collection by quarter from FY 2013/14 to FY 2016/17



Source: *Lamu County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.18.3 million, representing a decrease of 11.3 per cent compared to Kshs.20.62 million generated in a similar period of FY 2015/16. This revenue was 18.3 per cent of the annual local revenue target.

3.21.183 Conditional Grants

Table 3.61 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.61: Lamu County Analysis of Conditional Grants Released in First Half of FY 2016/17

No.	Conditional Grant	Amount allocations based on CARA 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	46,341,432	26,065,747	56.3
2	Free Maternal Healthcare	19,797,520	-	0.00
3	User Fees Foregone	2,481,810	-	0.00
4	DANIDA Grant	10,517,500	3,820,000	36.3
5	World Bank Loan	23,484,716	6,133,978	26.1
6	Other Loans and Grants	120,567,352	-	0.00
Total		**223,190,330**	**36,019,725**	**16.1**

Source: *Lamu County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund attained the highest receipts against annual target at 56.3 per cent followed by the DANIDA grant. Receipts towards the World Bank Loan to supplement health facilities accounted for 26.1 per cent of the annual target.

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3.21.184 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.35 billion from the CRF account, which was 42 per cent of the Approved Supplementary Budget. This amount represents an increase of 21.6 per cent from Kshs.1.11 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.887.34 million (65.8 per cent) for recurrent expenditure and Kshs.462.19 million (34.2 per cent) for development activities.

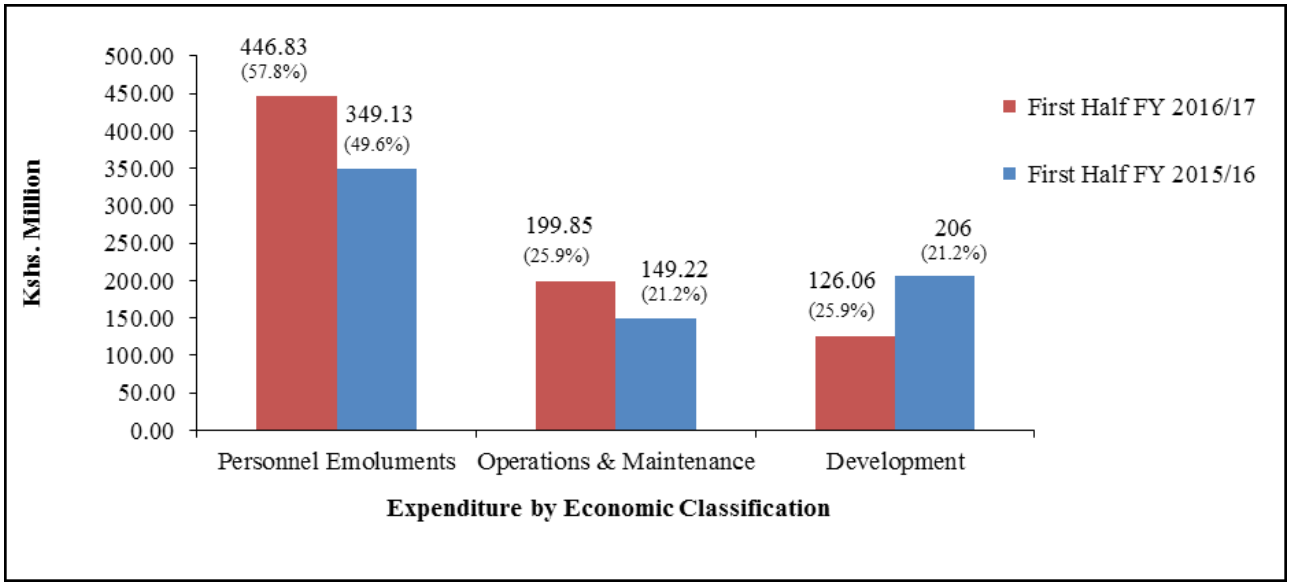
3.21.185 Overall Expenditure Review

The County spent Kshs.771.65 million, which was 55.4 per cent of the total funds released for operations. This was an increase of 9.6 per cent from Kshs.704.35 million spent in a similar period of FY 2015/16.

A total of Kshs.646.68 million was spent on recurrent activities, while Kshs.124.98 million was spent on development activities. The recurrent expenditure was 69.5 per cent of the funds released for recurrent activities while development expenditure accounted for 27.0 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.50.94 million for development and Kshs.39.41 million for recurrent expenditure.

The recurrent expenditure represents 32.8 per cent of the annual recurrent budget, an increase from 28.4 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 10.1 per cent, which was a decline from 15.6 per cent attained in a similar period of FY 2015/16. Figure 3.62 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.62: Lamu County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



Source: *Lamu County Treasury*

3.21.186 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.646.68 million consisted of Kshs.446.83 million (69.1 per cent) spent on personnel emoluments and Kshs.199.85 million (30.9 per cent) on operations and maintenance as shown in Figure 3.62. Expenditure on personnel emoluments represents an increase of 28.0 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.349.13 million.

Figure 3.63 shows a summary of the operations and maintenance expenditure by major categories.

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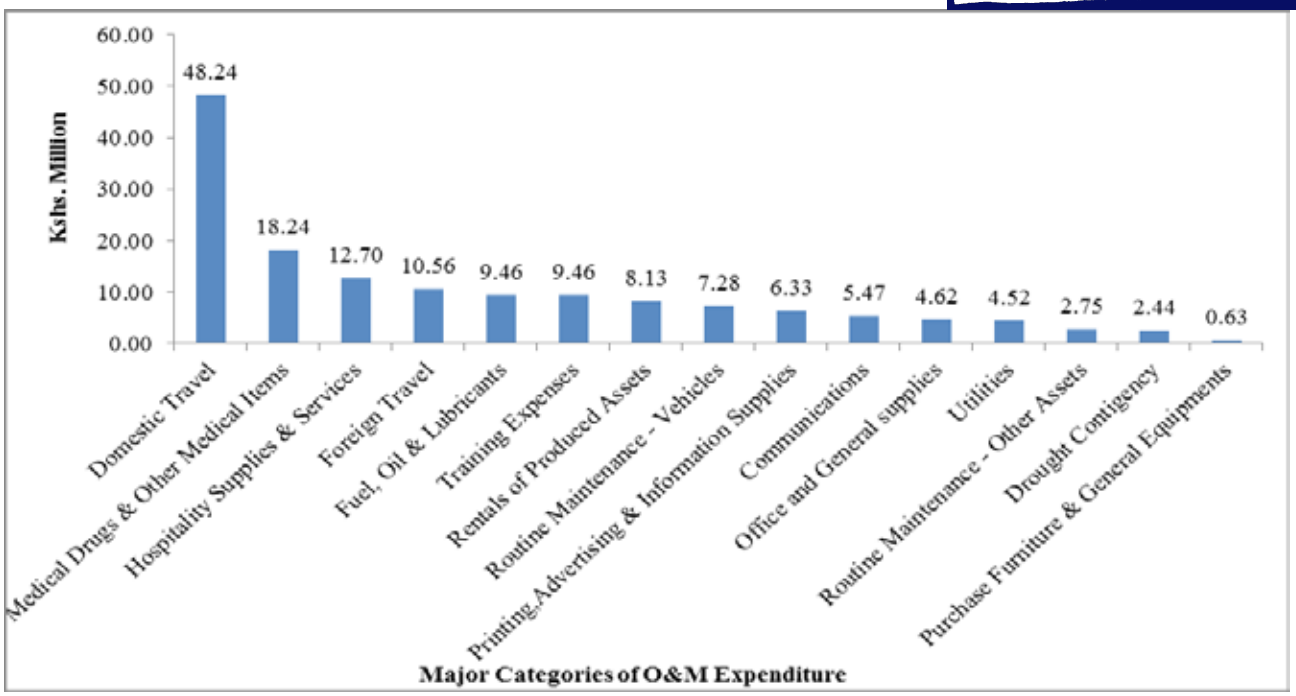
Figure 3.63: Lamu County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Lamu County Treasury*

The County spent Kshs.11.07 million on sitting allowances for the 20 MCAs and the Speaker against the annual budget allocation of Kshs.38.7 million. This was an increase of 4.2 per cent compared to Kshs.10.62 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.87,889 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.58.8 million and consisted of Kshs.29.45 million spent by the County Assembly and Kshs.29.35 million spent by the County Executive. This was an increase of 37.9 per cent compared to Kshs.42.64 million spent in a similar period of FY 2015/16.

3.21.187 Development Expenditure Analysis

The total development expenditure of Kshs.124.98 million represents 10.1 per cent of the annual development budget of Kshs.1.24 billion. Table 3.62 provides a list of development projects with the highest expenditure during the period under review.

Table 3.62: Lamu County, list of development projects with the highest expenditure for the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1.	Construction of county assembly chambers.	Mokowe -Hindi ward	90,000,000	29,503,586	32.78
2	Construction of County headquarters.	Mokowe -Hindi ward	27,263,593	14,424,959	52.91
3	Solar street lighting.	County wide	12,200,000	11,400,000	93.44
4	Construction of Accident and Emergency unit at Witu.	Witu	14,000,000	7,529,339	53.78

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No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditures as at 31st December 2016 (Kshs.)	Absorption Rate (%)
5	Completion/Renovation of Sinambio Dispensary.	Hongwe	8,080,038	6,453,524	79.87
6	Construction of eight ECDEs (Miruji ECDE,Chalaluma ECDE,Boramoyo ECDE,Manda Maweni ECDE,Sendemke ECDE,Vipingo ECDE,Swabaha ECDE and Bahati Njema ECDE.).	Mkunumbi, Witu, Bahari, Shella, Hindi and Hongwe Wards.	24,300,000	6,102,452	25.11
7	Construction of Type 'O' Dispensary at Uziwa.	Mkunumbi	5,000,000	4,234,530	84.69
8	Construction of Laundry at Witu.	Witu	6,000,000	3,910,775	65.18
9	Construction of Djabia in Madina.	Kiunga ward	3,000,000	3,000,000	100.00
10	Purchase of agricultural machinery & equipment.	Lamu West	3,000,000	2,284,155	76.14
	Total		**192,843,631**	**88,843,320**	**46.1**

Source: *Lamu County Treasury*

Analysis of the development projects with the highest expenditure indicates that Kshs.29.5 million which was spent on construction of the County Assembly chambers followed by Kshs.14.42 million spent on construction of the County Headquarter, and Kshs.11.4 million on installation of solar street lights.

3.21.188 Budget and Budget Performance Analysis by Department

Table 3.63 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.63: Lamu County, First Half FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First half FY 2016/17 Exchequer Issues (Kshs. Million)		First half FY 2016/17 Expenditure (Kshs. Million)		First half FY 2016/17 Expenditure to Exchequer Issues (%)		First half FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	347.00	90.00	168.00	40.00	123.51	29.50	73.52	73.75	35.59	32.78
County Executive	382.31	94.82	174.67	41.45	102.98	14.42	58.96	34.79	26.94	15.21
Finance, Strategy & Economic Planning	179.16	27.00	42.31	12.00	37.05	1.78	87.57	14.83	20.68	6.59
Agriculture & Irrigation	68.25	43.53	34.74	20.38	20.97	3.76	60.36	18.45	30.73	8.64

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Department	Budget Allocation (Kshs. Million)		First half FY 2016/17 Exchequer Issues (Kshs. Million)		First half FY 2016/17 Expenditure (Kshs. Million)		First half FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Expenditure to [illegible] (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Land, Physical Planning, Infrastructure, Water and Natural Resources	63.93	286.10	29.07	125.95	20.12	14.92	69.21	11.85	31.47	5.21
Education, Gender, Sports, Youth & Social services	144.29	118.71	69.16	41.85	59.35	21.63	85.82	51.68	41.13	18.22
Health & Sanitation	594.16	424.11	277.88	114.15	217.00	27.07	78.09	23.71	36.52	6.38
Trade, Culture, Tourism & Investment Development	36.39	48.09	15.59	23.00	9.84	2.22	63.12	9.65	27.04	4.62
Information, Communication, E-Government and Public Participation	33.99	27.07	16.99	9.77	9.06	4.39	53.33	44.93	26.65	16.22
Fisheries, Livestock, Veterinary & Cooperative Development	75.33	84.38	36.93	33.62	26.74	5.28	72.41	15.70	35.50	6.26
Public Service Board	45.65	-	21.98	-	20.07	-	91.31	-	43.96	-
TOTAL	**1,970.46**	**1,243.81**	**887.32**	**462.17**	**646.69**	**124.97**	**72.88**	**27.04**	**32.82**	**10.05**

Source: *Lamu County Treasury*

Analysis of budget performance by department shows that the County Assembly attained the highest absorption rate of development budget at 32.8 per cent while the Department of Trade Culture, Tourism and Investment Development attained the lowest rate at 4.6 per cent. On the other hand, the County Public Service Board had the highest percentage of recurrent expenditure to its recurrent budget at 44 per cent while the Department of Finance, Strategy and Economic Planning had the lowest at 20.7 per cent.

3.21.189 Observations and Recommendations

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

(i). Establishment of an audit committee in compliance with Section 155(5) of the PFM Act, 2012.

(ii). Improvement in the submission of quarterly reports on County established Funds.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of the

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budget implementation review report.

2. High wage bill that increased by 28.0 per cent from Kshs.349.13 million in the first half of FY 2015/16 to Kshs.446.83 million during the period under review.
3. Delay by the County Assembly in the approval of key planning policy documents such as the ADP, CFSP and CBROP.
4. Intermittent use of IFMIS in processing financial transactions contrary to Section 12(e) of the PFM Act, 2012.
5. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
6. The Office observed that substantial amount (Kshs.178.49 million) was transferred to imprest accounts. This was used to make payments by cheques for development expenditure contrary to Section 12(e) of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County Assembly should observe the timelines stipulated in law in the approval of key planning documents so as to facilitate smooth implementation of the budget.*
4. *The County Treasury should ensure all financial transactions are processed through IFMIS and Internet Banking platform as prescribed by the National Treasury.*
5. *The County Treasury should liaise with the IFMIS Directorate for support in application of IFMIS and E-procurement module.*
6. *The County Treasury should discourage payments by cheques, which can be prone to misappropriation.*

3.22 Machakos County

3.22.190 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.10.88 billion, comprising of Kshs.7.54 billion (69.3 per cent) and Kshs.3.34 billion (30.7 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.30 billion (67.2 per cent) as equitable share of revenue raised nationally, Kshs.716.87 million (6.5 per cent) as total conditional grants, generate Kshs.2.86 billion (26.3 per cent) from local revenue sources, and Kshs.339.70 million cash balance from FY 2015/16. The conditional grants comprise of Kshs.365.32 million (51.0 per cent) for the Machakos Level 5 Hospital, Kshs.105 million (14.7 per cent) for Free Maternal Healthcare, Kshs.95.74 million (13.4 per cent) for Leasing of Medical Equipment, Kshs.112 million (15.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.24.76 million (3.4 per cent) for User Fees Foregone, and Kshs.13.35 million (1.8 per cent) from DANIDA.

3.22.191 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.3.69 billion as equitable share of the revenue raised nationally, Kshs.295.33 million as total conditional allocations, raised Kshs.528.81 million from local revenue sources, and had a cash balance of Kshs.339.70 million brought forward from FY 2015/16.

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

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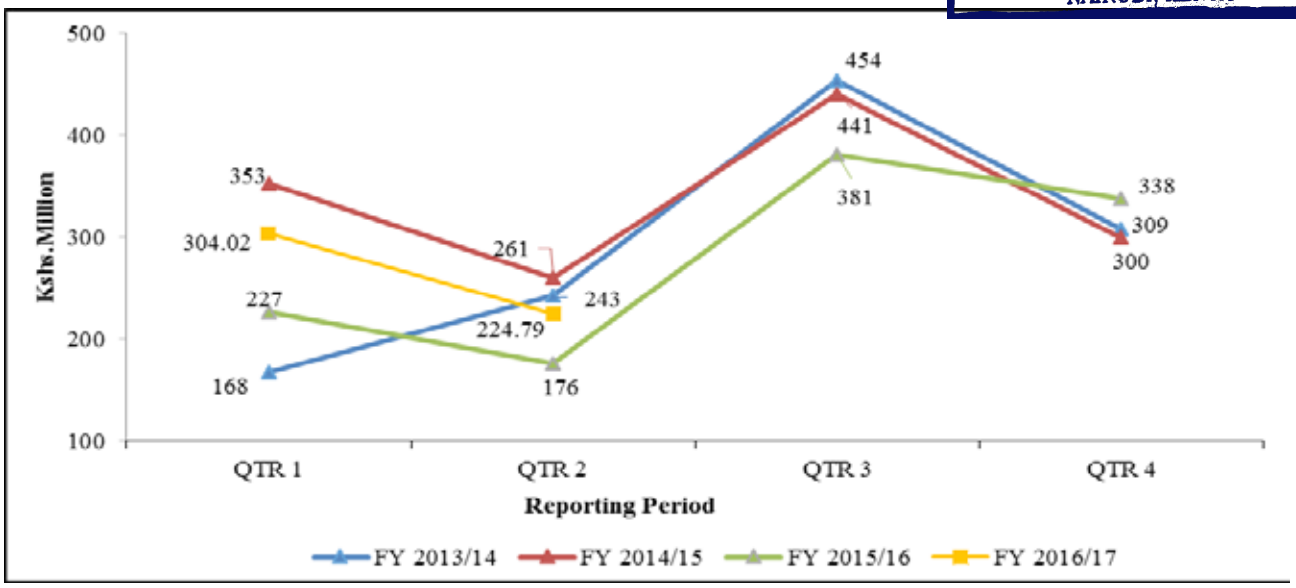
Figure 3.64: Machakos County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the second quarter FY2016/17



Source: *Machakos County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.528.81 million which is an increase of 31.2 per cent compared to Kshs.403 million generated in a similar period of FY 2015/16. This revenue was 18.5 per cent of the annual local revenue target.

3.22.192 Conditional Grants

Table 3.64 shows an analysis of conditional grant disbursement in the first half of FY 2016/17.

Table 3.64: Machakos County Analysis of Conditional Grants Released in the First Half of FY 2016/17

No.	Conditional Grant	Annual allocation based on CARA 2016 (Kshs.)	Actual receipts for the First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Machakos Level 5 Hospital	365,317,919	186,312,140	51.0
2	Road Maintenance Fuel Levy Fund	112,217,667	56,108,834	50.0
3	Free Maternal Healthcare	105,476,087	40,522,500	38.4
4	User Fees Forgone	24,764,877	12,382,438	50.0
5	DANIDA Grant	13,350,000	-	-
6	Leasing of Medical Equipment	95,744,681	-	-
TOTAL		**716,871,231**	**295,325,912**	**41.2**

Source: *Machakos County Treasury*

Analysis of the conditional grants released during the period under review indicates that, receipts for Level 5 Hospital recorded the highest performance at 51 per cent of annual target. This was followed by the grant from the Road Maintenance Fuel Levy Fund and User Fees Forgone at 50 per cent and the Free Maternal Healthcare grant that recorded a performance of 38.4 per cent. The County Treasury did not report receipts from the other

grant sources.

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3.22.193 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.71 billion from the CRF account, which was 43.3 per cent of the FY 2016/17 Approved Budget. This amount represents an increase of 4.7 per cent from Kshs.4.50 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.56 billion (75.7 per cent) for recurrent expenditure and Kshs.1.14 billion (24.3 per cent) for development activities.

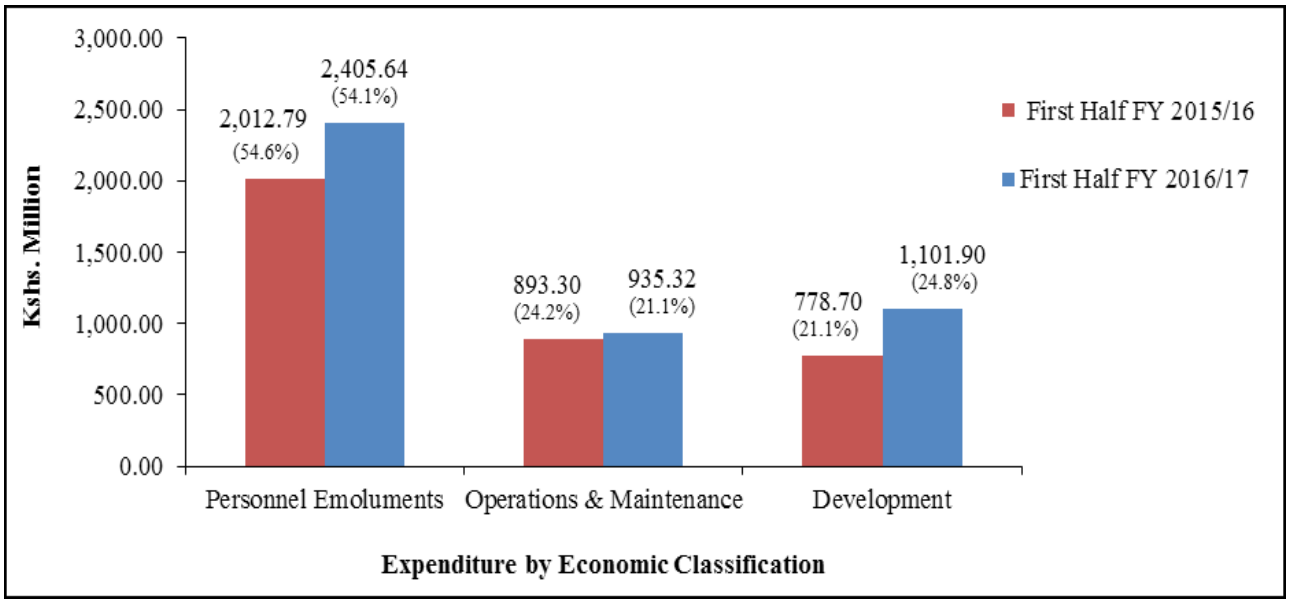
3.22.194 Overall Expenditure Review

The County spent Kshs.4.44 billion, which was 94.4 per cent of the total funds released for operations. This was an increase of 20.7 per cent from Kshs.3.68 billion spent in a similar period in FY 2015/16.

A total of Kshs.3.34 billion was spent on recurrent activities, while Kshs.1.10 billion was spent on development activities. The recurrent expenditure was 93.8 per cent of the funds released for recurrent activities while development expenditure accounted for 96.3 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016, which the County was yet to provide by the time of finalizing this report.

The recurrent expenditure represented 44.3 per cent of the annual recurrent budget, a decrease from 55.3 per cent achieved in a similar period in FY 2015/16. Development expenditure recorded an absorption rate of 33.0 per cent, which was an increase from 13.7 per cent attained in a similar period of FY 2015/16.
Figure 3.65 presents a comparison between the total expenditure in the first half of FY 2016/17 and the first half of FY 2015/16.

Figure 3.65: Machakos County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16



Source: *Machakos County Treasury*

3.22.195 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.3.34 billion comprised of Kshs.2.41 billion (72.0 per cent) spent on personnel emoluments and Kshs.935.32 million (28.0 per cent) on operations and maintenance as shown in Figure 3.65. Expenditure on personnel emoluments represents an increase of 19.5 per cent compared to a similar period of

FY 2015/16 when the County spent Kshs.2.01 billion.

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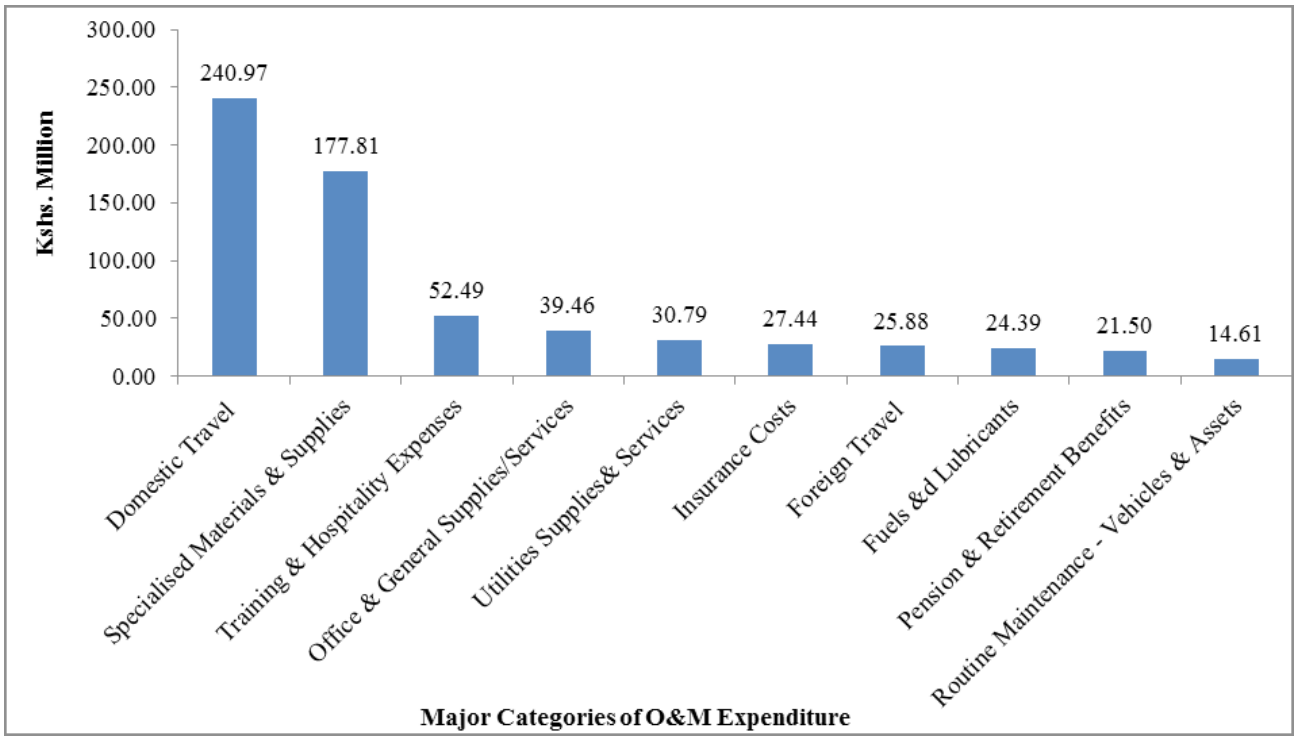
Figure 3.66 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.66: Machakos County, Operations and Maintenance Expenditure by major categories for First Half of FY 2016/17



Source: *Machakos County Treasury*

The County spent Kshs.31.27 million on sitting allowances for the 59 MCAs and the Speaker against the annual budget allocation of Kshs.85.47 million. This was an increase of 3.5 per cent compared to Kshs.30.20 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.86,870 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.266.85 million and consisted of Kshs.129.68 million spent by the County Assembly and Kshs.137.16 million spent by the County Executive. This was an increase of 79.6 per cent compared to Kshs.148.62 million spent in a similar period of FY 2015/16.

3.22.196 Development Expenditure Analysis

The total development expenditure of Kshs.1.10 billion represents 33 per cent of the annual development budget of Kshs.3.34 billion. Table 3.65 provides a list of development projects with the highest expenditure during the period under review.

Table 3.65: Machakos County, List of development projects with highest expenditure in the First Half of FY 2016/17

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No.	Project Name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Construction of vented Drift - Kivandini - Masinga Road	Masinga Sub-County	20,646,325	8,897,344	43.1
2	Gravelling of Maiiuni - Makutano Road	Yatta Sub-County	9,394,051	9,394,051	100.0
3	Extension of Culvert & Drainage at Kathiani - Kakuyuni - Kangundo Road	Kangundo Sub-County	14,449,004	2,885,830	20.0
4	Routine Maintenance of Makutano - Kithimani Road	Mwala Sub-County	1,944,152	1,327,561	68.3
5	Vented Drift at Kathenduli Road	Mwala Sub-County	3,964,653	3,786,706	95.5
6	Kikambuani Borehole (High Yield)	Kangundo Sub-County	6,300,000	6,094,036	96.7
7	Kathayoni Borehole	Muvuti	3,600,000	3,425,600	95.2
8	Musalaani Borehole	Mwala Sub-County/ Makutano	2,400,000	1,938,800	80.8
9	Kwa Muasa Weir	Mbuini	525,000	526,695	100.3
10	Kyawaa Weir	Matungulu West	430,000	426,534	99.2
	Total		**63,965,185**	**39,012,133**	**61.0**

Source: *Machakos County Treasury*

Analysis of expenditure on development projects indicates that, the highest expenditure of Kshs.9.4 million was spent on gravelling of the Maiiuni - Makutano road, followed by Kshs.8.9 million on cconstruction of a vented drift on the Kivandini - Masinga road by the Department of Transport, Roads and Housing.

3.22.197 Budget and Budget Performance Analysis by Department

Table 3.66 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.66: Machakos County, Budget Performance by Department for the First Half FY 2016/17

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Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of The Governor	514.57	51.07	257.88	0	196.60	25.82	76.2	**0**	38.2	50.6
Public Services, ICT & Labour	587.11	48.33	246.80	22.21	2,261.01	0.2	916.1	0	385.1	0.4
Trade, Economic Planning & Energy	179.99	928.26	81.74	43.91	13.61	24.23	16.7	55.2	7.6	2.6
Finance and Revenue Mgt.	338.57	75.74	164.10	1.18	38.70	2.56	23.6	0	11.4	3.4
Decentralized Units, Water & Irrigation.	1,129.49	952.39	561.40	486.77	99.95	267.96	17.8	55.0	8.8	28.1
Agriculture, Lands & Urban Development	463.11	114.53	278.11	25.59	11.20	21.75	4.0	0	2.4	19.0
Health Services and Emergency Services	2,680.80	214.28	1,214.06	120.65	232.91	142.75	19.2	118.3	8.7	66.6
Transport, Roads and Housing	259.40	566.22	150.45	321.78	10.43	526.68	6.9	163.7	4.0	93.0
Education, Youth and Social Welfare	182.75	67.20	101.63	17.66	76.29	3.87	75.1	21.9	41.7	5.8
Environment, Sanitation and Solid Waste Mgt.	69.87	51.54	44.46	0	4.13	0	9.3	0	5.9	0
Tourism, Culture and Co-operative Development	132.59	102.13	62.12	19.37	40.23	36.38	64.8	0	30.3	35.6
County Public Service Board	55.65	7.64	30.80	0	2.44	0	7.9	0	4.4	0
County Assembly	945.67	157.07	369.78	85.50	353.46	49.70	95.6	58.1	37.4	31.6
TOTAL	**7,539.57**	**3,336.43**	**3,563.33**	**1,144.62**	**3,340.96**	**1,101.9**	**93.8**	**96.3**	**44.3**	**33.0**

Source: *Machakos County Treasury*

Analysis of budget performance by department shows that the Department of Transport, Roads and Housing attained the highest absorption of development budget at 93 per cent while the Department of Environment, Sanitation and Solid Waste Management, and the County Public Service Board did not incur any development expenditure during the period under review. On the other hand, the Department of Public Services, ICT and

Labour had the highest percentage of recurrent expenditure to its recurrent budget at 385.1 per cent while the Department of Agriculture, Lands and Urban development had the lowest at 2.4 per cent.

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3.22.198 Observations and Recommendations

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

i. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 33 per cent compared to 13.7 per cent in a similar period in FY 2015/16.
ii. Local revenue collection has improved by 31.2 per cent to Kshs.528.81 million in the first half of FY 2016/17 from Kshs.403 million in a similar period of FY 2016/17.
iii. The County has established a County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.

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

1. High wage bill that increased by 19.5 per cent from Kshs.2.01 billion in the first half of FY 2015/16 to Kshs.2.41 billion during the period under review. The wage bill accounted for 54.1 per cent of total expenditure during the first quarter of FY 2016/17.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
3. Failure by the County Assembly and County Executive Car and Mortgage Fund Administrators to submit expenditure reports on the established County Funds contrary to Section 168 of the PFM Act, 2012.

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

1. *The County Public Service Board should establish an optimal staffing structure so as 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 ensure timely submission of expenditure reports on the established Funds in line with Section 168 of the PFM Act, 2012.*

3.23 Makueni County

3.23.199 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.10.52 billion, comprising of Kshs.4.92 billion (46.8 per cent) and Kshs.5.60 billion (53.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.44 billion (61.2 per cent) as equitable share of revenue raised nationally, Kshs.309.92 million (2.9 per cent) as total conditional grants, generate Kshs.500 million (4.7 per cent) from local revenue sources, and Kshs.3.27 billion (31.2 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.83.69 million (27.0 per cent) for Free Maternal Healthcare, Kshs.98.97 million (31.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.19.44 million (6.3 per cent) for User Fees Foregone, Kshs.95.74 million (30.9 per cent) for Leasing of Medical Equipment, and Kshs.12.06 million (3.9 per cent) from DANIDA.

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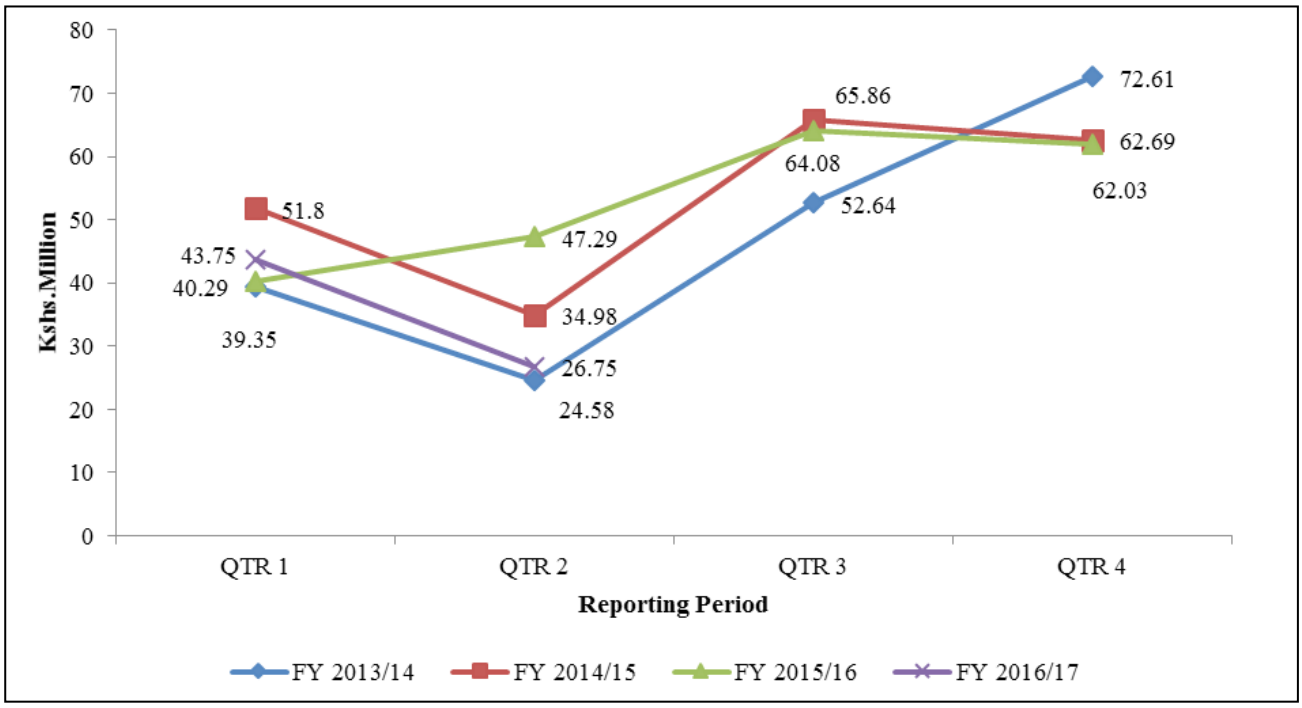
3.23.200 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.2.15 billion as equitable share of the revenue raised nationally, Kshs.91.81 million as total conditional allocations, raised Kshs.70.50 million from local revenue sources, and had a cash balance of Kshs.3.27 billion brought forward from FY 2015/16

Figure 3.67 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.67: Makueni County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Makueni County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.70.50 million which is a decline of 19.5 per cent compared to Kshs.87.58 million generated in a similar period of FY 2015/16. This revenue was 14.1 per cent of the annual local revenue target.

3.23.201 Conditional Grants

Table 3.67 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.67: Makueni County analysis of conditional grants released in the First Half of FY 2016/17

No.	Conditional Grant	Annual allocation based on CARA 2016 (Kshs.)	Actual receipts for the First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	98,971,324	49,485,662	50.0
2	Free Maternal Healthcare	83,696,467	42,324,901	50.6
3	User Fees Forgone	19,449,802	0	-
4	DANIDA Grant	12,065,000	0	-
5	Leasing of medical Equipment	95,744,681	0	-
TOTAL		**309,927,274**	**91,810,563**	**29.6**

Source: *Makueni County Treasury*

Analysis of the conditional grants released during the period under review indicates that, Free Maternal Healthcare recorded the highest performance at 50.6 per cent of annual allocation, followed by the Road Maintenance Fuel Levy Fund at 50 per cent.

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3.23.202 Exchequer Issues

During the reporting period, The Controller of Budget authorised withdrawal of Kshs.4.24 billion from the CRF account, which was 40.4 per cent of the Approved Supplementary Budget. This amount represented an increase of 39.9 per cent from Kshs.3.03 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.36 billion (55.7 per cent) for recurrent expenditure and Kshs.1.88 billion (44.3 per cent) for development activities.

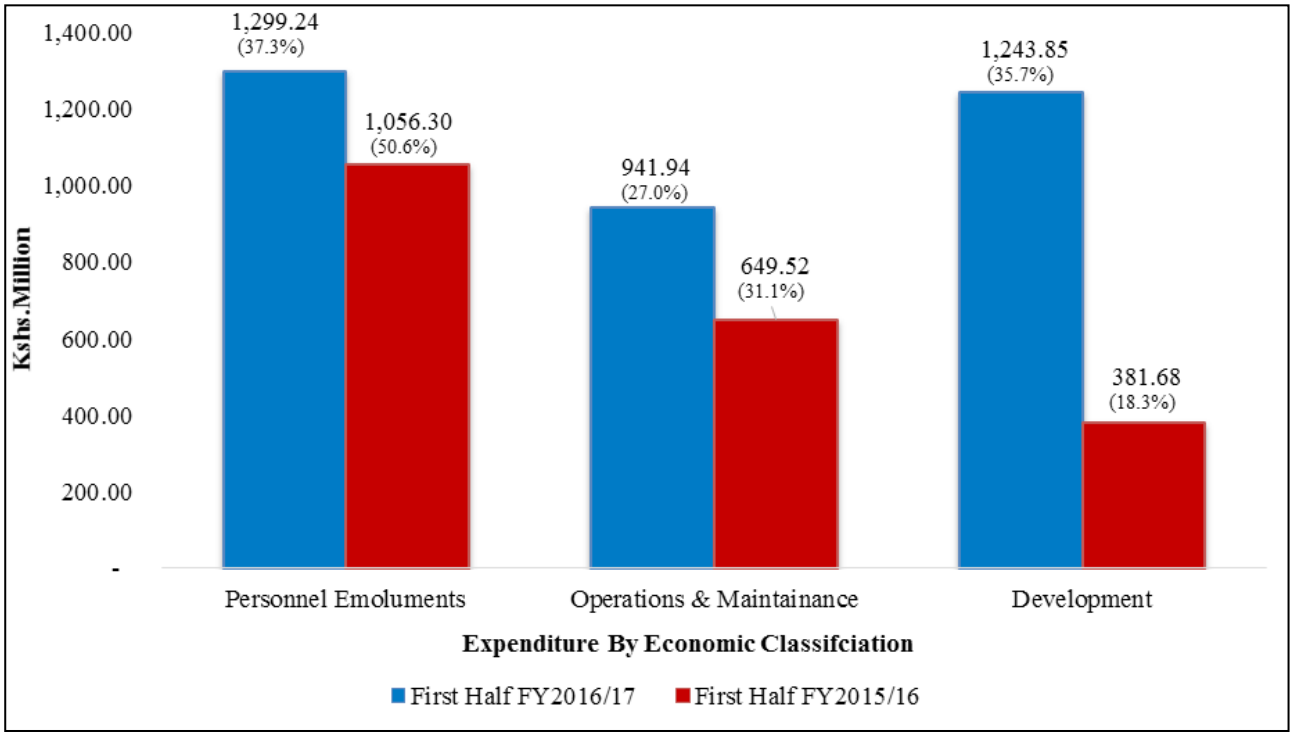
3.23.203 Overall Expenditure Review

The County spent Kshs.3.49 billion, which was 82.1 per cent of the total funds released for operations. This was an increase of 67.8 per cent from Kshs.2.08 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.24 billion was spent on recurrent activities, while Kshs.1.24 billion was spent on development activities. The recurrent expenditure was 94.8 per cent of the funds released for recurrent activities while development expenditure accounted for 66.1 per cent of the funds released for development activities**.** The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.100.78 million and Kshs.58.94 million for development and recurrent expenditure respectively.

The recurrent expenditure represents 45.5 per cent of the annual recurrent budget, an increase from 38.1 per cent spent in a similar period in FY 2015/16. Development expenditure recorded an absorption rate of 22.2 per cent, which was an increase from 7.7 per cent attained in a similar period of FY 2015/16. Figure 3.68 presents a comparison between the total expenditure in the half year of FY 2016/17 and FY 2015/16.

Figure 3.68: Makueni County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16



Source: *Makueni County Treasury*

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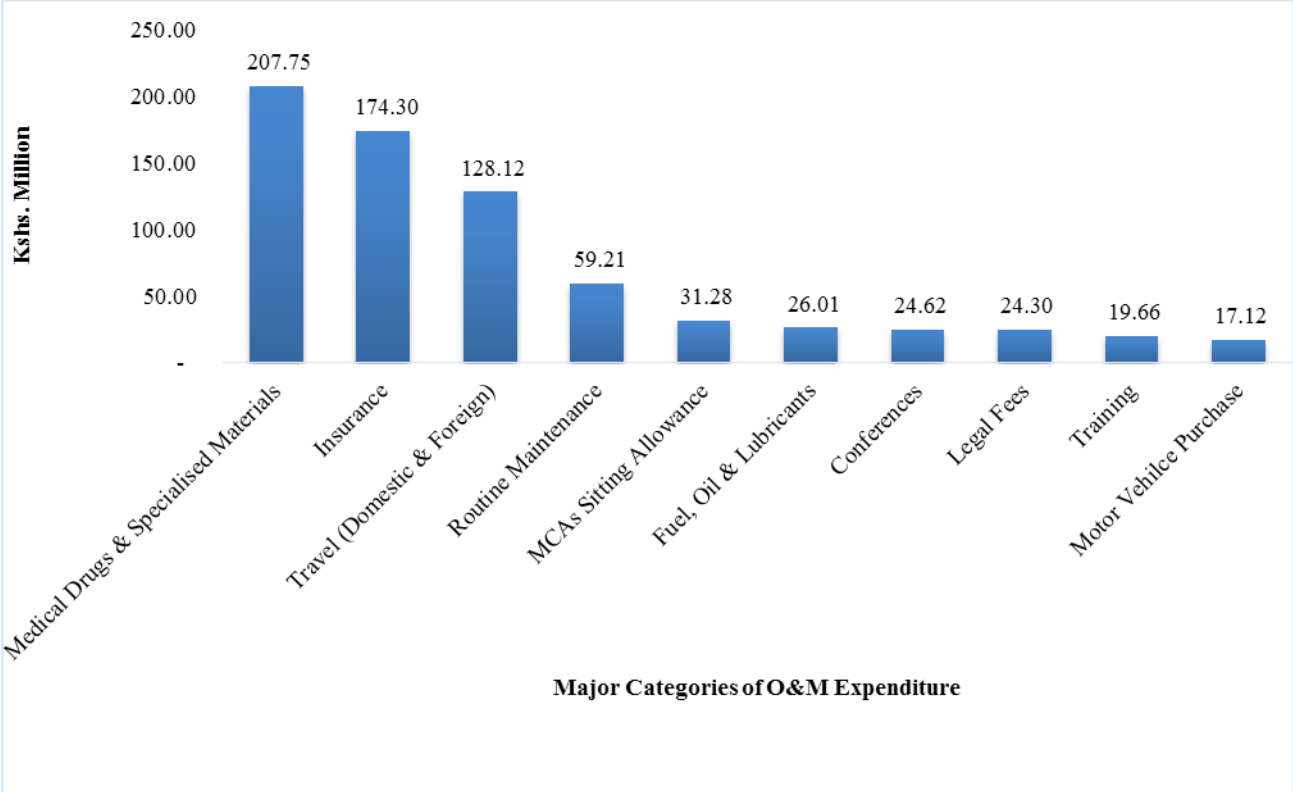
3.23.204 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.24 billion consisted of Kshs.1.3 billion (58 per cent) on personnel emoluments and Kshs.941.94 million (42 per cent) on operations and maintenance. Expenditure on personnel emoluments represents an increase of 22.6 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.1.06 billion.

Figure 3.69 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.69: Makueni County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17.



Source: *Makueni County Treasury*

The County spent Kshs.31.28 million on sitting allowances for the 47 MCAs and the Speaker against the annual budget allocation of Kshs.50 million. This was a decline of 4.3 per cent compared to Kshs.32.68 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.108, 613 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.128.12 million and consisted of Kshs.91.35 million spent by the County Executive and Kshs.36.77 million spent by the County Assembly. This was an increase of 12.4 per cent compared to Kshs.113.94 million spent in a similar period in FY 2015/16.

3.23.205 Development Expenditure Analysis

The total development expenditure of Kshs.1.24 billion represented 22.2 per cent of the annual development budget of Kshs.5.60 billion. Table 3.68 provides a list of development projects with the highest expenditure during the period under review.

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Table 3.68 : Makueni County, List of Development Projects with the Highest Expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location)	Estimated Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Water supplies and sewerage	Across the Wards	540,000,000	226,578,403	42.0
2	Fruit Processing Plant	Kilili/Kalamba	320,900,000	211,426,386	65.9
3	Construction of building's	Across the Wards	300,000,000	85,344,878	28.4
4	Tetheka Fund	Across the Wards	160,000,000	74,877,600	46.8
5	Universal Healthcare	Across the Wards	107,200,000	65,573,866	61.2
6	Ward based upgrading of dispensaries	Across the Wards	168,500,000	65,005,214	38.6
7	Access roads	Across the Wards	134,000,000	63,970,361	47.7
8	Construction of ECDE,&CTTIs	Across the Wards	120,000,000	63,684,051	53.1
9	Purchase of Equipment's	Across the Wards	100,000,000	61,913,991	61.9
10	Promotion of Micro Finance	Across the Wards	46,000,000	32,472,686	70.6
	Total		**1,996,600,000**	**950,847,436**	**47.6**

Source: *Makueni County Treasury*

Analysis of the development expenditure by project indicated that the highest expenditure of Kshs.226.58 million was incurred on sand and earth dams. The second highest expenditure of Kshs.211.43 million was incurred on construction of a fruit processing plant.

3.23.206 Budget and Budget Performance Analysis by Department

Table 3.69 shows a summary of first half FY 2016/17 budget estimates and performance by department.

Table 3.69: Makueni County, Budget Performance by Department for the First Half FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Attorney's Office	43.75	-	33.59	-	12.89	-	38.4	-	29.5	-
County Public Service Board	75.64	-	38.92	-	31.66	-	81.3	-	41.9	-
Department of lands, Physical Planning & Mining	40.44	164.5	19.82	71.36	17.12	71.1	86.4	99.6	42.3	43.2
Office of Governor	232.79	-	128.84	-	91.69	-	71.2	-	39.4	-

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Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Department of Trade, Tourism & Cooperatives	52.4	318.53	22.11	134.65	24.48	94.87	110.7	70.5	46.7	29.8
Department of Youth, Gender, Sports & Social Services	59.29	451.88	20.66	116.55	21.89	144.71	106.0	124.2	36.9	32.0
County Secretary	345.45	-	136.7	-	198.98	-	145.6	-	57.6	-
Department of Finance & Socio-Economic Planning	549.53	92.08	192.05	13.54	190.8	0.86	99.3	6.4	34.7	0.9
Department of Education & ICT	229.59	535.86	86.11	184.89	106.51	95.63	123.7	51.7	46.4	17.8
Department of Transport & Infrastructure	147.08	804.17	76.67	277.14	62.71	139.12	81.8	50.2	42.6	17.3
Department of Agriculture, Livestock & Fisheries Development	256.47	695.23	102.57	263.1	124.43	247.78	121.3	94.2	48.5	35.6
Department of Water, Irrigation & Environment	164.58	1,207.33	57.91	485.94	67.62	240.58	116.8	49.5	41.1	19.9
Department of Health	1,792.66	1,122.22	946.82	274.37	855.46	173.34	90.4	63.2	47.7	15.4
Department of Devolution & Public Service	236.3	141.66	122.94	21.63	104.47	13.2	85.0	61.0	44.2	9.3
Sand Authority	51.7	8.3	25.18	2	28.72	3.98	114.1	199.0	55.6	48.0
County Assembly	644.05	59.94	353.8	36.94	301.77	18.7	85.3	50.6	46.9	31.2
TOTAL	**4,921.72**	**5,601.70**	**2,364.69**	**1,882.11**	**2,241.20**	**1,243.87**	**94.8**	**66.1**	**45.5**	**22.2**

Source: *Makueni County Treasury*

Analysis of budget performance by department shows that the Sand Authority attained the highest absorption of development budget at 48 per cent while the County Secretary Department had the highest percentage of recurrent expenditure to its recurrent budget at 57.6 per cent during the reporting period.

3.23.207 Observations and Recommendations

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

i. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 22.2 per cent compared to 7.7 per cent in a similar period in FY 2015/16.

ii. The County has established a County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.

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

1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
2. High wage bill that has increased by 22.9 per cent from Kshs.1.06 billion in the first Half of FY 2015/16 to Kshs.1.3 billion during the period under review. The wage bill represents 37.3 per cent of total expenditure in the reporting period.
3. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.2.16 billion had been disbursed against an expected disbursement of Kshs.3.25 billion.
4. Failure by Fund Administrators to submit expenditure reports on the established County Funds, such as Bursary Fund, Emergency Fund, Executive and Assembly Car & Mortgage Fund and the Tetheka Fund.
5. Under-performance in local revenue collection. Local revenue collection declined by 19.2 per cent from Kshs.87.58 million in the first half of FY 2015/16 to Kshs.70.50 million in the reporting period.
6. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*
4. *The Fund Administrators should ensure timely submission of financial reports in line with Section 168 of the PFM Act, 2012.*
5. *The County Treasury should formulate strategies to enhance local revenue collection.*
6. *The County Treasury should liaise with IFMIS Directorate for support in use of IFMIS and E-procurement module.*

3.24 Mandera County

3.24.208 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.12.02 billion, comprising of Kshs.4.33 billion (36.0 per cent) and Kshs.7.69 billion (64 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.67 billion (80.4 per cent) as equitable share of revenue raised nationally, Kshs.308.43 million (2.6 per cent) as total conditional grants, generate Kshs.265.64 million (2.2 per cent) from local revenue sources, and Kshs.1.78 billion (14.8 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.55.34 million (17.9 per cent) for Free Maternal Healthcare, Kshs.148.48 million (48.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.52 million (5.0 per cent) for User Fees Foregone, Kshs.7.31 million (2.4 per cent) from DANIDA and Kshs.39.30 million (12.7 per cent) for the Kenya Devolution Support Program.

3.24.209 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.3.24 billion as equitable share of the revenue raised nationally, Kshs.99.75 million as total conditional allocations, raised Kshs.29.18 million from local revenue sources, and had a cash balance of Kshs.1.78 billion brought forward from FY 2015/16.

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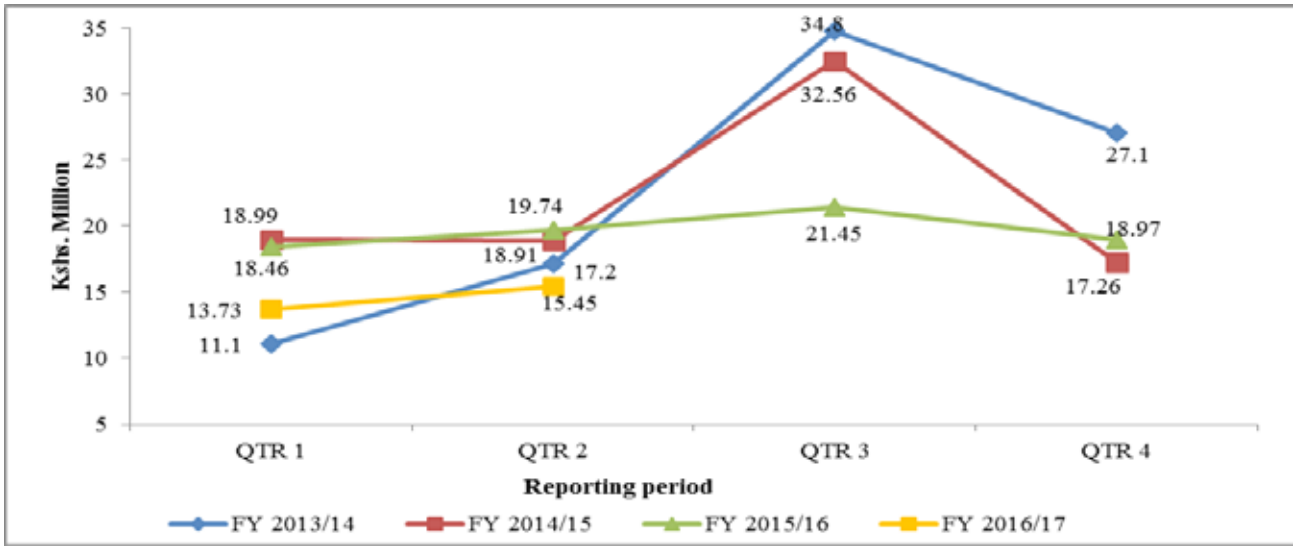
Figure 3.70 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.70: Mandera County, Trend in Local Revenue Collection by quarter from FY 2013/14 to second quarter FY 2016/17



Source: *Mandera County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.29.18 million, representing a decrease of 23.6 per cent compared to Kshs.38.20 million generated in a similar period of FY 2015/16. This revenue was 11.0 per cent of the annual local revenue target.

3.24.210 Conditional Grants

Table 3.70 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.70: Mandera County Analysis of Conditional Grants released in First Half of FY 2016/17

No.	Conditional Grant	Allocations based on CARA, 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Danida Funds to Rural Health facilities	7,310,000	-	-
2	World Bank Health Funds (Ministry of Health)	42,477,798	-	-
3	Fuel Levy Fund (State Department of Infrastructure)	148,476,828	74,238,414	50.0
4	Kenya Devolution Support Program	39,304,000	-	-
5	Maternal Healthcare (Ministry of Health)	55,335,158	17,747,500	32.1
6	User Fees foregone (Ministry of Health)	15,521,730	7,760,865	50.0
7	**Total**	**308,425,514**	**99,746,779**	**32.3**

Source: *Mandera County Treasury*

Analysis of the conditional grants released in the first half of FY2016/17 shows that the County received 50 per cent from both Road Maintenance Fuel Levy Fund and User Fees Foregone and 32.1 per cent from the Free Maternal Healthcare.

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3.24.211 Exchequer Issues

During the reporting period, Controller of Budget authorised withdrawal of Kshs.5.16 billion from the CRF account, which was 42.9 per cent of the Approved Supplementary Budget. This amount was more than double the amount (Kshs.2.12 billion) authorized in a similar period of FY 2015/16 and consisted of Kshs.2.15 billion (41.6 per cent) for recurrent expenditure and Kshs.3.01billion (58.4 per cent) for development activities.

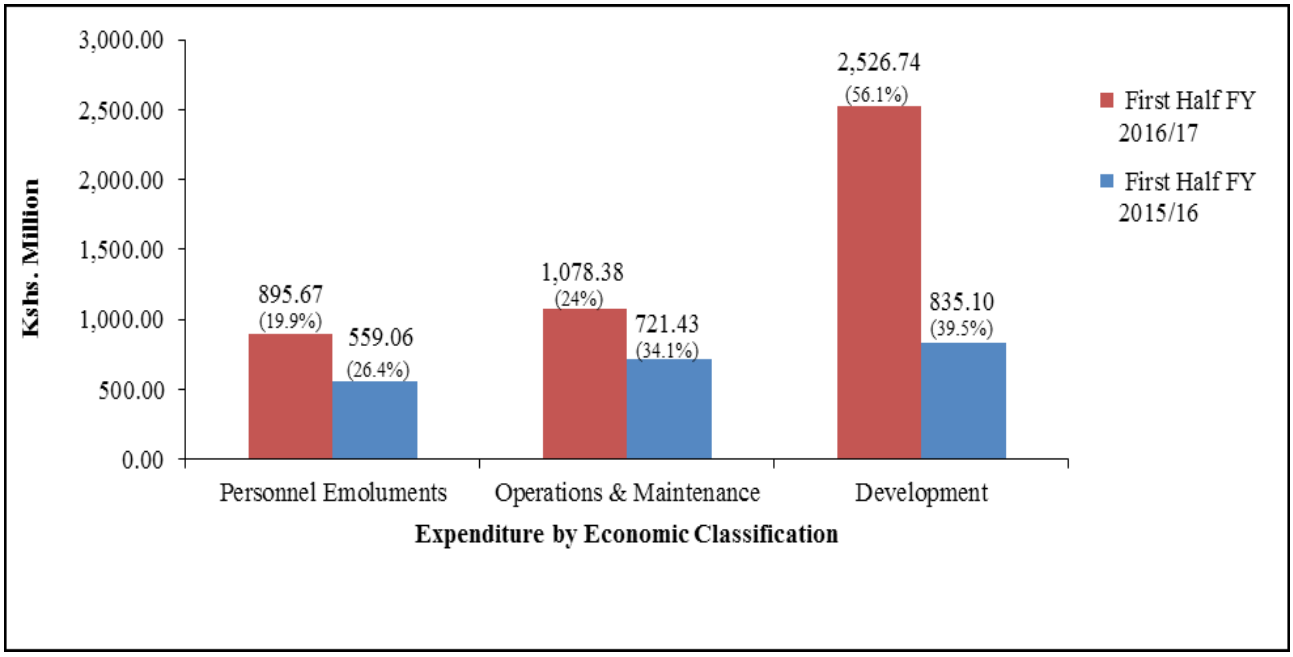
3.24.212 Overall Expenditure Review

The County spent Kshs.4.50 billion, which was 87.2 per cent of the total funds released for operations. This was an increase of 112.3 per cent from Kshs.2.12 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.9 billion was spent on recurrent activities, while Kshs.2.53 billion was spent on development activities. The recurrent expenditure was 91.6 per cent of the funds released for recurrent activities while development expenditure accounted for 84.0 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that was yet to be submitted by the time of finalizing this report.

The recurrent expenditure represented 45.6 per cent of the annual recurrent budget, an increase from 30.4 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 32.8 per cent, which was an increase from 11.5 per cent attained in a similar period of FY 2015/16. Figure 3.71 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.71: Mandera County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



Source: *Mandera County Treasury*

3.24.213 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.9 billion comprised of Kshs.895.67 million (45.4 per cent) spent on personnel emoluments and Kshs.1.08 billion (54.6 per cent) on operations and maintenance as shown in **Figure 3.71**. Expenditure on personnel emoluments represented an increase of 60.2 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.559.06 million.

Figure 3.72 shows a summary of the operations and maintenance expenditure by major categories.

