

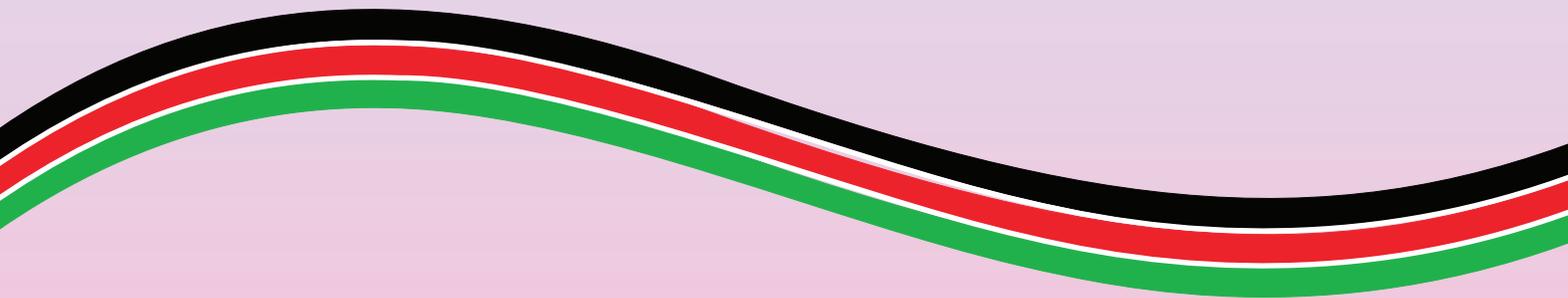


REPUBLIC OF KENYA

**OFFICE OF THE CONTROLLER OF BUDGET**

**ANNUAL COUNTY GOVERNMENTS  
BUDGET IMPLEMENTATION REVIEW REPORT  
FOR FY 2017/18**

**SEPTEMBER, 2018**





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## PREFACE

I am pleased to present the Annual County Governments Budget Implementation Review Report (CBIRR) for the Financial Year (FY) 2017/18. The report has been prepared in conformity with Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget (COB) Act, 2016, which requires the Office of the Controller of Budget (OCOB) to submit to each House of Parliament a report on the implementation of the budgets of the National and County Governments every four months. The report also satisfies Section 39(8) of the Public Finance Management (PFM) Act, 2012, which requires the Controller of Budget to ensure that members of the public are provided with information on budget implementation.

This report provides useful information on budget performance by the forty seven County Governments for the period July, 2017 to June, 2018. The data used in preparation of this report is derived from approved budgets, financial reports submitted to the Office of the Controller of Budget by the County Treasuries in line with Section 166 and 168 of the Public Finance Management (PFM) Act, 2012 and reports generated from the Integrated Financial Management Information System (IFMIS). The report also highlights the key challenges faced in budget implementation and instances where the public finance management framework was breached and proposes appropriate recommendations.

Preparation of this report has been made possible through concerted efforts of staff from the County Treasuries and the OCOB. I am grateful to all staff who were involved in the preparation of this report. Information provided in this report is useful to all stakeholders involved in public financial management, such as policy makers, legislators, analysts, practitioners, and members of the public. I therefore, urge all readers of this report to engage with the County Governments in order to enhance effectiveness in budget implementation.



**Mrs. Agnes Odhiambo, CBS**  
**CONTROLLER OF BUDGET**

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## ACRONYMS

<b>ADP</b>	Annual Development Plan
<b>CA</b>	County Assembly
<b>CARA</b>	County Allocation of Revenue Act
<b>CBEF</b>	County Budget and Economic Forum
<b>CBIRR</b>	County Budget Implementation Review Report
<b>CBK</b>	Central Bank of Kenya
<b>CBROP</b>	County Budget Review and Outlook Paper
<b>CEC</b>	County Executive Committee
<b>CFSP</b>	County Fiscal Strategy Paper
<b>CECM-F</b>	County Executive Committee Member for Finance
<b>COB</b>	Controller of Budget
<b>CRF</b>	County Revenue Fund
<b>DANIDA</b>	Danish International Development Agency
<b>EU</b>	European Union
<b>ECDE</b>	Early Childhood Development Education
<b>FY</b>	Financial Year
<b>IB</b>	Internet Banking
<b>ICT</b>	Information Communication Technology
<b>IFMIS</b>	Integrated Financial Management Information System
<b>IPPD</b>	Integrated Payroll Personnel Database
<b>KDSP</b>	Kenya Devolution Support Programme
<b>KShs</b>	Kenya Shillings
<b>MCA</b>	Member of County Assembly
<b>O&amp;M</b>	Operations and Maintenance
<b>OCOB</b>	Office of the Controller of Budget
<b>PE</b>	Personnel Emoluments
<b>PFM</b>	Public Finance Management
<b>SRC</b>	Salaries and Remuneration Commission

## EXECUTIVE SUMMARY

This is the Annual County Budget Implementation Review Report (CBIRR) for the financial year 2017/18 and covers the period July 2017 to June 2018. The report has been prepared in fulfilment of the requirements of Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016. It highlights the status of the County budget implementation by analysing revenue and expenditure performance against annual budget estimates. Analysis of expenditure is based on financial reports submitted by County Treasuries and those generated from the Integrated Financial Management System (IFMIS).

The aggregate budget estimates for the 47 County Governments amounted to Kshs.410.1 billion comprising Kshs.271.32 billion (66.1 per cent) for recurrent expenditure and Kshs.139.18 billion (33.9 per cent) for development expenditure. In order to finance the budget, county governments were allocated Kshs.302 billion as the equitable share of revenue raised nationally and Kshs.27.27 billion as total conditional grants from the National Government and Development Partners. Additionally, county governments expected to generate own source revenue amounting to Kshs.49.22 billion, and utilize the projected cash balance of Kshs.25.75 billion from FY 2016/17.

The total revenue available to the County Governments in FY 2017/18 amounted to Kshs.387.09 billion which comprised of Kshs.302 billion as equitable share of revenue raised nationally, Kshs.4.2 billion grant to Level 5 Hospitals, Kshs.900 million for Foregone User Fees, Kshs.2 billion for rehabilitation of Youth Polytechnics, Kshs.10.26 billion from the Road Maintenance Fuel Levy Fund, Kshs.7.54 billion from development partners, Kshs.1.95 billion under the Kenya Devolution Support Programme “level 2” grant, Kshs.32.49 billion as revenue raised from own sources, and Kshs.25.75 billion as cash balance from FY 2016/17.

In FY 2017/18, the aggregate revenue raised by County Governments amounted to Kshs.32.49 billion which was 66 per cent of the annual target of Kshs.49.22 billion, and was a slight decline compared to Kshs.32.52 billion generated in FY 2016/17. Further analysis of own source revenue collection as a proportion of annual targets indicated that only three counties exceeded their annual targets. These were; Tana River, Migori and Kwale Counties at 188.8 per cent, 111.1 per cent and 100.5 per cent respectively.

During the period, the Controller of Budget (COB) authorised withdrawal of Kshs.324.12 billion from the County Revenue Funds to the various County Operational Accounts. This amount comprised of Kshs.251.96 billion (77.7 per cent) for recurrent expenditure and Kshs.72.16 billion (22.3 per cent) for development activities. The County Governments that received the highest amount of funds for operations were; Nairobi City at Kshs.21.13 billion, Kiambu at Kshs.11.92 billion, and Kakamega at Kshs.10.97 billion. Those that received the lowest amounts were; Tharaka Nithi at Kshs.3.78 billion, Isiolo at Kshs.3.76 billion and Lamu at Kshs.2.36 billion.

The total expenditure was Kshs.303.83 billion, which comprised of Kshs.236.94 billion for recurrent expenditure (87.3 per cent of the annual recurrent budget) and Kshs.66.89 billion for development expenditure (48.1 per cent of the annual development budget). This expenditure was 74 per cent of the aggregated annual county governments’ budgets. Counties that recorded the highest overall absorption rates were; Kiambu at 85.5 per cent, Marsabit at 85 per cent, and Laikipia at 84.2 per cent. Conversely, Nakuru, Tana River, and Vihiga counties recorded the lowest overall absorption rates at 59.3 per cent, 53.7 per cent, and 48.5 per cent respectively. Analysis of development expenditure indicates that, Mombasa, Marsabit, Kilifi and Murang’a counties reported the highest absorption rates of development expenditure at 76 per cent, 74 per cent, 73.1 per cent, and 72.5 per cent respectively. Those with the lowest rates were; Kisumu, Wajir, Vihiga, and Taita Taveta at 23.6 per cent, 22.9 per cent, 17.5 per cent, and 12.7 per cent, respectively. Absorption rate is computed as a percentage of total development expenditure to the approved annual development budget.

Analysis of expenditure by economic classification shows that, Kshs.151.09 billion (49.7 per cent) was spent on personnel emoluments, Kshs.85.85 billion (28.3 per cent) on operations and maintenance, and Kshs.66.89 billion (22 per cent) on development activities. A review of Personnel Emoluments (PE) as a percentage of total expenditure indicates that it accounted for 49.7 per cent of the total expenditure in the reporting

period. However, three counties, namely; Kilifi, Marsabit, and Mandera reported expenditure on personnel emoluments within the maximum allowed limit of 35 per cent of their total expenditure at 33.8 per cent, 28.7 per cent and 24.9 per cent respectively. Counties with the highest percentage of personnel emoluments to total expenditure were; Machakos at 65.3 per cent, Taita Taveta at 64.4 per cent and Meru at 63.9 per cent. Comparison of total expenditure as a percentage of the total amount authorized for withdrawal indicated that, Nairobi City, Mandera, Murang'a and Laikipia incurred higher expenditure than the amount authorized for withdrawal by the Controller of Budget.

The Office identified key challenges that hindered effective budget execution by the counties. These included; high expenditure on personnel emoluments, delay in submission of financial reports by County Treasuries to the Controller of Budget contrary to Section 166 and 168 of the PFM Act, 2012, under-performance of own source revenue collection, high level of pending bills at Ksh.108.41 billion by the end of the financial year, frequent IFMIS downtime, delay in the establishment and operationalisation of the Internal Audit Committees contrary to Section 155 of the PFM Act, 2012, and weak budgetary control by the County Treasuries.

The Office recommends that, County Governments should establish optimal staffing levels to ensure expenditure on personnel emoluments is within the set limit of 35 per cent of the County's total revenue as provided in Regulation 25 (1) of the Public Finance Management (County Governments) Regulations, 2015. Further, County Treasuries should develop and implement strategies to enhance own source revenue collection, and also ensure compliance with the PFM Act, 2012 on submission of financial and non-financial reports to the Controller of Budget. In addition, the County Governments should ensure effective management of pending bills by aligning procurement plans to cash flow plans, while the IFMIS Directorate should address the frequent system downtime. Finally, counties should establish and operationalise the Internal Audit Committees, and also enhance budgetary control to ensure that expenditure is within the approved budget.



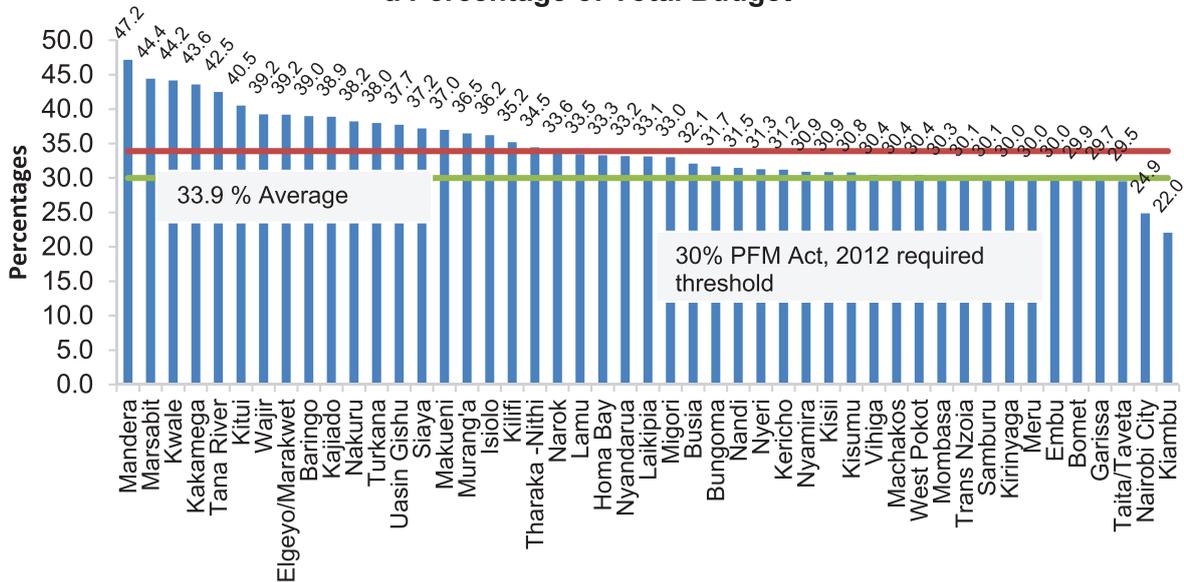
## FY 2017/18 County Governments' Approved Budget Estimates

**Development,  
Kshs.139.18  
Billion (33.9%)**

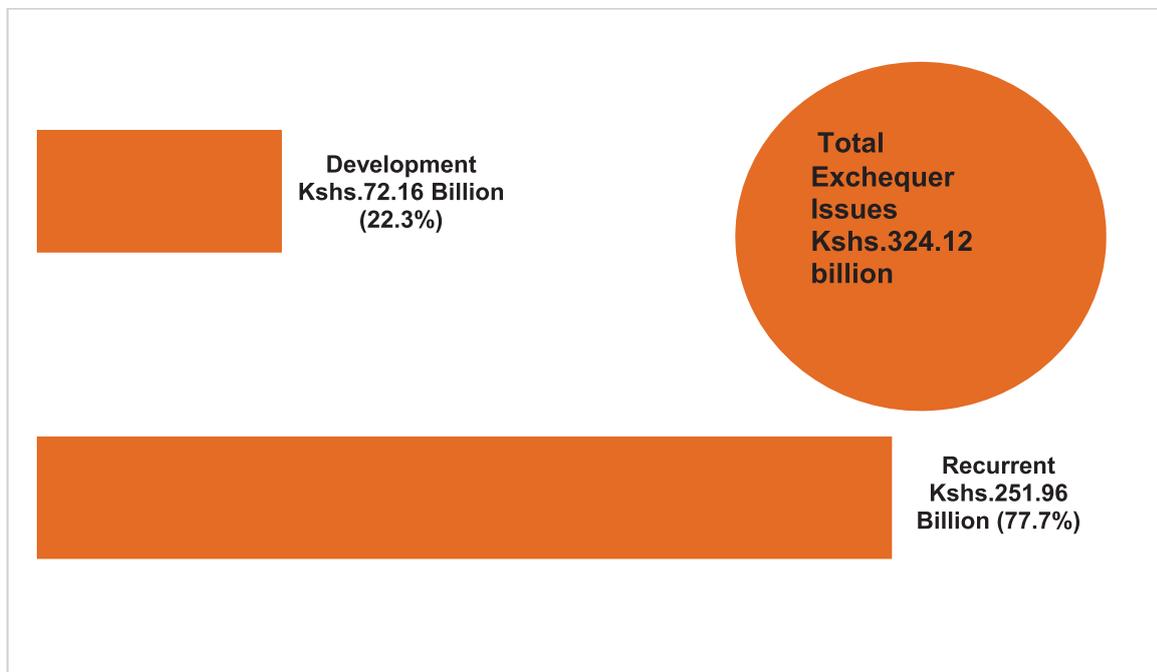
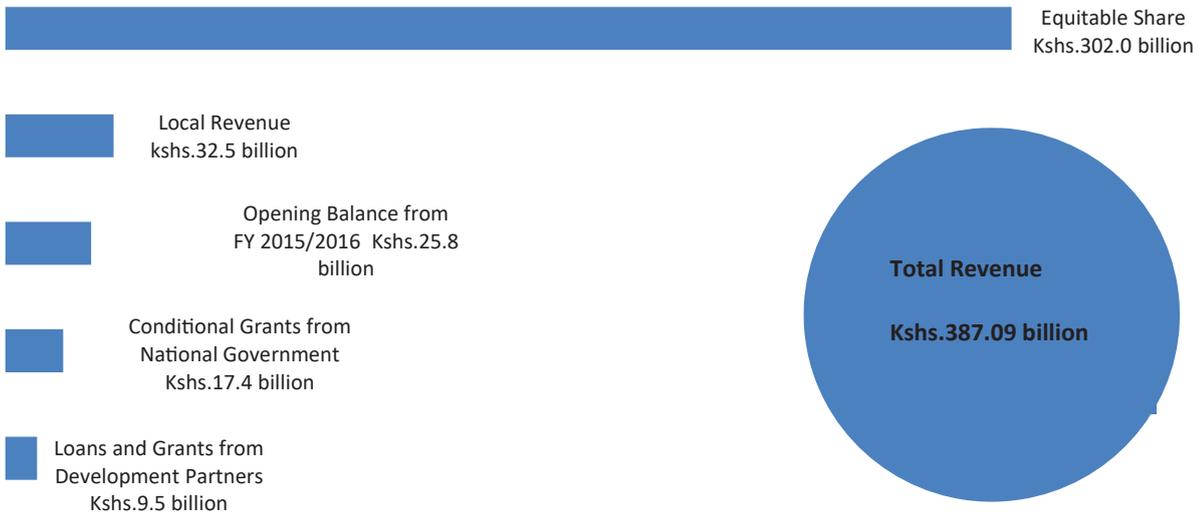
**Total Budget  
Kshs. 410.50  
Billion**

**Recurrent,  
Kshs.271.32  
Billion (66.1%)**

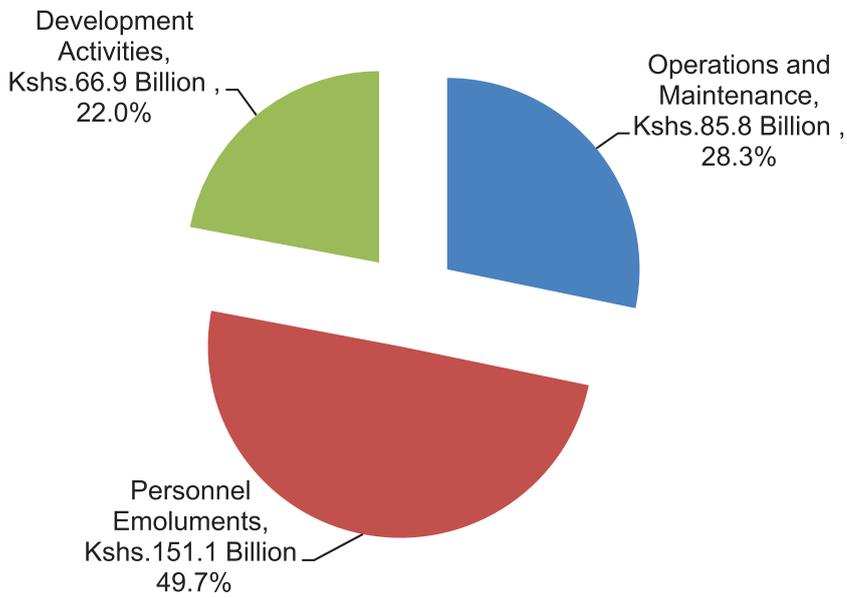
### FY 2017/18 County Governments' Development Budget Allocation as a Percentage of Total Budget



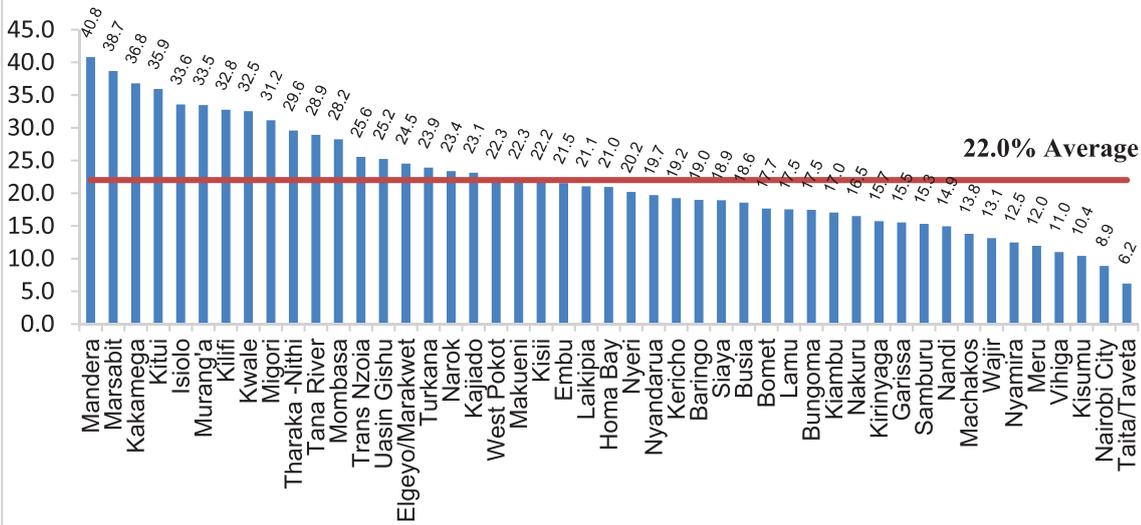
## Total Revenue Available in FY 2017/18



### Expenditure by Economic Classification for FY 2017/18



### Development Expenditure as a Percentage of Total Expenditure in FY 2017/18



# 1 INTRODUCTION

The Office of the Controller of Budget (OCOB) is established under Article 228 of the Constitution of Kenya, 2010 to among other functions, oversee and report on implementation of budgets of both the National and County governments to each House of Parliament every four months.

This Budget Implementation Review Report (BIRR) is therefore, prepared in conformity with Article 228 (4) and (6) of the Constitution. It presents information on budget implementation by the County Governments during FY 2017/18 and covers critical details on own source revenue generated, transfers received from the National Government and Development Partners, and expenditure during the financial year. The report provides useful information to oversight institutions such as, the Senate, County Assemblies, the National Treasury, Constitutional Commissions, and members of the public. Information provided in this report is also useful to development partners who may wish to access the impact of their support to counties. The County Executives will also find this report useful in evaluating their achievements against set targets and to benchmark against other counties.

This report is organized into five chapters. Chapter one offers the introduction while the main body of the report begins in chapter two where aggregate performance by counties is presented. The chapter presents an analysis of revenue and expenditure performance against set targets by revenue streams such as; equitable shareable revenue, conditional grants from the National Government and Development Partners, and own source revenue collection. Expenditure is compared with that incurred in FY 2016/17 and is analysed into the main expenditure categories of development expenditure, personnel emoluments, and operations and maintenance. Absorption rate is used to measure performance and is computed as a percentage of expenditure against the approved annual budget.

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

## 2 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION IN FY 2017/18

### 2.1 Introduction

This chapter presents analysis of the aggregate financial performance by the counties during FY 2017/18.

#### 2.1.1 Revenue Analysis

In FY 2017/18, the combined county governments' budgets approved by the County Assemblies amounted to Kshs.410.5 billion and comprised of Kshs.271.32 billion (66.1 per cent) allocated to recurrent expenditure and Kshs.139.18 billion (33.9 per cent) for development expenditure.

In order to finance the budgets, county governments expected to receive Kshs.302 billion as equitable share of revenue raised national, Kshs.27.27 billion as total conditional grants from the National Government and development partners, generate Kshs.49.22 billion from local sources, and Kshs.25.75 billion cash balance from FY 2016/17.

The Conditional grants from the National Government comprised of Kshs.4.5 billion for Leasing of Medical Equipment, Kshs.4.2 billion for Level 5 Hospitals, Kshs.11.07 billion from the Road Maintenance Fuel Levy Fund, Kshs.900 million for compensation of User Fee Foregone, Kshs.2 billion for Development of Youth Polytechnics and Kshs.605 million for Construction of County Headquarters in Isiolo, Lamu, Nyandarua, Tana River and Tharaka Nithi Counties.

The counties also expected to receive conditional grants from development partners of; Kshs.873.41 million from the World Bank loan to supplement financing of County Health facilities, Kshs.2.15 billion for the Kenya Devolution Support Programme (KDSP) from the World Bank, Kshs.2.75 billion as World Bank loan for Transforming Health Systems for Universal Care Project, Kshs.1.05 billion as World Bank loan for National Agricultural and Rural Inclusive Growth Project, Kshs.762.98 million from DANIDA for Universal Healthcare in Devolved System Programme, Kshs.985.8 million from the European Union (EU) for Devolution Advice and Support, Kshs.4 billion for KSDP "level 2" grant, and Kshs.7.84 billion as Other Loans & Grants. All these conditional grants were contained in the County Allocation of Revenue Act (CARA), 2017.

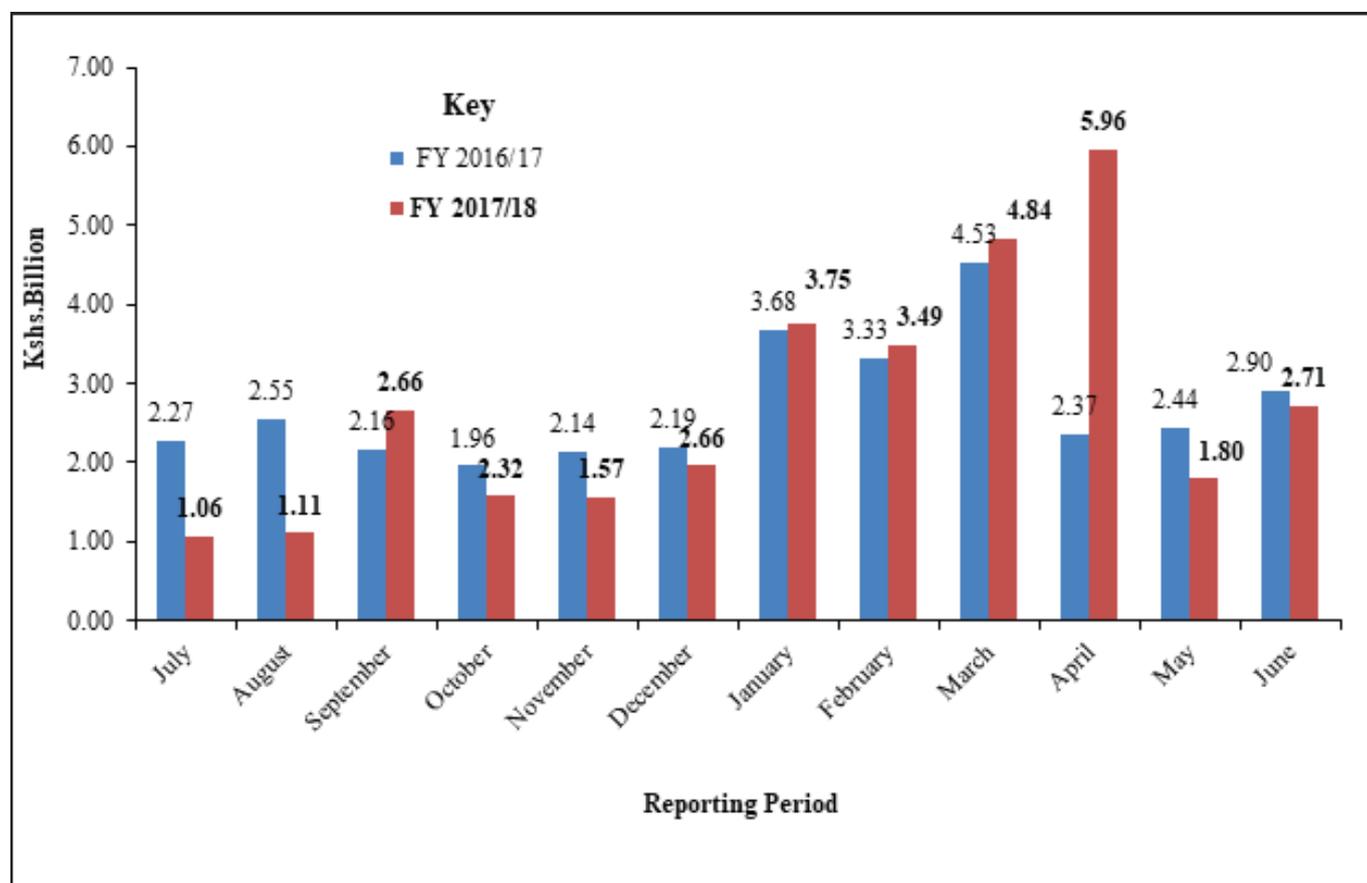
#### 2.1.2 Revenue Out-turn

The total funds available to the County Governments in FY 2017/18 amounted to Kshs.387.09 billion. This amount consisted of Kshs.302 billion as equitable share of revenue raised nationally, Kshs.4.2 billion as grant for Level 5 Hospitals, Kshs.900 million for Foregone User Fees, Kshs.2 billion for rehabilitation of Youth Polytechnics, Kshs.10.26 billion from the Road Maintenance Fuel Levy Fund, Kshs.7.54 billion from development partners, Kshs.1.95 billion under the Kenya Devolution Support Programme "Level 2" grant, Kshs.32.49 billion as revenue raised from own sources, and Kshs.25.75 billion as cash balance from FY 2016/17.

#### 2.1.3 Own- Source Revenue

The aggregate annual own source revenue target for counties was Kshs.49.22 billion compared to actual collection of Kshs.32.49 billion, which was 66 per cent of the target. This was a slight decline compared to Kshs.32.52 billion generated in FY 2016/17, which was 56.4 per cent of annual revenue target. The monthly own source revenue collection in FY 2016/17 and FY 2017/18 is shown in Figure 2.1.

**Figure 2.1: Monthly Own Source Revenue Collection- for FY 2016/17 and FY 2017/18 (Kshs. Billion)**



Source: County Treasuries

Analysis of own source revenue collection by quarter for the period July 2017-June 2018 is shown in Table 2.1.

**Table 2.1: Local Revenue Collection for FY 2017/18**

County	Annual Own Source Revenue Target FY 2017/18 (Kshs.)	1st Quarter, FY 2017/18 Own Source Revenue (Kshs.)	2nd Quarter, FY 2017/18 Own Source Revenue (Kshs.)	3rd Quarter Local, FY 2017/18 Revenue (Kshs.)	4th Quarter Own Source, FY 2017/18 Revenue (Kshs.)	FY 2017/18 Total Own Source Revenue (Kshs.)	% of Own Source Revenue Against Annual Revenue Target
Baringo	350,000,000	92,044,883	54,636,535	78,377,031	76,345,928	301,404,377	86.1
Bomet	200,211,165	16,430,740	35,042,031	74,579,857	55,322,715	181,375,343	90.6
Bungoma	865,554,992	98,041,085	180,479,180	182,857,864	195,372,010	656,750,139	75.9
Busia	412,155,210	32,168,753	33,891,921	53,433,878	56,800,033	176,294,585	42.8
Elgeyo/ Marakwet	160,291,113	17,200,000	26,669,517	32,159,838	29,453,840	105,483,195	65.8
Embu	653,490,000	54,785,998	70,810,110	128,152,587	162,362,902	416,111,597	63.7
Garissa	250,000,000	9,873,949	15,568,960	35,024,568	26,220,086	86,687,563	34.7
Homa Bay	118,664,278	15,961,322	21,551,806	34,526,879	34,899,458	106,939,465	90.1
Isiolo	182,861,337	33,385,014	20,343,958	27,436,359	33,391,785	114,557,116	62.6
Kajiado	1,040,794,334	37,632,272	99,365,367	264,863,185	280,301,734	682,162,558	65.5
Kakamega	774,571,849	58,367,467	73,634,655	152,086,884	156,522,025	440,611,031	56.9
Kericho	554,641,236	45,303,791	32,077,908	149,528,905	187,138,106	414,048,710	74.7
Kiambu	3,227,491,771	268,329,076	249,968,813	646,453,683	528,956,662	1,693,708,234	52.5
Kilifi	929,663,257	76,497,667	88,345,618	224,398,612	134,105,294	523,347,190	56.3

County	Annual Own Source Revenue Target FY 2017/18 (Kshs.)	1st Quarter, FY 2017/18 Own Source Revenue (Kshs.)	2nd Quarter, FY 2017/18 Own Source Revenue (Kshs.)	3rd Quarter Local, FY 2017/18 Revenue (Kshs.)	4th Quarter Own Source, FY 2017/18 Revenue (Kshs.)	FY 2017/18 Total Own Source Revenue (Kshs.)	% of Own Source Revenue Against Annual Revenue Target
Kirinyaga	600,000,000	32,648,689	37,724,246	135,946,521	137,650,867	343,970,322	57.3
Kisii	950,000,000	35,648,000	34,655,760	105,772,094	80,209,000	256,284,854	27.0
Kisumu	1,148,685,296	123,459,153	120,240,443	338,727,430	292,474,749	874,901,775	76.2
Kitui	579,158,072	57,686,146	44,811,218	113,821,525	118,803,587	335,122,477	57.9
Kwale	275,000,000	23,551,939	26,530,000	139,330,000	86,883,190	276,295,129	100.5
Laikipia	500,000,000	107,697,348	55,604,969	130,544,880	119,480,989	413,328,186	82.7
Lamu	90,000,000	7,094,595	9,588,640	24,804,086	13,799,367	55,286,688	61.4
Machakos	1,594,386,715	103,899,248	197,590,594	331,720,932	430,516,010	1,063,726,784	66.7
Makueni	600,000,000	66,268,246	46,023,459	94,948,641	112,041,888	319,282,234	53.2
Mandera	231,000,000	8,724,839	11,997,249	26,249,300	14,841,907	61,813,295	26.8
Marsabit	130,000,000	15,420,000	17,220,000	17,958,205	32,792,275	83,390,480	64.1
Meru	821,775,812	53,200,311	66,064,114	183,150,754	139,275,758	441,690,937	53.7
Migori	200,000,000	27,744,883	25,159,477	92,446,061	76,900,869	222,251,290	111.1
Mombasa	3,595,744,681	307,908,119	270,351,881	1,098,668,159	1,482,228,175	3,159,156,334	87.9
Murang'a	850,000,000	52,810,055	52,449,033	176,863,570	171,584,160	453,706,818	53.4
Nairobi City	17,229,008,928	1,487,988,548	1,617,955,495	4,531,727,221	2,471,748,230	10,109,419,494	58.7
Nakuru	2,500,000,000	356,176,823	400,855,172	752,609,665	769,004,404	2,278,646,064	91.1
Nandi	385,438,659	20,106,058	37,518,123	77,717,284	62,545,418	197,886,883	51.3
Narok	2,483,456,238	692,375,346	522,617,876	413,319,152	560,124,240	2,188,436,615	88.1
Nyamira	253,112,676	14,859,616	12,749,193	41,626,623	27,381,613	96,617,045	38.2
Nyandarua	371,000,000	38,203,320	44,011,248	97,655,000	138,716,031	318,585,599	85.9
Nyeri	1,000,000,000	137,359,072	136,816,412	224,897,358	261,153,109	760,225,951	76.0
Samburu	301,230,000	65,508,452	76,693,101	53,959,238	61,132,166	257,292,957	85.4
Siaya	270,000,000	19,407,487	21,415,576	49,028,599	49,485,136	139,336,798	51.6
Taita/Taveta	398,465,509	15,762,643	44,487,050	61,722,446	71,623,656	193,595,795	48.6
Tana River	30,000,000	3,950,195	4,029,985	8,205,420	40,439,598	56,625,198	188.8
Tharaka -Nithi	179,915,283	6,139,274	30,351,754	33,688,500	56,427,214	126,606,742	70.4
Trans Nzoia	400,000,000	15,630,401	21,884,856	120,611,692	87,935,953	246,062,902	61.5
Turkana	200,000,000	33,471,422	27,559,858	35,842,613	47,023,005	143,896,898	71.9
Uasin Gishu	850,000,000	89,501,705	116,501,748	387,540,000	225,676,758	819,220,211	96.4
Vihiga	220,000,000	12,820,045	29,069,063	50,549,434	51,092,210	143,530,752	65.2
Wajir	150,000,000	21,573,075	14,550,000	18,933,560	12,551,840	67,608,475	45.1
West Pokot	111,245,626	13,322,611	21,425,779	25,919,586	27,743,201	88,411,177	79.5
<b>Total</b>	<b>49,219,014,037</b>	<b>4,923,939,680</b>	<b>5,198,889,752</b>	<b>12,080,385,678</b>	<b>10,288,479,151</b>	<b>32,491,694,261</b>	<b>66.0</b>

Source: County Treasuries

During the period under review, the Nairobi City County generated the highest amount of own source revenue at Kshs.10.11 billion, followed by Mombasa and Nakuru at Kshs.3.16 billion and Kshs.2.28 billion respectively. Counties that generated the lowest amount were Lamu, Tana River and Mandera at Kshs.55.29 million, Kshs.56.63 million and Kshs.61.82 million respectively.

Analysis of own source revenue as a proportion of the annual revenue target indicates that three counties, namely; Tana River, Migori and Kwale exceeded their targets at 188.8 per cent, 111.1 per cent and 100.5 per cent respectively. Conversely, the counties that recorded the lowest proportion of own source revenue against annual targets were Garissa at 34.7 per cent, Kisii at 27 per cent and Mandera at 26.8 per cent.

## 2.2 Funds Released to the Counties

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

In FY 2017/18, the Controller of Budget (COB) approved transfer of Kshs.306.2 billion from the Consolidated Fund to the various County Revenue Funds (CRFs) in accordance with Article 206 (4) of the Constitution. The transfer comprised of Kshs.302 billion as equitable share of revenue raised nationally and Kshs.4.2 billion as conditional allocations to Level 5 Hospitals.

During the period, counties also received additional conditional grants from the National Government as follows; Kshs.900 million as Foregone User Fees Compensation, Kshs.2 billion for Rehabilitation of Youth Polytechnics, and Kshs.10.26 billion from the Road Maintenance Fuel Levy Fund. Further, county governments also received Kshs.7.54 billion as Loans and Grants from development partners, and Kshs.1.95 billion under the Kenya Devolution Support Programme “Level 2” grant. A detailed analysis of the funds released to each county is provided in chapter three.

### 2.2.2 Funds Released to the County Operational Accounts

The COB authorised withdrawals of Kshs.324.12 billion from the County Revenue Funds to the County Operational Accounts of county governments. The transfers comprised of Kshs.251.96 billion (77.7 per cent) for recurrent expenditure and Kshs.72.16 billion (22.3 per cent) for development expenditure.

From the Kshs.251.96 billion released for recurrent activities, Kshs.221.77 billion went to the County Executive while Kshs.30.19 billion was for the County Assemblies. On the other hand, out of Kshs.72.16 billion released towards development activities, the County Executive and the County Assemblies received Kshs.69.82 billion and Kshs.2.34 billion respectively.

The exchequer issues to the County Assembly and the County Executive in FY 2017/18 are shown in Table 2.2.