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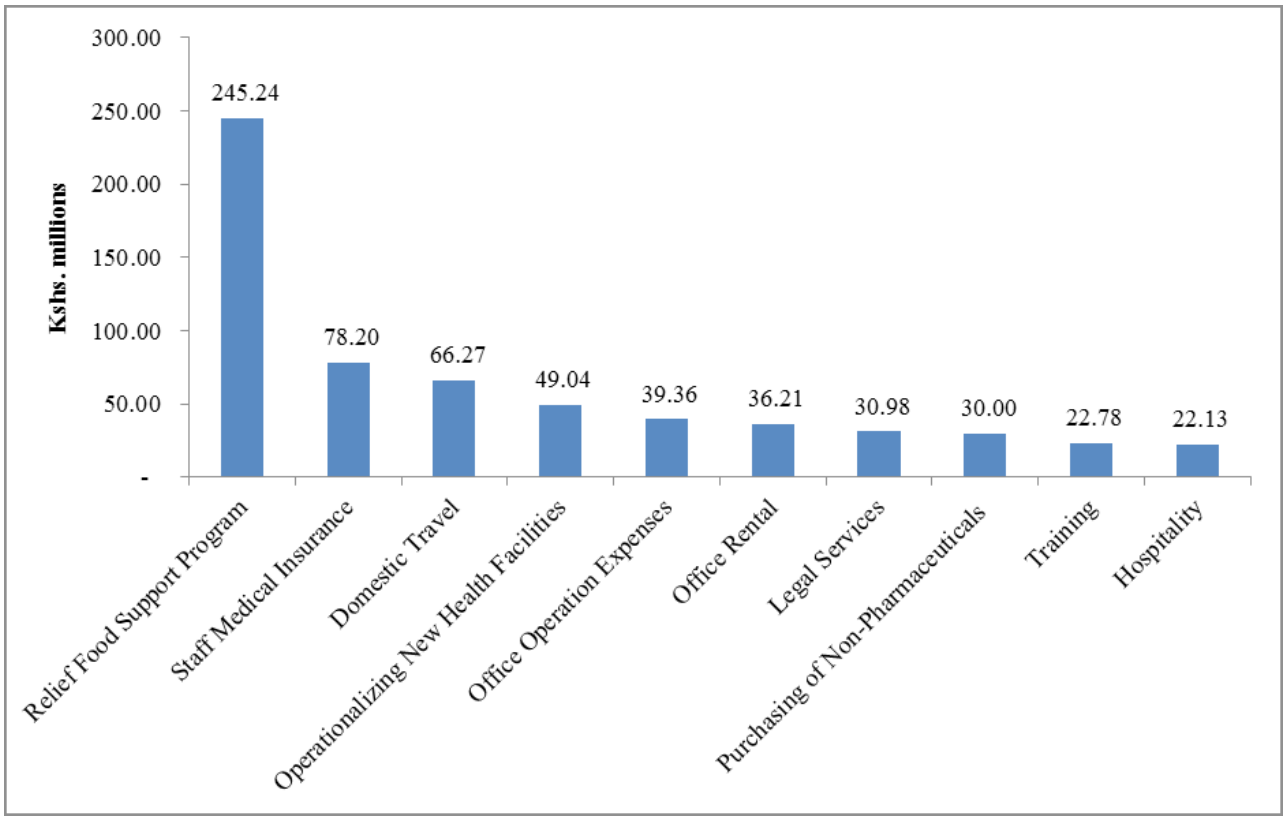
Figure 3.72: Mandera County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Mandera County Treasury*

The County spent Kshs.14.94 million on sitting allowances for the 48 MCAs and the Speaker against the annual budget allocation of Kshs.63.00 million. This was a decrease of 32.2 per cent compared to Kshs.22.02 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.50,805 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.72.77 million and consisted of Kshs.39.40 million spent by the County Assembly and Kshs.33.37 million spent by the County Executive. This was an increase compared to Kshs.33.14 million spent in a similar period of FY 2015/16.

3.24.214 Development Expenditure Analysis

The total development expenditure of Kshs.2.53 billion represents 32.8 per cent of the annual development budget of Kshs.7.69 billion. Table 3.71 provides a list of development projects with the highest expenditure during the period under review.

Table 3.71 : Mandera County, List of development projects with the highest expenditure for the First Half of FY 2016/17

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No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	IDP Housing Programs	Not stated	95,483,534	95,483,534	100.0
2	Construction of 26 dispensaries in all the subn counties Dispensary	Countywide	104,237,096	52,118,548	50.0
3	Construction of 6-Bed Maternity & Delivery Block And Related Works At Elgolicha Dispensary	Elgolicha	174,642,508	87,321,254	50.0
4	Takaba - Qofolle Road	Takaba - Qofolle	98,009,301	93,125,846	95.0
5	Mandera Town Road (B/f and new AllocationsAllocation	Mandera Town	807,382,006	235,000,000	29.1
6	Construction of Khalalio - Sala Roads	Khalalio - Sala	69,110,857	40,0000,000	57.8
7	Building projects-county headquaters, governor's residence, county rest house	Mandera Town	75,000,000	64,447,490	85.9
8	Installation of Solar Powered Street Lighting - Lafey Town	Lafey Town	33,007,624	33,007,624	100.0
9	100,000 M^3 Mega dam for Lag warera (Takaba)	Lag warera (Takaba)	76,220,000	32,000,000	42.0
10	Construction of underground water tank	Not stated	36,225,000	35,890,707	99.1

Source: *Mandera County Treasury*

Analysis of the development expenditure by project indicates that the highest expenditure of Kshs.235 million was spent on cconstruction of a Maternity & delivery block and related works at Elgolicha Dispensary and Kshs.93.13 million on construction of the Takaba - Qofolle Road.

3.24.215 Budget and Budget Performance Analysis by Department

Table 3.72 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

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Table 3.72: Mandera County, First Half FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Ministry of Agriculture Livestock and Fisheries	141.75	446.32	60.38	156.46	58.32	147.38	96.6	94.2	41.1	33.0
Ministry of Education, Culture and Sports	432.95	304.95	136.60	221.80	127.29	198.07	93.2	89.3	29.4	65.0
Ministry of Gender, Youth and Social Service	71.92	59.07	10.74	18.00	9.94	18.54	92.6	103.0	13.8	31.4
Ministry of Finance & Economic Planning and ICT	543.09	594.57	421.03	240.50	371.45	244.64	88.2	101.7	68.4	41.1
Ministry of Health Services	1,002.46	830.27	502.48	363.64	507.59	266.59	101.0	73.3	50.6	32.1
Ministry of Trade, Investments Industrializations and Cooperative Development	45.70	479.18	17.36	172.73	16.60	134.22	95.6	77.7	36.3	28.0
County Assembly	700.17	155.92	266.69	57.62	197.01	47.87	73.9	83.1	28.1	30.7
Lands, Housing and Physical Planning	60.51	139.80	29.95	17.20	26.55	14.80	88.7	86.0	43.9	10.6
Office of the Governor and Deputy Governor	299.60	-	155.80	-	139.52	-	89.5	0.0	46.6	0.0
County Public Service Board	71.28	-	29.75	-	28.39	-	95.4	0.0	39.8	0.0
Ministry of Public Service, Management and Devolved Unit	558.62	204.39	317.43	71.89	314.41	69.73	99.0	97.0	56.3	34.1
Public Works Roads and Transport	125.67	2,461.70	52.56	953.31	45.99	819.49	87.5	86.0	36.6	33.3
Water, Energy Environment and Natural Resources	272.56	2,018.24	153.98	734.30	130.99	565.41	85.1	77.0	48.1	28.0
Total	**4,326.27**	**7,694.42**	**2,154.74**	**3,007.45**	**1,974.05**	**2,526.74**	**91.6**	**84.0**	**45.6**	**32.8**

Source: *Mandera County Treasury*

Analysis of budget performance by department shows that the Ministry of Education, Culture and Sports attained the highest absorption rate of development budget at 65.0 per cent while the Lands, Housing and Physical Planning had the lowest absorption rate at 10.6 per cent of development budget. On the other hand, the Ministry of Finance & Economic Planning and ICT had the highest percentage of recurrent expenditure to its recurrent budget at 68.4 per cent while the Ministry of Gender, Youth and Social Service had the lowest at 13.8 per cent.

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3.24.216 Observations and Recommendations

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

i. Enactment of regulations to operationalise the Bursary Fund as required by Section 116 of the PFM Act, 2012.

ii. Improved absorption of development fund from 11.5 per cent (Kshs.835.10 million) in the first half of FY 2015/16 to 32.8 per cent (Kshs.2.53 billion) in the period under review.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of the budget implementation report.
2. Under-performance in local revenue collection. The local revenue collection has declined by 23.6 per cent from Kshs.38.20 million in the first half of FY 2015/16 to Kshs.29.18 million in the reporting period.
3. The County did not budget for DANIDA conditional grant for rural health facilities of Kshs.14.6 million and Free Maternity Healthcare grant of Kshs.14 million contained in the CARA, 2016.
4. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
5. From analysis of imprest bank statements, the Office observed that substantial amount of money was transferred to imprest accounts. This may imply that a number of payments were made through the imprest accounts on cash or by cheque instead of the prescribed internet banking platform.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County should budget for all revenue streams as contained in the CARA, 2016.*
4. *The County Treasury should liaise with IFMIS Directorate for support in application of IFMIS and E-procurement module.*
5. *The County Treasury should use the prescribed payment system.*

3.25 Marsabit County

3.25.217 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.6.61 billion, comprising of Kshs.3.55 billion (53.8 per cent) and Kshs.3.06 billion (46.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.60 billion (84.7 per cent) as equitable share of revenue raised nationally, Kshs.189.39 million (2.8 per cent) as total conditional grants, generate Kshs.125 million (1.9 per cent) from local revenue sources, and Kshs.696.02 million (10.5 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.25.10 million (13.2 per cent) for Free Maternal Healthcare, Kshs.86.04 million (45.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.6.87 million (3.6 per cent) for User Fees Foregone, Kshs.7.68 million 4.1 per cent) as a grant from DANIDA and Kshs.29.08 million (33.6 per cent) as conditional allocation grants from Other Loans and Grants.

3.25.218 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.88 billion as equitable share of the revenue

raised nationally, Kshs.55.49 million as total conditional allocations, raised Kshs.47.98 million from local revenue sources, and had a cash balance of Kshs.696.02 million brought forward from FY 2015/16.

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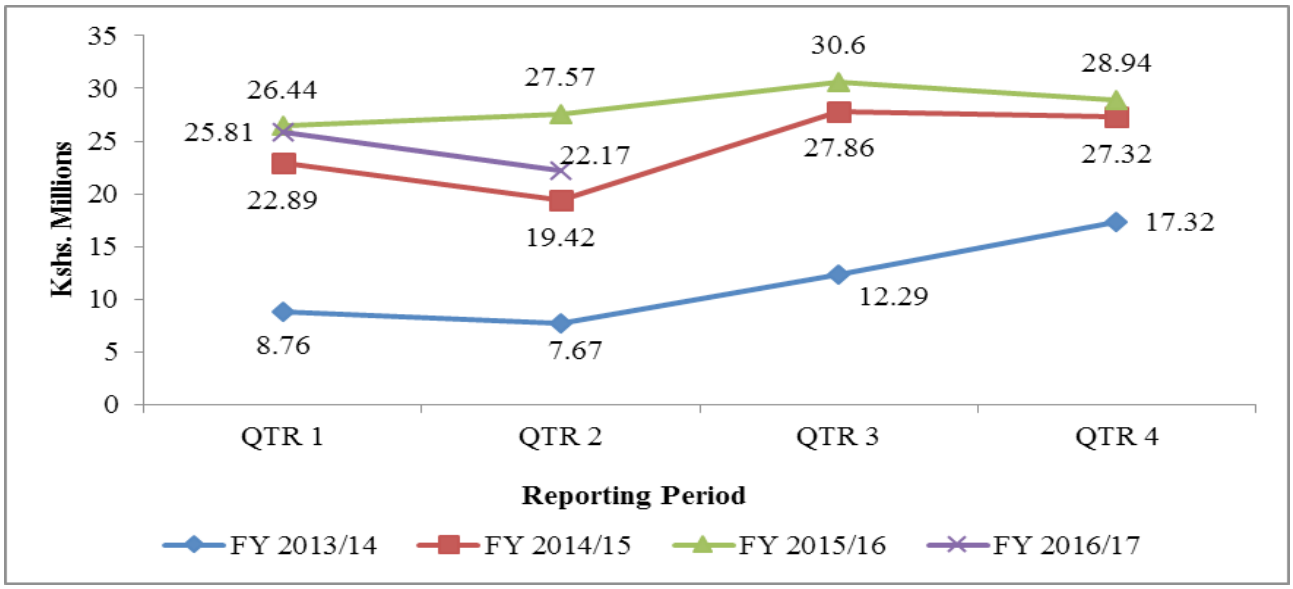
Figure 3.73 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.73: Marsabit County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Marsabit County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.47.98 million, representing a decrease of 11.2 per cent compared to Kshs.54.01 million generated in a similar period of FY 2015/16. This revenue was 38.4 per cent of the annual local revenue target.

3.25.219 Conditional Grants

Table 3.73 shows an analysis of the conditional grants released in the first half the FY 2016/17.

Table 3.73: Marsabit County Analysis of Conditional Grants Released in the First Half of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	Actual receipt from Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	86,036,213	43,018,106	50
2	Free Maternal Healthcare	25,096,698	9,034,811	36
3	User Fees Foregone	6,872,636	3,436,318	50
4	DANIDA Grant	7,675,000		
5	World Bank Loan	34,627,134	-	-
6	Other Loans and Grants	29,083,180	-	-
Total		**189,390,861**	**55,489,235**	**29.3**

Source: *Marsabit County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance

Fuel Levy Fund and the User Fees Forgone recorded the highest receipts against annual targets at 50 per cent while the Free Maternal Healthcare grant registered a performance of 36 per cent.

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3.25.220 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.77 billion from the CRF account, which was 42.0 per cent of the Approved Budget. This amount represented an increase of 28.8 per cent from Kshs.2.15 billion authorized in a similar period of FY 2015/16 and consisted of Kshs. 1.95 billion (70.2 per cent) for recurrent expenditure and Kshs.824.6 million (29.7 per cent) for development activities.

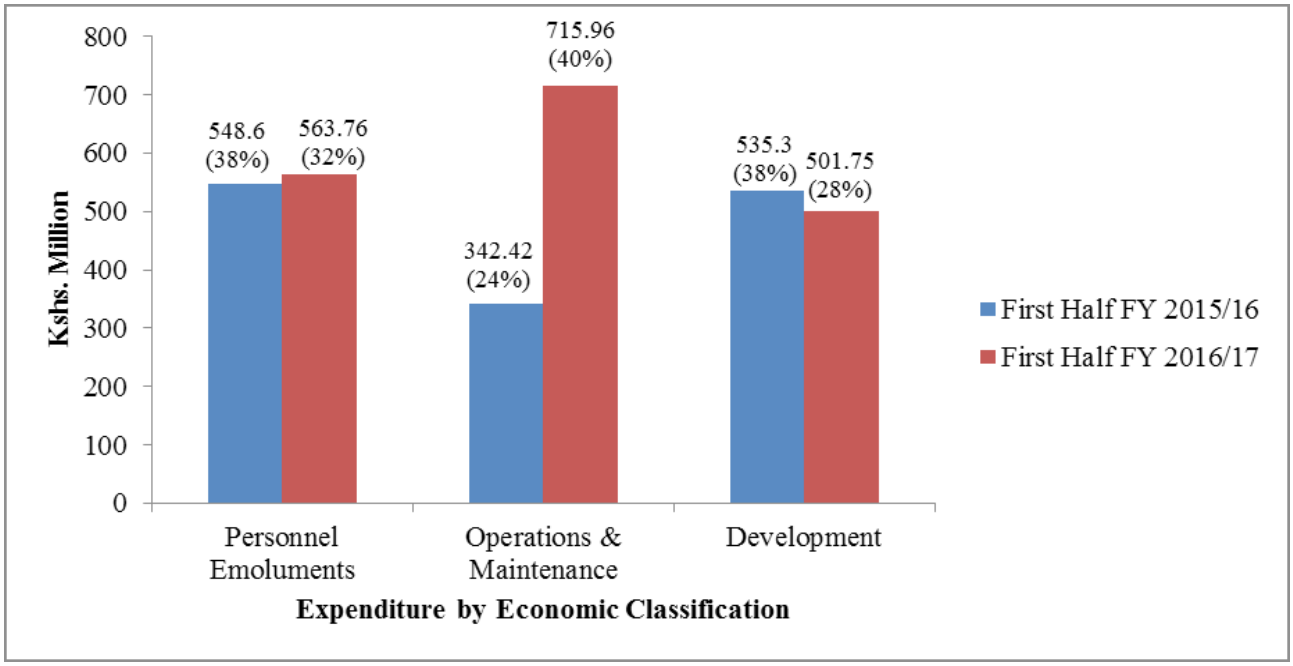
3.25.221 Overall Expenditure Review

The County spent Kshs.1.78 billion, which was 64.3 per cent of the total funds released for operations. This was an increase of 24.48 per cent from Kshs.1.43 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.28 billion was spent on recurrent activities, while Kshs.501.75 million was spent on development activities. The recurrent expenditure was 65.6 per cent of the funds released for recurrent activities while development expenditure accounted for 60.8 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.324 million for development and Kshs.178 million for recurrent expenditure.

The recurrent expenditure represented 36.1 per cent of the annual recurrent budget, an increase from 29.4 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 16.4 per cent, which was a decrease from 19.1 per cent attained in a similar period of FY 2015/16. **Figure 3.74** presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.74: Marsabit County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16



Source: *Marsabit County Treasury*

3.25.222 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.28 billion consisted of Kshs.563.76 million (44.1 per cent) spent

on personnel emoluments and Kshs.715.96 million (55.9 per cent) on operations and maintenance as shown in **Figure 3.74**. Expenditure on personnel emoluments represented an increase of 2.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.548.6 million.

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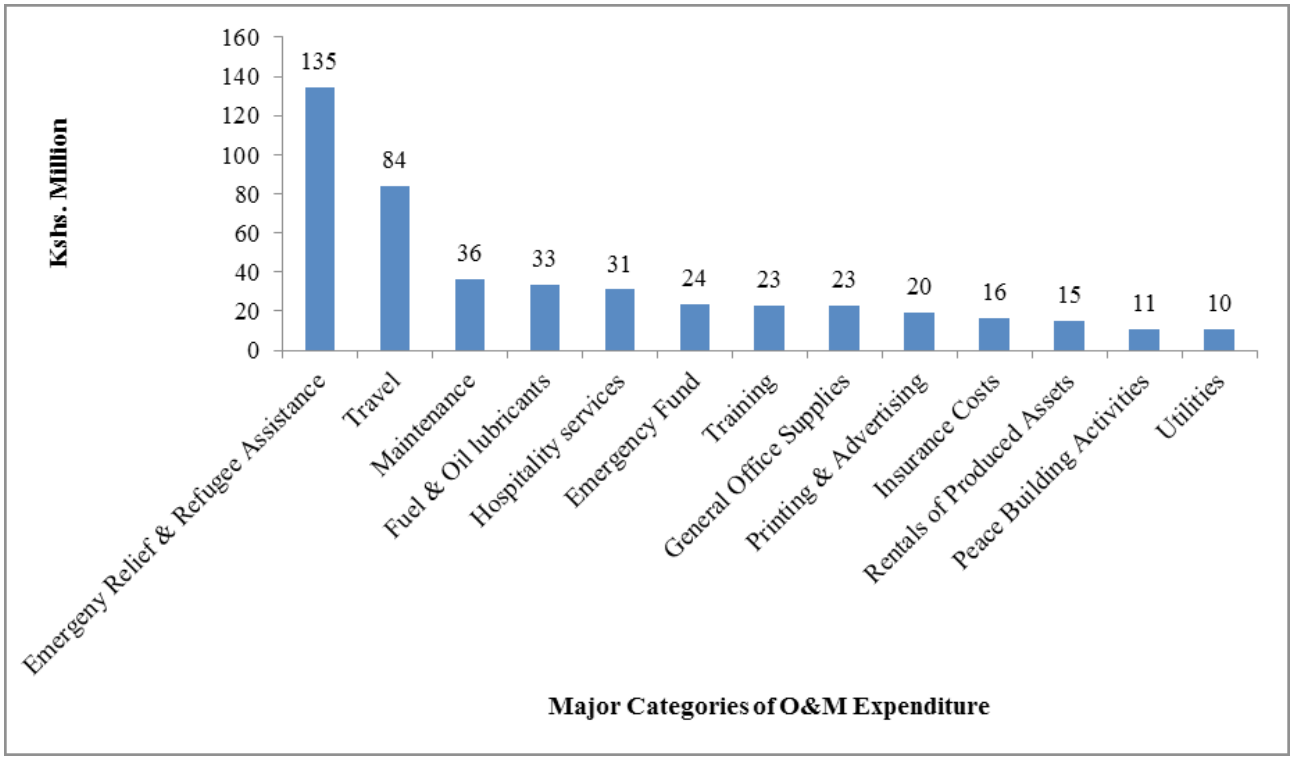
Figure 3.75 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.75: Marsabit County, Operations and Maintenance Expenditure by major categories the First Half of FY 2016/17



Source: *Marsabit County Treasury*

The County spent Kshs.14 million on sitting allowances for the 34 MCAs and the Speaker against the annual budget allocation of Kshs.40 million. This was a decrease of 61.58 per cent compared to Kshs.36.44 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.68,627 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,000

Expenditure on domestic and foreign travel amounted to Kshs.83.94 million and consisted of Kshs.37.49 million spent by the County Assembly and Kshs.46.44 million spent by the County Executive. This was a decrease of 14 per cent compared to Kshs.97.56 million spent in a similar period of FY 2015/16.

3.25.223 Development Expenditure Analysis

The total development expenditure of Kshs.501.75 million represents an absorption rate of 16.4 per cent of the annual development budget of Kshs.3.06 billion. Table 3.74 provides a list of development projects with the highest expenditure during the period under review.

Table 3.74 : Marsabit County, List of development projects with the highest expenditure during the First Half of FY 2016/17

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No.	Project Name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Construction of modern Market	Saku		50,000,000	-
	Construction of County Executive offices (Partial Payment)	Saku		29,385,548	-
2	Town Plammimg		42,000,000	11,541,750	27
3	Moyale Hospital Perimeter Fence	Moyale	20,000,000	20,000,000	100
	Marsabit Hospital Perimeter Fence	Saku	20,000,000	19,548,206	98
4	Construction of Salleh Earth pan	Laisamis	7,000,000	6,733,888	96
5	Construction of classroom & installation of solar	El-Masich	5,600,000	5,568,000	99
6	Waste amangement	Moyale	16,000,000	5,336,000	33
7	Spot improvement of dukana roads	Dukana	5,000,000	5,401,322	108
8	Supply of geset, pump and control panel at Demo Dera	Turbi	4,000,000	4,000,000	100
9	Construction of 100M3 tank and 3 meter long trough at hawaye	Turbi	3,000,000	2,999,808	100

Source: *Marsabit County Treasury*

Analysis of development expenditure of Kshs.501.75 million by project shows that the Department of Tourism, Trade and Enterprise development spent Kshs.50 million on construction of modern markets while the County Executive Department incurred Kshs.29.38 million on completion of the County Executive offices. The Department of Health Services spent a total of Kshs.83.63 million which included Kshs.39.55 million spent on construction of a fence around the Marsabit and Moyale hospitals while the Department of Roads spent a total of Kshs.22.71 million on spot improvement of roads.

3.25.224 Budget and Budget Performance Analysis by Department

Table 3.75 shows a summary of the first half FY 2016/17 budget estimates and budget performance by department.

Table 3.75: Marsabit County, Budget Performance by Department for the First Half of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County assembly	505.00	30.00	270.67	-	182.72	-	67.5	0.0	36.2	0.0
County Executive	402.67	157.95	214.64	14.10	159.26	33.38	74.2	236.8	39.6	21.1
Finance & Economic planning	455.69	189.06	302.76	25.42	229.74	38.39	75.9	151.0	50.4	20.3
Agriculture, Livestock, Veterinary & Fisheries	164.04	150.79	87.33	83.46	56.52	33.21	64.7	39.8	34.5	22.0

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Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Expenditure to Budget (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Water, Environment & Natural Resources	152.40	735.34	81.40	124.75	38.19	103.05	46.9	82.6	25.1	14.0
Education, Youth Affairs & Sports	133.20	331.80	72.47	94.08	43.64	60.14	60.2	63.9	32.8	18.1
County Health Services	906.20	480.91	489.75	160.27	327.89	83.63	67.0	52.2	36.2	17.4
Lands, Physical Planning and Urban Development	116.56	262.37	62.20	73.83	33.01	41.13	53.1	55.7	28.3	15.7
County Transport, Public Works and Roads	191.85	355.80	91.32	98.84	69.96	22.71	76.6	23.0	36.5	6.4
Trade, Tourism, Cooperatives and Enterprise Development	83.64	174.65	44.79	90.10	26.56	58.74	59.3	65.2	31.7	33.6
Culture, Social Services and Gender	47.14	137.72	25.04	25.87	15.13	19.89	60.4	76.9	32.1	14.4
County Public Service Board	71.37	5.00	38.32	5.00	26.53	-	69.2	0.0	37.2	0.0
Administration, Cordination & ICT	323.62	45.12	169.04	28.94	70.57	7.49	41.7	25.9	21.8	16.6
Total	**3,553.39**	**3,056.52**	**1,949.73**	**824.65**	**1,279.72**	**501.75**	**65.6**	**60.8**	**36.0**	**16.4**

Source: *Marsabit County Treasury*

Analysis of budget performance by department shows that the Department of Tourism, Trade and Enterprise development attained the highest absorption rate of development budget at 33.6 per cent while the County Assembly and CPSB did not incur any development expenditure. On the other hand, the Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to its recurrent budget at 50.4 per cent while the Department of Administration, Coordination and ICT had the lowest at 21.8 per cent during the reporting period.

3.25.225 Observations and Recommendations

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

i. Operationalization of IFMIS.
ii. Establishment of an Internal Audit Department.

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

1. High wage bill that increased by 2.8 per cent from Kshs.548.6 million in the first half of FY 2015/16 to Kshs.563.76 million during the period under review, representing 38 per cent of total expenditure.

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2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
3. Under-performance in local revenue collection. Local revenue collection declined by 11.2 per cent from Kshs.54.01 million in the first half of FY 2015/16 to Kshs.47.98 million in the reporting period.
4. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure sustainability of the 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 formulate and implement strategies to enhance local revenue collection.*
4. *The County Treasury should liaise with IFMIS Directorate for support in application of IFMIS and the E-procurement module.*

3.26 Meru County

3.26.226 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.9.64 billion, comprising of Kshs.6.02 billion (62.4 per cent) and Kshs.3.62 billion (37.6 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.0 billion (72.5 per cent) as equitable share of revenue raised nationally, Kshs.620.82 million (6.4 per cent) as total conditional grants, generate Kshs.713.24 million (7.4 per cent) from local revenue sources, and Kshs.1.32 billion (13.7 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.114.7 million (18.5 per cent) for Free Maternal Healthcare, Kshs.107.66 million (17.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.32.1 million (5.2 per cent) for User Fees Foregone, Kshs.356.07 million (57.4 per cent) as a grant for Meru Level 5 Hospital and Kshs.10.3 million (1.7 per cent) as a grant from DANIDA.

3.26.227 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.2.35 billion as equitable share of the revenue raised nationally, Kshs.284.98 million as total conditional allocations, raised Kshs.205.59 million from local revenue sources, and had a cash balance of Kshs.1.32 billion brought forward from FY 2015/16. Included in the revenue from local sources is Kshs.62.33 million raised through Hospital FIF but not deposited into the CRF.

Figure 3.76 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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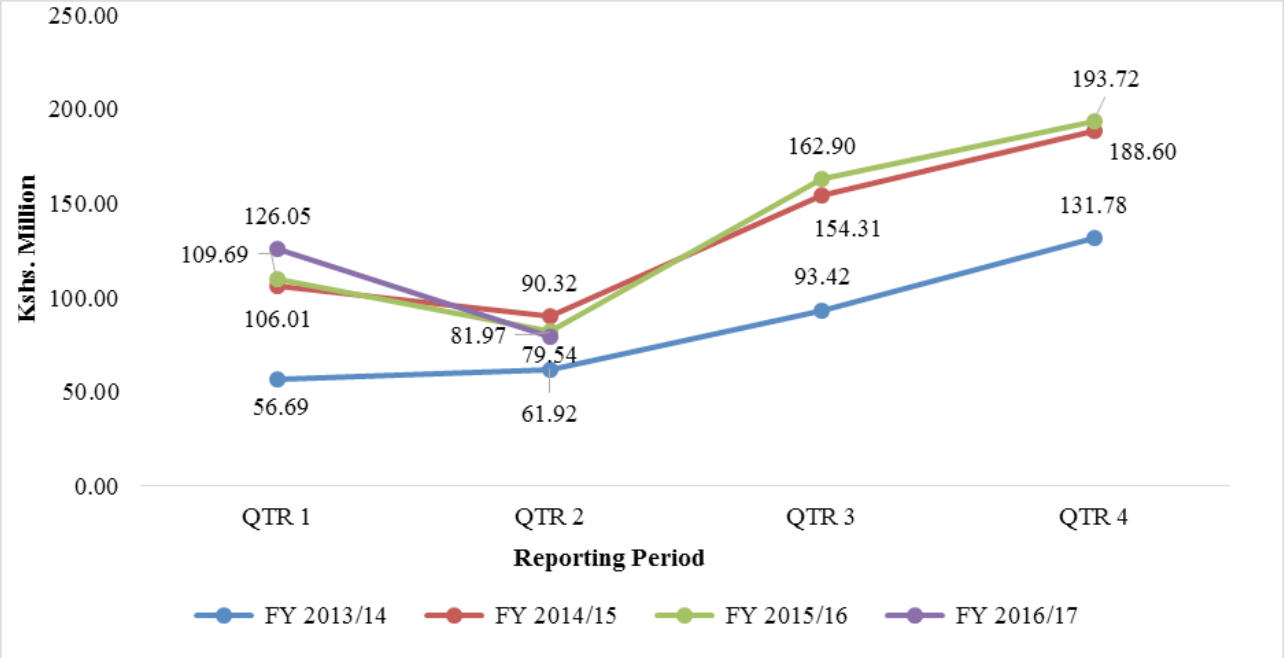
Figure 3.76: Meru County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Meru County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.205.59 million, representing a marginal increase of 0.1 per cent compared to Kshs.191.66 million generated in a similar period of FY 2015/16. This revenue was 28.8 per cent of the annual local revenue target.

3.26.228 Conditional Grants

Table 3.76 shows an analysis of conditional grants received in the first half of FY 2016/17.

Table 3.76: Meru County Analysis of Conditional Grants Received in the First Half of FY 2016/17

No.	Conditional Grant	Annual allocation based on CARA, 2016 (Kshs.)	Actual receipts for the First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Meru Level 5 Hospital	356,069,364	168,682,636	47.4
2	Road Maintenance Fuel Levy Fund	107,657,595	53,828,798	50.0
3	Free Maternal Healthcare	114,704,443	46,417,500	40.5
4	User Fees Foregone	32,096,227	16,048,113	50.0
5	DANIDA grant	10,295,000	-	-
Total		**620,822,629**	**284,977,047**	**45.9**

Source: *Meru County Treasury*

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The County received 50 per cent of the annual allocation from the Road Maintenance Fuel Levy and Use Fees Foregone respectively. There was no receipt from DANIDA during the first half of FY 2016/17.

3.26.229 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.06 billion from the CRF account, which was 42.1 per cent of the Approved Budget. This amount represented an increase of 66.2 per cent from Kshs.2.45 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.95 billion (72.7 per cent) for recurrent expenditure and Kshs.1.11 billion (27.3 per cent) for development activities.

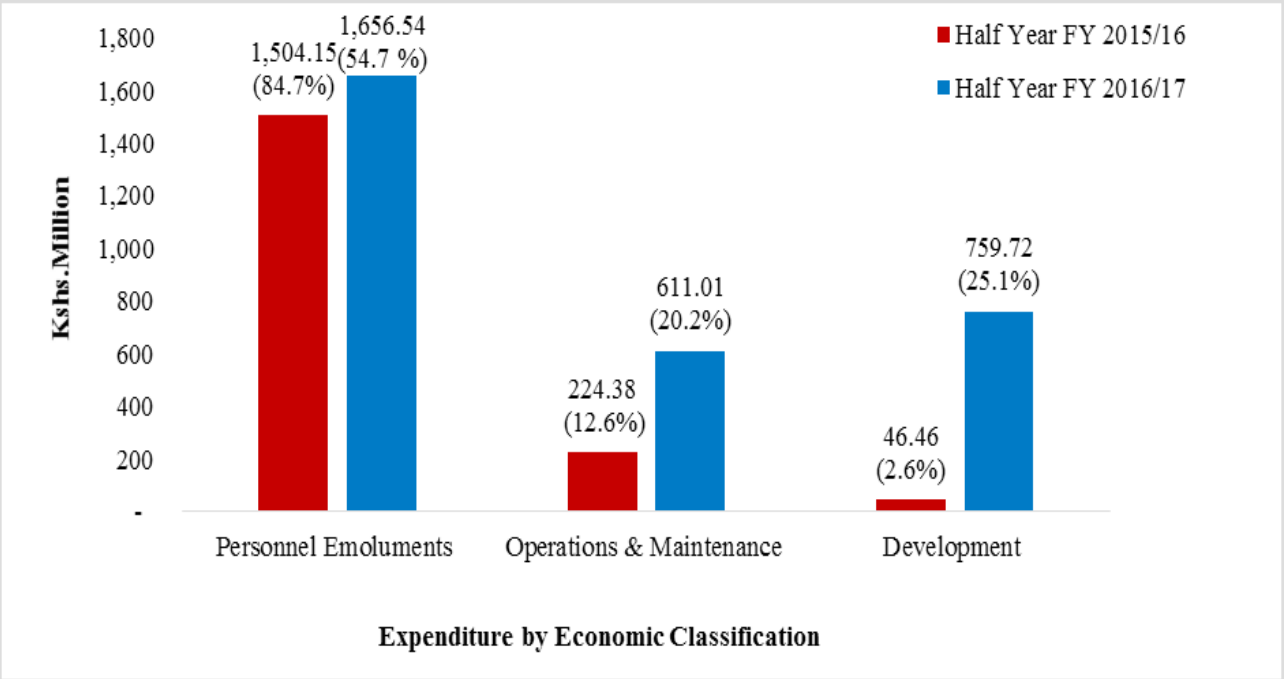
3.26.230 Overall Expenditure Review

The County spent Kshs.3.03 billion, which was 90.4 per cent of the total funds released for operations. This was an increase of 71.2 per cent from Kshs.1.77 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.27 billion was spent on recurrent activities, while Kshs.759.72 million was spent on development activities. The recurrent expenditure was 76.7 per cent of the funds released for recurrent activities while development expenditure accounted for 68.6 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at December, 31st 2016 that amounted to Kshs.975.82 million and Kshs.278.14 million for development and recurrent expenditure respectively.

The recurrent expenditure represented 37.7 of the annual recurrent budget, an increase from 33.8 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 21 per cent, which was an increase from 1.4 per cent attained in a similar period of FY 2015/16. Figure 3.77 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.77: Meru County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



Source: *Meru County Treasury*

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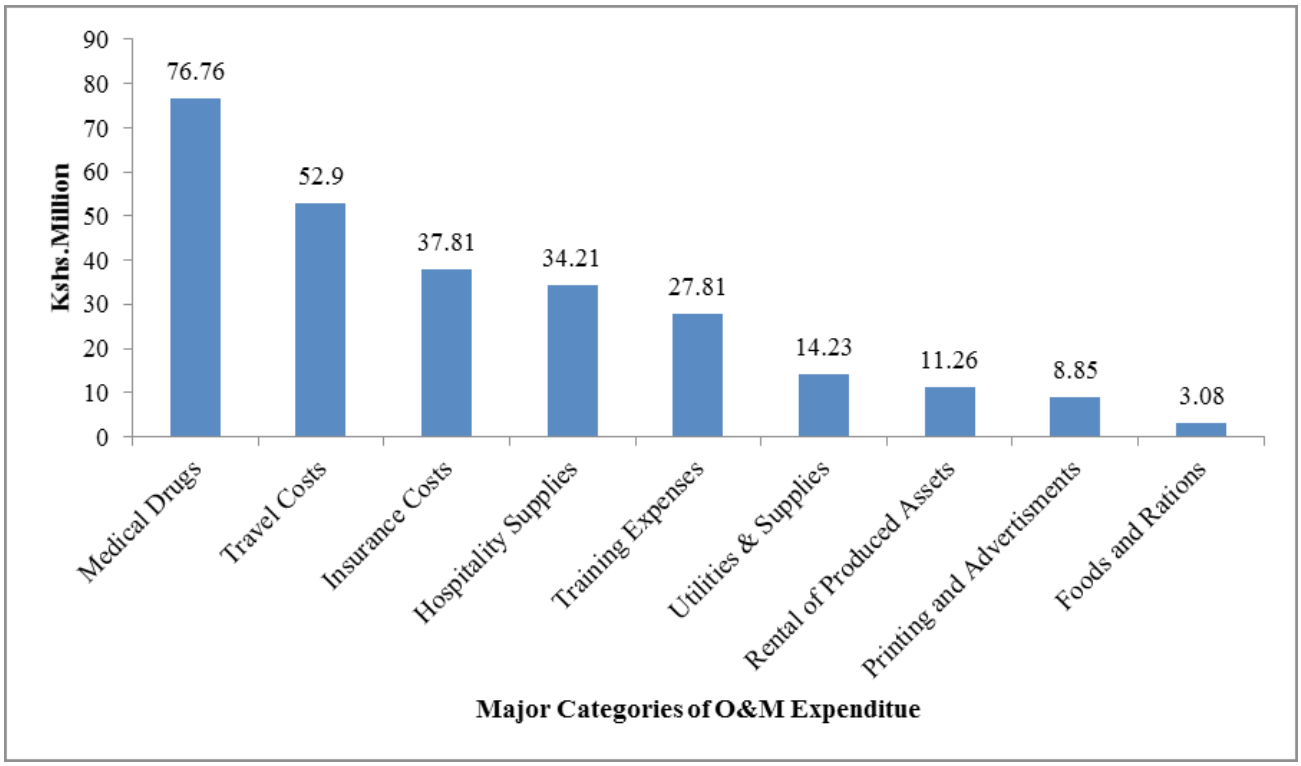
3.26.231 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.27 billion consisted of Kshs.1.66 billion (73.1 per cent) spent on personnel emoluments and Kshs.611.01 million (26.9 per cent) on operations and maintenance as shown in Figure 3.77. Expenditure on personnel emoluments represented an increase of 10.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.50 billion.

Figure 3.78 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.78: Meru County, Operations and Maintenance Expenditure by Major Categories for the First Half of FY 2016/17



Source: *Meru County Treasury*

The County spent Kshs.45.54 million on sitting allowances for the 69 MCAs and the Speaker against the annual budget allocation of Kshs.132 million. This represents a decrease of 11.9 per cent compared to Kshs.51.67 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.108,432 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.52.9 million and consisted of Kshs.24.95 million spent by the County Assembly and Kshs.27.95 million spent by the County Executive. This was a decrease of 40.2 per cent compared to Kshs.88.5 million spent in a similar period of FY 2015/16.

3.26.232 Development Expenditure Analysis

The total development expenditure of Kshs.759.72 million represents 21 per cent of the annual development budget of Kshs.3.62 billion. Table 3.77 provides a list of development projects with the highest expenditure during the period under review.

Table 3.77 : Meru County, List of Development Projects with the Highest Expenditure in the First Half of FY 2016/17

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No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Supply of mortuary chambers	Meru	19,388,334	19,388,334	100.0
2	Purchase of 2 ambulances	Meru	15,160,873	15,160,873	100.0
3	Resort Centre at Mitunguu	Mitunguu	12,014,411	12,014,411	100.0
4	Supply installation and commissioning of structured networks in Meru	Headquarters	22,900,000	11,199,518	48.9
5	Purchase and distribution of poultry	Igembe North,Tigania West, Tigania East, Buuri, Igembe Central, Igembe South	12,473,000	10,300,052	82.6
6	Construction of green houses and drip kits	All the 45 wards in Meru county	45,000,000	10,261,404	22.8
7	Purchase of goats	Thangatha, Kisima, Nyaki West, Municipality, Kiegoi & Antobuchiu, Igembe East, Maua, Mbeu, Akithi, Kianjai, Athiru Ruujine, Akirangondu, Athwana, Kiirua-Naarii and Mwangatha	10,095,008	8,750,000	86.7
8	Construction of prefabricated office	Headquarters	5,663,700	5,663,700	100.0
9	Boda boda sheds	Meru	5,204,842	5,204,842	100.0
10	Levelling of baseball Mwanganthia	Mwanganthia	5,193,028	5,193,028	100.0
	Total		**153,093,196**	**103,136,162**	**67.4**

Source: *Meru County Treasury*

Analysis of the development projects with the highest expenditure indicates that, the highest expenditure of Ksh.19.39 million was spent on supply of mortuary chambers while Kshs.15.16 million was incurred on purchase of ambulances.

3.26.233 Budget and Budget Performance Analysis by Department

Table 3.78 shows a summary of the first half of FY 2016/17 budget estimates and performance by department.

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Table 3.78: Meru County, First Half of FY 2016/17 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	914.69	6.52	462.95	-	304.53	0.50	65.8	-	33.3	7.7
Office of the Governor	300.23	-	148.22	-	117.31	-	79.1	-	39.1	-
County Treasury	888.02	196.96	479.98	-	270.93	50.00	56.4	-	30.5	25.4
Agriculture, Fishery and Livestock	332.80	271.11	168.08	76.89	139.66	49.87	83.1	64.9	42.0	18.4
Water, Environment and Natural Resources	94.07	578.09	51.00	175.79	44.29	196.99	86.9	112.1	47.1	34.1
Education	516.58	227.74	224.65	148.19	169.06	25.27	75.3	17.1	32.7	11.1
Health	1,855.95	368.02	904.49	140.58	878.75	152.67	97.2	108.6	47.3	41.5
Lands, Housing, Physical and Economic Planning	104.31	247.10	52.44	114.56	41.15	52.98	78.5	46.2	39.5	21.4
Public Service and Administration	681.44	140.87	310.82	31.67	200.03	19.76	64.4	62.4	29.4	14.0
Transport and Infrastructure	103.76	794.58	49.22	270.55	38.68	124.64	78.6	46.1	37.3	15.7
Co-operative, Tourism and Enterprise Development	94.71	388.46	42.14	97.92	34.59	37.44	82.1	38.2	36.5	9.6
Culture, Gender and Sports	60.51	402.95	27.68	51.87	19.87	49.59	71.8	95.6	32.8	12.3
County Public Service Board	25.28	-	11.45	-	4.58	-	40.0	-	18.1	-
Town Administration	45.54	2.55	22.36	0.16	4.13	-	18.5	0.0	9.1	0.0
Total	**6,017.89**	**3,624.94**	**2,955.48**	**1,108.19**	**2,267.55**	**759.72**	**76.7**	**68.6**	**37.7**	**21.0**

Source: *Meru County Treasury*

Analysis of budget performance by department shows that the Department of Health attained the highest absorption rate of both development and recurrent budgets at 41 per cent and 47.3 per cent respectively, while the Town Administration Department did not incur any development expenditure.

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3.26.234 Observations and Recommendations

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

i. Adherence to budget timelines. The County met the timelines in the preparation and submission of the Annual Development Plan, County Budget Review and Outlook Paper and the County Fiscal Strategy Paper to the County Assembly.

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. As at the end of the reporting period, Kshs.2.58 billion had been disbursed against expected disbursement of Kshs.3.85 billion.
2. Late submission of financial reports to the Controller of Budget by the County Treasury, which affected timely preparation of the budget implementation review report.
3. Failure by Fund Administrators to regularly submit quarterly expenditure reports on the Bursary Fund, and Car & Mortgage Fund contrary to Section 168 of the PFM Act, 2012.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. The County did not budget for Free Maternal Healthcare and User Fees Foregone, which are conditional allocations provided in CARA, 2016 which may affect effective execution of planned activities in the health sector.
6. Failure to develop legislation to operationalize established County Public Funds such as the Disaster Management Fund contrary to Section 116 of the PFM Act, 2012.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2016 Disbursement Schedule.*
2. *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 Administrators of the Bursary Fund, and County Executive Staff Car Loan and Mortgage Fund should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *The County should budget for all revenue streams contained in the CARA, 2016.*
6. *The County should ensure the legislations establishing any County Public Funds are in place in line with Section 116 of the PFM Act, 2012 before operationalization of the Fund.*

3.27 Migori County

3.27.235 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.7.28 billion, comprising of Kshs.4.44 billion (61 per cent) and Kshs.2.84 billion (39 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.30 billion (86.5 per cent) as equitable share of revenue raised nationally, Kshs.566.03 million (7.8 per cent) as total conditional grants, and to generate Kshs.420 million (5.7 per cent) from local sources. The conditional grants comprise of Kshs.172.35 million (30.4 per cent) for Free Maternal Healthcare, Kshs.96.77 million (17.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.21.88 million (3.9 per cent) for User Fees Foregone, Kshs.10.22 million (1.8 per cent)

from DANIDA, Kshs.95.74 million (16.9 per cent) for Leasing of Medical Equipment, and Kshs.169.06 million (29.9 per cent) as conditional grants from other loans and grants

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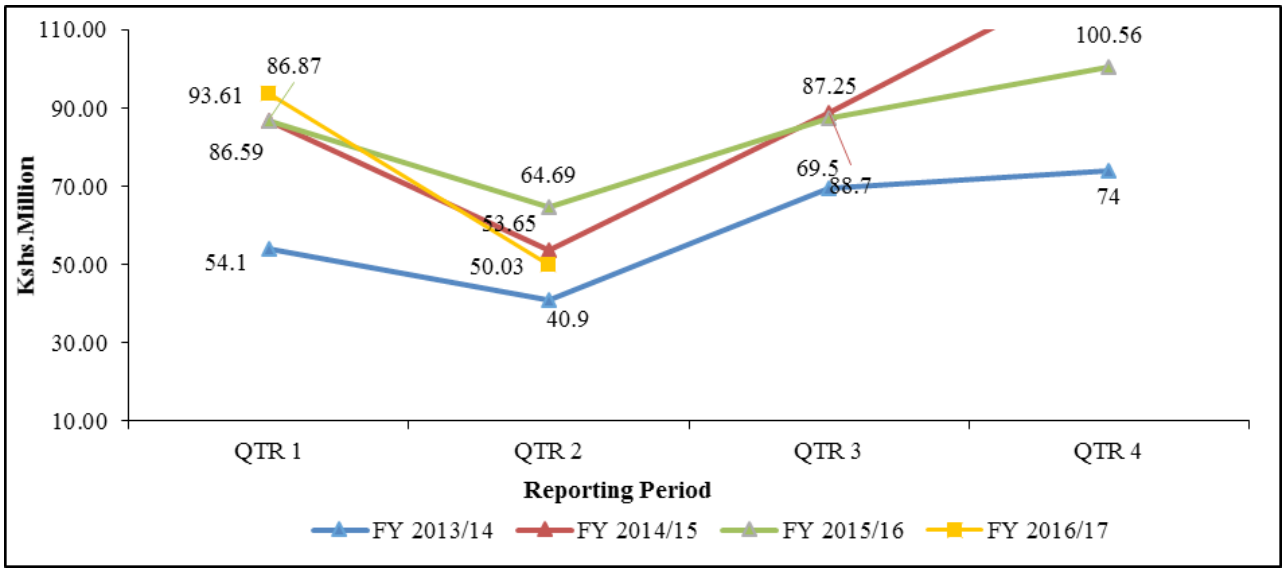
3.27.236 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.3.18 billion as equitable share of the revenue raised nationally, Kshs.88.00 million as total conditional allocations, raised Kshs.143.64 million from local revenue sources, and had a cash balance of Kshs.446.32 million from FY 2015/16.

Figure 3.79 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.79: Migori County, Trend in Local Revenue Collection by quarter from FY 2013/14 to FY 2016/17



Source: *Migori County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.143.64 million, representing a decrease of 5.2 per cent compared to Kshs.151.56 million generated in a similar period of FY 2015/16. This revenue was 34.2 per cent of the annual local revenue target.

3.27.237 Conditional Grants

Table 3.79 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.79: Migori County Analysis of Conditional Grants Released in the First Half of FY 2016/17

No.	Conditional Grant	Annual allocation based on CARA 2016 (Kshs.)	Actual receipts for the First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	96,769,311	24,192,328	25.0
2	Free Maternal Healthcare	172,348,147	52,865,000	30.7
3	User Fees Foregone	21,882,372	10,941,186	50.0
4	DANIDA Grant	10,220,000	0	-
5	World Bank Loan	169,061,327	0	-
6	Other Loans and Grants	95,744,681	0	-
Total		**566,025,838**	**87,998,514**	**25.5**

Source: *Migori County Treasury*

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Analysis of the conditional Grants released for the period under review indicates that, Universal Healthcare recorded the highest receipts against annual target at 50 per cent. The County Treasury did not report receipts for the DANIDA grant, World Bank loan and from Other Loans and Grants during the period under review.

3.27.238 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.71 billion from the CRF account, which was 50.9 per cent of the Approved Budget. This amount represents an increase of 35.9 per cent from Kshs.2.73 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.38 billion (64.2 per cent) for recurrent expenditure and Kshs.1.33 billion (35.9 per cent) for development activities.

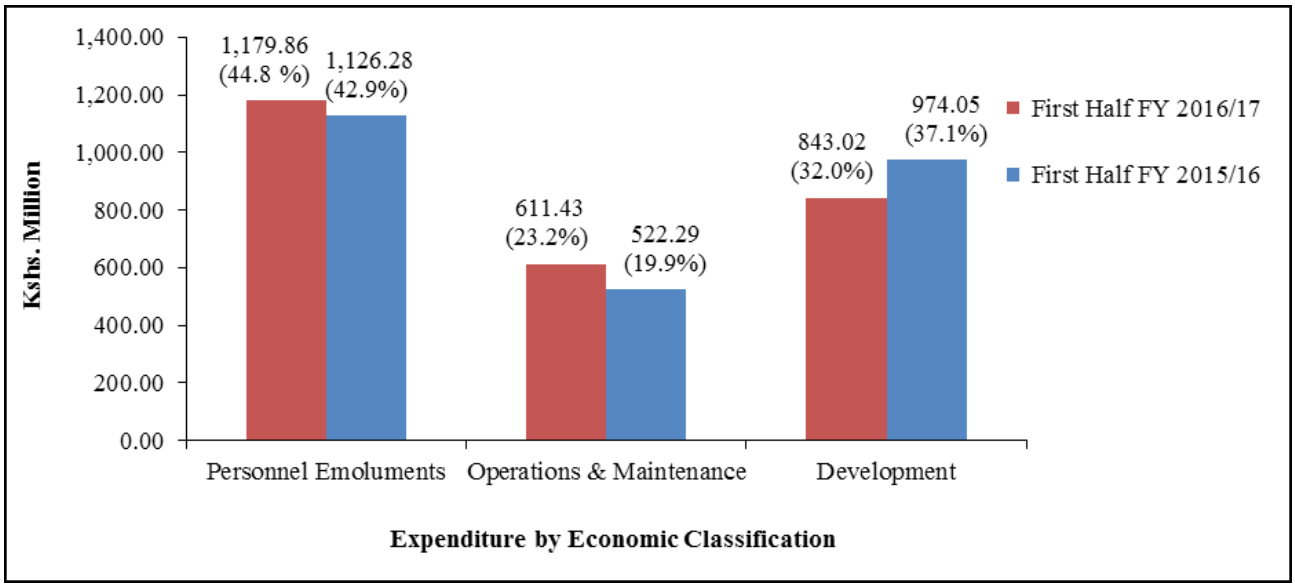
3.27.239 Overall Expenditure Review

The County spent Kshs.2.63 billion, which was 71 per cent of the total funds released for operations. This was an increase of 0.4 per cent from Kshs.2.62 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.79 billion was spent on recurrent activities, while Kshs.843.02 million was spent on development activities. The recurrent expenditure was 73.3 per cent of the funds released for recurrent activities while development expenditure accounted for 63.4 per cent of the funds released for development activities. The expenditure included outstanding commitments as at 31st December, 2016 that amounted to Kshs.648.26 million for development and Kshs.289.60 million for recurrent expenditure.

The recurrent expenditure represented 40.3 per cent of the annual recurrent budget, a decrease from 46 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 29.7 per cent, which was a decline from 33.3 per cent attained in a similar period of FY 2015/16. Figure 3.80 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.80: Migori County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16



Source: *Migori County Treasury*

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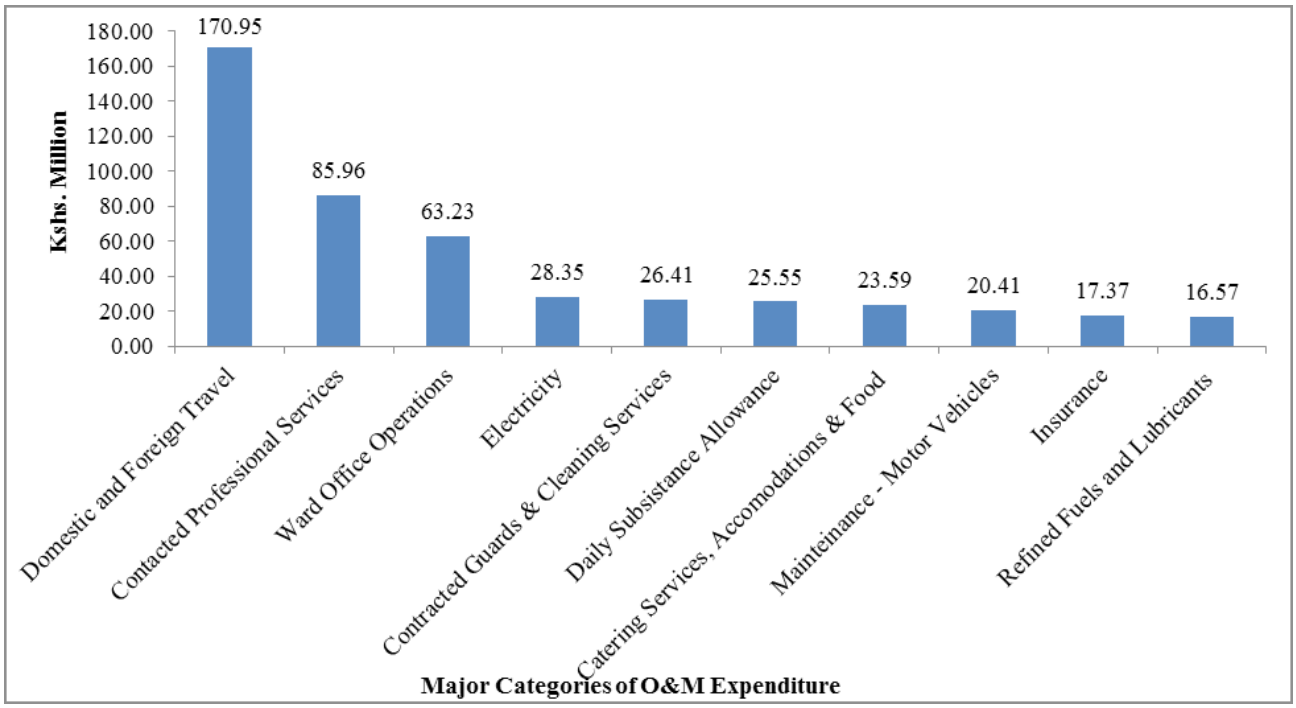
3.27.240 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.79 billion comprised of Kshs1.18 billion (65.9 per cent) spent on personnel emoluments and Kshs.611.43million (34.1 per cent) on operations and maintenance as shown in Figure 3.80. Expenditure on personnel emoluments represents an increase of 4.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.13 billion.

Figure 3.81 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.81: Migori County, Operations and Maintenance Expenditure by Major Categories for the First Half of FY 2016/17



Source: *Migori County Treasury*

The County spent Kshs.35.25 million on sitting allowances for the 63 MCAs and the Speaker against the annual budget allocation of Kshs.111.78 million. This was a decrease of 43.4 per cent compared to Kshs.62.27 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.91,798 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.170.95 million and consisted of Kshs.64.28 million spent by the County Assembly and Kshs.106.68 million spent by the County Executive. This was an increase of 8.9 per cent compared to Kshs.157.05 million spent in a similar period of FY 2015/16. Expenditure on Contracted Professional Services of Kshs.85.96 million was the second highest O&M expenditure item and represents an increase of 896.1 per cent compared to Kshs.8.63 million spent in a similar period of FY 2015/16.

3.27.241 Development Expenditure Analysis

The total development expenditure of Kshs.843.03 million represents 29.7 per cent of the annual development budget of Kshs.2.84 billion. Table 3.80 provides a list of development projects with the highest expenditure during the period under review.

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Table 3.80 : Migori County, List of Development Projects with the Highest Expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Project Location)	Estimated Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Equipping of 16 Boreholes in Migori County	Across the 40 Wards	78,502,098	78,502,098	100.0
2	Upgrading to Bitumen standard of Uriri-Oria road	Uriri Sub-County	697,466,355	56,000,000	8.0
3	Proposed Construction of Kiringi Bridge	Oruba Ragana, God Jope & Suna Central	181,576,240	57,366,827	31.6
4	Supply, Installation & Configuration of LAN & Wireless networks at Health facilities	Across the 40 Wards	29,429,960	29,429,960	100.0
5	Supply, Delivery & Testing of Complete Drilling Rig	Headquarters	49,004,666	22,504,425	45.9
6	Solar street lighting in various shopping centers in Migori County	Across the 40 Wards	68,969,337	20,000,000	29.0
7	Construction of Marurwani box culvert	Makerero Ward	14,900,606	14,900,606	100.0
8	Improvement of Oruba-Oruba Got Road	Oruba -Ragana	12,866,952	12,866,952	100.0
9	Improvement of Supernova -Odendo Road	Kachieng ward	10,162,992	10,162,992	100.0
10	Drilling of Boreholes in Suna East & West Sub Counties	Suna East & West Sub County wards	13,152,200	9,876,870	75.1
	Total		**1,156,031,406**	**311,610,730**	**27.0**

Source: *Migori County Treasury*

Analysis of development expenditure by project indicates that, the highest expenditure of Kshs.78.5 million was incurred by the Health, Water & Sanitation Department on equipping 16 Boreholes across the County. The second highest expenditure of Kshs.57.37 million was incurred by Public Works, Roads, Transport and Energy Department on the construction of Kiringi Bridge. The Department of Health, Water & Sanitation incurred Kshs.29.43 million on supply, installation & configuration of LAN & wireless networks in health facilities.

3.27.242 Budget and Budget Performance Analysis by Department

Table 3.81 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.81: Migori County, First Half FY 2016/17 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Lands, Veterinary, Livestock and Fisheries	289.40	300.85	162.35	182.63	143.64	142.72	88.5	78.1	49.6	47.4
Trade, Tourism & Industrialization	81.87	26.44	46.90	15.50	33.49	8.59	71.4	55.4	40.9	32.5
Health, Water & Sanitation	1,433.50	390.30	784.92	97.11	468.74	55.81	59.7	57.5	32.7	14.3

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Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Youth Development & Vocational Training	196.59	221.50	102.71	78.83	163.57	9.55	159.3	12.1	83.2	4.3
Public Works, Roads, Transport and Energy	70.51	933.02	40.08	736.15	35.46	338.74	88.5	46.0	50.3	36.3
Land and Housing	66.01	47.90	37.75	36.21	24.40	4.25	64.6	11.7	37.0	8.9
Environment & Natural Resources	48.76	78.88	28.22	2.26	39.48	0.25	139.9	11.1	81.0	0.3
Finance and Economic Planning	740.99	376.24	374.73	16.69	227.85	182.38	60.8	-	30.7	48.5
Public Service Management	570.94	327.00	316.93	138.19	188.21	33.63	59.4	24.3	33.0	10.3
County Assembly	702.19	45.00	344.00	26.43	348.02	20.62	101.2	78.0	49.6	45.8
Governor, Deputy Governor's Office, County Secretary and Executive Staff	242.17	94.00	139.62	-	118.43	46.49	84.8	-	48.9	49.5
TOTAL	**4,442.93**	**2,841.13**	**2,378.21**	**1,330.00**	**1,791.29**	**843.03**	**73.3**	**63.4**	**40.3**	**29.7**

Source: *Migori County Treasury*

Analysis of budget performance by department shows that the office of the Governor, Deputy Governor's Office, County Secretary and Executive Staff attained the highest absorption rate of its development budget at 49.5 per cent, while the Department of Environment and Natural Resources reported the lowest absorption rate at 0.3 per cent. On the other hand, the Department of Education, Youth Development &Vocational Training had the highest percentage of recurrent expenditure to recurrent budget at 83.2 per cent while the Department of Finance and Economic Planning had the lowest at 30.7 per cent.