**Table 2.2: The Exchequer Issues to the County Assembly and the County Executive for FY 2017/18**

Exchequer Releases from CRF to County Operations Accounts, FY 2017/18 (Kshs.Million)									
County	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Rec	Dev	Total	Rec)	Dev	Total	Rec	Dev	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Baringo	618.65	8.00	626.65	3,602.27	1,052.92	4,655.19	4,220.92	1,060.92	5,281.84
Bomet	637.88	8.00	645.88	3,654.36	971.34	4,625.70	4,292.24	979.34	5,271.58
Bungoma	795.40	98.83	894.23	6,472.85	1,695.41	8,168.26	7,268.25	1,794.24	9,062.49
Busia	851.10	44.10	895.20	3,946.04	1,228.89	5,174.94	4,797.14	1,272.99	6,070.14
Elgeyo/ Marakwet	472.42	11.00	483.42	2,527.28	1,057.49	3,584.76	2,999.70	1,068.49	4,068.19
Embu	485.94	-	485.94	3,809.26	1,087.02	4,896.28	4,295.20	1,087.02	5,382.22
Garissa	648.08	70.00	718.08	4,859.96	966.28	5,826.24	5,508.04	1,036.28	6,544.31
Homa Bay	990.00	30.00	1,020.00	4,029.15	1,240.25	5,269.39	5,019.15	1,270.25	6,289.39
Isiolo	382.50	133.00	515.50	2,190.68	1,053.74	3,244.42	2,573.18	1,186.74	3,759.92
Kajiado	490.96	120.60	611.56	4,588.45	1,164.80	5,753.25	5,079.41	1,285.40	6,364.81
Kakamega	877.92	-	877.92	6,102.68	3,987.28	10,089.95	6,980.60	3,987.28	10,967.87
Kericho	588.08	-	588.08	3,592.22	1,132.02	4,724.24	4,180.30	1,132.02	5,312.32
Kiambu	1,274.79	2.12	1,276.91	8,437.08	2,210.77	10,647.84	9,711.87	2,212.88	11,924.75

Exchequer Releases from CRF to County Operations Accounts, FY 2017/18 (Kshs.Million)									
County	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Rec	Dev	Total	Rec)	Dev	Total	Rec	Dev	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Kilifi	673.42	142.50	815.92	6,488.84	3,407.05	9,895.89	7,162.26	3,549.55	10,711.81
Kirinyaga	627.12	24.68	651.80	3,350.14	701.26	4,051.40	3,977.26	725.94	4,703.20
Kisii	805.98	68.42	874.40	5,943.33	1,822.30	7,765.63	6,749.31	1,890.72	8,640.03
Kisumu	602.52	-	602.52	5,724.31	1,015.66	6,739.97	6,326.83	1,015.66	7,342.49
Kitui	595.67	176.54	772.21	5,702.48	3,338.40	9,040.89	6,298.15	3,514.94	9,813.10
Kwale	474.96	60.00	534.96	4,169.92	2,033.79	6,203.71	4,644.88	2,093.79	6,738.67
Laikipia	448.66	27.61	476.27	3,288.98	1,032.51	4,321.49	3,737.64	1,060.12	4,797.77
Lamu	301.13	130.97	432.09	1,609.36	314.80	1,924.16	1,910.49	445.77	2,356.26
Machakos	770.67	173.31	943.99	5,701.33	1,373.16	7,074.49	6,472.00	1,546.47	8,018.47
Makueni	622.07	42.26	664.33	5,051.29	2,259.57	7,310.86	5,673.37	2,301.83	7,975.19
Mandera	586.24	30.46	616.69	5,049.23	3,617.51	8,666.73	5,635.46	3,647.96	9,283.43
Marsabit	550.12	35.00	585.12	3,599.50	2,631.91	6,231.40	4,149.62	2,666.91	6,816.52
Meru	1,174.03	9.75	1,183.79	5,792.09	1,513.99	7,306.08	6,966.13	1,523.74	8,489.87
Migori	736.00	-	736.00	3,831.06	2,325.27	6,156.33	4,567.06	2,325.27	6,892.33
Mombasa	558.99	-	558.99	7,113.78	2,896.09	10,009.87	7,672.76	2,896.09	10,568.85
Murang'a	483.47	-	483.47	3,802.06	2,217.12	6,019.18	4,285.53	2,217.12	6,502.65
Nairobi City	1,125.32	93.15	1,218.46	18,784.73	1,128.05	19,912.78	19,910.05	1,221.20	21,131.25
Nakuru	912.88	56.46	969.33	7,790.37	1,439.96	9,230.33	8,703.24	1,496.42	10,199.66
Nandi	587.95	117.34	705.28	3,836.36	868.08	4,704.44	4,424.30	985.42	5,409.72
Narok	511.25	30.00	541.25	5,889.52	1,899.26	7,788.78	6,400.77	1,929.26	8,330.03
Nyamira	596.08	65.99	662.08	3,403.02	780.52	4,183.55	3,999.11	846.52	4,845.62
Nyandarua	581.22	154.77	735.99	3,190.21	883.59	4,073.80	3,771.43	1,038.36	4,809.80
Nyeri	615.09	4.99	620.09	4,459.34	1,458.43	5,917.77	5,074.43	1,463.42	6,537.85
Samburu	542.51	50.00	592.51	2,838.26	532.44	3,370.70	3,380.77	582.44	3,963.21
Siaya	582.00	4.99	586.99	3,658.18	1,190.45	4,848.63	4,240.18	1,195.44	5,435.62
Taita/Taveta	507.80	9.15	516.96	3,104.12	552.54	3,656.66	3,611.93	561.69	4,173.62
Tana River	454.50	60.00	514.50	2,523.18	858.61	3,381.79	2,977.68	918.61	3,896.28
Tharaka – Nithi	313.50	36.81	350.31	2,535.95	893.18	3,429.13	2,849.44	929.99	3,779.44
Trans Nzoia	530.45	-	530.45	4,063.44	1,201.08	5,264.52	4,593.89	1,201.08	5,794.97
Turkana	980.45	58.00	1,038.45	5,953.82	1,454.43	7,408.25	6,934.27	1,512.43	8,446.70
Uasin Gishu	568.54	49.11	617.65	4,276.95	1,498.14	5,775.09	4,845.49	1,547.25	6,392.74
Vihiga	530.55	13.47	544.02	3,098.95	374.51	3,473.46	3,629.51	387.98	4,017.48
Wajir	643.84	-	643.84	4,928.17	977.01	5,905.18	5,572.01	977.01	6,549.02
West Pokot	480.00	90.33	570.33	3,404.51	480.00	3,884.51	3,884.51	570.33	4,454.83
<b>Total</b>	<b>30,188.71</b>	<b>2,341.72</b>	<b>32,530.44</b>	<b>221,769.06</b>	<b>69,818.83</b>	<b>291,587.89</b>	<b>251,957.78</b>	<b>72,160.55</b>	<b>324,118.33</b>

Source: County Treasuries and OCOB

Nairobi City County received the highest amount from its CRF account to the operational accounts at Kshs.21.13 billion followed by Kiambu and Kakamega at Kshs.11.92 billion and Kshs.10.97 billion respectively. The counties that received the least amounts were; Tharaka Nithi at Kshs.3.78 billion, Isiolo at Kshs.3.76 billion, and Lamu at Kshs.2.36 billion.

Analysis of the funds released for recurrent activities indicates that, Nairobi City, Kiambu and Nakuru counties received the highest amounts at Kshs.19.91 billion, Kshs.9.71 billion and Kshs.8.71 billion respectively. Conversely, Tharaka Nithi, Isiolo, and Lamu Counties received the lowest at Kshs.2.85 billion, Kshs.2.57 billion, Kshs.1.91 billion respectively.

Breakdown of the funds released for development activities by county indicates that Kakamega, Mandera, and Kilifi counties received the highest amounts at Kshs.3.99 billion, Kshs.3.65 billion and Kshs.3.55 billion respectively. Those that received the least amounts were Taita Taveta County at Kshs.561.69 million, Lamu County at Kshs.445.77 million and Vihiga County at Kshs.387.98 million.

### 2.3 Expenditure Analysis

The total expenditure by County governments was Kshs.303.83 billion representing an absorption rate of 74 per cent of the total annual County Governments Budgets. This was a decrease from an absorption rate of 79.9 per cent reported attained in FY 2016/17 where total expenditure was Kshs.319.06 billion.

Recurrent expenditure was Kshs.236.94 billion, representing 87.3 per cent of the annual recurrent budget, and a decline from 89.6 per cent reported in FY 2016/17. Development expenditure amounted to Kshs.66.89 billion, representing an absorption rate of 48.1 per cent, which was a decline when compared to 65.3 per cent attained in FY 2016/17 when total development expenditure was Kshs.103.34 billion. The analysis of expenditure by economic classification is provided in Table 2.3

**Table 2.3: Expenditure by Economic Classification - FY 2017/18**

County	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Baringo	3,011,116,752	1,203,802,082	987,442,916	5,202,361,751
Bomet	2,429,986,867	1,644,418,753	873,537,046	4,947,942,666
Bungoma	4,631,836,344	2,491,762,959	1,507,059,396	8,630,658,699
Busia	2,719,081,982	2,011,182,852	1,078,178,968	5,808,443,802
Elgeyo/Marakwet	2,289,170,000	631,880,000	948,900,000	3,869,950,000
Embu	2,813,643,496	1,158,221,082	1,090,526,088	5,062,390,666
Garissa	3,214,567,659	2,292,499,549	1,012,260,080	6,519,327,288
Homa Bay	2,645,451,045	1,421,822,808	1,078,225,936	5,145,499,789
Isiolo	1,474,163,823	777,750,986	1,138,417,982	3,390,332,791
Kajiado	2,551,934,142	1,384,716,073	1,185,155,059	5,121,805,274
Kakamega	4,874,918,265	1,789,124,625	3,879,960,569	10,544,003,459
Kericho	2,527,991,368	1,652,286,766	996,249,346	5,176,527,480
Kiambu	6,035,267,731	2,894,720,848	1,833,629,242	10,763,617,821
Kilifi	3,220,976,007	3,185,283,024	3,121,946,799	9,528,205,830
Kirinyaga	2,620,377,933	1,250,683,198	722,274,375	4,593,335,506
Kisii	4,755,348,686	1,926,399,853	1,901,230,116	8,582,978,655
Kisumu	3,607,433,091	2,150,892,127	669,364,540	6,427,689,758
Kitui	3,615,801,634	2,229,793,016	3,281,013,286	9,126,607,936
Kwale	2,426,458,396	2,018,332,444	2,143,281,770	6,588,072,610
Laikipia	2,577,730,043	1,213,625,769	1,011,321,062	4,802,676,874
Lamu	1,090,435,072	609,314,739	361,267,784	2,061,017,595
Machakos	4,834,560,000	1,546,050,000	1,021,770,000	7,402,380,000
Makueni	3,294,281,881	2,297,205,583	1,603,295,900	7,194,783,364
Mandera	2,375,725,533	3,268,826,372	3,892,282,661	9,536,834,566
Marsabit	1,884,749,871	2,142,433,453	2,540,472,096	6,567,655,420
Meru	4,345,524,627	1,642,171,692	812,685,932	6,800,382,251

County	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Migori	2,761,988,572	1,322,720,559	1,848,992,954	5,933,702,084
Mombasa	4,561,169,257	2,832,575,048	2,908,110,811	10,301,855,116
Murang'a	3,398,835,597	970,296,591	2,198,996,634	6,568,128,822
Nairobi City	14,837,201,233	7,525,020,296	2,179,310,887	24,541,532,416
Nakuru	5,113,725,541	2,863,384,014	1,576,628,797	9,553,738,353
Nandi	2,340,070,872	1,739,056,458	716,916,550	4,796,043,880
Narok	3,233,453,423	3,088,090,747	1,928,019,349	8,249,563,520
Nyamira	2,622,038,857	1,081,415,972	527,664,500	4,231,119,328
Nyandarua	2,146,222,514	1,503,116,360	895,376,179	4,544,715,052
Nyeri	2,770,887,182	1,735,138,056	1,140,315,329	5,646,340,567
Samburu	1,581,375,689	1,456,624,311	549,022,007	3,587,022,007
Siaya	2,397,342,456	936,112,944	777,574,939	4,111,030,339
Taita/Taveta	2,150,327,817	980,776,734	206,454,796	3,337,559,347
Tana River	1,385,963,110	872,321,805	918,605,507	3,176,890,422
Tharaka -Nithi	2,060,277,395	510,131,507	1,080,389,256	3,650,798,158
Trans Nzoia	2,132,506,251	1,005,478,595	1,077,211,339	4,215,196,185
Turkana	3,728,529,076	2,457,443,753	1,944,934,951	8,130,907,780
Uasin Gishu	2,963,150,000	1,769,062,789	1,597,040,000	6,329,252,789
Vihiga	1,620,531,880	787,379,986	297,465,176	2,705,377,042
Wajir	3,400,857,358	2,171,153,460	842,538,877	6,414,549,695
West Pokot	2,019,170,000	1,407,400,000	983,310,000	4,409,880,000
<b>Total</b>	<b>151,094,156,326</b>	<b>85,849,900,639</b>	<b>66,886,627,788</b>	<b>303,830,684,752</b>

Source: OCOB and County Treasuries

Counties that attained the highest expenditure in absolute terms were; Nairobi City at Kshs.24.54 billion, Kiambu at Kshs.10.76 billion, and Kakamega at Kshs.10.54 billion. The lowest expenditure was recorded by Tana River, Vihiga, and Lamu counties at Kshs.3.18 billion, Kshs.2.71 billion, and Kshs.2.06 billion respectively.

Analysis of expenditure as a percentage of the funds released indicates that the following counties spent more than the total funds authorized for withdrawal by the COB; Nairobi City at 116.1 per cent, Mandera at 102.7 per cent, Murang'a at 101 per cent and Laikipia at 100.1 per cent. The expenditure overrun may be attributed to spending of own source revenue at source contrary to Section 109 of the PFM Act, 2012. Counties that had the least percentages of expenditure to funds released included; Siaya at 75.6 per cent, Trans Nzoia at 72.7 per cent, and Vihiga at 67.3 per cent.

On overall absorption, the counties that recorded the highest rates were Kiambu at 85.5 per cent, Marsabit at 85 per cent, and Laikipia at 84.2 per cent. Conversely, Nakuru, Tana River, and Vihiga counties recorded the lowest rates at 59.3 per cent, 53.7 per cent, and 48.5 per cent respectively. Overall absorption rate is a percentage of total expenditure to the approved county budget.

A review of cumulative expenditure by economic classification showed that Kshs.151.09 billion (49.7 per cent) was spent on personnel emoluments, Kshs.85.85 billion (28.3 per cent) on operations and maintenance, and Kshs.66.89 billion (22 per cent) on development projects.

### 2.3.1 Development Expenditure

The County governments spent Kshs.66.89 billion on development activities, representing an absorption rate of 48.1 per cent of the annual development budget, which is a decline from 65.3 per cent, reported in FY 2016/17 when development expenditure was Kshs.103.34 billion.

Mandera County recorded the highest expenditure on development activities on absolute terms at Kshs.3.89 billion, followed by Kakamega and Kitui counties at Kshs.3.88 billion and Kshs.3.28 billion respectively. The counties that reported the lowest development expenditure included; Lamu, Vihiga and Taita Taveta at Kshs.361.27 million, Kshs.297.47 million and Kshs.206.45 million respectively.

The analysis of overall county budgets and expenditure in FY 2017/18 is provided in Table 2.4.

**Table 2.4: County Budget Allocation, Expenditure and Absorption Rate for FY 2017/18**

County	Budget Estimates (Kshs.Million)			Expenditure (Kshs.Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	H=E/B*100	I=F/C*100
Baringo	4,245.69	2,713.70	6,959.39	4,214.92	987.44	5,202.36	99.3	36.4	74.8
Bomet	4,377.78	1,864.13	6,241.91	4,074.41	873.54	4,947.94	93.1	46.9	79.3
Bungoma	7,689.80	3,563.59	11,253.39	7,123.60	1,507.06	8,630.66	92.6	42.3	76.7
Busia	5,059.61	2,389.41	7,449.02	4,730.26	1,078.18	5,808.44	93.5	45.1	78.0
Elgeyo / Marakwet	3,006.92	1,937.77	4,944.69	2,921.05	948.90	3,869.95	97.1	49.0	78.3
Embu	4,318.08	1,847.16	6,165.24	3,971.86	1,090.53	5,062.39	92.0	59.0	82.1
Garissa	5,600.12	2,368.93	7,969.05	5,507.07	1,012.26	6,519.33	98.3	42.7	81.8
Homa Bay	5,049.12	2,519.87	7,568.99	4,067.27	1,078.23	5,145.50	80.6	42.8	68.0
Isiolo	2,768.51	1,572.29	4,340.81	2,251.91	1,138.42	3,390.33	81.3	72.4	78.1
Kajiado	5,003.92	3,184.09	8,188.01	3,936.65	1,185.16	5,121.81	78.7	37.2	62.6
Kakamega	7,280.88	5,624.39	12,905.26	6,664.04	3,879.96	10,544.00	91.5	69.0	81.7
Kericho	4,499.68	2,040.79	6,540.46	4,180.28	996.25	5,176.53	92.9	48.8	79.1
Kiambu	9,810.82	2,774.74	12,585.56	8,929.99	1,833.63	10,763.62	91.0	66.1	85.5
Kilifi	7,858.07	4,268.84	12,126.91	6,406.26	3,121.95	9,528.21	81.5	73.1	78.6
Kirinyaga	3,985.80	1,709.20	5,695.00	3,871.06	722.27	4,593.34	97.1	42.3	80.7
Kisii	7,534.27	3,363.08	10,897.35	6,681.75	1,901.23	8,582.98	88.7	56.5	78.8
Kisumu	6,376.83	2,837.89	9,214.72	5,758.33	669.36	6,427.69	90.3	23.6	69.8
Kitui	6,688.21	4,555.14	11,243.35	5,845.59	3,281.01	9,126.61	87.4	72.0	81.2
Kwale	5,202.14	4,113.35	9,315.49	4,444.79	2,143.28	6,588.07	85.4	52.1	70.7
Laikipia	3,816.13	1,890.37	5,706.50	3,791.36	1,011.32	4,802.68	99.4	53.5	84.2
Lamu	2,009.12	1,009.94	3,019.06	1,699.75	361.27	2,061.02	84.6	35.8	68.3
Machakos	7,010.71	3,067.81	10,078.52	6,380.61	1,021.77	7,402.38	91.0	33.3	73.4
Makueni	6,095.39	3,579.50	9,674.90	5,591.49	1,603.30	7,194.78	91.7	44.8	74.4
Mandera	6,471.92	5,774.94	12,246.86	5,644.55	3,892.28	9,536.83	87.2	67.4	77.9
Marsabit	4,296.49	3,434.38	7,730.88	4,027.18	2,540.47	6,567.66	93.7	74.0	85.0
Meru	7,521.37	3,218.18	10,739.55	5,987.70	812.69	6,800.38	79.6	25.3	63.3
Migori	5,469.84	2,697.06	8,166.90	4,084.71	1,848.99	5,933.70	74.7	68.6	72.7
Mombasa	8,808.50	3,825.95	12,634.45	7,393.74	2,908.11	10,301.86	83.9	76.0	81.5
Murang'a	5,284.32	3,033.93	8,318.24	4,369.13	2,199.00	6,568.13	82.7	72.5	79.0
Nairobi City	25,284.30	8,365.39	33,649.69	22,362.22	2,179.31	24,541.53	88.4	26.1	72.9
Nakuru	9,947.60	6,151.33	16,098.93	7,977.11	1,576.63	9,553.74	80.2	25.6	59.3

County	Budget Estimates (Kshs.Million)			Expenditure (Kshs.Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E			
Nandi	4,693.02	2,154.91	6,847.93	4,079.13	716.92	4,796.04	86.9	33.3	70.0
Narok	6,515.50	3,290.13	9,805.63	6,321.54	1,928.02	8,249.56	97.0	58.6	84.1
Nyamira	4,222.90	1,888.80	6,111.70	3,703.45	527.66	4,231.12	87.7	27.9	69.2
Nyandarua	4,079.94	2,025.24	6,105.18	3,649.34	895.38	4,544.72	89.4	44.2	74.4
Nyeri	5,471.57	2,489.53	7,961.11	4,506.03	1,140.32	5,646.34	82.4	45.8	70.9
Samburu	3,379.31	1,453.35	4,832.66	3,038.00	549.02	3,587.02	89.9	37.8	74.2
Siaya	4,299.05	2,546.29	6,845.34	3,333.46	777.57	4,111.03	77.5	30.5	60.1
Taita/Taveta	3,892.92	1,631.48	5,524.40	3,131.10	206.45	3,337.56	80.4	12.7	60.4
Tana River	3,400.44	2,513.32	5,913.76	2,258.28	918.61	3,176.89	66.4	36.5	53.7
Tharaka -Nithi	3,036.06	1,596.18	4,632.23	2,570.41	1,080.39	3,650.80	84.7	67.7	78.8
Trans Nzoia	4,632.20	1,996.33	6,628.53	3,137.98	1,077.21	4,215.20	67.7	54.0	63.6
Turkana	6,799.83	4,164.92	10,964.75	6,185.97	1,944.93	8,130.91	91.0	46.7	74.2
Uasin Gishu	5,020.83	3,041.31	8,062.14	4,732.21	1,597.04	6,329.25	94.3	52.5	78.5
Vihiga	3,882.05	1,699.58	5,581.63	2,407.91	297.47	2,705.38	62.0	17.5	48.5
Wajir	5,689.22	3,673.09	9,362.31	5,572.01	842.54	6,414.55	97.9	22.9	68.5
West Pokot	3,930.26	1,718.85	5,649.11	3,426.57	983.31	4,409.88	87.2	57.2	78.1
<b>Total</b>	<b>271,317.05</b>	<b>139,180.43</b>	<b>410,497.48</b>	<b>236,944.06</b>	<b>66,886.63</b>	<b>303,830.68</b>	<b>87.3</b>	<b>48.1</b>	<b>74.0</b>

Source: OCOB and County Treasuries

Analysis of development expenditure as a proportion of approved annual development budget shows that Mombasa, Marsabit, and Kilifi Counties attained the highest absorption rate at 76 per cent, 74 per cent, and 73.1 per cent respectively. Wajir County, Vihiga County, and Taita Taveta County reported the lowest absorption rate of development budget at 22.9 per cent, 17.5 per cent, and 12.7 per cent respectively. Further information on the development projects undertaken by each county is provided in chapter three.

### 2.3.2 Recurrent Expenditure

The Counties spent an aggregate of Kshs.236.94 billion or 78 per cent of total expenditure on recurrent activities. This expenditure represented 87.3 per cent of the annual county governments' budget for recurrent activities, and a decline from 89.6 per cent recorded in FY 2016/17 when expenditure was Kshs.215.71 billion.

Analysis of absolute expenditure shows that Nairobi City County attained the highest expenditure on recurrent activities at Kshs.22.36 billion, followed by Kiambu and Nakuru counties at Kshs.8.93 billion and Kshs.7.98 billion respectively. The counties with the lowest expenditure on recurrent activities were; Tana River at Kshs.2.26 billion, Isiolo at Kshs.2.25 billion, and Lamu at Kshs.1.7 billion.

Laikipia County reported the highest percentage of recurrent expenditure to its annual recurrent budget at 99.4 per cent, followed by Baringo County at 99.3 per cent, and Garissa County at 98.3 per cent. Conversely, Trans Nzoia, Tana River, and Vihiga Counties recorded the lowest at 67.7 per cent, 66.4 per cent, and 62 per cent respectively.

### 2.3.3 Personnel Emoluments

During the reporting period, county governments spent Kshs.151.09 billion on personnel emoluments, representing 63.8 per cent of the overall recurrent expenditure and 49.7 per cent of total expenditure. This expenditure was an increase from Kshs.130.97 billion spent in FY 2016/17 when personnel expenditure translated to 41.1 per cent of the total expenditure.

Nairobi City County reported the highest expenditure on personnel emoluments at Kshs.14.84 billion, followed by Kiambu and Nakuru Counties at Kshs.6.04 billion and Kshs.5.11 billion respectively. Those with the lowest expenditure on personnel emoluments included Isiolo, Tana River, and Lamu at Kshs.1.47 billion, Kshs.1.38 billion, and Kshs.1.09 billion respectively.

Analysis of personnel emoluments as a percentage of total expenditure by county shows that Machakos, Taita Taveta and Meru recorded the highest percentage at 65.3 per cent, 64.4 per cent and 63.9 per cent respectively. On the other hand, Kilifi, Marsabit, and Mandera counties reported the least proportions at 33.8 per cent, 28.7 per cent and 24.9 per cent respectively.

### 2.3.4 Operations and Maintenance Expenditure

A total of Kshs.85.85 billion was spent on operations and maintenance (O&M) during the reporting period and translated to 28.3 per cent of the total expenditure. The counties that reported the highest expenditure on operations and maintenance were; Nairobi City at Kshs.7.52 billion, Mandera at Kshs.3.27 billion and Kilifi at Kshs.3.19 billion while Elgeyo Marakwet, Lamu, and Tharaka Nithi counties reported the least expenditure at Kshs.631.88 million, Kshs.609.31 million, and Kshs.510.13 million respectively.

Analysis of expenditure on operations and maintenance as a proportion of the total expenditure by county indicated that Samburu attained the highest proportion at 40.6 per cent, followed by Narok and Nandi Counties at 37.4 per cent and 36.3 per cent respectively. The Counties that attained the least proportion of operations and maintenance expenditure to their total expenditure were Elgeyo Marakwet, Murang'a and Tharaka Nithi at 16.3 per cent, 14.8 per cent and 14 per cent respectively.

### 2.3.5 Review of MCAs Sitting Allowances

During the reporting period, the County Assemblies spent Kshs.1.46 billion on MCAs sitting allowances against an approved budget allocation of Kshs.2.34 billion. This expenditure translates to 62.3 per cent of the approved MCAs sitting allowance budget, and a decline from 75.1 per cent attained in FY 2016/17 when Kshs.2.32 billion was spent.

Table 2.5 shows the budgetary allocation and expenditure on MCAs and Speakers sitting allowances in FY 2017/18.

**Table 2.5: MCAs Budget Allocation, Expenditure and Absorption Rate in FY 2017/18**

County	MCA Sitting Allowances				
	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption %	No. of MCAs & Speaker	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/12
Baringo	40,564,107	36,322,374	89.5	46	65,801
Bomet	8,405,090	7,950,140	94.6	37	17,906
Bungoma	190,220,970	35,811,747	18.8	61	48,923
Busia	50,000,000	48,692,047	97.4	61	66,519
Elgeyo/Marakwet	16,063,199	12,128,400	75.5	34	29,726
Embu	31,681,690	29,164,725	92.1	34	71,482
Garissa	87,000,000	41,716,653	48.0	49	70,947
Homa Bay	75,312,000	42,224,604	56.1	61	57,684
Isiolo	16,215,936	16,200,000	99.9	18	75,000
Kajiado	32,479,000	9,391,580	28.9	42	18,634
Kakamega	143,228,800	131,788,800	92.0	88	124,800
Kericho	35,735,770	34,009,484	95.2	48	59,044
Kiambu	56,250,000	56,249,949	100.0	94	49,867

County	MCA Sitting Allowances				
	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption %	No. of MCAs & Speaker	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/12
Kilifi	86,492,284	24,485,000	28.3	56	36,436
Kirinyaga	62,000,000	20,269,100	32.7	34	49,679
Kisii	58,227,840	47,323,000	81.3	71	55,543
Kisumu	49,021,400	44,048,240	89.9	49	74,912
Kitui	36,681,600	17,086,430	46.6	55	25,889
Kwale	32,054,711	30,780,036	96.0	34	75,441
Laikipia	12,240,000	10,723,900	87.6	25	35,746
Lamu	14,880,000	11,907,530	80.0	19	52,226
Machakos	39,691,403	19,018,780	47.9	60	26,415
Makueni	35,042,023	32,728,000	93.4	49	55,660
Mandera	30,199,306	31,757,788	105.2	49	54,010
Marsabit	45,000,000	44,999,980	100.0	31	120,968
Meru	57,895,410	48,414,800	83.6	69	58,472
Migori	205,163,472	36,493,900	17.8	58	52,434
Mombasa	45,000,000	24,279,700	54.0	44	45,984
Murang'a	33,632,000	27,458,658	81.6	54	42,374
Nairobi City	112,471,400	73,927,900	65.7	128	48,130
Nakuru	47,581,000	47,560,810	100.0	75	52,845
Nandi	28,992,600	21,992,803	75.9	39	46,993
Narok	61,975,680	31,950,000	51.6	48	55,469
Nyamira	51,183,032	31,799,455	62.1	37	71,620
Nyandarua	22,656,981	22,656,981	100.0	40	47,202
Nyeri	46,800,000	20,590,300	44.0	45	38,130
Samburu	24,396,227	11,189,720	45.9	28	33,303
Siaya	26,720,000	20,635,100	77.2	43	39,991
Taita/Taveta	35,436,800	32,950,000	93.0	34	80,760
Tana River	27,000,000	26,956,631	99.8	24	93,599
Tharaka –Nithi	8,000,000	5,952,500	74.4	21	23,621
Trans Nzoia	61,560,000	14,689,300	23.9	40	30,603
Turkana	38,438,400	5,650,000	14.7	48	9,809
Uasin Gishu	30,000,000	29,807,844	99.4	47	52,851
Vihiga	44,678,400	39,991,848	89.5	39	85,453
Wajir	26,000,000	26,000,000	100.0	46	47,101
West Pokot	20,653,600	19,522,291	94.5	34	47,849
<b>Total</b>	<b>2,340,922,131</b>	<b>1,457,248,829</b>	<b>62.3</b>	<b>2,246</b>	<b>54,068</b>

Source: OCOB and County Treasuries

On average, four County Assemblies reported higher expenditure on MCA sitting allowances than the monthly ceiling recommended by the Salaries and Remuneration Commission (SRC) of Kshs.80,000. These were; Kakamega at Kshs.124,800, Marsabit at Kshs.120,968, Tana River at Kshs.93,599, Vihiga at Kshs.85,453, and Taita Taveta at Kshs.80,760.

### 2.3.6 Review of Expenditure on Domestic and Foreign Travels

The County Governments incurred Kshs.11.36 billion on domestic and foreign travel during the reporting period. This amount comprised of Kshs.9.86 billion on domestic travel and Kshs.1.5 billion on foreign travel, and was a decrease of 6.5 per cent compared to Kshs.12.15 billion incurred in FY 2016/17. The expenditure on domestic and foreign travels by both the County Assembly and the County Executive in FY2017/18 is presented in Table 2.6.

**Table 2.6: Expenditure on Domestic and Foreign Travels by the County Assembly and the County Executive in FY 2017/18 (Kshs. Million)**

County	County Assembly			County Executive			Total Expenditure		
	Domestic Exp.	Foreign Exp.	Total	Domestic Exp.	Foreign Exp.	Total	Domestic Exp.	Foreign Exp.	Total
	A	B	C=B+A	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Baringo	84.77	14.31	99.07	53.89	16.16	70.04	138.65	30.46	169.12
Bomet	115.79	26.52	142.31	68.98	25.75	94.73	184.77	52.27	237.04
Bungoma	15.02	7.47	22.49	168.40	9.33	177.73	183.42	16.80	200.22
Busia	56.50	20.53	77.03	91.73	19.56	111.29	148.23	40.09	188.32
Elgeyo/Marakwet	40.50	8.93	49.43	22.99	1.59	24.58	63.49	10.52	74.01
Embu	106.24	-	106.24	21.53	2.13	23.66	127.77	2.13	129.90
Garissa	51.40	-	51.40	167.50	-	167.50	218.90	-	218.90
Homa Bay	126.02	-	126.02	74.61	1.00	75.61	200.63	1.00	201.63
Isiolo	91.04	1.70	92.74	89.29	14.70	103.99	180.33	16.40	196.73
Kajiado	37.39	11.61	49.01	118.63	32.83	151.46	156.02	44.45	200.47
Kakamega	164.70	10.00	174.70	160.71	14.56	175.27	325.41	24.56	349.97
Kericho	92.06	19.94	112.00	115.40	60.55	175.95	207.47	80.49	287.95
Kiambu	171.97	36.19	208.16	106.69	10.29	116.98	278.66	46.48	325.14
Kilifi	117.36	6.65	124.01	99.27	25.00	124.27	216.63	31.65	248.28
Kirinyaga	69.00	18.00	87.00	60.36	7.79	68.15	129.36	25.79	155.15
Kisii	64.88	26.00	90.88	346.15	48.57	394.72	411.03	74.57	485.60
Kisumu	40.71	29.29	70.00	78.16	12.12	90.28	118.87	41.41	160.28
Kitui	93.49	27.13	120.62	358.35	4.69	363.04	451.84	31.82	483.67
Kwale	137.80	27.16	164.96	199.57	23.07	222.64	337.37	50.23	387.60
Laikipia	73.00	6.99	79.99	72.19	3.18	75.37	145.19	10.17	155.36
Lamu	46.52	18.63	65.15	64.56	3.43	67.98	111.08	22.06	133.14
Machakos	189.93	20.86	210.79	131.86	32.50	164.36	321.79	53.37	375.15
Makueni	102.67	7.97	110.64	122.90	16.60	139.50	225.56	24.58	250.14
Mandera	97.58	14.36	111.94	80.70	10.87	91.56	178.27	25.23	203.50
Marsabit	79.96	6.94	86.90	130.01	24.61	154.63	209.97	31.55	241.53
Meru	144.87	15.43	160.31	36.63	5.17	41.80	181.51	20.60	202.11
Migori	92.06	9.71	101.77	336.46	1.20	337.66	428.51	10.91	439.43
Mombasa	18.56	15.29	33.85	156.47	64.86	221.33	175.03	80.15	255.18
Murang'a	113.77	7.05	120.82	88.35	4.60	92.94	202.12	11.65	213.77
Nairobi City	198.52	93.60	292.11	278.47	29.04	307.50	476.98	122.63	599.61
Nakuru	58.52	9.41	67.93	148.40	43.03	191.43	206.92	52.44	259.36
Nandi	66.93	20.00	86.93	150.89	17.28	168.17	217.82	37.28	255.10
Narok	34.78	2.25	37.03	102.29	27.18	129.47	137.06	29.43	166.49
Nyamira	100.12	2.91	103.03	160.99	16.22	177.21	261.11	19.13	280.24
Nyandarua	60.33	9.68	70.02	74.45	7.22	81.67	134.78	16.91	151.69

County	County Assembly			County Executive			Total Expenditure		
	Domestic Exp.	Foreign Exp.	Total	Domestic Exp.	Foreign Exp.	Total	Domestic Exp.	Foreign Exp.	Total
	A	B	C=B+A	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Nyeri	123.75	19.98	143.74	55.64	1.48	57.12	179.39	21.46	200.86
Samburu	19.75	8.58	28.33	9.40	14.30	23.70	29.15	22.87	52.03
Siaya	68.32	1.71	70.03	81.94	17.05	98.99	150.25	18.77	169.02
Taita/Taveta	74.99	60.76	135.75	207.60	76.30	283.90	282.59	137.06	419.65
Tana River	103.96	5.28	109.23	121.75	27.91	149.66	225.71	33.19	258.89
Tharaka -Nithi	59.84	10.30	70.14	39.70	5.45	45.15	99.54	15.76	115.29
Trans Nzoia	81.85	4.97	86.82	46.96	9.40	56.36	128.81	14.37	143.17
Turkana	129.38	8.27	137.65	71.52	-	71.52	200.91	8.27	209.17
Uasin Gishu	83.11	4.89	88.00	101.24	15.91	117.15	184.35	20.80	205.15
Vihiga	83.89	-	83.89	94.36	-	94.36	178.25	-	178.25
Wajir	77.39	4.80	82.19	212.96	8.85	221.81	290.35	13.65	304.00
West Pokot	-	-	-	213.15	14.61	227.76	213.15	14.61	227.76
<b>Total</b>	<b>4,060.99</b>	<b>682.06</b>	<b>4,743.06</b>	<b>5,794.01</b>	<b>827.95</b>	<b>6,621.96</b>	<b>9,855.00</b>	<b>1,510.02</b>	<b>11,365.02</b>

Source: OCOB and County Treasuries

The Nairobi City county reported the highest expenditure on domestic and foreign travel at Kshs.599.61 million, followed by Kisii and Kitui at Kshs.485.6 million and Kshs.483.67 million respectively. Counties that incurred the lowest expenditure were; Tharaka Nithi, Elgeyo Marakwet, and Samburu at Kshs.115.29 million, Kshs.74.01 million and Kshs.52.03 million respectively.

## 2.4 Pending Bills as of 30th June, 2018

Pending bills are unsettled financial obligations at the end of a financial year that arise when an entity fails to settle invoiced amounts for goods and services properly procured and delivered. As at June 30, 2018, Counties had accumulated pending bills amounting to Kshs.108.41 billion. Table 2.7 presents a summary of the pending bills as at 30th June, 2018.

**Table 2.7: Pending Bills for the Counties as at June 30th, 2018**

County	Recurrent Pending Bills (Kshs. Million)	Development Pending Bills (Kshs. Million)	Total Pending Bills (Kshs. Million)
Baringo	27.35	36.25	63.60
Bomet	332.28	823.19	1,155.47
Bungoma	110.28	216.12	326.39
Busia	390.11	603.49	993.60
Elgeyo/Marakwet	126.01	10.75	136.75
Embu	532.00	746.74	1,278.74
Garissa	274.06	706.00	980.06
Homa Bay	80.27	666.21	746.48
Isiolo	12.52	88.81	101.33
Kajiado	459.24	310.56	769.81
Kakamega	87.42	547.32	634.74
Kericho	289.38	965.90	1,255.28
Kiambu	278.58	507.18	785.76
Kilifi	630.50	594.21	1,224.71

County	Recurrent Pending Bills ( Kshs. Million)	Development Pending Bills (Kshs. Million)	Total Pending Bills (Kshs.Mil- lion)
Kirinyaga	160.14	89.95	250.09
Kisii	167.31	697.76	865.08
Kisumu	643.91	1,403.69	2,047.60
Kitui	230.93	936.16	1,167.09
Kwale	142.37	1,687.75	1,830.12
Laikipia	197.36	563.25	760.61
Lamu	139.89	39.60	179.49
Machakos	167.65	807.81	975.46
Makueni	26.75	6.82	33.57
Mandera	50.91	56.67	107.58
Marsabit	330.63	468.53	799.15
Meru	350.51	1,650.42	2,000.93
Migori	98.48	192.46	290.94
Mombasa	3,176.14	529.37	3,705.50
Murang'a	166.34	303.14	469.49
Nairobi City	64,802.99	-	64,802.99
Nakuru	811.17	1,568.64	2,379.82
Nandi	349.92	1,044.31	1,394.23
Narok	634.51	1,090.94	1,725.44
Nyamira	410.76	938.83	1,349.59
Nyandarua	95.28	811.64	906.92
Nyeri	345.76	1,065.61	1,411.37
Samburu	276.02	516.64	792.66
Siaya	367.75	246.75	614.51
Taita/Taveta	196.07	43.59	239.65
Tana River	92.59	853.44	946.03
Tharaka –Nithi	39.30	221.48	260.78
Trans Nzoia	468.28	313.30	781.57
Turkana	423.79	209.88	633.66
Uasin Gishu	235.20	84.15	319.35
Vihiga	977.48	207.33	1,184.81
Wajir	126.72	2,492.86	2,619.58
West Pokot	23.18	89.88	113.05
<b>Total</b>	<b>80,356.05</b>	<b>28,055.38</b>	<b>108,411.43</b>

Source: County Treasuries

As indicated on table 2.7, the pending bill reported by Nairobi City County of Kshs.64.8 billion were not disaggregated into recurrent and development expenditure.

## 3 BUDGET PERFORMANCE BY COUNTY

### 3.1 Baringo County

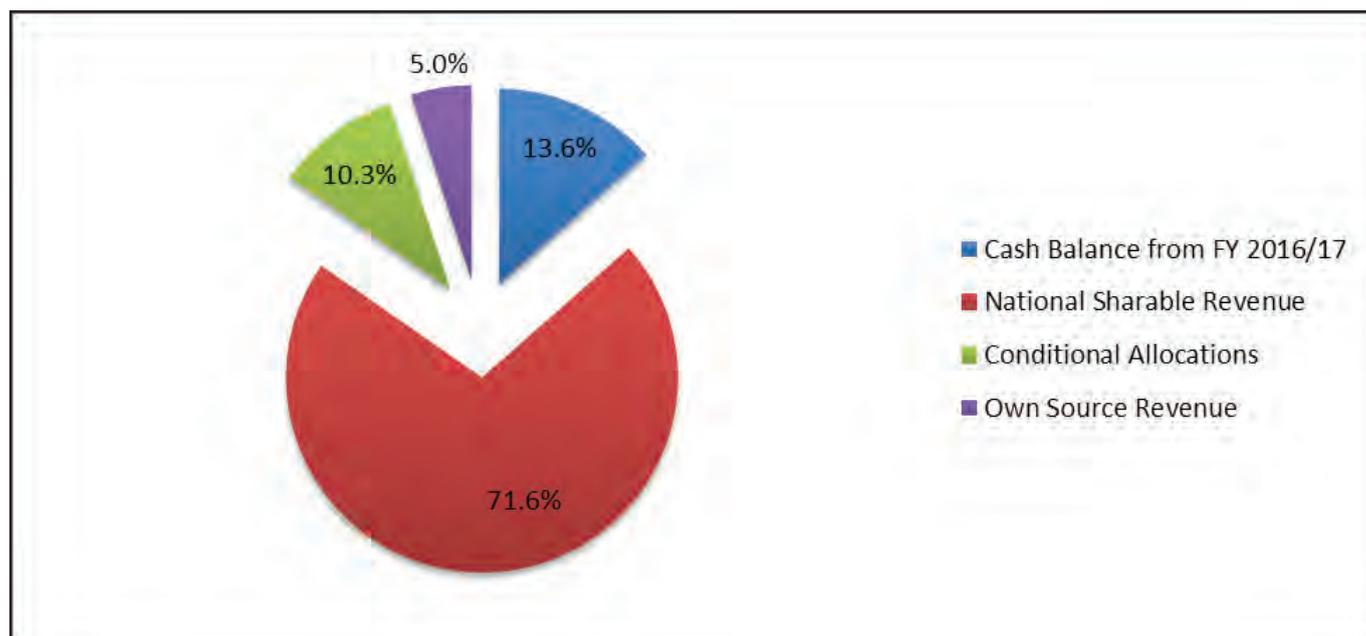
#### 3.1.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.6.95 billion, comprising of Kshs.4.25 billion (61 per cent) and Kshs.2.71 billion (39 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.98 billion (71.6 per cent) as equitable share of revenue raised nationally, Kshs.683.07 million (10.3 per cent) as total conditional grants, generate Kshs.350 million (5 per cent) from own source revenue, and Kshs.943.31 million (13.6 per cent) cash balance from FY 2016/17.

Figure 3.1 shows the expected sources of budget financing in FY 2017/18

**Figure 3.1: Baringo County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Baringo County Treasury*

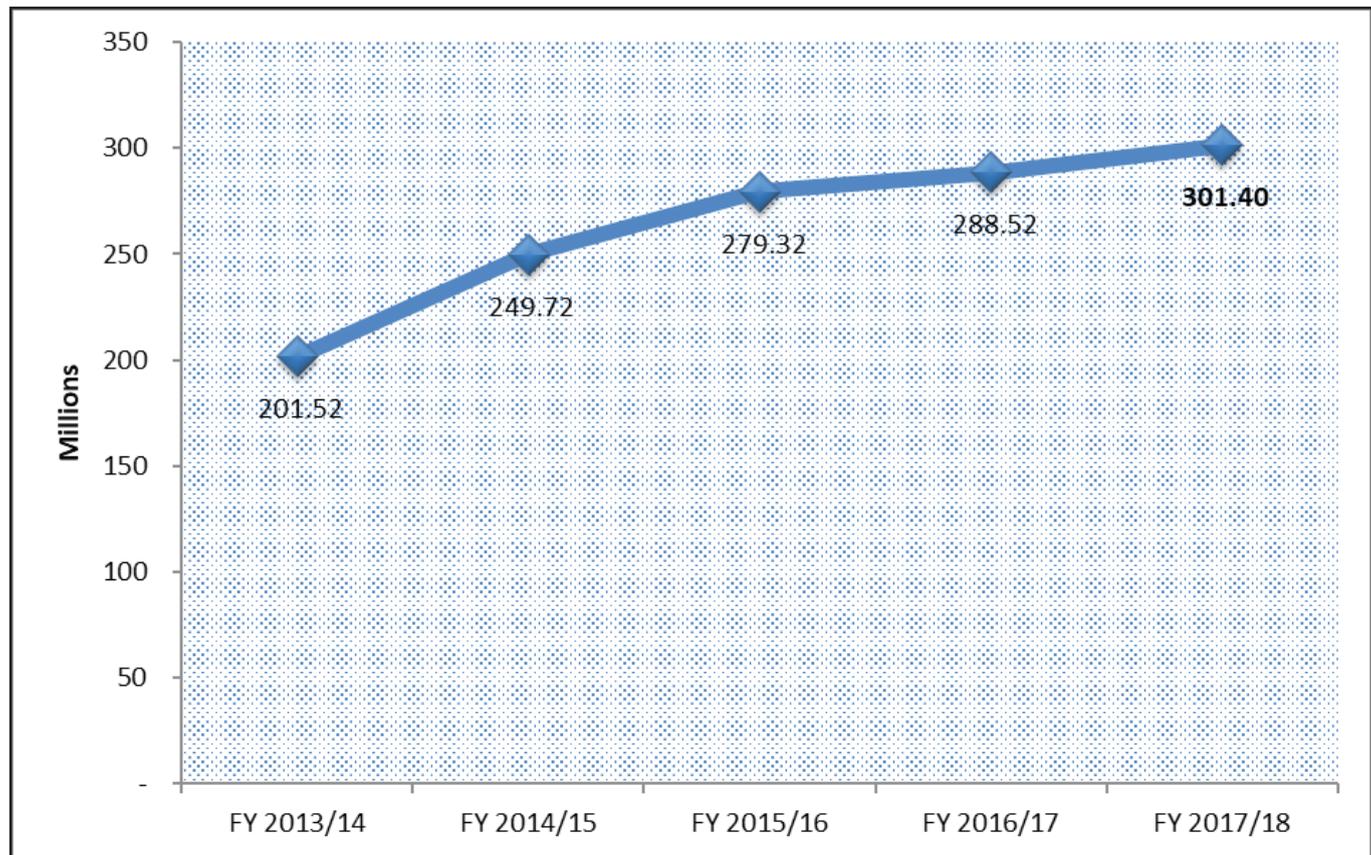
The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (13.3 per cent) for Leasing of Medical Equipment, Kshs.189.2 million (26.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.19 million (1.8 per cent) as Compensation for User Fee Foregone, Kshs.19.87 million (2.8 per cent) from DANIDA, Kshs.94.21 million (13.1 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.40.84 million (5.7 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.35.24 million (4.9 per cent) for Development of Youth Polytechnics, Kshs.78.9 million (11 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (9.2 per cent) as European Union (EU) grant and Kshs.49.88 million (7.3 per cent) as Other Loans and Grants that were unspent in FY 2016/17.

#### 3.1.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.4.98 billion as equitable share of revenue raised nationally, Kshs.512.43 million as total conditional grants, raised Kshs.301.4 million from own source revenue, and had a cash balance of Kshs.943.31 million from FY 2016/17. The total available funds amounted to Kshs.6.86 billion.

Figure 3.2 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.2: Baringo County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Baringo County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.301.40 million, representing an increase of 4.5 per cent compared to Kshs.288.52 million generated in FY 2016/17 and was 86.1 per cent of the annual target.

### 3.1.3 Conditional Grants

Table 3.1 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.1: Baringo County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grant or Loan Details	Annual CARA,2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	<b>Grants Contained in the CARA,2017</b>				
1	Kenya Devolution Support Programme (KDSP)	40,839,509	40,839,509	213,862,851	523.7
2	Roads Maintenance Fuel Levy Fund	189,199,286	189,199,286	155,545,544	82.2
3	Rehabilitation of Youth Polytechnics	35,239,276	35,239,276	35,239,276	100
4	World Bank support to Health Facilities	94,210,000	94,210,000	24,656,046	26.2
5	DANIDA Grant for Universal Healthcare	19,872,375	19,872,375	19,872,375	100
6	Compensation for use fees forgone	13,191,000	13,191,000	13,370,516	101.4
7	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
8	Universal Care Project	78,899,346	78,899,346	-	-
9	EU grant for Devolution Advisory	66,000,000	66,000,000	-	-

S/No	Grant or Loan Details	Annual CARA,2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
	<b>Sub Total</b>	<b>683,078,176</b>	<b>683,078,176</b>	<b>462,546,608</b>	<b>68</b>
<b>B</b>	<b>Other Grants</b>				
10	Roll Over -Result Based Fund	19,440,319	19,440,319	19,440,319	100
11	DANIDA Rollover	12,950,000	12,950,000	12,950,000	100
12	Roll Over -RLMF	17,492,384	17,492,384	17,492,384	100
	<b>Sub Total</b>	<b>49,882,703</b>	<b>49,882,703</b>	<b>49,882,703</b>	<b>100</b>
	<b>Grand Total</b>	<b>683,078,176.0</b>	<b>683,078,176.0</b>	<b>512,429,311.0</b>	<b>75</b>

Source: Baringo County Treasury

Analysis of the conditional grants released during the period under review indicates that, KDSP Grant recorded the highest receipts at 523.7 per cent of annual allocation, The KDSP grant included Kshs.173.02 million as additional KDSP “level 2” Annual Capacity and Performance Assessment, which had not been budgeted for by the County.

### 3.1.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.5.28 billion from the CRF account, which was 75.9 per cent of the Approved Supplementary Budget. This amount represented a decline of 2.7 per cent from Kshs.5.43 billion approved in FY 2016/17 and comprised of Kshs.4.22 billion (79.9 per cent) for recurrent expenditure and Kshs.1.06 billion (20.1 per cent) for development activities.

### 3.1.5 Overall Expenditure Review

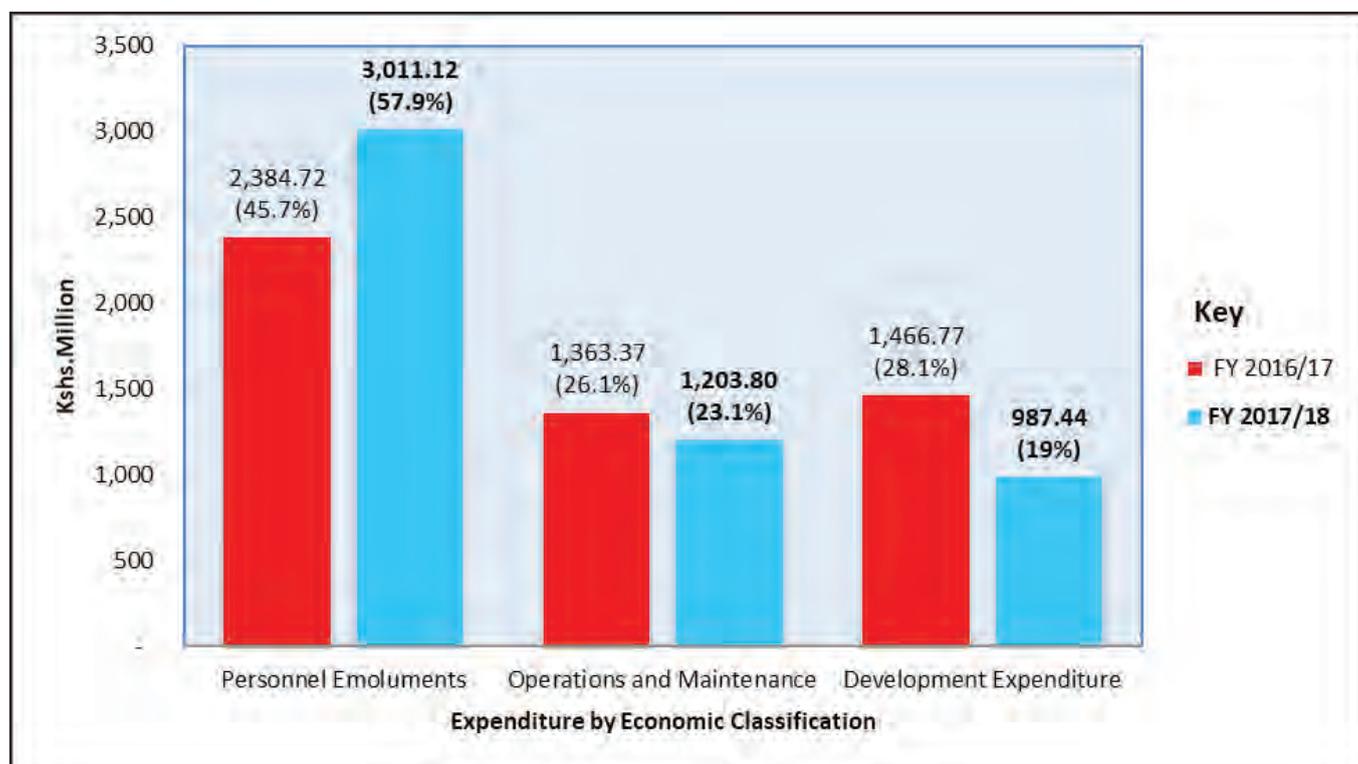
The County spent Kshs.5.2 billion, which was 98.5 per cent of the total funds released for operations. This was a decline of 0.2 per cent from Kshs.5.21 billion spent in FY 2016/17.

A total of Kshs.4.21 billion was spent on recurrent activities while Kshs.987.44 million was spent on development activities. The recurrent expenditure was 99.9 per cent of the funds released for recurrent activities, while development expenditure was 93.3 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.36.25 million for development activities and Kshs.27.35 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 99.3 per cent of the annual recurrent budget, an increase from 96.1 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 36.4 per cent, which was a decrease from 56.2 per cent attained in FY 2016/17.

Figure 3.3 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.3: Baringo County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Baringo County Treasury

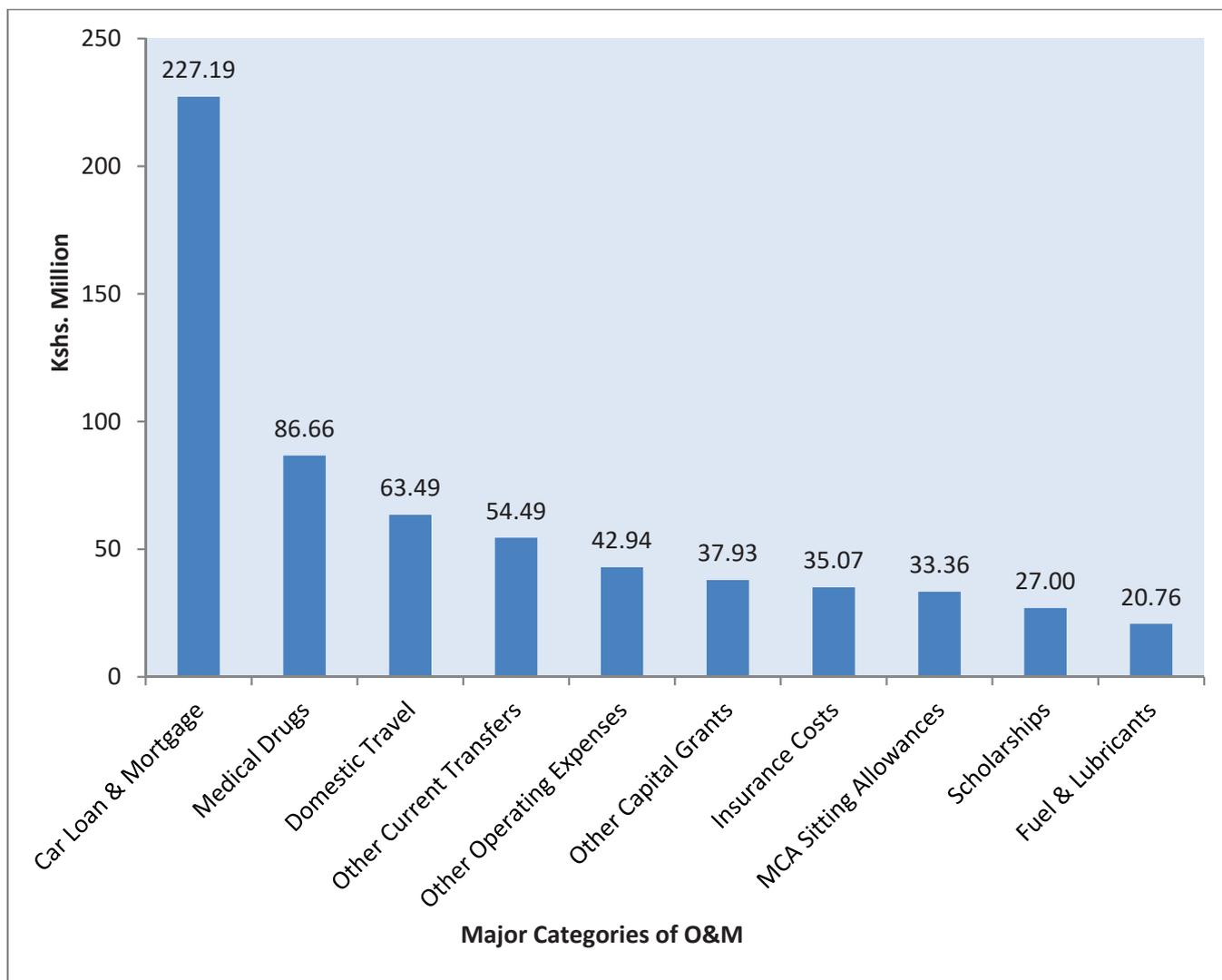
### 3.1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.21 billion comprised of Kshs.3.01 billion (71.5 per cent) incurred on personnel emoluments and Kshs.1.2 billion (28.5 per cent) on operations and maintenance as shown in Figure 3.3.

Expenditure on personnel emoluments represented an increase of 26.3 per cent compared to FY 2016/17 when the County spent Kshs.2.38 billion, and was 57.9 per cent of total expenditure.

Figure 3.4 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.4: Baringo County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Baringo County Treasury

The County spent Kshs.36.32 million on committee sitting allowances to the 46 MCAs against an annual budget allocation of Kshs.40.56 million. This was a decline of 5.6 per cent compared to Kshs.38.47 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.65,801 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.138.65 million and comprised of Kshs.84.76 million spent by the County Assembly and Kshs.53.88 million by the County Executive. This represented 4 per cent of total recurrent expenditure and was a decrease of 13.3 per cent compared to Kshs.195.14 million spent in FY 2016/17.

### 3.1.7 Development Expenditure Analysis

The total development expenditure of Kshs.987.44 million represented 36.4 per cent of the annual development budget of Kshs.2.71 billion. Table 3.2 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.2: Baringo County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/ No.	Project name	Project location	Annual project budget (Kshs.)	Annual expenditure (Kshs.)	Absorption rate (%)
1	Tuiyobei Gitundaga Bridge Construction	Mochongoi Ward	10,000,000	9,897,670	99
2	Construction And Branding Lake Bogoria Gate And Campsite	Lake bogoria	8,000,000	9,866,968	123
3	Completion of Barwessa Slaughter House	Barwesa Ward	16,811,308	8,715,787	52
4	Kamar - Kapkuikui Road	Barwesa Ward	7,500,000	7,404,837	99
5	Completion of County Assembly office Block	County Headquarter	8,847,519	7,243,507	82
6	Construction of Guest House At ATC	Lembus Perkerra Ward	11,300,000	6,984,436	62
7	Sogon-Ngolbelon Road	Marigat	6,900,000	6,890,026	100
8	Chepturot Footbridge	Barwesa Ward	6,800,000	6,875,033	101
9	Construction of Tuwo Dam	Roll over Funds	3,400,000	6,516,080	192
10	Lake Bogoria Community Projects	Lake bogoria	6,000,000	6,133,485	102

Source: Baringo County Treasury

### 3.1.8 Analysis of Budget Performance by Department

Table 3.3 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.3: Baringo County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	626.55	40.75	618.65	8	606.63	7.15	98.1	89.4	96.8	17.5
Governor/County Executive services	418.89	35.19	416.26	0.50	386.40	8.01	92.8	1602.6	92.2	22.8
County Treasury Services	306.32	16.83	306.25	7.51	305.15	4.61	99.6	61.4	99.6	27.4
Transport and Infrastructure	61.22	614.96	61.07	415.95	44.24	343.55	72.4	82.6	72.3	55.9
Trade Industrialization, Commerce and Tourism	78.69	45.36	78.64	37.36	66.55	38.11	84.6	102.0	84.6	84.0
Education, Sports, Culture & Art	296.40	296.45	326.32	119.03	296.50	119.75	90.9	100.6	100.0	40.4
Health	1,952.28	594.85	1,902.84	129.11	2,013.74	110.13	105.8	85.3	103.1	18.5
Housing & Urban Development	78.78	71.85	82.77	37.40	71.20	33.78	86.0	90.3	90.4	47.0
Agriculture, Livestock, Fisheries & Marketing	242.79	290.18	242.63	82.65	238.42	124.10	98.3	150.1	98.2	42.8
Youth, Gender & Social Security Services	32.87	102.25	34.12	31.36	28.14	33.28	82.5	106.1	85.6	32.5
Water & Irrigation	118.72	563.38	119.12	167.90	128.25	138.18	107.7	82.3	108.0	24.5
Environment & Natural Resources	32.18	41.66	32.26	24.14	29.69	26.79	92.0	111.0	92.3	64.3
<b>TOTAL</b>	<b>4,245.69</b>	<b>2,713.70</b>	<b>4,220.92</b>	<b>1,060.92</b>	<b>4,214.92</b>	<b>987.44</b>	<b>99.9</b>	<b>93.3</b>	<b>99.3</b>	<b>36.4</b>

Source: Baringo County Treasury

Analysis of budget performance by department shows that, the Department of Trade Industrialization and Commerce and Tourism attained the highest absorption rate of development budget at 84 per cent while the County Assembly and the Health Department incurred the lowest development expenditure at 17.5 per cent and 18.5 per cent respectively. The Department of Health had the highest percentage of recurrent expenditure to recurrent budget at 103.1 per cent while the Department of Transport and Infrastructure had the lowest at 72.3 per cent.

### 3.1.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

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

Budget Implementation Review Report.

2. Frequent IFMIS down time which slowed down approval of procurement requests and payments to suppliers.
3. Weak budgetary control as evidenced by expenditure in excess of approved budgetary allocation in the Health, and Water & Irrigation Departments.
4. High wage bill that has increased by 26.3 per cent from Kshs.2.38 billion in FY 2016/17 to Kshs.3.01 billion during the year.

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 16 of the COB Act, 2016.*
2. *The County Treasury should liaise with the IFMIS Directorate to address the frequent IFMIS down time.*
3. *The County Treasury should improve vote book and budgetary control to ensure that expenditure is within the approved budget.*
4. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

## 3.2 Bomet County

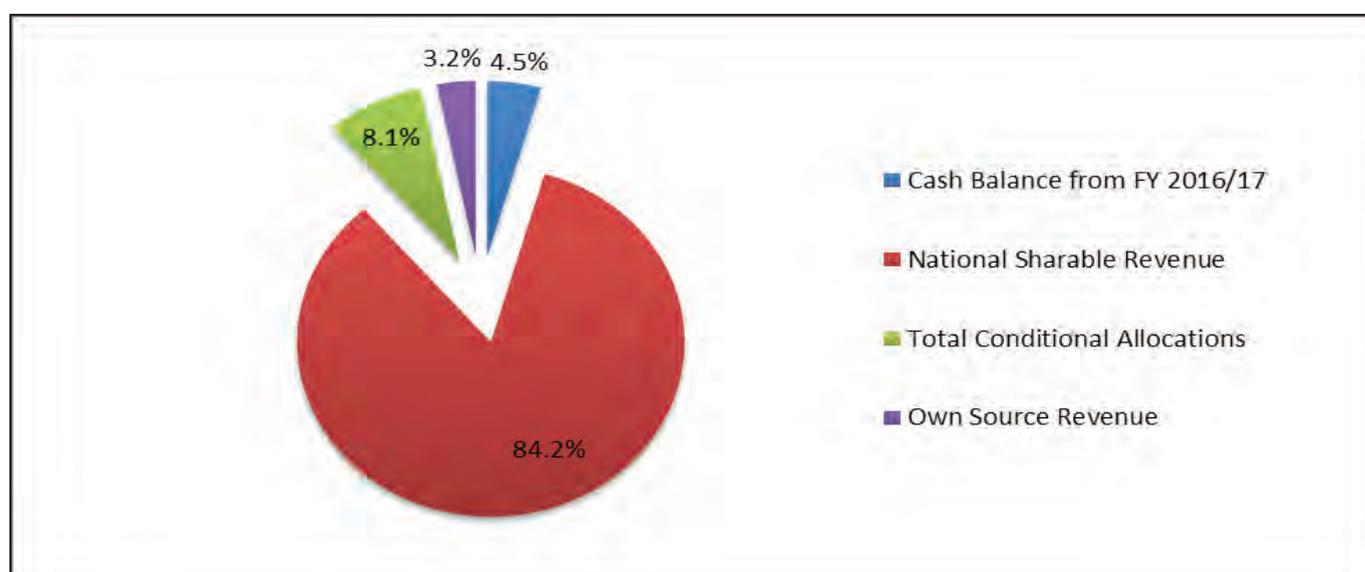
### 3.2.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.6.24 billion, comprising of Kshs.4.38 billion (70.1 per cent) and Kshs.1.86 billion (29.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.25 billion (84.2 per cent) as equitable share of revenue raised nationally, Kshs.507.54 million (8.1 per cent) as total conditional grants, generate Kshs.200.21 million (3.2 per cent) from own source revenue, and Kshs.279.35 million (4.5 per cent) cash balance from FY 2016/17.

Figure 3.5 shows the expected sources of financing the budget in FY 2017/18

**Figure 3.5: Bomet County, Expected Sources of Financing the Budget in FY 2017/18 (%).**



Source: Bomet County Treasury

The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (18.9 per cent) for Leasing of Medical Equipment, Kshs.200.55 million (39.5 per cent) from the Road Maintenance Fuel Levy

Fund, Kshs.16.71 million (3.3 per cent) as Compensation for User Fee Foregone, Kshs.13.59 million (2.7 per cent) from DANIDA, Kshs.41.92 million (8.3 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.45.15 million (8.9 per cent) for Development of Youth Polytechnics, Kshs.59.4 million (11.7 per cent) as World Bank loan for Transforming Health System for Universal Care, and Kshs.34.48 million (6.8 per cent ) as other loans and grants.

### 3.2.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.5.25 billion as equitable share of revenue raised nationally, Kshs.349.87 million as total conditional grants, raised Kshs.181.38 million from own source revenue, and had a cash balance of Kshs.279.35 million from FY 2016/17. The total available funds amounted to Kshs.6.07 billion.

Figure 3.6 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.6: Bomet County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



*Source: Bomet County Treasury*

The total own source revenue generated in FY 2017/18 amounted to Kshs.181.38 million, representing a decrease of 23.4 per cent compared to Kshs.236.70 million generated in FY 2016/17 and was 90.6 per cent of the annual target.

### 3.2.3 Conditional Grants

Table 3.4 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.4: Bomet County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Road Maintenance Fuel Levy Fund	200,546,244	200,546,244	200,546,244	100
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	Kenya Devolution Support Programme (KDSP)	41,921,669	41,921,669	41,921,669	100
4	Compensation for User Fee Foregone	16,713,356	16,713,356	14,191,766	85
5	DANIDA Grant	13,589,799	13,589,799	13,589,799	100
6	Development of Youth Polytechnics	45,149,112	45,149,112	45,149,112	100
7	Conditional Allocation - Other Loans & Grants	34,476,134	34,476,134	-	-
8	World Bank Loan for Transforming Health System for Universal Care Project	59,403,836	59,403,836	34,476,134	58
<b>Total</b>		<b>507,544,831</b>	<b>507,544,831</b>	<b>349,874,724</b>	<b>69</b>

Source: Bomet County Treasury

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund, Kenya Devolution Support Programme (KDSP), DANIDA Grant, and Development of Youth Polytechnics recorded the highest receipts at 100 per cent of the annual budget target.

### 3.2.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.5.27 billion from the CRF account, which was 84.5 per cent of the Approved Supplementary Budget. This amount represented a decline of 4.9 per cent from Kshs.5.54 billion approved in FY 2016/17 and comprised of Kshs.4.29 billion (81.4 per cent) for recurrent expenditure and Kshs.979.34 million (18.6 per cent) for development activities.

### 3.2.5 Overall Expenditure Review

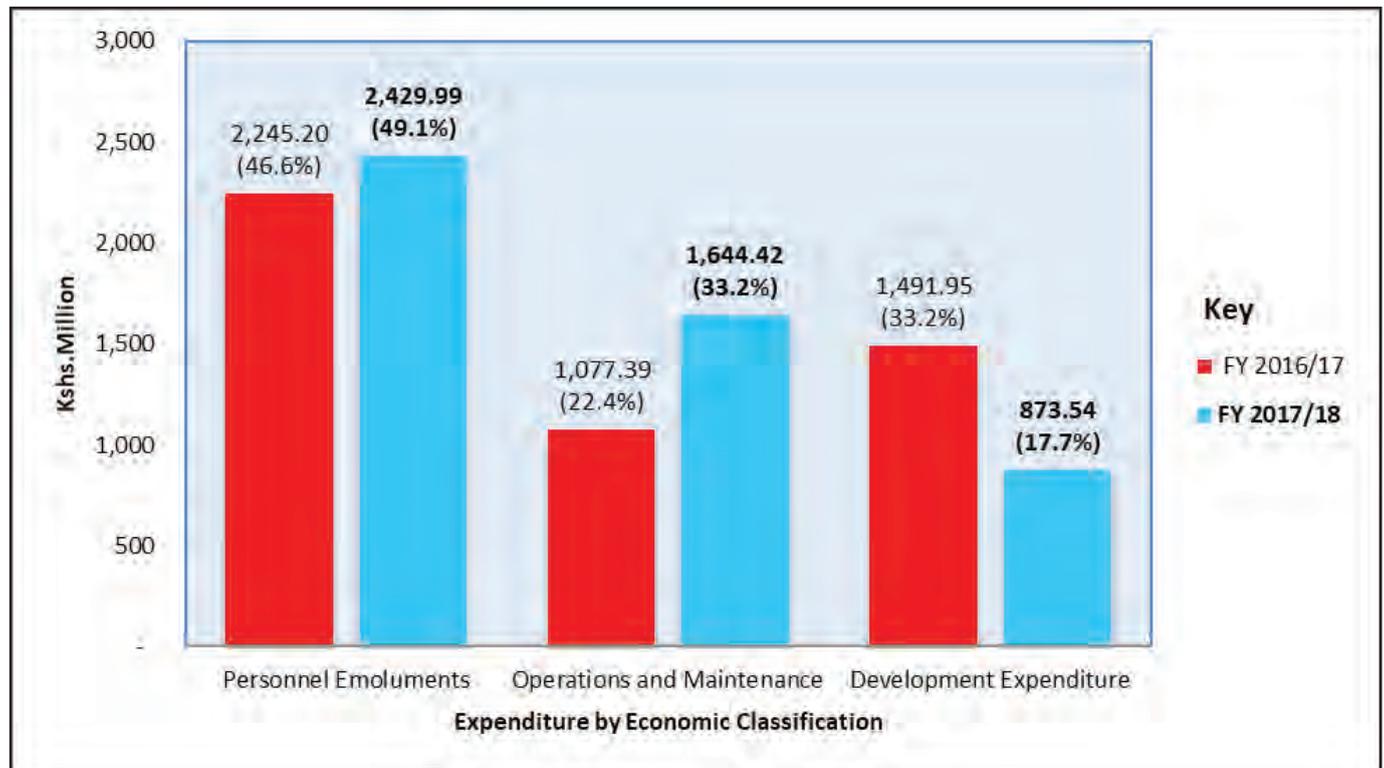
The County spent Kshs.4.95 billion, which was 93.9 per cent of the total funds released for operations. This was a decline of 2.8 per cent from Kshs.5.30 billion spent in FY 2016/17.

A total of Kshs.4.07 billion was spent on recurrent activities while Kshs.873.54 million was spent on development activities. The recurrent expenditure was 94.9 per cent of the funds released for recurrent activities, while development expenditure was 89.2 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.823.19 million for development activities and Kshs.332.28 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 93.1 per cent of the annual recurrent budget, a decrease from 97.1 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 46.9 per cent, which was a decrease from 89.6 per cent attained in FY 2016/17.

Figure 3.7 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.7: Bomet County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Bomet County Treasury

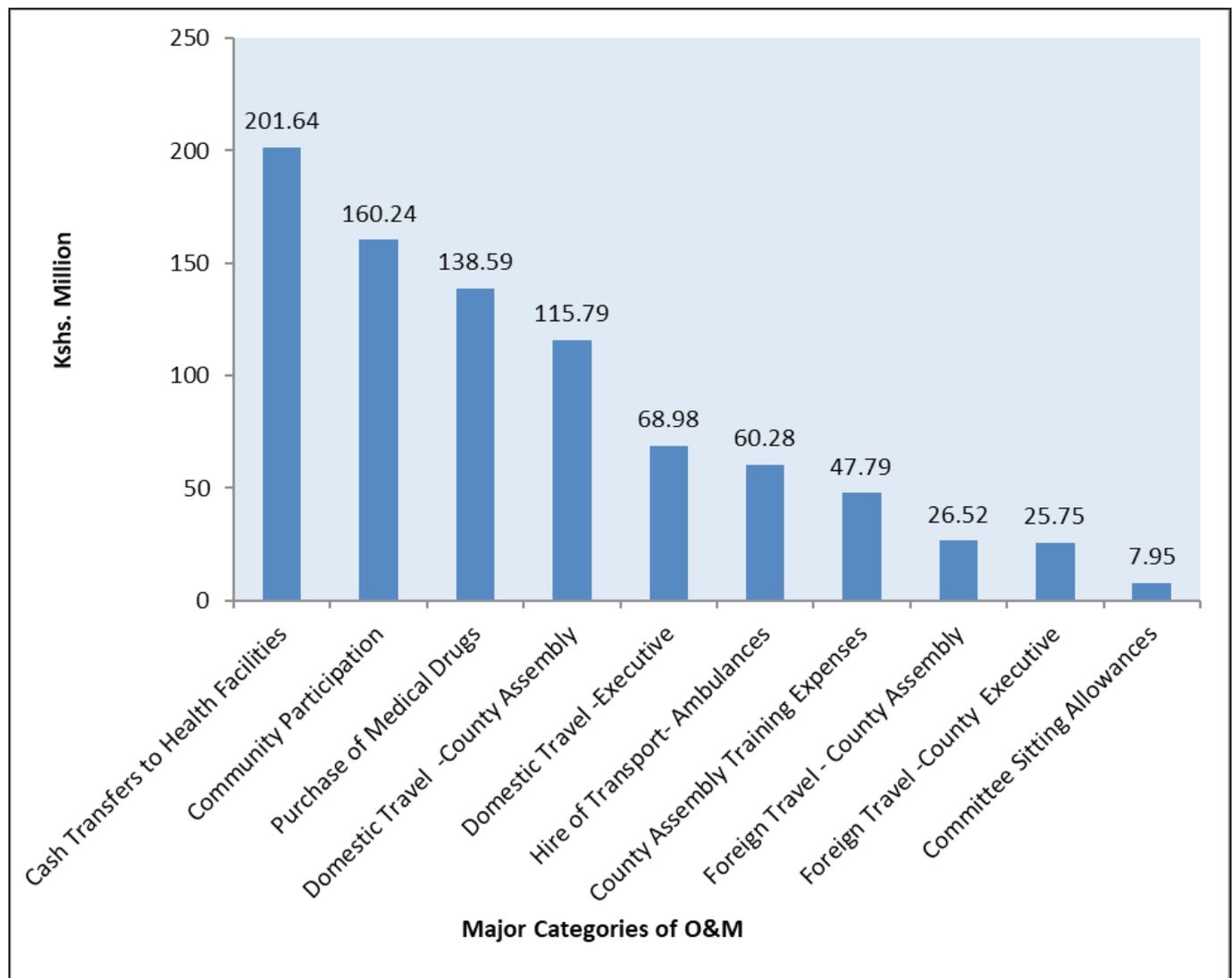
### 3.2.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.07 billion comprised of Kshs.2.43 billion (59.7 per cent) incurred on personnel emoluments and Kshs.1.64 billion (40.3 per cent) on operations and maintenance as shown in Figure 3.3.

Expenditure on personnel emoluments represented an increase of 8.2 per cent compared to FY 2016/17 when the County spent Kshs.2.25 billion, and was 49.1 per cent of total expenditure.

Figure 3.8 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.8: Bomet County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Bomet County Treasury

The County spent Kshs.7.95 million on committee sitting allowances to the 37 MCAs against an annual budget allocation of Kshs.8.41 million. This was a decline of 74.2 per cent compared to Kshs.30.8 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.17,906 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.184.77 million and comprised of Kshs.115.79 million spent by the County Assembly and Kshs.68.98 million by the County Executive. This represented 4.5 per cent of total recurrent expenditure and was a decrease of 16.3 per cent compared to Kshs.203.74 million spent in FY 2016/17.

### 3.2.7 Development Expenditure Analysis

The total development expenditure of Kshs.873.54 million represented 46.9 per cent of the annual development budget of Kshs.1.86 billion. Table 3.5 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.5: Bomet County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Construction of Roads	County Wide	388,500,500	160,697,104	41
2	Development of Water Supply	Sotik, Chepalungu, Konoin, Bomet East, Bomet Central	181,789,182	74,154,055	41
3	Construction of ECDs	Ka Metori, Kipraisi, Nyatembe, Chebelion etc	81,992,851	46,429,921	57
4	Construction of Motorized Bridges	Various	48,173,199	8,044,893	17
5	Construction of Technical Training Institutes	Siwot, Emgwen, Kaplong, Kaposon, Boito etc	45,149,112	45,072,232	100
6	Hospital/ Dispensary Development	Bomet Maternaty wing,,Mulot Dispensary	36,500,000	36,065,459	99
7	Construction of Sporting Facilities	Nyongores /Bomet Town	36,000,000	18,007,096	50
8	Purchase of Medical and Dental Equipment	Dental equipment, CT scan at Longisa Referral Hospital	35,900,000	35,078,973	98
9	Constructions of Jua kali Shades	Merigi, Kiptenden, Embomos, Kapkures	27,300,000	23,987,643	88
10	Purchase of Furniture and fittings	Finance Department	18,512,399	18,414,036	99

Source: Baringo County Treasury

### 3.2.8 Analysis of Budget Performance by Department

Table 3.6 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.6: Bomet County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executives	383.60	-	380.74	-	375.77	-	98.7	-	98.0	-
Public Service Board	49.13	-	47.12	-	42.18	-	89.5	-	85.9	-
Administration	607.42	-	600	-	591.48	-	98.6	-	97.4	-
ICT	24.09	137.15	24.07	65.14	19.42	70.87	80.7	108.8	80.6	51.7
Finance	330.10	0.52	299.57	-	308.53	0.51	103.0	-	93.5	97.2
Economic Planning	110.58	-	97.15	-	95.32	-	98.1	-	86.2	-
Lands, Public and Environment	227.37	66.89	233.13	49.55	220.03	41.51	94.4	83.8	96.8	62.1
Youth, Sports, Gender and Culture	96.02	39.24	100.67	38.67	88.23	18.01	87.6	46.6	91.9	45.9
Agriculture, Livestock and Cooperatives	194.40	214.62	207.72	158.42	192	162.09	92.4	102.3	98.8	75.5
Education and Vocational Trainings	274.71	168.08	273.65	105.50	260.95	98.19	95.4	93.1	95.0	58.4
Trade, Energy, Tourism and Industry	91.97	30.85	87.72	17.04	79.81	27.65	91.0	162.3	86.8	89.6
Water, Sanitation and Environment	60.78	324.35	60.76	126.51	58.27	200.07	95.9	158.2	95.9	61.7
Medical Services and Public Health	1,128.52	168.14	1,120.83	59.99	1,038.76	71.14	92.7	118.6	92	42.3
Roads, Transport and Public Works	105.24	658.92	121.23	350.53	99.18	175.99	81.8	50.2	94.2	26.7
County Assembly	693.85	55.35	637.88	8	604.48	7.51	94.8	93.9	87.1	13.6
<b>TOTAL</b>	<b>4,378</b>	<b>1,864</b>	<b>4,292</b>	<b>979</b>	<b>4,074</b>	<b>874</b>	<b>94.9</b>	<b>89.2</b>	<b>93.1</b>	<b>46.9</b>

Source: Bomet County Treasury

Analysis of budget performance by department shows that, the Departments of Finance and the Department of Trade, Tourism And Industry attained the highest absorption rate of development budget at 97.2 per cent and 89.6 per cent respectively, while the County Assembly and the Department of Roads, Transport and Public Works incurred the lowest at 13.6 per cent and 26.7 per cent respectively. The Departments of Agriculture, Livestock & Co-operatives, had the highest percentage of recurrent expenditure to recurrent budget at 98.8, per cent while the Department of Public Service Board had the lowest at 85.9 per cent.