3.27.243 Observations and Recommendations

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

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

ii. Establishment of the County Budget and Economic Forum (CBEF) as per Section 137 of the PFM Act, 2012.

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

1. High wage bill that increased by 4.8 per cent from Kshs.1.13 billion in the first half of FY 2015/16 to Kshs.1.18 billion during the period under review. The wage bill represents 44.8 per cent of total expenditure during the reporting period.
2. Late submission of financial reports by the County Treasury, which affected timely preparation of the budget implementation review report.
3. Failure to budget for unspent cash balance from the previous financial year which amounted to Kshs.446.32 million.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill and ensure compliance with Regulation 25(1) (b) of the Public Finance Management (County Governments) Regulations, 2015.*
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 CECM-F should ensure that unspent cash balance from previous financial year is appropriated in the Supplementary Budget.*

3.28 Mombasa County

3.28.244 Overview of the FY 2016/17 Budget

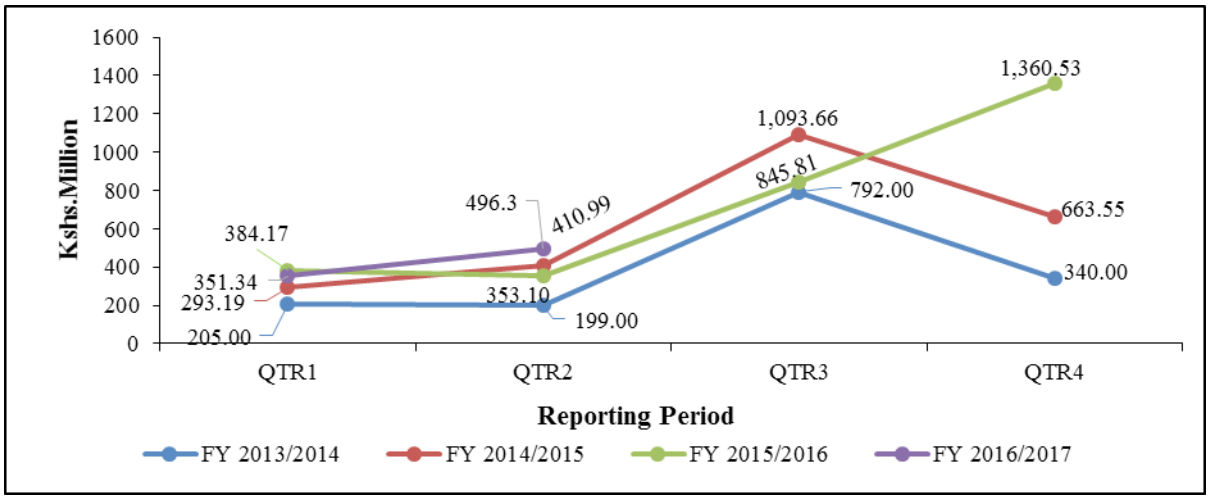
The County's FY 2016/17 Approved Supplementary Budget was Kshs.11.91 billion, comprising of Kshs.7.87 billion (66.1 per cent) and Kshs.4.04 billion (33.9 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.61 billion (47.1 per cent) as equitable share of revenue raised nationally, Kshs.749.36 million (6.3 per cent) as total conditional grants, and generate Kshs.5.55 billion (46.6 per cent) from local revenue sources. The conditional grants comprise of Kshs.125.72 million (16.8 per cent) for Free Maternal Healthcare, Kshs.86.18 million (11.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.23.51 million (3.1 per cent) as compensation for User Fees Foregone, Kshs.3.15 million (0.4 per cent) from DANIDA, Kshs.16.0 million (2.1 per cent) from other loans and grants, Kshs.369.94 million (49.4 per cent) for the Mombasa Level 5 Hospital, Kshs.95.74 million (12.8 per cent) from the Leasing of Medical Equipment Fund, and Kshs.29.11 million (3.9 per cent) as performance grant from the World Bank.

3.28.245 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.3.02 billion as equitable share of the revenue raised nationally, Kshs.485.57 million as total conditional allocations and raised Kshs.847.65 million from local revenue sources. Figure 3.1 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.82: Mombasa County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Mombasa County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.847.65 million which was an increase of 15 per cent compared to Kshs.737.27 million generated in a similar period of FY 2015/16. This revenue accounted for 15.3 per cent of the annual local revenue target.

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3.28.246 Conditional Grants

Table 3.82 shows an analysis of conditional grants disbursement in the first half of FY 2016/17.

Table 3.82: Mombasa County Analysis of Conditional Grants Released in First half of FY 2016/17

No.	Conditional Grant	Annual allocation based on CARA 2016 (Kshs.)	Actual receipts for the First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	86,176,009	43,088,004	50.0
2	Free Maternal Healthcare	125,722,505	32,572,156	25.9
3	User Fees Foregone	23,514,312	-	-
4	DANIDA Grant	3,150,000	-	-
5	Mombasa Level 5 Hospital	369,942,197	188,670,522	51.0
6	World Bank Loan	29,106,112	-	-
7	Other Loans and Grants	16,000,000	-	-
8	Leasing of Medical Equipment	95,744,681	-	-
Total		**749,355,816**	**264,330,682**	**35.3**

Source: *Mombasa County Treasury*

Analysis of the conditional grants released showed that the Mombasa Level 5 Hospital had the highest receipts at 51 per cent of the annual target, followed by the Road Maintenance Fuel Levy Fund at 50 per cent.

3.28.247 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.75 billion from the CRF account, which was 31.5 per cent of the Approved Supplementary Budget. This amount represents an increase of 10.9 per cent from Kshs.3.38 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.67 billion (71.4 per cent) for recurrent expenditure and Kshs.1.07 billion (28.6 per cent) for development activities.

3.28.248 Overall Expenditure Review

The County spent Kshs.3.57 billion, which was 95.2 per cent of the total funds released for operations. This represented an increase of 7.2 per cent from Kshs.3.33 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.53 billion was spent on recurrent activities, while Kshs.1.04 billion was spent on development activities. The recurrent expenditure was 94.5 per cent of the funds released for recurrent activities while development expenditure accounted for 97.0 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.424.84 million and Kshs.484.52 million for development and recurrent expenditure respectively.

The recurrent expenditure represented 32.1 per cent of the annual recurrent budget, a decrease from 36.6 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 25.8 per cent, which was an increase from 20.5 per cent attained in a similar period of FY 2015/16. Figure 3.83 presents a comparison between the total expenditure in the first half of FY 2016/17 and the first half of the FY 2015/16.

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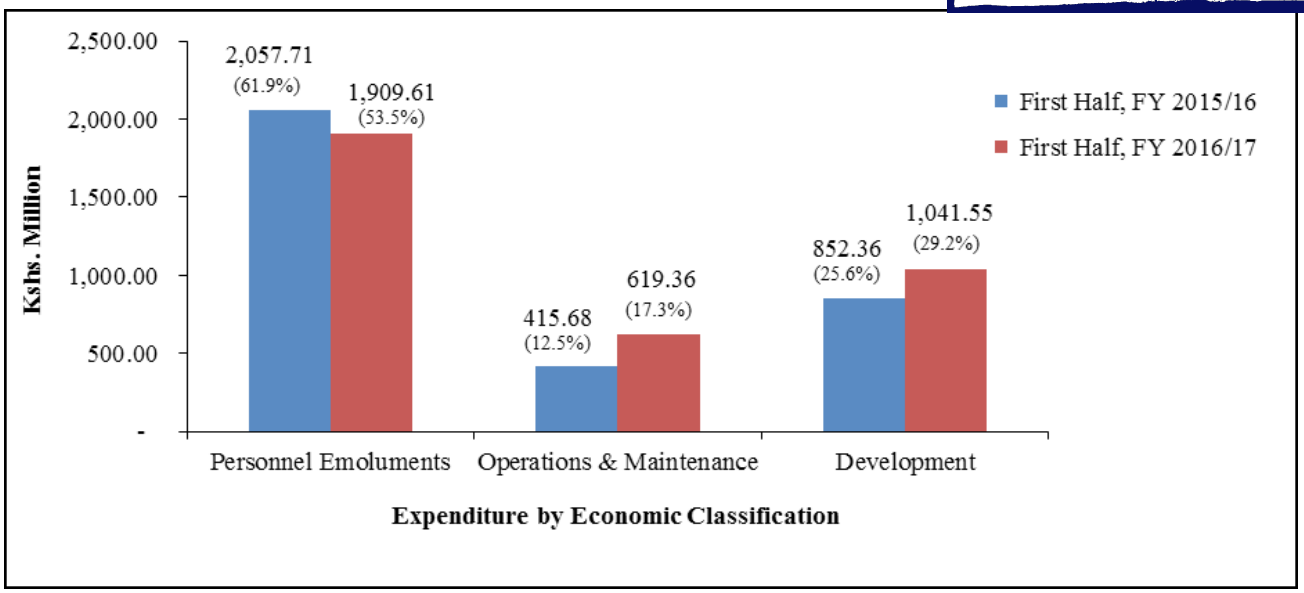
Figure 3.83: Mombasa County, Expenditure by Economic Classification for the first half of the FY 2016/17 and the first half of the FY 2015/16



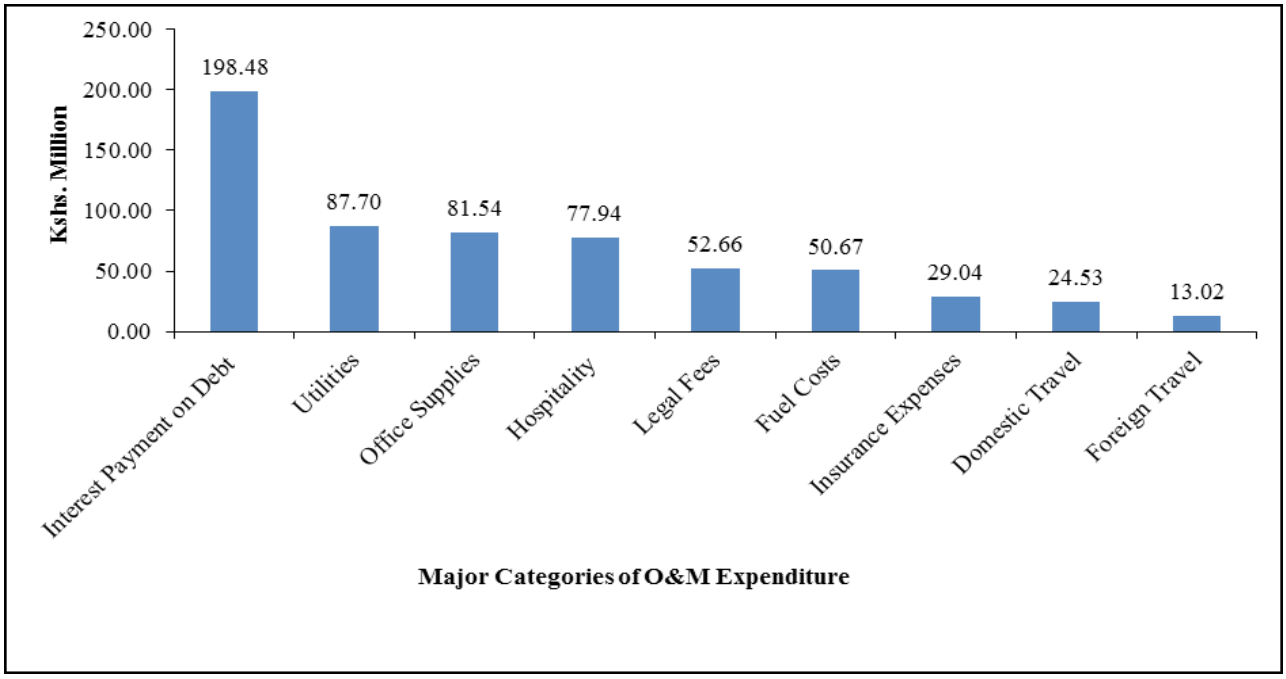
Source: *Mombasa County Treasury*

3.28.249 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.53 billion consisted of Kshs.1.91 billion (75.5 per cent) spent on personnel emoluments and Kshs.619.37 million (24.5 per cent) on operations and maintenance as shown in Figure 3.83 . Expenditure on personnel emoluments represented a decrease of 7.3 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.2.06 billion.

Figure 3.84 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.84: Mombasa County, Operations and Maintenance Expenditure by major categories in the First half of FY 2016/17



Source: *Mombasa County Treasury*

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The County spent Kshs.30.37 million on sitting allowances for the 46 MCAs and the Speaker against the annual budget allocation of Kshs.96.65 million. This was a decrease of 13.2 per cent compared to Kshs.34.97 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.110,060 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.37.55 million and consisted of Kshs.0.25 million spent by the County Assembly and Kshs.37.30 million spent by the County Executive. This was a decrease of 18.9 per cent compared to Kshs.46.32 million spent in a similar period of FY 2015/16.

3.28.250 Development Expenditure Analysis

The total development expenditure of Kshs.1.04 billion represents 25.7 per cent of the annual development budget of Kshs.4.04 billion. Table 3.83 provides a list of development projects with the highest expenditure during the period under review.

Table 3.83: Mombasa County, List of Development Projects with Highest Expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Proposed Hospital in Marimani	Marimani	15,370,968	11,863,953	77.2
2	Maintenance of Mikindani Estate Road	Changamwe Sub-County	21,059,143	11,168,255	53.0
3	Maintenance of Wakauma Mtwapa Road	Kisauni Sub- County	15,622,225	11,168,255	71.5
4	Construction material for Kibarani site	Changamwe Sub-county	9,308,216	4,984,138	53.5
5	Construction Hassan Joho Girls school	Utalii Village Road	61,451,409	29,220,580	47.6
6	Construction of Mwagosi Bokole Road to Cabro paved standards	Changamwe Sub-County	43,244,934	20,563,272	47.6
7	Construction of Jomvu Madukani Road	Jomvu Sub- County	30,160,550	14,404,356	47.8
8	Construction of Majaoni Kashani Access Road	Kisauni Sub-County	39,267,620	15,536,035	39.6
9	Routine Maintenance of Catholic church Magongo Road	Changamwe	35,001,948	13,848,344	39.6
10	Construction of Shika Adabu Hospital	Kisauni	30,964,139	8,798,937	28.4
	Total		**301,451,152**	**141,556,125**	**47.0**

Source: *Mombasa County Treasury*

Analysis of development expenditure by project showed that the highest expenditure was on construction of Hassan Joho Girls School at Kshs.29.22 million followed by paving of the Mwagosi Bokole Road to Cabro standard at Kshs.20.56 million.

3.28.251 Budget and Budget Performance Analysis by Department

Table 3.84 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

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Table 3.84: Mombasa County, Budget Performance by Department for the first half of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	573.78	65.75	289.47	30.0	259.41	13.77	89.6	45.9	45.2	20.9
Governor/County Executive services	393.64	153.6	190.54	21.59	133.21	5.19	69.9	24.0	33.8	3.4
County Treasury Services	258.06	26.48	100.69	25.76	90.47	12.07	89.9	46.9	35.1	45.6
Transport and Infrastructure	56.16	533.07	29.71	149.22	28.23	99.12	95.0	66.4	50.3	18.6
Industrialization, Commerce and Tourism	80.08	90.7	42.95	14.0	47.77	22.69	111.2	162.1	59.7	25.0
Education, Sports, Culture & Art	286.42	237.78	129.17	52.5	104.15	73.22	80.6	139.5	36.4	30.8
Health	1,818.57	466.23	857.38	77.46	747.04	48.17	87.1	62.2	41.1	10.3
Housing & Urban Development	65.11	114.14	30.9	13.9	20.45	14.64	66.2	105.3	31.4	12.8
Agriculture, Livestock, Fisheries & Marketing	227.37	251.89	113.84	78.25	94.33	38.67	82.9	49.4	41.5	15.4
Youth, Gender & Social Security Services	33.77	160.97	14.57	33.4	13.01	19.82	89.3	59.3	38.5	12.3
Water & Irrigation	100.12	424.96	55.96	70.1	31.96	44.51	57.1	63.5	31.9	10.5
Environment & Natural Resources	28.16	74.53	13.92	22.03	11.44	16.87	82.2	76.6	40.6	22.6
TOTAL	**3,921.24**	**2,600.10**	**1,869.10**	**588.21**	**1,581.47**	**408.74**	**84.6**	**69.5**	**40.3**	**15.7**

Source: *Mombasa County Treasury*

Analysis of budget performance by department shows that the County Treasury attained the highest absorption rate of its development budget at 45.6 per cent while the Governor's Office attained the lowest absorption rate at 3.4 percent. On the other hand, the Industrialization, Commerce and Tourism Department had the highest percentage of recurrent expenditure to recurrent budget at 59.7 per cent while the Housing and Urban Development Department had the lowest at 31.4 per cent.

3.28.252 Observations and Recommendations

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

i. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 25.7 per cent compared to 20.5 per cent attained in a similar period of FY 2015/16.

ii. 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 challenge continued to hamper effective budget implementation;

1. Failure by Fund Administrators to submit expenditure reports on the established County Funds such as of the Bursary Fund and the Car & Mortgage Fund.
2. Under-performance of local revenue compared to set target which may led to non-execution of some planned activities. Local revenue collected in the first half of FY 2016/17 amounted to Kshs.847.65 million and accounted for 15.3 per cent of the annual local revenue target of

Kshs.5.5 billion

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

1. *The Fund Administrator should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection*

3.29 Murang'a County

3.29.253 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.7.34 billion, comprising of Kshs.4.45 billion (60.6 per cent) and Kshs.2.89 billion (39.4 per cent) for recurrent and development expenditure respectively.

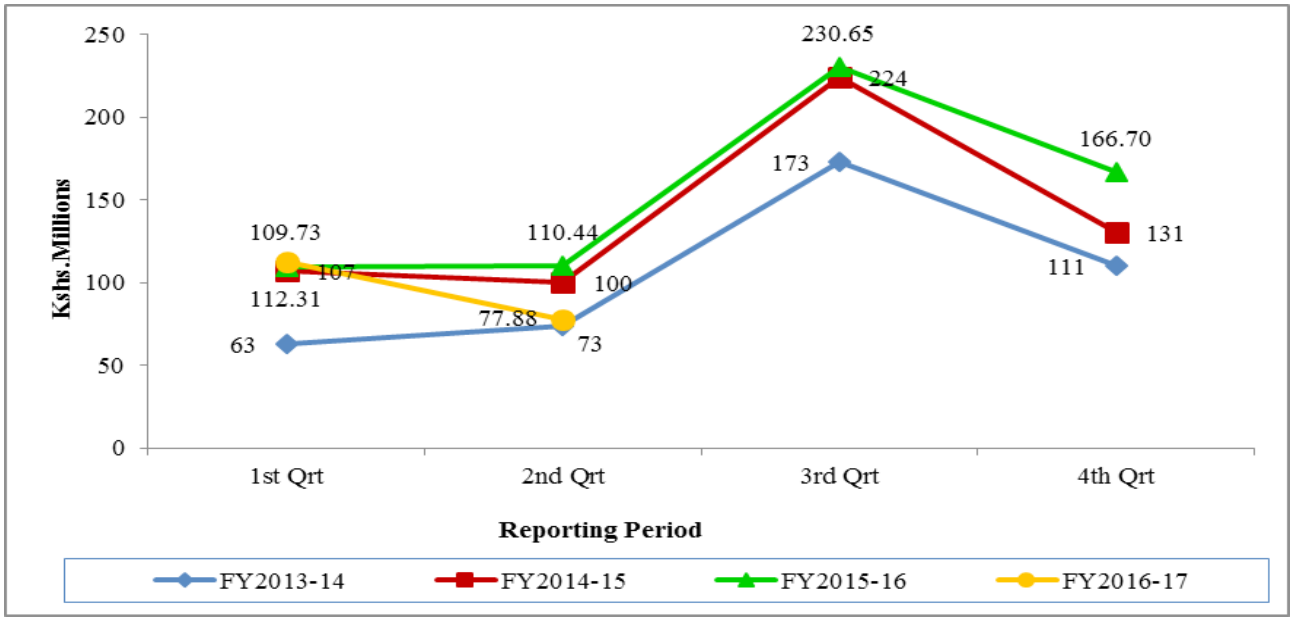
To finance the budget, the County expects to receive Kshs.5.78 billion (78.6 per cent) as equitable share of revenue raised nationally, Kshs.296.52 million (4.0 per cent) as total conditional grants, generate Kshs.850.00 million (11.6 per cent) from local revenue sources, and Kshs.428.48 million (5.8 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.95.74 million (32.3 per cent) as Leasing of Medical Equipment, Kshs.88.80 million (29.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.78.83 million (26.6 per cent) for Free Maternal Healthcare, Kshs.20.75 million (7.0 per cent) for User Fees Foregone, and Kshs.12.41 million (4.2 per cent) from DANIDA.

3.29.254 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.2.92 billion as equitable share of the revenue raised nationally, Kshs.86.56 million as total conditional allocations, raised Kshs.190.19 million from local revenue sources, and had actual cash balance of Kshs.428.48 million brought forward from FY 2015/16.

Figure 3.85 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.85: Murang'a County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Murang'a County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.190.19 million, representing a decrease of 13.6 compared to Kshs.220.17 million generated in a similar period of FY 2015/16. This revenue was 22.4 per cent of the annual local revenue target.

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3.29.255 Conditional Grants

Table 3.85 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.85: Murang'a County analysis of conditional grants released in First Half of FY 2016/17

No.	Conditional Grant	Allocations based on CARA 2016 (Kshs.)	Actual receipts from Conditional Grants, First Half of FY2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	User Fees Foregone	20,749,146	10,374,573	50.0
2	Free Maternal Healthcare	78,828,699	31,782,500	40.3
3	Road Maintenance Fuel Levy Fund	88,797,208	44,398,604	50.0
4	DANIDA Grant	12,405,000	-	-
5	CA-Leasing of medical Equipment	95,744,681	-	-
Total		**296,524,734**	**86,555,677**	**29.2**

Source: *Murang'a County Treasury*

Analysis of the conditional grants released during the period under review indicates that User Fees Foregone and the Road Maintenance Fuel Levy Fund attained the highest receipts against annual target at 50 per cent respectively, while the Free Maternal Healthcare reported 40.3 per cent.

3.29.256 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.50 billion from the CRF account, which was 47.7 per cent of the Approved Budget. This amount represents an increase of 18.6 per cent from Kshs.2.95 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.12 billion (60.5 per cent) for recurrent expenditure and Kshs.1.38 billion (39.5 per cent) for development activities.

3.29.257 Overall Expenditure Review

The County spent Kshs.3.11 billion, which was 88.9 per cent of the total funds released for operations. This was an increase of 8.7 per cent from Kshs.2.86 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.04 billion was spent on recurrent activities, while Kshs.1.08 billion was spent on development activities. The recurrent expenditure was 96.1 per cent of the funds released for recurrent activities while development expenditure accounted for 77.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.1.02 billion for development and Kshs.85.36 million for recurrent expenditure.

The recurrent expenditure represented 45.7 per cent of the annual recurrent budget, an increase from 44.9 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 37.2 per cent, which was an increase from 35.9 per cent attained in a similar period of FY 2015/16. **Figure 3.86** presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

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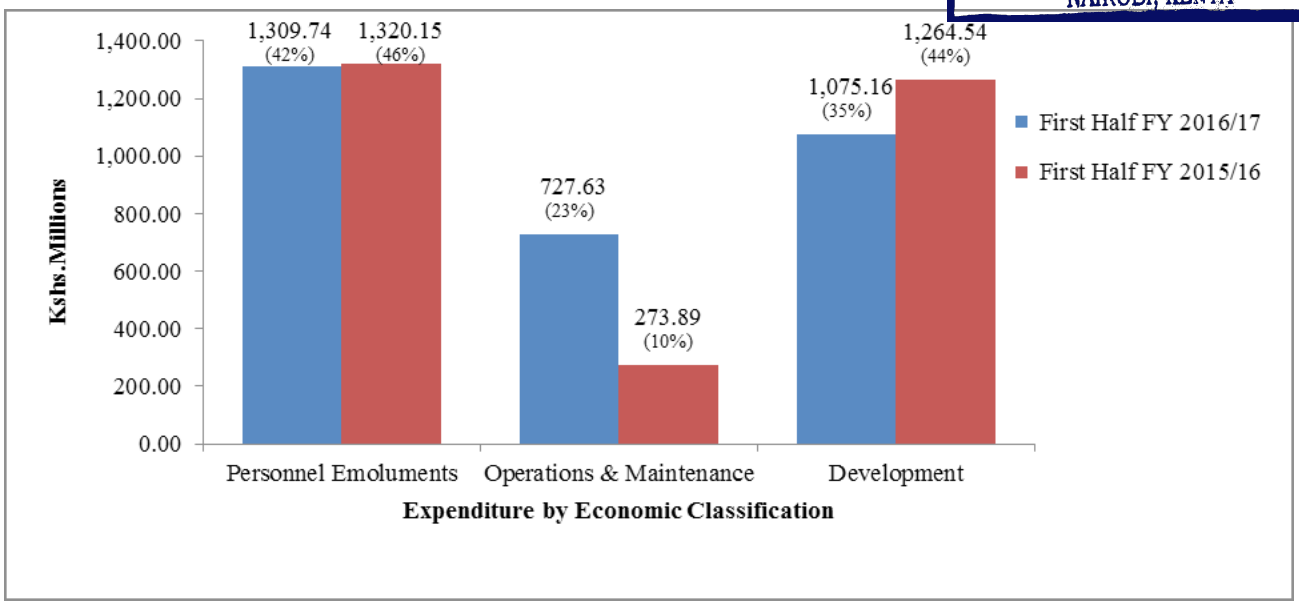
Figure 3.86: Murang'a County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16



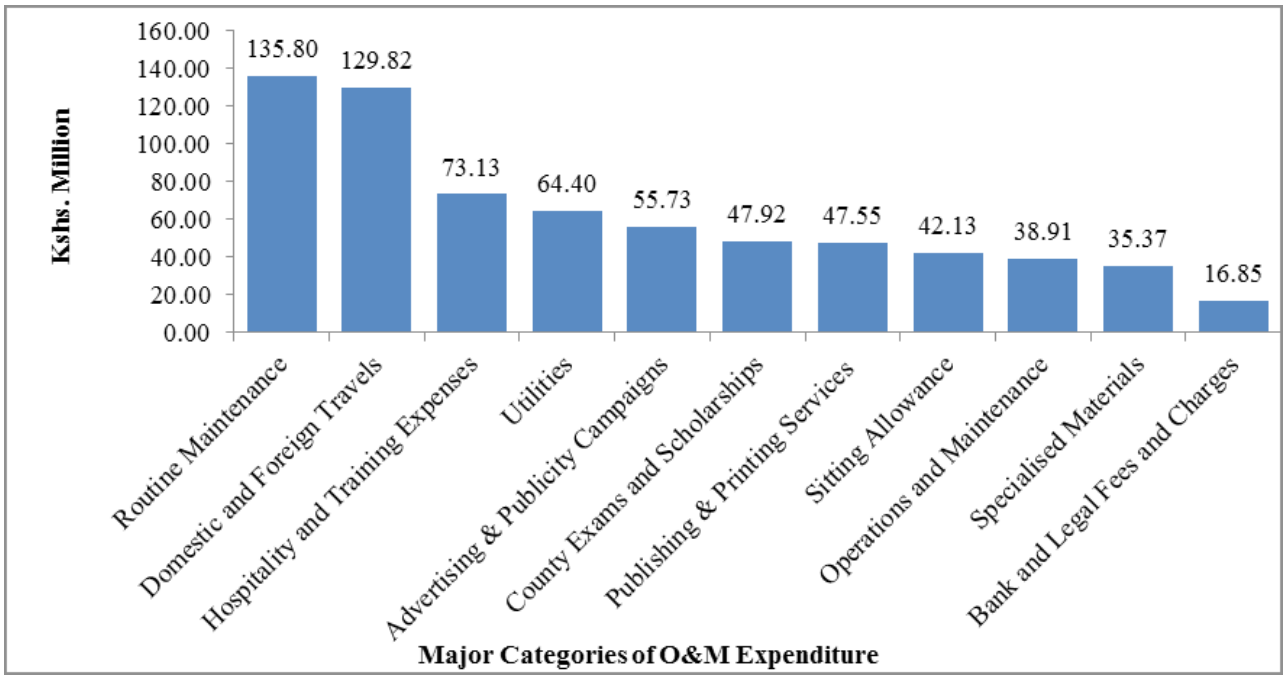
Source: *Murang'a County Treasury*

3.29.258 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.04 billion comprised of Kshs.1.31 billion (64.3 per cent) spent on personnel emoluments and Kshs.727.63 million (35.7 per cent) on operations and maintenance as shown in Figure 3.86. Expenditure on personnel emoluments represents a slight decrease of 0.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.32 billion..

Figure 3.87 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.87: Murang'a County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Murang'a County Treasury*

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The County spent Kshs.42.13 million on sitting allowances for the 51 MCAs and the Speaker against an annual budget allocation of Kshs.87.61million. This was an increase of 61.3 per cent compared to Kshs.26.12 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.135,020 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.129.82 million and consisted of Kshs.51.93 million spent by the County Assembly and Kshs.77.89 million spent by the County Executive. This was an increase of 47.9 per cent compared to Kshs.67.60 million spent in a similar period of FY 2015/16.

3.29.259 Development Expenditure Analysis

The total development expenditure of Kshs.1.08 billion represents 37.2 per cent of the annual development budget of Kshs.2.9 billion. Table 3.86 provides a list of development projects with the highest expenditure during the period under review.

Table 3.86 : Murang'a County, list of development projects with the highest expenditure for the First Half of FY 2016/17

	Departments	Particulars	Location	Amount
1.	Trade, Enterprise, Industries & Resource Mobilization	Murang'a Cooperative Creameries- Milk Support	County Wide	27,675,000
		Payment of Milk Processing Plant at Maragua	Maragua	13,626,049
2.	Agriculture, Livestock and Environment	Manure Distribution	County Wide	13,000,000
3.	Education, Information Technology & Tourism	ECDE Feeding Program	County Wide	5,000,000
4.	Health and Sanitation	Part Payment for Kirwara Hospital	Kirwara	5,000,000
5.	Transport, Water and Infrastructure	Gravelling Work in Ruchu Ward	Ruchu	3,876,000
		Opening and Grading of Kahumbu Ward Access Roads	Kahumbu	7,325,126
		Grading Works at Kiando Access Road	Kiando	3,532,100
		Expansion Makuyu Stadium	Makuyu	3,523,189
		Opening of Ndithini-Nguyo Kirimiri Access Road in Ithanga Ward	Ithanga	3,495,292
		Upgrading Expansion of General Kago Stadium in Muguru Ward	Muguru	3,470,978
	Total			**89,523,734**

Source: *Murang'a County Treasury*

Analysis of development expenditure by project indicates that the highest expenditure of Kshs.27.68 million was incurred on Murang'a Cooperative Creameries- milk support followed by Kshs.13.62 million as part payment of the milk processing plant construction. The County Assembly spent Kshs.12.14 million on refurbishment of buildings while the upgrading and expansion of General Kago Stadium in Muguru Ward costed Kshs.3.47 million.

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3.29.260 Budget and Budget Performance Analysis by Department

Table 3.87 shows a summary of the first half FY 2016/17 budget estimates and budget performance by department.

Table 3.87: Murangá County, First Half FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First Half FY 2016/17 Exchequer Issues (Kshs. Million)		First Half FY 2016/17 Expenditure (Kshs. Million)		First Half FY 2016/17 Expenditure to Exchequer Issues (%)		First Half FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and Deputy Governor	231.67	11.50	133.40	-	85.43	-	64.0	0.0	36.9	0.0
County Assembly	672.42	70.00	344.00	30.00	264.48	12.14	76.9	40.5	39.3	17.3
Finance, Economic Planning and IT	298.01	38.00	149.80	-	304.63	18.19	203.4	> 100	102.2	47.9
Agriculture, Livestock and Fisheries	179.80	198.50	82.30	76.00	72.72	62.49	88.4	82.2	40.4	31.5
Energy, Transport and Infrastructure	38.72	1,602.02	26.15	1,080.45	70.25	586.99	268.6	54.3	181.4	36.6
Commerce, Trade ,Industry and Investment	32.31	15.83	18.40	3.00	6.69	8.72	36.4	290.7	20.7	55.1
Health and Sanitation	1,554.53	474.00	547.05	96.55	654.45	256.32	119.6	265.5	42.1	54.1
Lands, Housing and Physical Planning	30.00	34.00	17.15	-	1.86	-	10.9	0.0	6.2	0.0
Public Service and Administration	917.94	1.57	522.75	-	306.17	-	58.6	0.0	33.4	0.0
Education and Technical Training	268.98	309.41	141.51	80.00	228.41	53.15	161.4	66.4	84.9	17.2
Youth, Culture, Gender, Social Services and Cooperatives	185.87	104.81	116.10	17.00	41.60	77.16	35.8	453.9	22.4	73.6
Environment and Natural Resources	13.73	30.87	4.90	-	0.65	-	13.2	0.0	4.7	0.0
County Public Service Board	30.15	-	16.49	-	0.04	-	0.2	0.0	0.1	0.0
Grand Total	**4,454.13**	**2,890.51**	**2,120**	**1,383**	**2,037.37**	**1,075.16**	**96.1**	**77.7**	**45.7**	**37.2**

Source: *Murang'a County Treasury*

Analysis of recurrent budget performance by department shows that the Department of Youth, Culture, Gender, Social Services and Cooperatives attained the highest absorption rate of development budget at 73.6 per cent while Office of the Governor and Deputy Governor, Lands, Housing and Physical Planning, Public Service and Administration, Environment and Natural Resources and County Public Service Board did not incur any development expenditure. On the other hand, the Energy, Transport and Infrastructure Department attained the highest absorption rate of the recurrent budget at 181.4 per cent while the Department of County Public Service Board had the lowest at 0.1 per cent during the reporting period.

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3.29.261 Observations and Recommendations

The County made some progress in addressing the challenges previously identified as affecting budget implementation. However, despite the progress made, the following challenges still continue to hamper effective budget implementation;

1. Under-performance in local revenue collection. Local revenue collection declined by 15.7 per cent from Kshs.220.17 million in the first half of FY 2015/16 to Kshs.190.19 in the reporting period.

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

1. The County Treasury should formulate and implement strategies to enhance local revenue collection.

3.30 Nairobi City County

3.30.262 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.34.55 billion, comprising of Kshs.23.16 billion (67.0 per cent) and Kshs.11.39 billion (33.0 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.14.28 billion (41.3 per cent) as equitable share of revenue raised nationally, Kshs.714 million (2.1 per cent) as total conditional grants, and generate Kshs.19.57 billion (56.6 per cent) from local sources. The conditional grants comprise of Kshs.303 million (42.4 per cent) for Free Maternal Healthcare, Kshs.214 million (30 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.73 million (10.2 per cent) for User Fees Foregone, Kshs.96 million (13.4 per cent) for leasing of medical equipment and Kshs.28 million (3.9 per cent) from DANIDA.

However, the approved revenue estimates for both unconditional and conditional allocations from the National Government and Development Partners differ from those provided for in CARA, 2016. The County overestimated the equitable share of revenue raised nationally by Kshs.253.49 million; Free Maternal Healthcare by Kshs.103.10 million; DANIDA grant by Kshs.14.10 million while compensation for User Fees Foregone and Road Maintenance Fuel Levy Fund were underestimated by Kshs.6.88 million and Kshs.1.47 million respectively.

3.30.263 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.8.92 billion as equitable share of the revenue raised nationally, Kshs.175.48 million as total conditional allocations, and raised Kshs.4.21 billion from local sources.

Figure 3.88 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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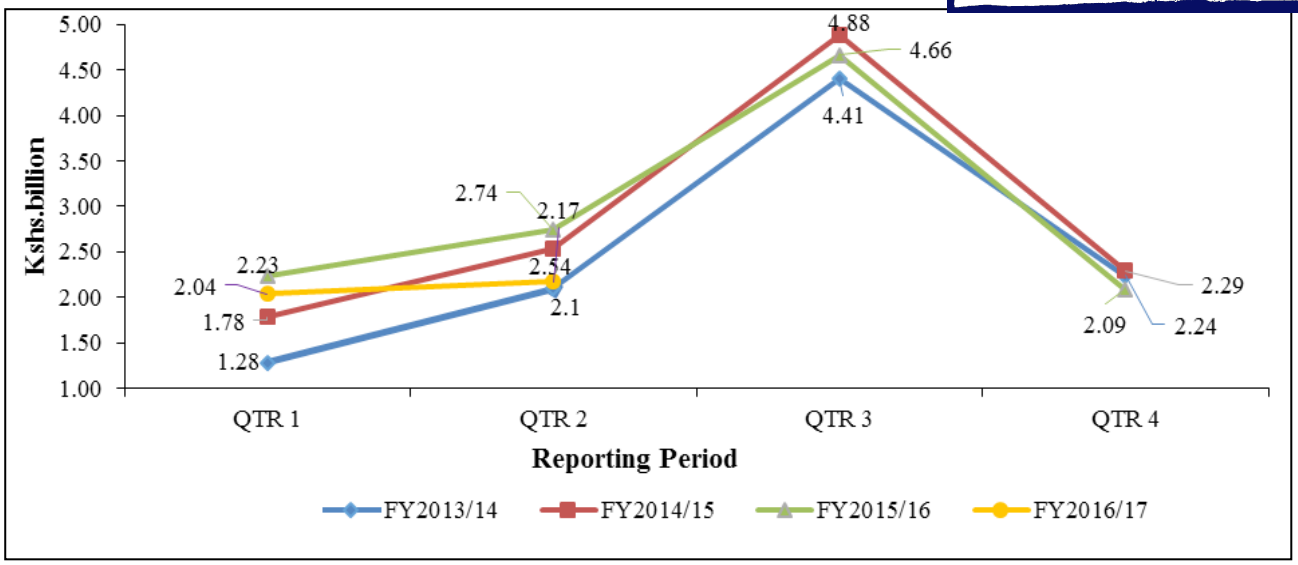
Figure 3.88: Nairobi City County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to second quarter FY 2016/17



Source: *Nairobi City County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.4.21 billion which was a decrease of 15.3 per cent compared to Kshs.4.97 billion generated in a similar period of FY 2015/16. The revenue generated accounted for 21.5 per cent of the annual local revenue target.

3.30.264 Conditional Grants

Table 3.88 shows an analysis of conditional grant disbursement in the first half of FY 2016/17.

Table 3.88: Nairobi City County Analysis of Conditional Grants released in First half of FY 2016/17

No.	Conditional Grant	Allocations based on CARA 2016 (Kshs.)	First Half of FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Free Maternal Healthcare	199,899,133	36,622,500	18.3
2	Road Maintenance Fuel Levy Fund	215,471,089	53,867,772	25.0
3	Compensation for User fees forgone	79,879,082	84,482,041	105.8
4	DANIDA grant	13,900,000	-	0.0
5	Leasing of medical equipment	95,744,681	-	0.0
Total		**604,893,985**	**174,972,313.00**	**28.9**

Source: *Nairobi County Treasury*

Analysis of the conditional grants released during the period under review indicates that, Compensation for User Fees Forgone recorded the highest receipts against annual target at 105.8 per cent followed by the Road Maintenance Fuel Levy Fund and Free Maternal Healthcare at 25 per cent and 18.3 per cent respectively.

3.30.265 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.8.20 billion from the CRF account, which was 23.7 per cent of the approved budget. This amount represents an increase of 18.3 per cent

from Kshs.6.93 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.8.2 billion (100 per cent) for recurrent expenditure. The County did not request any funds for development activities.

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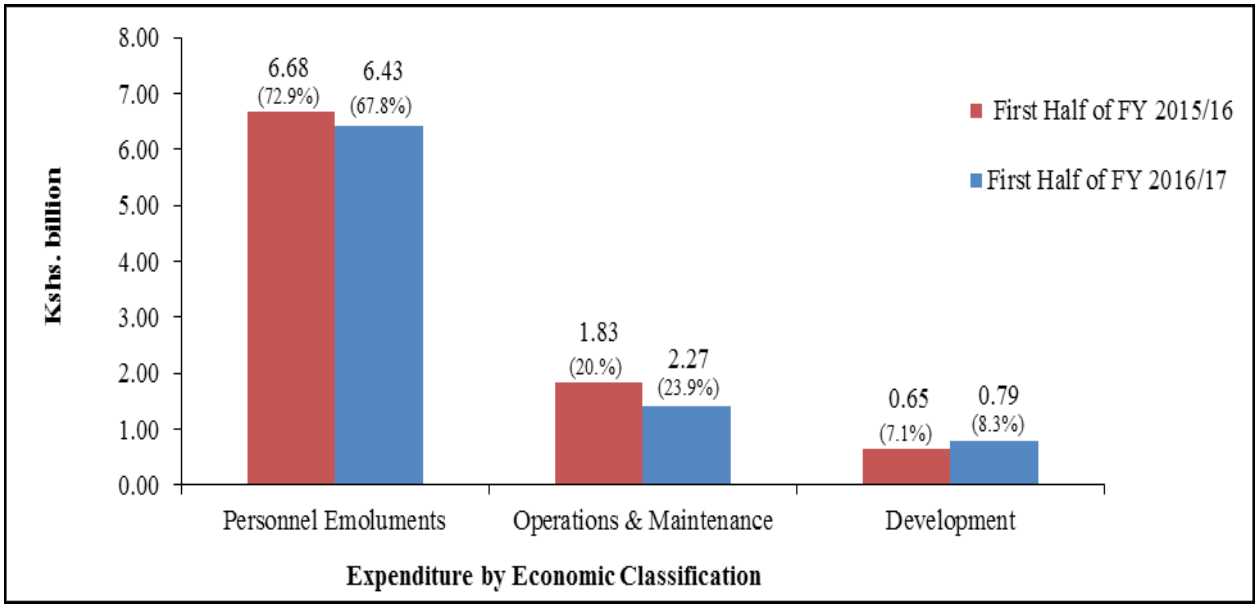
3.30.266 Overall Expenditure Review

The County spent Kshs.9.49 billion, which was 115.7 per cent of the total funds released for operations. This represents a decline of 17.1 per cent from Kshs.11.45 billion spent in a similar period in FY 2015/16.

A total of Kshs.8.7 billion was spent on recurrent activities, while Kshs.791.62 million was spent on development activities despite the fact that the County did not request funds for development activities. The recurrent expenditure was **106.5 per cent** of the funds released for recurrent activities.

The recurrent expenditure represented 37.6 per cent of the annual recurrent budget, a decrease from 46.2 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 6.9 per cent, which was a decline from 20.8 per cent absorbed in a similar period of FY 2015/16. Figure 3.89 presents a comparison between the total expenditure in the first half of FY 2016/17 and FY 2015/16.

Figure 3.89: Nairobi City County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



Source: *Nairobi City County Treasury*

3.30.267 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.8.7 billion consisted of Kshs.6.43 billion (73.9 per cent) spent on personnel emoluments and Kshs.2.27 billion (23.9 per cent) on operations and maintenance as shown in Figure 3.83. Expenditure on personnel emoluments represented a decrease of 3.7 per cent compared to FY 2015/16 when the County spent Kshs.6.68 billion.

Figure 3.90 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.90: Nairobi City County, Operations and Maintenance Expenditure by major categories for First Half of FY 2016/17

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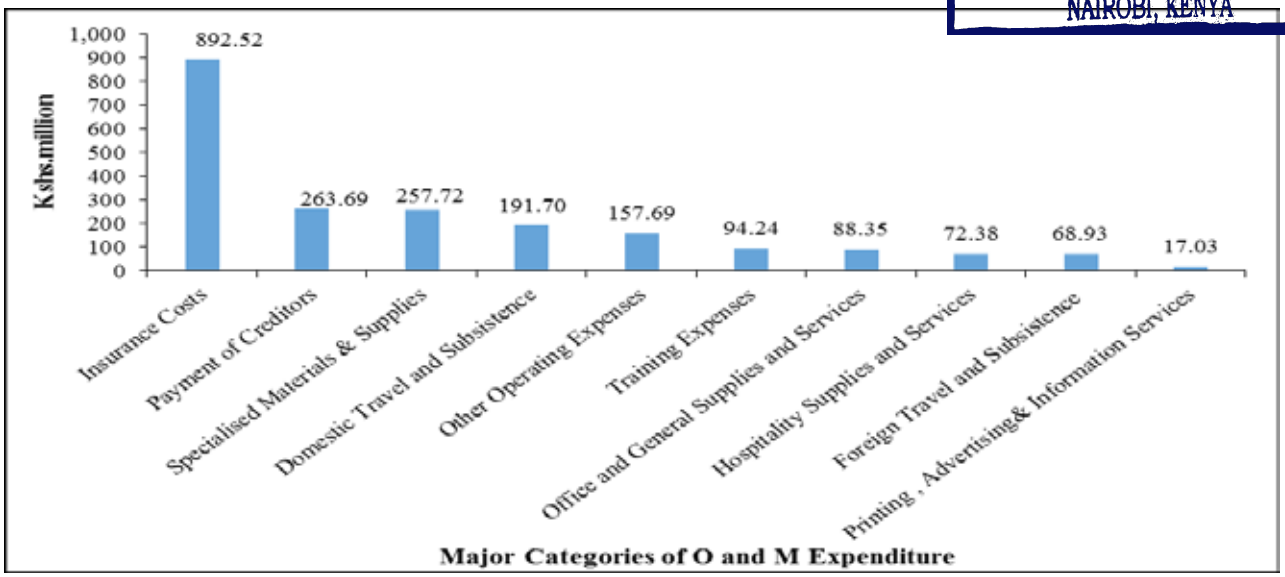

Source: *Nairobi City County Treasury*

The County spent Kshs.59.9 million on sitting allowances for the 128 MCAs and the Speaker against an annual budget allocation of Kshs.140.60 million. This was an increase of 10.3 per cent compared to Kshs.66.78 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.77,998 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.260.63 million compared to Kshs.286.99 million spent in a similar period of FY 2015/16, representing a decline of 15.9 per cent. The amount consisted of Kshs.99.51 million for County executive and Kshs.161.12 million for the County assembly.

3.30.268 Development Expenditure Analysis

The total development expenditure of Kshs.791.62 million represents 6.9 per cent of the annual development budget of Kshs.11.39 billion. Table 3.89 provides a list of development projects with the highest expenditure during the period under review.

Table 3.89: Nairobi City County, list of development projectswith the highest expenditure for the first half of FY 2016/17

Department	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
Public Works, Transport & Infrastructure	Routine Maintenance of road and drainages city wide	City Wide	506,931,972.00	115,604,909.00	22.8
	Routine Maintenance Of Streetlights	City Wide	437,064,656.00	68,293,400.00	15.6
	Construction Public Transport Facility along Parkroad	Ngara Ward	59,326,586.00	34,111,988.00	57.5
	Rehabilitation of Kahuho Road	Riruta Satellite and Waithaka	79,419,538.00	30,307,522.00	38.2
	Construction of Aviation Total Road	Embakasi	130,146,272.00	22,571,697.00	17.3
	Construction of Falcon road	Carlifonia Ward	236,699,117.00	22,056,470.00	9.3
	Construction of access to Hacco Industries	Baba Dogo Lucky Summer	104,936,007.00	19,125,149.00	18.2
	Rehabilitation of Thiong'o Road	Kangemi	65,557,314.00	16,985,980.00	25.9
	Construction of Access Road off kayole Spine Road	Kayole	63,662,864.00	13,351,108.00	21.0
	Construction of Motorable Box Culvert along Kasarani /Dandora	Dandora III	14,443,671.00	13,132,347.00	90.9

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Department	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
Education, Youth Affairs, Sports, Culture & Social Services	Construction of a rehabilitation centre in Ruai	Ruai	50,000,000	18,220,190	36.4
County Public Service board	Office Partitioning for Public Service Board		10,000,000	7,486,484	74.9
Office of Governor & Deputy Governor	Refurbishment Of Legal Offices		10,000,000	4,781,329	47.8
Total			**1,768,187,997**	**386,028,573**	**21.8**

Source: *Nairobi City County Treasury*

Analysis of the development expenditure by project indicates that the highest expenditure of Kshs.115.60 million was incurred on routine maintenance of roads and drainages followed by Kshs.68.29 million spent on routine maintenance of streetlights.

3.30.269 Budget and Budget Performance Analysis by Department

Table 3.90 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.90: Nairobi City County, First half FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	87.00	28.00	15.69	0.00	23.30	7.49	148.5	-	26.8	26.7
Office of Governor & Deputy Governor	5568.83	559.00	2,138.41	0.00	2,238.52	17.89	104.7	-	40.2	3.2
ICT, E-Government & Public Communi-cations	305.00	150.00	40.56	0.00	33.54	0.00	82.7	0.0	11.0	0.0
Finance & Economic Planning	2821.00	100.00	658.47	0.00	909.09	0.00	138.1	0.0	32.2	0.0
Health	5480.00	1070.00	1,947.52	0.00	2,144.51	2.25	110.1	-	39.1	0.2
Urban Planning & Lands	318.00	435.00	150.33	0.00	105.48	3.75	70.2	-	33.2	0.9
Public Works, Transport & Infrastructure	1404.00	6528.00	473.14	0.00	428.90	641.93	90.7	-	30.5	9.8
Education, Youth Affairs, Sports, Culture & Social Services	1510.10	380.00	390.92	0.00	485.64	53.69	124.2	-	32.2	14.1
Trade, Commerce, Tourism & Cooperatives	631.00	570.00	121.72	0.00	150.64	0.00	123.8	0.0	23.9	0.0

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Department	Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Service Management	1345.00	115.00	1,003.07	0.00	1087.26	22.14	108.4	-	80.8	19.2
Agriculture, Livestock Development, Fisheries and Forestry	384.00	150.00	147.40	0.00	139.32	4.59	94.5	-	36.3	3.1
Environment, Water, Energy & Natural Resources	1577.00	970.00	356.07	0.00	644.19	0.00	180.9	0.0	40.8	0.0
Urban Renewal and Housing	210.00	188.00	57.56	0.00	259.17	0.00	450.3	0.0	123.4	0.0
County Assembly	1520.60	149.99	696.23	0.00	49.34	37.92	7.1	-	3.2	25.3
TOTAL	**23,161.53**	**11,392.99**	**8,197.07**	**0.00**	**8,698.90**	**791.62**	**106.5**	**-**	**37.6**	**6.9**

Source: *Nairobi City County Treasury*

Analysis of budget performance by department shows that the County Public Service Board attained the highest absorption of development budget at 26.7 per cent, followed by the County Assembly and the Public Service Management Department 25.3 per cent and 19.2 per cent respectively. On the other hand, the Department of Urban Renewal and Housing had the highest percentage of recurrent expenditure to its annual recurrent budget at 123.4 per cent while the County Assembly had the lowest at 3.2 per cent.

3.30.270 Observations and Recommendations

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

i. Improvement in staff capacity through training and recruitment of technical staff.
ii. Timely submission of financial reports.

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

1. Under-performance in local revenue collection which accounted for 21.5 per cent (4.21 billion) of the annual revenue collection target compared to a performance of 28.3 per cent (Kshs.4.97 billion) in a similar period of FY 2015/16, and an expected outturn of 50 per cent of the annual target at half year.
2. Spending of local revenue at source contrary to Section 109 of the PFM Act, 2012.
3. High wage bill which accounted for 74.4 per cent of the total expenditure thus constraining funding to other programmes.
4. Low expenditure on development activities. In the first half of FY 2016/17, the County spent Kshs.791.62 million on development activities representing an absorption rate of 6.9 per cent compared to an expected outturn of 50 per cent of the annual target at half year.

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

1. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
2. *The County Treasury should ensure that all local revenue collected is deposited into the County Revenue fund in line with Section 109 of the PFM Act, 2012.*

3. *The County Public Service Board should develop an optimal staffing structure in order to ensure sustainable wage bill.*
4. *The County should develop strategies to enhance implementation of development activities.*

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3.31 Nakuru County

3.31.271 Overview of the FY 2016/17 Budget

The approved budget for the FY 2016/17 is Kshs.14.74 billion comprising of Kshs. 8.96 billion (61 per cent) allocated for recurrent expenditure and Kshs.5.78 billion (39 per cent) for development expenditure.

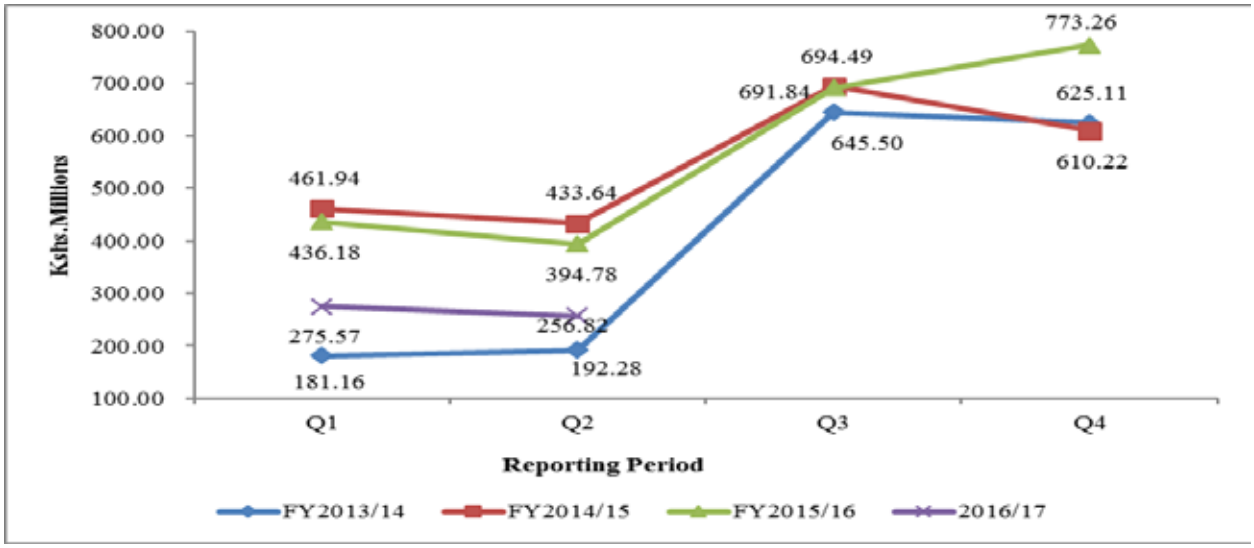
To finance the budget, the County expects to receive Kshs.8.75 billion (59.40 per cent) as equitable share of revenue raised nationally, Kshs.1.47 billion (5.87 per cent) as total conditional grants, generate Kshs.2.60 billion (17.62 per cent) from local revenue sources, receive Kshs.605 million (4.10 per cent) as facility improvement fund and Kshs.1.92 billion (13 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.215.28 million (1.46 per cent) for Free Maternal Healthcare, Kshs.134.56 million (0.91 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.39.22 million (0.27 per cent) for User Fees Foregone, Kshs.25.26 million (0.17 per cent) from DANIDA, Kshs.95.74 million (0.65 per cent) for medical equipment and Kshs.356.07 (4.07 per cent) for the Nakuru Level 5 Hospital.

3.31.272 Revenue Analysis

In the first half of FY 2016/17, the county received Kshs.3.72 billion from the National Government as a direct transfer to the CRF account, raised Kshs.532.40 million from local revenue sources, and had a cash balance of Kshs.1.62 billion brought forward from FY 2015/16.

Figure 3.91 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.91:Nakuru County, Trend in Local Revenue Collection by quarter from FY 2013/14 to FY 2016/17



Source: *Nakuru County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.532.39 million which is a

decline of 35.9 per cent compared to Kshs.830.96 collected in a similar period of FY2015/16. The revenue was 20.5 per cent of the annual local revenue target.

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3.31.273 Conditional Grants

Table 3.91 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.91: **Nakuru County Analysis of Conditional Grants released in First Half of FY 2016/17**

No.	Conditional Grant	Amount allocated as provided in CARA 2016 (Kshs.)	First Half of FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Donor Grants (DANIDA)	25,260,000	-	0.0
3	User Fees Foregone	39,216,180	19,608,090	50.0
4	Leasing of Medical Equipment	95,744,681	-	0.0
5	Free Maternal Health	215,283,613	91,725,000	42.6
6	Road Maintenance Fuel Levy Fund (RMFLF)	134,560,844	67,280,422	50.0
7	Level- 5 Hospital	356,069,364	151,329,480	42.5
8	C.R.A Equitable Share	8,757,624,645	3,721,990,475	42.5
TOTAL		**9,623,759,327**	**4,051,933,467**	**42.1**

Source: *Nakuru County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and compensation for User Fees Foregone recorded the highest receipts of funds at 50 per cent of the annual target.

3.31.274 Exchequer Issues

During the period under review, the Controller of Budget authorised withdrawal of Kshs.5.44 billion from the CRF account, which was 36.6 per cent of the approved budget. The amount represents an increase of 10 per cent from Kshs.5.03 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.81 billion (70.1 per cent) for recurrent expenditure and Kshs.1.63 billion (29.9 per cent) for development activities.

3.31.275 Overall Expenditure Review

The County spent a total of Kshs.4.74 billion during the first half of FY 2016/17 which was 87.25 per cent of the total funds released for operations. This was a slight decrease of 0.21 per cent from Kshs.4.75 billion spent in a similar period of FY 2015/16.

A total of Kshs.3.74 billion was spent on recurrent activities and Kshs.1.01 billion on development activities. Recurrent expenditure was 98.1 per cent of the funds released for recurrent activities while development expenditure accounted for 61.8 per cent of the funds released for development activities.

The recurrent expenditure for the period under review represents 41.7 per cent of the approved annual recurrent budget, a slight decrease from 45.9 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 17.4 per cent, a slight increase from 17.1 per cent spent in a similar period of FY

2015/16. A comparison between the total expenditure in the first half of FY 2015/16 and first half FY 2015/16 is shown in **Figure 3.92**.