### 3.2.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected 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 8.2 per cent from Kshs.2.25 billion in FY 2016/17 to Kshs.2.43 billion during the period under review.
3. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 46.9 per cent compared to 89.6 per cent in a similar period in FY 2016/17.
4. Under-performance in own source revenue collection which declined by 23.4 per cent from Kshs.236.7 million in FY 2016/17 to Kshs.181.38 million during the reporting 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 Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County should put mechanisms in place that will enhance absorption of development funds.*
4. *The County Treasury should formulate and implement strategies to enhance own source revenue collection.*

## 3.3 Bungoma County

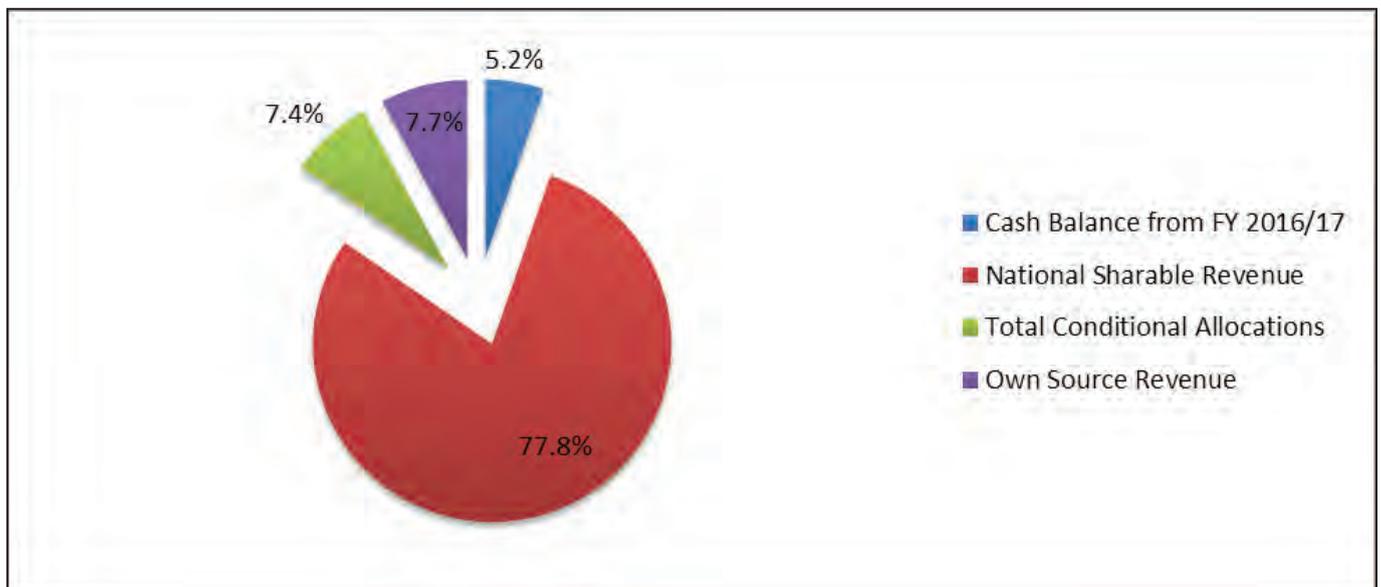
### 3.3.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.11.25 billion, comprising of Kshs.7.69 billion (68.3 per cent) and Kshs.3.56 billion (31.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.8.76 billion (77.8 per cent) as equitable share of revenue raised nationally, Kshs.830.71 million (7.4 per cent) as total conditional grants, and generate Kshs.865.55 million (7.7 per cent) from own source revenue, and Kshs.583.65 million (5.2 per cent) cash balance from FY 2016/17.

Figure 3.9 shows the expected sources of financing the budget in FY 2017/18

**Figure 3.9: Bungoma County, Expected Sources of Financing the Budget in FY 2017/18 (%).**



*Source: Bungoma County Treasury*

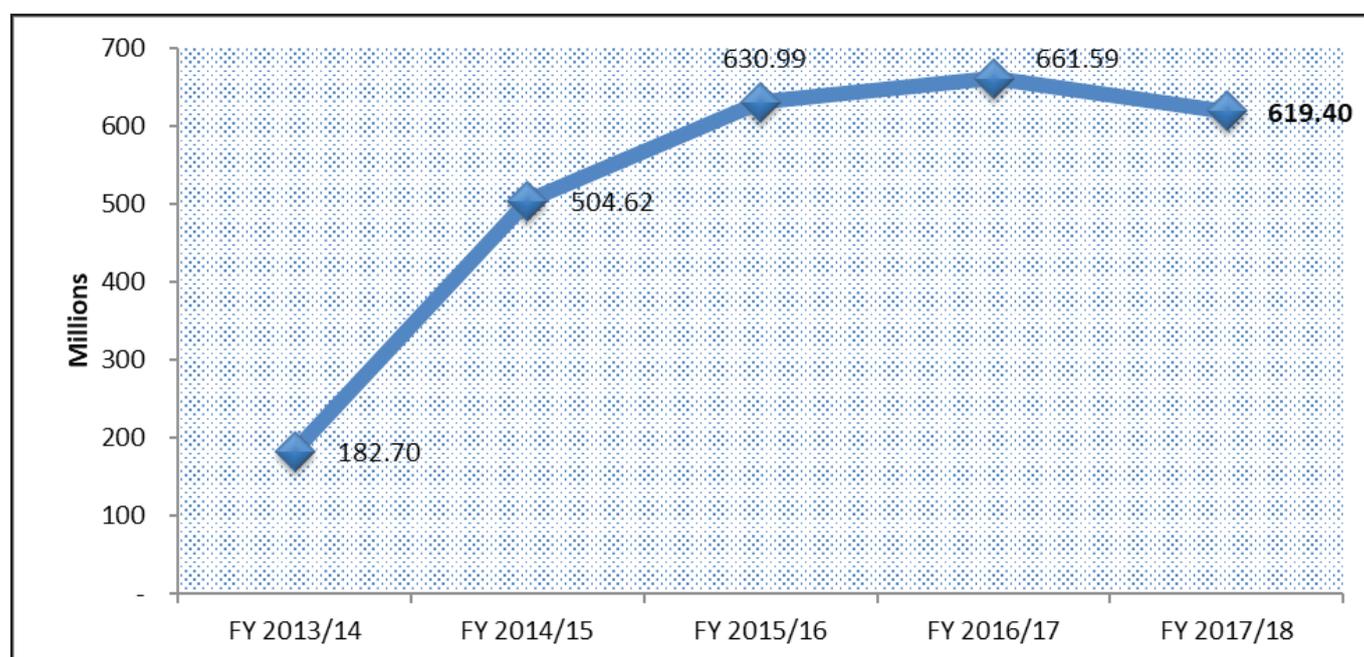
The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (11.5 per cent) for Leasing of Medical Equipment, Kshs.327.03 million (39.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.16 million (2.7 per cent) as Compensation for User Fee Foregone, Kshs.34.35 million (4.1 per cent) from DANIDA, Kshs.54.47 million (6.5 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.76.28 million (9.2 per cent) for Development of Youth Polytechnics, Kshs.110 million (13.2 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.50 million (6 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project grant, and Kshs.62.19 million (7.5 per cent) as Other Loans and Grants.

### 3.3.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.8.76 billion as equitable share of revenue raised nationally, Kshs.388.43 million as total conditional grants, raised Kshs.619.40 million from own source revenue, and had a cash balance of Kshs.583.65 million from FY 2016/17. The total available funds amounted to Kshs.10.35 billion.

Figure 3.10: shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.10: Bungoma County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Bungoma County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.619.40 million, representing a decline of 6.4 per cent compared to Kshs.661.59 million generated in FY 2016/17 and was 71.6 per cent of the annual target.

### 3.3.3 Conditional Grants

Table 3.7 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.7: Bungoma County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Road Maintenance Fuel Levy Fund	327,025,699	327,025,699	182,120,690	56
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
4	Kenya Devolution Support Programme (KDSP)	54,474,504	54,474,504	38,061,428	70
5	Compensation for User Fee Foregone	22,161,451	32,837,307	33,282,912	150
6	DANIDA Grant	34,350,249	34,350,249	34,350,249	100
7	Development of Youth Polytechnics	76,276,625	76,276,625	-	-
8	Conditional Allocation - Other Loans & Grants	62,188,798	-	-	-
9	World Bank Loan for Transforming Health System for universal Care Project	110,000,000	160,000,000	50,000,000	45
10	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101
<b>Total</b>		<b>832,222,007</b>	<b>830,709,065</b>	<b>388,425,134</b>	<b>47</b>

Source: Bungoma County Treasury

Analysis of the conditional grants released during the period under review indicates that, Compensation for User Fee Foregone, World Bank Loan for National Agricultural & Rural Inclusive Project, DANIDA Grant recorded the highest receipt at 150 per cent, 101 per cent and 100 per cent of annual allocation respectively.

### 3.3.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.9.06 billion from the CRF account, which was 80.5 per cent of the Approved Supplementary Budget. This amount represented a decline of 2.4 per cent from Kshs.9.28 billion approved in FY 2016/17 and comprised of Kshs.7.27 billion (80.2 per cent) for recurrent expenditure and Kshs.1.79 billion (19.8 per cent) for development activities.

### 3.3.5 Overall Expenditure Review

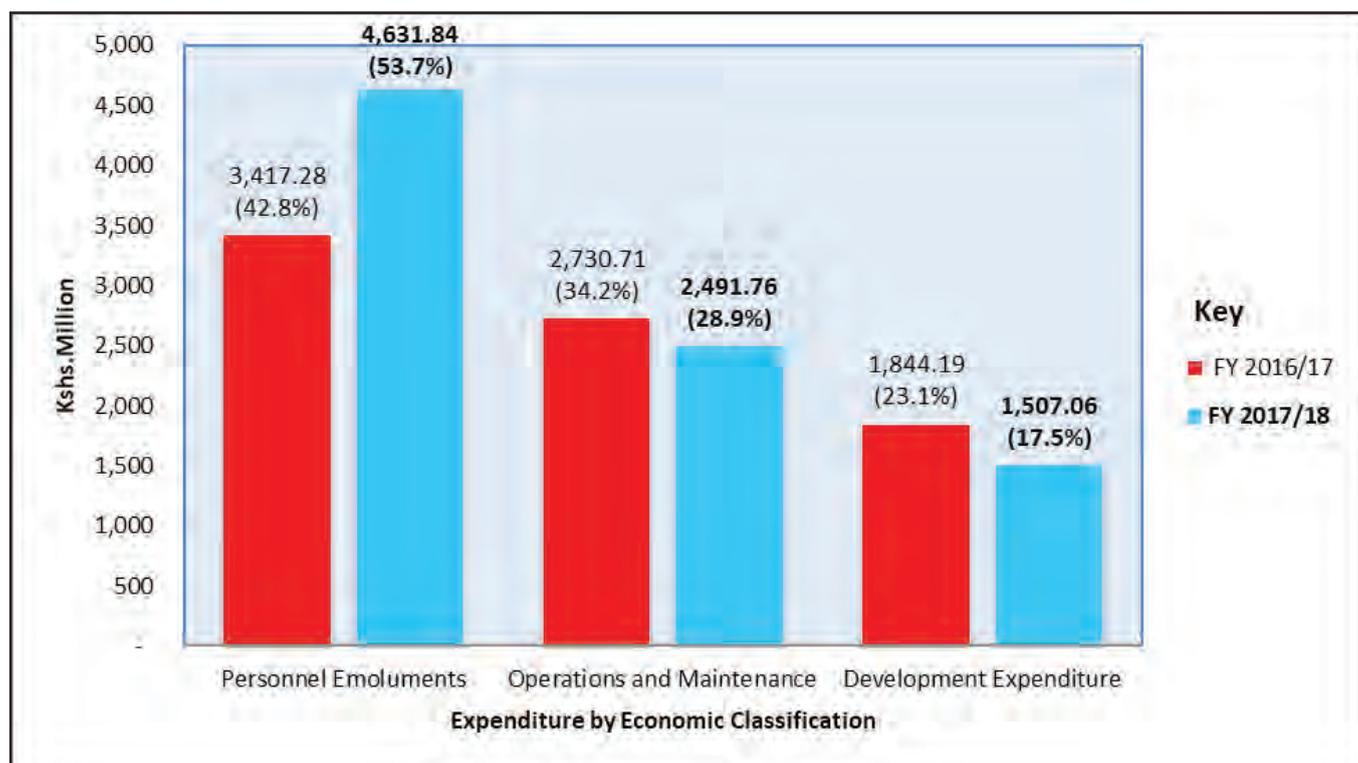
The County spent Kshs.8.63 billion, which was 95.2 per cent of the total funds released for operations. This was an increase of 8 per cent from Kshs.7.99 billion spent in FY 2016/17.

A total of Kshs.7.12 billion was spent on recurrent activities while Kshs.1.51 billion was spent on development activities. The recurrent expenditure was 98 per cent of the funds released for recurrent activities, while development expenditure was 84 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.216.12 million for development activities and Kshs.110.28 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 92.6 per cent of the annual recurrent budget, a slight increase from 92 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 42.3 per cent, which was a decrease from 48.7 per cent attained in FY 2016/17.

Figure 3.11 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.11: Bungoma County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



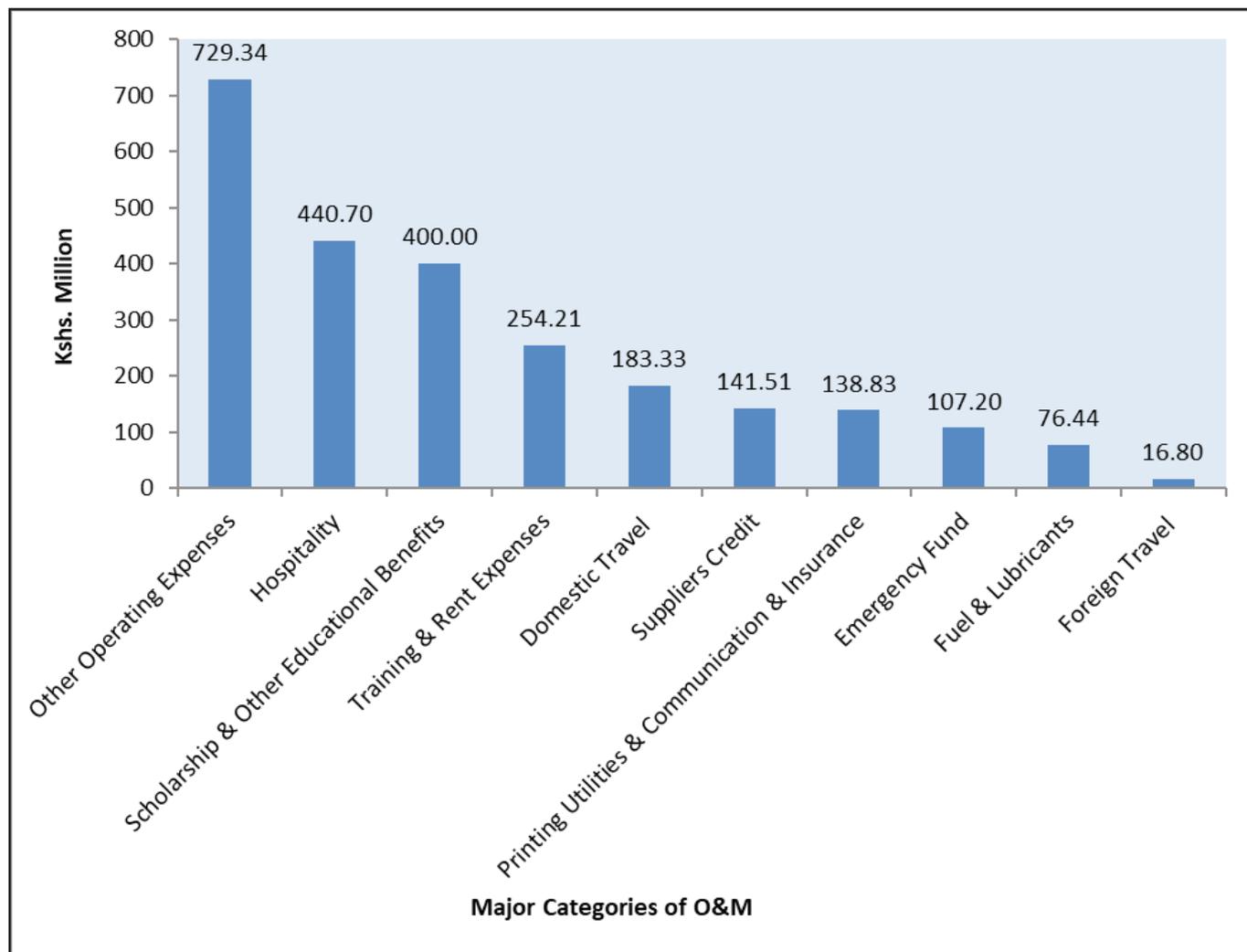
Source: Bungoma County Treasury

### 3.3.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.7.12 billion comprised of Kshs.4.63 billion (65 per cent) incurred on personnel emoluments and Kshs.2.49 billion (35 per cent) on operations and maintenance as shown in Figure 3.3.

Expenditure on personnel emoluments represented an increase of 35.5 per cent compared to FY 2016/17 when the County spent Kshs.3.42 billion, and was 53.7 per cent of total expenditure, in the reporting period. Figure 3.12 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.12: Bungoma County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Bungoma County Treasury

The County spent Kshs.35.81 million on committee sitting allowances to the 61 MCAs against an annual budget allocation of Kshs.190.22 million. This was a decrease of 38 per cent compared to Kshs.72.27 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.48,923 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.183.42 million and comprised of Kshs.15.02 million spent by the County Assembly and Kshs.168.4 million by the County Executive. This represented 2.6 per cent of total recurrent expenditure and was a decrease of 25.4 per cent compared to Kshs.351.72 million spent in FY 2016/17.

### 3.3.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.51 billion represented 42.3 per cent of the annual development budget of Kshs.3.56 billion. Table 3.8 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.8: Bungoma County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S / No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Acquisition of strategic stocks	All 45 wards	183,941,341	172,833,000	94
2	Solid Waste Management	Bungoma	94,327,234	81,402,617	86
3	Purchase of Certified Maize seeds	All 45 wards	67,016,200	60,384,300	90
4	Construction of office block	County Assembly	92,182,706	65,471,528	71
5	Installation of Lights on various markets	Across the Wards	32,600,000	32,598,653	100
6	Supply and installation of 50 solar powered street lights and 7 high mast flood lights	Head Quarters	23,875,950	23,846,769	100
7	Residential units and external works	Lower Milimani	38,713,724	22,176,694	57
8	Renovation of Myanga market in Bungoma County	Kimaeti Ward	16,692,817	14,260,039	85
9	Installation of solar street lights	All 45 wards	17,400,000	13,990,000	80
10	Renovation of Governor's office block	Headquarter	40,000,000	12,500,000	31

Source: Bungoma County Treasury

### 3.3.8 Analysis of Budget Performance by Department

Table 3.9 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.9: Bungoma County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs.Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries and Co-operative Development	404.25	440.66	362.21	300.49	370.95	258.56	102.4	86	91.8	58.7
Tourism, Forestry, Environment, Water and Natural Resources	88.51	468.15	76.24	157.96	78.76	155.03	103.3	98.1	89	33.1
Roads and Public Works	168.67	1,200.29	160.80	863.17	145.08	623.06	90.2	72.2	86	51.9
Education, Sports and Youth Affairs	1,243.43	250.44	1,241.06	-	1,236.70	-	99.6	-	99.5	-
Health	2,519.86	182.86	2,277.87	66.83	2,232.67	66.83	98.0	100	88.6	36.5
Trade, Energy and Industrialization	49.56	157.73	47.34	101.42	40.90	101.41	86.4	100	82.5	64.3
Land, Urban and Physical Planning	72.15	33.84	62.16	19.55	49.99	16.14	80.4	82.6	69.3	47.7
Gender & Culture	104.43	182.63	101.53	-	94.67	-	93.2	-	90.7	-
Finance and Planning	1,305.44	323.04	1,247.10	109.91	1,230.40	106.32	98.7	96.7	94.3	32.9
County Public Service	60.46		49.41	-	55.03		111.4	-	91.0	-
Governors & D/Governor's Office	409.01	2.60	378.44	-	393.86	1.53	104.1	-	96.3	58.7
Public Administration & County Secretary	478.77	60.72	440.18	27.06	427.90	32.32	97.2	119.4	89.4	53.2
Housing and Sanitation	30.01	73.48	28.52	49.01	26.46	47.01	92.8	95.9	88.2	64
County Assembly	755.25	187.14	795.40	98.83	740.21	98.83	93.1	100	98	52.8
<b>TOTAL</b>	<b>7,690</b>	<b>3,564</b>	<b>7,268</b>	<b>1,794</b>	<b>7,124</b>	<b>1,507</b>	<b>98.0</b>	<b>84.0</b>	<b>92.6</b>	<b>42.3</b>

Source: Bungoma County Treasury

Analysis of budget performance by department shows that, the Department of Trade, Energy and Industrialization attained the highest absorption rate of development budget at 64.3 per cent while the Department of Gender and Culture and the Department of Education, Sports and Youth Affairs did not incur any development expenditure. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 98 per cent while the Department of Land, Urban and Physical Planning had the lowest at 69.3 per cent.

### 3.3.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Delays of submission of financial reports to the Controller of Budget by the County Treasury, contrary to Section 166 of the PFM Act, 2012.
2. A high wage bill that increased by 35.5 per cent from Kshs.3.42 billion in FY 2016/17 to Kshs.4.63 billion in the period under review
3. Large outstanding imprests, which amounted to Kshs. 111.82 million as at 30th June 2018.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure sustainable wage bill.*
3. *The County Treasury should ensure strict adherence to financial regulations on management of imprest.*

## 3.4 Busia County

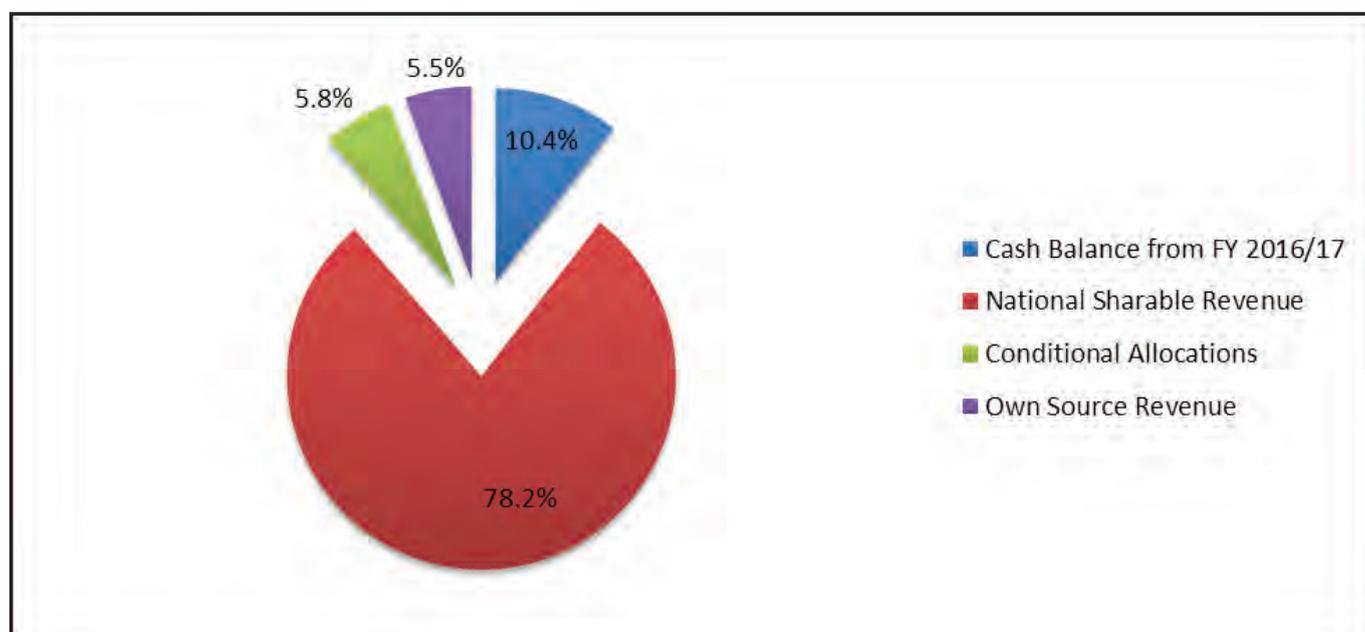
### 3.4.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.7.45 billion, comprising of Kshs.5.06 billion (67.9 per cent) and Kshs.2.39 billion (32.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.83 billion (78.2 per cent) as equitable share of revenue raised nationally, Kshs.431.95 million (5.8 per cent) as total conditional grants, generate Kshs.412.16 million (5.5 per cent) from own source revenue, and Kshs.776.31 million (10.4 per cent) cash balance from FY 2016/17.

Figure 3.13: shows the expected sources of budget financing in FY 2017/18

**Figure 3.13: Busia County, Expected Sources of Budget Financing in FY 2017/18 (%)**



Source: Busia County Treasury

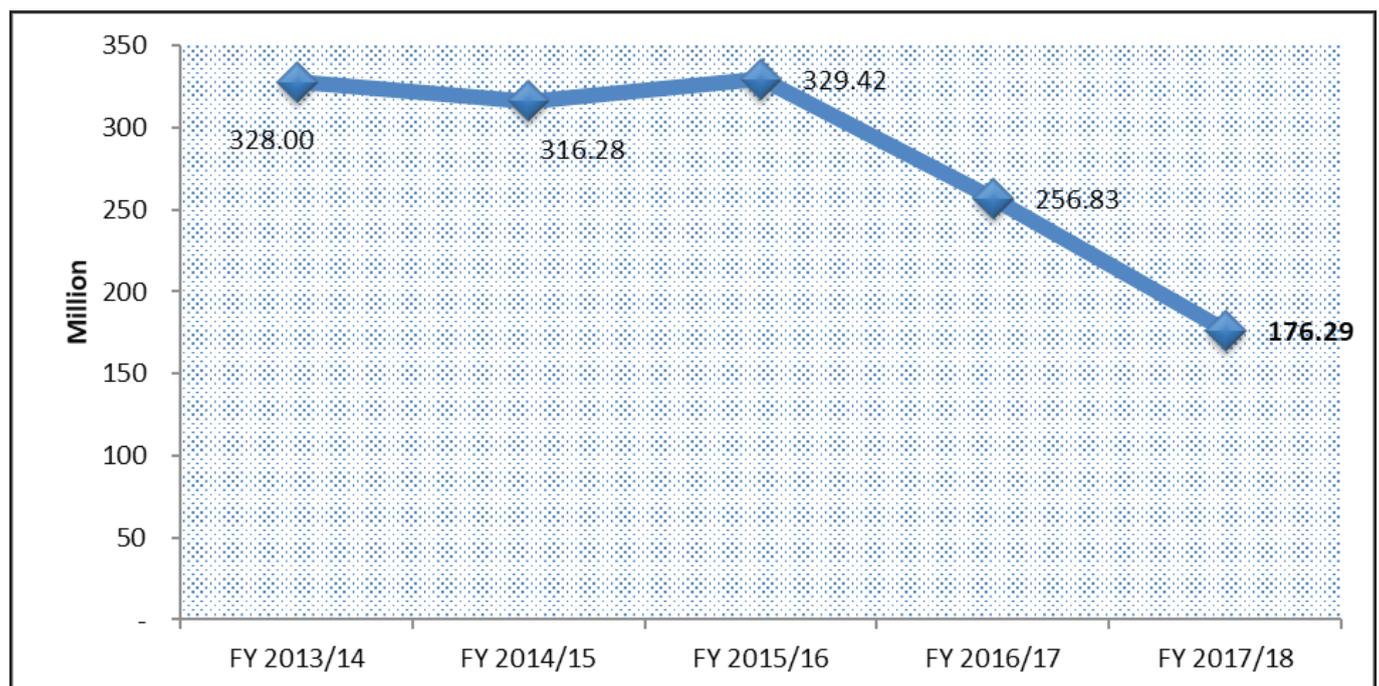
The Conditional grants contained in the CARA, 2017 comprised of Kshs.231.79 million (38.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (16 per cent) for Leasing of Medical Equipment, Kshs.44.26 million (7.4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.35.71 million (6 per cent) as Conditional Allocation-Other Loans and Grants, Kshs.16.93 million (2.8 per cent) as Compensation for User Fee Foregone, Kshs.86.62 million (14.5 per cent) as World Bank loan for Transforming Health System for universal Care System, Kshs.24.35 million (4.1 per cent) from DANIDA and Kshs.63.71 million (10.6 per cent) for the Development of Youth Polytechnics.

### 3.4.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.5.83 billion as equitable share of revenue raised nationally, Kshs.961.52 million as total conditional grants, raised Kshs.176.29 million from own source revenue, and had a cash balance of Kshs.776.31 million from FY 2016/17. The total available funds amounted to Kshs.7.69 billion.

Figure 3.14 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.14: Busia County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Busia County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.176.29 million, representing a decline of 31.4 per cent compared to Kshs.256.83 million generated in FY 2016/17 and was 42.8 per cent of the annual target.

### 3.4.3 Conditional Grants

Table 3.10 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.10: Busia County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Conditional Grants - Road Maintenance Fuel Levy Fund	231,792,232	231,792,232	231,792,232	100
2	Leasing of Medical Equipment	95,744,681	-	-	-
3	Kenya Devolution Support Programme (KDSP)	44,261,335	44,261,335	597,300,565	1,349
4	Compensation for User Fee Foregone	16,934,085	16,934,085	17,302,828	102
5	World Bank loan for Transforming Health System for universal Care System	86,622,298	59,552,830	35,708,402	41
6	DANIDA Grant	24,346,083	15,707,150	15,707,150	65
7	Conditional Grants to Development of Youth Poly-technics	63,706,036	63,706,036	63,706,036	100
<b>Total</b>		<b>599,115,151</b>	<b>431,953,668</b>	<b>961,517,213</b>	<b>160</b>

Source: Busia County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Kenya Devolution Support Programme (KDSP) recorded the highest receipts at 1349 per cent of annual budget allocation, and includes Kshs.553.04 million under KDSP-Level 2 allocation on performance assessment which had not been budgeted for by the county.

### 3.4.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.6.07 billion from the CRF account, which was 81.5 per cent of the Approved Supplementary Budget. This amount represented a decline of 10.3 per cent from Kshs.6.77 billion approved in FY 2016/17 and comprised of Kshs.4.78 billion (79 per cent) for recurrent expenditure and Kshs.1.27 billion (21 per cent) for development activities.

### 3.4.5 Overall Expenditure Review

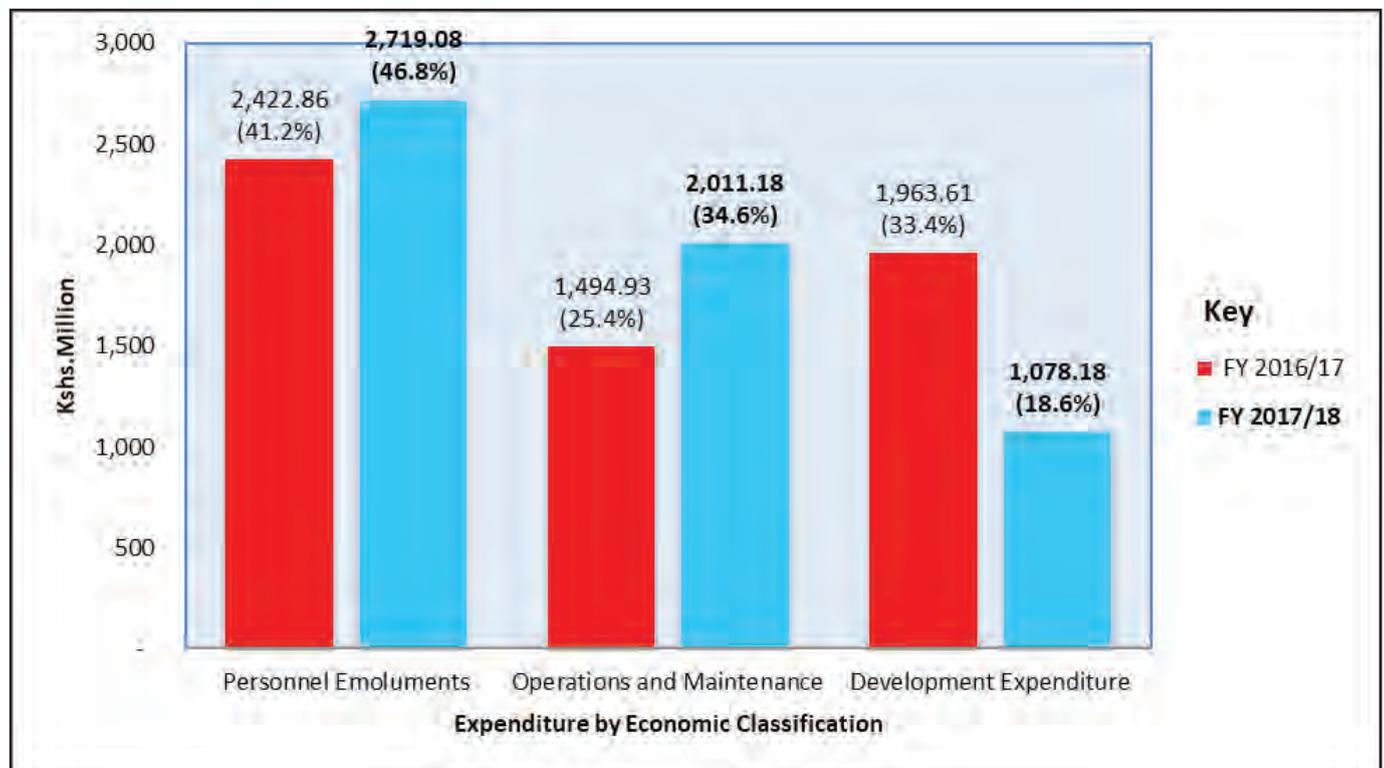
The County spent Kshs.5.81 billion, which was 95.7 per cent of the total funds released for operations. This was a decline of 1.2 per cent from Kshs.5.88 billion spent in FY 2016/17.

A total of Kshs.4.73 billion was spent on recurrent activities while Kshs.1.08 billion was spent on development activities. The recurrent expenditure was 98.6 per cent of the funds released for recurrent activities, while development expenditure was 84.7 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.603.49 million for development activities and Kshs.390.11 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 93.5 per cent of the annual recurrent budget, an increase from 87.6 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 45.1 per cent, which was a decrease from 63.9 per cent attained in FY 2016/17.

Figure 3.15 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.15: Busia County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



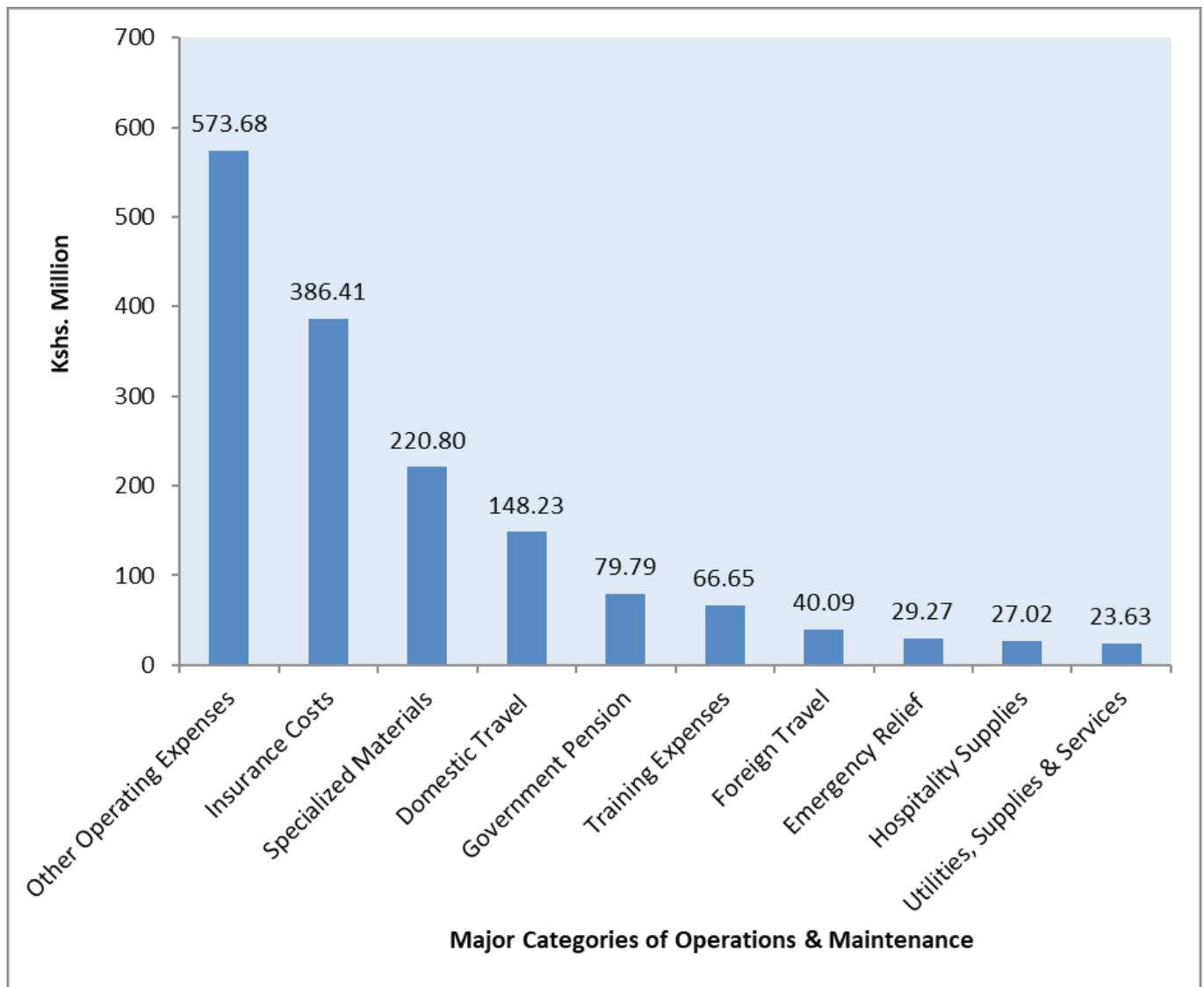
Source: Busia County Treasury

### 3.4.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.73 billion comprised of Kshs.2.72 billion (57.5 per cent) incurred on personnel emoluments and Kshs.2.01 billion (42.5 per cent) on operations and maintenance as shown in Figure 3.15.

Expenditure on personnel emoluments represented an increase of 12.2 per cent compared to FY 2016/17 when the County spent Kshs.2.42 billion, and was 46.8 per cent of total expenditure in FY 2017/18. Figure 3.16 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.16: Busia County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Busia County Treasury

The County spent Kshs.48.69 million on committee sitting allowances to the 61 MCAs including the Speaker against the annual budget allocation of Kshs.50 million. This was a decline of 31.1 per cent compared to Kshs.70.68 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.66,519 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.148.23 million and comprised of Kshs.56.5 million spent by the County Assembly and Kshs.91.73 million by the County Executive. This represented 3.1 per cent of total recurrent expenditure and was a decrease of 20.4 per cent compared to Kshs.186.25 million spent in FY 2016/17.