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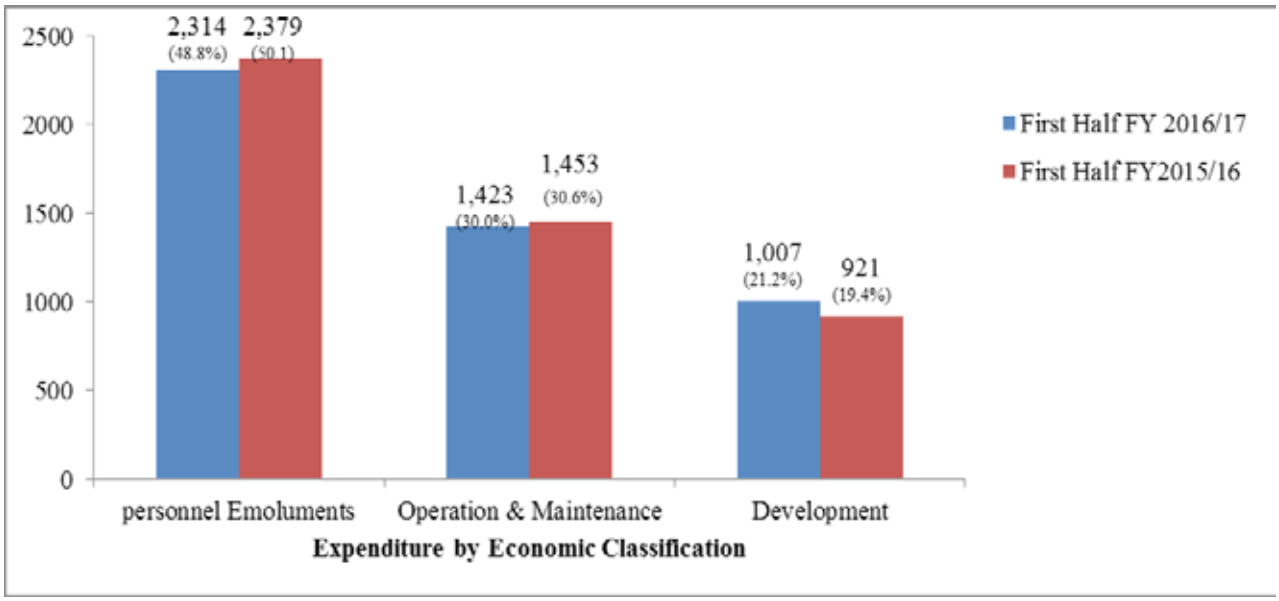
Figure 3.92: Nakuru County, Expenditure by Economic Classification for the first half of FY 2016/17 and the fisrt half of FY 2015/16



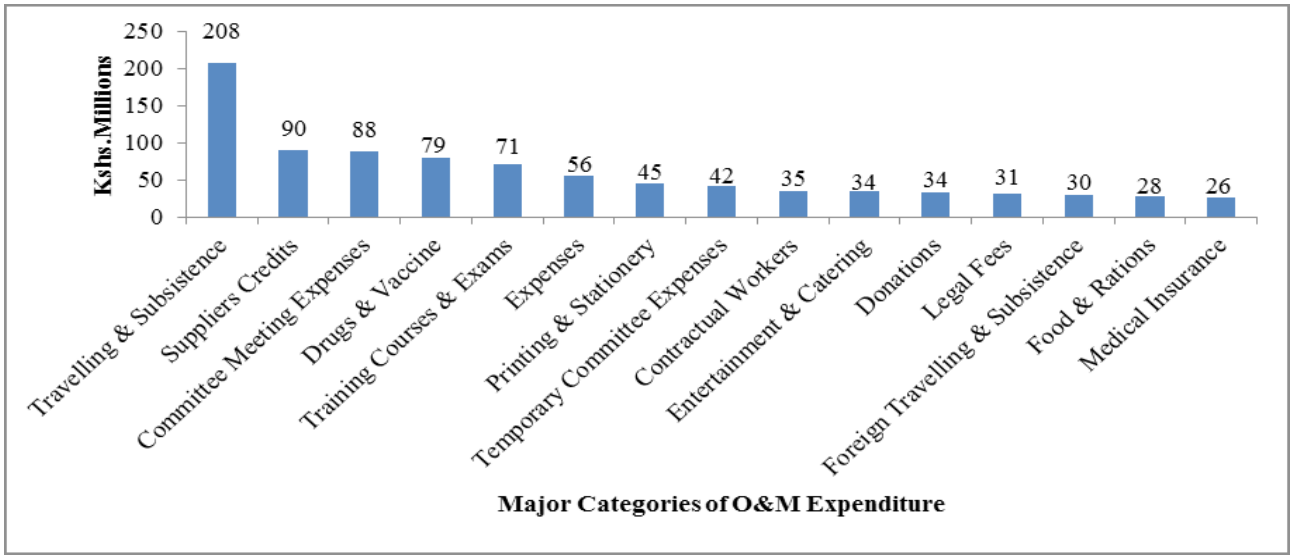
Source: *Nakuru County Treasury*

3.31.276 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.74 billion consisted of Kshs.2.31 billion (48.8 per cent) spent on personnel emoluments and Kshs.1.42 billion (30.0 per cent) on operations and maintenance as shown in figure 2. Expenditure on personnel emoluments represented a decrease of 0.6 per cent compared to a similar period of FY 2015/16 when the County spent Khs.1.45 billion.

Figure 3.93 shows a summary of the operations and maintenance expenditure by major categories

Figure 3.93: Nakuru County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Nakuru County Treasury*

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The county spent Kshs.42.1 million on sitting allowances for the 74 MCAs and the speaker against an annual sitting allowance budget of Kshs.110 million. This was an of increase of 23 per cent compared to Kshs.34.23 million spent in the same period of FY 2015/16. The average monthly sitting allowance per MCA was Kshs. 93,560 per MCA compared to SRC recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travels amounted to Kshs.238.02 million and consisted of Kshs.20.95 million spent by the County Assembly and Kshs.217.1 million by the County Executive. This was a decrease of 20.6 per cent compared to Kshs.197.30 million spent in a similar period of FY 2015/16.

3.31.277 Development Expenditure Analysis

The total development expenditure of Kshs.1.01 billion represents 17.4 per cent of the annual development budget of Kshs.5.78 billion. Table 3.92 provides a list of development projects with the highest expenditure during the period under review.

Table 3.92: Nakuru County, Summary of ten Development projects with the highest Expenditure for the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Supply of vaccines	Headquarters	56,500,000	37,197,000	66
2	Digital topographical mapping and preparation of Nakuru spatial development plan.	Headquarters	68,900,562	30,541,379	44
3	Purchase of medical equipment.	Headquarters	40,000,000	20,546,000	51
4	Payment of fee note over preparation of draft valuation roll.	Headquarters	18,700,000	9,089,007	49
5	Mawalebo water project	Headquarters	20,000,000	7,791,377	39
6	Land information management system consultancy service.	Headquarters	10,000,000	7,625,452	76
7	Physical development plan and surveying of urban centers	Headquarters	12,769,139	7,625,452	60
8	Proposed grading and graveling of Elburgon	Elburgon	11,400,000	6,508,479	57
9	Periodic and routine maintenance of Mbamba Road	Shabab	22,859,550	6,464,837	28
10	Desitling of storm water retention ponds-Naivasha	headquarters	8,000,000	5,528,021	69
TOTAL			**269,129,251**	**138,917,004**	**51.6**

Source: *Nakuru County Treasury*

Analysis of the development expenditure by project indicated that, Kshs.37.2 million was incurred by the Agriculture, Livestock Development and Fisheries Department on the purchase of vaccines. The Department of Lands, Housing and Urban Development spent Kshs.30.54 million for consultancy services on the digital topographical mapping and preparation of Nakuru spatial development plan.

3.31.278 Budget and Budget Performance Analysis by Department

Table 3.93 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

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Table 3.93: Nakuru County, First Half FY 2016/17 Budget Performance by Department

Department	Approved budget		First Half Exchequer Releases		First Half Expenditure of FY 2016/17		First Half Expenditure to Exchequer Issues (%)		First Half Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance and Economic Planning	977.8	402.2	415.0	40.5	453.3	68.4	109.2	168.8	46.4	17.0
Public Service Management	753.1	46.4	355.5	38.6	359.7	23.2	101.2	60.1	47.8	49.9
Agriculture, Livestock Development and Fisheries	542.2	272.0	230.2	86.9	218.4	53.2	94.9	61.2	40.3	19.5
Land, Housing and Urban Development	113.4	239.8	59.5	141.1	56.9	80.7	95.7	57.2	50.2	33.6
Office of the Governor and Deputy Governor	203.1	58.4	113.8	0.0	186.8	42.7	164.2	0.0	92.0	73.1
Education, Culture, Youth Affairs and Social Services	562.2	848.2	178.3	168.8	145.2	165.5	81.5	98.1	25.8	19.5
Trade, Industrialization and tourism	130.8	262.2	60.9	83.5	61.5	43.6	100.9	52.3	47.0	16.6
Information, Communication and E-Government	57.5	40.9	26.7	32.5	18.2	24.7	67.9	76.0	31.6	60.4
Roads, Public Works and Transport	306.2	1778.0	147.0	543.8	137.2	322.2	93.4	59.3	44.8	18.1
Environment, Energy, Natural Resources and Water	375.0	688.4	174.3	199.5	150.6	92.8	86.4	46.5	40.2	13.5
Health Services	4019.4	919.3	1533.8	190.3	1562.5	85.3	101.9	44.8	38.9	9.3
County Public Service Board	57.1	3.6	20.9	0.0	22.0	4.3	105.4	0.0	38.5	119.7
County Assembly	865.5	219.8	493.3	102.2	364.7	0.0	73.9	0.0	42.1	0.0
TOTAL	**8,963.2**	**5,779.1**	**3,809.1**	**1,627.6**	**3,737**	**1,006.5**	**98.1**	**61.8**	**41.7**	**17.4**

Source: *Nakuru County Treasury*

A breakdown of budget performance by department shows that the County Public Service Board reported the highest absorption rate for development expenditure at over 100 per cent while the County Assembly did not report any development expenditure. On the other hand, the Office of the Governor and Deputy Governor and Department Lands, Housing and Urban Development had the highest percentage of expenditure to annual recurrent budget at 92 percent and 50.2 per cent respectively. The Department of Education, Sport, Youth & Culture had the lowest at 25.8 per cent.

3.31.279 Observations and Recommendations

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

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

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

iii. Timely submission of quarterly reports by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.4.05 billion had been disbursed against an expected disbursement of Kshs.4.80 billion.
2. Failure by Fund Administrators to submit expenditure reports on the Car & Mortgage Fund contrary to Section 168 of the PFM Act, 2012.
3. Under-performance in local revenue collection. Local revenue collection has declined by 35.93 per cent from Kshs.830.96 million in the first half of FY 2015/16 to Kshs.532.40 million in the reporting period.
4. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*
2. *The County Assembly Car and Mortgage Fund Administrator should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The County Treasury should liaise with the IFMIS Directorate for support in application of IFMIS and the E-procurement module.*

3.32 Nandi County

3.32.280 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.6.91 billion, comprising of Kshs.4.38 billion (63.4 per cent) and Kshs.2.53 billion (36.6 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.13 billion (79.3 per cent) as equitable share of revenue raised nationally, Kshs.174.24 million (2.7 per cent) as total conditional grants, generate Kshs.131.34 million (2.0 per cent) from local revenue sources, Kshs.59.70 million (1.0 per cent) from Kenya Water Trust Fund, and Kshs.973 million (15 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.68.20 million (39.1 per cent) for Free Maternal Healthcare, Kshs.78.84 million (45.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.06 million (10.4 per cent) for User Fees Foregone, and Kshs.9.16 million (5.3 per cent) as a grant from DANIDA.

3.32.281 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.77 billion as equitable share of the revenue raised nationally, Kshs.72.90 million as total conditional allocations, raised Kshs.134.71 million from local revenue sources, and had Kshs.973 million as cash balance brought forward from FY 2015/16.

Figure 3.94 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the

second quarter of FY 2016/17.

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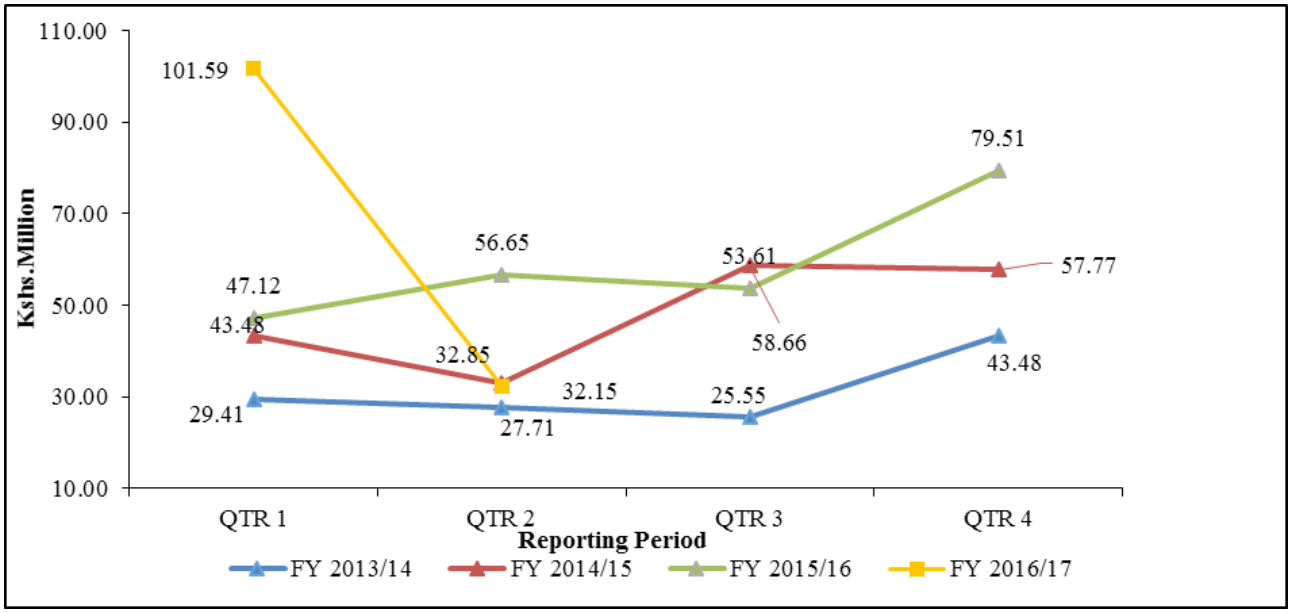
Figure 3.94: Nandi County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Nandi County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.133.74 million which is an increase of 28.9 per cent compared to Kshs.103.77 million generated in a similar period of FY 2015/16. This revenue was 36.9 per cent of the annual local revenue target.

3.32.282 Conditional Grants

Table 3.94 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.94: Nandi County Analysis of Conditional Grants Released in the First Half of FY 2016/17

No.	Conditional Grant	Annual allocation based on CARA 2016 (Kshs.)	Actual receipts for the First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	78,835,014	39,417,507	50.0
2	Free Maternal Healthcare	68,195,394	24,457,500	35.9
3	User Fees Foregone	18,055,819	9,027,909	50.0
4	DANIDA Grant	9,155,000	-	-
5	Kenya Water Trust Fund (Not contained in CARA,2016)	59,699,033	-	-
Total		**233,940,260**	**72,902,916**	**31.2**

Source: *Nandi County Treasury*

Analysis of conditional grants indicates that the County received the highest amounts from the Road Maintenance Fuel Levy Fund and User Fees Foregone at 50 per cent of annual targets. The County Treasury did not report any receipts from DANIDA and the Kenya Water Trust Fund.

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3.32.283 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.83 billion from the CRF account, which was 34.8 per cent of the Approved Budget. This amount represents an increase of 34.8 per cent from Kshs.2.1 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.78 billion (62.8 per cent) for recurrent expenditure and Kshs.1.05 billion (37.2 per cent) for development activities.

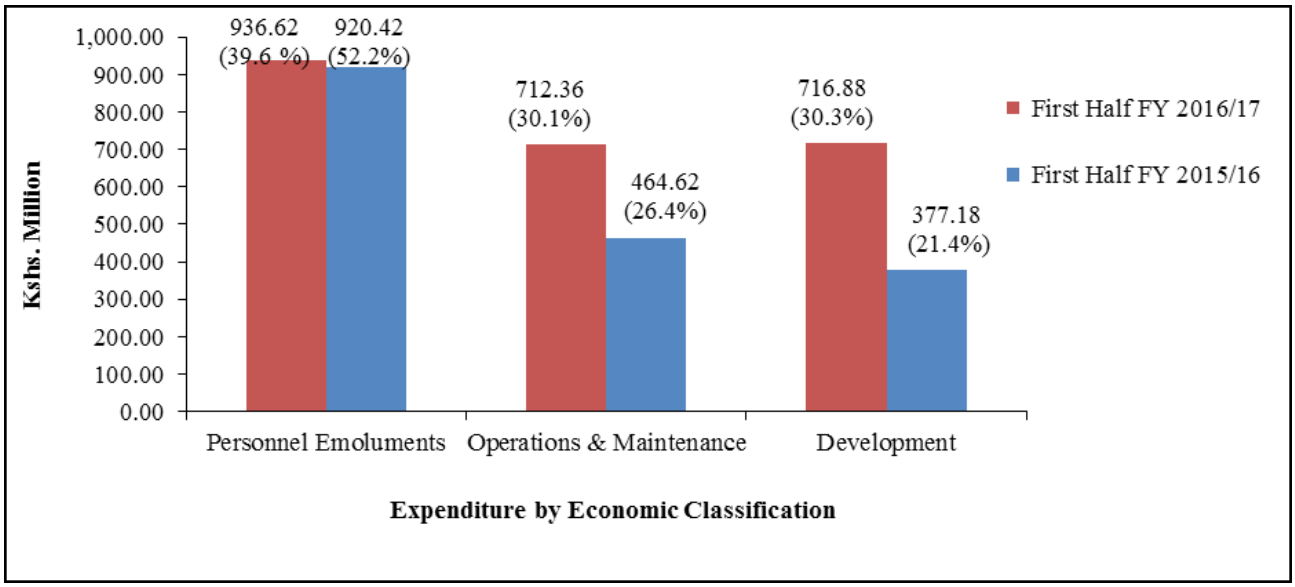
3.32.284 Overall Expenditure Review

The County spent Kshs.2.37 billion, which was 83.6 per cent of the total funds released for operations. This was an increase of 34.7 per cent from Kshs.1.76 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.65 billion was spent on recurrent activities, while Kshs.716.88 million was spent on development activities. The recurrent expenditure was 92.9 per cent of the funds released for recurrent activities while development expenditure accounted for 68 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.349.27 million for development and Kshs.266.60 million for recurrent expenditure.

The recurrent expenditure represented 37.7 per cent of the annual recurrent budget, an increase from 19.1 per cent spent in a similar period in FY 2015/16. Development expenditure recorded an absorption rate of 28.4 per cent, which was an increase from 14.1 per cent attained in a similar period of FY 2015/16. Figure 3.95 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.95: Nandi County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16



Source: *Nandi County Treasury*

3.32.285 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.65 billion consisted of Kshs.936.62 million (56.8 per cent) spent

on personnel emoluments and Kshs.712.36 million (43.2 per cent) on operations and maintenance as shown in Figure 3.95. Expenditure on personnel emoluments represented an increase of 1.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.920.42 million. Figure 3.96 shows a summary of the operations and maintenance expenditure by major categories.

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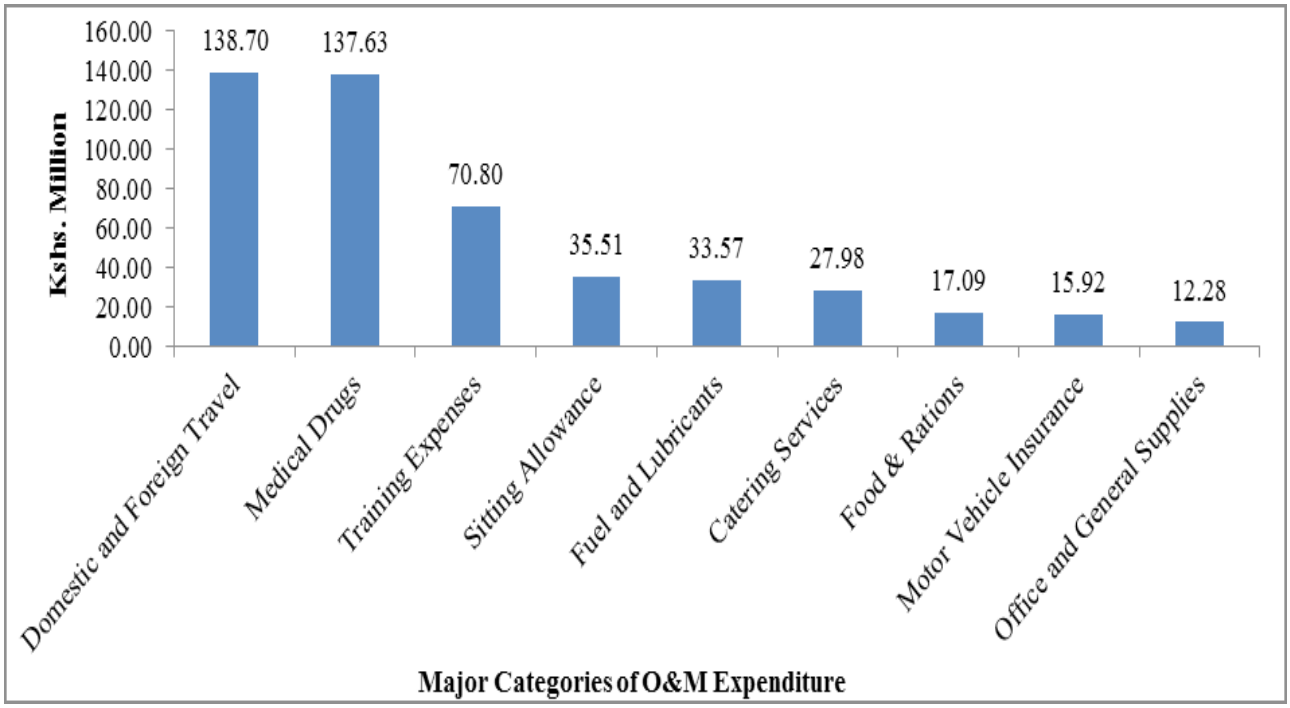
Figure 3.96: Nandi County, Operations and Maintenance Expenditure by major categories the First Half of FY 2016/17



Source: *Nandi County*

The County spent Kshs.35.51 million on sitting allowances for the 49 MCAs and the Speaker against the annual budget allocation of Kshs.73.38 million. This was an increase of 2.2 per cent compared to Kshs.34.73 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.120, 772 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.138.70 million and consisted of Kshs.31.49 million spent by the County Assembly and Kshs.107.21 million spent by the County Executive. This was an increase of 36.6 per cent compared to Kshs.101.53 million spent in a similar period of FY 2015/16.

3.32.286 Development Expenditure Analysis

The total development expenditure of Kshs.716.88 million represents 28.4 per cent of the annual development budget of Kshs.2.37 billion. Table 3.95 provides a list of development projects with the highest expenditure during the period under review.

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Table 3.95 : Nandi County, List of Development Projects with the Highest Expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location)	Estimated Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Maintenance and improvement of feeder roads	County wide	508,210,000	291,245,848	57.3
2	Water Supplies and Sewerage	County Wide	430,000,000	129,434,206	30.1
3	Purchase of Specialized Plant &Equipment	Kapsabet	100,000,000	91,255,496	91.3
4	Construction of Kipchoge Stadium	Kapsabet	57,908,000	39,614,397	68.4
5	Construction of Maternity Block at Setek Dispensary	Tinderet	4,990,370	4,990,370	100.0
6	Renovation of Kapsabet Referral Hospital	Kapsabet	7,000,000	4,351,062	62.2
7	Reinforced Concrete -Seroi Bridge	Chepkunyuk	3,717,800	3,383,198	91.0
8	Constructio of Two Classroom at Mogomben Youth Polytechnic	Kobujoi	2,986,730	2,480,531	83.1
9	Completion of Maternity Block at Kingwal	Kosirai	2,169,725	2,169,725	100.0
10	Serem VTC -Administration Block	Kabwareng	2,752,958	1,300,500	47.2
	Total		**1,119,735,583**	**570,225,333**	**50.9**

Source:*Nandi County Treasury*

Analysis of expenditure on development projects indicated that, the highest expenditure of Kshs.291.25 million was incurred by the Road, Public Works and Transport Department on maintenance and improvement of feeder roads. The second highest expenditure category of Kshs.129.43 million was incurred by the Department of Water, Environment, Energy & Natural Resources in the provision of water to households across the County.

3.32.287 Budget and Budget Performance Analysis by Department

Figure 3.96 shows a summary of first half FY 2016/17 budget estimates and performance by department.

Table 3.96:Nandi County, First Half of FY 2016/17 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	445.62	132.34	178.17	-	167.31	-	93.9	0.0	37.5	-
Finance & Economic Planning	732.68	149.10	211.05	30.00	260.02	21.40	123.2	71.3	35.5	14.3
Education, Youth, Culture & Social services	411.70	153.05	133.44	110.00	115.68	40.32	86.7	36.7	28.1	26.3
Health Services	1,318.69	173.26	643.97	65.00	628.52	76.45	97.6	117.6	47.7	44.1
Gender, Culture & Social Development	37.95	132.60	19.63	60.00	11.94	40.47	60.8	67.5	31.5	30.5

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Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Works, Roads and Transport	242.53	771.21	114.11	450.00	79.77	382.50	69.9	85.0	32.9	49.6
County Assembly Services	600.29	118.90	280.00	49.00	220.04	-	78.6	0.0	36.7	-
Public Service & Administration	220.46	166.05	46.08	50.00	33.64	0.42	73.0	0.8	15.3	0.3
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	75.07	68.86	34.86	10.00	24.51	4.87	70.3	0.0	32.7	7.1
County Public Service Board	36.50	-	14.97	-	10.00		66.8	0.0	27.4	-
Agriculture, Livestock & Fisheries Development	197.94	144.34	74.49	40.00	75.88	21.02	101.9	0.0	38.3	14.6
Water ,Environment ,Energy & Natural Resources	59.95	516.41	24.88	190.00	21.68	129.43	87.1	68.1	36.2	25.1
TOTAL	**4,379.36**	**2,526.11**	**1,775.65**	**1,054.00**	**1,648.98**	**716.88**	**92.9**	**68.0**	**37.7**	**28.4**

Source: *Nandi County Treasury*

Analysis of budget performance by department shows that the Department of Public Works, Roads and Transport attained the highest absorption rate of development budget at 49.6 per cent while the Office of the Governor & Deputy Governor, County Assembly & County Public Service Board did not incur any development expenditure. On the other hand, Health Services Department had the highest percentage of recurrent expenditure to its recurrent budget at 47.7 per cent while the Department of Public Service & Administration had the lowest at 15.3 per cent.

3.32.288 Observations and Recommendations

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

i. Adoption of IFMIS in processing of all financial transactions.

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

iii. Automation of revenue collection which has led to improved revenue performance by 28.9 per cent from Kshs.103.77 million in the first half of FY 2015/16 to Kshs.133.74 million during the period under review.

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

1. Failure by Fund Administrators to submit expenditure reports on the Bursary Fund, Emergency Fund, and the Car & Mortgage Funds contrary to Section 168 of the PFM Act, 2012.
2. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers especially in December, 2016.

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

1. *The Administrators of the Bursary Fund, Emergency Fund, and Car & Mortgage Fund should submit quarterly financial reports in line with Section 168 of the PFM Act, 2012.*
2. *The County Treasury should liaise with the IFMIS Directorate to ensure that IFMIS connectivity challenges are addressed.*

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3.33 Narok County

3.33.289 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.9.81 billion, comprising of Kshs.5.54 billion (56.4 per cent) and Kshs.4.27 billion (43.6 per cent) allocation for recurrent and development expenditure respectively.

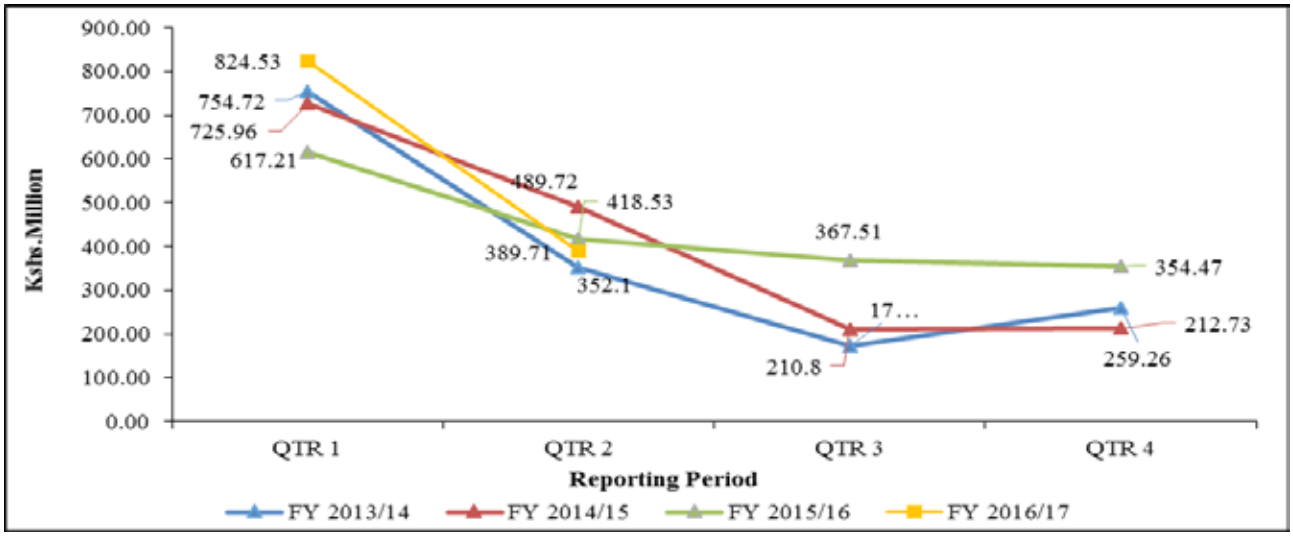
To finance the budget, the County expects to receive Kshs.5.81 billion (59.2 per cent) as equitable share of revenue raised nationally, Kshs.379.07 million (3.9 per cent) as total conditional grants, and generate Kshs.3.62 billion (36.9 per cent) from local sources. The conditional grants comprise of Kshs.56.33 million (14.9 per cent) for Free Maternal Healthcare, Kshs.87.67 million (23.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.19.83 million (5.2 per cent) for User Fees Foregone, Kshs.90.15 million (23.8 per cent) as a grant from DANIDA, Kshs.95.74 million (25.3 per cent) as conditional allocation for Leasing of Medical Equipment, and Kshs.29.35 million (7.7 per cent) from the World Bank to support devolution programmes. The Office noted discrepancies between the County's approved revenue estimates and the amounts contained in the CARA, 2016. The CARA,2016 provides Kshs.5.71 billion as equitable share of revenue and Kshs.363.82 million as total conditional grants while the County has budgeted for Kshs.5.81 billion and Kshs.393.17 million respectively.

3.33.290 Revenue Analysis

During the half year of FY 2016/17, the County received Kshs.2.88 billion as equitable share of the revenue raised nationally, Kshs.80.84 million as total conditional allocations, raised Kshs.1.21 billion from local source.

Figure 3.97 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.97: Narok County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Second Quarter FY 2016/17



Source: *Narok County Treasury*

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The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.1.21 billion, which is an increase of 16.3 per cent compared to Kshs.1.04 billion generated in a similar period of FY 2015/16. This revenue was 33.5 per cent of the annual local revenue target.

3.33.291 Conditional Grants

Table 3.97 shows an analysis of conditional grants received in the first half of FY 2016/17.

Table 3.97: Narok County Analysis of Conditional Grants Released in First Half of FY 2016/17

No.	Conditional Grant	Annual allocation based on CARA 2016 (Kshs.)	Actual receipts for the First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	87,668,239	43,834,120	50.0
2	Free Maternal Healthcare	70,154,161	12,790,000	18.2
3	User Fees Foregone	20,106,734	10,053,367	50.0
4	DANIDA Grant	8,945,000	14,165,060	158.4
5	World Bank Loan	81,201,403	-	
6	Support on Devolution by World Bank	29,350,511	-	-
7	Leasing of Medical Equipment	95,744,681	-	-
Total		**393,170,729**	**80,842,487**	**20.6**

Source: *Narok County Treasury*

Analysis of receipts from conditional grants shows that, the DANIDA grant recorded the highest receipts at 158.4 per cent of its annual target while the Road Maintenance Fuel Levy Fund and User Fees Foregone grants recorded 50 per cent of their annual targets respectively.

3.33.292 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.1 billion from the CRF account, which was 41.8 per cent of the Approved Budget. This amount represents an increase of 32.7 per cent from Kshs.3.09 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.77 billion (67.6 per cent) for recurrent expenditure and Kshs.1.33 billion (32.4 per cent) for development activities.

3.33.293 Overall Expenditure Review

The County spent Kshs.3.83 billion, which was 93.4 per cent of the total funds released for both recurrent and development expenditure. This was an increase from Kshs.3.01 billion spent in a similar period in FY 2015/16.

A total of Kshs.2.60 billion was spent on recurrent activities, while Kshs.1.23 billion was spent on development activities. The recurrent expenditure was 93.7 per cent of the funds released for recurrent activities while development expenditure accounted for 92.9 per cent of the funds released for development activities.

The recurrent expenditure represented 46.9 per cent of the annual recurrent budget, an increase from 42.4 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 28.8 per cent, which was an increase from 21.9 per cent attained in a similar period of FY 2015/16. Figure 3.98 presents a comparison between the total expenditure in the first half of FY 2016/17 and FY 2015/16.

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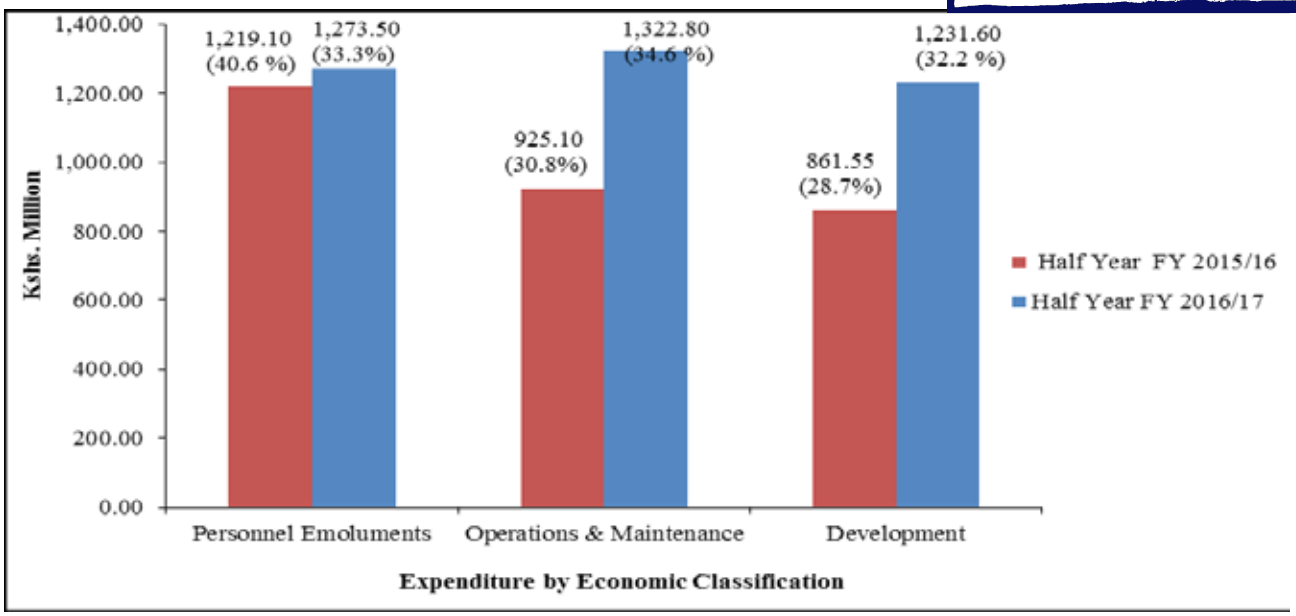
Figure 3.98: Narok County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16

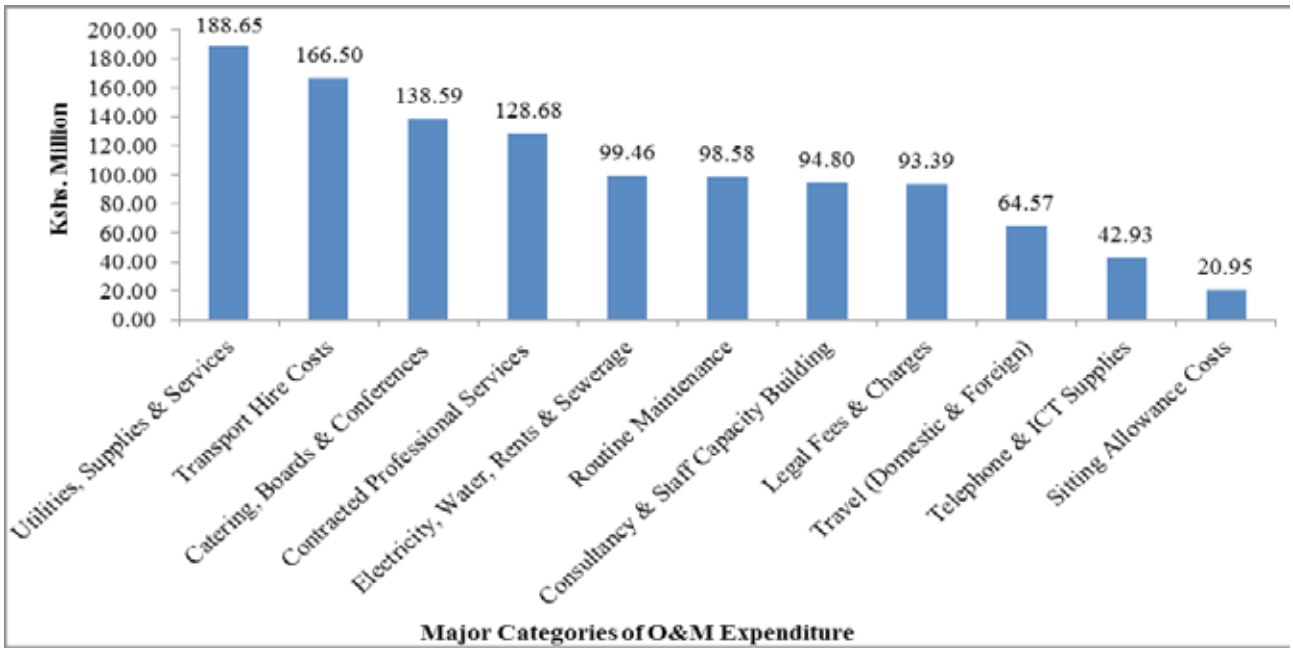


Source: *Narok County Treasury*

3.33.294 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.60 billion represents 46.9 per cent of the annual recurrent budget of Kshs.5.54 billion. The County spent Kshs.1.27 billion (49.1 per cent) on personnel emoluments and Kshs.1.32 billion (50.9 per cent) on operations and maintenance as shown in Figure 3.98. Expenditure on personnel emoluments represented an increase of 4.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1. 22 billion. Figure 3.99 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.99: Narok County, Operations and Maintenance Expenditure by major categories the First Half of FY 2016/17



Source: *Narok County Treasury*

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The County spent Kshs.20.95 million on sitting allowances for the 48 MCAs and the Speaker against the annual budget allocation of Kshs.71.51 million. This was a decrease of 12.1 per cent compared to Kshs.23.84 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.72,734 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.64.57 million and consisted of Kshs.26.89 million spent by the County Assembly and Kshs.37.68 million spent by the County Executive. This was an increase of over 100 per cent compared to Kshs.14.98 million spent in a similar period of FY 2015/16.

3.33.295 Development Expenditure Analysis

The total development expenditure of Kshs.1.23 billion, representing 28.8 per cent of the annual development budget of Kshs.4.27 billion. Table 3.98 provides a list of development projects with the highest expenditure during the period under review.

Table 3.98 : Narok County, List of Development Projects with the highest expenditure in the First Half of FY 2016/17

S/N	Project Name	Ward (Project Location)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs)	Absorption Rate (%)
1	Olkiombo Airstrip	Mara	15,083,000	7,224,700	47.9
2	Health Facility Upgrade	Narok	42,075,373	7,332,190	17.4
3	Narok Township Roads	Narok	1,358,912,455	60,000,000	4.4
4	Road Rehabilitation	Aitong Mara	19,320,000	5,000,000	25.9
5	Acquisition of Graders	Narok HQs	111,510,000	50,000,000	44.8
6	Rehabilitation of Air Strip	Mara air strip	15,083,000	3,018,499	20.0
7	Sekenani gate refurbishment	Mara Ward	19,500,760	11,239,582	57.6
8	Bituminet Junction road	Nairegie Angare	35,000,000	13,774,138	39.4
9	Olokurto-olposimoru rd	Olokurto	10,000,000	8,000,000	80.0
10	Narok Hospital renal unit	Narok Town Ward	19,450,360	11,413,384	58.7
	Total		**1,645,934,948**	**177,002,493**	**10.8**

Source: *Narok County Treasury*

Analysis of expenditure on development projects indicates that, the highest expenditure of Kshs.60 million was incurred on rehabilitation and maintenance of roads in Narok Township. This was followed by Kshs.50 million spent on acquisition of motor graders. Other development costs included Kshs.11.41 million spent on building of a renal unit at the Narok Hospital.

3.33.296 Budget and Budget Performance Analysis by Department

Table 3.99 shows a summary of first Half FY 2016/17 budget estimates and budget performance by department.

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Table 3.99: Narok County, Budget Performance by Department for the First half FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	620	287	283.25	30	265.56	26.04	93.8	86.8	42.8	9.1
Governor's office	331	-	181.9	-	161.6	-	88.8	-	48.8	-
Finance & ICT	542.21	427.06	277.5	-	270.93	192.29	97.6	-	50.0	45.0
Transport and Public Works	108.05	1,247.70	50.24	640.93	32.43	482.75	64.6	75.3	30.0	38.7
Education & Social Services	695.87	804.94	292.74	544.1	292.09	418.49	99.8	76.9	42.0	52.0
Environment & Water	60.48	283.71	31.13	-	23.62	-	75.9	-	39.1	-
Public service board	78.57	0	41.55	-	38.68	-	93.1	-	49.2	-
Agriculture & Livestock	242.27	429.7	41.55	5	86	-	207.0	-	35.5	-
Health & Sanitation	1,513.44	353	812.88	96	812.87	96.1	100.0	100.1	53.7	27.2
Land &Housing	96.31	200.5	49.71	-	38.89	12.56	78.2	-	40.4	6.3
Tourism, Trade, coop	248.93	210	136.88	10	99.67	3.38	72.8	33.8	40.0	1.6
County Administration & Public Service Management	1,000.57	30	479.19	-	478.95	-	99.9	-	47.9	-
TOTAL	**5,537.7**	**4,273.61**	**2,678.52**	**1,326.03**	**2,601.29**	**1,231.61**	**97.1**	**92.9**	**47.0**	**28.8**

Source: Narok County Treasury

Analysis of budget performance by department shows that the Department of Education and Social Services attained the highest absorption of development budget at 52.0 per cent while the Departments of Environment & Water, Agriculture & Livestock, and the County Administration & Public Service Management did not record any development expenditure. On the other hand, the Department of Health and Sanitation had the highest percentage of recurrent expenditure to its recurrent budget at 53.7 per cent while the Department of Transport and Public Works had the lowest at 30.0 per cent.

3.33.297 Observations and Recommendations

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

i. Improved adherence to budget timelines. The County Executive Committee Member for Finance

(CECM-F) submitted the Annual Development Plan for FY 2017/18, the County Budget Review and Outlook Paper for FY 2016/17 and the County Fiscal Strategy Paper for FY 2017/18 to the County Assembly on time.

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ii. Improvement in the absorption of development funds from 21.9 per cent attained in a similar period of FY 2015/16 to 28.8 per cent, representing an increase of 43 per cent.

iii. Designation of Fund Administrators to the Maasai Mara Community Support Fund and the Bursary Fund to will enhance prudent administration and reporting of fund activities.

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

1. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
2. High wage bill which increased by 4.1 per cent to Kshs.1.27 billion during the reporting period from Kshs.1.22 billion in a similar period of FY 2015/16. The wage bill represents 33 per cent of total expenditure during the reporting period.
3. Underperformance of local revenue collection. The County collected Kshs.1.21 billion during the first half of FY 2016/17 which translates to 33.5 per cent of the annual target. This is against the expected performance of 50 per cent of the annual target.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

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

1. *The County Treasury should liaise with the IFMIS Directorate to ensure that IFMIS challenges are resolved.*
2. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
3. *The County Treasury should develop and implement strategies to enhance revenue collection.*
4. *The County Treasury should ensure an Internal Audit Committee is established.*

3.34 Nyamira County

3.34.298 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.5.94 billion, comprising of Kshs.4.08 billion (68.8 per cent) and Kshs.1.85 billion (31.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.48 billion (75.5 per cent) as equitable share of revenue raised nationally, Kshs.296.61 million (5.0 per cent) as total conditional grants, generate Kshs.274.98 million (4.6 per cent) from local revenue sources, and Kshs.880.72 million (14.9 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.82.17 million (27.7 per cent) for Free Maternal Healthcare, Kshs.68.88 million (23.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.11.58 million (3.9 per cent) for User Fees Foregone, Kshs.11.96 million (4.0 per cent) from DANIDA, Kshs.95.74 million (32.3 per cent) for Leasing of Medical Equipment and, Kshs.26.28 million (8.9 per cent) as conditional grants from the World Bank for the Devolution Support Programme.

3.34.299 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.50 billion as equitable share of the revenue

raised nationally, Kshs.68.86 million as total conditional allocations, generated Kshs.79.15 million from local revenue sources, and had a cash balance of Kshs.889.92 million brought forward from FY 2015/16.

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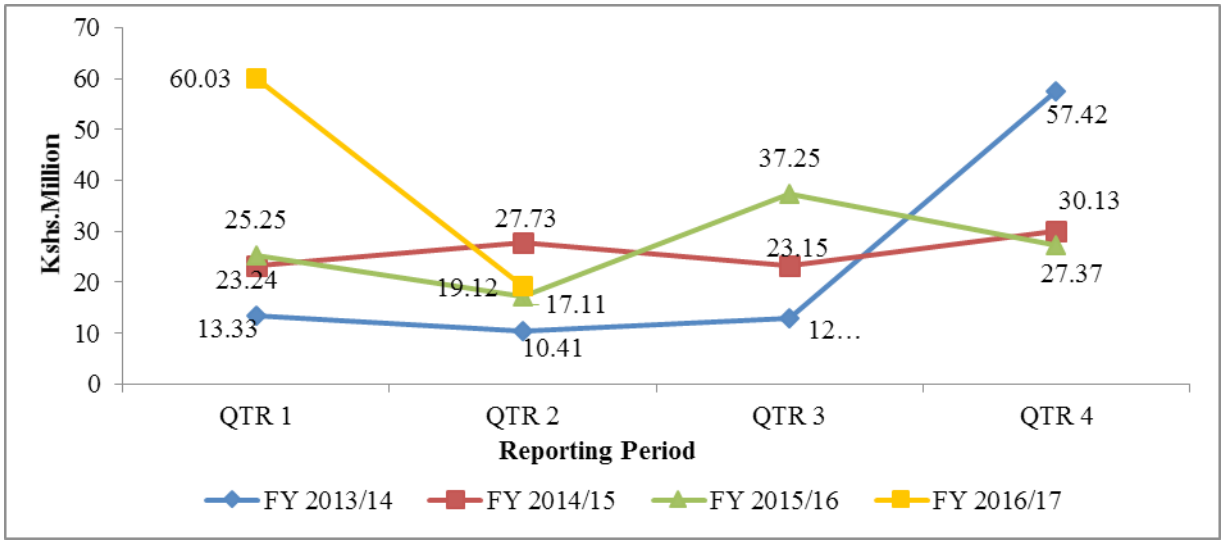
Figure 3.100 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.100: Nyamira County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Nyamira County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.79.15 million which is an increase of 86.9 per cent compared to Kshs.42.36 million generated in a similar period of FY 2015/16. This revenue was 28.8 per cent of the annual local revenue target.

3.34.300 Conditional Grants

Table 3.100 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.100: Nyamira County Analysis of Conditional Grants Released in First Half of FY 2016/17

No.	Conditional Grant	Amount allocations based on CARA 2016 (Kshs.)	Actual receipt from Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	68,878,185	34,439,093	50.0
2	Free Maternal Healthcare	82,174,925	28,630,000	34.8
3	User Fees Foregone	11,578,458	5,789,229	50.0
4	DANIDA Grant	11,960,000	0	0.0
5	Leasing of Medical Equipment	95,744,681	0	0.0
6	Grants from Kenya Devolution Support programme-World Bank	26,275,445	0	0.0
Total		**296,611,694**	**68,858,322**	**23.2**

Source: *Nyamira County Treasury*

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Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and User Fees Foregone attained the highest performance against annual target at 50 per cent each, followed by Free Maternal Healthcare at 34.8 per cent. There were no receipts for all other conditional grants as shown in table 0.1.

3.34.301 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.17 billion from the CRF account, which was 36.5 per cent of the Approved Budget. This amount represented an increase of 20.6 per cent from Kshs.1.79 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.73 billion (79.9 per cent) for recurrent expenditure and Kshs.436.65 million (20.1 per cent) for development activities.

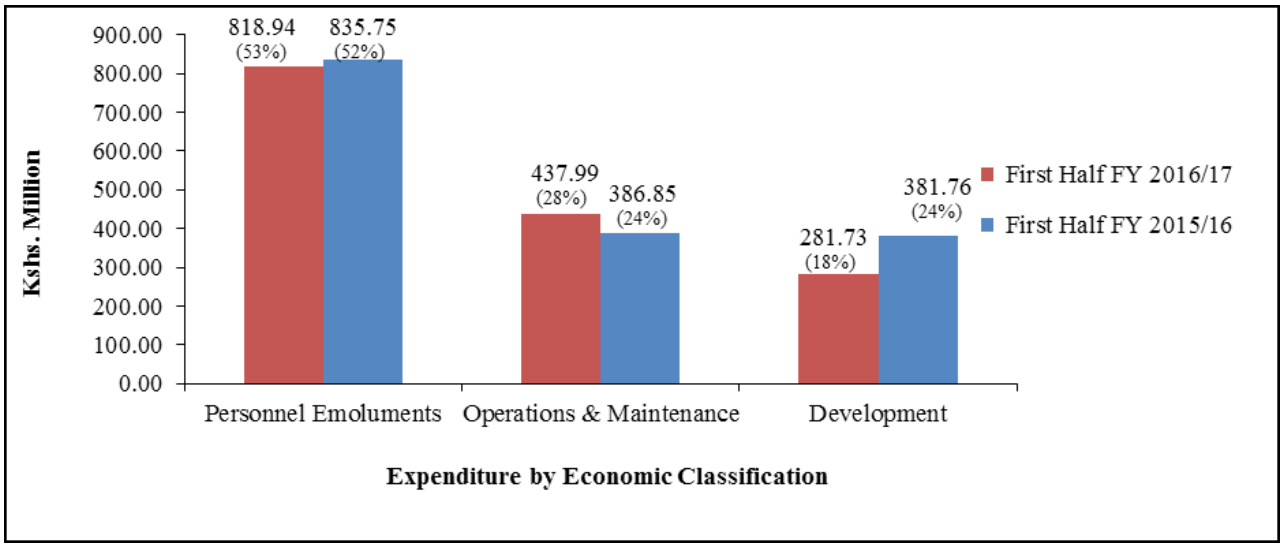
3.34.302 Overall Expenditure Review

The County spent Kshs.1.54 billion, which was 71.0 per cent of the total funds released for operations. This was a decrease of 3.75 per cent from Kshs.1.60 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.26 billion was spent on recurrent activities, while Kshs.281.73 million was spent on development activities. The recurrent expenditure was 72.6 per cent of the funds released for recurrent activities while development expenditure accounted for 64.5 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.249.90 million for development and Kshs.480.52 million for recurrent expenditure.

The recurrent expenditure represented 30.8 per cent of the annual recurrent budget, a decrease from 42.1 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 15.2 per cent, which was a slight increase from 14.5 per cent attained in a similar period of FY 2015/16. Figure 3.101 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.101: Nyamira County, Expenditure by Economic Classification for the first half of FY 2016/17 and first half of FY 2015/16



Source: *Nyamira County Treasury*

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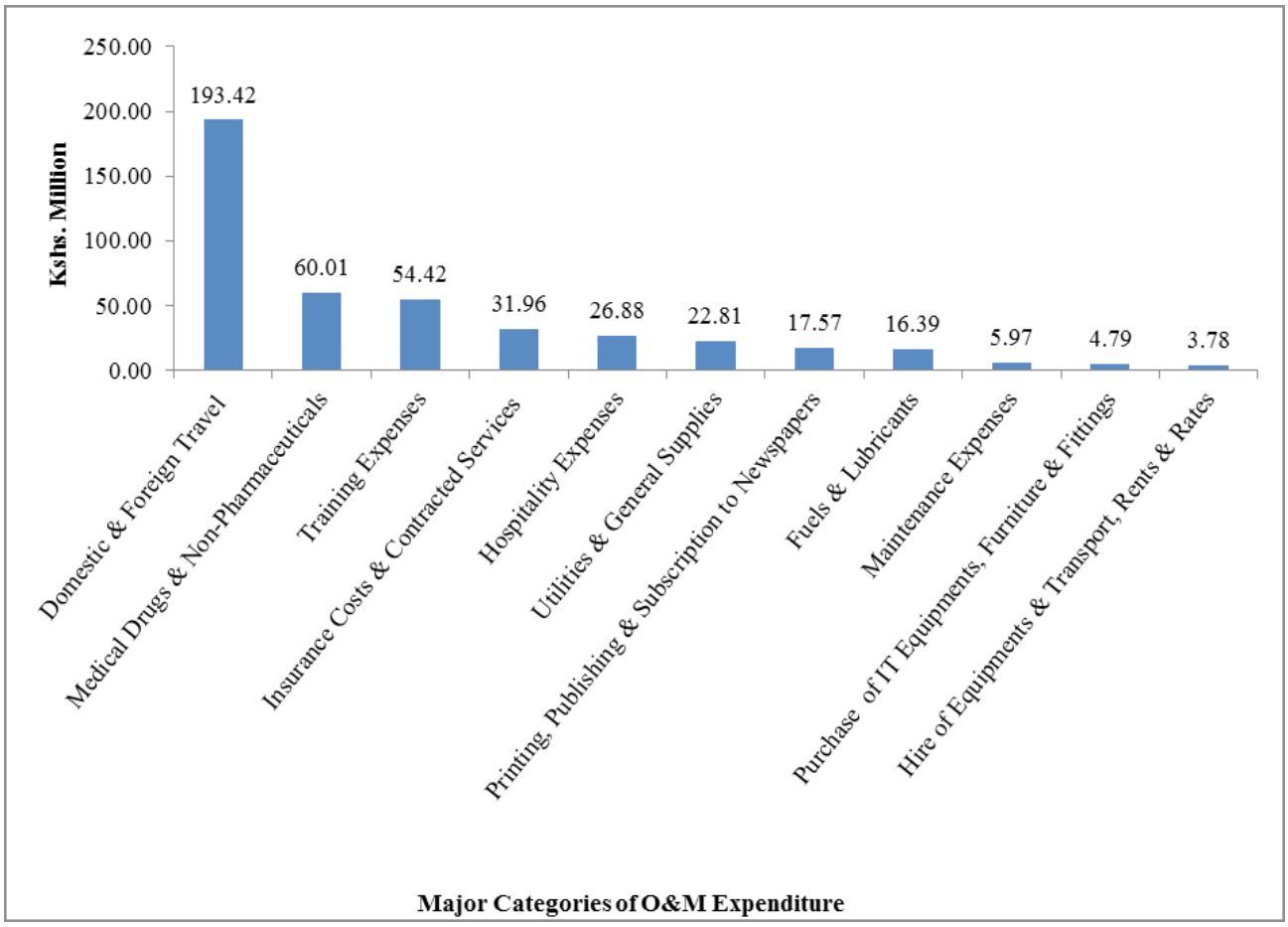
3.34.303 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.26 billion consisted of Kshs.818.94 million (65.2 per cent) spent on personnel emoluments and Kshs.437.99 million (34.8 per cent) on operations and maintenance as shown in **Figure 3.101**. Expenditure on personnel emoluments represented a decrease of 2.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.835.75 million.

Figure 3.102 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.102: Nyamira County, Operations and Maintenance Expenditure by Major Categories for the First Half of FY 2016/17



Source: *Nyamira County Treasury*

The County spent Kshs.15.74 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.68.81 million. This was a decrease of 23.3 per cent compared to Kshs.20.52 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.77,178 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.193.42 million and consisted of Kshs.68.59 million spent by the County Assembly and Kshs.124.83 million spent by the County Executive. This was an increase compared to Kshs.121.06 million spent in a similar period of FY 2015/16.

3.34.304 Development Expenditure Analysis

The total development expenditure of Kshs.281.73 million represents 15.2 per cent of the annual development budget of Kshs.1.85 billion. Table 3.101 provides a list of development projects with the highest expenditure during the period under review.

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Table 3.101 : Nyamira County, List of development projects with highest expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Construction Of Doctors Plaza	Nyamira Referal Hsp	142,319,154.00	16,401,362.00	11.5
2	Solar Street Lighting	County Wide	63,904,500,00	14,058,490.00	22.0
3	Opening and Gravelling of 600Km of Roads using MTF Machinery	County Wide	490,000,000.00	9,263,583.00	1.9
4	Kemasare Water Project	Nyamaiya Ward	22,084,014.80	9,000,000.00	40.8
5	Youth Empowerment - Employment of Youth on Contract Basis & Purchase of Workshop Tools	County Wide	71,360,000.00	8,921,760.00	12.5
6	Construction of car parking lots, Boda Boda sheds & refurbishment of staff quarters. Appropriate Building Technology trainings & demonstration	County Wide	50,675,450.00	8,001,176.35	15.8
7	Home Solar Lighting Equipment	County Wide	7,349,600.00	7,349,600.00	100.0
8	Construction of Theatre	Nyamira Referal Hsp	18,154,731.00	6,964,958.00	38.4
9	Construction of Riapima bridge & approach road	Bogichora Ward	16,457,549.01	6,676,588.74	40.6
10	Construction of Kebirigo terminal facility & drainage system	West Mugirango	9,700,476.60	6,239,952.74	64.3

Source: *Nyamira County Treasury*

During the period under review, the highest amount of development expenditure was on construction of the Doctors Plaza at the Nyamira County Referral Hospital at Kshs.16.4 million under the Department of Health Services. It was followed by Solar Street Lighting Project at Kshs.14.06 million.

3.34.305 Budget and Budget Performance Analysis by Department

Table 3.102 shows a summary of first half of FY 2016/17 budget estimates and budget performance by department.

Table 3.102: Nyamira County, Budget Performance by Department for the first half of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	488.71	55.00	231.39	-	223.54	-	96.6	-	45.7	-
Executive Office	405.07	-	154.53	-	85.01	-	55.0	-	21.0	-
Finance & Economic Planning	413.33	34.87	159.92	-	161.63	4.53	101.1	-	39.1	13.0

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Department	Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock & Fisheries	184.52	167.62	89.11	21.50	56.23	26.24	63.1	122.1	30.5	15.7
Environment, Water, Energy, Mining & Natural Resources	138.59	190.83	61.81	50.00	28.04	48.14	45.4	96.3	20.2	25.2
Education & ICT	391.42	143.59	126.97	10.00	88.35	40.65	69.6	406.5	22.6	28.3
Health Services	1,347.34	497.15	599.95	127.00	406.96	95.18	67.8	74.9	30.2	19.1
Lands, Housing & Urban Development	49.65	86.10	21.67	34.00	16.54	14.51	76.4	42.7	33.3	16.9
Roads, Transport & Public Works	150.34	375.53	67.62	142.65	32.47	25.76	48.0	18.1	21.6	6.9
Trade, Tourism, & Cooperative Development	64.13	72.33	29.24	5.00	21.59	6.78	73.9	135.6	33.7	9.4
Youth, Sports, Gender, Culture & Social Services	163.58	153.99	66.89	40.00	51.86	8.92	77.5	22.3	31.7	5.8
County Public Service Board	70.81	-	30.87	-	18.92	-	61.3	-	26.7	-
Public Administration & Coordination of Devolved Units	214.59	76.00	91.43	6.50	65.78	11.00	72.0	169.3	30.7	14.5
Totals	**4,082.10**	**1,853.02**	**1,731.39**	**436.65**	**1,256.93**	**281.73**	**72.6**	**64.5**	**30.8**	**15.2**

Source: *Nyamira County Treasury*

Analysis of budget performance by department shows that the Department of Education & ICT attained the highest absorption rate of development budget at 28.3 per cent while the County Assembly did not incur any development expenditure. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to its recurrent budget at 45.7 per cent while the Department of Environment, Water, Energy, Mining & Natural Resources had the lowest at 20.2 per cent.

3.34.306 Observations and Recommendations

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

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

ii. Adoption of IFMIS in processing all financial transactions in both the County Assembly and the County Executive.

iii. Improvement in local revenue collection against annual targets from 10.9 per cent in first quarter of FY 2015/16 to 28.8 per cent in first quarter of FY 2016/17.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation review reports.
2. Delay by the County Assembly in the approval of key planning policy documents such as the ADP, CFSP and CBROP as well as the Supplementary Budget which affected budget implementation.
3. Failure to develop legislations to operationalize some established County Public Funds such as the Bursary Fund, Revolving Fund and Mortgage Fund contrary to Section 116 of the PFM Act, 2012.
4. Discrepancies between IFMIS payroll data to the IPPD data. While IFMIS reports indicate total expenditure on personnel emoluments as Kshs.818.94 million, IPPD data had Kshs.903.20 million as the total payroll costs for the same period.
5. Failure by County Executive to regularly repay the Car and Mortgage Loans.
6. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Controller of Budget in line with Section 166 of PFM Act, 2012*
2. *The County Assembly should observe the timelines stipulated in law in the approval of key planning documents so as to facilitate timely implementation of the budget.*
3. *The County should ensure legislations establishing County Public Funds are in place in line with Section 116 of the PFM Act, 2012, prior to operationalization of the Fund.*
4. *The County should reconcile the IFMIS & IPPD data on a monthly basis to enhance accurate reporting.*
5. *The Administrators of the Car Loan and the Mortgage Fund should ensure all disbursed loans are repaid as per the approved regulations.*
6. *The County Treasury should liaise with IFMIS Directorate for support in the use of IFMIS and the E-procurement module.*

3.35 Nyandarua County

3.35.307 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.5.61 billion, comprising of Kshs.3.61 billion (64.5 per cent) and Kshs.1.99 billion (35.5 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.64 billion (82.9 per cent) as equitable share of revenue raised nationally, Kshs.272.91 million (4.9 per cent) as total conditional grants, generate Kshs.390 million (6.9 per cent) from local sources and Kshs.296.37 million (5.3 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.95.74 million (35.1 per cent) for Leasing of Medical Equipment, Kshs.71.41 million (26.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.46.51 million (17 per cent) for Free Maternal Healthcare, Kshs.13.12 million (4.8 per cent) for User Fees Foregone

and Kshs.9.43 million (3.5 per cent) from DANIDA. The County also budgeted for grants not in the CARA, 2016 which included; Kshs.10 million (3.7 per cent) for Maternal Healthcare (World Bank) and Kshs.26.68 million (9.8 per cent) as International Development Agency (IDA) grant towards County Capacity Building.

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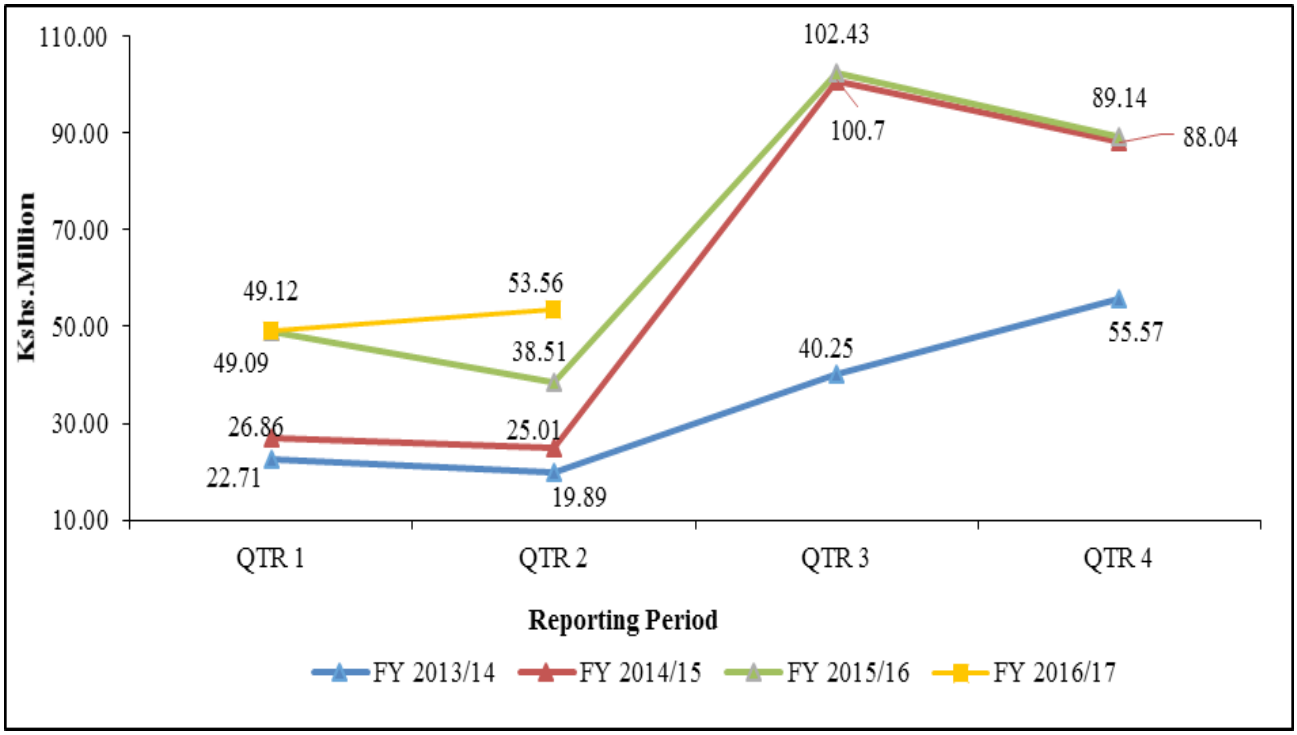
3.35.308 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.97 billion as equitable share of the revenue raised nationally, Kshs.57.81 million as total conditional allocations, raised Kshs.102.65 million from local revenue sources, and had a cash balance of Kshs.296.37 million brought forward from FY 2015/16.

Figure 3.103 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.103: Nyandarua County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Nyandarua County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.102.65 million which was an increase of 17.1 per cent compared to Kshs.87.63 million generated in a similar period of FY 2015/16. This revenue was 26.3 per cent of the annual local revenue target.

3.35.309 Conditional Grants

Table 3.103 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.103: Nyandarua County analysis of conditional Grants released in First Half of FY 2016/17

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No.	Conditional Grant	Amount allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipts from Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Leasing of Medical Equipment	95,744,681	-	-
2	Road Maintenance Fuel Levy Fund	71,407,030	35,703,515	50.0
3	Maternal Healthcare	46,514,879	15,545,000	33.4
4	IDA Grant County Capacity Building	26,689,751	-	0.0
5	User Fee Foregone	13,122,329	6,561,120	50.0
6	Maternal Health (World Bank)	10,000,000	-	-
7	DANIDA Grant	9,430,000	-	-
TOTAL		**272,908,670**	**57,809,635**	**21.2**

Source: *Nyandarua County Treasury*

Analysis of the conditional grants released during the period under review indicates that User Fee Foregone and Road Maintenance Fuel Levy Fund recorded the highest receipts against annual target at 50 per cent, followed by Free Maternal Healthcare at 33.4 per cent of its annual target.

3.35.310 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.98 billion from the CRF account, which was 35.4 per cent of the Approved Supplementary Budget. This amount represents a decrease of 3.9 per cent from Kshs.2.06 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.61 billion (81.1 per cent) for recurrent expenditure and Kshs.375.98 million (18.9 per cent) for development activities.

3.35.311 Overall Expenditure Review

The County spent Kshs.1.54 billion, which was 77.8 per cent of the total funds released for operations. This was a decrease of 9.9 per cent from Kshs.1.71 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.48 billion was spent on recurrent activities, while Kshs.58.47 million was spent on development activities. The recurrent expenditure was 92.3 per cent of the funds released for recurrent activities while development expenditure accounted for 15.6 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.486.17 million for development and Kshs.38.28 million for recurrent expenditure.

The recurrent expenditure represented 41.1 per cent of the annual recurrent budget, which was similar to the performance in the same period of FY 2015/16. Development expenditure recorded an absorption rate of 2.9 per cent, which was a decrease from 24.9 per cent attained in a similar period of FY 2015/16. Figure 3.104 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

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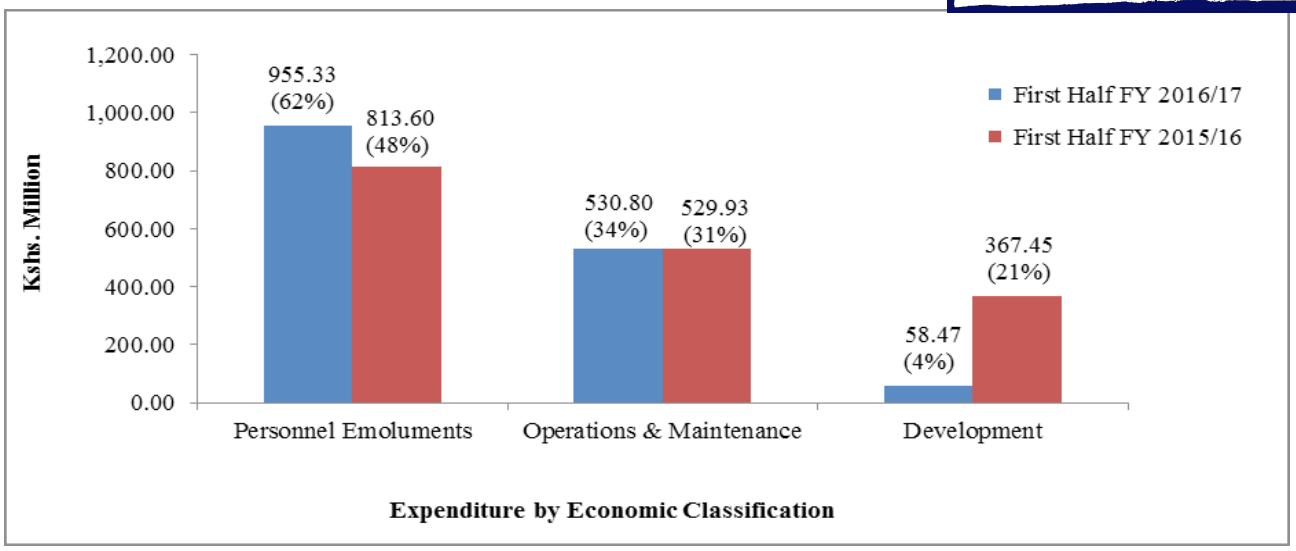
Figure 3.104: Nyandarua County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16



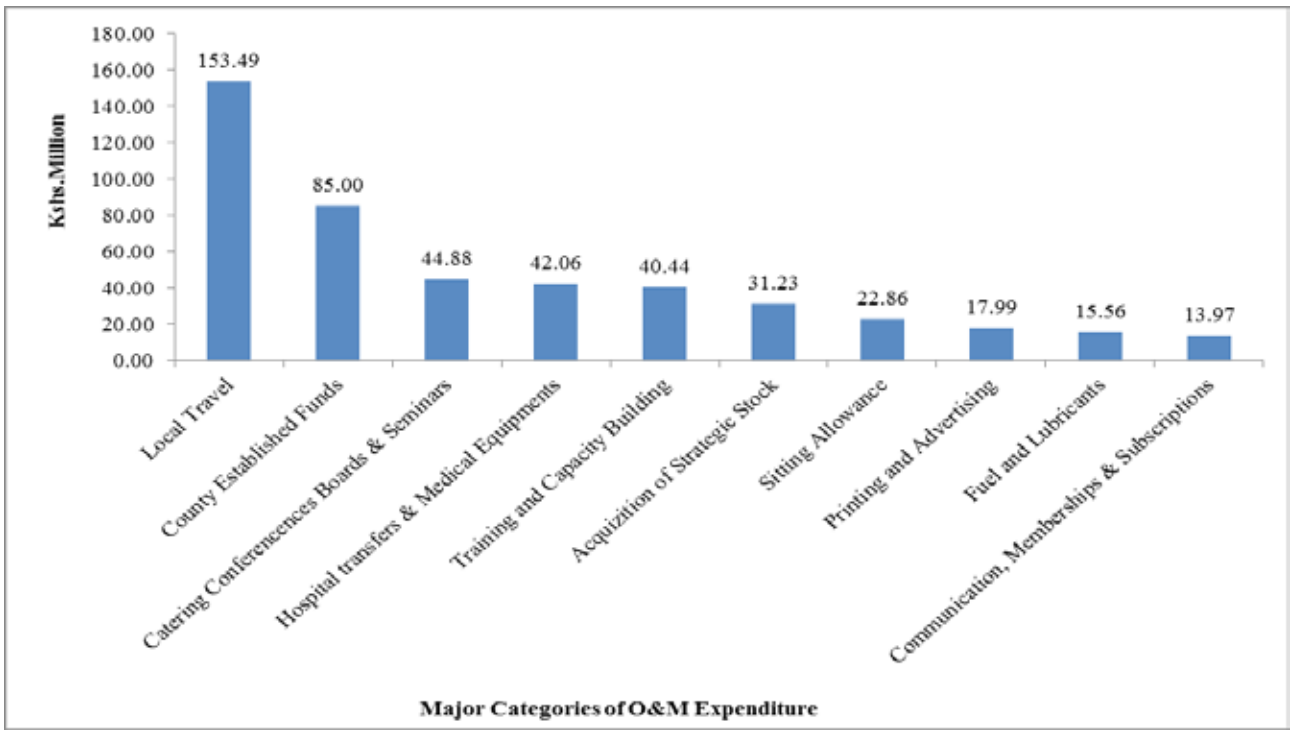
Source: *Nyandarua County Treasury*

3.35.312 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.48 billion consisted of Kshs.955.33 million (64.3 per cent) spent on personnel emoluments and Kshs.530.80 million (35.7 per cent) on operations and maintenance as shown in Figure 3.104. Expenditure on personnel emoluments represented an increase of 14.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.813.60 million.

Figure 3.105 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.105: Nyandarua County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Nyandarua County Treasury*

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The County spent Kshs.22.86 million on sitting allowances for the 42 MCAs and the Speaker against the annual budget allocation of Kshs.68.41 million. This was a decrease of 18.1 per cent compared to Kshs.27.9 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.90,734 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.157.82 million and comprised of Kshs.68.91 million spent by the County Assembly and Kshs.88.90 million by the County Executive. This was an increase of 59.1 per cent compared to Kshs.98.74 million spent in a similar period of FY 2015/16.

3.35.313 Development Expenditure Analysis

The total development expenditure of Kshs.58.47 million represents 2.9 per cent of the annual development budget of Kshs.1.99 billion. Table 3.104 provides a list of development projects with the highest expenditure during the period under review.

Table 3.104 : Nyandarua County, List of development projects with the highest expenditure in the First Half of FY 2016/17

Department	Project Name	Ward (Location of the Project)	Expected Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
Roads Public Works and Transport	General Road Maintenance	Countywide	10,000,000	3,087,200	30.9
	John Macharia Bridge	Countywide	5,940,000	2,944,500	49.6
	Other infrastructure and Civil Works(bus parks)	Countywide	4,500,000	4,500,000	100.0
	Other infrastructure and Civil Works(boda boda sheds)	Countywide	1,472,000	802,800	54.5
	Road Maintenance (Fuel Levy Fund)	Countywide	71,407,030	8,506,700	11.9
Education, Youth, Children Affairs, Culture & Social Services	Equipping of ECDE's	Countywide	4,950,000	2,049,966	41.4
	Infrastructure and Civil Works for hostels	Countywide	-	4,987,942	-
Industrialization, Cooperatives, Trade, Enterprise, Weights & Measures	Software development for Saccos	Countywide	4,397,500	90,000	2.0
	Construction and Upgrade of Market Sheds	Countywide	8,879,087	120,000	1.4
	Construction of Jua Kali Shed (Captain)	Captain	1,467,000	90,000	6.1
Water, Environment & Natural Resources	Githamaki Water Projects	Central	4,098,175	279,800	6.8
County Assembly	Completion of County Assembly Chambers	Kaimbaga	206,793,913	31,016,152	15.0
Total			**323,904,705**	**58,475,060**	**18.1**

Source: *Nyandarua County Treasury*

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Analysis of the development expenditure by project indicates that the highest expenditure of Kshs.31.02 million was incurred by the County Assembly on completion of the County Assembly Chambers. The Education, Youth, Children Affairs, Culture & Social Services Department spent Kshs.3.52 million on equipping of ECDE's, hostel infrastructure and civil works. The Industrialization, Cooperatives, Trade, Enterprise, Weights & Measures Department incurred Kshs.300,000 on software development for SACCOs, construction and upgrade of Market Sheds and construction of Jua Kali sheds. The Water, Environment & Natural Resources Department incurred Kshs.279,000 on the Githamaki water shed.

3.35.314 Budget and Budget Performance Analysis by Department

Table 3.105 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.105: Nyandarua County, Budget Performance by Department First Half FY 2016/17

Department	Budget Allocation (Kshs. Million)		First half FY 2016/17 Exchequer Issues (Kshs. Million)		First half FY 2016/17 Expenditure (Kshs. Million)		First half FY 2016/17 Expenditure to Exchequer Issues (%)		First half FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries & Irrigation	247.68	81.65	128.63	19.93	154.98	-	120.5	0.0	62.6	0.0
County Assembly	593.71	206.79	282.48	55.00	261.17	31.02	92.5	56.4	44.0	15.0
County Attorney, E-Government & Intergovernmental Relations	79.24	24.93	42.82	-	13.61	-	31.8	0.0	17.2	0.0
Education, Youth ,Children Affairs, Culture & Social Services	192.10	64.43	94.65	14.00	153.76	7.04	162.5	50.3	80.0	10.9
Finance and Economic Planning	579.56	5.00	276.16	3.09	212.16	-	76.8	0.0	36.6	0.0
Gubernatorial Office	409.35	7.60	153.98	-	141.48	-	91.9	0.0	34.6	0.0
Health Services	1,147.79	161.08	460.65	27.49	433.22	-	94.0	0.0	37.7	0.0
Industrialisation, Cooperatives, Trade, Enterprise, Weights & Measures	60.54	34.53	24.57	19.70	24.04	0.30	97.8	1.5	39.7	0.9
Lands Housing and Physical Planning	63.14	115.27	25.87	12.68	5.69	-	22.0	0.0	9.0	0.0
Roads Public Works and Transport	121.20	904.16	57.87	170.98	41.56	19.84	71.8	11.6	34.3	2.2
Tourism Wildlife and Sports	58.61	61.35	28.68	5.73	14.66	-	51.1	0.0	25.0	0.0
Water, Environment & Natural Resources	62.24	324.71	33.39	47.38	29.82	0.28	89.3	0.6	47.9	0.1
TOTAL	**3,615.15**	**1,991.52**	**1,609.74**	**375.98**	**1,486.14**	**58.48**	**92.3**	**15.6**	**41.1**	**2.9**

Source: *Nyandarua County Treasury*

Analysis of budget performance by department shows that the County Assembly attained the highest absorption rate of development budget at 15 per cent while seven Departments did not incur any development expenditure. On the other hand, the Education, Youth ,Children Affairs, Culture & Social Services Department had the highest percentage of recurrent expenditure to recurrent budget at 80 per cent while the Department of Lands,

Housing and Physical Planning had the lowest at 9 per cent.

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3.35.315 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 reports.
ii. Use of IFMIS in processing financial transactions.

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

1. A high wage bill which accounted for 61.8 per cent of the total expenditure during the reporting period, thus constraining funding to other programmes.
2. Low absorption of development funds, which stood at 2.9 per cent of the development budget.
3. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*
2. *The County should develop strategies to enhance implementation of development activities.*
3. *The County Treasury should liaise with IFMIS Directorate for support in application of IFMIS and the E-procurement module.*

3.36 Nyeri County

3.36.316 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.6.46 billion, comprising of Kshs.4.64 billion (71.8 per cent) and Kshs.1.82 billion (28.2 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.8 billion (74.4 per cent) as equitable share of revenue raised nationally, Kshs.557.23 million (8.6 per cent) as total conditional grants and generate Kshs.1.1 billion (17 per cent) from local sources. The conditional grants comprise of Kshs.388.44 million (69.7 per cent) for Nyeri Level 5 Hospital, Kshs.69.22 million (12.4 per cent) for Free Maternal Healthcare, Kshs.73.76 million (13.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.14.35 million (2.6 per cent) for User Fees Foregone and Kshs.11.47 million (2.1 per cent) from DANIDA.

3.36.317 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.61 billion as equitable share of the revenue raised nationally, Kshs.194.97 million as total conditional allocations, raised Kshs.308.21 million from local revenue sources, and had cash balance of Kshs.693 million brought forward from FY 2015/16.

Figure 3.106 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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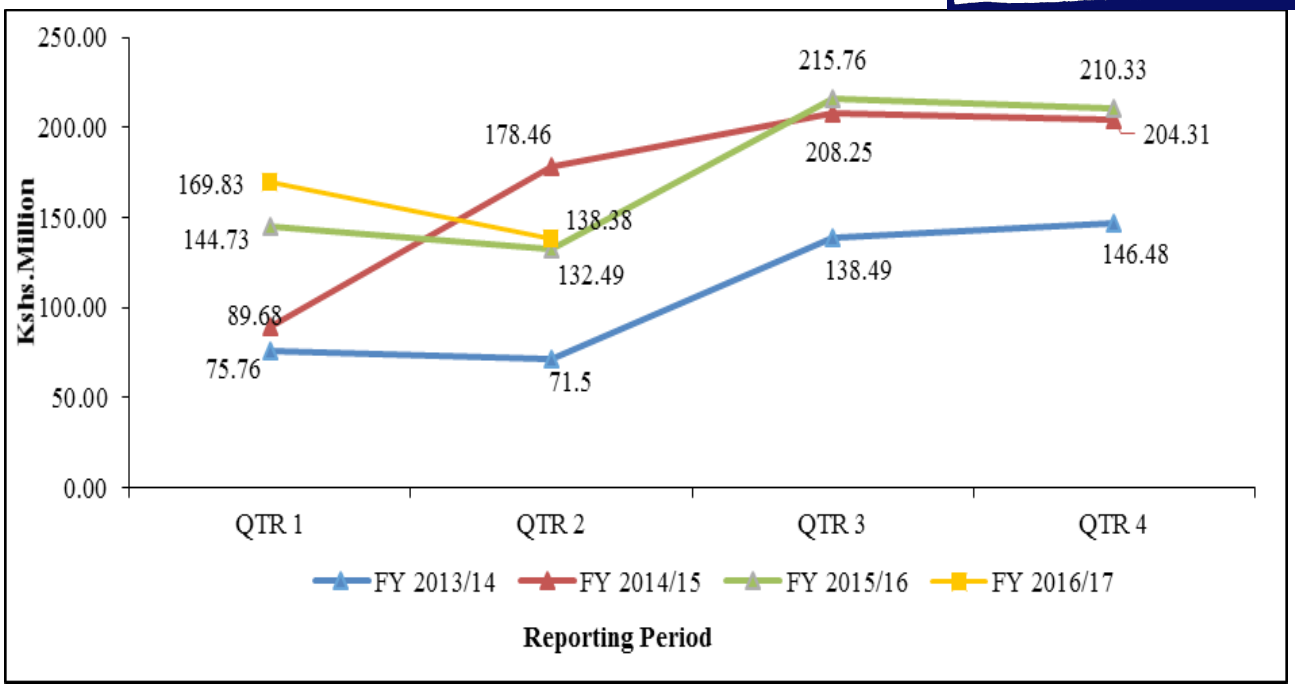
Figure 3.106: Nyeri County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Nyeri County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.308.21 million which is an increase of 11.2 per cent compared to Kshs.277.21 million generated in a similar period of FY 2015/16. This revenue was 28.1 per cent of the annual local revenue target.

3.36.318 Conditional Grants

Table 3.106 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.106: Nyeri County analysis of conditional Grants released in First Half of FY 2016/17

No.	Conditional Grant	Annual allocation based on CARA, 2016 (Kshs.)	Actual receipt for the First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	73,763,719	36,881,860	50
2	User Fees Foregone	14,347,664	7,173,832	50
3	Nyeri Level 5 Hospital	388,439,306	130,127,169	33.5
4	Free Maternal Healthcare	69,215,585	20,782,500	30
5	DANIDA Grant	11,465,000	-	-
Total		**557,231,274**	**194,965,361**	**35**

Source: *Nyeri County Treasury*

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Analysis of the conditional Grants released for the period under review indicates that, the Road Maintenance Fuel Levy Fund and User Fees Foregone recorded the highest receipts against their respective annual targets at 50 per cent. The Level 5 Hospital and Free Maternal Healthcare grants registered a performance of 33.3 per cent and 30 per cent respectively, while there were no receipts from the DANIDA grant.

3.36.319 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.89 billion from the CRF account, which was 44.7 per cent of the Approved Budget. This amount represents an increase of 48.4 per cent from Kshs.1.95 billion authorized in a similar period of FY 2015/16 and comprises of Kshs.2.36 billion (81.8 per cent) for recurrent expenditure and Kshs.524.83 million (18.2 per cent) for development activities.

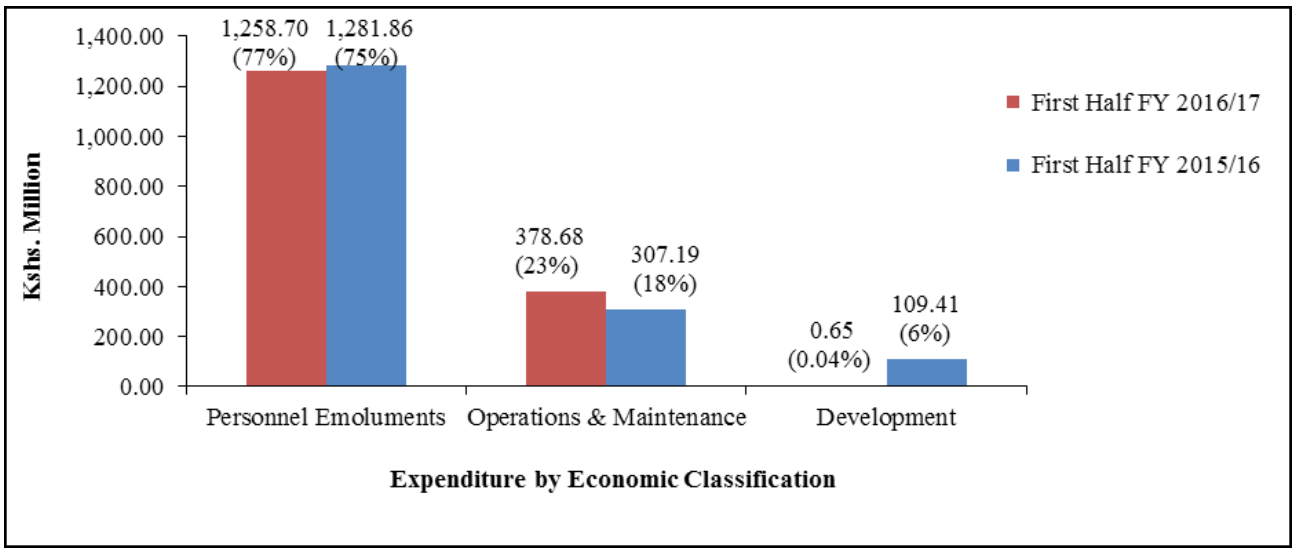
3.36.320 Overall Expenditure Review

The County spent Kshs.1.64 billion, which was 56.7 per cent of the total funds released for operations. This was a decrease of 3.6 per cent from Kshs.1.69 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.64 billion was spent on recurrent activities, while Kshs.0.65 million was spent on development activities. The recurrent expenditure was 69.3 per cent of the funds released for recurrent activities while development expenditure accounted for 0.1 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.182.19 million for development and Kshs.158.96 million for recurrent expenditure.

The recurrent expenditure represented 35.3 per cent of the annual recurrent budget, a slight decrease from 37.1 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 0.04 per cent, which was a decrease from 5.5 per cent attained in a similar period of FY 2015/16. Figure 3.107 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.107: Nyeri County, Expenditure by Economic Classification for the first half FY 2016/17 and the first half FY 2015/16



Source: *Nyeri County Treasury*

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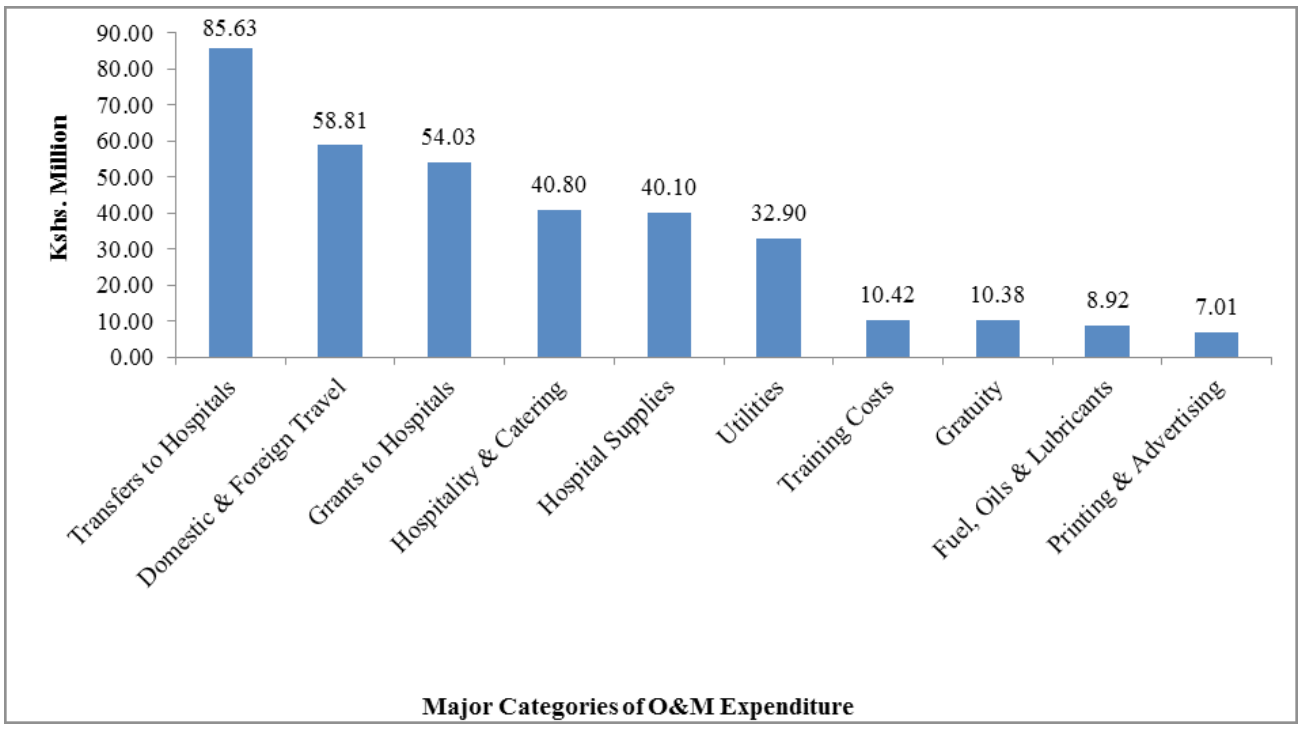
3.36.321 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.64 billion consisted of Kshs.1.26 billion (76.9 per cent) spent on personnel emoluments and Kshs.378.68 million (23.1 per cent) on operations and maintenance as shown in Figure 3.107 . Expenditure on personnel emoluments represented a decrease of 1.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.28 billion.

Figure 3.108 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.108: Nyeri County, Operations and Maintenance Expenditure by Major Categories for the First Half of FY 2016/17



Source: *Nyeri County Treasury*

The County spent Kshs.27.95 million on sitting allowances for the 47 MCAs and the Speaker against the annual budget allocation of Kshs.88.86 million. This was a decrease of 27.7 per cent compared to Kshs.38.68 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.97,049 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.58.81 million and consisted of Kshs.44.79 million spent by the County Assembly and Kshs.14.02 million spent by the County Executive. This was an increase of 5.4 per cent compared to Kshs.55.83 million spent in a similar period of FY 2015/16.

3.36.322 Development Expenditure Analysis

The total development expenditure of Kshs.0.65 million represents 0.04 per cent of the annual development budget of Kshs.1.82 billion. Table 3.107 provides a list of development projects with the highest expenditure during the period under review.

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Table 3.107 : Nyeri County, List of development projects with the highest expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Expected Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Transfer to Solio Dispensary-DANIDA	Naromoru	450,000	450,000	100
2	Transfer to Health Management Team-DANIDA	Headquarters	250,000	250,000	100
	Total		**700,000**	**700,000**	**100**

Source: *Nyeri County Treasury*

Analysis of the development expenditure during the reporting period indicates that the Kshs.0.65 million was incurred by the Department of Health and Sanitation on transfer of DANIDA grants to Solio dispensary of Kshs.0.45 million and to County Health Management Team of Kshs.0.25 million.

3.36.323 Budget and Budget Performance Analysis by Department

Table 3.108 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.108: Nyeri County, Budget Performance by Department for the of First Half FY 2016/17

Department	Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	105.07	-	47.65	-	39.01	-	81.9	-	37.1	-
Office of the County Secretary	205.13	-	101	-	5.64	-	5.6	-	2.7	-
Finance and Economic Planning	307.75	63.99	159.79	58.5	122.18	-	76.5	-	39.7	-
Lands, Housing and Physical Planning	54.35	38.57	30.38	1.5	10.04	-	33	-	18.5	-
Health and Sanitation	1,914.3	389.16	1,033.96	150	870.11	0.65	84.2	0.4	45.5	0.2
Special programmes	113.36	118	28.9	3.2	3.28	-	11.3	0	2.9	-
Public Administration	393.28	-	238.74	-	141.36	-	59.2	-	35.9	-
Agriculture, Livestock and Fisheries	301.55	149.79	187.21	16.7	152.04	-	81.2	-	50.4	-
Tourism & Culture	9.74	22.08	10.31	-	3.92	-	38	-	40.2	-
Education, ICT, Trade & Industrialization	273.95	196.02	75.98	14	33.15	-	43.6	-	12.1	-
Water, Environment & Natural resources	133.14	162.83	77.36	70	32.18	-	41.6	-	24.2	-
County Public Service Board	36.57	-	18.61	-	8.15	-	43.8	-	22.3	-
Roads and Infrastructure Development	59.71	571.18	33.29	190.27	-	-	-	-	-	-
Energy	99.85	62	59.71	20.63	25.09	-	42	-	25.1	-
County Assembly	633.21	50	259.50	-	191.23	-	73.7	-	30.2	-
TOTAL	**4,641**	**1,823.6**	**2,362.38**	**524.83**	**1,637.37**	**0.65**	**69.3**	**0.1**	**35.3**	**0.04**

Source: *Nyeri County Treasury*

Analysis of budget performance by department shows that there was no development spending by most departments apart from the Department of Health and Sanitation, which incurred an expenditure of Kshs.0.65 million, representing an absorption rate of 0.2 per cent of its development budget. On the other hand, the Department of Agriculture, Livestock and Fisheries had the highest percentage of recurrent expenditure to its recurrent budget at 50.4 per cent while the Department of Roads and Infrastructure Development did not record any recurrent expenditure.

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3.36.324 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. Local revenue collection has improved by 8.7 per cent from Kshs.277.21 million in the first half of FY 2015/16 to Kshs.308.21 million in the reporting period.

ii. The County established legislations to operationalize established County Public Funds in line with Section 116 of the PFM Act, 2012.

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

1. Low absorption of development budget. In the reporting period, the County achieved an absorption rate of 0.04 per cent compared to 5.5 per cent in a similar period in FY 2015/16.

2. The allocation for development expenditure in the FY 2016/17 of Kshs.1.82 billion was 28.2 per cent of the annual County budget. This does not meet the minimum threshold as stipulated under Section 107(2)(b) of the PFM Act, 2012.

3. Delay by Fund Administrators to submit expenditure reports for the Elimu Fund, Emergency Fund and the Car & Mortgage Fund contrary to Section 168 of the PFM Act, 2012.

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

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

1. *The County should fast track implementation of development programmes in the remaining period of the financial year.*

2. *The County Treasury should ensure that budget allocation to development expenditure is at least 30 per cent of the county budget in line with section 107(2)(b) of the PFM Act.*

3. *The Fund Administrators for Elimu Fund, Emergency Fund and Car & Mortgage Fund should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

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3.37 Samburu County

3.37.325 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.4.57 billion, comprising of Kshs.2.71 billion (59.3 per cent) and Kshs.1.86 billion (40.7 per cent) allocation for recurrent and development expenditure respectively.

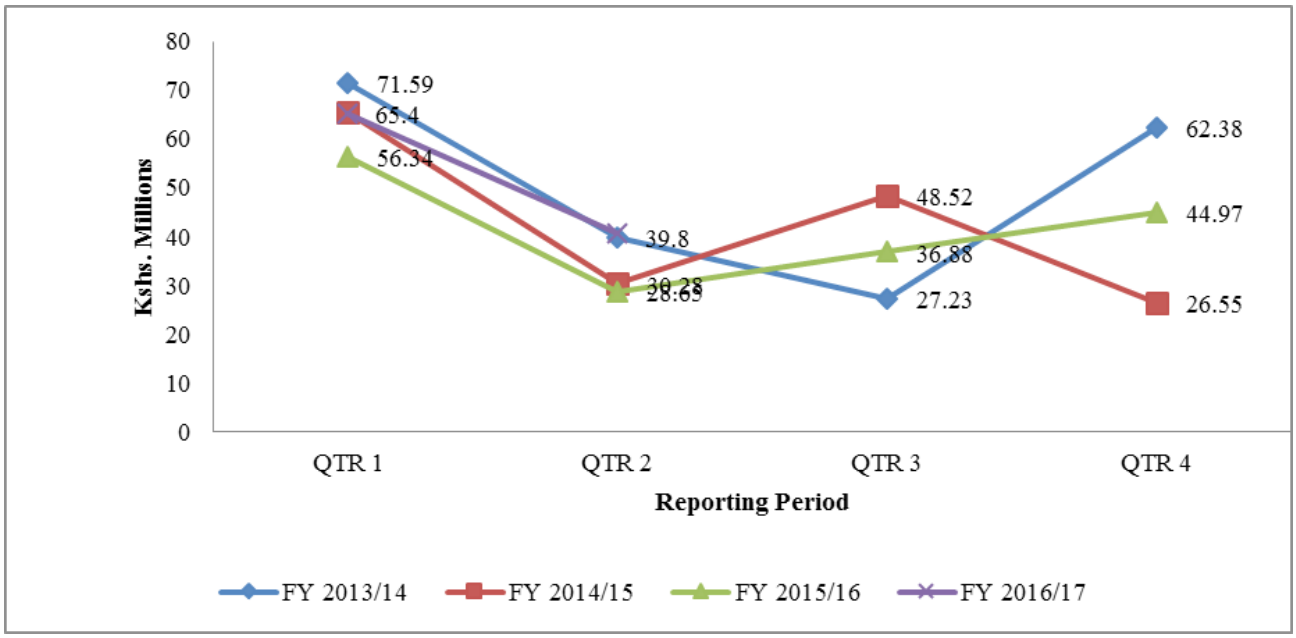
To finance the budget, the County expects to receive Kshs.3.83 billion (80.7 per cent) as equitable share of revenue raised nationally, Kshs.175.49 million (3.7 per cent) as total conditional grants, generate Kshs.341.87 million (7.2 per cent) from local revenue sources, and Kshs.223.34 million (4.7 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.16.95 million (12 per cent) for Free Maternal Healthcare, Kshs.58. 9 million (41.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.32 million (3.8 per cent) for User Fees Foregone, Kshs.5.5 million (3.9 per cent) from DANIDA and Kshs.58.64 million (39.0 per cent) as conditional allocation grants from Other Loans and Grants. The County Treasury also included Kshs.30 million in the Supplementary Budget as Health Support Funds and Kshs.4 million as insurance compensation.

3.37.326 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.94 billion as equitable share of the revenue raised nationally, Kshs.38.2 million as total conditional allocations, raised Kshs.105.91 million from local revenue sources, and had a cash balance of Kshs.223.34 million brought forward from FY 2015/16.

Figure 3.109 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.109: Samburu County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Samburu County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.105.91 million which is an increase of 24.6 per cent compared to Kshs.84.99 million generated in a similar period of FY 2015/16. This revenue was 31.0 per cent of the annual local revenue target.

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3.37.327 Conditional Grants

Table 3.109 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.109: Samburu County analysis of conditional grants released in the First Half **of FY 2016/17**

No.	Conditional Grant	Allocations based on CARA, 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	58,898,587	29,449,294	50.0
2	Free Maternal Healthcare	16,946,829	6,100,000	36.0
3	User Fees Foregone	5,321,855	2,660,927	50.0
4	DANIDA Grant	5,495,000	-	-
5	World Bank Loan	29,848,554	-	-
6	Other Loans and Grants	54,638,639	-	-
Total		**141,149,464**	**38,210,221**	**27.1**

Source: *Samburu County Treasury*

Analysis of the conditional grants released during the period under review indicates that the Road Maintenance Fuel Levy and User Fees Forgone recorded the highest receipts against annual targets of 50 per cent while the Maternal Health Grant registered a performance of 36 per cent.

3.37.328 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.94 billion from the CRF account, which was 42.4 per cent of the Approved Supplementary Budget. This amount represents an increase of 148.8 per cent from Kshs. 798.95 million authorized in a similar period of FY 2015/16 and consisted of Kshs.1.33 billion (68.5 per cent) for recurrent expenditure and Kshs.611.71 million (31.5 per cent) for development activities.

3.37.329 Overall Expenditure Review

The County spent Kshs.1.62 billion, which was 83.5 per cent of the total funds released for operations. This was an increase of 25.6 per cent from Kshs.1.29 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.04 billion was spent on recurrent activities, while Kshs.583.5million was spent on development activities. The recurrent expenditure was 78.2 per cent of the funds released for recurrent activities while development expenditure accounted for 95.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.1.05 billion for development and Kshs.179.15 million for recurrent expenditure.

The recurrent expenditure represented 68.4 per cent of the annual recurrent budget, an increase from 34.9 per cent spent in a similar period in FY 2015/16. Development expenditure recorded an absorption rate of 31.3 per cent, which was an increase from 21.9 per cent attained in a similar period of FY 2015/16. Figure 3.110 presents a comparison between the total expenditure in the first half of FY 2016/17 and the first half of FY 2015/16.

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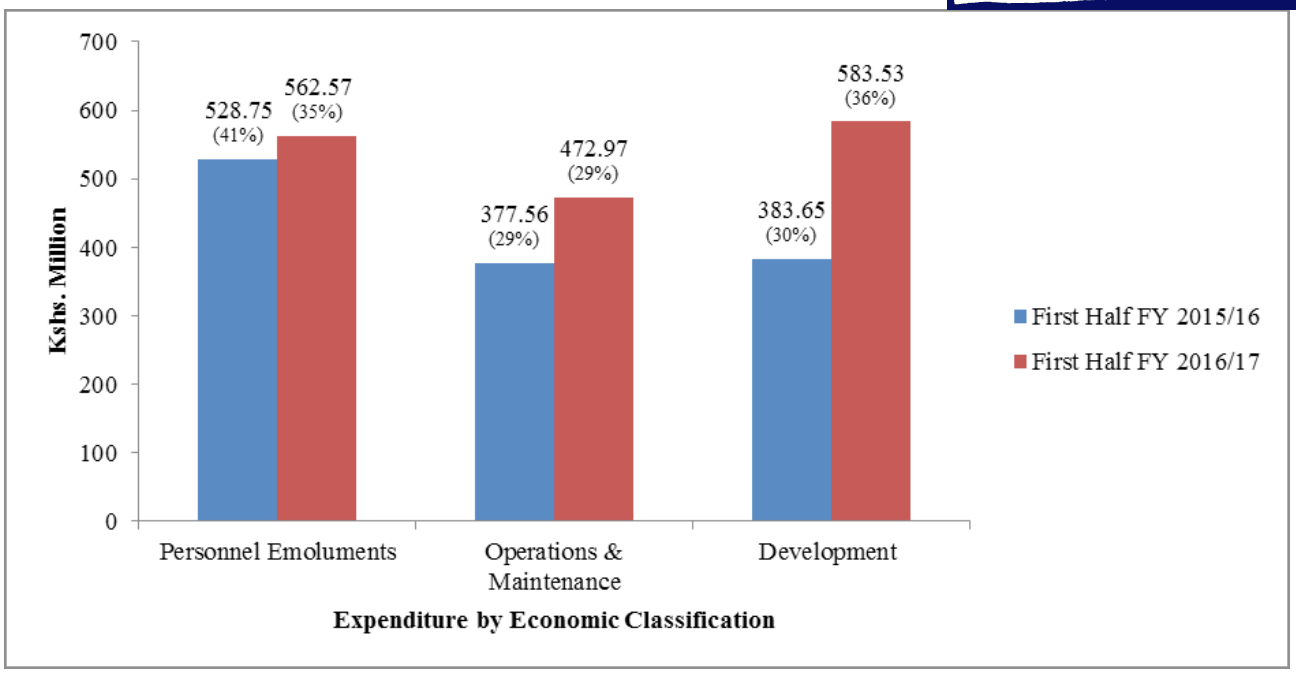
Figure 3.110: Samburu County, Expenditure by Economic Classification for the first half of the FY 2016/17 and the first half of FY 2015/16



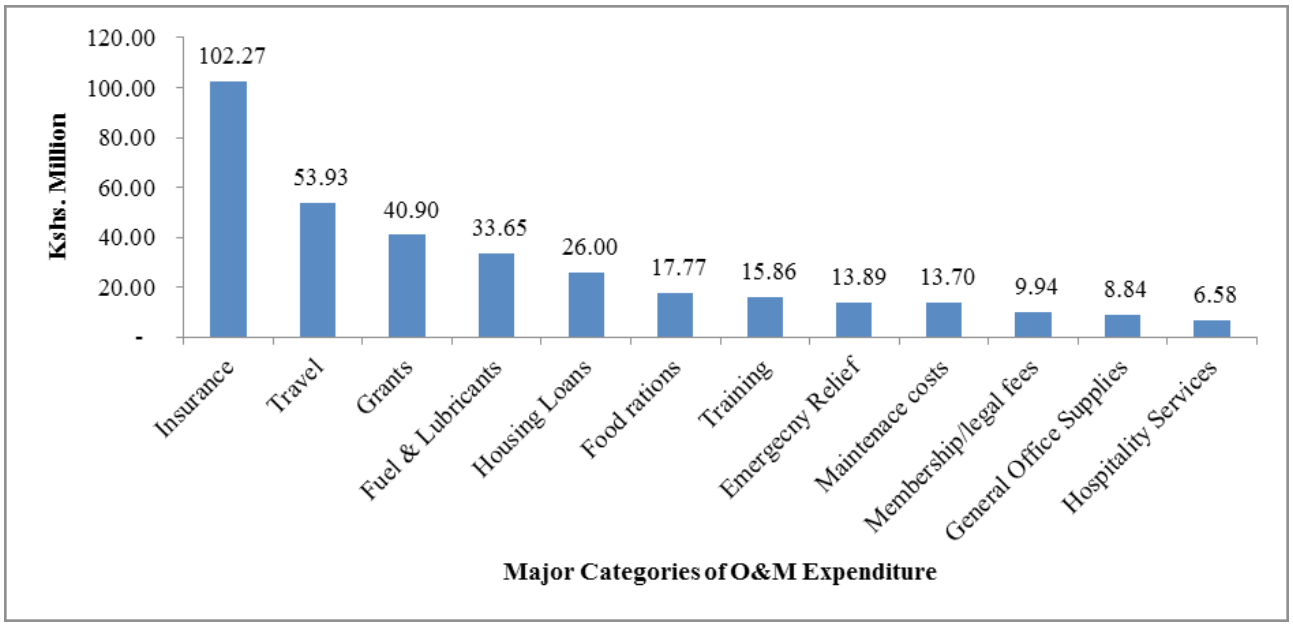
Source: *Samburu County Treasury*

3.37.330 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.04 billion consisted of Kshs.562.57 million (54.5 per cent) spent on personnel emoluments and Kshs.472.97 million (45.5per cent) on operations and maintenance as shown in **Figure 3.110**. Expenditure on personnel emoluments represented an increase of 6.4 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.528.75 million.

Figure 3.111 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.111: Samburu County, Operations and Maintenance Expenditure by Major Categories for the First Half of FY 2016/17



Source: *Samburu County Treasury*

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The County spent Kshs. 19.85 million on sitting allowances for the 27 MCAs and the Speaker against the annual budget allocation of Kshs.43.87 million. This was a decrease of 22 per cent compared to Kshs.25.46 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.122,546 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.53.93 million and consisted of Kshs.20.33 million spent by the County Assembly and Kshs.33.6 million by the County Executive. This was a decrease of 5.19 per cent compared to Kshs.56.58 million spent in a similar period of FY 2015/16.

3.37.331 Development Expenditure Analysis

The total development expenditure of Kshs.583.5 billion represents 31.6 per cent of the annual development budget of Kshs.1.86 billion. **Table 3.110** provides a list of eight highest development projects expenditure during the period under review.

Table 3.110 : Samburu County, List of development projects with the highest expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Purchase of breeding Camels	Samburu East/ North	20,000,000	12,590,000	62.9
2	Purchase of certified seeds	County wide	18,000,000	7,880,500	43.8
3	Completion of Archer's Post model health centre	Waso	15,000,000	9,880,951	65.9
4	Construction of dispensary & staff house at Nkorika	Central	4,500,000	3,235,622	71.8
5	Development County Spatial Plan	County wide	50,000,000	30,000,000	60
6	Improvement of lodungokwe-Nonmeek road	Baawa	5,000,000	4,721,999	94.4
7	Gravelling & drainage of Maralal-Loosuk road	Porro/Loosuk	10,000,000	10,168,090	101.8
8	Construction of Ndonyo wasin water supply	Waso	24,750,375	13,600,884	54.9
			147,250,375	**92,078,046**	**62.5**

Source: *Samburu County Treasury*

The Department of Land, Physical Planning and Urban Development incurred the highest expenditure of Kshs.30 million on development of spatial plans against a budget of Kshs.50 million. The second highest expenditure of Kshs.13.6 million was incurred by the County Transport, Public Works and Water Services Department on construction of Ndonyo Wasin water supply. The department of Health spent Kshs.9.88 million as partial payment for the construction and completion of Archer's post Model Health Centre.

3.37.332 Budget and Budget Performance Analysis by Department

Table 3.111 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

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Table 3.111: Samburu County, Budget Performance by Department for the First Half FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County assembly	419.81	120.00	203.35	-	167.59	0.00	82.4	**0.00**	39.9	0.0
County Executive & CPSB	324.87	5.00	160.04	-	122.41	0.69	76.5	0.00	37.7	13.8
Finance & Economic planning	499.73	34.73	199.20	10.45	224.09	0.86	112.5	8.3	44.8	2.5
Agriculture, Livestock, Veterinary & Fisheries	124.92	105.30	62.93	33.42	36.74	36.99	58.4	110.7	29.4	35.1
Environment & Natural Resources	46.34	49.12	23.91	24.00	8.28	9.76	34.6	40.7	17.9	19.9
Education, Youth Affairs & Social Development	349.20	165.96	179.13	72.40	111.35	54.21	62.2	74.9	31.9	32.7
County Health Services	526.71	116.50	283.26	65.45	195.32	21.10	69.0	32.2	37.1	18.1
Lands, Physical Planning and Urban Development	77.94	110.44	40.03	87.46	29.65	35.66	74.1	40.8	38.0	32.3
County Transport, Public Works and Water Services	158.02	967.34	84.40	263.11	75.71	353.07	89.7	134.2	47.9	36.5
Trade, Tourism, Cooperatives and Enterprise Development	119.61	155.84	57.05	55.43	40.76	61.00	71.4	110.0	34.1	39.1
Culture, Social Services and Gender	64.84	31.11	33.23	-	23.65	10.17	71.2	0.0	36.5	32.7
TOTAL	**2,711.98**	**1,861.34**	**1,326.53**	**611.71**	**1035.52**	**583.50**	**78.1**	**95.4**	**38.2**	**31.3**

Source: *Samburu County Treasury*

Analysis of budget performance by department shows that the Department of Trade, Tourism, Cooperatives and Enterprise Development attained the highest absorption rate of its development budget at 39.1 per cent while the County Assembly did not incur any development expenditure. On the other hand, the County Transport, Public Works and Water Services Department had the highest percentage of recurrent expenditure to its recurrent budget at 47.9 per cent while the Department of Environment & Natural Resources had the lowest at 17.9 per cent.

3.37.333 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:

1. Improvement in absorption of development budget by 9.4 per cent to 31.3 per cent compared to 21.9 per cent in a similar period in FY 2015/16.

2. The County established the County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.

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

1. Late submission of financial reports by the County Treasury which affected timely preparation of the budget implementation review reports.
2. Failure by Fund Administrators to submit expenditure reports on established County Funds contrary to Section 168 of the PFM Act, 2012.
3. A high wage bill that increased by 6.4 per cent from Kshs.528.75 million in the first half of FY 2015/16 to Kshs.562.57 million during the period under review. The continued increase in wage bill may result in unsustainable salary costs

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should ensure timely submission of expenditure reports on Established Funds in line with Section 168 of the PFM Act, 2012.*
3. *The County Public Service Board should develop an optimal staffing structure and formulate strategies to address the escalating wage bill.*

3.38 Siaya County

3.38.334 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.7.33 billion, comprising of Kshs.3.84 billion (52.3 per cent) and Kshs.3.49 billion (47.3 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.39 billion (73.3 per cent) as equitable share of revenue raised nationally, Kshs.352.50 million (5.2 per cent) as total conditional grants, generate Kshs.270 million (3.7 per cent) from local revenue sources, and Kshs.1.32 billion (17.9 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.112.56 million (31.9 per cent) for Free Maternal Healthcare, Kshs.82.82 million (23.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (27.2 per cent) for leasing medical equipment, Kshs.19.06 million (5.4 per cent) for User Fees Foregone, Kshs.13.77 million (3.9 per cent) from DANIDA and Kshs.28.56 million (8.1 per cent) from Other Loans and Grants.

3.38.335 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.81 billion as equitable share of the revenue raised nationally, Kshs.88.27 million as total conditional allocations, raised Kshs.67.41 million from local revenue sources, and had a cash balance of Kshs.1 billion brought forward from FY 2015/16.

Figure 3.112 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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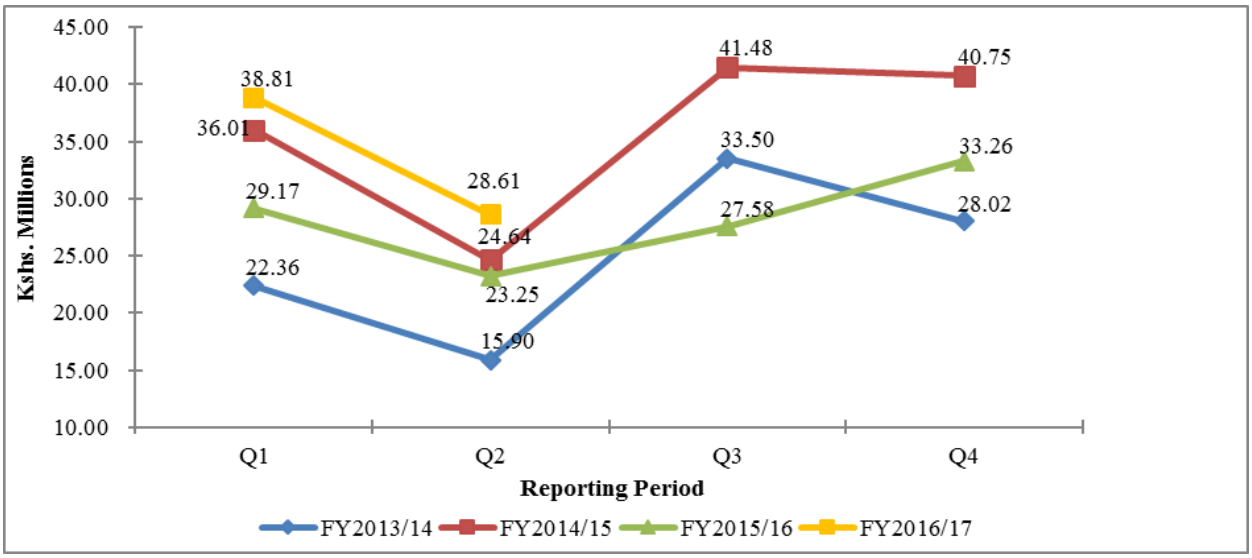
Figure 3.112: Siaya County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Siaya County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.67.41 million which is an increase of 28.6 per cent compared to Kshs.52.42 million generated in a similar period of FY 2015/16. This revenue was 25 per cent of the annual local revenue target.

Table 3.112 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.112: Siaya County analysis of conditional grants released in First Half of FY 2016/17

No.	Conditional Grant	Amount allocations based on CARA, 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	82,817,177	41,408,588	50
2	User Fees Foregone	19,057,307	9,528,653	50
3	Free Maternal Healthcare	112,559,127	37,335,000	33
4	Leasing of Medical Equipment	95,744,681	-	-
5	DANIDA Grant	13,765,000	-	-
6	Other Loans and Grants	28,555,102	-	-
Total		**352,498,394**	**88,272,241**	**25**

Source: *Siaya County Treasury*

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund and compensation for User Fees Foregone recorded the highest receipts of funds at 50 per cent of the annual target, followed by the Free Maternal Healthcare grant at 33 per cent.

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3.38.336 Exchequer Issues

During the period under review, the Controller of Budget authorised withdrawal of Kshs.2.62 billion from the CRF account, which was 35.7 per cent of the Approved Budget. This amount represents an increase of 35.0 per cent from Kshs.1.95 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.63 billion (74.4 per cent) for recurrent expenditure and Kshs.666 million (25.6 per cent) for development activities.