### 3.4.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.08 billion represented 45.1 per cent of the annual development budget of Kshs.2.39 billion. Table 3.11 provides a summary of development projects with the highest expenditure in FY 2017/18

**Table 3.11: Busia County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Construction of office block/ other infrastructure Phase 11	County Assembly Head-quarters	59,891,096	45,141,134	75.4
2	Upgrading of Busia Town Roads- Polytechnic-Hospital. Fence-Soko Posta Juct, Polytechnic Juct-One on One-Joe Ministries- Huduma Centre Juct, Highway- Butere Hse-Flo-man- Royal City Restaurant-Highway (LOT 4)	Headquarters	53,935,186	41,602,235	77.1
3	Upgrading of Busia town -Malaba Primary -Garden Park-Email Junction, Full Gospel Church -Highway-Serenge-ti-Junction & Old Town Road-Lot 5	Headquarters	62,594,180	33,587,725	53.7
4	Upgrading Busia Town-Port Victoria Plaza -Junction -Cath-olic Church-Referral Hospital-Lot 2	Headquarters	39,299,548	28,950,890	73.7
5	Upgrading of Malaba town road (lot 6)	Headquarters	36,942,157	25,447,742	68.9
6	Upgrading of Highway Cool Inn Ojarii Jnct and Ojarii Primary Junction Hotel comfort (LOT 3)	Headquarters	23,715,380	22,685,322	95.7
7	Upgrading of Busia Town -Highway-Governor's Of-fice-Huduma Center-Sokoposta-Port Victoria Plaza-Farm View Hotel-Lot 1	Headquarters	28,331,301	21,505,240	75.9
8	Ward projects	Across the wards	21,535,665	21,535,665	100
9	Installation of Solar Pumping Units at Samia and Bunyala	Samia and Bunyala	20,358,015	14,219,566	69.8
10	Construction of box culverts	Obule-Angurai South Ward	13,495,319	13,495,319	100

Source: Busia County Treasury

### 3.4.8 Budget and Budget Performance Analysis by Department

Table 3.12 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.12: Busia County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expen-diture to Exchequer Issues (%)		FY 2017/18 Absorp-tion rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture and Animal Resources	241.45	162.24	229.66	152	227.44	53.80	99	35.4	94.2	33.2
Trade, Cooperatives and Industrialization	56.27	135.68	52.82	34.70	47.59	7.15	90.1	20.6	84.6	5.3
Education and Vocational Training	358.06	247.95	293.33	24.30	289.64	23.47	98.7	96.6	80.9	9.5
Finance, Economic Plan-ning and ICT	969.87	33.94	960.70	33.50	954.09	32.69	99.3	97.6	98.4	96.3
Youth, Culture, sports, Tourism and Social Services	91.43	68.34	79.09	51.20	76.71	38	97	74.2	83.9	55.6
Roads, Public Works, Energy and Transport	96.91	860.38	89.22	533.24	89.06	474.34	99.8	8	91.9	55.1
Public Service Manage-ment	61.50	-	54.08	-	52.05	-	96.2	-	84.6	-
Lands, Housing and urban Development	106.78	150.19	92.97	30.65	92.37	29.02	99.4	94.7	86.5	19.3
Water Environment and Natural Resources	111.28	201.80	101.91	201.80	96.07	200.99	94.3	99.6	86.3	99.6
Health and Sanitation	1,544.80	293.57	1,500.61	120	1,498.96	117.65	99.9	98.0	97	40.1
County Public Service Board	59.50	-	54.64	-	48.39	-	88.6	-	81.3	-

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
The Governorship	455.14	52.40	437	47.50	436.73	47.26	99.9	99.5	96	90.2
County Assembly	906.63	182.90	851.10	44.10	821.15	53.82	96.5	122	90.6	29.4
<b>TOTAL</b>	<b>5,060</b>	<b>2,389</b>	<b>4,797</b>	<b>1,273</b>	<b>4,730</b>	<b>1,078</b>	<b>98.6</b>	<b>84.7</b>	<b>93.5</b>	<b>45.1</b>

Source: Busia County Treasury

Analysis of budget performance by department shows that, the Department of Water, Environment and Natural Resources attained the highest absorption rate of development budget at 99.6 per cent while the Department of Trade, Cooperatives and Industrialization had the lowest at 5.3 per cent. The Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 98.4 per cent while the Department of Education and Vocational Training had the lowest at 98.4 per cent.

### 3.4.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
2. Under-performance in own source revenue collection, which declined by 31.4 per cent from Kshs.256.83 million in FY 2016/17 to Kshs.176.29 million in FY 2017/18.
3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
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. Delay by Fund Administrators to submit expenditure reports of all the County Established Funds contrary to Section 168 of the PFM Act, 2012.
6. Failure to constitute a County Budget and Economic Forum (CBEF) as per the requirement of Section 137 of the PFM Act, 2012 for consultation in the budget process.
7. A high wage bill that increased by 12.2 per cent from Kshs.2.42 billion in FY 2016/17 to Kshs.2.72 billion in the period under review. The wage bill accounted for 46.8 per cent of the total expenditure.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should institute appropriate mechanisms to enhance own source revenue collection.*
3. *The County should liaise with the IFMIS Directorate to address the IFMIS connectivity challenge.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
6. *The County should establish the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*
7. *The County Public Service Board should establish an optimal staffing structure in order to ensure that the wage bill is maintained within sustainable levels.*

## 3.5 Elgeyo Marakwet County

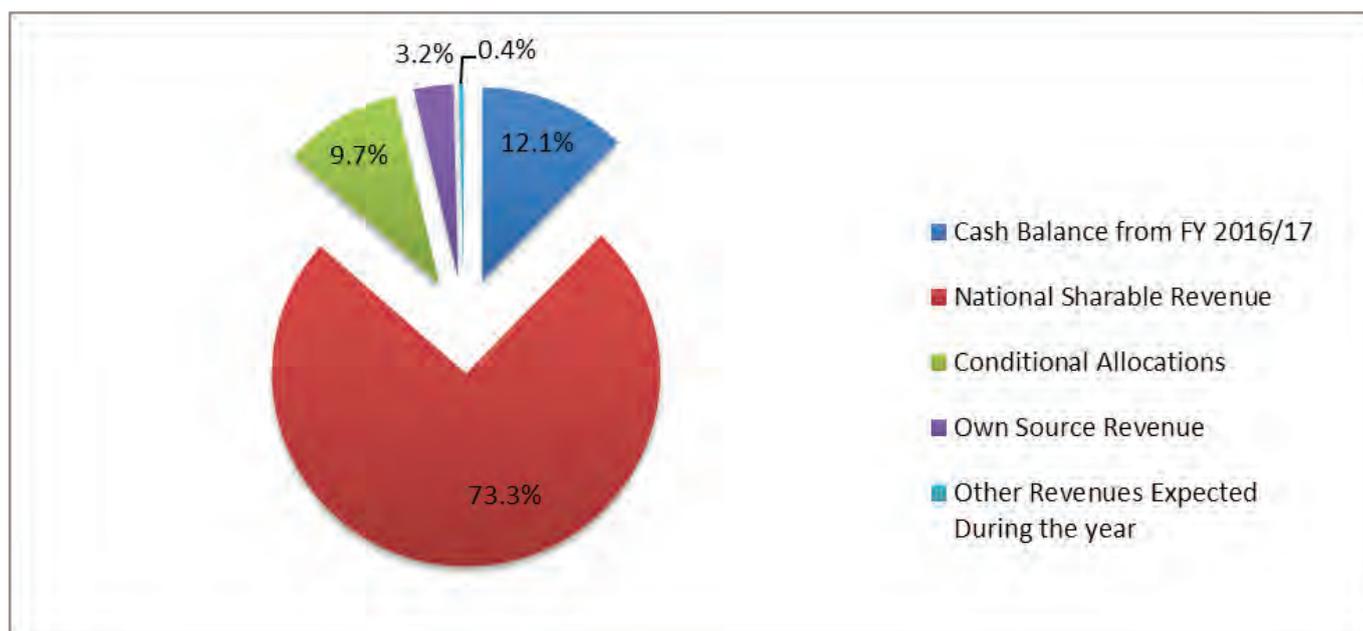
### 3.5.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.4.94 billion, comprising of Kshs.3.01 billion (60.8 per cent) and Kshs.1.94 billion (39.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.3.62 billion (72.3 per cent) as equitable share of revenue raised nationally, Kshs.560.94 million (10 per cent) as total conditional grants, generate Kshs.160.29 million (3.1 per cent) from own source revenue, and Kshs.599.46 million (12.1 per cent) cash balance brought forward from FY 2016/17.

Figure 3.17 shows the expected sources of financing the budget in FY 2017/18

**Figure 3.17: Elgeyo Marakwet County Expected Sources of Financing the Budget in FY 2017/18 (%)**



*Source: Elgeyo Marakwet County Treasury*

The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (22.6 per cent) for Leasing of Medical Equipment, Kshs.139.34 million (32.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.79 million (2.1 per cent) as Compensation for User Fee Foregone, Kshs.9.44 million (2.2 per cent) from DANIDA, Kshs.47.99 million (11.3 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.36.01 million (8.5 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.37.64 million (8.9 per cent) for Development of Youth Polytechnics, Kshs.30.28 million (7.1 per cent) as World Bank loan for Transforming Health System for Universal Care Project, and Kshs.18.96 million (4.5 per cent) as Other Loans and Grants.

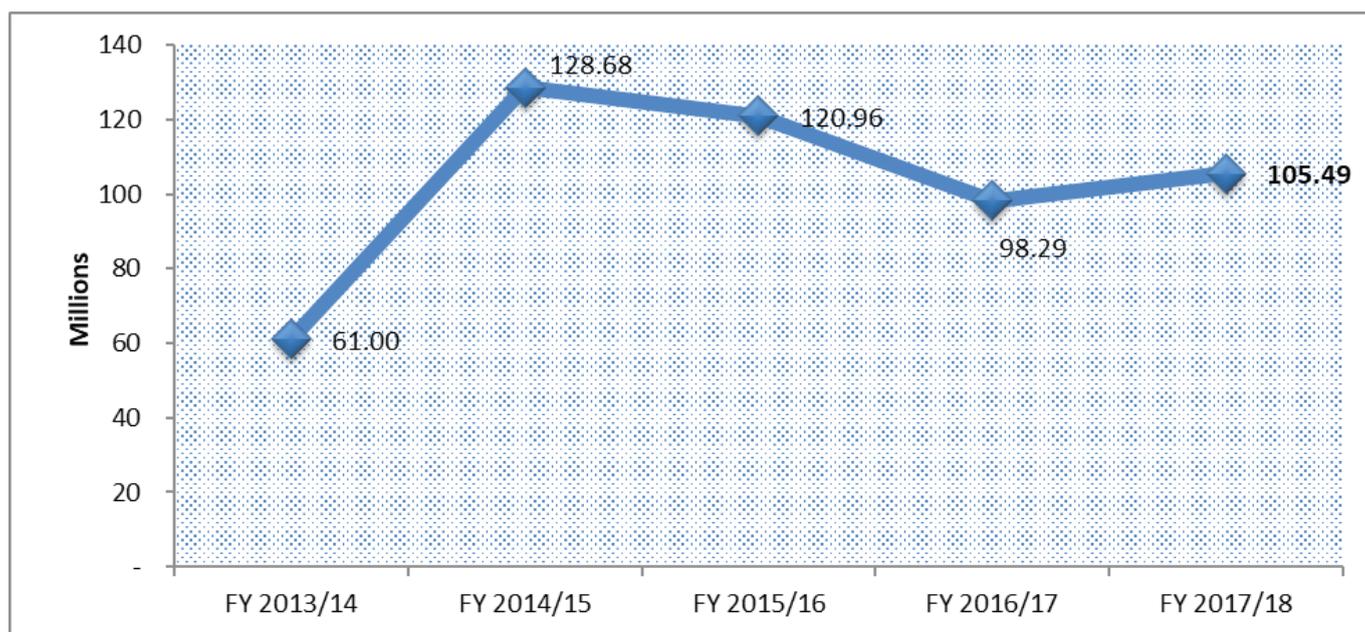
The County also budgeted to receive the balance of Kshs.56.93 million of the World Bank loan to supplement financing of County Health Facilities from FY 2016/17, and Kshs.79.81 million as reimbursement for Health Service Allowance to doctors, nurses, clinical officers and other health workers from the National Treasury, these grants were not contained in the CARA, 2017.

### 3.5.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.3.62 billion as equitable share of revenue raised nationally, Kshs.312.47 million as total conditional grants, raised Kshs.105.49 million from own source revenue, and had a cash balance of Kshs.599.46 million from FY 2016/17. The total available funds amounted to Kshs.4.58 billion.

Figure 3.18 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.18: Elgeyo Marakwet County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Elgeyo Marakwet County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.105.49 million, representing an increase of 7.3 per cent compared to Kshs.98.29 million generated in FY 2016/17 and was 65.8 per cent of the annual target.

### 3.5.3 Conditional Grants

Table 3.13 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.13: Elgeyo Marakwet County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A Grants Contained in the CARA, 2017</b>					
1	Road Maintenance Fuel Levy Fund	139,343,420	139,343,420	139,343,419	100
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	World Bank loan to supplement financing of County Health facilities	47,990,000	47,990,000	-	-
4	Development of Youth Polytechnics	37,641,245	37,641,245	37,641,245	100
5	Kenya Devolution Support Programme (KDSP)	36,005,074	36,005,074	36,005,074	100
6	World Bank Loan for Transforming Health System for universal Care Project	30,279,354	30,279,354	18,956,694	62.6

7	Conditional Allocation - Other Loans & Grants	18,956,694	18,956,694	-	-
8	DANIDA Grant	9,442,456	9,442,456	9,442,456	100
9	Compensation for User Fee Foregone	8,788,919	8,788,919	8,956,070	100
10	DANIDA Grant FY 2018/19	-	-	5,193,351	-
<b>Sub Total</b>		424,191,843	424,191,843	255,538,309	60.2
<b>B</b>	<b>Other Grants</b>				
11	World bank World Bank loan to supplement financing of County Health facilities from FY 2016/17	-	56,932,570	56,932,570	100
12	National Treasury reimbursement for Health Service Allowance	-	79,812,000	-	-
<b>Sub Total</b>		-	<b>136,744,570</b>	<b>56,932,570</b>	<b>100</b>
<b>Grand Total</b>		<b>424,191,843</b>	<b>560,936,413</b>	<b>312,470,879</b>	<b>55.7</b>

Source: Elgeyo Marakwet County Treasury

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund, Development of Youth Polytechnics, Kenya Devolution Support Programme (KDSP), DANIDA Grant, Compensation for User Fee Foregone, and World bank World Bank loan to supplement financing of County Health facilities recorded the highest receipts at 100 per cent of the annual budget target.

### 3.5.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.07 billion from the CRF account, which was 82.3 per cent of the Approved Supplementary Budget. This amount represented a marginal increase of 0.2 per cent from Kshs.4.05 billion approved in FY 2016/17 and comprised of Kshs.3 billion (73.7 per cent) for recurrent expenditure and Kshs.1.07 billion (26.3 per cent) for development activities.

### 3.5.5 Overall Expenditure Review

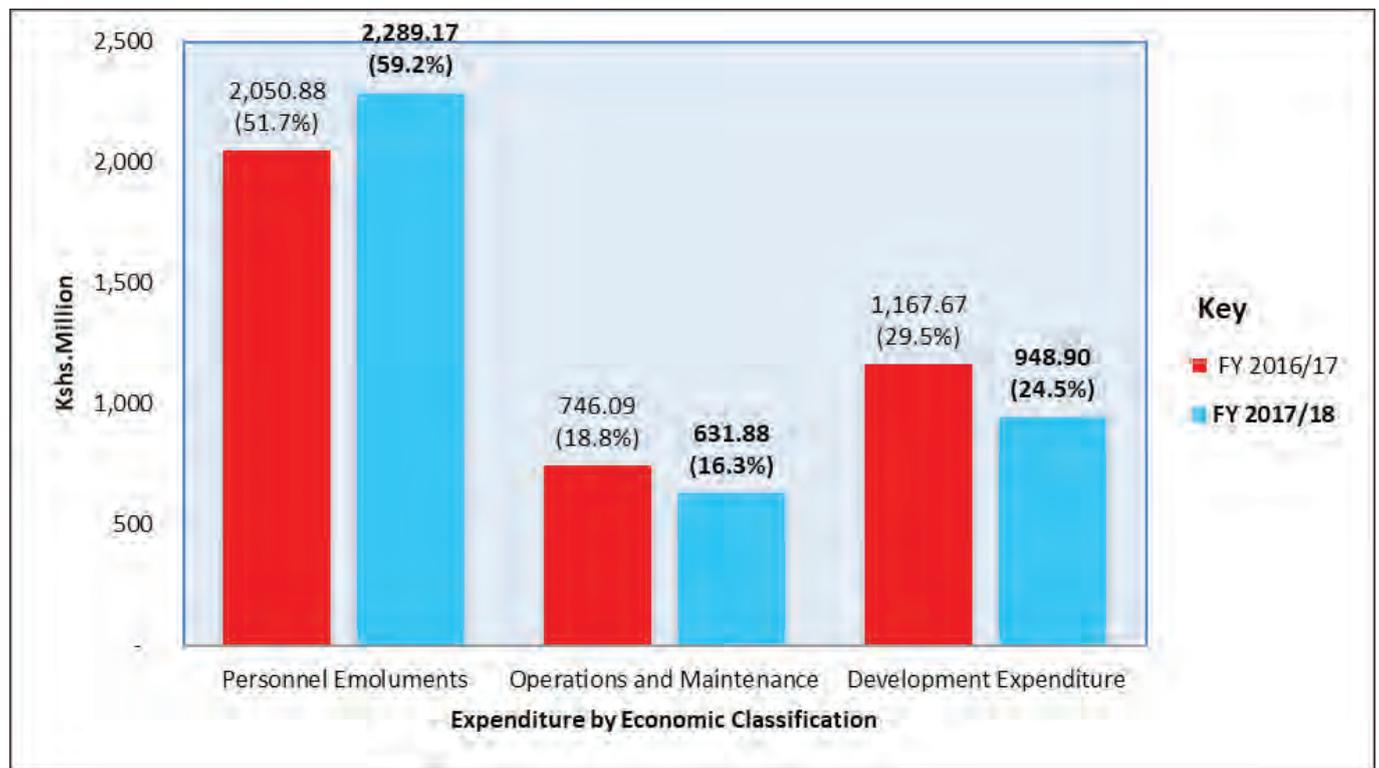
The County spent Kshs.3.87 billion, which was 95.1 per cent of the total funds released for operations. This was a decline of 2.5 per cent from Kshs.3.97 billion spent in FY 2016/17.

A total of Kshs.2.92 billion was spent on recurrent activities while Kshs.948.9 million was spent on development activities. The recurrent expenditure was 97.2 per cent of the funds released for recurrent activities, while development expenditure was 84.4 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.10.75 million for development activities Kshs.126 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 97.2 per cent of the annual recurrent budget, an increase from 96.9 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 49 per cent, which was a decrease from 63 per cent attained in FY 2016/17.

Figure 3.19 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.19: Elgeyo Marakwet County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



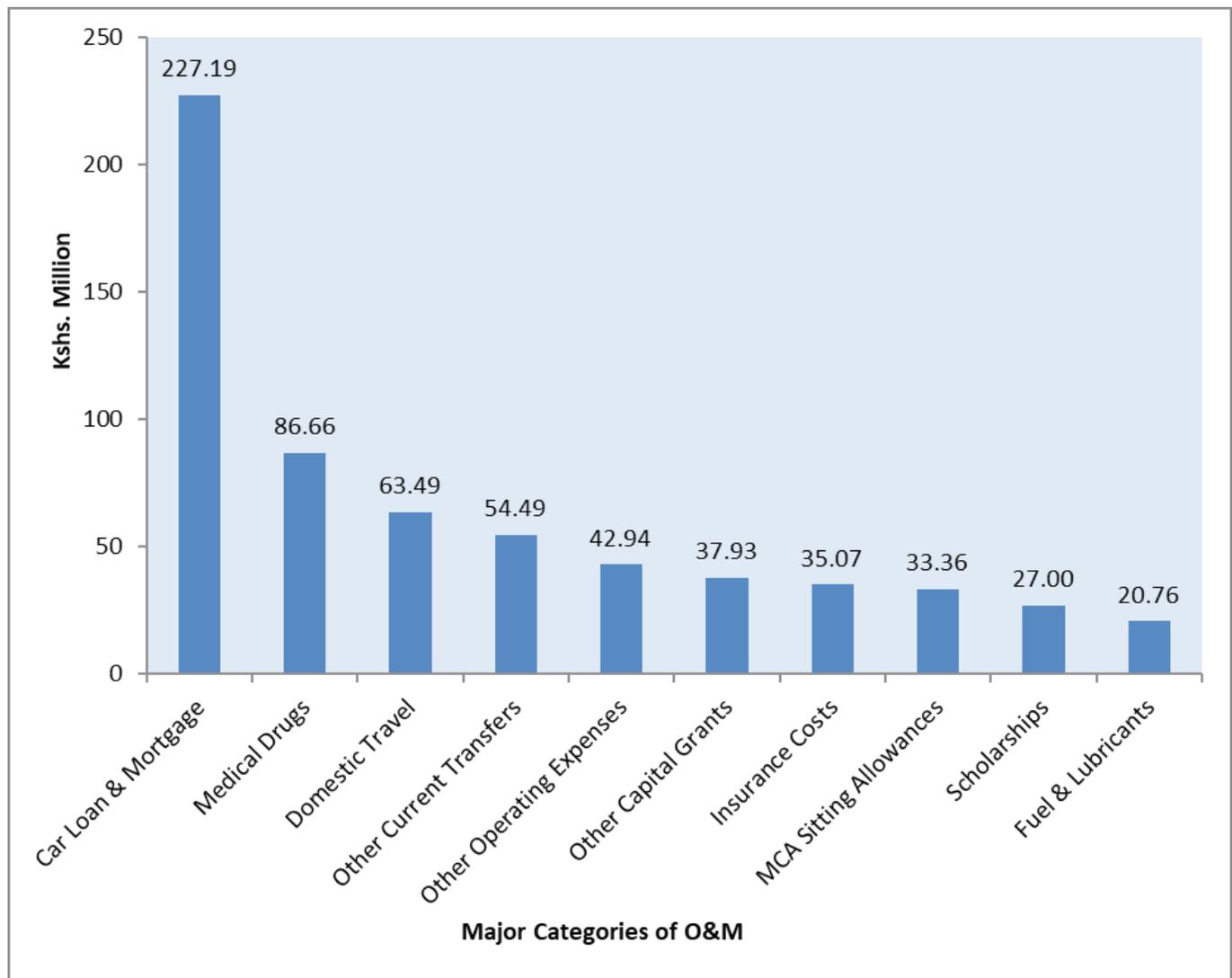
*Source: Elgeyo Marakwet County Treasury*

### 3.5.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.92 billion comprised of Kshs.2.29 billion (78.4 per cent) incurred on personnel emoluments and Kshs.631.88 million (21.6 per cent) on operations and maintenance as shown in Figure 3.19.

Expenditure on personnel emoluments represented an increase of 11.6 per cent compared to FY 2016/17 when the County spent Kshs.2.05 billion, and was 59.2 per cent of total expenditure in FY 2017/18. Figure 3.20 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.20: Elgeyo Marakwet County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Elgeyo Marakwet County Treasury*

The County spent Kshs.12.13 million on committee sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.16.06 million. This was a decrease of 67.7 per cent compared to Kshs.37.5 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.29,726 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.63.49 million and comprised of Kshs.40.5 million spent by the County Assembly and Kshs.22.99 million by the County Executive. This represented 2.1 per cent of total recurrent expenditure and was a decrease of 15.1 per cent compared to Kshs.74.81 million spent in FY 2016/17.

### 3.5.7 Development Expenditure Analysis

The total development expenditure of Kshs.948.90 million represented 49 per cent of the annual development budget of Kshs.1.94 billion. Table 3.14 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.14: Elgeyo Marakwet County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual expenditure (Kshs.)	Absorption rate (%)
1	NHIF For the Elderly	All Wards	14,843,228	11,089,000	74.7
2	Extension of Sabor Water Project	Kapchemutwa	8,646,360	7,527,600	87.1
3	Connection of Street Lights	All Wards	5,931,962	5,931,962	100
4	Supply and delivery of Medical Equipment	H/Quarters	5,805,299	5,805,299	100
5	Opening of Koitilial-Matira Road	Arror	5,448,358	5,448,358	100
6	Construction of Cafeteria (County Assembly)	H/Quarters	5,470,951	5,444,515	99.5
7	Facilitation of various Soccer/Volleyball Tournament	H/Quarters	6,514,300	5,072,908	77.9
8	Supervision and operators allowances for road works	All Wards	5,070,041	5,070,041	100
9	Supply of Bulk Fuel for Grading & Gravelling of Various Roads.	All Wards	4,843,225	4,843,225	100
10	Construction of Kapsowar Water Project	Kapsowar	14,000,000	4,811,800	34.4

Source: Elgeyo Marakwet County Treasury

### 3.5.8 Budget and Budget Performance Analysis by Department

Table 3.15 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.15: Elgeyo Marakwet County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	472.44	12.49	472.42	11	471.41	11.36	99.9	103.3	99.8	91
Office of the Governor	121.75	0.23	121.73	0.23	109.96	0.23	90.3	100	90.3	100
Finance and Economic Planning	266.66	-	265.64	-	225.83	-	85	-	84.7	-
Agriculture, Livestock and Fisheries	182.30	162.30	182.25	93.47	179.80	88.80	98.7	95	98.6	54.7
Education and Technical Training	207.03	338.45	206.82	175.56	202.74	131.75	98	75.1	97.9	38.9
Health Services	1,369.49	441.22	1363.99	188.08	1,374.01	203.69	100.7	108.3	103.3	46.2
Water, Lands and Physical Planning	75.30	354.23	75.28	200.23	73.23	194.79	97.3	97.3	97.3	55
Roads, Public Works and Transport	60.84	369.69	60.81	264.66	58.83	191.33	96.7	72.3	96.7	51.8
Trade, Tourism, Wildlife, Industrialization and Cooperatives	52.97	74.30	52.92	37.85	48.58	36.63	91.8	96.8	91.7	49.3
Youth Affairs, Sports, Culture & Social Services	31.42	124.42	31.28	67.73	27.27	60.79	87.2	89.8	86.8	48.9
ICT and Public Service	94.40	59.96	94.4	29.66	79.55	29.53	84.3	99.6	84.3	49.3
County Public Service Board	46.26	0.48	46.13	-	45.27	-	98.1	-	97.9	-
Executive Administration	26.06	-	26.03	-	24.56	-	94.4	-	94.2	-
<b>TOTAL</b>	<b>3,006.92</b>	<b>1,937.77</b>	<b>2,999.7</b>	<b>1068.47</b>	<b>2,921.59</b>	<b>948.90</b>	<b>97.2</b>	<b>84.4</b>	<b>97.2</b>	<b>49</b>

Source: Elgeyo Marakwet County Treasury

Analysis of budget performance by department shows that, the Office of the Governor attained the highest absorption rate of development budget at 100 per cent, followed by the County Assembly at 91 per cent while the County Public Service Board did not incur any development expenditure. The Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 103.3 per cent while the Department of ICT and Public Service had the lowest at 84.3 per cent.

### 3.5.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Late submission of financial reports by the County Treasury, which affected timely preparation of the budget implementation report. The annual financial reports were submitted on 29th August 2018.
2. A high wage bill which accounted for 59.2 per cent of the total expenditure during the reporting period thus constraining funding to other programmes.
3. Under performance in own source revenue collection which was Kshs.105.49 million, and represented 65.8 per cent of the annual target.
4. Slow uptake of development funds which stood at 49 per cent of the annual development budget compared to FY2016/17 when it was 63 per cent.
5. Weak budgetary control as evidenced by expenditure in excess of the approved budgetary allocation in the Health Department.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*
3. *The County should develop and implement strategies to enhance own source revenue collection.*
4. *The County should identify and address the underlying causes of low absorption of development funds in order to enhance service delivery to citizens.*
5. *The County Treasury should improve vote book and budgetary control to ensure that expenditure is within the approved budget.*

## 3.6 Embu County

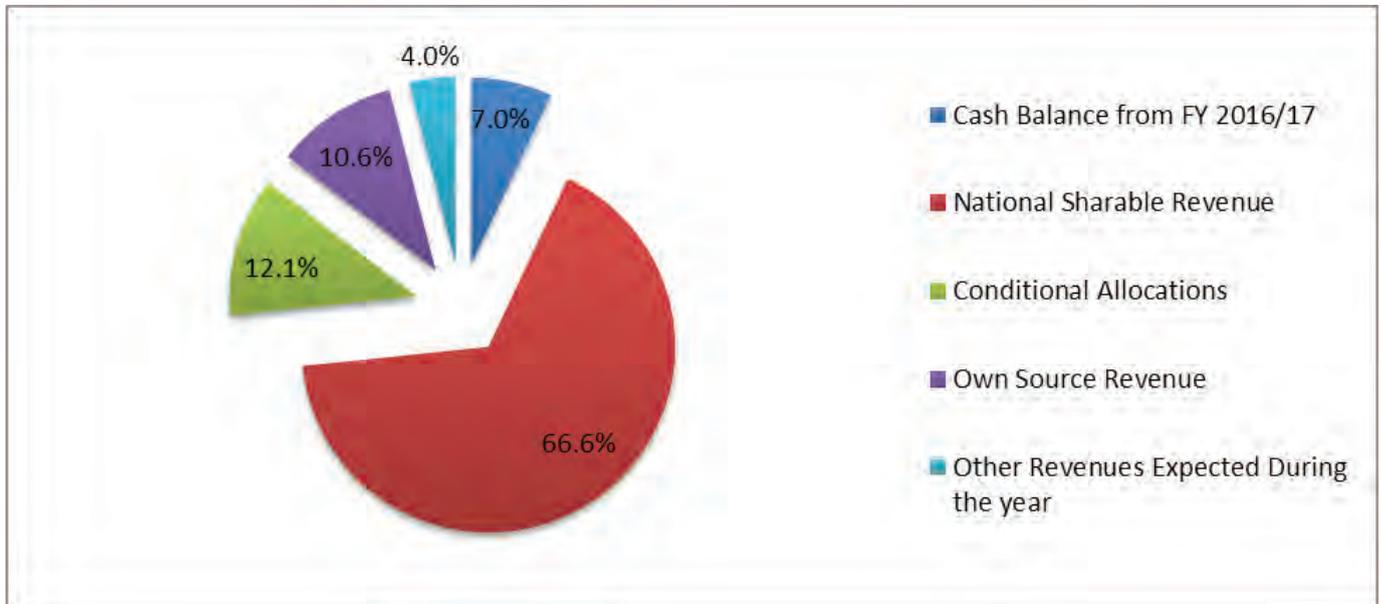
### 3.6.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.6.17 billion, comprising of Kshs.4.32 billion (69.9 per cent) and Kshs.1.85 billion (30.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.12 billion (66.6 per cent) as equitable share of revenue raised nationally, Kshs.749.03 million (12.1 per cent) as total conditional grants, generate Kshs.900 million (14.6 per cent) from own source revenue, and Kshs.432.07 million (7 per cent) cash balance from FY 2016/17.

Figure 3.21 shows the expected sources of budget financing in FY 2017/18

**Figure 3.21: Embu County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Embu County Treasury*

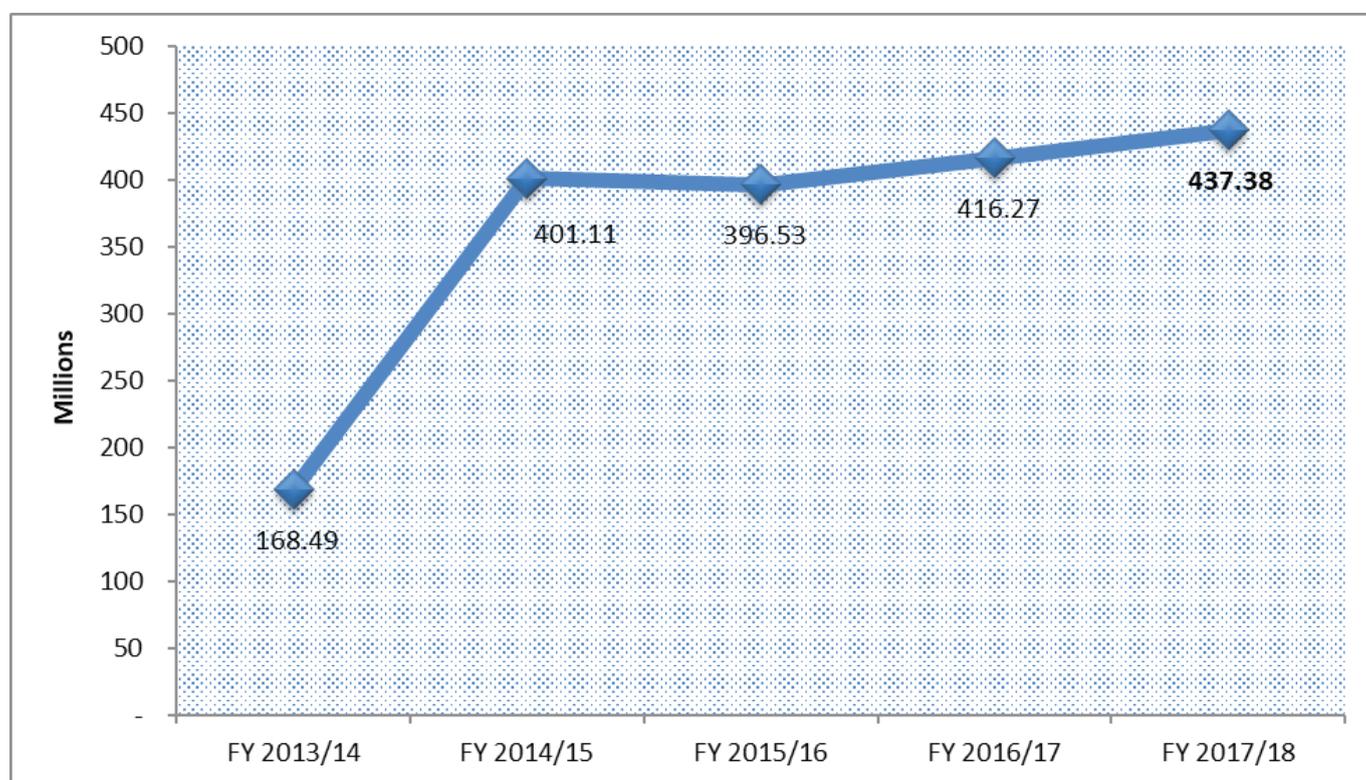
The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (12.8 per cent) for Leasing of Medical Equipment, Kshs.163.52 million (21.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.10.72 million (1.4 per cent) as Compensation for User Fee Foregone, Kshs.17.18 million (2.3 per cent) from DANIDA, Kshs.37.91 million (5.1 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.40.91 million (5.5 per cent) for Development of Youth Polytechnics, Kshs.32 million (4.3 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.50.61 million (6.8 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, and Kshs.301.04 million (40.2 per cent) for Embu Level-5 Hospital.

### 3.6.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.4.12 billion as equitable share of revenue raised nationally, Kshs.539.3 million as total conditional grants, raised Kshs.437.38 million from own source revenue, and had a cash balance of Kshs.432.07 million from FY 2016/17. The total available funds amounted to Kshs.5.52 billion.

Figure 3.22 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.22: Embu County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Embu County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.437.38 million, representing an increase of 5.3 per cent compared to Kshs.416.27 million generated in FY 2016/17 and was 48.6 per cent of the annual target.

### 3.6.3 Conditional Grants

Table 3.16 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.16: Embu County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Level-5 Hospital	301,040,462	301,040,462	301,040,462	100
3	World Bank Loan for National Agricultural & Rural Inclusive Project	50,609,855	50,000,000	50,609,855	100
4	Development of Youth Polytechnics	40,907,922	40,907,922	40,907,922	100
5	Kenya Devolution Support Programme (KDSP)	37,912,879	37,912,879	37,912,879	100
6	DANIDA Grant	17,175,467	17,175,467	17,175,467	100
8	Compensation for User Fee Foregone	10,724,225	10,724,225	5,388,304	50.2
2	Road Maintenance Fuel Levy Fund	163,522,813	163,522,813	76,263,161	46.6
7	World Bank Loan for Transforming Health System for universal Care Project	32,000,000	32,000,000	10,000,000	31.3
9	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
<b>Total</b>		<b>749,638,304</b>	<b>749,028,449</b>	<b>539,298,050</b>	<b>71.9</b>

Source: Embu County Treasury

Analysis of the conditional grants released during the period under review indicates that, Level-5 Hospital, World Bank Loan for National Agricultural & Rural Inclusive Project, Development of Youth Polytechnics, Kenya Devolution Support Programme (KDSP), and DANIDA Grant recorded the highest receipts at 100 per cent of the annual allocation.

### 3.6.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.5.38 billion from the CRF account, which was 87.3 per cent of the Approved Supplementary Budget. This amount represented a decline of 9.3 per cent from Kshs.5.93 billion approved in FY 2016/17 and comprised of Kshs.4.30 billion (79.8 per cent) for recurrent expenditure and Kshs.1.09 billion (20.2 per cent) for development activities.

### 3.6.5 Overall Expenditure Review

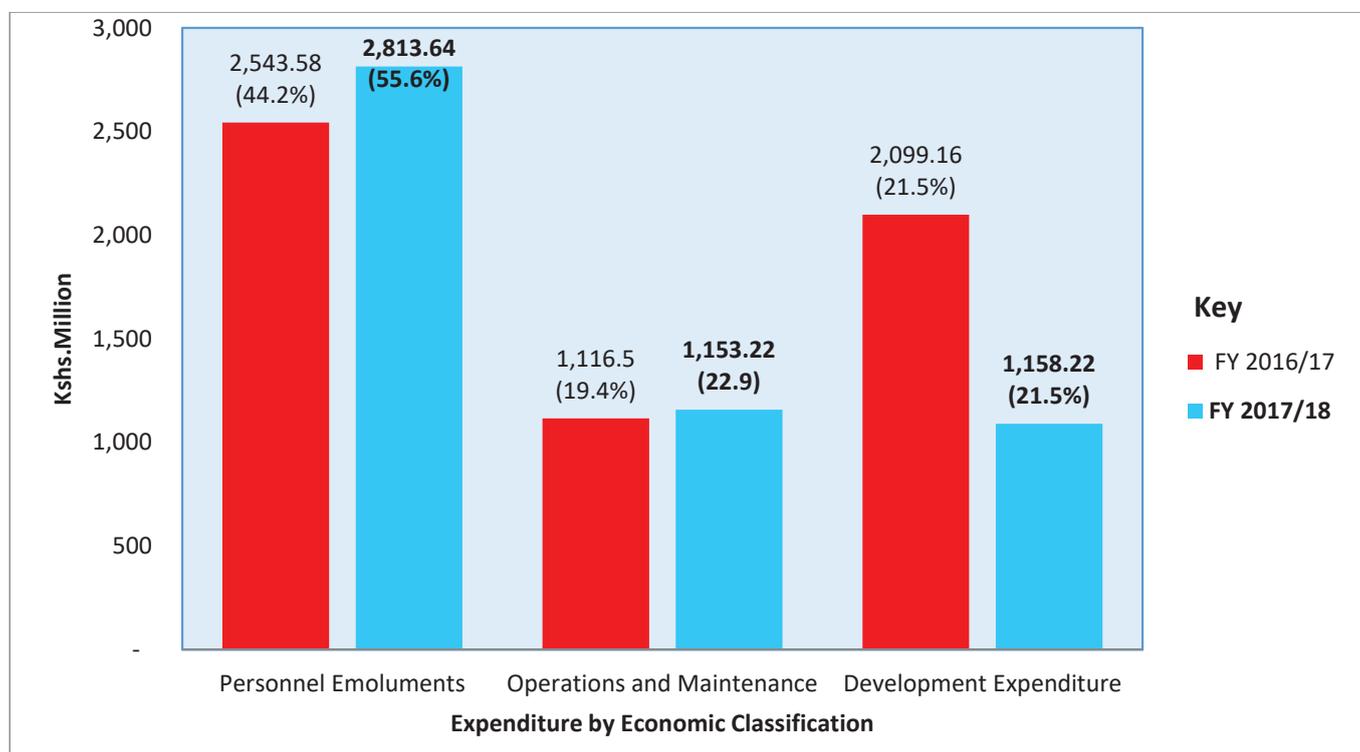
The County spent Kshs.5.06 billion, which was 94.1 per cent of the total funds released for operations. This was a decline of 12.1 per cent from Kshs.5.76 billion spent in FY 2016/17.

A total of Kshs.3.97 billion was spent on recurrent activities while Kshs.1.09 billion was spent on development activities. The recurrent expenditure was 92.5 per cent of the funds released for recurrent activities, while development expenditure was 100.3 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.740.16 million for development activities Kshs.532 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 92 per cent of the annual recurrent budget, a decrease from 88.3 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 58.7 per cent, which was a decrease from 81.4 per cent attained in FY 2016/17.