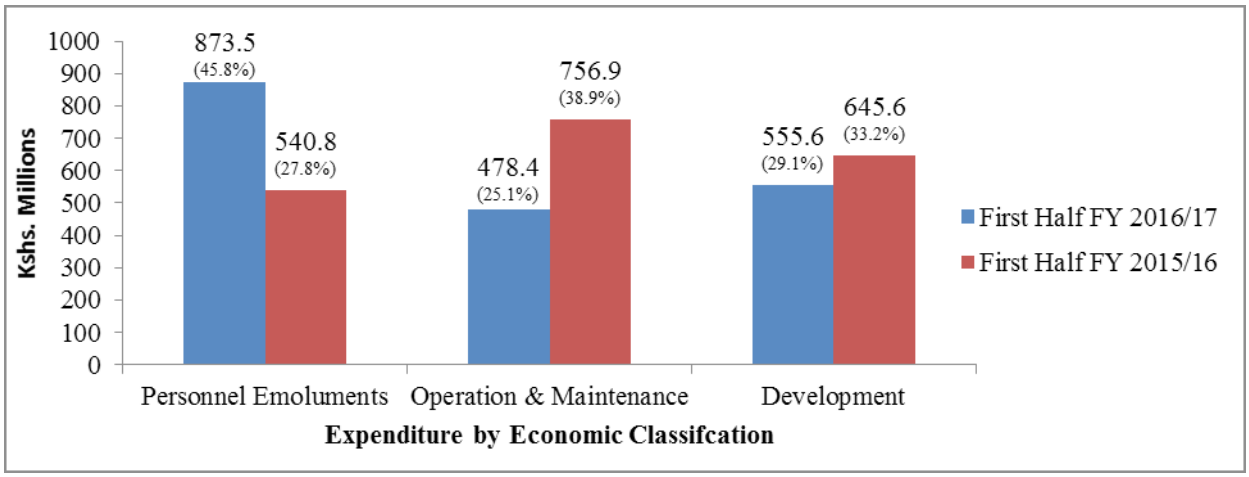
3.38.337 Overall Expenditure Review

The County spent Kshs.1.91 billion, which was 72.9 per cent of the total funds released for operations. This was a decrease of 1.5 per cent from Kshs.1.94 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.35 billion was spent on recurrent activities, while Kshs.555.58 million was spent on development activities. The recurrent expenditure was 69.3 per cent of the funds released for recurrent activities while development expenditure accounted for 83.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.160.42 million for development and Kshs.130.89 million for recurrent expenditure.

The recurrent budget for the period under review represents 35.2 per cent of the approved annual recurrent budget, an increase from 32.2 per cent spent in a similar period of FY2015/16. Development expenditure recorded an absorption rate of 15.9 per cent, a slight decrease from 17.0 spent in a similar period of FY 2015/16.

Figure 3.113: Siaya County, Expenditure by Economic Classification for first half of FY 2016/17 and first half of FY 2015/16



Source: *Siaya County Treasury*

3.38.338 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.35 billion consisted of Kshs.873.5 million (64.7 per cent) spent on personnel emoluments and Kshs.478.4 million (35.3 per cent) on operations and maintenance as shown in **Figure 3.113**. Expenditure on personnel emoluments represented an increase of 61.5 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.540.8 million.

Figure 3.114 shows a summary of the operations and maintenance expenditure by major categories.

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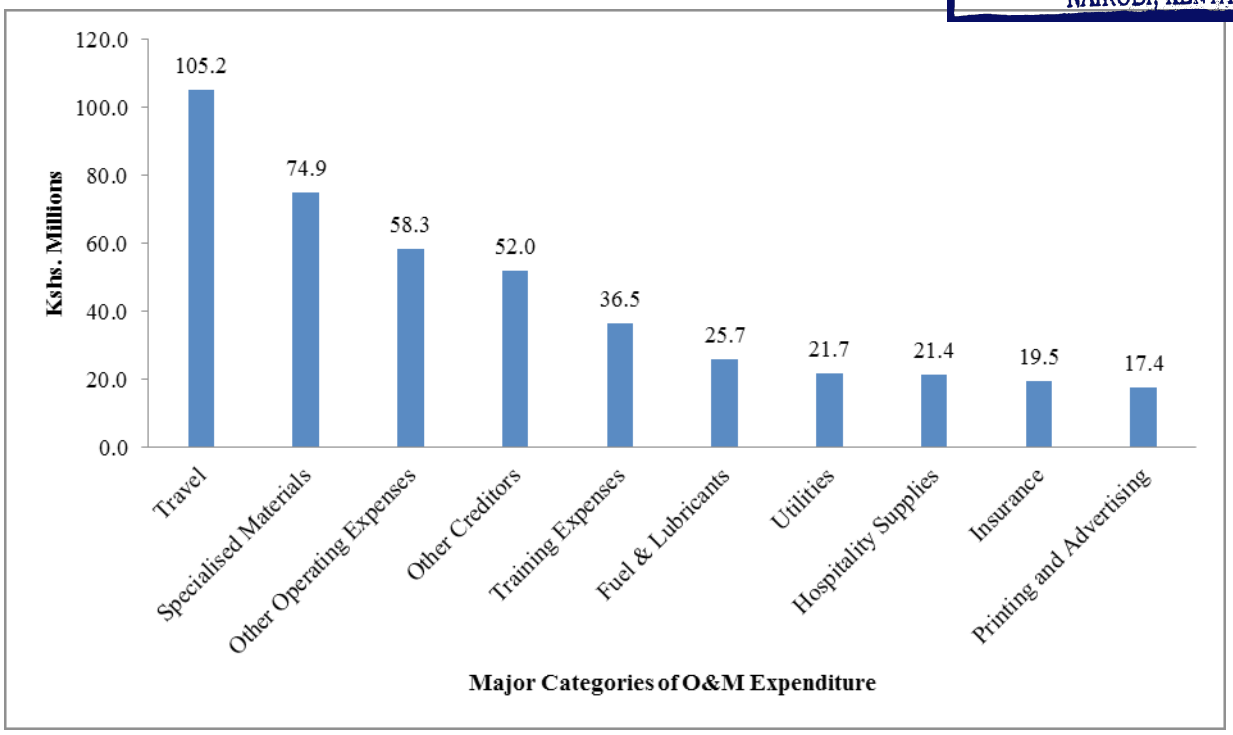
Figure 3.114: Siaya County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Siaya County Treasury*

The County spent Kshs.36.49 million on sitting allowances for the 48 MCAs and the Speaker against the annual budget allocation of Kshs.84.36 million. This was a decrease of 11.7 per cent compared to Kshs.41.32 million spent in the same period of FY 2015/16. The average monthly sitting allowance per MCA was Kshs.124,113 compared to SRC's recommended monthly ceiling of Kshs. 124,800.

Expenditure on domestic and foreign travel amounted to Kshs.105.18 million and consisted of Kshs.31.03 million spent by the County Assembly and Kshs.74.15 million spent by the County Executive. This was an increase of 36.6 per cent compared to Kshs.77 million spent in a similar period of FY 2015/16.

3.38.339 Development Expenditure Analysis

The total development expenditure of Kshs.555.58 million represents 15.9 per cent of the annual development budget of Kshs.3.49 billion. Table 3.113 provides a list of the development projects with the highest expenditure during the period under review.

Table 3.113: Siaya County, list of development projects with the highest expenditure for the First half of FY 2016/17

No.	Project Name	Ward Location Of The Project	Annual Budget (Ksh)	Expenditure As At 31/12/2016 (Ksh)	Absorption Rate
1.	Grading And Murruming Of Magombe -Masat Road	West Ugenya	7,797,534	7,797,534	100
2.	Grading And Murruming Of Milo Road	West Ugenya	6,224,966	6,224,966	100
3.	Grading And Culverting Of Siaya Town Roads	Siaya Township	5,171,396	5,055,396	98
4.	Construction Of Ecd At Mathiwa	Ukwala	3,200,000	2,762,529	86

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No.	Project Name	Ward Location Of The Project	Annual Budget (Ksh)	Expenditure As At 31/12/2016 (Ksh)	Absorption Rate
5.	Construction Of Ecd At Lela	North Ugenya	3,000,000	**1,910,879**	64
6.	Refurbishment Of Siaya County Referral Hospital	Head Quarters	63,126,209	25,177,469	40
7.	Construction Of Maternity Wing At Bondo Sub County Hospital	North Sakwa	11,745,040	4,750,000	40
8.	Construction Of Twin Wards At Urenga Health Center	East Ugenya	5,282,457	3,507,584	66
9.	Tractor Hire Subsidy	Head Quarters	23,460,044	7,145,656	30
10.	Supply Of Dap Fertilizer	Head Quarters	30,000,000	5,080,000	17
11.	Drilling Of Borehole At Sogo	Central Alego	4,700,000	4,405,500	94
12.	Equiping Sinaga Girls Borehole	East Gem	3,000,000	3,000,000	100
13.	Improvement Of Sidindi And Rangala Markets	Sidindi	4,000,000	1,850,000	46
14.	Gravelling Of Nyangweso Market	Central Gem	1,900,000	1,899,558	100
15.	Improvement Of Drainage At Akala Market	South Gem	1,939,064	1,798,261	93
16.	Lake Basin Economic Development Block	Head Quarters	10,000,000	10,000,000	100
17.	Purchase Of Land For Akala Stadium	South Gem	1,000,000	1,000,000	100
18.	Equiping Of Data Center	Head Quarters	6,000,000	5,000,000	83
Total			**191,546,710**	**98,365,332**	**51.4**

Source: *Siaya County Treasury*

Analysis of the development expenditure by projects indicates that the highest expenditure of Kshs.25.18 million was incurred on Refurbishment of Siaya County Referral Hospital; the second highest expenditure of Kshs.10 million was spent on construction Lake Basin Economic Development Block. The lowest expenditure of Kshs.1 million was incurred on Purchase of Land for Akala Stadium.

3.38.340 Budget and Budget Performance Analysis by Department

Table 3.114 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.114: Siaya County First Half FY 2016/17 Budget Estimates and Budget Performance By Department

Department	Budget Allocation (Kshs. Million)		Half Year of FY 2016/17 Exchequer Issues (Kshs. Million)		Half Year of FY 2016/17 Expenditure (Kshs. Million)		Half Year of FY 2016/17 Expenditure to Exchequer Issues (%)		Half Year of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	599.91	91.43	322.00	12.82	228.49	0.00	71.0	-	38.1	-
County Executive	406.01	48.01	203.12	-	156.09	10.62	76.8	-	38.4	22.1
Finance, Economic Planning and Vision 2030	589.24	32.93	302.17	15.00	229.23	1.00	75.9	6.7	38.9	3.0
Agriculture, Livestock and Fisheries	239.33	268.95	127.97	39.54	87.87	26.65	68.7	67.4	36.7	9.9

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Department	Budget Allocation (Kshs. Million)		Half Year of FY 2016/17 Exchequer Issues (Kshs. Million)		Half Year of FY 2016/17 Expenditure (Kshs. Million)		Half Year of FY 2016/17 Expenditure to Exchequer Issues (%)		Half Year of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Water, Environment and Natural Resources	96.64	329.85	52.98	139.44	31.73	57.97	59.9	41.6	32.8	17.6
Education, Youth, Sports, Culture and Social Services	284.30	629.05	89.85	153.71	72.39	89.68	80.6	58.3	25.5	14.3
County Health Services	1314.75	687.94	686.35	198.40	458.74	45.75	66.8	23.1	34.9	6.7
Physical Planning, Survey and Housing	54.50	39.30	30.16	0.00	13.32	0.00	44.2	-	24.4	-
Roads and Transport	93.02	1130.93	46.91	51.68	31.17	306.76	66.4	593.5	33.5	27.1
Trade and Cooperative Services	46.59	188.27	25.87	42.90	12.24	8.97	47.3	20.9	26.3	4.8
Tourism and ICT	112.53	46.03	64.64	12.50	30.63	8.18	47.4	65.4	27.2	17.8
TOTAL	**3836.82**	**3492.67**	**1952.00**	**666.00**	**1351.90**	**555.58**	**69.3**	**83.4**	**35.2**	**15.9**

Source: *Siaya County Treasury*

Analysis of budget performance by department shows that the Department of Roads and Transport reported the highest absorption rate for development expenditure at 27.1 per cent, while the Departments of Physical Planning and The County Assembly did not incur any development expenditure. On the other hand, the Finance and Fiscal Planning Department had the highest percentage of recurrent expenditure to its recurrent budget at 38.9 per cent while the Physical Planning Department had the lowest at 24.4 per cent.

3.38.341 Observations and Recommendations

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

i. Improvement in local revenue collection, which stood at 25 per cent (Kshs.67.41 million) of the annual revenue target from 15.9 per cent (Kshs.52.42 million) in a similar period of FY 2015/16.

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

1. A high wage bill that increased by 61.5 per cent from Kshs.540.8 million in the first half of FY 2015/16 to Kshs.873.5 million during the period under review.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
3. Delay by the County Assembly to approve key planning policy documents such as the ADP, CFSP and CBROP

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

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
3. *The County Assembly should observe the timelines stipulated in law in the approval of key planning documents so as to facilitate smooth implementation of the budget.*

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3.39 Taita Taveta County

3.39.342 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.4.68 billion, comprising of Kshs.3.12 billion (67 per cent) and Kshs.1.57 billion (33 per cent) allocations for recurrent and development expenditure respectively.

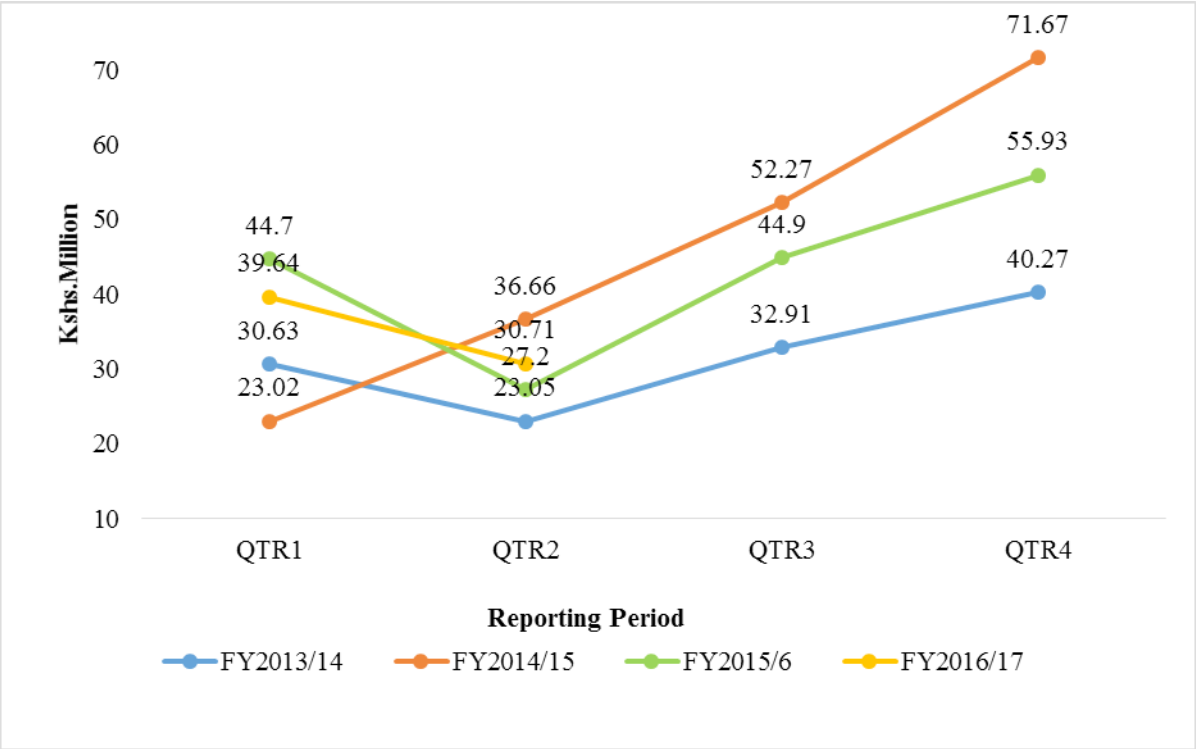
To finance the budget, the County expects to receive Kshs.3.57 billion (76.2 per cent) as equitable share of revenue raised nationally,Kshs.516.65 million (7.6 per cent) as total conditional grants, generate Kshs.355.59 million (11 per cent) from local revenue sources, and Kshs.241.41 million (5.2 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.37.66 million (7.3 per cent) for Free Maternal Healthcare, Kshs.54.87 million (10.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.6.63 million (1.3 per cent) for User Fees Foregone, Kshs.7.4 million (1.3 per cent) from DANIDA and Kshs.410.08 million (79.4 per cent) from Other Loans and Grants.

3.39.343 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.8 billion as equitable share of the revenue raised nationally, Kshs.44.99 million as total conditional allocations, raised Kshs.70.35 million from local revenue sources, and had a cash balance of Kshs.241.41 million brought forward from FY 2015/16.

Figure 3.115 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.115: Taita Taveta County, Trend in Local Revenue Collection by quarter from FY 2013/14 to FY 2016/17



Source: *Taita Taveta County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.70.35 million which is an increase of 2.1 per cent compared to Kshs.71.9 million generated in a similar period of FY 2015/16. This revenue was 20 per cent of the annual local revenue target.

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3.39.344 Conditional Grants

Table 3.115 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.115: Taita Taveta County Analysis of Conditional Grants released in First Half **of FY 2016/17**

No.	Conditional Grant	Amount allocation as provided in CARA 2016 (Kshs.)	First Half of FY 2016/17 Actual receipt of the Conditional Grant(Kshs.)	Actual receipt as a percentage of Annual Allocation(%)
1	Road Maintenance fuel levy fund	54,869,411	27,434,706	50
2	Free Maternal Healthcare	37,659,621	17,555,549	47
3	Compensation For User Fees Foregone	6,631,099	-	-
4	DANIDA Grant	7,405,000	-	-
5	National Drought Management Authority Grant	9,920,000	-	-
6	Red Cross Grant	100,000,000	-	-
7	Kenya Devolution Support Programme-World Bank	23,981,101	-	-
8	European Union Grant	112,000,000	-	-
9	Leasing of Medical Equipment	95,744,681	-	-
10	Health Sector Services Fund-World bank	36,034,216	-	-
11	Health Sector Services Fund-Worldbank-2015/16 b/f	17,242,898		
12	Universal Healthcare project-World Bank	15,160,743		
	TOTAL	**516,648,770**	**44,990,255**	**8.71**

Source: *Taita Taveta County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipts against annual target at 50 per cent, followed by releases for Free Maternal Healthcare grants at 47 per cent.

3.39.345 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.01 billion from the CRF account, which was 42.7 per cent of the Approved Supplementary Budget. This amount represents an increase of 63.4 per cent from Kshs.1.23 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.33 billion (66.3 per cent) for recurrent expenditure and Kshs.675.97 million (33.7 per cent) for development activities.

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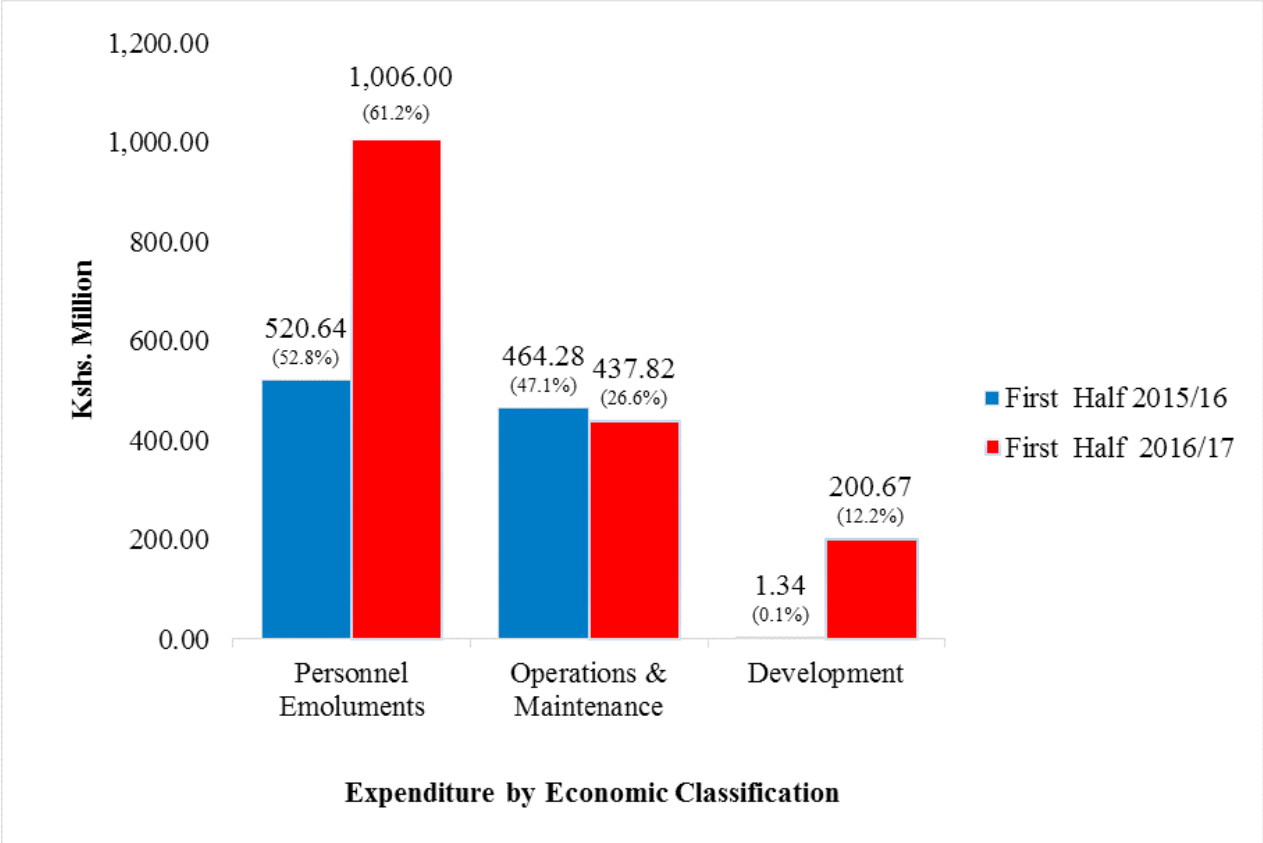
3.39.346 Overall Expenditure Review

The County spent Kshs.1.64 billion, which was 81.6 per cent of the total funds released for operations. This was an increase of 46.9 per cent from Kshs.1.03 million spent in a similar period of FY 2015/16.

A total of Kshs.1.44 billion was spent on recurrent activities, while Kshs.200.68 million was spent on development activities. The recurrent expenditure was 108.4 per cent of the funds released for recurrent activities while development expenditure accounted for 29.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.21.26 million for development and Kshs.54.40 million for recurrent expenditure.

The recurrent expenditure represented 46.3 per cent of the annual recurrent budget, an increase from 38.3 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 12.8 per cent, which was an increase from 0.5 per cent attained in a similar period of FY 2015/16. Figure 3.116 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.116 Taita Taveta County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



Source: *Taita Taveta County Treasury*

3.39.347 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.44 billion consisted of Kshs.1.0 billion (69.7 per cent) spent on personnel emoluments and Kshs.437.82 million (30.3 per cent) on operations and maintenance as shown in Figure 3.116. Expenditure on personnel emoluments represented an increase of 93.32 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.520.64 million.

Figure 3.117 shows a summary of the operations and maintenance expenditure by major categories.

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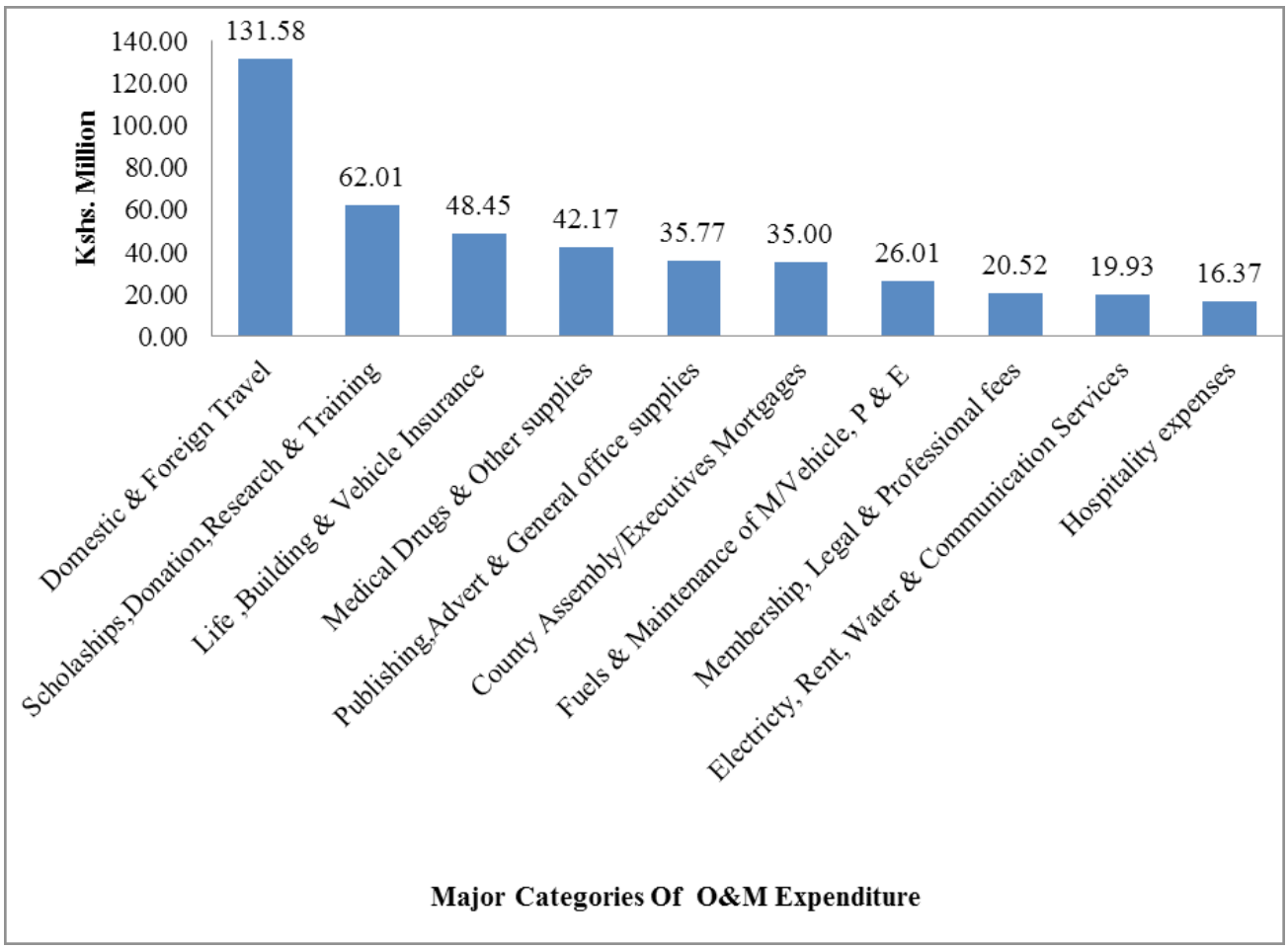
Figure 3.117: Taita Taveta County, Operations and Maintenance Expenditure for the First Half of FY 2016/17



Source: *Taita Taveta County Treasury*

The County spent Kshs.17.5 million on sitting allowances for the 35 MCAs and the Speaker against the annual budget allocation of Kshs.65.44 million. This was a decrease of 30.1 per cent compared to Kshs.25.03 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.81,039 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.131.58 million and consisted of Kshs. 47.67 million spent by the County Assembly and Kshs.83.92 million spent by the County Executive. This was an increase of 84.8 per cent compared to Kshs.71.19 million spent in a similar period of FY 2015/16.

3.39.348 Development Expenditure Analysis

The total development expenditure of Kshs.200.68 billion represents 12.8 per cent of the annual development budget of Kshs.1.57 billion. Table 3.116 provides a list of development projects with the highest expenditure during the period under review.

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Table 3.116: Taita Taveta County, List of development projects with the highest expenditure for the First Half of FY 2016/17

No	Project Name	Ward (location of project)	Annual Budget (Kshs)	Expenditure as at 31st Dec 2016 (Kshs)	Absorption rate (%)
1	Constuction of ECD centre,youth improvement programme & kambugu youth polytechnic	County Wide	166,702,000	58,489,637	35
2	Various bore holes & water projects	County Wide	414771557	49,797,016	12
3	Construction of health facilities and other current transfers	County Wide	272,888,814	28,917,845	11
4	Proposed construction of county HQ	County Wide	49,499,500	18,676,115	38
5	Opening and murraming of access roads and overhaul of roads and bridges	County Wide	43,173,720	12,138,917	28
6	Construction of administration offices & parking bay	Wundanyi HQ	16,596,858	8,740,370	53
7	refurbishment of county assembly	Wundanyi HQ	60,000,000	7,543,827	13
8	Construction of boda boda sheds,markets,social halls and rehabilitation of wundanyi,tateta,mwatate & Voi stadiums	Wundanyi, Tateta, Mwatate & Voi	22,362,685	6,857,483	31
9	Agribusiness project,demonstration farms,waer harvesting and land reclamation	County Wide	120,000,000	4,827,703	4
10	Livestock multiplication programme,slaughterhouse facility,water & buchuma LCM infrastrucute & fish ponds	Lake Jipe,Mwakitao, Mwashuma & Bura	13,221,193	4,057,968	31
11	Trade offices shows and exhibitions	County Wide	9,859,000	624,540	6
	TOTAL		**1,189,075,327**	**200,671,421**	**16.9**

Source: *Taita Taveta County Treasury*

Analysis of development expenditure indicates that the highest expenditure of Kshs.58.49 million was incurred on construction of Constuction of ECD centres, the youth improvement programme and Kambugu Youth Polytechnic, followed by Kshs.49.8 million on boreholes and water projects.

3.39.349 Budget and Budget Performance Analysis by Department

Table 3.117 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.117: Taita Taveta County, First Half FY 2016/17 Budget Performance by Department

Department	Budget allocation (Kshs. Million)		First Half of FY 2016/2017 Exchequer issues (Kshs. Million)		First Half of FY 2016/17 expenditure (Kshs. Million)		First of Half FY 2016/17 expenditure to Exchequer (Kshs. Million)		First Half of FY 2016/17 Absorption Rate (Kshs. Million)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	571	60	231.34	24.95	272.41	7.54	117.8	30.2	47.7	12.6
Administration and Devolution	853.89	21.17	222.16	13.12	133.01	8.74	59.9	66.6	15.6	41.3
The Governer's And Deputy Governor's office	127.48	46.6	43.57	27.02	76.49	18.68	175.5	69.1	60	40.1

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Department	Budget allocation (Kshs. Million)		First Half of FY 2016/2017 Exchequer issues (Kshs. Million)		First Half of FY 2016/17 expenditure (Kshs. Million)		First Half of FY 2016/17 expenditure to Exchequer (Kshs. Million)		First Half of FY 2016/17 Absorption Rate (Kshs. Million)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance and Planning	419.57	5	147.66	0.8	244.95		165.9		58.4	
Agriculture Livestock and Fisheries	82.43	165.15	68.66	70.56	65.03	8.89	94.7	12.6	78.9	5.4
Indusrialization, Energy, Research and ICT	18.73	31.85	9.91	13.46						
Water and Irrigation	35.04	414.77	20.66	153.82	20.02	49.8	96.9	32.4	57.1	12
Education and Libraries	291.19	180.87	148.48	100.89	171.04	58.49	115.2	58	58.7	32.3
Health	529.76	255.84	338.62	47.49	385.05	28.92	113.7	60.9	72.7	11.3
Trade And Community Affairs	51.77	126.08	22.38	74.25	19.76	6.86	88.3	9.2	38.2	5.4
County Public Service Board	35.31		18.52	10.71	7.95		42.9		22.5	
Infrastructure and Public Works	39.28	237.55	23.01	115.68	21.16	12.14	92	10.5	53.9	5.1
Lands and Mining	25.63	5.09	9.64	13	4.08		42.4		15.9	
Tourism and Natural Resources	38.37	15.29	27.45	10.22	22.86	0.62	83.3	6.1	59.6	4.1
TOTAL	**3,119.45**	**1,565.26**	**1,332.06**	**675.97**	**1,443.81**	**200.68**	**108.4**	**29.7**	**46.3**	**12.8**

Source: *Taita Taveta County Treasury*

Analysis of budget performance by department shows that the Department of Administration attained the highest absorption rate of development budget at 41.3 per cent followed by the Governor and Deputy Governor's Offices at 40.1 per cent while the Department of Finance and Planning, Industrialization, Energy, Research & ICT and Department of Lands & Mining did not incur any development expenditure. On the other hand, the Department of Agriculture, Livestock and Fisheries had the highest percentage of recurrent expenditure to its recurrent budget at 78.9 per cent while the Department of Industrialization , Energy, Research & ICT did not incur any recurrent expenditure at all.

3.39.350 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:

1. Improvement of staff capacity through training and recruitment of chief officers and other technical staff.
2. Adoption of IFMIS to process all financial transactions.
3. Developed regulations to operationalize the Emergency Fund.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of the budget implementation review report.
2. High wage bill that increased by 63.81 per cent from Kshs.520.64 million in the first half of FY 2015/16 to Kshs.1 billion during the period under review.
3. Under-performance in local revenue collection. The local revenue collection has declined from Kshs.71.9 million in the first Half of FY 2015/16 to Kshs.70.35 million in the reporting period

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3.40 Tana River County

3.40.351 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.4.59 billion, comprising of Kshs.2.23 billion (48.6 per cent) and Kshs.2.36 billion (51.4 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.30 billion (93.9 per cent) as equitable share of revenue raised nationally, Kshs.321.55 million (6.0 per cent) as total conditional grants, and generate Kshs.60.00 million (0.1 per cent) from local sources. The conditional grants comprise of Kshs.25.23 million (7.8 per cent) for Free Maternal Healthcare, Kshs.66.06 million (20.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.70 million (1.8 per cent) for User Fees Foregone, Kshs.4.65 million (1.4 per cent) from DANIDA, Kshs.95.74 million (29.8 per cent) for Leasing of Medical Equipment, Kshs.24.17 million (7.5 per cent) as World Bank loan to supplement financing of county health services, and Kshs.100 million (31.1 per cent) as special programme grant for supporting emergency medical services. Some conditional grants were not included in the budget. These were; Kshs.4.65 million DANIDA grant, Kshs.24.17 million World Bank Loan, and Kshs.66.06 million from the Road Maintenance Fuel Levy Fund.

3.40.352 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.97 billion as equitable share of the revenue raised nationally, Kshs.39.54 million as total conditional allocations, raised Kshs.13.30 million from local revenue sources, and had Kshs.331.75 million cash balance brought forward from FY 2015/16.

Figure 3.118 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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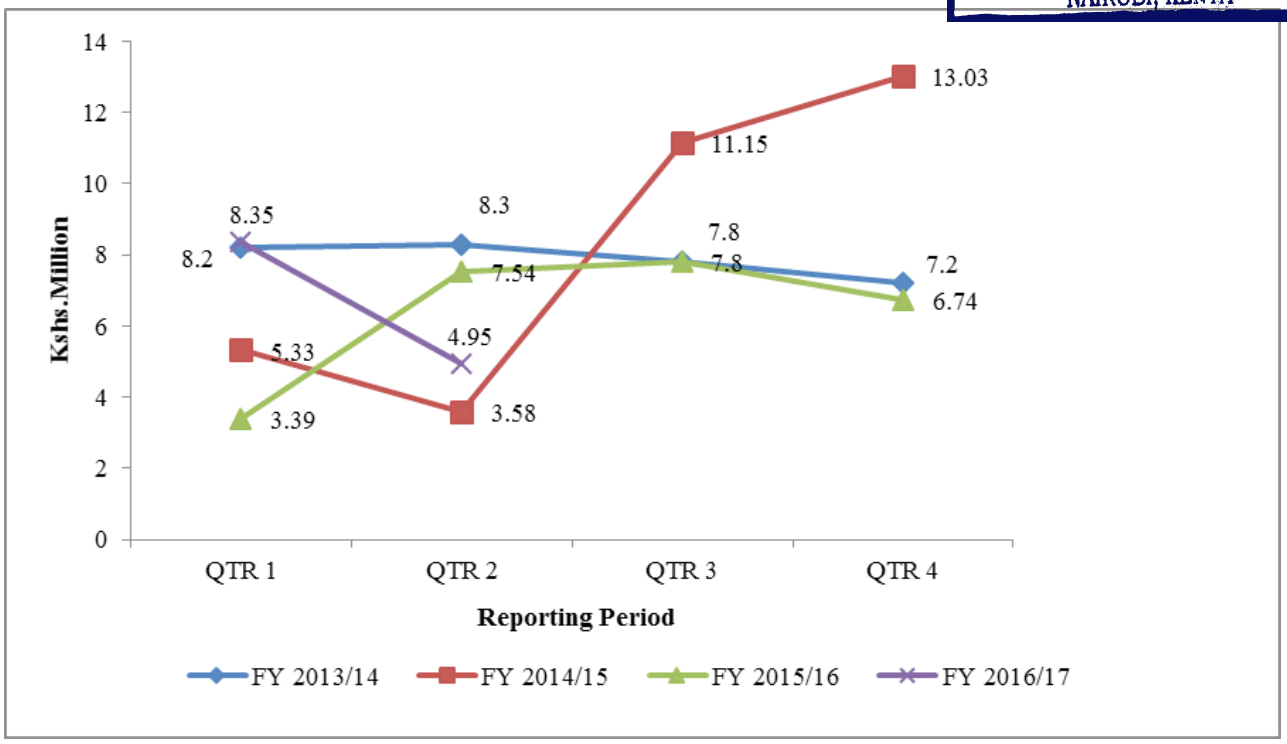
Figure 3.118: Tana River County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Tana River County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.13.30 million which is an increase of 21.7 per cent compared to Kshs.10.93 million generated in a similar period of FY 2015/16. This revenue was 22.2 per cent of the annual local revenue target.

3.40.353 Conditional Grants

Table 3.118 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.118: Tana River County analysis of conditional grants released in First Half of FY 2016/17

No.	Conditional Grant	Annual allocation based on CARA 2016 (Kshs.)	Actual receipts for the First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	66,060,281	33,030,141	50.0
2	Free Maternal Healthcare	25,230,780	3,660,000	14.5
3	User Fees Foregone	5,699,850	2,849,925	50.0
4	DANIDA Grant	4,645,000	0.00	-
6	World Bank Loan	24,174,105	0.00	-
7	Leasing of Medical Equipment	95,744,681	0.00	-
8	Other Loans and Grants	100,000,000	0.00	-
Total		**321,554,697**	**39,540,066**	**12.3**

Source: *Tana River County Treasury*

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Analysis of the conditional grants released shows that User Fees Foregone and Road Maintenance Fuel Levy Fund had the highest percentage of receipts against annual target at 50 per cent respectively. There were not receipts from four conditional grant categories namely; DANIDA grant, World Bank loan, Leasing of Medical Equipment grant, and for other loans and grants.

3.40.354 Exchequer Issues

During the reporting period, The Controller of Budget authorised withdrawal of Kshs.2.16 billion from the CRF account, which was 47.1 per cent of the Approved budget. This amount represents an increase of 22.7 per cent from Kshs.1.76 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.06 billion (49 per cent) for recurrent expenditure and Kshs.1.10 billion (51 per cent) for development activities.

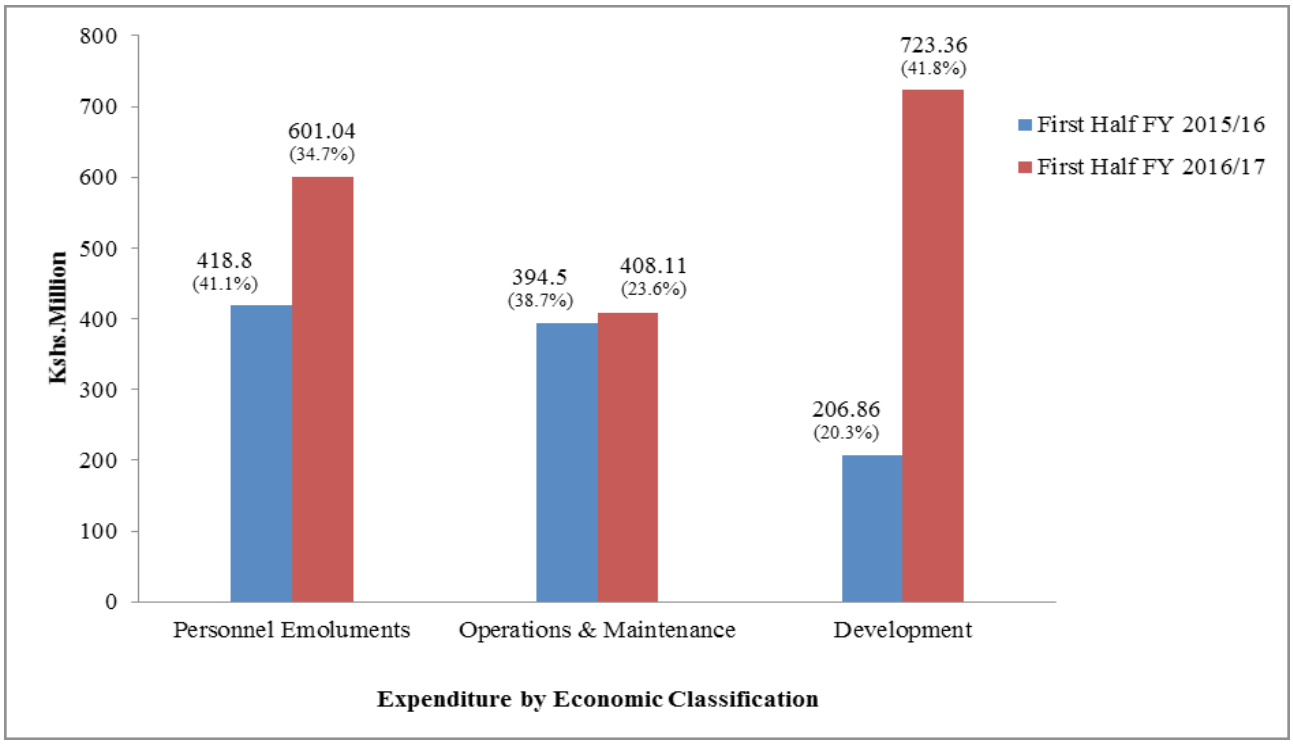
3.40.355 Overall Expenditure Review

The County spent Kshs.1.73 billion, which was 80.2 per cent of the total funds released for operations. This was an increase of over 100 per cent from Kshs.811.39 million spent in a similar period of FY 2015/16.

A total of Kshs.1.01 billion was spent on recurrent activities, while Kshs.723.36 million was spent on development activities. The recurrent expenditure was 95.3 per cent of the funds released for recurrent activities while development expenditure accounted for 65.6 per cent of the funds released for development activities.

The recurrent expenditure represented 45.3 per cent of the annual recurrent budget, an increase from 33.3 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 30.7 per cent, which was an increase from 8.2 per cent attained in a similar period of FY 2015/16. Figure 3.119 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.119: Tana River County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16



Source: *Tana River County Treasury*

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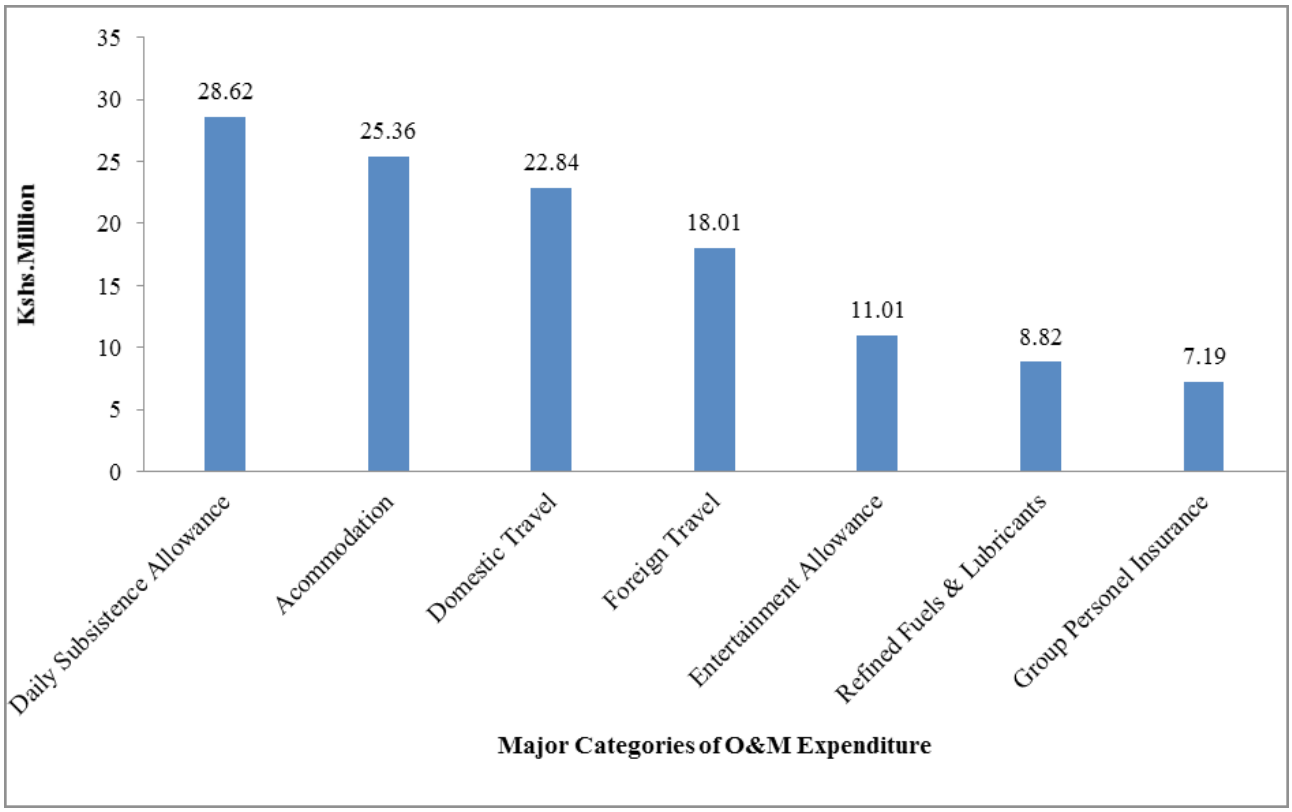
3.40.356 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.01 billion consisted of Kshs.601.04 million (59.6 per cent) spent on personnel emoluments and Kshs.408.11 million (40.4 per cent) on operations and maintenance as shown in Figure 3.119. Expenditure on personnel emoluments represented an increase of 43.5 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.418.80 million.

Figure 3.120 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.120: Tana River County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Tana River County Treasury*

The County spent Kshs.9.35 million on sitting allowances for the 26 MCAs and the Speaker against the annual budget allocation of Kshs.45 million. This was a decrease of 15.9 per cent compared to Kshs.11.12 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.57,700 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.40.85 million and consisted of Kshs.11.64 million spent by the County Assembly and Kshs.29.21 million spent by the County Executive. This was a decrease of 26.7 per cent compared to Kshs.55.72 million spent in a similar period of FY 2015/16.

3.40.357 Development Expenditure Analysis

The total development expenditure of Kshs.723.36 million represents 30.7 per cent of the annual development budget of Kshs.2.36 billion. **Table 3.119** provides a list of development projects with the highest expenditure during the period under review.

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Table 3.119 : Tana River County, List of Development Projects with the Highest Expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location)	Estimated Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Construction of Semi Permanent store and roofing of X-ray unit	Chewani	4,198,168	3,827,422	91.2
2	Hola Hospital Roads	Chewani	3,409,931	1,800,000	52.8
3	Odha Township Roads	Garsen South	4,158,254	3,200,000	77.0
4	Mororo Township Roads	Sala	6,900,000	6,080,000	88.1
5	Kasarani Catholic Roads	Chewani	3,901,296	3,700,000	94.8
6	Madogo Township Roads	Sala	3,880,000	2,800,000	72.2
7	Tarasaa Township Roads	Garsen South	5,273,010	3,150,000	59.7
8	Construction of Waldena Fence	Wayu	5,924,622	5,738,790	96.9
9	Renovation of 2 staff houses	Mikinduni	5,306,285	5,153,775	97.1
10	Construction of Security Houses at Governor's Residence	Wayu	8,755,000	5,177,353	59.2
	Total		**51,706,566**	**40,627,340**	**78.6**

Source: *Tana River County Treasury*

Analysis of the ten development projects with the highest expenditure undertaken during the first half of FY 2016/17 indicates that the highest expenditure of Kshs.6.08 million was spent on the Mororo Township road project followed by construction of Waldena Fence at Kshs.5.74 million.

3.40.358 Budget and Budget Performance Analysis by Department

Table 3.120 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.120: Tana River County, First Half FY 2016/17 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	442.44	98.09	210.31	45.85	233.75	47.94	111.1	104.6	52.8	48.9
Office of the Governor	369.28	96.21	175.53	49.34	175.46	28.40	100.0	57.6	47.5	29.5
Finance & Planning	118.00	59.55	56.10	28.11	55.58	16.49	99.1	58.7	47.1	27.7
Education	183.95	238.45	87.44	96.56	85.96	69.65	98.3	72.1	46.7	29.2
Health, Water & Sanitation	586.08	597.54	278.58	262.18	237.21	179.61	85.1	68.5	40.5	30.1
Agriculture	220.39	388.17	104.76	181.05	78.51	117.86	74.9	65.1	35.6	30.4
Environment & Natural Resources	31.13	27.35	14.80	11.13	14.50	7.63	98.0	68.6	46.6	27.9
Cohesion & Special Programmes	49.34	102.22	23.45	73.80	22.96	31.13	97.9	42.2	46.5	30.5

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Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Gender, Culture & Social Service	45.54	116.88	21.65	45.72	20.65	28.23	95.4	61.7	45.3	24.2
Trade & Tourism	71.30	230.00	33.89	120.28	32.89	76.00	97.0	63.2	46.1	33.0
Roads & Public Works	48.99	403.20	23.29	187.96	22.89	120.42	98.3	64.1	46.7	29.9
CPSB	61.09	-	29.04	-	28.79	-	99.1	-	47.1	-
TOTAL	**2,227.53**	**2,357.66**	**1,058.84**	**1,101.98**	**1,009.15**	**723.36**	**95.3**	**65.6**	**45.3**	**30.7**

Source: *Tana River County Treasury*

Analysis of budget performance by department shows that the County Assembly attained the highest absorption rate of its development budget at 48.9 per cent while the Department of Gender, Culture and Social Services incurred the lowest at 24.2 per cent. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to its recurrent budget at 52.8 per cent while the Department of Agriculture had the lowest at 35.6 per cent.

3.40.359 Observations and Recommendations

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

i. Improved staff capacity through training particularly on IFMIS and the Internet Banking.
ii. The County established the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
iii. Improved absorption of development funds. Development expenditure recorded an absorption rate of 30.7 per cent, an increase from 8.2 per cent attained in a similar period of FY 2015/16.

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

1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
2. High wage bill that increased by 43.5 per cent from Kshs.418.80 million in the first half of FY 2015/16 to Kshs.601.04 million during the period under review.
3. The County did not budget for all conditional grants as per CARA, 2016. The conditional grants that were not included in the budget were; Kshs.4.65 million from DANIDA, Kshs.24.17 million from a World Bank loan, and Kshs.66.06 million from the Road Maintenance Fuel Levy Fund.

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

1. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill and ensure compliance with Regulation 25(1) (b) of the Public Finance Management (County Governments) Regulations, 2015.*
3. *The County Treasury should ensure all conditional grants allocated through the CARA, 2016 are budgeted for to ensure smooth budget implementation.*

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3.41 Tharaka Nithi County

3.41.360 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.3.76 billion, comprising of Kshs.2.54 billion (67.6 per cent) and Kshs.1.21 billion (32.4 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.45 billion (91.8 per cent) as equitable share of revenue raised nationally, Kshs.110.80 million (2.9 per cent) as conditional grants and generate Kshs.200 million (5.3 per cent) from local sources. The conditional grants comprise of Kshs.35.26 million (31.8 per cent) for Free Maternal Healthcare, Kshs.52.02 million (46.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.52 million (7.7 per cent) for User Fees Foregone, Kshs.15 million (13.5 per cent) from DANIDA.

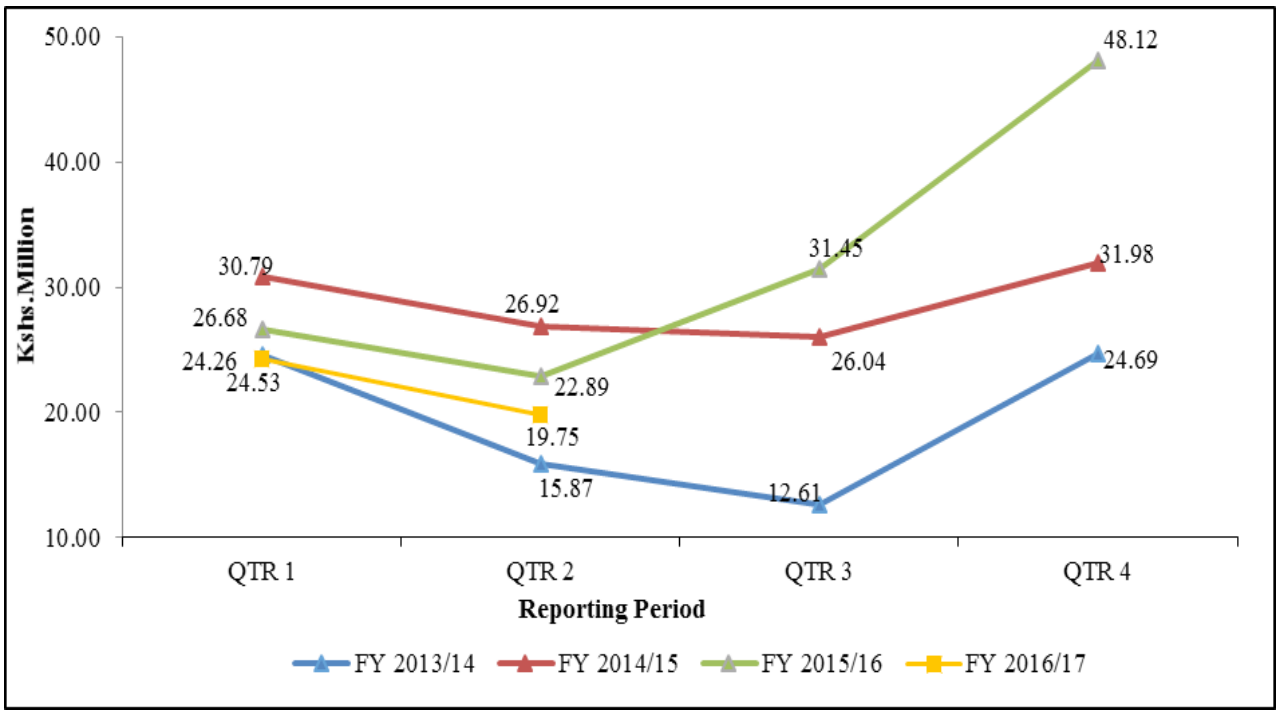
The approved revenue estimates for the conditional allocations for Free Maternity Healthcare and DANIDA exceeded the allocations provided for in CARA, 2016 by Kshs.5.41 million and Kshs.8.83 million respectively, while the Compensation for User Fees Foregone was underestimated by Kshs.0.1 million. The County did not also factor in the budget Kshs.198.50 million brought forward from the FY 2015/16 and Kshs.44.65 million conditional grant from the World Bank to support health facilities.

3.41.361 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.71 billion as equitable share of the revenue raised nationally, Kshs.43.21 million as total conditional allocations, raised Kshs.44.01 million from local revenue sources, and had a cash balance of Kshs.198.5 million brought forward from FY 2015/16.

Figure 3.121 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/2014 to the second quarter of FY 2016/17.

Figure 3.121: Tharaka Nithi County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Tharaka Nithi County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.44.01 million, representing a decrease of 11.2 per cent compared to Kshs.49.57 million generated in a similar period of FY 2015/16. This revenue was 22 per cent of the annual local revenue target.

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3.41.362 Conditional Grants

Table 3.121 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.121: Tharaka Nithi County analysis of conditional grants released in First Half of FY 2016/17

No.	Conditional Grant	Annual allocation based in CARA, 2016 (Kshs.)	Actual receipts from Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	52,017,792	26,008,896	50
2	World Bank Grant	44,654,343	-	-
3	Free Maternal Health Care	29,853,703	12,990,000	43.5
4	User Fees Foregone	8,419,197	4,209,598	50
5	DANIDA Grant	6,165,000	-	-
Total		**141,110,035**	**43,208,494**	**30.6**

Source: *Tharaka Nithi County Treasury*

Analysis of the conditional grants released for the period under review indicates that, both the Road Maintenance Fuel Levy Fund and User Fees Foregone recorded receipts amounting to 50 per cent of the annual target followed Free Maternal Healthcare which recorded a performance of 43.5 per cent. There were no receipts for the World Bank loan and the DANIDA grant during the reporting period.

3.41.363 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.55 billion from the CRF account, which was 41.2 per cent of the Approved Budget. This amount represents an increase of 9.6 per cent from Kshs.1.41 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.22 billion (78.6 per cent) for recurrent expenditure and Kshs.331.12 million (21.4 per cent) for development activities.

3.41.364 Overall Expenditure Review

The County spent Kshs.1.39 billion, which was 89.8 per cent of the total funds released for operations. This was an increase of 27.5 per cent from Kshs.1.09 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.11 billion was spent on recurrent activities, while Kshs.281.63 million was spent on development activities. The recurrent expenditure was 91 per cent of the funds released for recurrent activities while development expenditure accounted for 85.1 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.75.37 million for development and Kshs.74.41 million for recurrent expenditure.