Figure 3.23 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.23: Embu County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Embu County Treasury

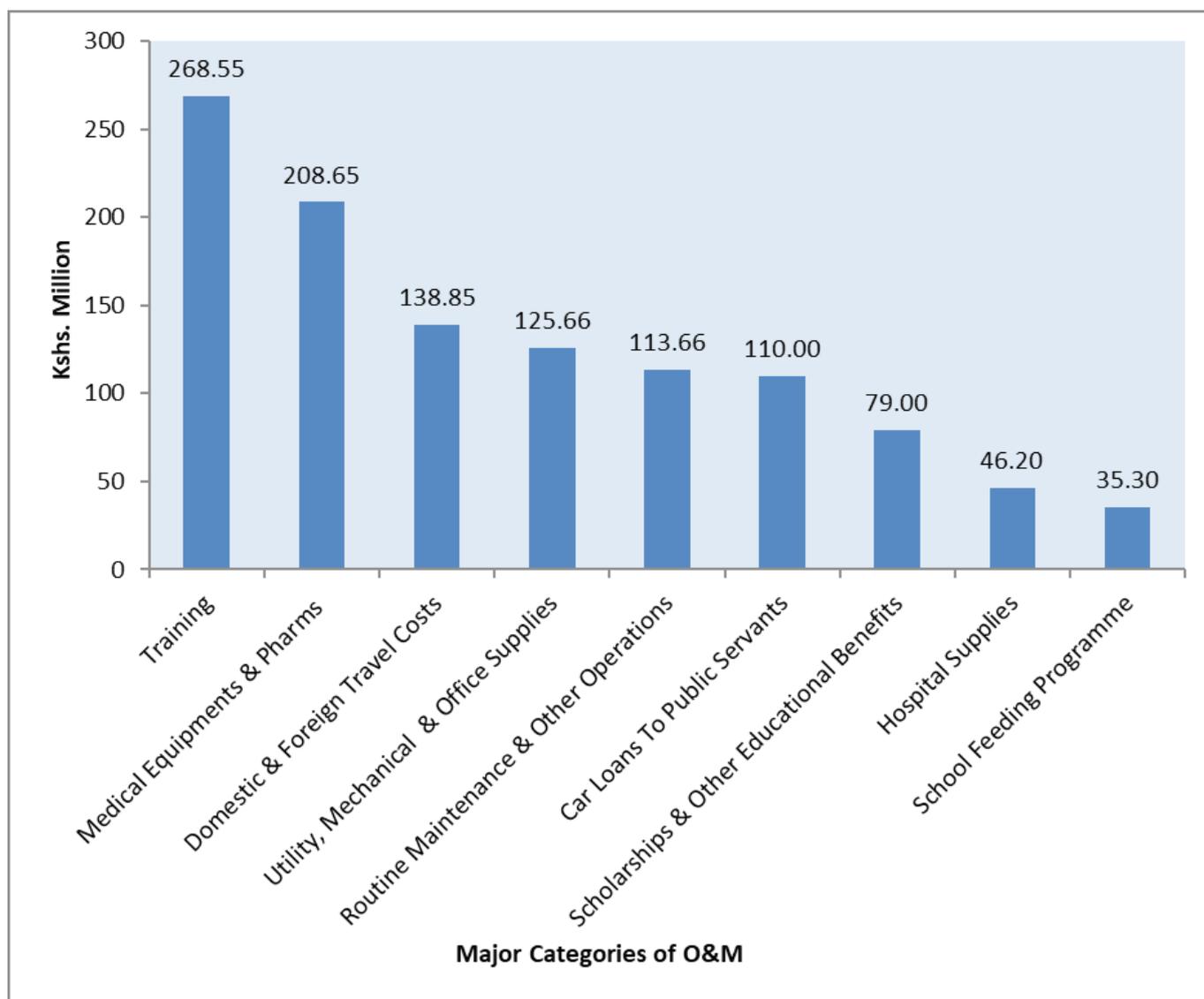
### 3.6.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.97 billion comprised of Kshs.2.81 billion (70.8 per cent) incurred on personnel emoluments and Kshs.1.16 billion (29.2 per cent) on operations and maintenance as shown in Figure 3.23.

Expenditure on personnel emoluments represented an increase of 10.6 per cent compared to FY 2016/17 when the County spent Kshs.2.54 billion, and was 55.6 per cent of total expenditure.

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

**Figure 3.24: Embu County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Embu County Treasury

The County spent Kshs.32.36 million on committee sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.31.68 million. This was an increase of 11.2 per cent compared to Kshs.29.10 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.77,047.33 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.133.12 million and comprised of Kshs.110.86 million spent by the County Assembly and Kshs.22.26 million by the County Executive. This represented 3.5 per cent of total recurrent expenditure and was a decrease of 13.9 per cent compared to Kshs.161.25 million spent in FY 2016/17.

### 3.6.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.09 billion represented 58.7 per cent of the annual development budget of Kshs.1.86 billion. Table 3.17 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.17: Embu County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	E-Revenue System Upgrade System	County Wide	80,000,000	47,943,097	60
2	Land Acquisition(Pending)	County Wide	43,000,000	40,368,772	94
3	Land Bank	County Wide	36,333,000	35,472,374	98
4	Upgrading Of Bitumen Standard Mbiruri-Nduuri Road(Plus Variation)	Runyenjes Central	30,109,385	34,924,139	116
5	Construction Of Badea-Phase 2(And other Extra Works)	Kirimari	30,500,000	29,384,943	96
6	Physical Planning	County Wide	29,000,000	28,048,672	97
7	National Housing Corporation Debt Clearance	County Wide	26,100,000	26,053,652	100
8	Land Administration	County Wide	25,200,000	24,686,294	98
9	Completion Of Pending Occupied Lands	County Wide	32,967,000	17,712,823	54
10	Kavutiri Coffee Mill (Land Scarping And Other Works)	Gaturi North	17,000,000	16,970,858	100

Source: Embu County Treasury

### 3.6.8 Analysis of Budget Performance by Department

Table 3.18 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.18: Embu County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the FY 2017/18 (Kshs. Million)		Expenditure in The FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries & Coop Devt	262.22	89.07	262.22	48.02	242.50	49.26	92.5	0.0	92.5	0.0
County Assembly	485.94	25.00	485.94	-	481.38	-	99.1	0	99.1	0.0
Public Service & Administration	419.76	2.50	419.76	-	403.77	-	96.2	0	96.2	0.0
County Public Service Board	40.62	-	40.62	-	36.46	-	89.7	0.0	89.7	0.0
Education, Science, Technology & ICT.	338.30	128.99	337.00	88.08	318.43	70.24	94.5	79.7	94.1	54.5
Embu Level 5 Hospital	285.77	211.96	285.77	94.20	232.24	104.45	81.3	110.9	81.3	49.3
Finance and Economic Planning	177.63	84.50	176.88	84.50	110.95	50.35	62.7	59.6	62.5	59.6
Gender Empowerment, Culture & Social Services	13.89	53.80	13.89	23.05	7.72	14.82	55.6	64.3	55.6	27.5
Health and Sanitation	1,672.00	148.49	1,671.17	105.40	1,629.19	83.40	97.5	79.1	97.4	56.2

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the FY 2017/18 (Kshs. Million)		Expenditure in The FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Infrastructure & Public Works	61.26	694.61	61.26	344.22	56.96	461.11	93.0	134.0	93.0	66.4
Lands, Physical Planning & Urban Dev't	127.77	208.60	107.77	156.03	78.24	153.15	72.6	98.2	61.2	73.4
Office of the Governor	336.42	-	336.42	-	301.00	-	89.5	0.0	89.5	0.0
Trade & Tourism	31.07	53.80	31.07	41.42	19.85	20.74	63.9	50.1	63.9	38.5
Water, Environment and Natural Resources	49.41	72.44	49.41	32.45	44.57	56.30	90.2	0.0	90.2	77.7
Youth Empowerment & Sports	16.03	84.65	16.03	74.65	8.60	26.72	53.6	0.0	53.6	31.6
<b>TOTAL</b>	<b>4,318</b>	<b>1,858</b>	<b>4,295</b>	<b>1,092</b>	<b>3,972</b>	<b>1,091</b>	<b>92.5</b>	<b>99.9</b>	<b>92.0</b>	<b>58.7</b>

Source: Embu County Treasury

Analysis of budget performance by department shows that, the Department of Water, Environment & Natural Resources attained the highest absorption rate of development budget at 77.7 per cent while the County Assembly and Public Service & Administration did not incur any development expenditure. The county assembly had the highest recurrent expenditure at 99.1 per cent while the Department of Youth Empowerment and Sports had the lowest at 53.6 per cent.

### 3.6.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. High wage bill that has increased by 10.6 per cent from Kshs.2.54 billion in FY 2016/17 to Kshs.2.81 billion during FY2017/18.
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. Late submission of financial reports by the County Treasury, to the Office of the Controller of Budget which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
4. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 58.7 per cent compared to 81.4 per cent in FY 2016/17.
5. 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 Public Service Board should establish an optimal staffing structure in order to ensure sustainable wage bill.
2. The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
3. The County Treasury should ensure timely preparation and submission of financial statements in line with Section 166 of PFM Act, 2012.
4. The County should put in place mechanisms to enhance absorption of development funds.
5. The County should establish a CBEF for consultation in line with Section 137 of the PFM Act, 2012.

## 3.7 Garissa County

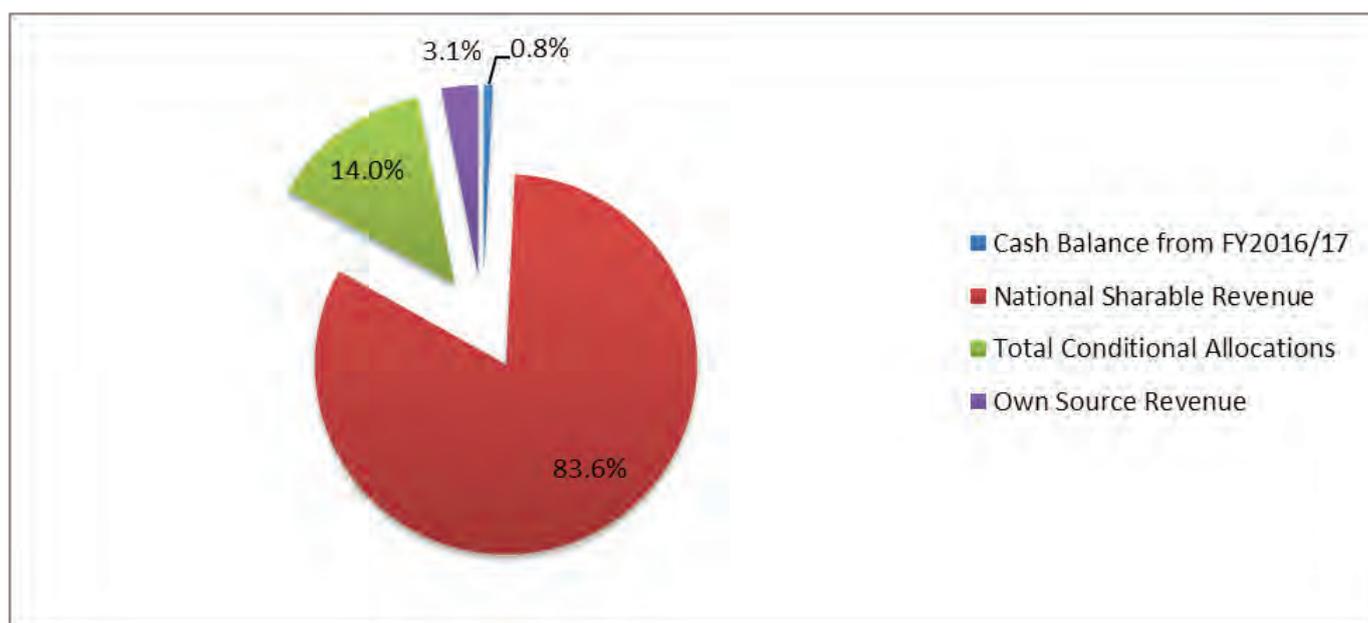
### 3.7.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.7.97 billion, comprising of Kshs.5.60 billion (70.3 per cent) and Kshs.2.37 billion (29.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.6.66 billion (83.6 per cent) as equitable share of revenue raised nationally, Kshs.1.11 billion (14 per cent) as total conditional grants, generate Kshs.250 million (3.1 per cent) from own source revenue, and Kshs.60 million (0.8 per cent) cash balance from FY 2016/17.

Figure 3.25 shows the expected sources of budget financing in FY 2017/18

**Figure 3.25: Garissa County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Garissa County Treasury*

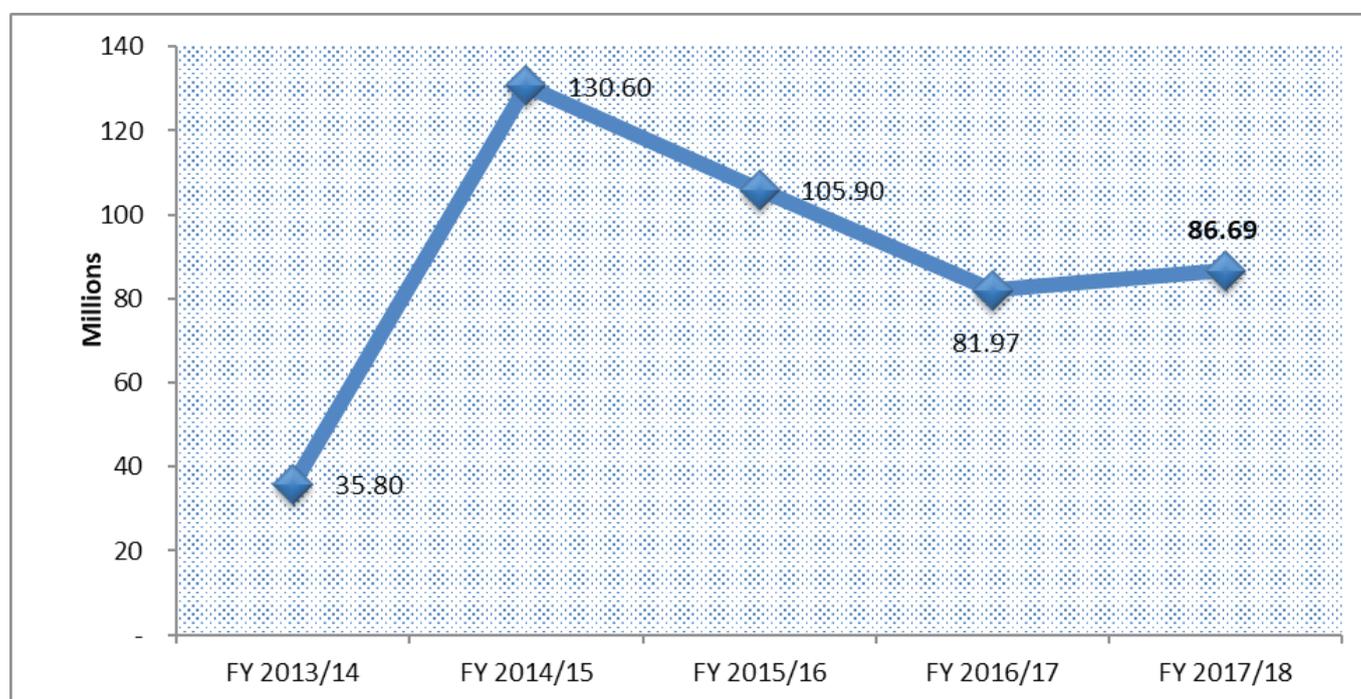
The Conditional grants contained in the CARA, 2017 comprise of Kshs.245.91 million (22.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.96 million (1.2 per cent) as Compensation for User Fee Foregone, Kshs.16.66 million (1.6 per cent) from DANIDA, Kshs.344.74 million (31 per cent) for the Garissa Level-5 Hospital, Kshs.38.65 million (3.5 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.44.6 million (4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.27.91 million (2.5 per cent) for Development of Youth Polytechnics, Kshs.91.76 million (8.6 per cent) as World Bank loan for Transforming Health System for Universal Care System, and Kshs.50.87 million (4.6 per cent) as Other Loans and Grants.

### 3.7.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.6.66 billion as equitable share of revenue raised nationally, Kshs.814.03 million as total conditional grants, raised Kshs.86.69 million from own source revenue, and had a cash balance of Kshs.60 million from FY 2016/17. The total available funds amounted to Kshs.7.97 billion.

Figure 3.26 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.26: Garissa County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Garissa County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.86.69 million, representing an increase of 5.8 per cent compared to Kshs.81.97 million generated in FY 2016/17 and was 34.7 per cent of the annual target.

### 3.7.3 Conditional Grants

Table 3.19 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.19: Garissa County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	245,913,933	245,913,933	245,913,933	100
2	World Bank loan to supplement financing of County Health facilities	38,645,000	38,645,000	38,645,000	100
3	Kenya Devolution Support Programme (KDSP)	44,599,720	44,599,720	44,599,720	100
4	Compensation for User Fee Foregone	12,964,636	12,964,636	12,964,636	100
5	DANIDA grant	25,829,342	25,829,342	25,829,342	100
6	Level 5 Hospital	344,739,884	344,739,884	344,739,884	100
7	World Bank loan for Transforming Health System for Universal Care Project	133,470,345	133,470,345	133,470,345	100
<b>Total</b>		<b>1,112,452,977.0</b>	<b>1,112,452,977.0</b>	<b>814,035,290.0</b>	<b>73</b>

Source: Garissa County Treasury

Analysis of the conditional grants released during the period under review indicates that, all grants received 100 per cent of annual budget allocation.

### 3.7.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.6.54 billion from the CRF account, which was 82.1 per cent of the Approved supplementary Budget. This amount represented decline of 4.4 per cent from Kshs.7.12 billion approved in FY 2016/17 and comprised of Kshs.5.51 billion (84.2 per cent) for recurrent expenditure and Kshs.1.04 billion (15.8 per cent) for development activities.

### 3.7.5 Overall Expenditure Review

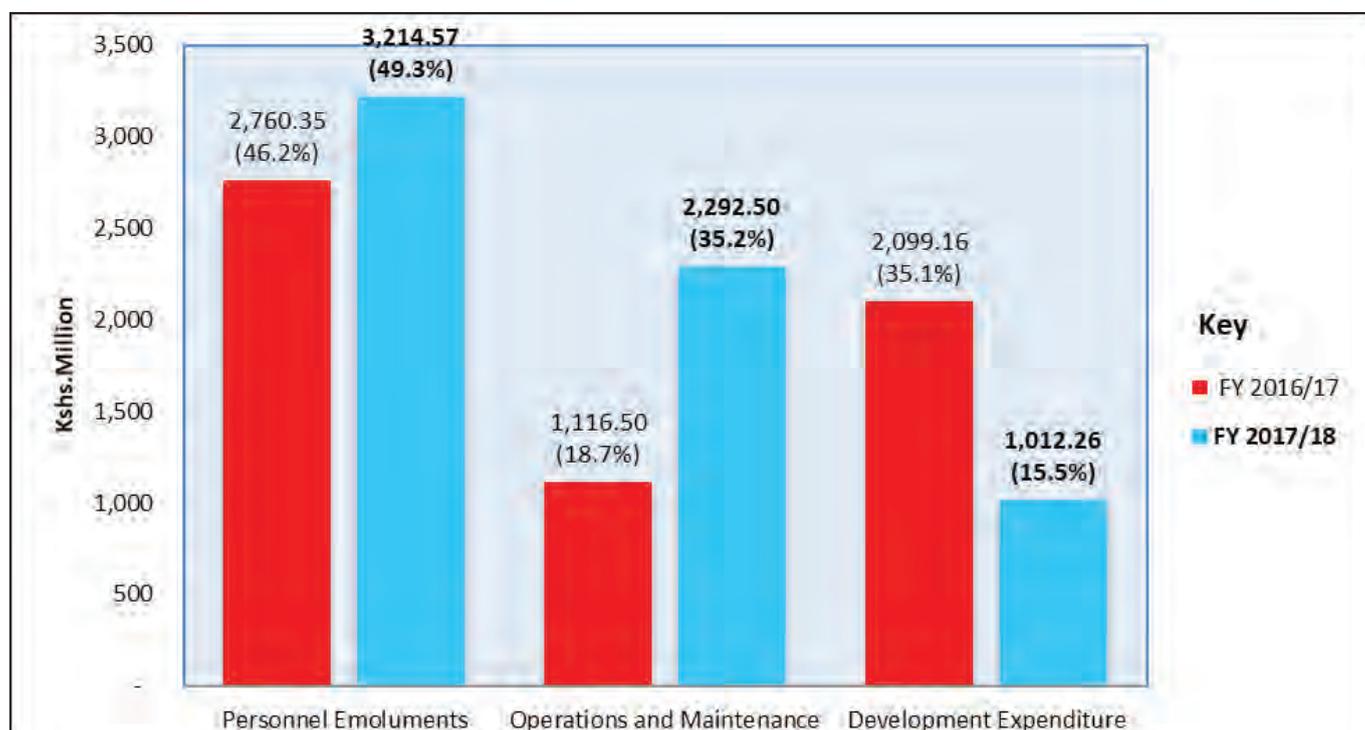
The County spent Kshs.6.52 billion, which was 99.6 per cent of the total funds released for operations. This was decline of 9.1 per cent from Kshs.7.12 billion spent in FY 2016/17.

A total of Kshs.5.51 billion was spent on recurrent activities while Kshs.1.01 billion was spent on development activities. The recurrent expenditure was 99.9 per cent of the funds released for recurrent activities, while development expenditure was 96.3 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.706 million for development activities and Kshs.274.06 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 98.4 per cent of the annual recurrent budget an increase of 0.1 per cent from 98.3 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 42.2 per cent, which was a decrease from 87 per cent attained in FY 2016/17.

Figure 3.27 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.27: Garissa County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



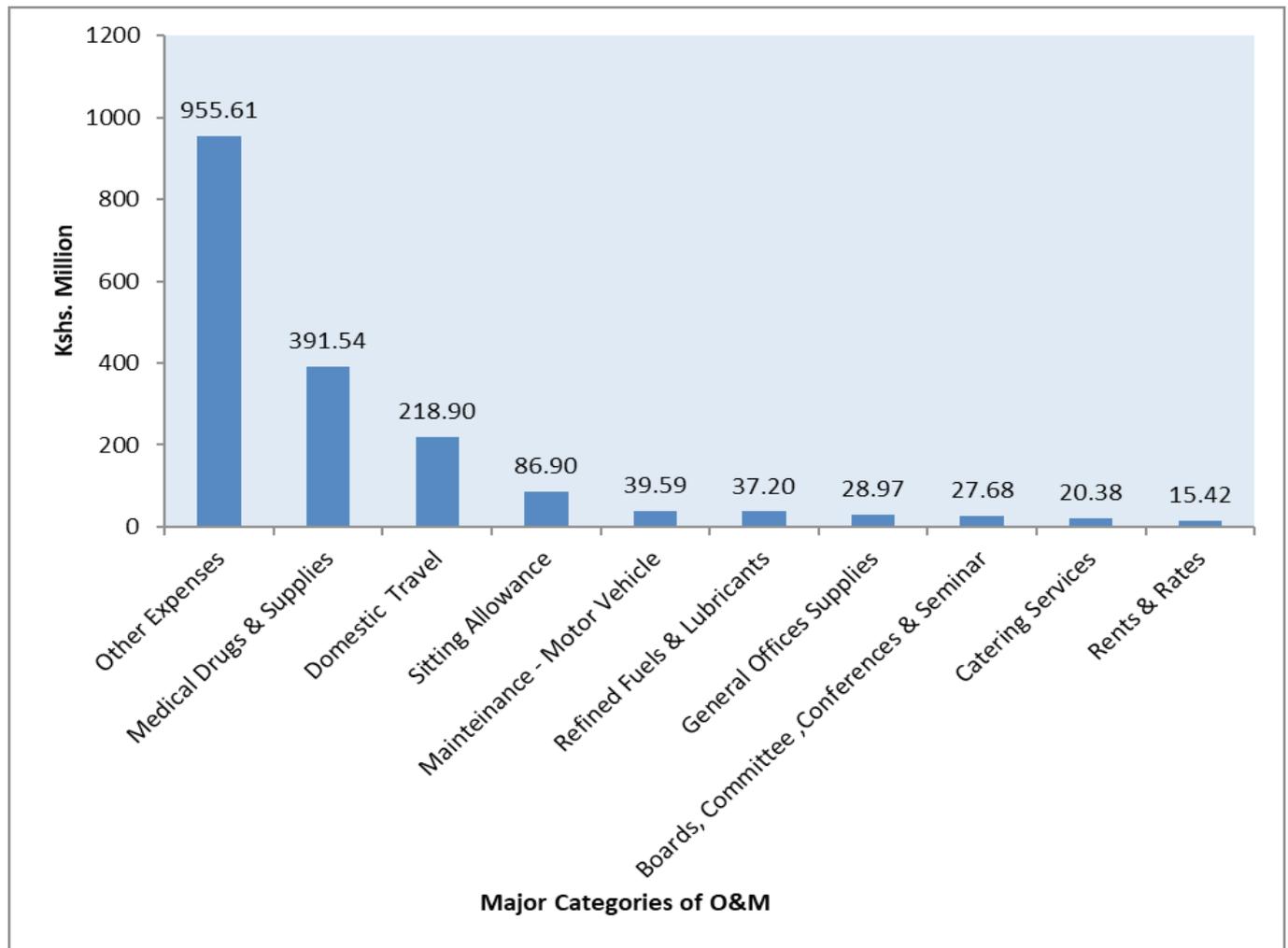
Source: Garissa County Treasury

### 3.7.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.51 billion comprised of Kshs.3.21 billion (58.4 per cent) incurred on personnel emoluments and Kshs.2.29 billion (41.6 per cent) on operations and maintenance as shown in Figure 3.27.

Expenditure on personnel emoluments represented an increase of 16.3 per cent compared to FY 2016/17 when the County spent Kshs.2.76 billion, and was 49.3 per cent of total expenditure in FY 2017/18. Figure 3.28 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.28: Garissa County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Garissa County Treasury*

The County spent Kshs.41.72 million on committee sitting allowances to the 49 MCAs against the annual budget allocation of Kshs.87 million. This was a decline of 10 per cent compared to Kshs.78.75 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.70,946 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80, 000.

Expenditure on domestic travel amounted to Kshs.218.9 million and comprised of Kshs.51.4 million spent by the County Assembly and Kshs.167.5 million by the County Executive. This represented 4 per cent of total recurrent expenditure and was an increase of 178 per cent compared to Kshs.186.67 million spent in FY 2016/17.

### 3.7.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.01 billion represented 42.2 per cent of the annual development budget of Kshs.4.40 billion. Table 3.20 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.20: Garissa County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project name	Project location	Annual project budget (Kshs.millions)	Annual expenditure (Kshs.)	Absorption rate (%)
1	Roads works and infrastructure	County Wide	438.60	415.30	94.7
2	Health Infrastructure	County Wide	300.70	156.60	52.1
3	County Assembly office improvement	County Assembly Headquarter	70	50	62.2
4	Education Infrastructure	County Wide	87.90	36	41
5	Environment and energy infrastructure	County Wide	30	23.40	78

Source: Garissa County Treasury

### 3.7.8 Budget and Budget Performance Analysis by Department

Table 3.21 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.21: Garissa County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock & Cooperatives	236.90	184.60	231.49	-	235.70	-	101.8	-	99.5	-
Gender ,Social Services & Sports	62	29.80	31.70	-	31.56	-	99.6	-	50.9	-
Roads and Transport	77	438.60	65.35	416.23	65.30	415.30	99.9	99.8	84.8	94.7
Education & Labour	469.60	87.90	476.68	37	473	36	99.2	97.3	100.7	41
Environment, Energy & Natural Resources	56.60	30	36.10	24	35.90	23.40	99.4	97.5	63.4	78
Lands ,Housing and Urban Development	325.60	64	317.63	21.50	316.45	20.50	99.6	95.3	97.2	32
Finance & Economic Planning	1,058.70	382.50	1,162.54	-	1,162.50	-	100.0	-	109.8	-
Health & Sanitation	1,992.50	300.70	1907.93	159.80	1,906.67	156.60	-	98.0	95.7	52.1
Trade, Enterprise Development and Tourism	77.60	116	64.30	-	64.35	-	100.1	-	82.9	-
Water & Irrigation Services	160.10	477	152.60	150.75	151.60	145.80	99.3	96.7	94.7	30.6
Executive Services	353.60	180	413.65	157	414.60	154	100.2	98.1	117.3	85.6
County Public Service Board	49.50	-	-	-	-	-	-	-	-	-
County Assembly	673.31	80	648.07	70	647	50	99.8	71.4	96.1	62.5
<b>Total</b>	<b>5,593</b>	<b>2,371</b>	<b>3,600</b>	<b>1,036</b>	<b>5,505</b>	<b>1,002</b>	<b>99.9</b>	<b>96.3</b>	<b>98.4</b>	<b>42.2</b>

Source: Garissa County Treasury

Analysis of budget performance by department shows that, the Department of Roads and Transport attained the highest absorption rate of development budget at 94.7 per cent. The County Executives Services had the highest percentage of recurrent expenditure to recurrent budget at 117.3 per cent while the County Public Service Board did not report any expenditure.

### 3.7.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.

2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
3. High personal emolument costs which accounted for 49.3 per cent of total expenditure during the reporting period. A high wage bill may affect implementation of development projects.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *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 ensure sustainable wage bill.*

### 3.8 Homa Bay County

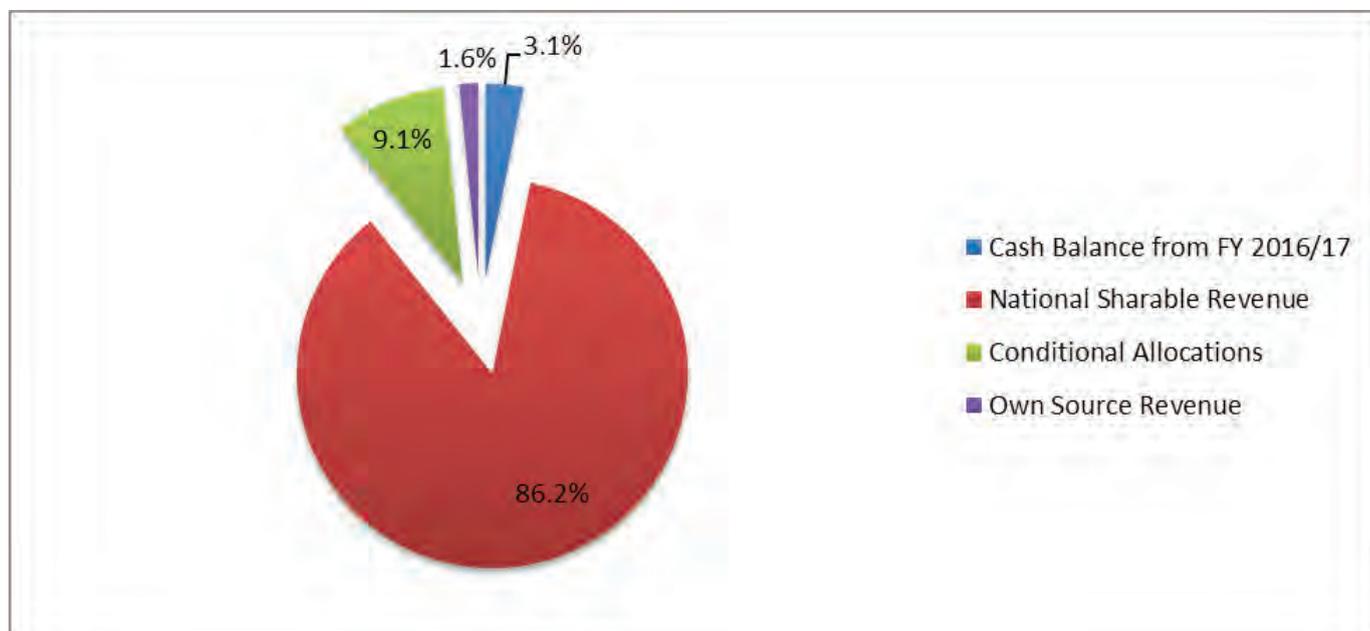
#### 3.8.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.7.57 billion, comprising of Kshs.5.05 billion (66.7 per cent) and Kshs.2.52 billion (33.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.6.52 billion (86.2 per cent) as equitable share of revenue raised nationally, Kshs.690.41 million (9.1 per cent) as total conditional grants, generate Kshs.118.66 million ( 1.6 per cent) from own source revenue, and Kshs.236.77 million (3.1 per cent) cash balance from FY 2016/17.

Figure 3.29 shows the expected sources of budget financing in FY 2017/18

**Figure 3.29: Homa Bay County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Homa Bay County Treasury*

The conditional grants contained in the CARA, 2017 comprised of Kshs.240.09 million (34.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.19 million (3.2 per cent) as Compensation for User Fee Foregone, Kshs.16.3 million (2.4 per cent) from DANIDA, Kshs.50 million (7.2 per cent) as World Bank loan for National Agricultural Rural inclusive project, Kshs.46.29 million (6.7 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.52.96 million (7.7per cent) for Development of Youth Polytechnics,

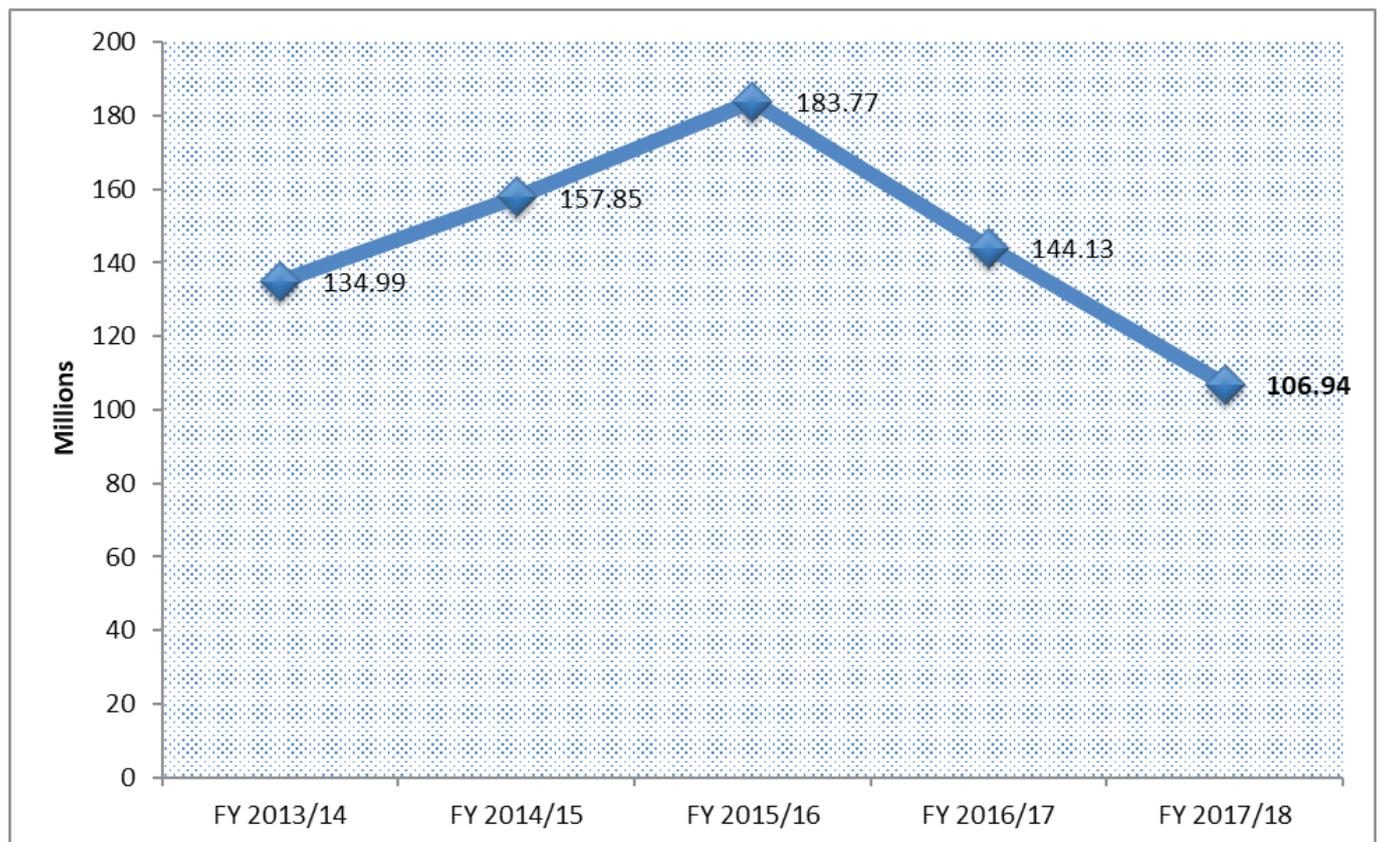
Kshs.59 million (8.5 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.119.89 million (17.4 per cent) from World Bank loan for Urban Support Programme, and Kshs.76.27 million (11 per cent) from conditional grants- other Loans and Grants.

### 3.8.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.6.52 billion as equitable share of revenue raised nationally, Kshs.527.11 million as total conditional grants, raised Kshs.106.94 million from own source revenue, and had a cash balance of Kshs.236.77 million from FY 2016/17. The total available funds amounted to Kshs.7.61 billion.

Figure 3.30 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.30: Homa Bay County, Trend in Annual Own -Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Homa Bay County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.106.94 million, representing a decline of 25.8 per cent compared to Kshs.144.13 million generated in FY 2016/17 and was 90.1 per cent of the annual target.

### 3.8.3 Conditional Grants

Table 3.22 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.22: Homa Bay County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Road Maintenance Fuel Levy Fund	240,088,313	240,088,313	284,677,102	119
2	World Bank loan for urban support programme	119,892,100	119,892,100	-	-
3	Conditional Allocation - Other Loans & Grants	76,266,986	76,266,986	-	-
4	World Bank Loan for Transforming Health System for Universal Care Project	59,001,485	59,001,485	65,704,182	111
5	Development of Youth Polytechnics	52,958,942	52,958,942	52,958,942	100
6	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,000,000	100
7	Kenya Devolution Support Programme (KDSP)	46,299,187	46,299,187	46,266,986	100
8	Compensation for User Fee Forgone	22,185,346	22,185,346	11,300,000	51
9	DANIDA	16,269,325	16,269,325	16,200,000	100
10	World Bank loan to supplement financing of county health facilities	-	7,446,441	-	-
<b>Total</b>		<b>682,961,684</b>	<b>690,408,125</b>	<b>527,107,212</b>	<b>76</b>

Source: Homa Bay County Treasury

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund recorded the highest receipts at 119 per cent of annual budget allocation.

### 3.8.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.6.29 billion from the CRF account, which was 83.1 per cent of the Approved Supplementary Budget. This amount represented a decrease of 3.4 per cent from Kshs.6.51 billion approved in FY 2016/17 and comprised of Kshs.5.02 billion (79.8 per cent) for recurrent expenditure and Kshs.1.27 billion (20.2 per cent) for development activities.