The recurrent expenditure represented 43.7 per cent of the annual recurrent budget, an increase from 41.3 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 23.2 per cent, which was an increase from 15 per cent attained in a similar period of FY 2015/16. Figure 3.122 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

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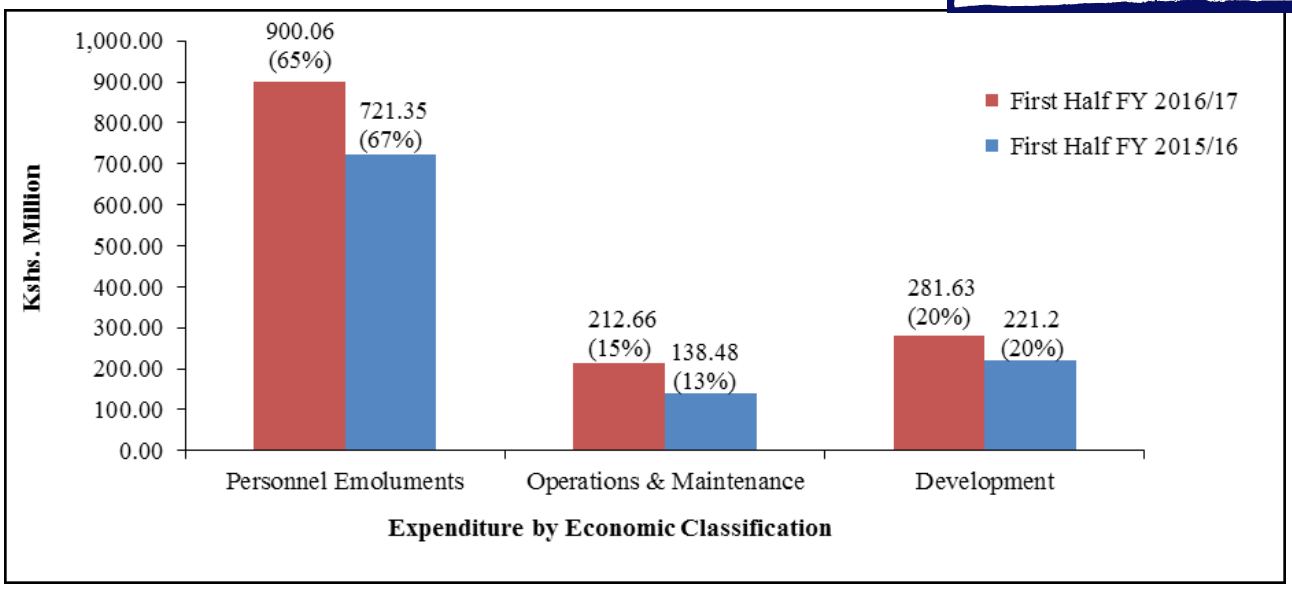
Figure 3.122: Tharaka Nithi County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16

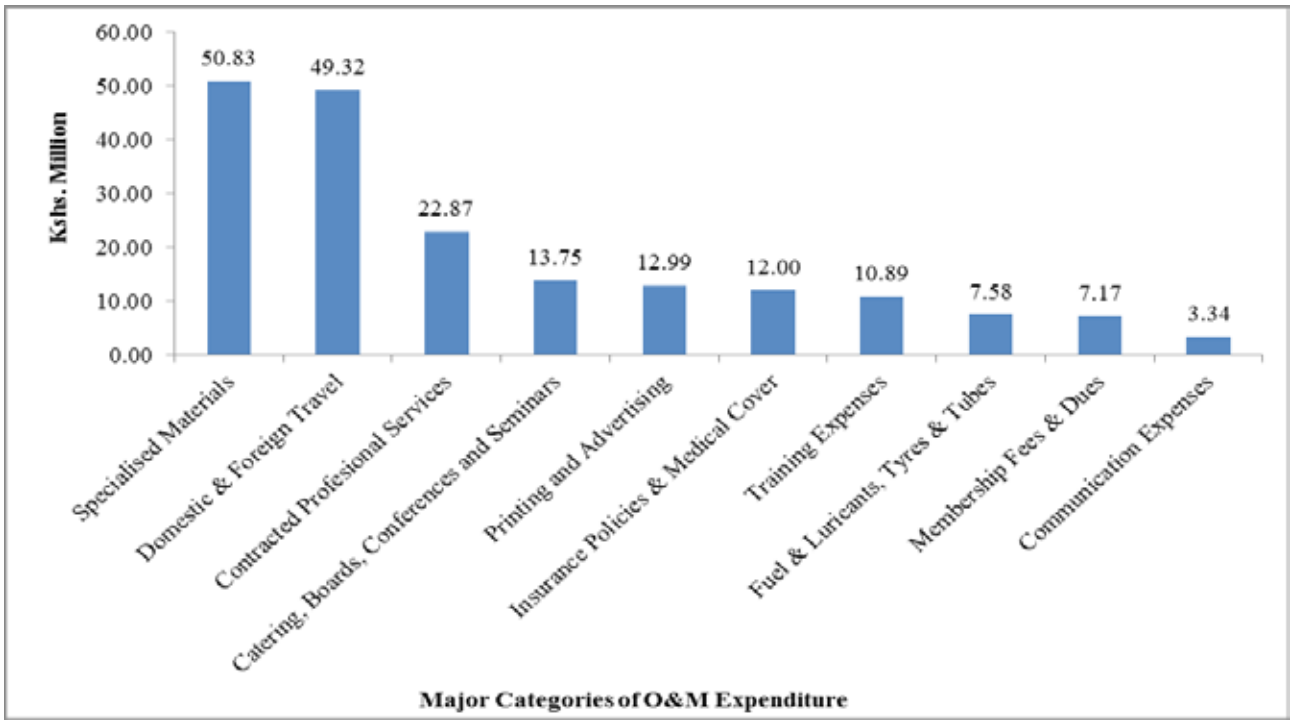


Source: *Tharaka Nithi County Treasury*

3.41.365 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.11 billion consisted of Kshs.900.06 million (80.9 per cent) spent on personnel emoluments and Kshs.212.66 million (19.1 per cent) on operations and maintenance as shown in Figure 3.122. Expenditure on personnel emoluments represented an increase of 24.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.721.35 million. Figure 3.123 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.123: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories for the First Half of FY 2016/17



Source: *Tharaka Nithi County Treasury*

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The County spent Kshs.13.61 million on sitting allowances for the 24 MCAs and the Speaker against the annual budget allocation of Kshs.36.66 million. This was an increase of 96.1 per cent compared to Kshs.6.94 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.90,701 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.49.32 million and consisted of Kshs.24.65 million spent by the County Assembly and Kshs.24.67 million spent by the County Executive. This was an increase of 17 per cent compared to Kshs.42.14 million spent in a similar period of FY 2015/16.

3.41.366 Development Expenditure Analysis

The total development expenditure of Kshs.281.63 million represents 23.2 per cent of the annual development budget of Kshs.1.21 billion. Table 3.122 provides a list of development projects with the highest expenditure during the period under review.

Table 3.122: Tharaka Nithi County, List of development projects with the highest expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Expected Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Maintenance and improvement of feeder roads	County Wide	150,000,000	68,830,395	45.9
2	Rehabiliation, Maintenanc of roads and civil works	County Wide	90,000,000	61,147,321	67.9
3	Market Construction	County Wide	40,000,000	18,006,283	45
4	Purchase of Medical equipment	Karingani	14,000,000	10,489,266	74.9
5	Milk cooler- Installation	Upper zone	10,000,000	10,000,000	100
6	Other infrastructure project	County Wide	20,000,000	9,554,999	47.8
7	Marimanti paediatric ward	Marimanti	8,000,000	7,496,424	93.7
8	Magutuni Hospital Theatre	Mwimbi	7,000,000	7,277,856	104
9	Kathwana Health Centre	Igamba/Ngombe	8,000,000	3,397,213	42.5
10	Chiakariga Maternity	Chiakariga	3,000,000	3,224,480	107.5
	Total		**350,000,000**	**199,424,237**	**57.0**

Source: *Tharaka Nithi County Treasury*

Analysis of development expenditure by project indicated that, the highest expenditure of Kshs.68.83 million was incurred on maintenance and improvement of feeder roads while the second highest expenditure of Kshs.61.15 million was incurred on civil works.

3.41.367 Budget and Budget Performance Analysis by Department

Table 3.123 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

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Table 3.123: Tharaka Nithi CountyBudget Performance by Department for the First Half FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	166.28	0.00	81.67	0.00	66.09	0.00	80.9	0.0	39.7	0.0
Finance and Economic	250.64	95.00	123.33	24.00	106.88	15.57	86.7	64.9	42.6	16.4
Labour and Urban Development	148.54	90.00	75.92	20.00	62.47	3.90	82.3	19.5	42.1	4.3
Education, Youth, Gender and Social Service	170.29	84.00	73.21	25.21	70.25	25.57	96	101..4	41.3	30.4
Health Service	936.16	113.00	468.09	22.00	493.20	41.73	105.4	189.7	52.7	36.9
Physical planning and Land	61.03	31.00	25.99	0.00	14.08	2.28	54.2	0.0	23.1	7.4
Tourism, Environment and Natural Services	51.40	7.00	23.95	3.50	23.68	3.90	98.9	111.4	46.1	55.7
Road, Transport, Housing, Public work and legal affairs	69.96	482.00	30.88	137.91	8.67	134.10	28.1	97.2	12.4	27.8
Agriculture, Livestock and Fisheries Development	204.18	97.28	102.09	38.00	102.68	18.27	100.6	48.1	50.3	18.8
Trade, Industry and Cooperative development	43.04	98.00	19.54	25.00	13.88	18.01	71	72	32.2	18.4
County Assembly	402.25	0.00	170.10	0.00	138.56	0.00	81.5	0.0	34.4	0.0
County Public Services Board	29.94	0.00	15.29	0.00	12.27	0.00	82.9	0.0	42.3	0.0
Water services and Irrigation	8.92	117.00	5.46	35.00	0.00	18.32	0.0	52.3	0.0	15.7
TOTAL	**2,542.63**	**1,214.78**	**1,215.54**	**331.12**	**1,112.71**	**281.63**	**91.5**	**85.1**	**43.8**	**23.2**

Source: *Tharaka Nithi County Treasury*

Analysis of budget performance by department shows that the Department of Tourism, Environment and Natural Resources attained the highest absorption rate of development budget at 55.7 per cent while the Department of Labour and Urban Development had lowest absorption at 4.3 per cent. On the other hand, the Department of Health Services had the highest percentage of recurrent expenditure to its recurrent budget at 52.7 per cent while the Department of Water Services did not any incur recurrent expenditure budget during the reporting period.

3.41.368 Observations and Recommendations

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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 to 23.2 per cent compared to 15 per cent in a similar period of FY 2015/16.
ii. The County established the County Budget and Economic Forum (CBEF) as per Section 137 of the PFM Act, 2012.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of the budget implementation report.
2. Failure by the Fund Administrator to submit expenditure reports of the Car & Mortgage Fund contrary to Section 168 of the PFM Act, 2012.
3. High wage bill that increased by 24.8 per cent from Kshs.721.35 million in the first half of FY 2015/16 to Kshs.900.06 million during the period under review. The wage bill represented 64.6 per cent of the total expenditure in the first half of 2016/17.
4. Under-performance in local revenue collection, which declined by 12.6 per cent from Kshs.49.57 million in the first half of FY 2015/16 to Kshs.44.01million during the reporting period.
5. Intermittent use of IFMIS in processing financial transactions contrary to Section 12 of the PFM Act, 2012.
6. Failure to develop regulations to operationalize the established County Public Funds such as the Emergency Fund, Bursary Fund, Staff Loan & Mortgage and Joint Loan Board, contrary Section 116 of the PFM Act, 2012

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The Car Loan and Mortgage Fund Administrator should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
4. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
5. *The County Treasury should liaise with the National Treasury to ensure IFMIS is used by all county public entities in processing financial transactions.*
6. *The County should ensure that regulations establishing any County Public Fund are in place in line with Section 116 of the PFM Act, 2012 prior to operationalization of the Fund.*

3.42 Trans Nzoia County

3.42.369 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.6.87 billion, comprising of Kshs.3.65 billion (53.1 per cent) and Kshs.3.22 billion (46.9 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.50 billion (80.1 per cent) as equitable share of revenue raised nationally, Kshs.283.46 million (4.1 per cent) as total conditional grants, generate Kshs.500 million (7.3 per cent) from local revenue sources, and Kshs.585 million (8.5 per cent) as cash balance from FY

2015/16. The conditional grants comprise of Kshs.144.20 million (50.9 per cent) for Free Maternal Healthcare, Kshs.84.55 million (29.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.21 million (7.1 per cent) for User Fees Foregone, Kshs.5.67 million 2.1 per cent) from DANIDA and Kshs.28.84 million (10.1 per cent) from Other Loans and Grants.

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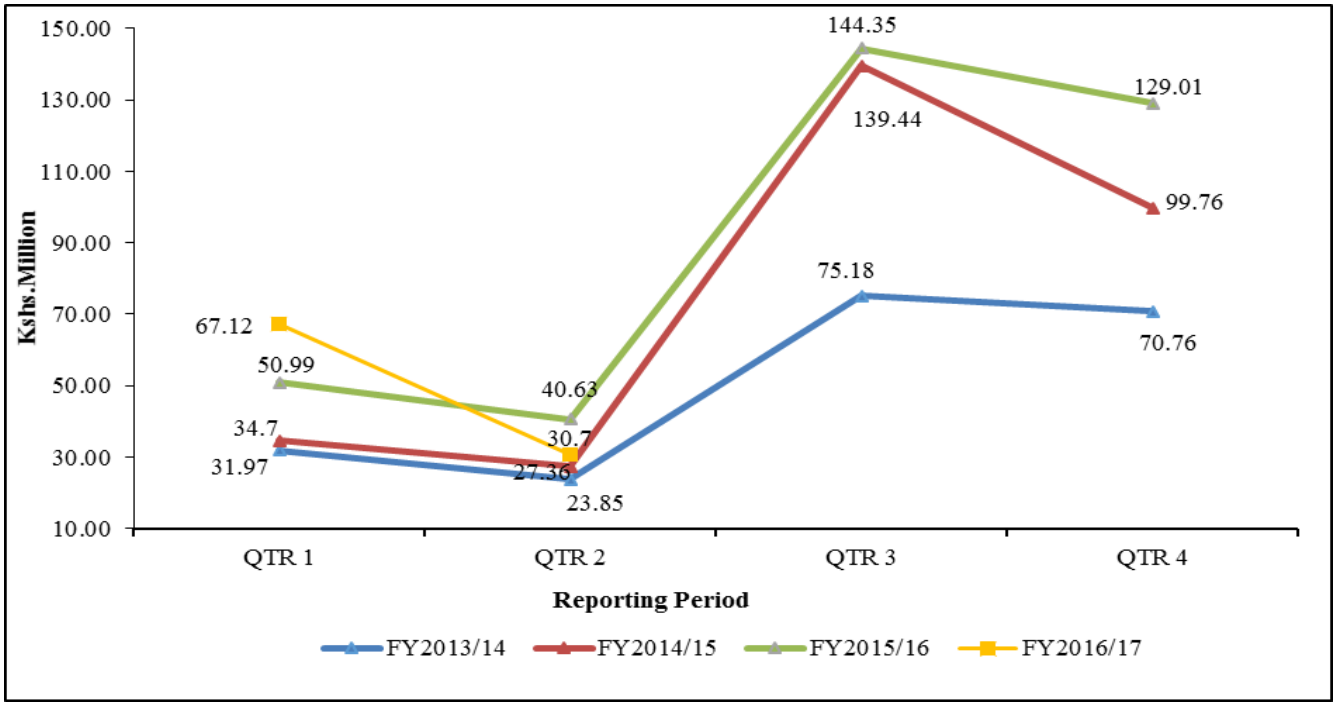
3.42.370 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.2.34 billion as equitable share of the revenue raised nationally, Kshs.81.65 million as total conditional allocations, raised Kshs.97.82 million from local revenue sources, and had a cash balance of Kshs.261.08 million brought forward from FY 2015/16.

Figure 3.124 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.124: Trans Nzoia County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17



Source: *Trans Nzoia County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.97.82 million which is an increase of 6.8 per cent compared to Kshs.91.62 million generated in a similar period of FY 2015/16. This revenue was 19.6 per cent of the annual local revenue target.

3.42.371 Conditional Grants

Table 3.124 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.124: Trans Nzoia County analysis of conditional grants released in the First Half of FY 2016/17

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No.	Conditional Grant	Amount allocated as provided in CARA 2016 (Kshs.)	First Half of FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	84,546,600	42,273,300	50.0
2	User Fees Foregone	20,209,153	10,104,576	50.0
3	Free Maternal Healthcare	76,292,795	29,275,000	38.4
4	DANIDA Grant	5,665,000	-	0
Total		**186,713,548**	**81,652,876**	**43.7**

Source: *Trans Nzoia County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and User Fees Foregone recorded the highest receipts against annual target at 50 per cent. The Free Maternal Healthcare reported 38.4 per cent against its annual target.

The Approved Budget estimates indicate that Kshs.28.84 million is expected from the World Bank as a training grant, this is not contained in the CARA 2016. Further, the county has budgeted for Kshs.144.20 million, as Free Maternal Healthcare instead of Kshs.76.29 million as provided in CARA, 2016.

3.42.372 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.72 billion from the CRF account, which was 39.5 per cent of the Approved Budget. This amount represents an increase of 46.2 per cent from Kshs.1.86 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.76 billion (65 per cent) for recurrent expenditure and Kshs.950.49 million (35 per cent) for development activities.

3.42.373 Overall Expenditure Review

The County spent Kshs.2.52 billion, which was 92.8 per cent of the total funds released for operations. This was an increase of 49.1 per cent from Kshs.1.69 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.77 billion was spent on recurrent activities, while Kshs.746.97 million was spent on development activities. The recurrent expenditure was 100.6 per cent of the funds released for recurrent activities while development expenditure accounted for 78.6 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.184.15 million for development and Kshs.162.06 million for recurrent expenditure.

The recurrent expenditure represented 48.7 per cent of the annual recurrent budget, an increase from 40.7 per cent spent in a similar period in FY 2015/16. Development expenditure recorded an absorption rate of 23.2 per cent, which was an increase from 11 per cent attained in a similar period of FY 2015/16. Figure 3.125 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

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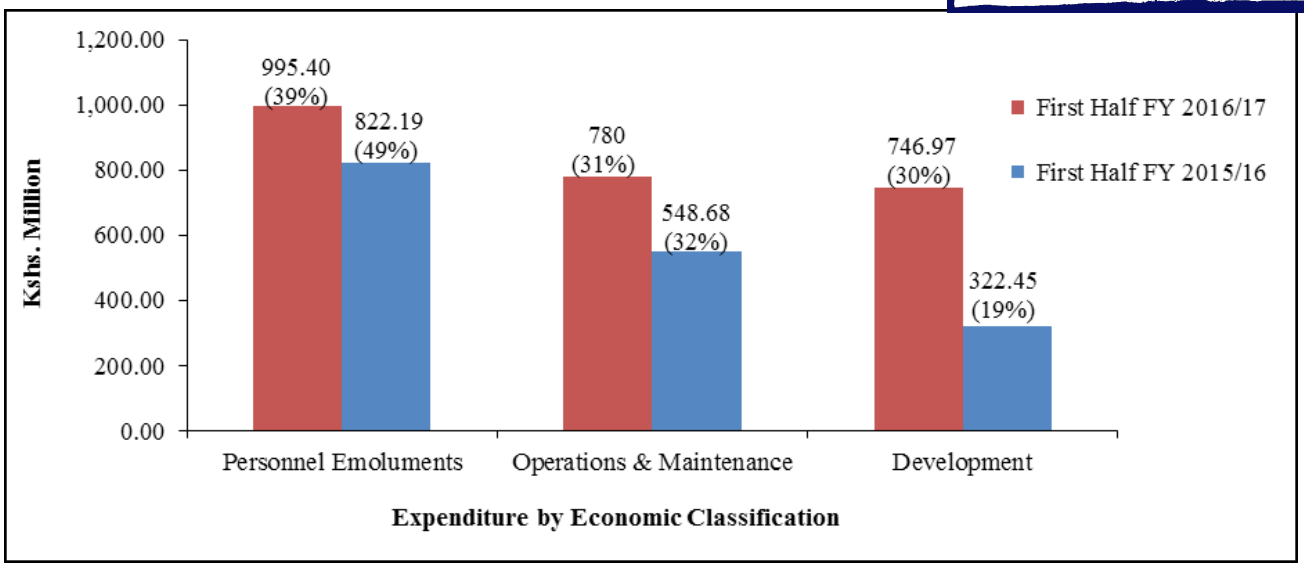
Figure 3.125: Trans Nzoia County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16



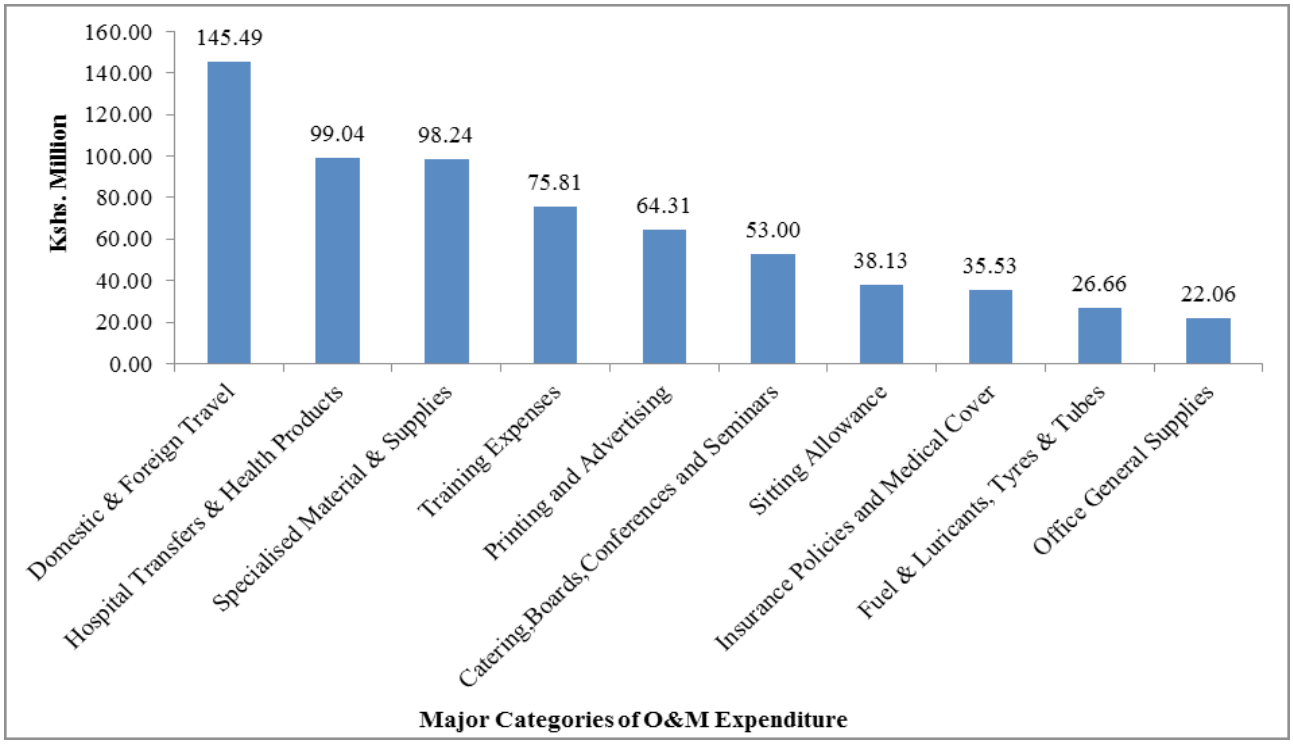
Source: *Trans Nzoia County Treasury*

3.42.374 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.77 billion consisted of Kshs.995.40 million (56 per cent) spent on personnel emoluments and Kshs.780 million (44 per cent) on operations and maintenance as shown in Figure 3.125. Expenditure on personnel emoluments represented an increase of 21 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.822.19 million.

Figure 3.126 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.126: Trans Nzoia County, Operations and Maintenance Expenditure by Major Categories for the First Half of FY 2016/17



Source: *Trans Nzoia County Treasury*

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The County spent Kshs.38.13 million on sitting allowances for the 39 MCAs and the Speaker against the annual budget allocation of Kshs.82.27 million. This was an increase of 12.5 per cent compared to Kshs.33.88 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.158,893 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.145.49 million and consisted of Kshs.34.45 million spent by the County Assembly and Kshs.111.04 million spent by the County Executive. This was an increase of 46.7 per cent compared to Kshs.99.20 million spent in a similar period of FY 2015/16.

3.42.375 Development Expenditure Analysis

The total development expenditure of Kshs.746.97 million represents 23.2 per cent of the annual development budget of Kshs.3.22 billion. Table 3.125 provides a list of development projects with the highest expenditure during the period under review.

Table 3.125: Trans Nzoia County, List of development projects with the highest expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	5 Tipper Trucks	Countywide	505,000,000	42,435,000	74.6
	10 Motor Graders			194,200,000	
	2 Water Bowsers			16,675,000	
	5 Drum Rollers			47,200,000	
	2 Excavators			49,990,000	
	Wheel Loader			12,956,000	
	Ashok Service Vehicle			13,397,500	
2	Construction of County Referral Hospital	Matisi	338,000,000	96,512,147	28.6
3	Construction of modern bus park	Tuwan	154,000,000	27,757,618	18.0
4	Construction of grain store	Kwanza	6,000,000	1,841,121	30.7
5	Twin workshop construction	Kabomboi	4,400,000	1,352,088	30.7
	Total		**1,007,400,000**	**504,316,474**	**50.1**

Source: *Trans Nzoia County Treasury*

Analysis of the development expenditure indicates that the highest expenditure of Kshs.558.93 million was incurred by the Public Works, Transport and Infrastructure Department out of which, Kshs.376.85 million was spent on acquisition of road machinery and Kshs.27.76 million on construction of a modern bus park. The second highest expenditure of Kshs.107.18 million was incurred by the Health Department, where, Kshs.96.51 million was spent on construction of a County referral hospital.

3.42.376 Budget and Budget Performance Analysis by Department

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Table 3.126 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.126:Trans Nzoia County, Budget Performance by Department for the First Half of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries & Cooperative Development	261.27	148.06	114.25	32.89	108.20	33.08	94.7	100.6	17.2	22.3
Economic Planning, Commerce & Industry	32.03	125.50	17.51	-	20.52	0.84	117.2	0.0	64.1	0.7
Environment, Water & Natural Resources	61.97	209.00	32.38	44.95	29.17	8.53	90.1	19.0	47.1	4.1
Public Works, Transport and Infrastructure	225.03	1,258.26	115.09	641.79	117.53	558.93	102.1	87.1	52.2	44.4
Health Services	1,462.30	619.58	723.11	137.13	638.26	107.18	88.3	78.2	43.6	17.3
Lands, Housing and Urban Development	29.30	195.02	16.00	10.60	14.37	15.87	89.8	149.7	49.0	8.1
Gender, Youth, Sports, Culture, Children & Tourism	49.98	182.55	29.02	25.83	26.60	12.10	91.7	46.8	53.2	6.6
Education , ICT & Vocational Training	340.15	172.90	167.15	57.30	117.14	3.70	70.1	6.5	34.4	2.1
Governance & Public Service Management	268.08	22.00	132.77	-	284.55	-	214.3	0.0	106.1	0.0
Finance	384.59	106.50	150.15	-	161.00	6.74	107.2	0.0	41.9	6.3
County Assembly	534.27	182.67	267.14	-	258.04	-	96.6	0.0	48.3	0.0
TOTAL	**3,648.97**	**3,222.04**	**1,764.57**	**950.49**	**1,775.38**	**746.97**	**100.6**	**78.6**	**48.7**	**23.2**

Source: *Trans Nzoia County Treasury*

Analysis of budget performance by department shows that the Department of Public Works, Transport and Infrastructure attained the highest absorption of development budget at 44.4 per cent, followed by the Department of Agriculture, Livestock, Fisheries and Cooperative Development at 22.3 per cent. On the other hand, the Department of Governance and Public Service Management had the highest percentage of recurrent expenditure to its recurrent budget at 106.1 per cent while the Department of Agriculture, Livestock, Fisheries & Cooperative Development had the lowest at 17.2 per cent.

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3.42.377 Observations and Recommendations

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

i. Improvement in absorption of development funds to 23.2 per cent attained in the first half of FY 2016/17 compared to 11 per cent achieved in the same period of FY 2015/16.
ii. Timely submission of quarterly reports to the Controller of Budget in line with Section 166 of the PFM Act, 2012.

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

1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155(5) of the PFM Act, 2012.

2. Intermittent use of IFMIS in processing financial transactions contrary to Section 12(e) of the PFM Act, 2012.

3. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.2.34 billion had been disbursed against an expected disbursement of Kshs.2.78 billion based on the CARA, 2016 Disbursement Schedule.

4. High wage bill that increased by 21 per cent from Kshs.822.19 million in the first half of FY 2015/16 to Kshs.995.40 million during the period under review. The wage bill translated to 39.5 per cent of the total expenditure during the period under review.

5. The County included Kshs.28.84 million from World Bank in the approved budget estimates which was not captured in the CARA, 2016. Further, Kshs.144.20 million for Free Maternal Healthcare was included in the budget estimates instead of Kshs.76.29 million as provided for in CARA, 2016.

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

1. *The County should establish an Internal Audit Committee in line with Section 155(5) of the PFM Act, 2012.*

2. *The County Treasury should liaise with the National Treasury to ensure IFMIS is used by all county public entities in processing all financial transactions.*

3. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*

4. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

5. *The County should budget for all revenue streams as provided for in the CARA, 2016.*

3.43 Turkana County

3.43.378 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.15.03 billion, comprising of Kshs.4.21 billion (28 per cent) and Kshs.10.82 billion (72 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.11.31 billion (75.2 per cent) as equitable share of

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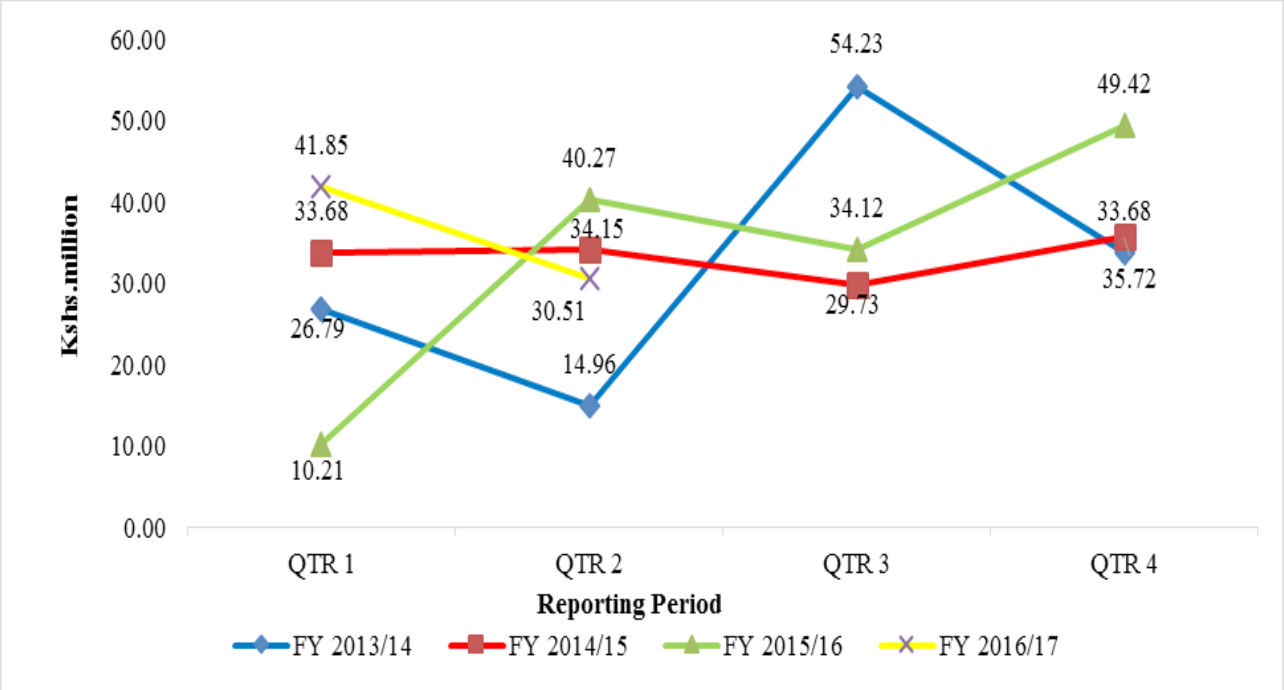
revenue raised nationally, Kshs.381.10 million (2.5 per cent) as total conditional grants, generate Kshs.180 million (1.2 per cent) from local revenue sources, and Kshs.3.16 billion (21 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.31.96 million (8.4 per cent) for Free Maternal Healthcare, Kshs.173.73 million (45.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.12 million (6.9 per cent) for User Fees Foregone, Kshs. 43.44 for World Bank Support towards health facilities (11.4), Kshs.6.04 million (1.6 per cent) from DANIDA, Kshs.67.26 (17.6 per cent) for results based financing, and Kshs.32.56 million (8.5 per cent) from Other Loans and Grants.

3.43.379 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.4.81 billion as equitable share of the revenue raised nationally, Kshs.115.91 million as total conditional allocations, raised Kshs.72.36 million from local revenue sources, and had a cash balance of Kshs.2.8 billion brought forward from FY 2015/16.

Figure 3.127 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.127: Turkana County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the second quarter FY 2016/17.



Source: *Turkana County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.72.36 which is an increase of 43.3 per cent compared to Kshs.50.48 million generated in a similar period of FY 2015/16. This revenue was 40.2 per cent of the annual local revenue target.

3.43.380 Conditional Grants

Table 3.127 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.127: Turkana County Analysis of Conditional Grants released in First Half of FY 2016/17

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No.	Conditional Grant	Amount allocated as provided in CARA 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Levy fund to roads	173,732,145	86,866,073	50.0
2	Free maternal care to health	31,964,040	15,982,020	50.0
3	World bank to health facilities	67,258,982	-	-
4	Foregone user fees to health	26,122,720	13,061,360	50.0
5	Danida Grant to health	6,035,000	-	-
6	Kenya Devolution Support Programme Trust	43,439,295	-	-
7	Loans and grants - others	32,556,700	-	-
Total		**381,108,882**	**115,909,453**	**30.4**

Source: *Turkana County Treasury*

Analysis of the conditional grants released for the period under review indicates that; the Road Maintenance Fuel Levy Fund, Free Maternal Healthcare and User Fees Foregone to health facilities recorded the highest receipts at 50 per cent. The County is yet to receive funds from the following conditional grants; World Bank grant to health facilities, Kenya Devolution Support Programme Trust and DANIDA Grant to health facilities.

3.43.381 Exchequer Issues

During the reporting period, Controller of Budget authorised withdrawal of Kshs.5.85 billion from the CRF account, which was 38.9 per cent of the Approved Budget. This amount represents an increase of 30 per cent from Kshs.4.50 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.15 billion (36.8 per cent) for recurrent expenditure and Kshs.3.7 billion (63.2 per cent) for development activities.

3.43.382 Overall Expenditure Review

The County spent Kshs.5.99 billion, which was 102.3 per cent of the total funds released for operations. This was an increase of 49.6 per cent from Kshs.4.0 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.13 billion was spent on recurrent activities, while Kshs.3.85 billion was spent on development activities. The recurrent expenditure was 99.1 per cent of the funds released for recurrent activities while development expenditure accounted for 104.2 per cent of the funds released for development activities. The county did not have any outstanding commitments as at 31st December, 2016.

The recurrent expenditure represented 50.7 per cent of the annual recurrent budget, an increase from 46 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 35.6 per cent, which was an increase from 22.7 per cent attained in a similar period of FY 2015/16. Figure 3.128 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

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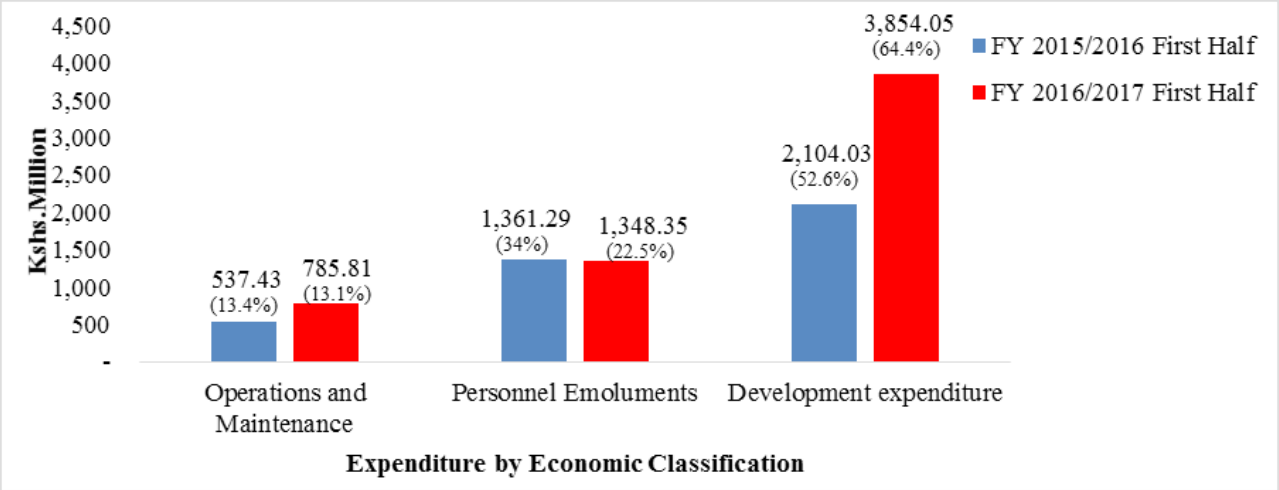
Figure 3.128: Turkana County, Expenditure by Economic Classification for the first half of FY 2016/17 and the frst half of FY 2015/16



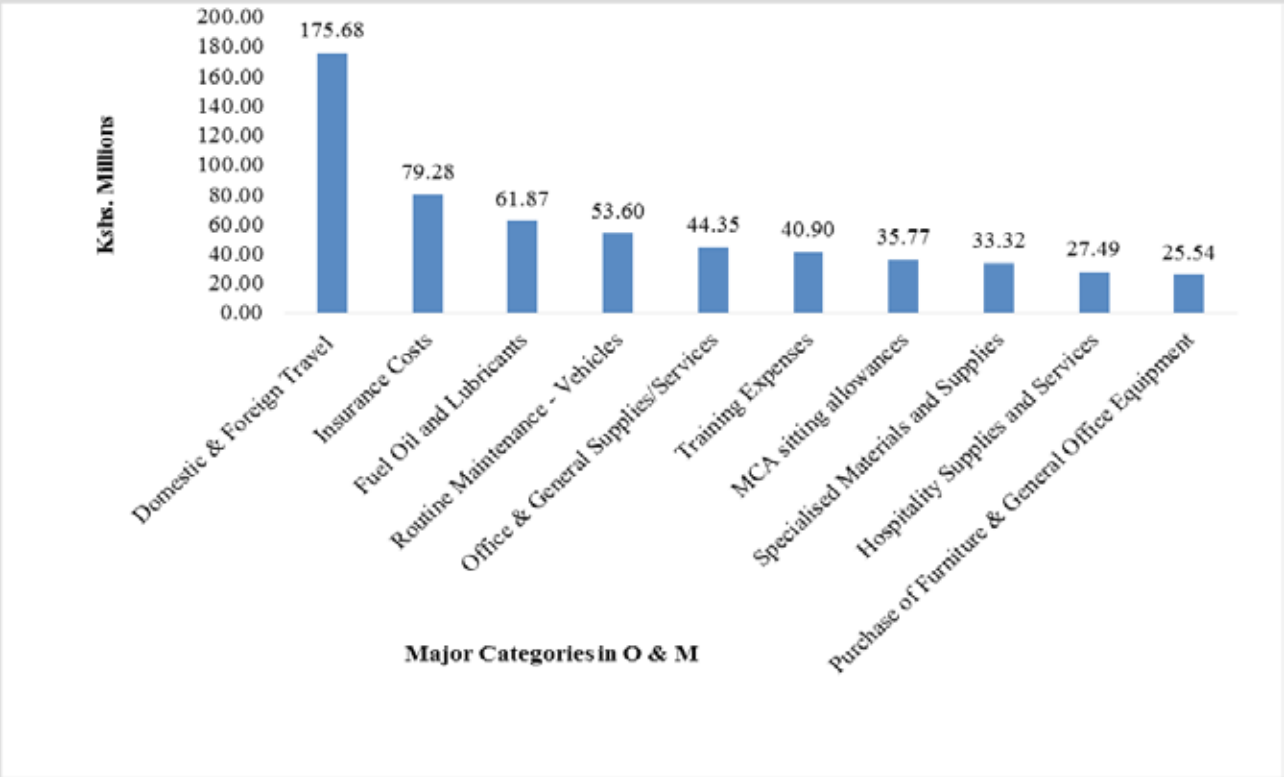
Source: *Turkana County Treasury*

3.43.383 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.13 billion consisted of Kshs.1.35 billion (63.2 per cent) spent on personnel emoluments and Kshs.785.81 million (36.8 per cent) on operations and maintenance as shown in Figure 3.128. Expenditure on personnel emoluments represented a decrease of 1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.36 billion.

Figure 3.129 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.129: Turkana County, Operations and Maintenance Expenditure by Major Categories for the First Half of FY 2016/17



Source: *Turkana County Treasury*

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The County spent Kshs.35.77 million on sitting allowances for the 47 MCAs and the Speaker against the annual budget allocation of Kshs.73.78 million. This was an increase of 73.9 per cent compared to Kshs.20.57 million spent in the same period of FY 2015. The average monthly sitting allowance was Kshs.124,186 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.175.68 million and consisted of Kshs. 53.64 million spent by the County Assembly and Kshs.122.03 million spent by the County Executive. This was an increase of 84.4 per cent compared to Kshs.95.26 million spent in a similar period of FY 2015/16.

3.43.384 Development Expenditure Analysis

The total development expenditure of Kshs.3.85 billion represents 35.6 per cent of the annual development budget of Kshs.10.82 billion. **Table 3.128** provides a list of development projects with the highest expenditure during the period under review.

Table 3.128 : Turkana County, List of development projects with the highest expenditure in the First Half of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Construction and Protection of 13 Water Pans	All the 6 sub counties	257,195,213	318,111,996	123.7
2	Construction of 4 irrigation Schemes	Nakwamu Kaptir Kanaodon	171,949,901	305,178,300	177.5
3	Construction of new dispensaries, 1 per Ward	All the 30 wards	353,116,073	283,728,598	80.3
4	Rural Roads at Wards	Spread across the entire County	131,022,292	172,181,101	131.4
5	Improvement of sub-county headquarters water supplies	Lokichar, Lokori, Lokitaung, Lorugum, Kalokol, Kakuma and Kibish	140,000,000	151,286,007	108.1
6	ECDE Development Programme	Spread across the entire County	498,468,435	133,811,736	26.8
7	Construction of County Headquarters	Lodwar	150,000,000	126,787,480	84.5
8	Procurement of equipment for dispensaries, health centers, sub-county hospitals and LCRH.	Spread across the entire County	81,000,000	118,483,659	146.3
9	Pharmaceuticals	Entire Hospitals in the County	255,000,000	107,303,046	42.1
10	Conflict Prevention, Mitigation and Resettlement	Spread across the entire County	70,000,000	98,960,323	141.4
	Total		**2,107,751,914**	**1,815,832,246**	**86.2**

Source: *Turkana County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.318.11 million was incurred on the construction and protection of 13 water pans in all the six sub counties followed by the construction 4 irrigation schemes at Nakwamu, Kaptir and Kanaodon whose total expenditure was Kshs.305.18 million against a budget of Kshs.171.95 million.

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3.43.385 Budget and Budget Performance Analysis by Department

Table 3.129 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.129: Turkana County, First Half FY 2016/17 Budget Performance by Department

DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		First half FY 2016/17 Exchequer Issues (Kshs. Million)		First half FY 2016/17 Expenditure (Kshs. Million)		First half FY 2016/17 Expenditure to Exchequer Issues (%)		First half FY 2016/17 Absorption rate (%)	
	REC.	DVT.	REC.	DVT.	REC.	DVT.	REC.	DVT.	REC.	DVT.
Governance (Office of the Governor and Liaison)	164.13	468.70	63.00	156.00	64.03	279.10	101.6	178.9	39.0	59.5
Office of the Deputy Governor	29.52	-	22.40	-	5.41	-	24.2	-	18.3	-
Finance and Planning	197.74	991.21	106.70	387.19	120.53	491.61	113.0	127.0	61.0	49.6
Water services, Irrigation & Agriculture	65.33	1,622.97	36.96	468.80	21.04	1,075.85	56.9	229.5	32.2	66.3
Health & Sanitation Services	170.82	1,763.40	84.85	669.51	181.39	866.65	213.8	129.4	106.2	49.1
Tourism, Trade & Industrialization	60.57	555.01	37.00	158.08	32.25	112.09	87.2	70.9	53.2	20.2
Education and Social Services	36.38	1,620.39	33.75	345.44	5.63	299.33	16.7	86.6	15.5	18.5
Public Services, Decentralized Admin. & Disaster Management	2,346.82	865.13	1,173.76	356.82	1,205.19	181.26	102.7	50.8	51.4	21.0
Transport, Roads & Public Works	62.02	1,213.20	39.81	492.93	27.27	201.54	68.5	40.9	44.0	16.6
Pastoral Economy & Fisheries	63.21	482.68	35.09	154.45	10.02	127.31	28.6	82.4	15.8	26.4
Energy, Environment & Natural Resources	38.08	308.05	24.03	162.10	18.71	106.03	77.9	65.4	49.1	34.4
Lands, Physical Planning, Housing & Urban Areas Mgt.	63.17	438.23	38.41	177.78	25.56	92.87	66.6	52.2	40.5	21.2
County Assembly	830.77	420.39	408.79	133.00	399.13	-	97.6	-	48.0	-
County Public Service Board	79.37	69.01	49.12	35.19	17.99	20.42	36.6	58.0	22.7	29.6
TOTAL	**4,208**	**10,818**	**2,154**	**3,697**	**2,134**	**3,854**	**99.1**	**104.2**	**50.7**	**35.6**

Source: *Turkana County Treasury*

Analysis of budget performance by department shows that the Department of Water services, Irrigation & Agriculture attained the highest absorption rate of its development budget at 66.3 per cent while the County Assembly did not incur any development expenditure. On the other hand, the Health & Sanitation Services department had the highest percentage of recurrent expenditure to its recurrent budget at 106.2 per cent while the Department of Education and Social Services s had the lowest at 15.5 per cent.

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3.43.386 Observations and Recommendations

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

i. Adherence to budget timelines. The County Assembly approved the budget estimates on 30th June, 2016 and was assented to by the Governor.
ii. Improvement in absorption of development funds to 35.6 per cent compared to 22.7 per cent in a similar period of FY 2015/16.
iii. Automation of revenue collection which led to improved revenue performance from Kshs.50.48 million in the first half of FY 2015/16 to Kshs.72.36 million in the reporting period.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.4.81 billion had been disbursed against expected disbursement of Kshs.5.71 billion.
2. Late submission of financial reports by the County Treasury, which affected timely preparation of the budget implementation review report.
3. Failure by Fund Administrators to submit expenditure reports for established County Funds such as the Bursary Fund, Emergency Fund, Car & Mortgage Fund and Youth and Women Development Programme (Grants) contrary to Section 168 of the PFM Act, 2012.
4. Intermittent use of IFMIS, contrary to Section 12 of the PFM Act, 2012.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*
2. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
3. *The Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
4. *The County Treasury should liaise with the National Treasury to ensure IFMIS is adopted by all county public entities in processing financial transactions*

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3.44 Uasin Gishu County

3.44.387 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.7.65 billion, comprising of Kshs.4.56 billion (59.6 per cent) and Kshs.3.09 billion (40.4 per cent) allocations for recurrent and development expenditure respectively.

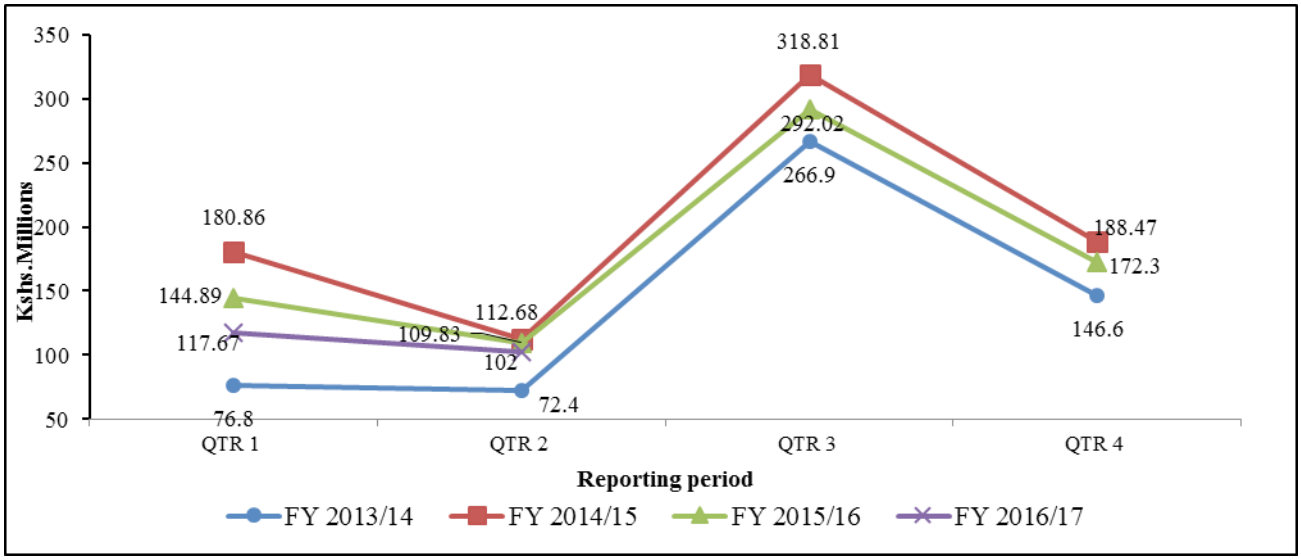
To finance the budget, the County expects to receive Kshs.5.60 billion (73.3 per cent) as equitable share of revenue raised nationally, Kshs.157.67 million (2.1 per cent) as total conditional grants, generate Kshs.1.19 million (15.6 per cent) from local revenue sources, and Kshs.688.84 million (9.0 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.40.77 million (25.9 per cent) for Free Maternal Healthcare, Kshs.86.06 million (54.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.18 million (14.1 per cent) for User Fees Foregone, and Kshs.8.66 million (5.5 per cent) from DANIDA.

3.44.388 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.88 billion as equitable share of the revenue raised nationally, Kshs.69.02 million as total conditional allocations, raised Kshs.219.86 million from local revenue sources, and had a cash balance of Kshs.688.84 million brought forward from FY 2015/16.

Figure 3.130 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.130: Uasin Gishu County, Trend in Local Revenue Collection by quarter from the first quarter FY 2013/14 to the second quarter FY 2016/17



Source: *Uasin Gishu County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.219.86 million, representing a decrease of 13.7 per cent compared to Kshs.254.72 million generated in a similar period of FY 2015/16. This revenue was 18.4 per cent of the annual local revenue target.

3.44.389 Conditional Grants

Table 3.130 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.130: Uasin Gishu County analysis of conditional grants released in First Half of FY 2016/17

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No.	Conditional Grant	Annual allocation based on CARA, 2016 (Kshs.)	Actual receipts of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	86,059,722	43,029,861	50.0
2	Free Maternal Healthcare	40,766,831	14,900,000	36.5
3	User Fees Foregone	22,181,068	11,090,534	50.0
4	DANIDA Grant	8,660,000	-	-
TOTAL		**157,667,621**	**69,020,395**	**43.8**

Source: *Uasin Gishu County Treasury*

Analysis of the conditional grants released during the period under review indicates that the Road Maintenance Fuel levy Fund and User Fees Foregone recorded the highest actual receipts to annual target of 50.0 per cent each, followed by Free Maternal Healthcare which recorded actual receipts to annual target of 36.5 per cent. There were no receipts from the DANIDA grant. The overall receipts represented 43.8 per cent of the total projected conditional grants.

3.44.390 Exchequer Issues

During the reporting period, the Controller of authorised withdrawal of Kshs.2.56 billion from the CRF account, which was 33.4 per cent of the Approved Budget. This amount represents a decrease of 2.3 per cent from Kshs.2.62 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.07 billion (81.0 per cent) for recurrent expenditure and Kshs.485.40 million (19.0 per cent) for development activities.

3.44.391 Overall Expenditure Review

The County spent Kshs.1.73 billion, which was 67.5 per cent of the total funds released for operations. This was a decrease of 13.9 per cent from Kshs.2.01 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.38 billion was spent on recurrent activities, while Kshs.341.86 million was spent on development activities. The recurrent expenditure was 66.8 per cent of the funds released for recurrent activities while development expenditure accounted for 70.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.264.33 million for recurrent expenditure. There were no outstanding commitments for development activities.

The recurrent expenditure represented 30.3 per cent of the annual recurrent budget, an increase from 28.7 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 11.1 per cent, which was a decrease from 23.3 per cent attained in a similar period of FY 2015/16. **Figure 3.131** presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

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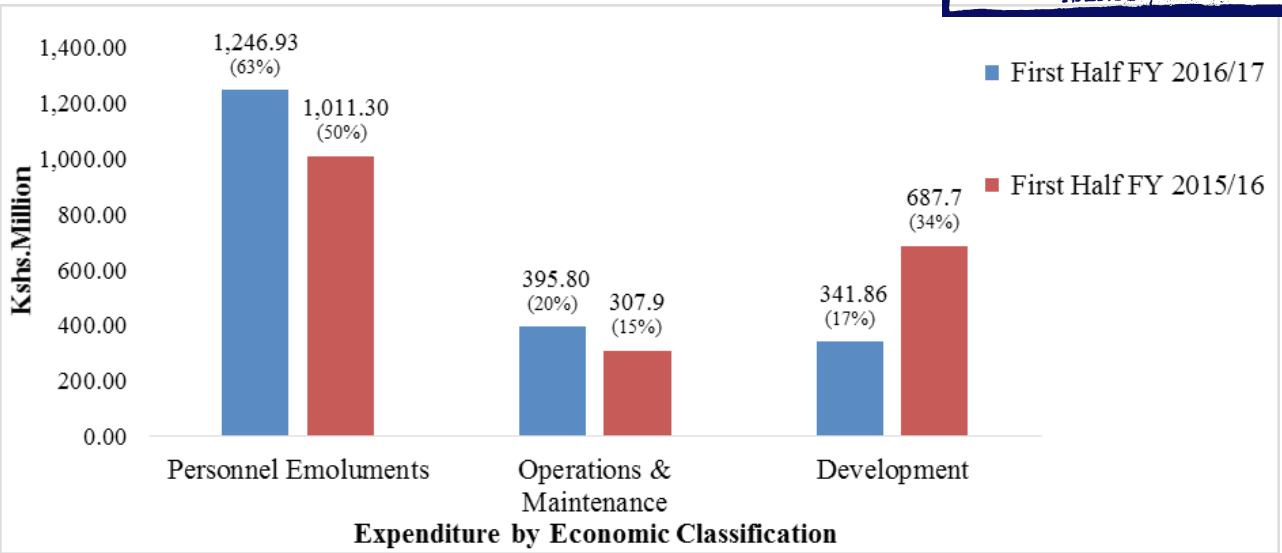
Figure 3.131: Uasin Gishu County, Expenditure by Economic Classification for the first half of FY 2016/17 and the first half of FY 2015/16



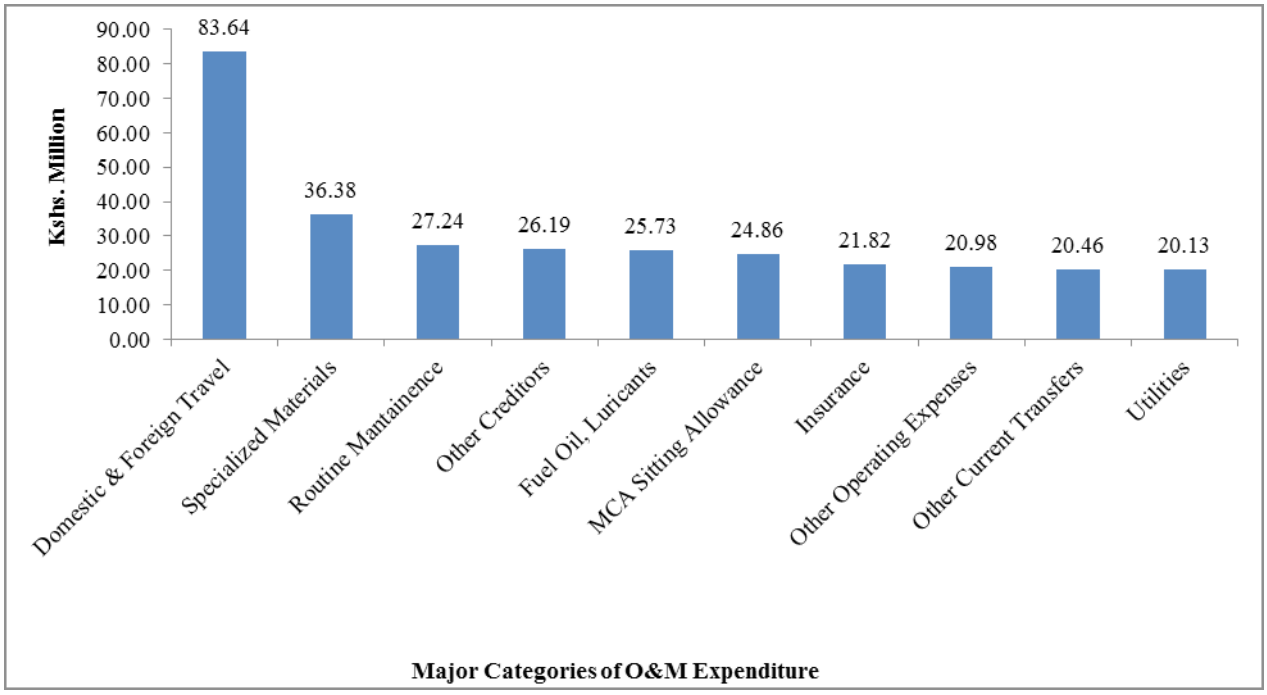
Source: *Uasin Gishu County Treasury*

3.44.392 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.38 billion consisted of Kshs.1.25 billion (75.9 per cent) spent on personnel emoluments and Kshs.395.80 million (24.1 per cent) on operations and maintenance as shown in **Figure 3.131**. Expenditure on personnel emoluments represented a significant increase of 23.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.01 billion.

Figure 3.132 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.132: Uasin Gishu County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17



Source: *Uasin Gishu County Treasury*

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The County spent Kshs.25.99 million on sitting allowances for the 45 MCAs and the Speaker against the annual budget allocation of Kshs.50.06 million. This was an increase of 52.1 per cent compared to Kshs.17.09 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.96,243 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.83.64 million and consisted of Kshs. 53.07 million spent by the County Assembly and Kshs.30.57 million spent by the County Executive. This was an increase of 18.9 per cent compared to Kshs.69.66 million spent in a similar period of FY 2015/16.

3.44.393 Development Expenditure Analysis

The total development expenditure of Kshs.341.86 million represents 11.1 per cent of the annual development budget of Kshs.3.09 billion. Table 3.131 provides a summary of ten development projects with the highest expenditure during the period under review.

Table 3.131 : Uasin Gishu County, Summary of ten Development projects with the highest expenditure for the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Expected Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Construction of Cooling Plants	All Wards	221,600,184	92,509,043	41.7
2	Supply of Seeds Subsidy	All Wards	104,000,000	240,000	0.2
3	Preparation of Spatial Planning	Countywide	97,839,915	68,487,864	70.0
4	Construction of Kimbilio Bridge	Nyenyilel	40,940,750	32,155,997	78.5
5	Construction of Panvilla-Rivatex Rd Phase II	Eldoret Town	33,326,039	11,054,476	33.1
6	Fabrication of Kiosks - Construction	Eldoret Town	28,500,000	12,960,000	45.4
7	Purchse of Breeding stock –Vaccine & Sera	All Wards	27,139,400	25,242,525	93.0
8	Construction of Besiobor Kosachei Bridge	Tapsagoi	26,330,175	0	0.0
9	Construction of fire station Maili Nne	Eldoret Town	26,083,209	5,865,690	22.5
10	Valuation Roll	Eldoret Town	26,032,952	13,016,476	50.0
	Total		**631,792,624**	**261,532,071**	**41.4**

Source: *Uasin Gishu County Treasury*

Analysis of the development expenditure indicates that the highest expenditure was incurred on construction of 46 cooling plants by the Department of Agriculture, Livestock and Fisheries for dairy farmers across the county. The second highest expenditure related to the seeds subsidy programme.