### 3.8.5 Overall Expenditure Review

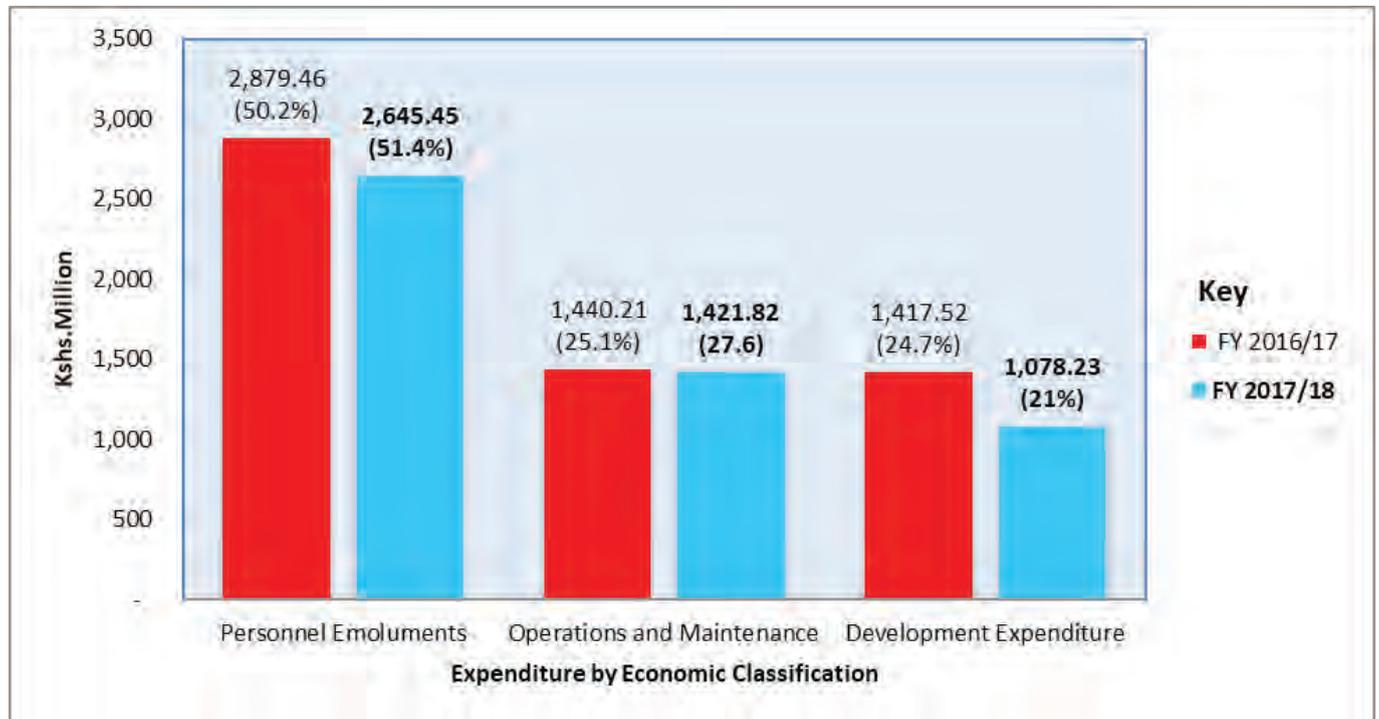
The County spent Kshs.5.15 billion, which was 81.8 per cent of the total funds released for operations. This was a decline of 10.3 per cent from Kshs.5.74 billion spent in FY 2016/17.

A total of Kshs.4.07 billion was spent on recurrent activities while Kshs.1.08 billion was spent on development activities. The recurrent expenditure was 81 per cent of the funds released for recurrent activities, while development expenditure was 84.9 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.666.21 million for development activities and Kshs.80.27 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 80.6 per cent of the annual recurrent budget, a decrease from 93.2 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 42.8 per cent, which was a decrease from 67.6 per cent attained in FY 2016/17.

Figure 3.31 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.31: Homa Bay County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Homa Bay County Treasury

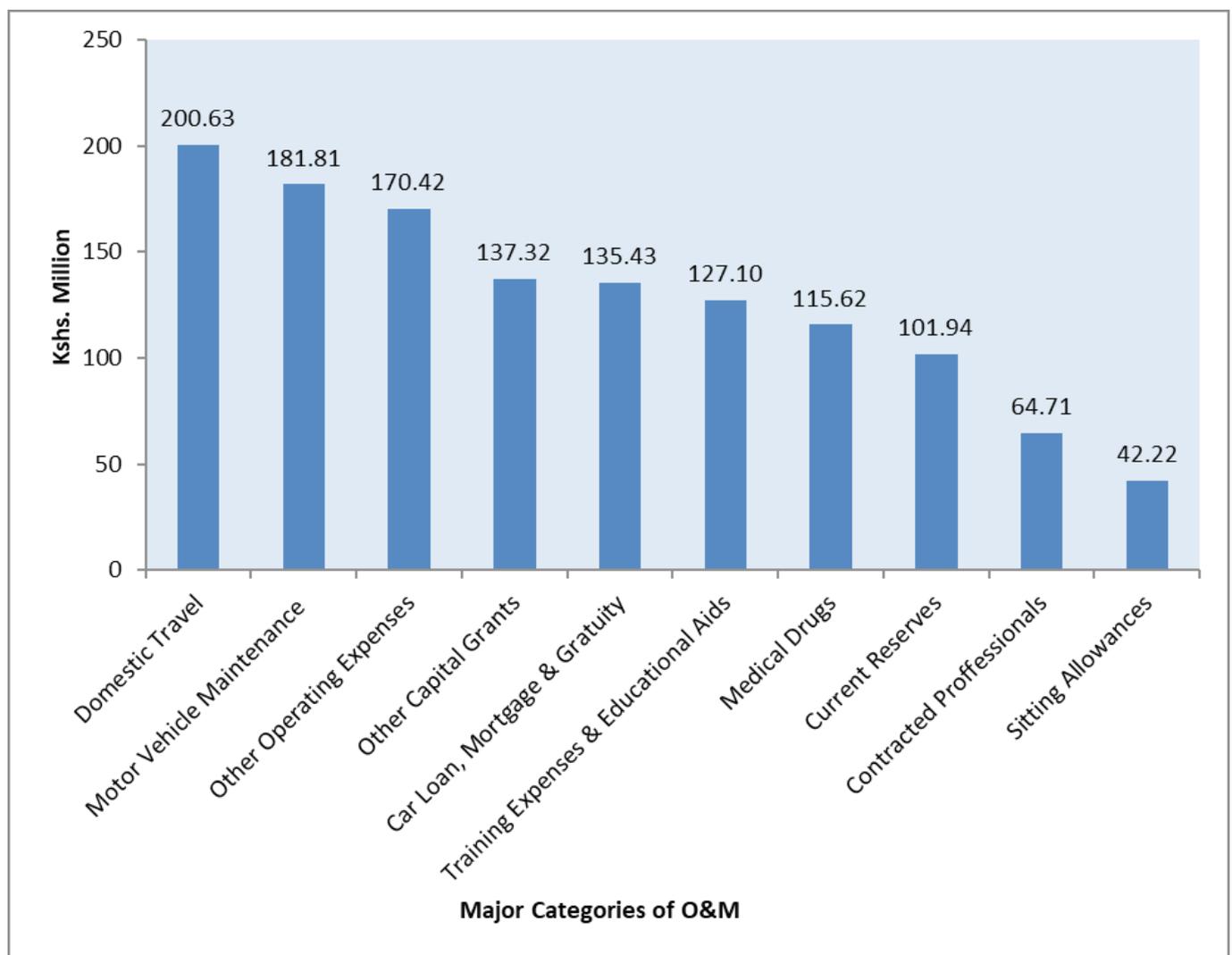
### 3.8.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.07 billion comprised of Kshs.2.65 billion (65 per cent) incurred on personnel emoluments and Kshs.1.42 billion (35 per cent) on operations and maintenance as shown in Figure 3.31.

Expenditure on personnel emoluments represented a decrease of 8.1 per cent compared to FY 2016/17 when the County spent Kshs.2.88 billion and was 51.4 per cent of total expenditure.

Figure 3.32 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.32: Homa Bay County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Homa Bay County Treasury

The County spent Kshs.42.22 million on committee sitting allowances to the 61 MCAs against an annual budget allocation of Kshs.75.31 million. This was a decline of 57.7 per cent compared to Kshs.100 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.57,684 thousand per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.200.63 million and comprised of Kshs.126.02 million spent by the County Assembly and Kshs.74.61 million by the County Executive. This represented 4.9 per cent of total recurrent expenditure and was an increase of 49.1 per cent compared to Kshs.134.55 million spent in FY 2016/17.

### 3.8.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.08 billion represented 42.8 per cent of the annual development budget of Kshs.2.52 billion. Table 3.2 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.23: Homa Bay County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/ No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Chuthber-Gendhia Road	Kabondo East/west ward	240,145,731	127,653,389	53
2	Kauma-Chuthber Road	Wangchieng ward	239,359,176	96,120,560	40
3	Kadongo-Kauma Road	Kendu Bay Ward	207,765,465	88,000,000	42
4	Market Solar Lighting	All Wards	56,761,713	42,361,713	75
5	Renovation of Homa Bay County Referral Hospital	Homa Bay Sub-County	111,000,000	27,000,000	24
6	Supply and delivery of Motor Graders	Homabay sub- County	51,400,000	24,364,294	47
7	Rehabilitation and conservation of Kobondo Water Pan	Kipiri Ward	23,863,180	15,073,240	63
8	Mternity Block	Kendu and Ndhiwa	22,000,000	15,600,000	71
9	Construction and extension of God Agulu water project in West Kasipul	West Kasipul	18,316,062	4,140,890	23
10	LOT IV drilling	Homa Bay East Ward	11,233,800	11,233,800	100

Source: Homa Bay County Treasury

### 3.8.8 Analysis of Budget Performance by Department

Table 3.3 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.24: Homa Bay County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs.Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock & Fisheries	187.75	232	187.75	69	115.65	17.96	61.6	26.0	61.6	7.7
Tourism, Culture & Sports	71.12	66	71.12	2	57.4	0.5	80.7	25.0	80.7	0.8
Transport & Infrastructure	46.63	544.06	46.63	453.21	71.43	338.5	153.2	74.7	153.2	62.2
Energy & Natural Resources	34	80	34	72.8	22.69	19.9	66.7	27.3	66.7	24.9
Education & ICT	444.81	172	444.81	69.96	461.59	43.54	103.8	62.2	103.8	25.3
Health	1,976.39	340	1,976.39	155	1,575.67	129.09	79.7	83.3	79.7	38.0
Land, Housing and Physical Planning	56.85	201.89	56.85	16.6	39.93	11.9	70.2	71.7	70.2	5.9
Trade, Industry and Investment	176.39	106	176.39	19	103.98	11.34	58.9	59.7	58.9	10.7
Water & Environment	147.71	359.6	147.71	284.02	84.56	149.6	57.2	52.7	57.2	41.6
Finance and Economic Planning	329.57	251.32	329.57	58.67	320.59	230.73	97.3	393.3	97.3	91.8
Office of the Governor	452.03	88	452.03	40	435.04	102.18	96.2	255.5	96.2	116.1
County Public Service Board	105.9	12	105.9	-	96.38	1.00	91.0	-	91.0	8.3
County Assembly	1,019.97	67	990.00	30	682.35	21.99	68.9	73.3	66.9	32.8
<b>Total</b>	<b>5,049.12</b>	<b>2,519.87</b>	<b>5,019.15</b>	<b>1,270.26</b>	<b>4,067.26</b>	<b>1,078.23</b>	<b>81.0</b>	<b>84.9</b>	<b>80.6</b>	<b>42.8</b>

Source: Homa Bay County Treasury

Analysis of budget performance by department shows that, the Office of the Governor attained the highest absorption rate of development budget at 116.1 per cent while the Department of Tourism, Culture and Sports had the least absorption rate of 0.8 per cent. The Department of Transport and Infrastructure had the highest percentage of recurrent expenditure to recurrent budget at 153.02 per cent while the Department of Water and Environment had the lowest at 57.2 per cent.

### 3.8.9 Key Observations and Recommendations

During the period under review, the Office identified the following challenges that affected budget implementation: -

1. Under-performance in own source revenue collection which declined by 25.8 per cent from Ksh.144.13 million in FY 2016/17 to Kshs.106.94 million in the reporting period.
2. Weak budgetary control as evidenced by expenditure above approved budget allocation in some county departments.

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

1. *The CECM-F should formulate and implement strategies to enhance own source revenue collection.*
2. *The County Treasury should enhance budget management and expenditure controls to ensure expenditure is within approved budget.*

## 3.9 Isiolo County

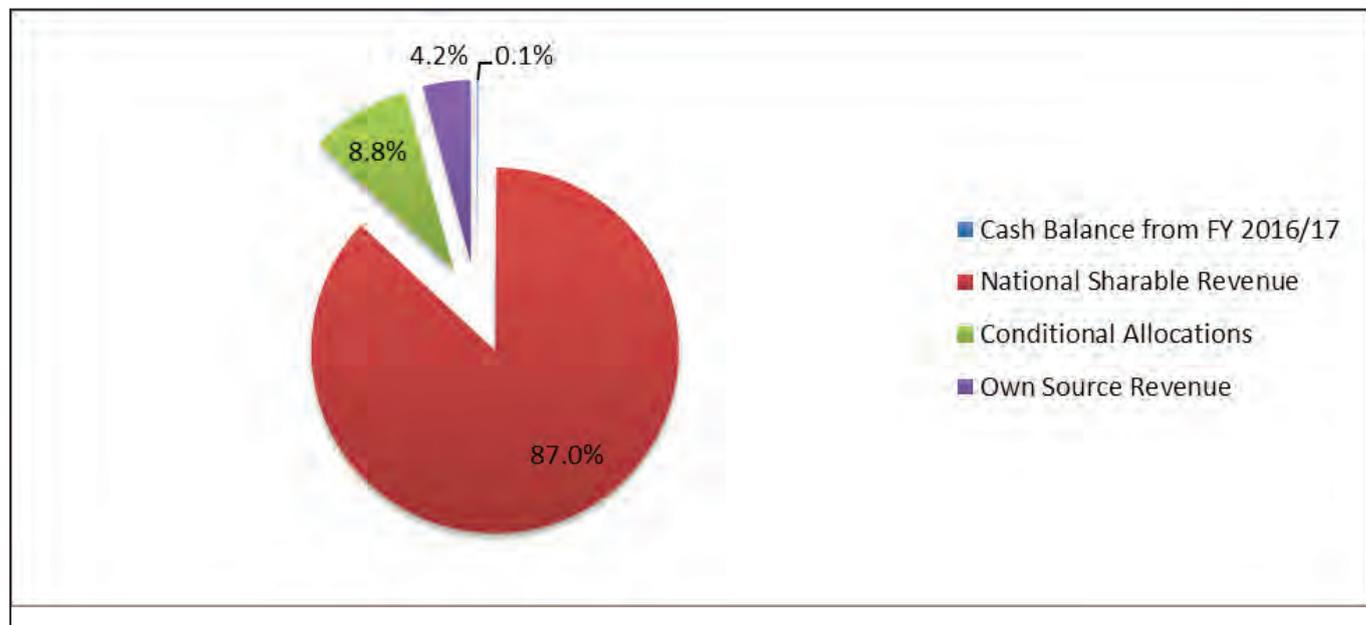
### 3.9.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.4.34 billion, comprising of Kshs.2.77 billion (63.8 per cent) and Kshs.1.57 billion (36.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.3.78 billion (87 per cent) as equitable share of revenue raised nationally, Kshs.382.42 million (8.8 per cent) as total conditional grants, generate Kshs.182.86 million (4.2 per cent) from own source revenue, and Kshs.5.64 million (0.1 per cent) cash balance from FY 2016/17.

Figure 3.33 shows the expected sources of budget financing in FY 2017/18

**Figure 3.33: Isiolo Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Isiolo County Treasury*

The conditional grants contained in the CARA, 2017 comprised of Kshs.130.23 million (31.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.3.47 million (0.8 per cent) as Compensation for User Fee Foregone, Kshs.13.68 million (3.3 per cent) from DANIDA, Kshs.12.61 million (3.1 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.36.11 million (8.8 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.26.17 million (6.4 per cent) for Development of Youth Polytechnics, Kshs.66.23 million (16.2 per cent) as World Bank loan for Transforming Health System for Universal Care Project, and Kshs.121 million supplement for construction of County Headquarters.

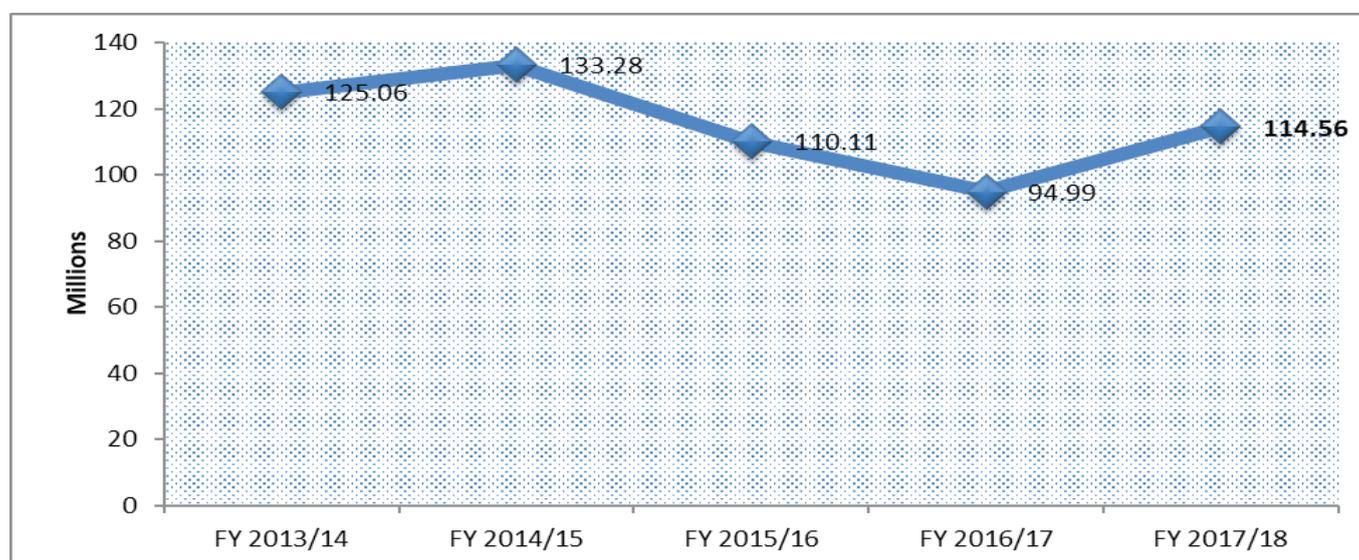
The County also expected to receive Kshs.18.45 million as balance from the World Bank Loan for FY 2016/17, which was not contained in the CARA, 2017.

### **3.9.2 Revenue Analysis**

During the FY 2017/18, the County received Kshs.3.78 billion as equitable share of revenue raised nationally, Kshs.202.38 million as total conditional grants, raised Kshs.114.56 million from own source revenue, and had a cash balance of Kshs.5.64 million from FY 2016/17. The total available funds amounted to Kshs.4.1 billion.

Figure 3.34 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.34: Isiolo County, Trend in Annual Own -Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Isiolo County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.114.56 million, representing an increase of 20.6 per cent compared to Kshs.94.99 million generated in FY 2016/17 and was 62.6 per cent of the annual target.

### 3.9.3 Conditional Grants

Table 3.25 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.25: Isiolo County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Road Maintenance Fuel Levy Fund	130,230,858	130,230,858	107,066,100	82
2	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
3	Kenya Devolution Support Programme (KDSP)	36,113,321	36,113,321	36,113,321	100
4	Development of Youth Polytechnics	26,166,698	26,166,698	26,166,698	100
5	World Bank Loan for Transforming Health System for universal Care Project	66,229,830	20,696,822	20,696,822	31
6	DANIDA Grant	13,678,677	13,678,677	8,824,953	65
7	World Bank loan to supplement financing of County Health facilities	12,607,500	12,607,500	-	-
8	Compensation for User Fee Foregone	3,472,461	3,472,461	3,514,477	101
	<b>Sub Total</b>	<b>409,499,345</b>	<b>363,966,337</b>	<b>202,382,371</b>	<b>49</b>
<b>B</b>	<b>Other Grants</b>				
9	World Bank loan to supplement financing of county health facilities B/F from 2016/17	-	18,454,800	-	-
	<b>Sub Total</b>	-	18,454,800	-	-
	<b>Grand Total</b>	<b>409,499,345.0</b>	<b>382,421,137.0</b>	<b>202,382,371.0</b>	<b>49</b>

Source: Isiolo County Treasury

Analysis of the conditional grants released during the period under review indicates that, Compensation for User Fees forgone, Kenya Devolution Support Programme (KDSP), and Development of Youth Polytechnics recorded highest receipts at 101 per cent, 100 per cent, and 100 per cent of their annual budget allocation respectively.

### **3.9.4 Exchequer Issues**

During the period under review, the Controller of Budget approved withdrawal of Kshs.3.76 billion from the CRF account, which was 86.6 per cent of the Approved Supplementary Budget. This amount represented an increase of 7.3 per cent from Kshs.3.51 billion approved in FY 2016/17 and comprised of Kshs.2.57 billion (68.4 per cent) for recurrent expenditure and Kshs.1.19 billion (31.6 per cent) for development activities.

### **3.9.5 Overall Expenditure Review**

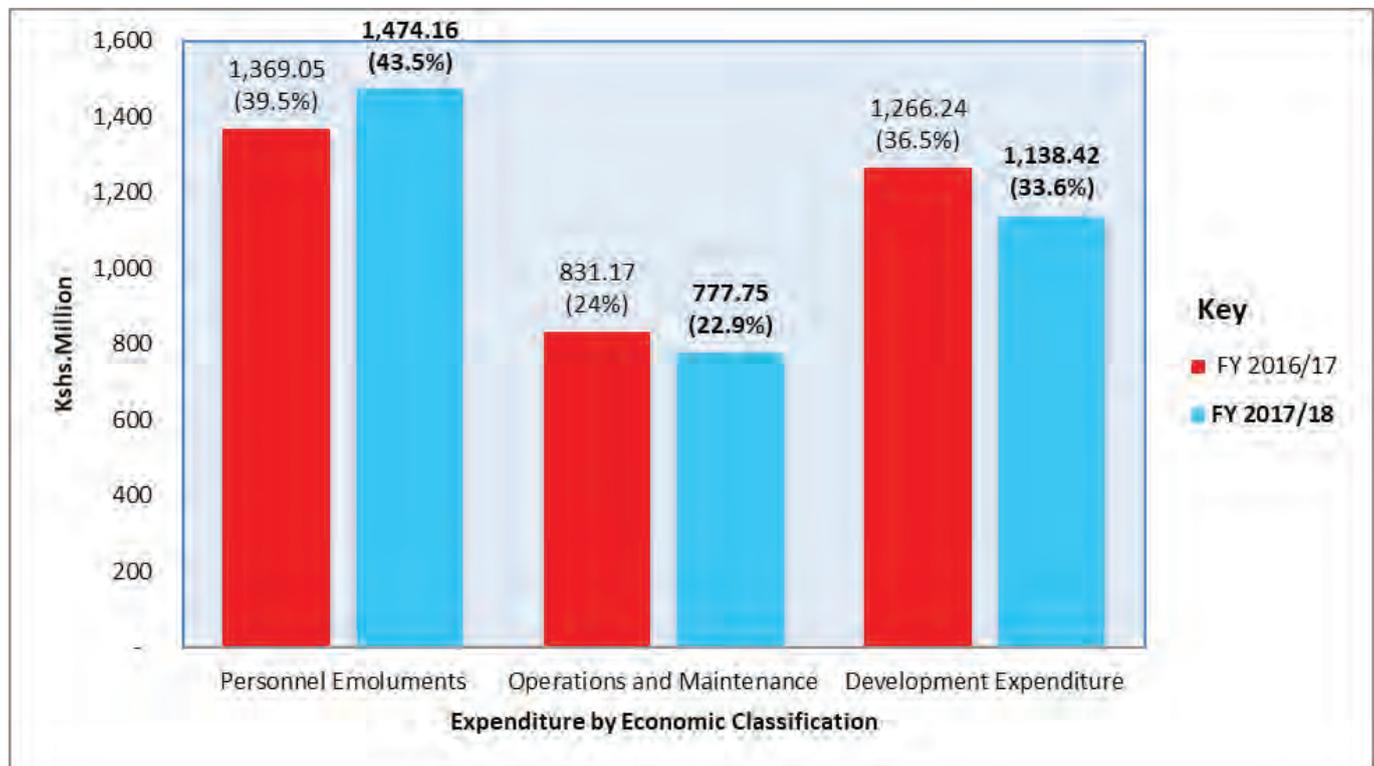
The County spent Kshs.3.39 billion, which was 90.2 per cent of the total funds released for operations. This was a decline of 2.2 per cent from Kshs.3.47 billion spent in FY 2016/17.

A total of Kshs.2.25 billion was spent on recurrent activities while Kshs.1.14 billion was spent on development activities. The recurrent expenditure was 87.5 per cent of the funds released for recurrent activities, while development expenditure was 85.1 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.88.81 million for development activities and Kshs.12.52 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 81.3 per cent of the annual recurrent budget, a decrease from 95 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 72.4 per cent, which was a decrease from 90.4 per cent attained in FY 2016/17.

Figure 3.35 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.35: Isiolo County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Isiolo County Treasury

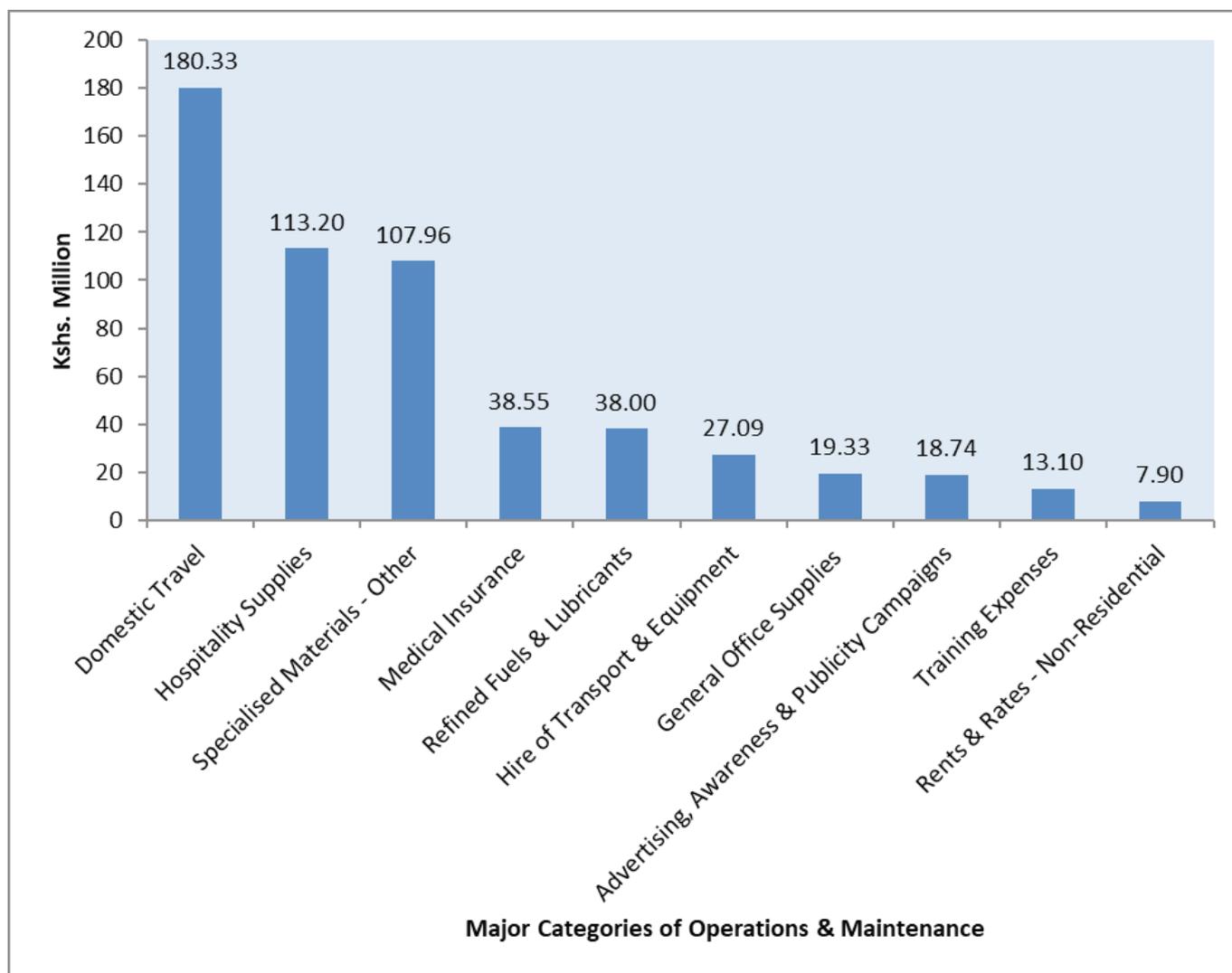
### 3.9.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.25 billion comprised of Kshs.1.47 billion (65.3 per cent) incurred on personnel emoluments and Kshs.777.75 million (34.7 per cent) on operations and maintenance as shown in Figure 3.35.

Expenditure on personnel emoluments represented an increase of 7.7 per cent compared to FY 2016/17 when the County spent Kshs.1.37 billion, and was 43.5 per cent of total expenditure.

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

**Figure 3.36: Isiolo County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Isiolo County Treasury*

The County spent Kshs.16.2 million on committee sitting allowances to the 18 MCAs against an annual budget allocation of Kshs.16.21 million. This was a decline of 0.1 per cent compared to Kshs.16.22 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.75,000 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.180.33 million and comprised of Kshs.91.04 million spent by the County Assembly and Kshs.89.29 million by the County Executive. This represented 8.7 per cent of total recurrent expenditure and was an increase of 19.4 per cent compared to Kshs.164.76 million spent in FY 2016/17.

### 3.9.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.14 billion represented 72.4 per cent of the annual development budget of Kshs.1.57 billion. Table 3.26 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.26: Isiolo County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Emergency and disaster management relief	ALL Wards	234,000,000	225,676,323	96
2	Construction of Isiolo Market Phase 1	Bula Pesa Ward	102,000,000	96,000,000	94
3	Purchase oxygen plant	ICRH & GTDH	80,000,000	66,067,398	83
4	Completion of Isiolo abattoir civil works	Burat Ward	70,962,377	32,254,427	45
5	Purchase of Fire fighting Vehicles & Equipment	HQs	58,560,000	29,280,000	50
6	Hydrogeological study	ALL Wards	6,000,000	5,583,828	93
7	Grading & Spot Improvement Awarsitu Road	Chari Ward	5,500,000	5,142,280	93
8	Fencing of Treasury office	HQs	8,000,000	4,848,429	61
9	Purchase of Vaccine Refrigerator	ICRH	4,000,000	3,975,000	99
10	Construction of elevated steel tank	Cherab- Saleti	4,000,000	3,755,400	94

Source: Isiolo County Treasury

### 3.9.8 Analysis of Budget Performance by Department

Table 3.27 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.27: Isiolo County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	388.55	157.41	382.50	133	379.80	129	99.3	97.0	97.7	81.9
Office of the Governor	302.63	310	294.07	237.64	235.37	238.87	80.0	100.5	77.8	77.1
Office of the Deputy Governor	7.51	-	4	-	-	-	-	-	-	-
County Public Service Board	82	-	71.04	-	65.04	-	91.6	-	79.3	-
Office of the County Secretary	36.50	18	31.12	8	16.55	8.50	53.2	106.2	45.3	47.2
County Treasury and Planning	297	256.50	297	142.31	204.09	112.95	68.7	79.4	68.7	44
Lands Development	29.47	12	22.27	-	18.23	1.99	81.9	-	61.9	16.6
Roads, Housing and Works	26.65	186.23	26	186.56	19.74	186	75.9	99.7	74.1	99.9
Public Works and Urban Planning	2.80	-	1.45	-	-	-	-	-	-	-
Agriculture	55.35	23.01	51.98	9.09	40.79	5.71	78.5	62.9	73.7	24.8
Livestock and Fisheries	93.26	95.39	86.13	87.49	81.59	81.10	94.7	92.7	87.5	85
Cohesion & Intergovernmental Relations	72.90	20.25	71.85	-	66.53	8.20	92.6	-	91.3	40.5
Education and Vocational Training	114.44	55.17	103.92	27.84	66.67	1.55	64.2	5.6	58.3	2.8
Sports, Youth and Culture	20.17	-	17.74	-	8.01	-	45.1	-	39.7	-
Culture and Social Services	5	-	-	-	2.87	-	-	-	57.4	-
Tourism	132.96	30	122.20	20	107.47	-	87.9	-	80.8	-
Public Service Management & ICT	74.53	20	62.87	18	56.34	10.50	89.6	58.3	75.6	52.5
Water and Irrigation	63.31	109.20	48.78	105.20	47.88	91.38	98.1	86.9	75.6	83.7
Environment and Natural Resources	40.40	16.03	24.03	3	28.57	9.82	118.9	327.4	70.7	61.3
Medical Services	459.75	133.75	436.69	108.79	441.66	64.73	101.1	59.5	96.1	48.4

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Health	431.49	51.25	400.82	35.58	343.80	9.82	85.8	27.6	79.7	19.2
Trade, Industrialization	21.36	5	11.22	-	13.52	-	120.5	-	63.3	-
Town Administration	10.48	73.10	5.49	64.24	7.39	49.28	134.4	76.7	70.5	67.4
<b>TOTAL</b>	<b>2,768.51</b>	<b>1,572.29</b>	<b>2,573.18</b>	<b>1,186.74</b>	<b>2,251.91</b>	<b>1138.42</b>	<b>87.5</b>	<b>85.1</b>	<b>81.3</b>	<b>72.4</b>

Source: Isiolo County Treasury

Analysis of budget performance by department shows that, the Department of Roads, Housing and Works attained the highest absorption rate of development budget at 99.9 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 97.7 per cent, while the Office of the Deputy Governor, and the Public Works and Urban Planning had no expenditure in FY 2017/18.

### 3.9.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to section 155 of PFM Act, 2012.
2. Delay by Fund Administrators to submit expenditure reports of the County Assembly Members Car Loan Fund, and the County Bursary Fund contrary to Section 168 of the PFM Act, 2012.
3. High wage bill that has increased by 7.7 per cent from Kshs.1.37 billion in FY 2016/17 to Kshs.1.47 billion during the period under review.

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

1. The County should establish an Internal Audit Committee to oversee financial operations in line with Section 155 of PFM Act 2012.
2. All Fund Administrators should provide timely 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.

## 3.10 Kajiado County

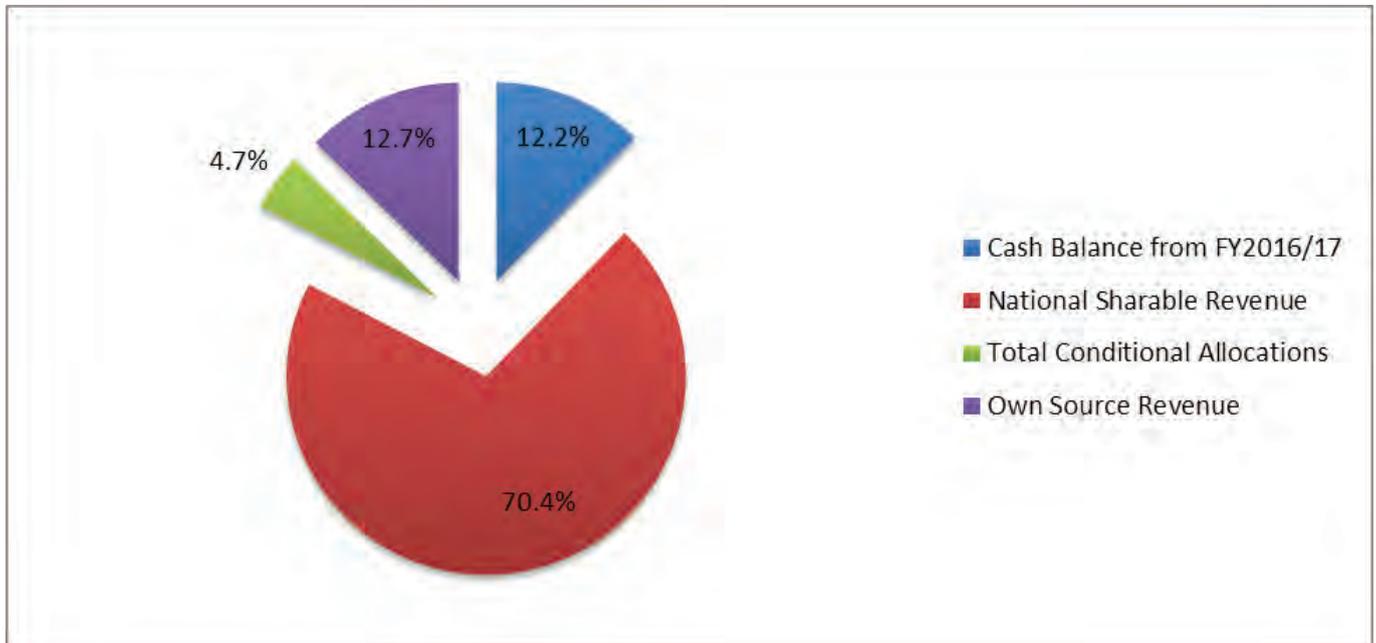
### 3.10.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.8.19 billion, comprising of Kshs.5.0 billion (61.1 per cent) and Kshs.3.18 billion (38.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.77 billion (70.4 per cent) as equitable share of revenue raised nationally, Kshs.381.1 million (4.7 per cent) as total conditional grants, generate Kshs.1.04 billion (12.7 per cent) from own source revenue, and Kshs.997.91 million (12.2 per cent) cash balance from FY 2016/17.

Figure 3.37 shows the expected sources of financing the budget in FY 2017/18

**Figure 3.37: Kajiado County, Expected Sources of Financing the Budget in FY 2017/18 (%).**



*Source: Kajiado County Treasury*

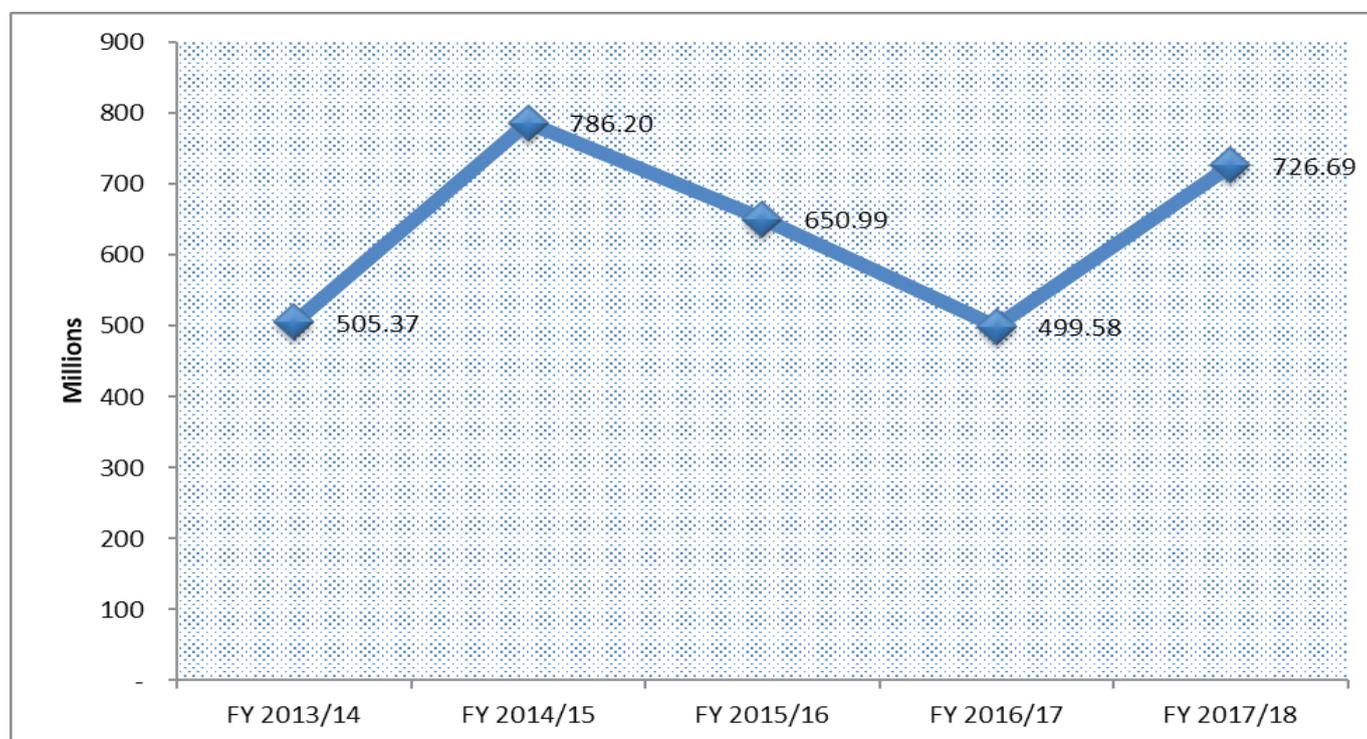
The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (21.4 per cent) for Leasing of Medical Equipment, Kshs.188 million (42 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.96 million (3.8 per cent) as Compensation for User Fee Foregone, Kshs.25.72 million (5.8 per cent) from DANIDA, Kshs.42.83 million (9.6 per cent) for the World Bank Kenya Devolution Support Programme and Kshs.26.99 million (6 per cent) for Development of Youth Polytechnics, Kshs.37.65 million to supplement financing of health facilities, and Kshs.33.67 million as other Loans & Grants.