3.44.394 Budget and Budget Performance Analysis by Department

Table 3.132 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

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Table 3.132: Uasin Gishu County, Budget Performance by Department First Half of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	173..65	0.00	65.18	0	47.78	0	73.3	0.0	27.5	0
Public Service Management	426.01	13.14	222.00	0	142.12	0	64.0	0.0	33.4	0
Finance	284.97	24.44	106.24	0	90.30	0	85.0	0.0	31.7	0
Budget and Economic Planning	61.23	9.41	25.94	0	5.66	0	21.8	0.0	9.2	0
Education, Social, and Culture Services	241.48	296.31	129.25	8.60	33.66	4.95	26.0	57.6	13.9	1.7
Youth and Sports	43.06	266.50	15.87	0	0.15	0	0.9	0	0.3	0
Health Services	1,555.3	289.04	687.62	0	509.13	13.23	74.0	0	32.7	4.6
ICT and E-Government	45.79	64.27	18.69	0	6.80	20.77	36.4	0	14.9	32.3
Lands, Housing and Physical Planning	109.12	202.04	46.31	49.68	20.22	36.79	43.7	74.1	18.5	18.2
Roads and Public Works	522.17	652.29	224.87	201.38	139.90	111.64	62.2	55.4	26.8	17.1
Trade, Industrialization and Tourism	108.67	199.60	35.99	58.34	15.02	7.63	41.7	13.1	13.8	3.8
Agriculture, Livestock & Fisheries	247.38	509.86	117.65	46.28	71.29	91.00	60.6	196.6	28.8	17.8
Water, Environment and Natural resources	156.12	492.11	68.72	59.01	46.72	44.61	68.0	75.6	29.9	9.1
County Public Service Board	63.60	0	22.78	0	11.22	0	49.3	0	17.6	0
Public Administration and Coordination	62.74	50.20	23.08	50.11	6.48	6.26	28.1	12.5	10.3	12.5
County Assembly	462.07	15.91	260.13	12.00	237.19	5.00	91.2	41.7	51.3	31.4
TOTAL	**4,563.37**	**3,085.10**	**2,070.31**	**485.40**	**1,383.64**	**341.86**	**66.8**	**70.4**	**30.3**	**11.1**

Source: *Uasin Gishu County Treasury*

Analysis of budget performance by department shows that the Department of ICT and E-Government attained the highest absorption rate of its development budget at 32.3 per cent. The County Assembly had the highest percentage of recurrent expenditure to its recurrent budget at 51.3 per cent while the Department of Youth and Sports posted the lowest at 0.3 per cent.

3.44.395 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. Development of regulations for all County Public Funds in line with Section 116 of the PFM Act, 2012. This has ensured smooth operationalization of the Funds.

ii. Timely submission of quarterly reports by the County Treasury in line with Section 166 of the PFM Act, 2012

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

1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
2. Under-performance in local revenue collection. Local revenue collection declined by 13.7 per cent from Kshs.254.72 million in the first half of FY 2015/16 to Kshs.219.68 million in the reporting period.
3. Failure to constitute the CBEF for consultation in budget matters in line with Section 137 of the PFM Act, 2012.
4. Failure to reconcile IFMIS payroll data to the IPPD data. While IFMIS reports indicated total expenditure on personnel emoluments as Kshs.986.84 million, data from the IPPD indicated that a total of Kshs.1.24 billion was spent on payroll costs in the same period.

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

1. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County should establish the CBEF for consultation in the budget and economic process in line with Section 137 of the PFM Act, 2012.*
4. *The County should reconcile the IFMIS & IPPD data on a monthly basis for accurate reporting.*

3.45 Vihiga County

3.45.396 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.4.73 billion, comprising of Kshs.3.19 billion (67.4 per cent) and Kshs.1.54 billion (32.6 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.25 billion (89.9 per cent) as equitable share of revenue raised nationally, Kshs.150.74 million (3.2 per cent) as total conditional grants and generate Kshs.220 million (4.7 per cent) from local sources. The conditional grants comprise of Kshs.66.47 million (44.1 per cent) for Free Maternal Healthcare, Kshs.64.18 million (42.58 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13 million (8.6 per cent) for User Fees Foregone, Kshs.7.09 million (4.7 per cent) as a grant from DANIDA.

3.45.397 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.78 billion as equitable share of the revenue raised nationally, Kshs.70.67 million as total conditional allocations, raised Kshs.39.58 million from local revenue sources, and had a cash balance of Kshs.310.87 million brought forward from FY 2015/16.

Figure 3.133 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

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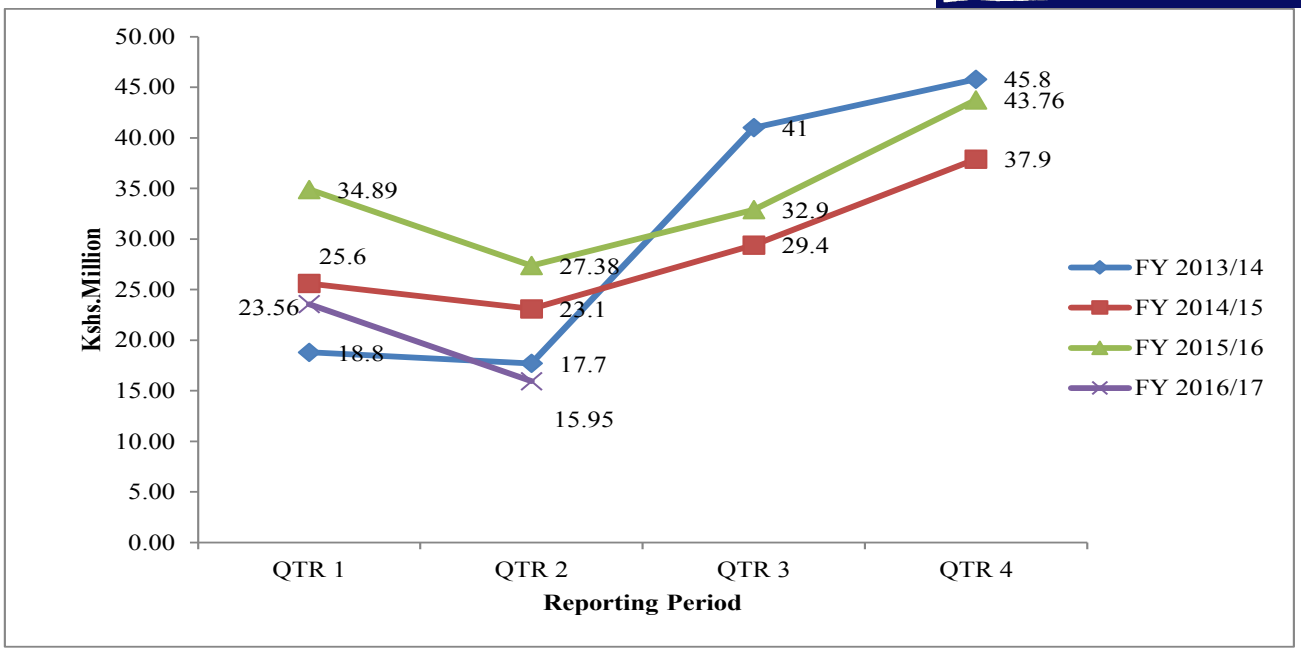
Figure 3.133: Vihiga County, Trend in Local Revenue Collection by quarter from FY 2013/14 to the Second Quarter FY 2016/17



Source: *Vihiga County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.39.51 million which is a 36.6 per cent decrease compared to Kshs.62.27 million generated in a similar period of FY 2015/16. This revenue was 18 per cent of the annual local revenue target.

3.45.398 Conditional Grants

Table 3.133 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.133: Vihiga County, Analysis of Conditional Grants released in First Half of FY 2016/17

No.	Conditional Grant	Annual Allocation based on CARA, 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	64, 184, 231	32, 092, 116	50
2	Free Maternal Healthcare	66, 469, 814	24, 987, 500	37.6
3	User Fees Foregone	13, 002, 761	6, 501, 380	50
4	DANIDA Grant	7, 085, 000	0	
Total		**150, 741, 806**	**63, 580, 996**	**42.2**

Source: *Vihiga County Treasury*

Analysis of the conditional grants released during the period under review indicates that the Road Maintenance Fuel Levy Fund and User Fees Foregone recorded the highest receipts against annual target at 50 per cent. Free Maternal Healthcare recorded 37.6 per cent of annual target.

3.45.399 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.09 billion from the CRF

account, which was 44.2 per cent of the Approved Budget. This amount represents an increase of 30.4 per cent from Kshs.1.39 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.54 billion (73.7 per cent) for recurrent expenditure and Kshs.550.94 million (26.3per cent) for development activities.

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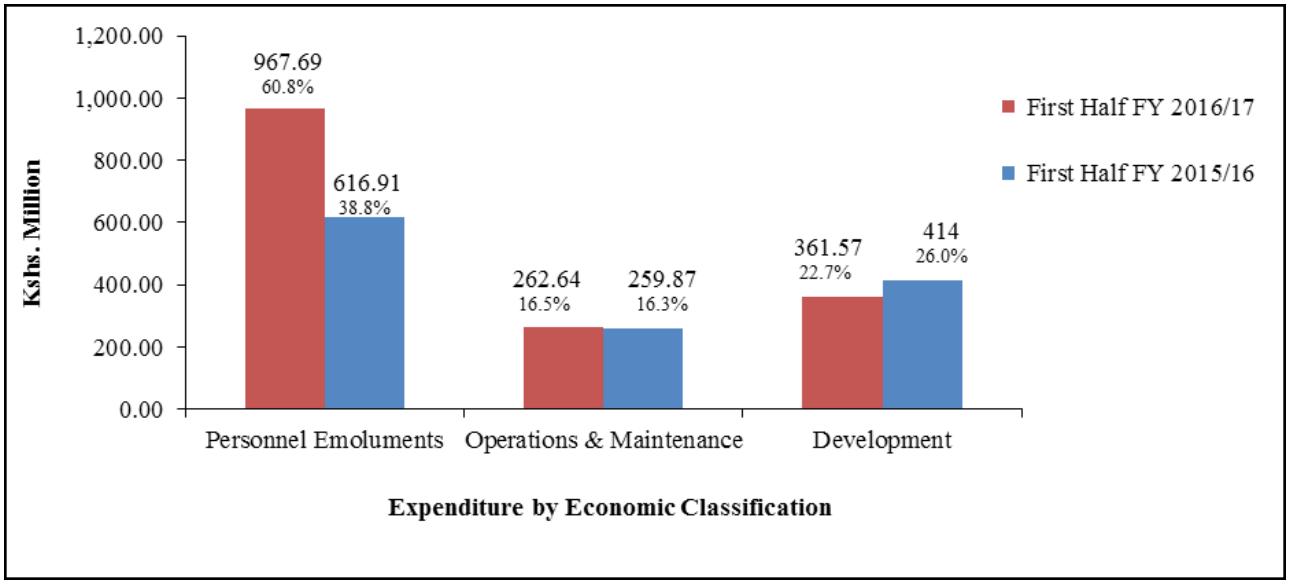
3.45.400 Overall Expenditure Review

The County spent Kshs.1.59 billion, which was 76.1 per cent of the total funds released for operations. This was a 23.3 per cent increase from Kshs.1.29 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.23 billion was spent on recurrent activities, while Kshs.361.57 million was spent on development activities. The recurrent expenditure was 79.9 per cent of the funds released for recurrent activities while development expenditure accounted for 65.6 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.86.77 million for development and Kshs.37.67 million for recurrent expenditure.

The recurrent expenditure represented 38.5 per cent of the annual recurrent budget, an increase from 34.6 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 23.5 per cent, which was an increase from 22.6 per cent attained in a similar period of FY 2015/16. Figure 3.134 presents a comparison between the total expenditure in the first half of FY 2016/17and first half of FY 2015/16.

Figure 3.134: Vihiga County, Expenditure by Economic Classification for the FY 2016/17 and the First Half of FY 2015/16



Source: *Vihiga County Treasury*

3.45.401 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.23 billion consisted of Kshs.967.69 million (78.7 per cent) spent on personnel emoluments and Kshs.262.64 million (21.3 per cent) on operations and maintenance as shown in **Figure 3.134**. Expenditure on personnel emoluments represented an increase of 56.9 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.616.91million.

Figure 3.135 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.135: Vihiga County, Operations and Maintenance Expenditure by major categories for the First Half of FY 2016/17

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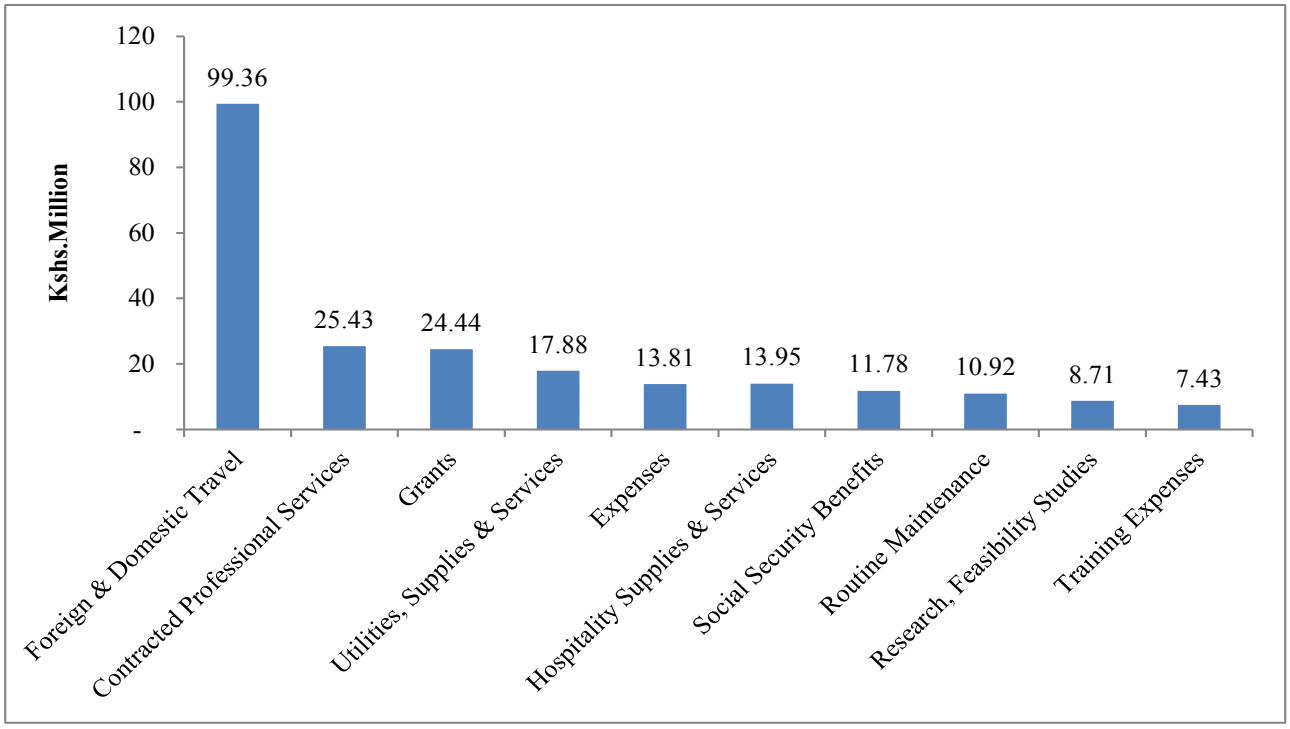

Source: *Vihiga County Treasury*

The County spent Kshs.4.97 million on sitting allowances for the 39 MCAs and the Speaker against the annual budget allocation of Kshs.10.33 million. This was an increase compared to Kshs.4.38 million spent in the same period of FY 2015/16. The average monthly sitting allowance per MCA was Kshs.20,712 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.99.36 million and consisted of Kshs.50.13 million spent by the County Assembly and Kshs.49.23 million spent by the County Executive. This was a 15.9 per cent decrease compared to Kshs.118.14 million spent in a similar period of FY 2015/16.

3.45.402 Development Expenditure Analysis

The total development expenditure of Kshs.361.57 million represents 23.5 per cent of the annual development budget of Kshs.1.54 billion. Table 3.134 provides a list of development projects with the highest expenditure during the period under review.

Table 3.134: Vihiga County, List of development projects with the highest expenditure in the First Half of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Construction of Givigoi hospital	Gisambai	44,283,400	5,000,000	11.3
2	Supply of oxygen plant	Vihiga Referal hospital	30,045,160	5,000,000	16.6
3	Re-roofing of Sabatia health C.	Wodanga	3,037,387	1,000,000	32.9
4	Construction of ECD classroom at Lyamidi primary school.	South Maragoli	1,100,000	1,000,000	90.9

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No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December 2016 (Kshs.)	Absorption rate (%)
5	Construction of dormitory at Kaimosi T.T.C.	Shiru	26,662,000	5,000,000	18.8
6	Construction of Shiru polytechnic	Shiru	8,978,346	2,500,000	27.8
7	Construction of Maragalo box culvert	Shamakhokho	6,081,013	2,581,013	42.4
8	Construction of Kidundu road	Central Maragoli	5,422,403	4,422,403	81.6
9	Construction of Hobunaka bridge	Emabungo	7,656,371	7,656,371	100.0
10	Cabro and civil works	County Assembly	52,755,000	28,000,000	53.1
	Total		**186,021,080**	**62,159,787**	**33.4**

Source: *Vihiga County Treasury.*

Analysis of the development expenditure indicates that the highest expenditure of Kshs.28 million was incurred on cabro paving and civil works by the County Assembly, followed by construction of the Hobunaka Bridge at Kshs.47.66 million.

3.45.403 Budget and Budget Performance Analysis by Department

Table 3.135 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.135: Vihiga County, Budget Performance by Department for First Half FY 2016/17

Department	Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	293.75	0	142.26	0	101.49	0	71.3	**0**	34.5	0
County Treasury	282.32	200.74	136.55	43.76	70.1	67.06	51.3	153.2	25.1	33.4
Agriculture, Livestock, Fisheries& co-operative	125.89	53.66	58.82	42.76	67.13	0	114.1	0	53.3	0
County Health Service	1, 031.3	247.4	481.13	100.91	375.06	36.20	78.0	35.9	36.4	14.6
Education, science	133.20	358.92	60.60	35.72	72.46	97.60	119.6	273.2	54.4	27.2
Gender, Culture, Y & S	71.70	129.55	34.18	36.41	6.98	4.00	20.4	11.0	9.7	3.1
Trade, Industry & Tourism	46.66	36.2	22.60	10.56	12.16	15.78	53.8	149.4	26.1	43.6
Public service Board	46.79	0	22.15	0	14.44	0	65.2	0	30.9	0
Environment, Water, Forestry	55.82	84.93	26.42	11.00	21.94	10.77	83.0	97.9	39.3	12.7
Transport & Infrastructure	158.07	292.7	78.70	204.06	20.96	92.01	26.6	45.1	13.3	31.4
Lands, Housing	46.13	26.86	23.46	13.00	9.38	4.25	40.0	32.7	20.3	15.8
County Assembly	533.77	80.00	278.43	52.76	225.22	28.86	80.9	54.7	42.2	36.1
Public Service & Administration	369.27	25.00	174.24	0	219.64	5.04	126.1	0	59.5	20.2
TOTAL	**3, 194.6**	**1, 535.9**	**1, 539.55**	**550.94**	**1, 230.33**	**361.5**	**80.0**	**65.6**	**38.5**	**23.5**

Source: *Vihiga County Treasury*

Analysis of budget performance by department shows that the Department of Industrialization, Trade Development and Tourism attained the highest absorption rate of development budget at 43.6 per cent while the Department of Agriculture, Livestock, Fisheries and Co-Operatives did not incur any development expenditure. On the other hand, the Department of Public Service and Administration had the highest percentage of recurrent expenditure to its annual recurrent budget at 59.5 per cent while the Department of Gender, Culture Youth & Sports had the lowest at 9.7 per cent.

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3.45.404 Observations and Recommendations

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

i. Establishment of an Internal Audit Committee in line with Section 155 of PFM Act, 2012.
ii. The County developed Revenue Legislation and Regulation to enhance revenue collection and administration

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

1. Intermittent use of IFMIS in processing financial transactions.
2. High wage bill that increased by 56.9 per cent from Kshs.616.91 million in FY 2015/16 to Kshs.967.69 million. This accounts for 60.8 per cent of the total expenditure during the reporting period.

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

1. *The County Treasury should liaise with the National Treasury to ensure IFMIS is adopted by all county public entities in processing financial transactions.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

3.46 Wajir County

3.46.405 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.8.68 billion, comprising of Kshs.4.59 billion (52.8 per cent) and Kshs.4.09 billion (47.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.80 billion (89.9 per cent) as equitable share of revenue raised nationally, Ksh.247.71 million (2.85 per cent) as total conditional grants, generate Kshs.230.12 million (2.65 per cent) from local revenue sources, and Kshs.365.27 million (4.21 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.55.57 million (22.5 per cent) for Free Maternal Healthcare, Kshs.119.91 million (48.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.01 million (6.46 per cent) for User Fees Foregone, Kshs.10.05 million (4.06 per cent) from DANIDA and Kshs.46.17 million (18.63 per cent) as conditional grants from Other Loans and Grants.

3.46.406 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.3.94 billion as equitable share of the revenue raised nationally, Kshs.124.21 million as total conditional allocations, raised Kshs.38.76 million from local revenue sources, and had a cash balance of Kshs.365.27 million brought forward from FY 2015/16.

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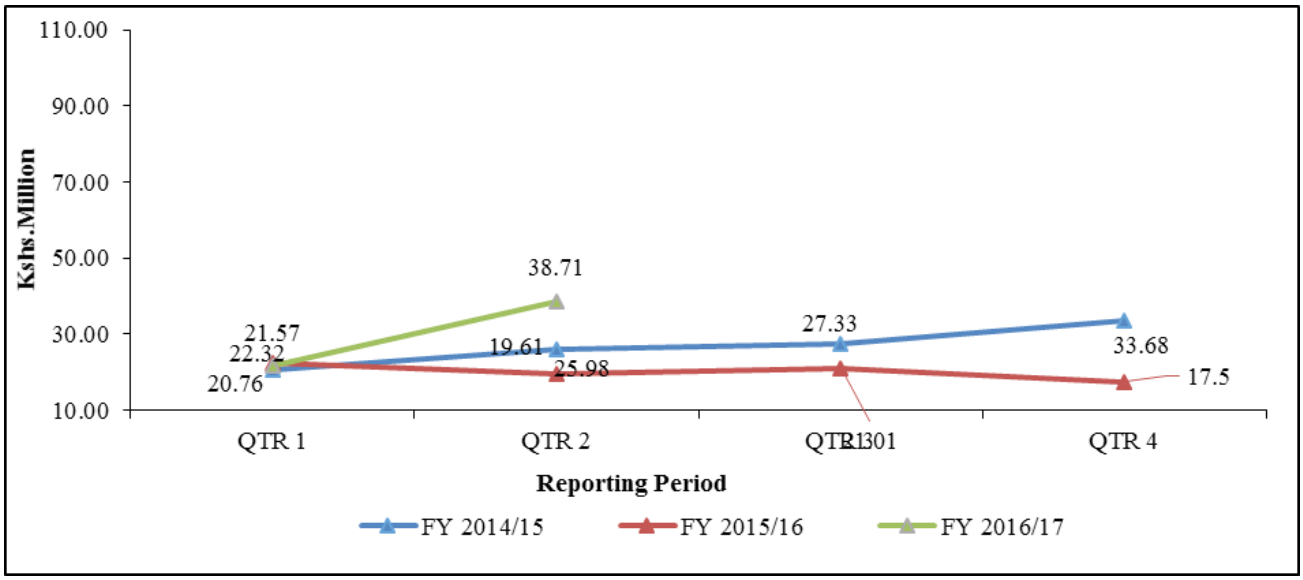
Figure 3.136 shows the quarterly trend in local revenue collection from the first quarter of FY 2014/15 to the second quarter of FY 2016/17.

Figure 3.136: Wajir County, Trend in Local Revenue Collection by quarter from FY 2014/15 to FY 2016/17



Source: *Wajir County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.38.76 million, representing a decrease of 7.6 per cent compared to Kshs.41.93 million generated in a similar period of FY 2015/16. This revenue was 16.8 per cent of the annual local revenue target.

3.46.407 Conditional Grants

Table 3.136 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.136: Wajir County analysis of conditional Grants released in First Half of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	Actual receipts of the Conditional Grants, First Half of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	119,911,775	59,955,588	49.9
2	Free Maternal Healthcare	55,574,174	28,064,959	50.5
3	User Fees Foregone	16,011,344	8,085,730	50.5
4	DANIDA Grant	10,045,000	5,022,500	50.1
5	World Bank Loan	46,166,020	23,083,230	50.0
	Total	**247,708,313**	**124,212,307**	**50.1**

Source: *Wajir County Treasury*

Analysis of receipts from conditional grants during the period under review indicates that receipts from the Free Maternal Healthcare and User Fees Foregone recorded the highest at 50.5 per cent while the lowest was the Road Maintenance Fuel Levy Fund at 49.9 per cent.

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3.46.408 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.45 billion from the CRF account, which was 28.2 per cent of the Approved Supplementary Budget. This amount represents a decrease of 19.9 per cent from Kshs.3.06 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.7 billion (69.6 per cent) for recurrent expenditure and Kshs.744.44 million (30.4 per cent) for development activities.

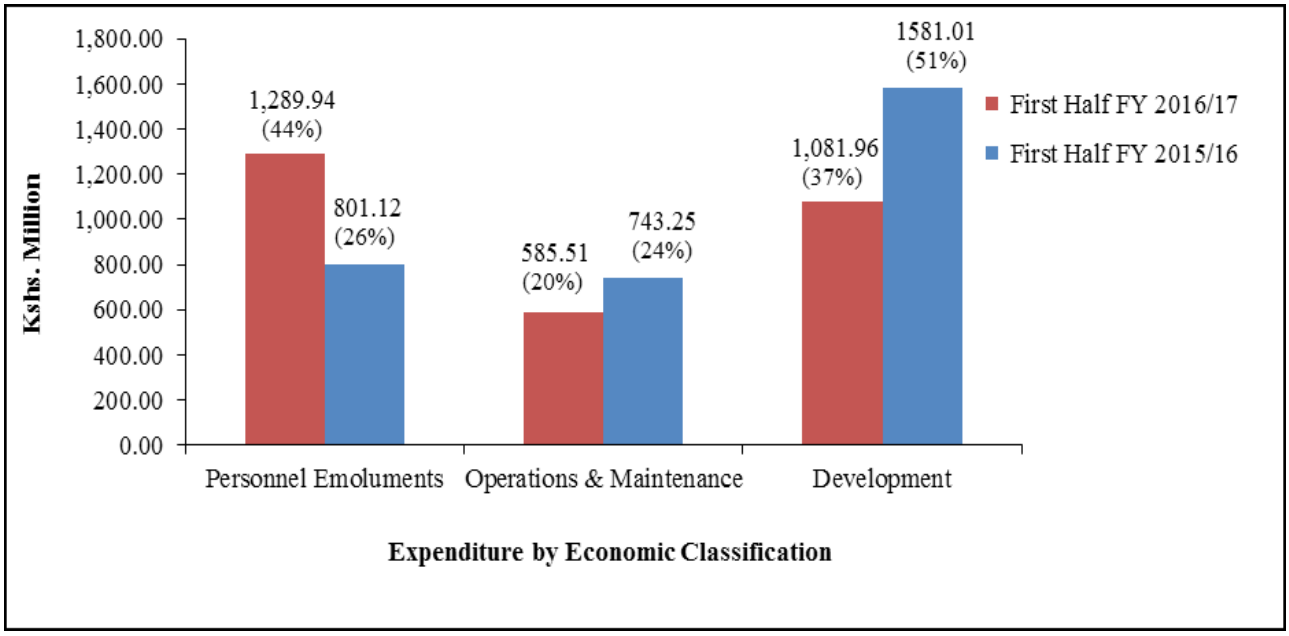
3.46.409 Overall Expenditure Review

The County spent Kshs.2.87 billion, which was 117.1 per cent of the total funds released for operations. This was a decrease of 5.9 per cent from Kshs.3.05 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.88 billion was spent on recurrent activities, while Kshs.993 billion was spent on development activities. The recurrent expenditure was 110.3 per cent of the funds released for recurrent activities while development expenditure accounted for 133.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.482.58 million for development and Kshs.342.83 million for recurrent expenditure.

The recurrent expenditure represented 40.9 per cent of the annual recurrent budget, an increase from 39.5 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 24.3 per cent, which was a decrease from 35.9 per cent attained in a similar period of FY 2015/16. Figure 3.137 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.137: Wajir County, Expenditure by Economic Classification for the first half of FY 2016/17 and first half of FY 2015/16



Source: *Wajir County Treasury*

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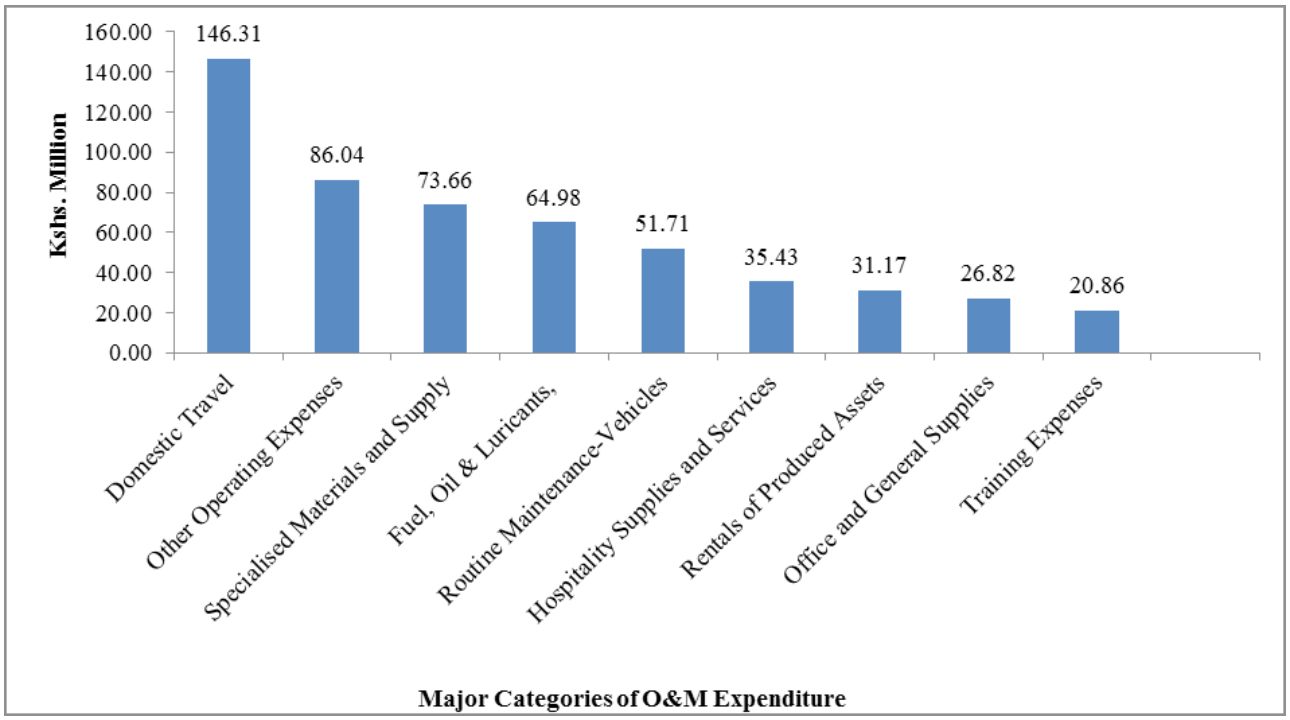
3.46.410 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.89 billion consisted of Kshs.1.29 billion (68.3 per cent) spent on personnel emoluments and Kshs.585.51 million (31.0 per cent) on operations and maintenance as shown in Figure 3.137. Expenditure on personnel emoluments represented an increase of 61 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.801.12 million.

Figure 3.138 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.138: Wajir County, Operations and Maintenance Expenditure by major categories the First Half of FY 2016/17



Source: *Wajir County Treasury*

The County spent Kshs.15.13 million on sitting allowances for the 45 MCAs and the Speaker against the annual budget allocation of Kshs.70.36 million. This was a slight decrease of 4.1 per cent compared to Kshs.15.78 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.54,809 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.146.3 million and consisted of Kshs.84.9 million spent by the County Assembly and Kshs.61.3 million spent by the County Executive. This was a slight decrease of 2.4 per cent compared to Kshs.149.9 million spent in a similar period of FY 2015/16.

3.46.411 Development Expenditure Analysis

The total development expenditure of Kshs.992.0 billion represents 36.4 per cent of the annual development budget of Kshs.4.10 billion. Table 3.137 provides a list of five development projects with the highest expenditure during the period under review.

Table 3.137 : Wajir County, List of development projects with highest expenditure in the First Half of FY 2016/17

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No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Drilling of boreholes	Various	101,000,000	49,373,500	48.88
2	Water works	Various	160,000,000	59,334,000	37.08
3	Underground water tanks	Various	26,396,960	17,010,640	64.44
4	ECD classrooms	Various	108,000,000	13,191,020	12.21
5	Construction of dispensaries	Various	114,000,000	113,543,758	99.59

Source: *Wajir County Treasury*

Analysis of development expenditure by project indicates that the highest expenditure of Kshs.59.3 million was incurred on Water works while Kshs.13.19 million was incurred on construction of ECD classrooms.

3.46.412 Budget and Budget Performance Analysis by Department

Table 3.138 shows a summary of first half FY 2016/17 budget estimates and budget performance by department.

Table 3.138: Wajir County, First Half FY 2016/17 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	450.34	0.00	191.08	0.00	190.33	0.00	99.6	0.00	42.3	0.00
Finance	250.36	10.04	213.84	0.00	165.36	1.00	77.3	0.00	66.1	9.96
County Assembly	645.13	0.00	298.47	0.00	270.75	0.00	**90.7**	0.00	41.9	0.00
Roads and Transport	300.42	937.97	30.73	57.90	75.86	304.50	246.8	525.9	25.3	32.5
Water Resources	184.64	959.15	89.32	448.84	112.17	440.73	125.6	98.2	60.8	45.9
Energy andEnviroment	82.10	308.91	35.24	3.49	27.26	1.27	77.6	36.4	33.2	0.4
Public Health	922.32	394.29	471.80	126.84	601.39	124.31	**127.5**	98.0	65.2	31.5
Education and Social services	413.12	200.77	124.08	19.69	99.91	83.08	80.5	421.9	24.2	41.4
Agriculture, livestock and Fisheries	178.90	555.93	79.08	38.42	59.96	37.66	75.8	98.0	33.5	6.8
Trade and cooperative	120.18	276.09	62.03	27.47	43.04	55.13	69.4	200.7	35.8	19.9
Lands and Housing	89.33	273.54	42.76	17.00	23.88	22.45	55.8	132.1	26.7	8.2
Public services	581.33	44.60	288.15	3.50	212.46	11.83	73.7	338.0	36.6	26.5
Wajwasco	68.85	0.00	37.66	1.28	2.81	0.00	7.4	0.00	4.1	0.00
CPSB	71.31	0.00	34.83	0.00	6.70	0.00	28.7	0.00	9.4	0.00
TOTAL	**4358.32**	**3961.30**	**1949.06**	**744.44**	**1892.08**	**1081.96**	**97.1**	**145.3**	**43.4**	**27.3**

Source: *Wajir County Treasury*

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Analysis of budget performance by department shows that the Department of Water Resource attained the highest absorption rate of development budget at 45.9 per cent while the Governor's office, Wajwasco, the County Assembly and the County Public Services did not incur any development expenditure. On the other hand, the Public Health Department had the highest percentage of recurrent expenditure to recurrent budget at 65.1 per cent while the Department of Wajwasco had the lowest at 4.1 per cent during the reporting period.

3.46.413 Observations and Recommendations

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

i. Capacity building of staff of the County Assembly on the use of IFMIS and Internet Banking.

ii. Timely submission of financial reports.

However, despite the progress made, the following challenges still continue to hamper effective budget implementation;

1. Failure by Fund Administrators to submit expenditure reports on the Revolving Fund and Emergency Fund contrary to Section 168 of the PFM Act, 2012.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012
3. A high wage bill that increased by 61 per cent from Kshs.801.12 million in the first half of FY 2015/16 to Kshs.1,289.94 million during the period under review.
4. Decline in local revenue collection by 7.6 per cent from Kshs.41.93 million in the first half of FY 2015/16 to Kshs.38.76 million in the reporting period

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

1. *The Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
3. *The County Public Service Board should establish an optimal staffing structure in order to manage the high wage bill.*
4. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3.47 West Pokot County

3.47.414 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.5.04 billion, comprising of Kshs.3.29 billion (65.2 per cent) and Kshs.1.75 billion (34.8 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.65 billion (92.3 per cent) as equitable share of revenue raised nationally, Kshs.223.73 million (4.4 per cent) as total conditional grants, generate Kshs.122.25 million (2.4 per cent) from local revenue sources, and Kshs.40.8 million (0.8 per cent) as cash balance from FY 2015/16. The conditional grants comprise of Kshs.51.05 million (22.8 per cent) for Free Maternal Healthcare, Kshs.71.52 million (32 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.32 million (5.5 per cent) for User Fees Foregone, Kshs.6.09 million (2.7 per cent) as a grant from DANIDA and Kshs.26.71 million (11.9 per cent) as conditional allocations from Other Loans and Grants.

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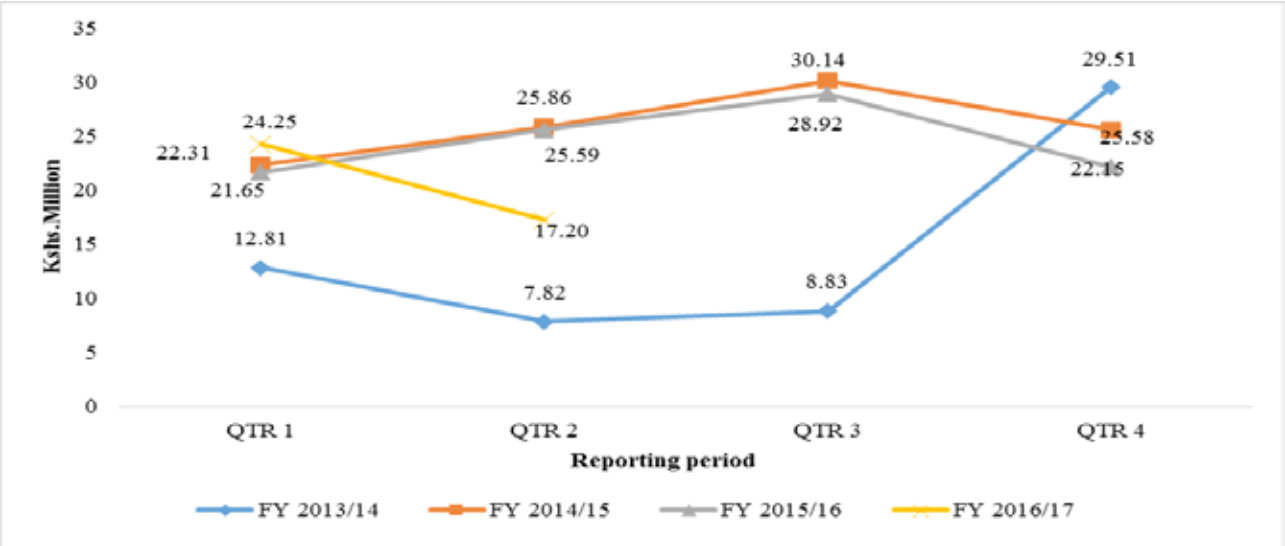
3.47.415 Revenue Analysis

During the first half of FY 2016/17, the County received Kshs.1.98 billion as equitable share of the revenue raised nationally, Kshs.63.98 million as total conditional allocations, raised Kshs.41.44 million from local revenue sources, and had a cash balance of Kshs.245.89 million brought forward from FY 2015/16.

Figure 3.139 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.139: West Pokot County, Trend in Local Revenue Collection by quarter from FY 2013/14 to second quarter FY 2016/17



Source: *West Pokot County Treasury*

The total local revenue collected in the first half of FY 2016/17 amounted to Kshs.41.44 million, representing a decrease of 14 per cent compared to Kshs.47.23 million generated in a similar period of FY 2015/16. This revenue was 33.9 per cent of the annual local revenue target.

3.47.416 Conditional Grants

Table 3.139 shows an analysis of conditional grants released in the first half of FY 2016/17.

Table 3.139: West Pokot County, Analysis of Conditional Grants Released in First Half of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	71,516,809	35,758,402	50.0
2	Free Maternal Healthcare	51,050,356	22,060,000	43.2
3	World Bank grant to health facilities	56,049,761	-	-
4	Kenya Devolution Support Programme Trust (Not in CARA, 2016)	26,705,762	-	-
5	User Fees Foregone	12,316,429	6,158,215	50.0
6	DANIDA grant	6,090,000	-	-
	TOTAL	**223,729,117**	**63,976,617**	**28.6**

Source: *West Pokot County Treasury*

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Analysis of the conditional grants released during the period under review indicates that the Road Maintenance Fuel Levy Fund and User Fees Foregone grants recorded the highest actual receipt at 50 per cent. The County is yet to receive funds from the following conditional grants; the World Bank grant to health facilities, Kenya Devolution Support Programme, and DANIDA.

3.47.417 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.89 billion from the CRF account, which was 37.5 per cent of the Approved Budget. This amount represents an increase of 12.2 per cent from Kshs.1.69 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.3 billion (68.8 per cent) for recurrent expenditure and Kshs.590 million (31.2 per cent) for development activities.

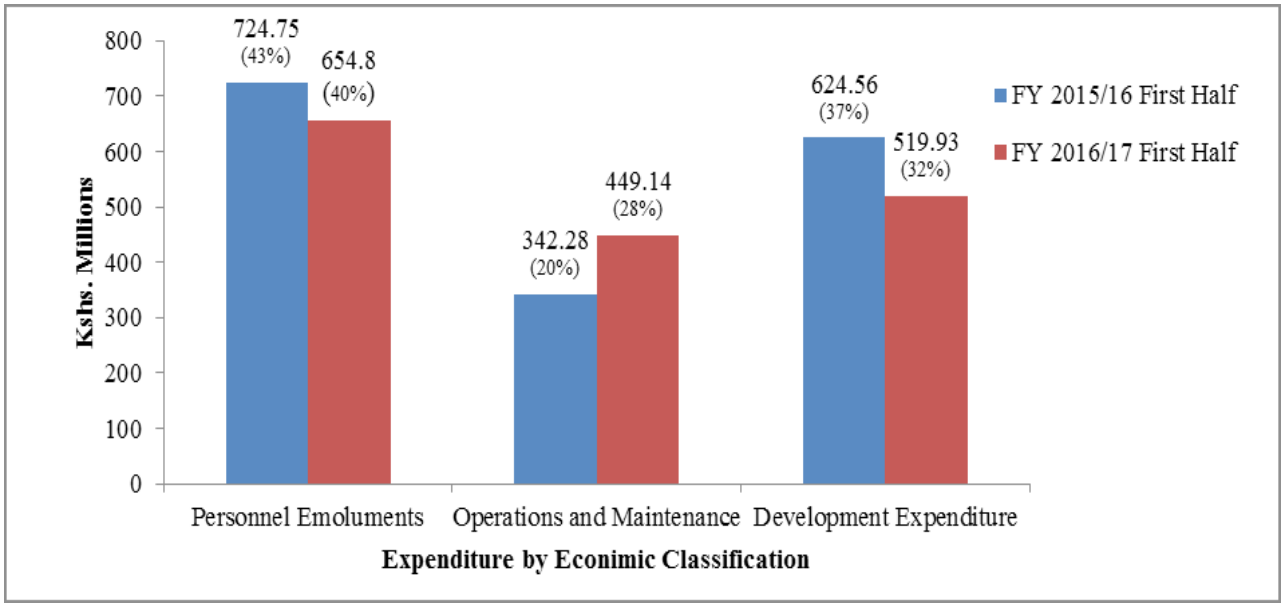
3.47.418 Overall Expenditure Review

The County spent Kshs.1.62 billion, which was 85.9 per cent of the total funds released for operations. This was a decrease of 4.3 per cent from Kshs.1.69 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.1 billion was spent on recurrent activities, while Kshs.519.93 million was spent on development activities. The recurrent expenditure was 84.9 per cent of the funds released for recurrent activities while development expenditure accounted for 88.1 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st December, 2016 that amounted to Kshs.114.04 million for development and Kshs.349.66 million for recurrent expenditure.

The recurrent expenditure represented 33.6 per cent of the annual recurrent budget, a decrease from 36.2 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 29.7 per cent, which was a decrease from 35.1 per cent attained in a similar period of FY 2015/16. Figure 3.140 presents a comparison between the total expenditure in the first half of FY 2016/17 and first half of FY 2015/16.

Figure 3.140: West Pokot County, Expenditure by Economic Classification for the First Half FY 2016/17 and FY 2015/16



Source: *West Pokot County Treasury*

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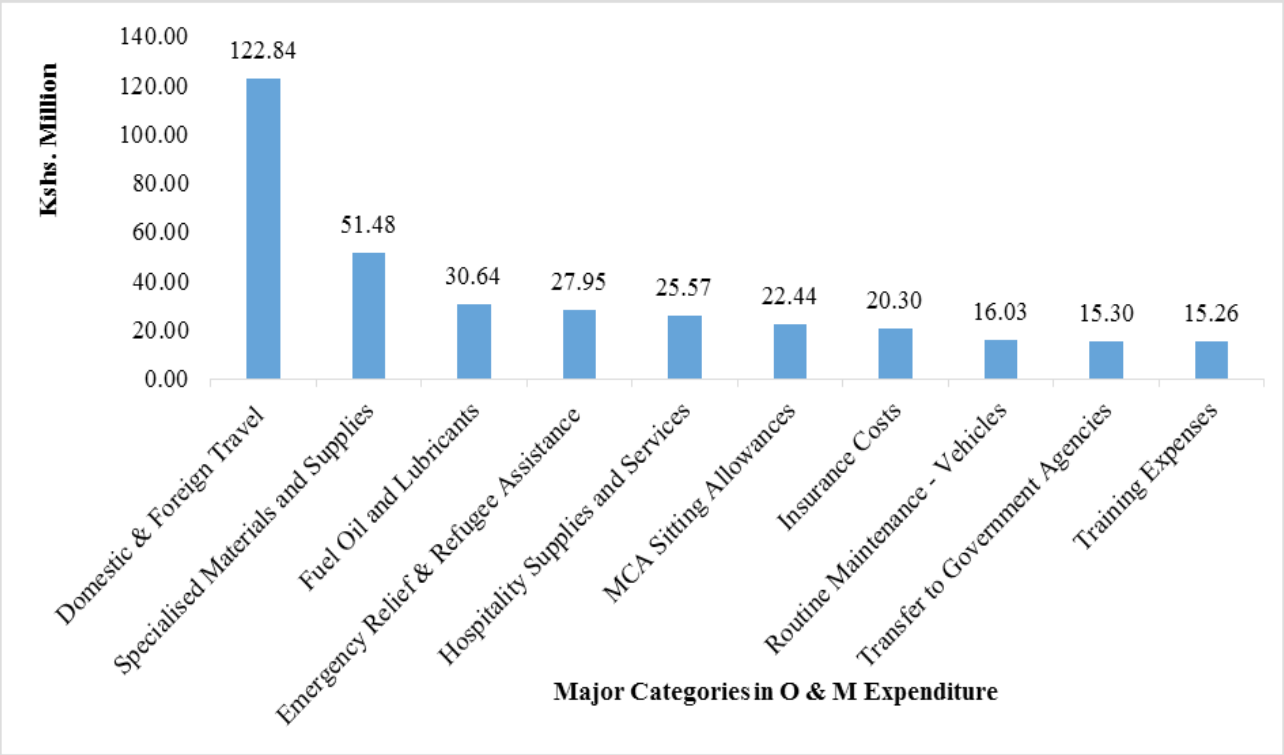
3.47.419 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.1 billion consisted of Kshs.654.8 million (59.3 per cent) spent on personnel emoluments and Kshs.449.14 million (40.7 per cent) on operations and maintenance as shown in Figure 3.140. Expenditure on personnel emoluments represented a decrease of 9.7 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.724.75 million. Figure 3.141 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.141: West Pokot County, Operations and Maintenance Expenditure by the major categories the First Half of FY 2016/17



Source: *West Pokot County Treasury*

The County spent Kshs.22.44 million on sitting allowances for the 32 MCAs and the Speaker against the annual budget allocation of Kshs.56.91 million. This was a decrease of 18.7 per cent compared to Kshs.26.63 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.113,355 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.122.84 million and consisted of Kshs.21.4 million spent by the County Assembly and Kshs.101.43 million spent by the County Executive. This was an increase of 29 per cent compared to Kshs.95.26 million spent in a similar period of FY 2015/16.

3.47.420 Development Expenditure Analysis

The total development expenditure of Kshs.519.93 million represents 29.7 per cent of the annual development budget of Kshs.1.75 billion. Table 3.140 provides a list of development projects with the highest expenditure during the period under review.

Table 3.140 : West Pokot County, List of Development Projects with the Highest Expenditure in the First Half of FY 2016/17

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S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st December, 2016 (Kshs.)	Absorption rate (%)
1	Construction of Agriculture Training Center in Keringet	Mnagei	100,000,000	41,170,757	41.2
2	Construction of main Governor's residence building	Kapenguria	30,000,000	29,112,848	97.0
3	Purchase of 1 Motor Grader	Kapenguria	30,000,000	21,000,000	70.0
4	Purchase of Oxygen Plant for Kapenguria County Referral Hospital	Kapenguria	15,000,000	13,964,040	93.1
5	Construction of Sigor water supply project	Weiwei	13,000,000	12,999,700	100.0
6	Construction of ECDE College - Phase II	Kapenguria	24,000,000	12,000,000	50.0
7	Construction of Sub-county office in Makutano - Phase II	Mnagei	26,000,000	12,000,000	46.2
8	Renovation of Makutano Stadium - Phase II	Mnagei	12,221,398	8,288,225	67.8
9	Engineering and Design Plans - West Pokot County Spatial Planning	Entire County	11,370,000	7,000,000	61.6
10	Construction of market shades at Bendera	Kapenguria	6,231,965	6,231,965	100.0
	Total		**267,823,363**	**163,767,535**	**61.1**

Source: *West Pokot County Treasury*

Analysis of the development expenditure indicates that the Department of Agriculture and Irrigation incurred the highest expenditure of Kshs.41.17 million on the construction of Agriculture Training Center in Keringeti. The construction of Sigor water supply project in Wei Wei and market shades at Bendera by the Departments of Water Development, Environment & Natural Resources and Department of Trade, Industry and Cooperatives had the highest absorption rate at 100 per cent.

3.47.421 Budget and Budget Performance Analysis by Department

Table 3.141 shows a summary of the first half FY 2016/17 budget estimates and budget performance by department.

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Table 3.141: West Pokot County, First Half FY 2016/17 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	346.85	99.25	126.33	55.20	118.90	68.69	94.1	124.4	34.3	69.2
Finance and Economic Planning	276.98	38.84	121.01	25.40	119.83	15.82	99.0	62.3	43.3	40.7
Roads, Public Works and Transport	75.88	427.33	36.03	95.50	30.53	172.66	84.7	180.8	40.2	40.4
Health and Sanitation	1,112.97	277.36	477.51	80.00	395.25	62.43	82.8	78.0	35.5	22.5
Education, Communication and ICT	364.60	228.82	88.42	48.50	49.03	64.52	55.4	133.0	13.4	28.2
Agriculture and Irrigation	97.27	141.60	41.10	95.00	36.46	49.75	88.7	52.4	37.5	35.1
Livestock, Fisheries and Veterinary Services	89.58	59.30	43.00	30.00	36.84	7.23	85.7	24.1	41.1	12.2
Trade, Industry and Cooperatives	62.83	31.82	16.66	21.90	14.25	17.50	85.5	79.9	22.7	55.0
Land, Physical Planning and Urban Development	83.01	57.87	32.71	21.50	35.97	11.03	110.0	51.3	43.3	19.1
Water development, Environment & Natural Resources	66.51	137.31	30.47	26.00	24.04	24.34	78.9	93.6	36.1	17.7
Tourism, Culture, Sports, Youth and Gender Development	40.41	87.21	18.39	18.00	15.54	25.95	84.5	144.1	38.5	29.8
County Public Service Management	136.17	9.00	59.71	9.00	50.28	-	84.2	-	36.9	-
Intergovernmental and Special Initiatives	85.52	72.00	33.66	4.00	33.52	-	99.6	-	39.2	-
County Assembly	450.00	85.00	175.00	60.00	143.51	-	82.0	-	31.9	-
TOTAL	**3,288.6**	**1,752.7**	**1,300.0**	**590.0**	**1,103.94**	**519.93**	**84.9**	**88.1**	**33.6**	**29.7**

Source: *West Pokot County Treasury*

Analysis of budget performance by department shows that the Office of the Governor attained the highest absorption rate of development budget at 69.2 per cent while the County Public Service Management, Intergovernmental and Special Initiatives Department and the County Assembly did not incur any development expenditure. On the other hand the Department of Finance and Economic Planning and Land, Physical Planning

and Urban Development had the highest percentage of recurrent expenditure to recurrent budget at 43.3 per cent while the Department of Education, Communication and ICT had the lowest at 13.4 per cent.

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3.47.422 Observations and Recommendations

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

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

ii. Timely submission of quarterly financial reports to the Controller of Budget by County 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. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.1.98 billion had been disbursed against an expected disbursement of Kshs.2.35 billion
2. Failure by Fund Administrators to submit expenditure reports on the Car Loan and Mortgage Fund, County Assembly Members Car Loan and Mortgage Fund, and the Biashara Mashinani Fund contrary to Section 168 of the PFM Act, 2012.
3. Under-performance in local revenue collection which declined by 12.3 per cent from Kshs. 47.23 million in the first half of FY 2015/16 to Kshs.41.44 million in the reporting period.
4. Failure to designate a fund administrator for the County Biashara Mashinani Fund contrary to section 116 of the PFM Act, 2012.
5. Failure to reconcile the IFMIS payroll data to the IPPD data thereby resulting in discrepancies between the two records. The IFMIS reports indicated total expenditure on personnel emoluments as Kshs.654.8 million while data form the IPPD indicated Kshs.742.11 million as the total payroll costs for the reporting period.
6. Failure to deposit unspent funds at the end of the financial year into the County Revenue Fund Account maintained at the Central Bank of Kenya contrary to Section 136(2) of the PFM Act, 2012.
7. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2016 Disbursement Schedule.*
2. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The CECM-F should designate a fund administrator for Biashara Mashinani County Fund to ensure effective management and reporting.*
5. *The County should reconcile the IFMIS & IPPD data on a monthly basis to enhance accuracy in reporting.*
6. *The County Treasury should refund all unspent balances into the CRF at the end of each financial year in line with Section 136(2) of the PFM Act, 2012.*
7. *The County Treasury should liaise with the IFMIS Directorate for adequate support in application of IFMIS and E-procurement module.*

4 KEY CHALLENGES AND RECOMMENDATIONS

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This chapter highlights challenges that affected budget implementation in the reporting period and provides recommendations on how to address them in order to enhance execution of budgets by the County Governments in the future. The Office of the Controller of Budget has observed with concern that some of these challenges are yet to be addressed despite having been raised in previous reports. Some of the cross-cutting challenges included:

4.1 Lack of Regulations to Operationalize Established County Public Funds

Section 116 of the PFM Act, 2012 states that; "*A County Executive Member for finance may establish other County Public funds with the approval of the County Executive Committee and the County Assembly*". The Office noted that, while most Counties have established Public Funds and factored these in their Approved Budgets, some Counties are yet to develop regulations to operationalize the Funds. Failure to develop legislations to operationalize these funds will affect administration, accounting, and reporting on the Funds.

The Office recommends that County Governments should ensure that appropriate legislation establishing a county public Fund is in place in line with Section 116 of the PFM Act, 2012 prior to operationalization.

4.2 Inadequate Administration and Reporting on Public Funds Established by the Counties

Section 116 of the PFM Act, 2012 provides for the CECM-Finance to appoint an Administrator for each established Fund. The Administrator is required to submit quarterly financial statements to the County Treasury and a copy to the Controller of Budget in line with Section 168 (3) of the PFM Act, 2012.

The Office noted delays in the submission of financial reports by some counties on established County Funds contrary to Section 168 of the PFM Act, 2012. The Office therefore, urges the Fund Administrators to ensure timely preparation and submission of financial reports in line with Section 168 (3) of the PFM Act, 2012.

4.3 IFMIS Connectivity Challenges and Downtime

The Government rolled out IFMIS in order to enhance fiscal transparency, accountability and improve efficiency in public financial management. In first half of FY 2016/17, most Counties experienced operational delays and IFMIS connectivity challenges, which affected approval of procurement requests and payments to suppliers.

The Office recommends that County Treasuries should liaise with the IFMIS Directorate for support in application of IFMIS and the E-procurement module.

4.4 Under-performance in Local Revenue Collection

Article 209(3) of the Constitution allows County Governments to impose property rates, entertainment taxes and any other tax that a county is authorized to impose by an Act of Parliament.

During the reporting period, the County Governments' cumulative local revenue was Kshs.13.4 billion, accounting for 22.6 per cent of the annual target of Kshs.59.34 billion, with only two counties attaining at least 40 per cent of their annual revenue collection targets.

The Office recommends that Counties should develop and implement strategies to enhance local revenue collection in order to ensure effective budget implementation.

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4.5 Low Uptake of Development Funds

In the first half of the 2016/17 financial year, the Counties spent Kshs.34.04 billion on development activities representing an absorption rate of 21.5 per cent. Some Counties such as Nyeri, Nyandarua, Bungoma and Embu spent minimal amounts on development activities. The low absorption of development funds may affect service delivery to the public.

The Office recommends that Counties should prioritize implementation of development projects in order to realize the development objectives and improve the standard of life for Kenyans as envisaged in Kenya Vision 2030.

4.6 Delays in disbursement of equitable share by the National Treasury

Section 5 of the County Allocation of Revenue Act (CARA), 2016 provides that County Government's allocations shall be transferred to the respective County Revenue Funds, in accordance with a Disbursement Schedule approved by the Senate.

During the reporting period, the National Treasury did not fully adhere to the Disbursement Schedule, which affected execution of budgeted activities. A total of Kshs.116.25 billion was disbursed to the Counties out of the expected Kshs.143.57 billion as at 31st December, 2016.

The Office therefore, recommends that the National Treasury should strive to adherence to disburse funds to the Counties in line with the approved Disbursement Schedule.

4.7 Delays in Submission of Financial Reports to the Controller of Budget

The Office noted that, some Counties delayed in the submission of their quarterly financial reports contrary to Section 166(4)(b) of the PFM Act, 2012, which resulted in late preparation of the Budget Implementation Review Report.

County Treasuries should ensure timely preparation and submission of financial reports in line with Section 166(4)(b) of the PFM Act, 2012 and Section 16 of the Controller of Budget Act, 2016.

5 CONCLUSION

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This report is prepared in fulfilment of Article 228(6) of the Constitution of Kenya 2010, Section 9 of the Controller of Budget Act, 2016 and seeks to provide information on the status of budget implementation by the County Governments during the first half of the FY 2016/17.

The report indicates that overall absorption of funds improved marginally to 32.13 per cent in FY 2016/17 compared to an absorption rate of 31.3 per cent recorded in the first half of FY 2015/16. On aggregate, the Counties spent Kshs.92.64 billion on recurrent expenditure and Kshs.35.73 billion on development activities against the cumulative recurrent allocation of Kshs.230.9 billion and development allocation of Kshs.165.99 billion. Development expenditure translated to an absorption rate of 21.5 per cent while recurrent expenditure was 40.1 per cent of the annual budget for recurrent expenditure.

This report also highlights the challenges which have continued to hamper effective budget execution. They includes; late submission of quarterly financial reports and reports on established County Funds, IFMIS connectivity challenges, under-performance in local revenue collection, and low uptake of development funds. The report also provides appropriate recommendations on how to address the identified challenges in order to enhance execution of the budget in the future.

The Office has observed enormous progress made by the Counties in budget implementation since transition to devolved governments in 2013. The Office will continue to provide regular reports to all stakeholders on budget implementation with the aim of informing and positively influencing budget execution for the benefit of all Kenyans.

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

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P. O. Box 73552 - 00200,
NAIROBI, KENYA

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

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

Bima House, 12th Floor
Harambee Avenue
P. O. Box 35616 - 00100 Nairobi, Kenya
Tel: +254 (0) 20 318939, 2211056
Fax: +254 (0) 20 2211920
Email: cob@cob.go.ke
Website: www.cob.go.ke