### 3.10.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.5.77 billion as equitable share of revenue raised nationally, Kshs.307.61 million as total conditional grants raised Kshs.726.69 million from own source revenue, and had Kshs. 997.91 million cash balance from FY 2016/17. The total available funds amounted to Kshs.7.8 billion.

Figure 3.38 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.38: Kajiado County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Kajiado County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.726.69 million, representing an increase of 45.5 per cent compared to Kshs.499.58 million generated in FY 2016/17 and was 69.8 per cent of the annual target.

### 3.10.3 Conditional Grants

Table 3.28 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.28: Kajiado County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	188,008,411	188,008,411	188,008,411	100
2	Leasing of Medical Equipment	95,744,681	-	-	-
3	World Bank loan to supplement financing of County Health facilities	37,645,000	37,645,000	-	-
4	Kenya Devolution Support Programme (KDSP)	42,829,648	42,829,648	42,829,648	100
5	Compensation for User Fee Foregone	16,955,365	16,955,365	16,311,160	96
6	DANIDA Grant	25,719,948	25,719,948	13,945,701	50
7	Development of Youth Polytechnics	26,990,230	26,990,230	26,990,230	100
8	World Bank Loan for Transforming Health System for Universal Care Project	42,954,113	42,954,113	19,524,597	45
<b>Grand Total</b>		<b>476,847,396</b>	<b>381,102,715</b>	<b>307,609,747</b>	<b>4.9</b>

Source: Kajiado County Treasury

Analysis of the conditional grants released during the period under review indicates that, Development of Youth Polytechnics, Kenya Devolution Support Programme (KDSP) and Road Maintenance Fuel Levy Fund recorded the highest receipts at 100 per cent of the annual target.

### 3.10.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.6.47 billion from the CRF account, which was 79 per cent of the Approved Supplementary Budget. This amount represented an increase of 19.9 per cent from Kshs.5.4 billion approved in FY 2016/17 and comprised of Kshs.4.85 billion (75 per cent) for recurrent expenditure and Kshs.1.29 billion (25 per cent) for development activities.

### 3.10.5 Overall Expenditure Review

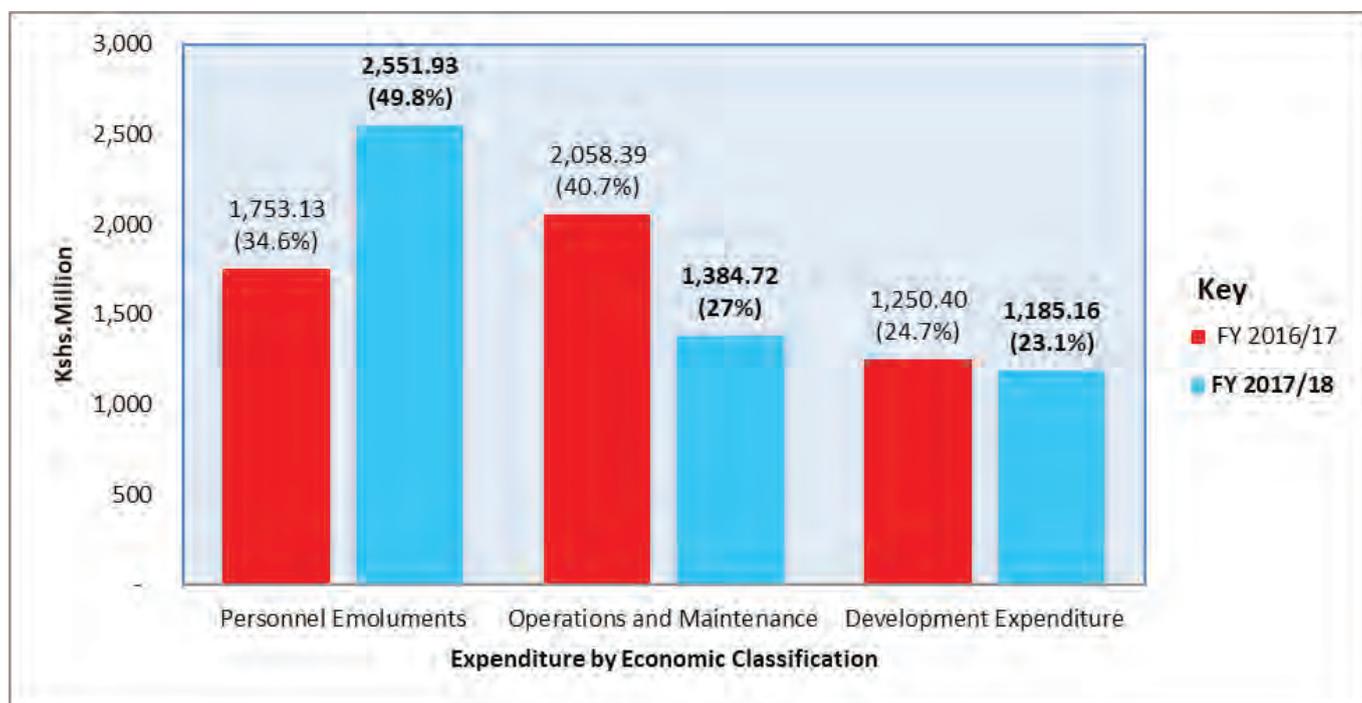
The County spent Kshs.5.51 billion, which was 85.1 per cent of the total funds released for operations. This was an increase of 8.8 per cent from Kshs.5.06 billion spent in FY 2016/17.

A total of Kshs.4.32 billion was spent on recurrent activities while Kshs.1.19 billion was spent on development activities. The recurrent expenditure was 89 per cent of the funds released for recurrent activities, while development expenditure was 73.4 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.310.56 million for development activities and Kshs.459.24 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 78.7 per cent of the annual recurrent budget, a decrease from 87.6 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 37.2 per cent, which was a decrease from 47 per cent attained in FY 2016/17.

Figure 3.39 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.39: Kajiado County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Kajiado County Treasury

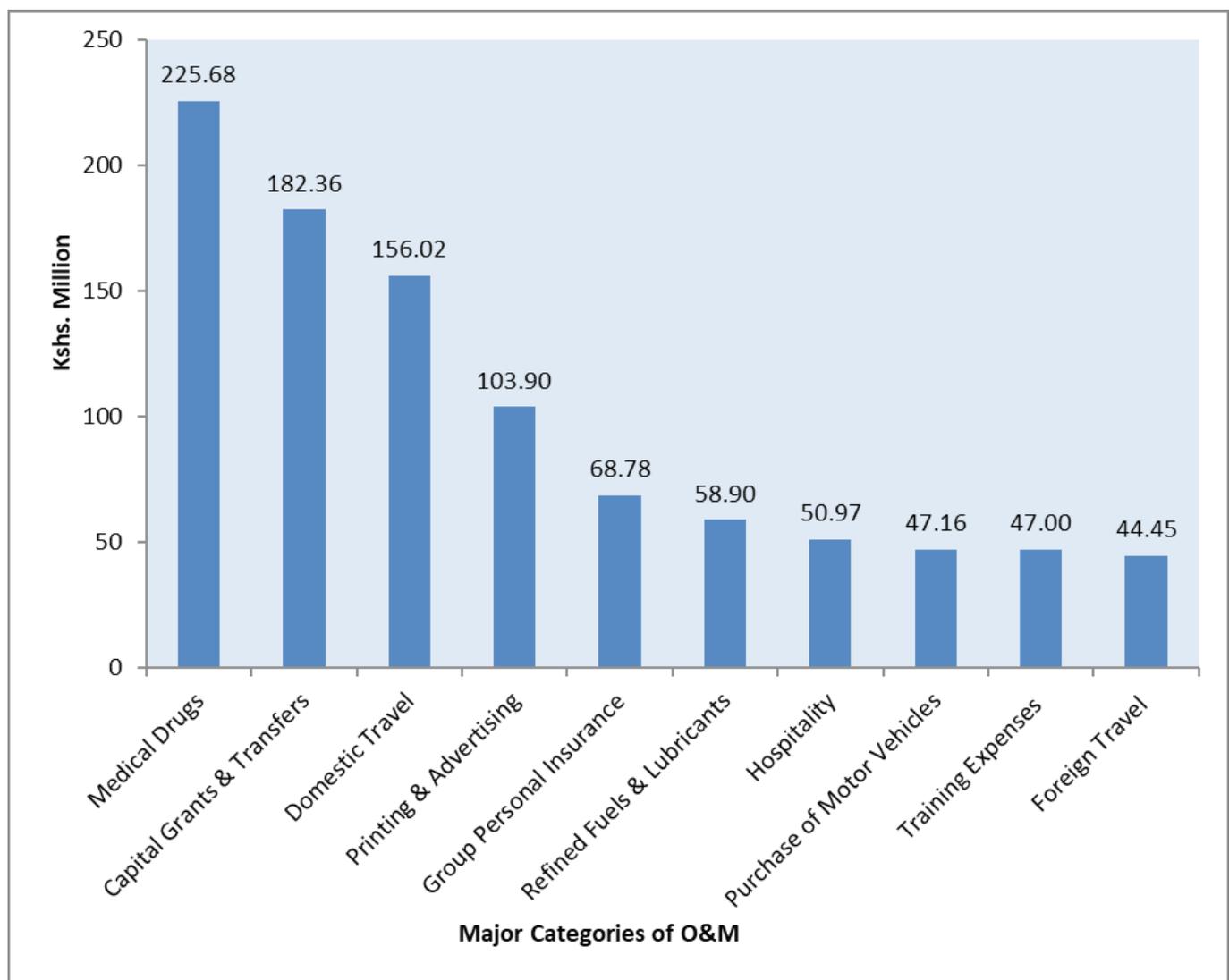
### 3.10.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.32 billion comprised of Kshs.2.55 billion (59.1 per cent) incurred on personnel emoluments and Kshs.1.77 billion (40.9 per cent) on operations and maintenance as shown in Figure 3.39.

Expenditure on personnel emoluments represented an increase of 45.6 per cent compared to FY 2016/17 when the County spent Kshs.1.75 billion, and was 49.8 per cent of total expenditure.

Figure 3.40 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.40: Kajiado County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Kajiado County Treasury

The County spent Kshs.9.39 million on committee sitting allowances to the 42 MCAs against an annual budget allocation of Kshs.32.48 million. This was a decrease of 57.9 per cent compared to Kshs.22.29 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.18,634 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.156.02 million and comprised of Kshs.37.39 million spent by the County Assembly and Kshs.118.63 million by the County Executive. This represented 4 per cent of total recurrent expenditure and was a decrease of 52.7 per cent compared to Kshs.423.93 million spent in FY 2016/17.

### 3.10.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.19 billion represented 37.2 per cent of the annual development budget of Kshs.3.18 billion. Table 3.29 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.29: Kajiado County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Construction of Mini Library	Ildamat Ward	200,000,000	35,000,000	18
2	Construction of Modern Library at Kajiado	Ildamat Ward	120,000,000	28,650,000	24
3	Maternity wing and wards at Kajiado Referral Hospital	County HQ	68,000,000	63,509,820	93
4	Consultancy Services on the County Spatial Plan	County Headquarters	50,000,000	22,000,000	44
5	Construction of dining hall at Olkejuado High School	Dalalekutuk Ward	37,000,000	17,674,572	48
6	Construction of perimeter wall	County Headquarters	32,000,000	15,796,063	49
7	Gravelling of Kimana-Lang'ata Road	Kimana Ward	30,000,000	19,886,940	66
8	Supply and installation of WAN and voip,wireless internet facility	County Headquarters	30,000,000	18,965,517	63
9	Grading, gravelling and drainage works at Singiraine -Leremit Road	Iloodokilani Ward	20,000,000	19,613,343	98
10	Construction of Kimana market phase II	Kimana Ward	13,000,000	11,059,825	85

Source: Kajiado County Treasury

### 3.10.8 Analysis of Budget Performance by Department

Table 3.30 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.30: Kajiado County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the FY 2017/18 (Kshs. Million)		Expenditure in The FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	198.57	274.64	201.96	55.48	193.24	50.52	95.7	91.1	97.3	18.4
County Public Service Board	110.14	-	118.03	-	104.51	-	88.5	-	94.9	-
Education & Vocational Training	382.84	268.59	363.34	90.11	306.87	178.35	84.5	197.9	80.2	66.4
Health Services	1,917.19	325.34	1,736.18	190.63	1,712.19	35.52	98.6	18.6	89.3	10.9
Youth, Sports, Gender & Social Services	93.99	58.20	73.95	72.72	46.00	36.02	62.2	49.5	48.9	61.9
Agriculture, Livestock & Tourism	286.97	51.00	306.25	19.94	263.18	13.73	85.9	68.9	91.7	26.9
Water, Irrigation, Environment & Natural Resources	151.13	230.80	159.50	125.72	120.21	127.23	75.4	101.2	79.5	55.1
Public Works, Roads, Transport, & Housing	136.25	534.39	136.09	313.15	104.50	486.43	76.8	155.3	76.7	91.0
Public Service & E-Government	419.25	-	434.62	-	381.10	-	87.7	-	90.9	-
County Treasury	499.09	1,145.70	532.41	575.83	388.86	74.48	73.0	12.9	77.9	6.5
Trade, Culture, Tourism & Wildlife	84.49	95.08	87.46	44.49	62.62	19.82	71.6	44.5	74.1	20.8
Lands & Physical Planning	120.22	48.98	118.92	5.98	99.02	41.50	83.3	-	82.4	84.7
County Assembly	603.79	151.36	584.37	120.60	539.12	121.56	92.3	100.8	89.3	80.3
<b>TOTAL</b>	<b>5,004</b>	<b>3,184</b>	<b>4,853</b>	<b>1,285</b>	<b>4,321</b>	<b>1,185</b>	<b>89</b>	<b>73.4</b>	<b>78.7</b>	<b>37.2</b>

Source: Kajiado County Treasury

Analysis of budget performance by department shows that, the Department of Lands & Physical Planning attained the highest absorption rate of development budget at 84.7 per cent, while the Health Services Department incurred the lowest at 10.9 per cent. The Office of the Governor & Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 97.3 per cent while the Department of Youth, Sports, Gender & Social Services had the lowest at 48.9 per cent.

### 3.10.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. High wage bill that has increased by 45.6 per cent from Kshs.1.75 billion in FY 2016/17 to Kshs.2.55 billion during the period under review.
2. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 37.2 per cent compared to 47 per cent in FY 2016/17.
3. Lack of a proper and up to date project database on undertaken development programmes.
4. Non-compliance with Section 168 of the PFM Act, 2012 which requires all County Fund Administrators to submit quarterly financial reports.
5. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.

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 devise and implement strategies to enhance absorption of development funds.*
3. *The County Treasury should develop and continuously update the County's project database.*
4. *All Funds Administrators should provide quarterly financial statements for County Funds in line with Section 168 of the PFM Act, 2012.*
5. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

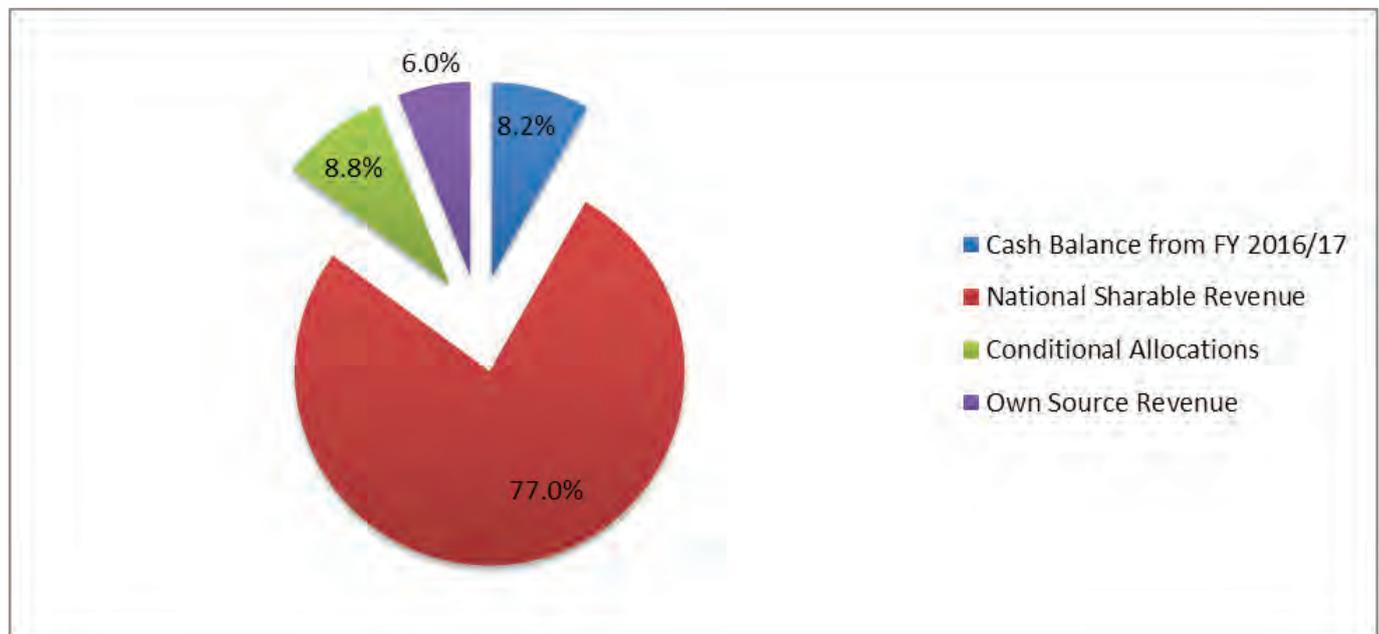
## 3.11 Kakamega County

### 3.11.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.12.91 billion, comprising of Kshs.7.28 billion (56.4 per cent) and Kshs.5.62 billion (43.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.94 billion (77 per cent) as equitable share of revenue raised nationally, Kshs.1.14 billion (8.8 per cent) as total conditional grants, generate Kshs.774.57 million (6 per cent) from own source revenue, and Kshs.1.05 billion (8.2 per cent) cash balance from FY 2016/17. Figure 3.41 shows the expected sources of budget financing in FY 2017/18

**Figure 3.41: Kakamega County's Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Kakamega County Treasury*

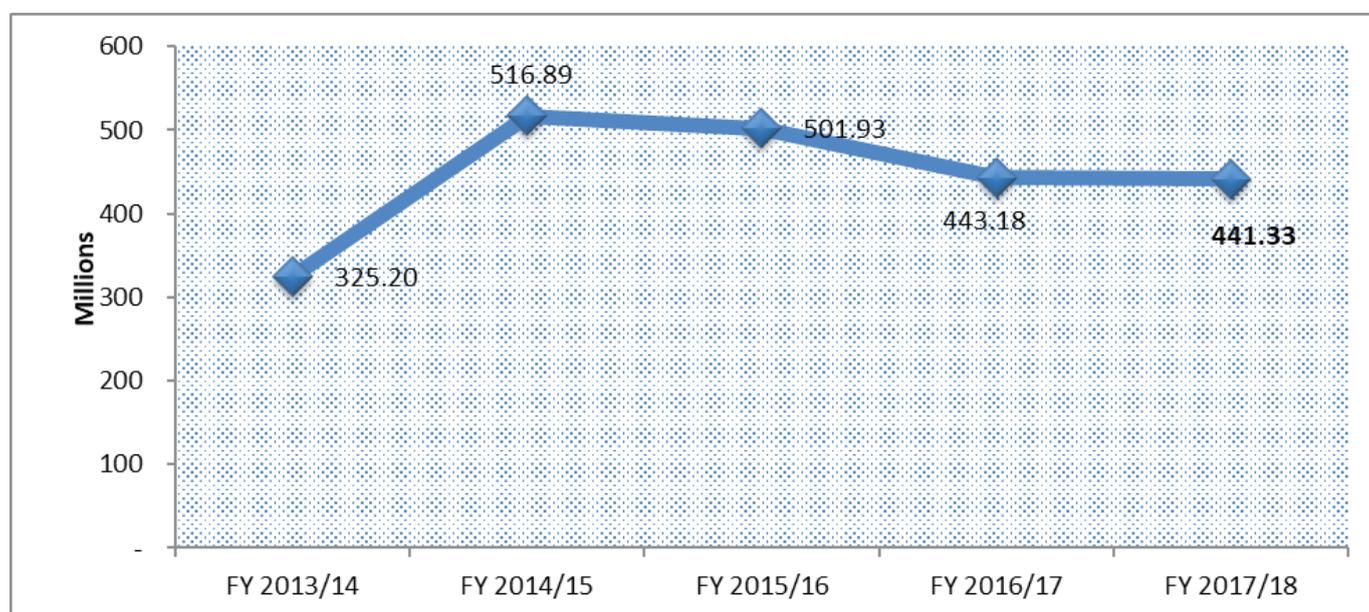
The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (7.7 per cent) for Leasing of Medical Equipment, Kshs.379.55 million (30.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.37.79 million (3.1 per cent) as Compensation for User Fee Foregone, Kshs.25.72 million (3.2 per cent) from DANIDA, Kshs.59.31 million (4.8 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.28.06 million (2.3 per cent) for Development of Youth Polytechnics, Kshs.110 million (12.9 per cent) as World Bank loan for Transforming Health System for Universal Care Project and Kshs.64.15 million (0.7 per cent) as Other Loans and Grants, and Kshs.427.24 million (34.6 per cent) for Kakamega Level 5 Hospital.

### 3.11.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.9.94 billion as equitable share of revenue raised nationally, Kshs.1.02 billion as total conditional grants, raised Kshs.441.33 million from own source revenue, and had a cash balance of Kshs.1.05 billion from FY 2016/17. The total available funds amounted to Kshs.12.45 billion.

Figure 3.42 shows the trend in annual own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.42: Kakamega County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Kakamega County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.441.33 million, representing a marginal decline of 0.4 per cent compared to Kshs.443.18 million generated in FY 2016/17 and was 57 per cent of the annual target.

### 3.11.3 Conditional Grants

Table 3.31 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.31: Kakamega County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained CARA, 2017</b>				
1	Level-5 Hospital	427,238,237	427,238,237	427,238,237	100
2	Road Maintenance Fuel Levy Fund	379,552,256	379,552,256	379,552,256	100
3	World Bank Loan for Transforming Health System for universal Care Project	110,000,000	160,000,000	50,000,000	31
4	Kenya Devolution Support Programme (KDSP)	59,311,725	59,311,725	59,311,725	100
5	DANIDA Grant	25,719,948	39,865,919	39,865,919	100
6	Compensation for User Fee Foregone	37,789,290	37,789,290	38,617,145	102
7	Development of Youth Polytechnics	28,060,821	28,060,821	28,060,821	100
8	Agricultural Sector Development Support Program (ASDSP)		8,933,152	-	-
9	Leasing of Medical Equipment	95,744,681	-	-	-
<b>Total</b>		<b>1,236,496,081</b>	<b>1,140,751,400</b>	<b>1,022,646,103</b>	<b>83</b>

Source: Kakamega County Treasury

Analysis of the conditional grants released during the period under review indicates that, Compensation for User Fee Foregone recorded the highest receipts at 102 per cent of annual budget allocation.

### 3.11.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.10.97 billion from the CRF account, which was 85 per cent of the Approved Supplementary Budget. This amount represented a decline of 1.1 per cent from Kshs.11.09 billion approved in FY 2016/17 and comprised of Kshs.6.99 billion (54.1 per cent) for recurrent expenditure and Kshs.3.99 billion (30.9 per cent) for development activities.

### 3.11.5 Overall Expenditure Review

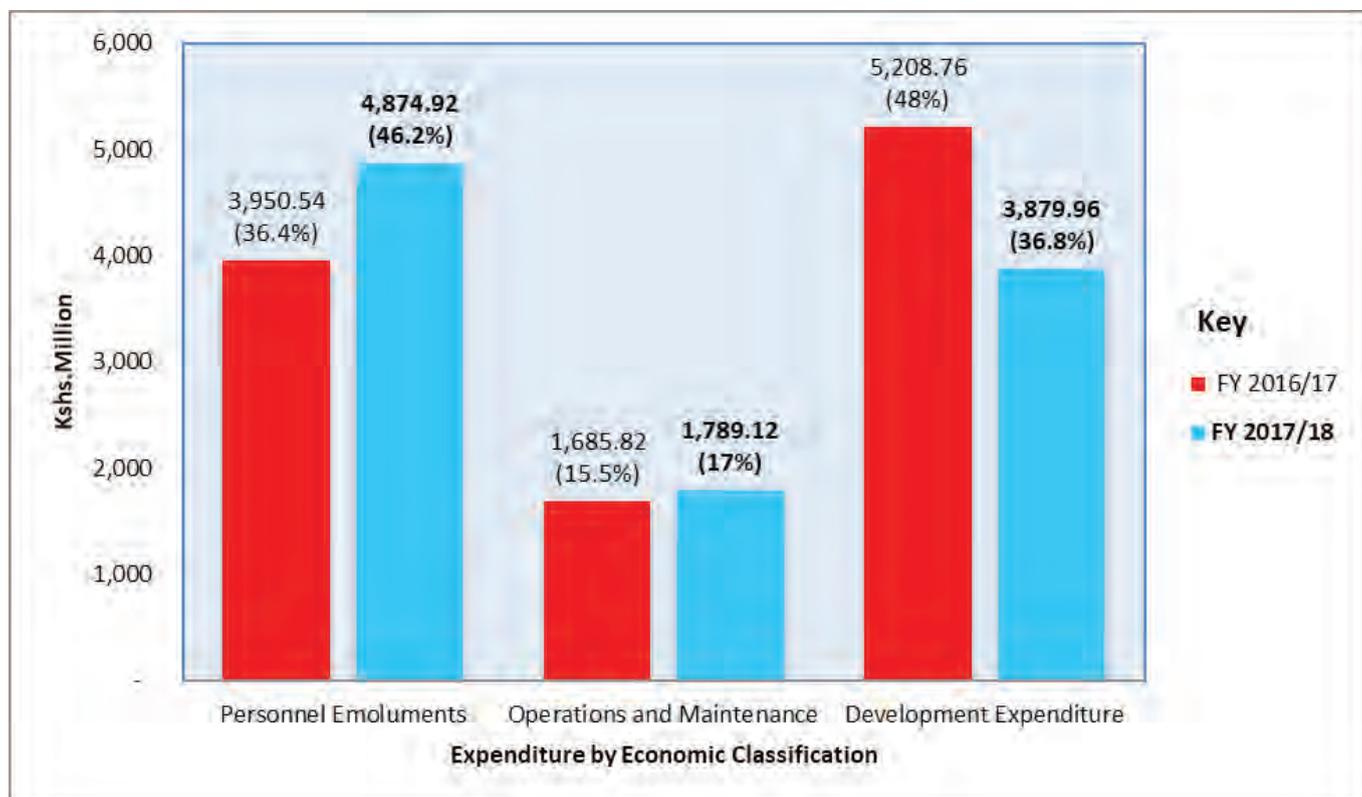
The County spent Kshs.10.54 billion, which was 96.1 per cent of the total funds released for operations. This was a marginal decline of 2.8 per cent from Kshs.10.85 billion spent in FY 2016/17.

A total of Kshs.6.66 billion was spent on recurrent activities while Kshs.3.88 billion was spent on development activities. The recurrent expenditure was 95.5 per cent of the funds released for recurrent activities, while development expenditure was 97.3 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.547.32 million for development activities and Kshs.87.42 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 91.5 per cent of the annual recurrent budget, a decline from 93.2 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 69 per cent, which was a decrease from 82.4 per cent attained in FY 2016/17.

Figure 3.43 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.43: Kakamega County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



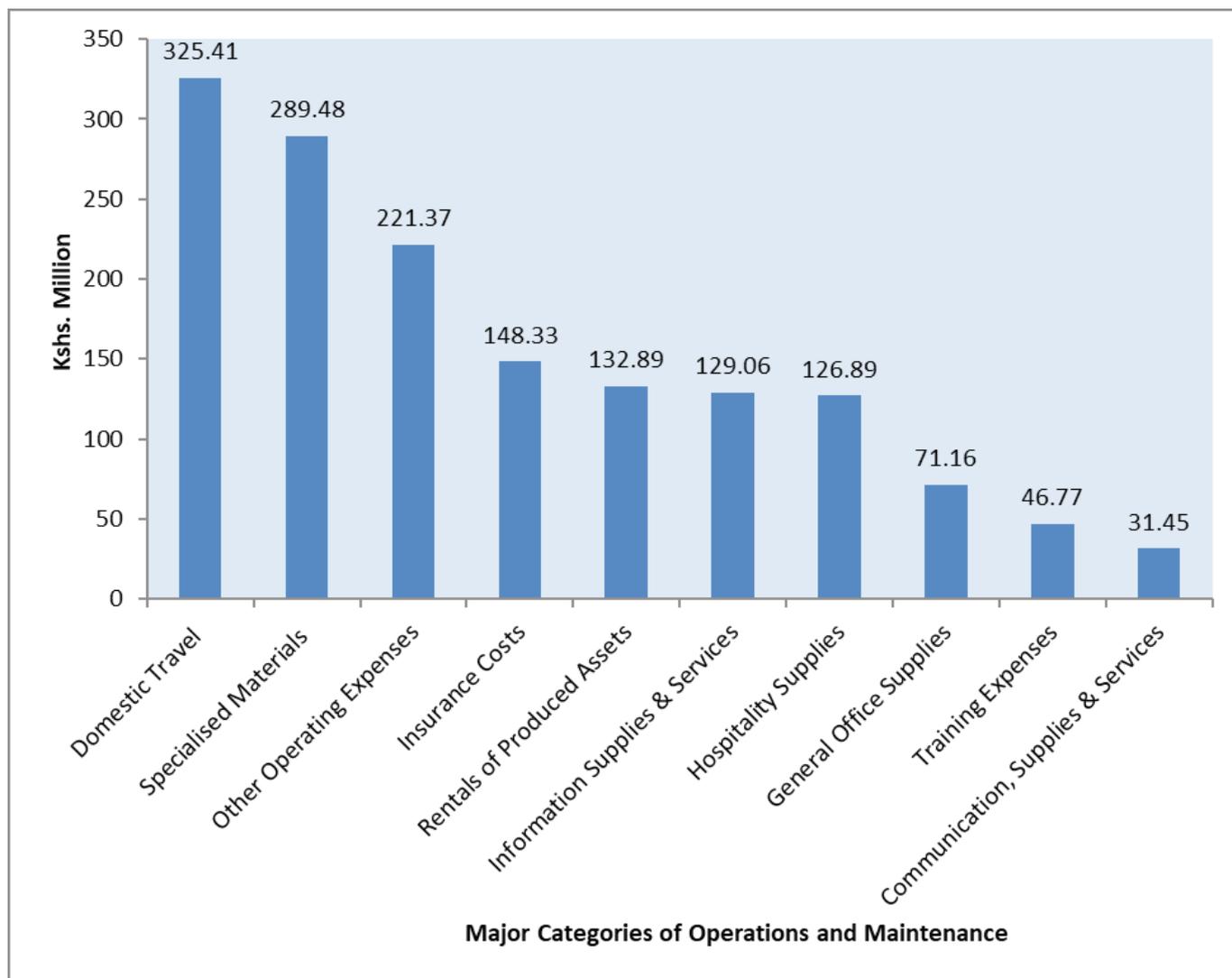
Source: Kakamega County Treasury

### 3.11.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.66 billion comprised of Kshs.4.87 billion (73.2 per cent) incurred on personnel emoluments and Kshs.1.79 billion (26.8 per cent) on operations and maintenance as shown in Figure 3.43.

Expenditure on personnel emoluments represented an increase of 23.4 per cent compared to FY 2016/17 when the County spent Kshs3.95 billion, and was 46.2 per cent of total expenditure in FY 2017/18. Figure 3.44 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.44: Kakamega County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Kakamega County Treasury*

The County spent Kshs.131.79 million on committee sitting allowances to the 88 MCAs against the annual budget allocation of Kshs.56.25 million. This was an increase of 22.2 per cent compared to Kshs.102.99 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.124,800 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.325.41 million and comprised of Kshs.164.7 million spent by the County Assembly and Kshs.160.71 million by the County Executive. This represented 4.1 per cent of total recurrent expenditure, and was an increase of 32.6 per cent compared to Kshs.245.47 million spent in FY 2016/17.

### 3.11.7 Development Expenditure Analysis

The total development expenditure of Kshs.3.88 billion represented 69 per cent of the annual development budget of Kshs.5.62 billion. Table 3.32 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.32: Kakamega County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual expenditure (Kshs.)	Absorption rate (%)
1	Construction of Kakamega County Teaching and Referral Hospital	Kakamega Town	500,000,000	497,844,884	99.6
2	Ward based projects	Countywide	600,000,000	431,795,946	72.0
3	Rural Bitumen (road network plan)	Countywide	350,000,000	333,088,221	95.2
4	Road Maintenance Levy Fund	Countywide	379,552,256	282,222,868	74.4
5	Bukhungu Stadium rehabilitation	Kakamega Town	195,400,000	185,469,665	94.9
6	Provision of subsidized seeds and fertilizers	Countywide	195,000,000	161,683,859	82.9
7	Upgrading of Mumias West and Shakhumbu hospitals		200,860,226	148,752,093	74.1
8	Electrification	Countywide	150,000,000	128,134,049	85.4
9	Upgrading of County General Hospital	Kakamega Town	427,283,237	116,050,811	27.2
10	Development of Modern and open air markets	Countywide	165,000,000	103,316,613	62.6

Source: Kakamega County Treasury

### 3.11.8 Budget and Budget Performance Analysis by Department

Table 3.33 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.33: Kakamega County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	314.46	44.50	286.49	30	201.49	30	70.3	100	64.1	67.4
Public Service and Administration	4,924.41	188.31	4,804.15	106.78	4,796.60	99.80	99.8	93.5	97.4	53
County Treasury and Economic Planning	184.13	125	150.81	123.27	176.53	73.57	117.1	59.7	95.9	58.9
Environment, Natural Resources, Water & Forestry	41.34	240.20	40.59	141.18	29.80	127.78	73.4	90.5	72.1	53.2
Labour, Social Services, Youth and Sports	42.63	280.50	31.80	240.11	23.81	279.52	74.9	116.4	55.9	99.7
Transport, Infrastructure & Public Works	18.92	1,832.55	15.81	1,533.42	10.05	1,488.62	63.5	97.1	53.1	81.2
Lands, Housing, Urban Areas and Physical Planning	143.44	192.50	105.39	60.23	84.98	75.75	80.6	125.8	59.2	39.4
Health Services	495.19	1,709.57	484.07	1,096.06	320.84	1,022.23	66.3	93.3	64.8	59.8
Agriculture, Livestock, Fisheries and Cooperatives	95.25	360.93	79.61	215.19	50.15	204.62	63	95.1	52.7	56.7

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Industrialization, Trade and Tourism	39.59	252	32.74	124.45	29.24	129.04	89.3	103.7	73.8	51.2
Education, Science & Technology & ICT	34.42	357.06	30.09	316.58	29.67	349.02	98.6	110.2	86.2	97.7
Public service Board	45.35	41.26	41.25	-	31.97	-	77.5	-	70.5	-
ICT, E-Government and Communication	18.30	-	9.86	-	-	-	-	-	-	-
County Assembly	883.46	-	877.83	-	878.82	-	100.1	-	99.5	-
<b>TOTAL</b>	<b>7,280.88</b>	<b>5,624.39</b>	<b>6,990.51</b>	<b>3,987.28</b>	<b>6,663.96</b>	<b>3,879.95</b>	<b>95.3</b>	<b>97.3</b>	<b>91.5</b>	<b>69</b>

Source: Kakamega County Treasury

Analysis of budget performance by department shows that, the Department of Labour, Social Services, Youth and Sports attained the highest absorption rate of development budget at 99.7 per cent while the Public Service Board did not incur any development expenditure. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.5 per cent while the Department of ICT, E-Government and communication, did not incur any expenditure.

### 3.11.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. The County operated over 50 bank accounts in commercial banks, which made it difficult to effectively enforce of financial controls.
2. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
3. High personal emolument costs which accounted 46.2 per cent of total expenditure during the reporting period. A high wage bill may affect implementation of development projects.

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

1. The County should make payments through the Internet Banking platform operated by the Central Bank of Kenya and thereby, embrace the Single Treasury Account concept and close the numerous commercial bank accounts.
2. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.
3. The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.

## 3.12 Kericho County

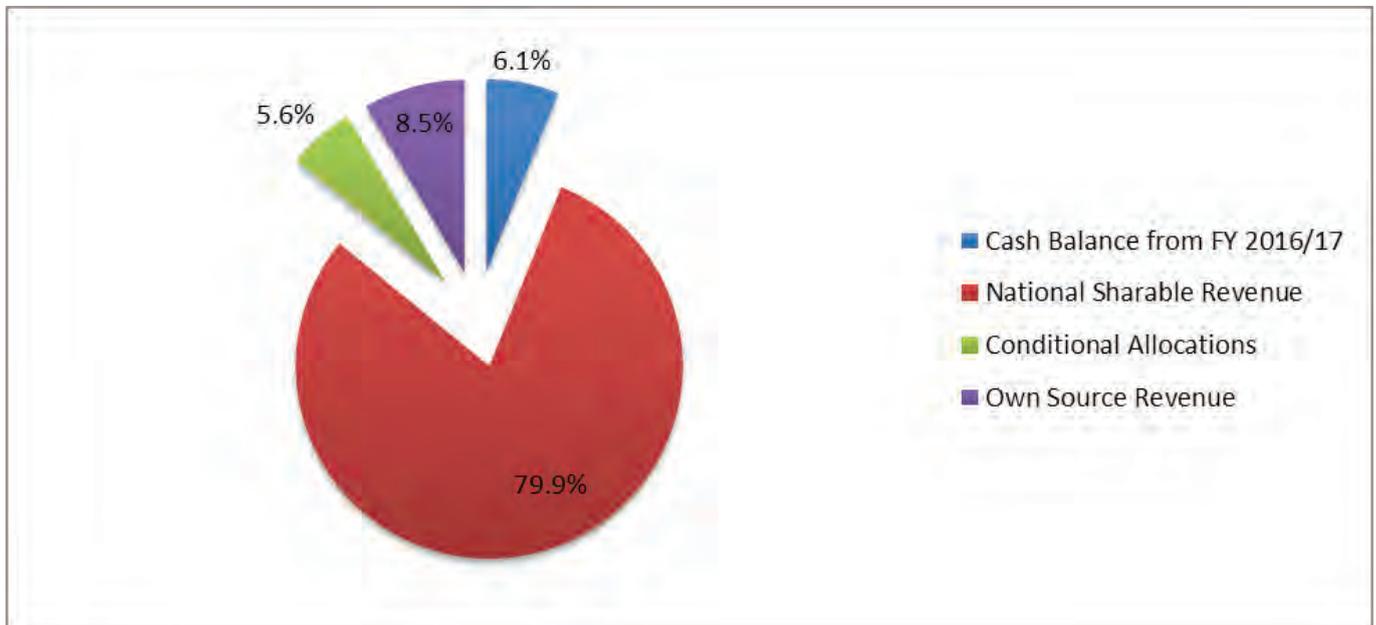
### 3.12.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.6.54 billion, comprising of Kshs.4.50 billion (68.8 per cent) and Kshs.2.04 billion (31.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.22 billion (79.9 per cent) as equitable share of revenue raised nationally, Kshs.364.46 million (5.6 per cent) as total conditional grants, generate Kshs.554.64 million (8.5 per cent) from own source revenue, and Kshs.396.77 million (6.1 per cent) cash balance from FY 2016/17.

Figure 3.45 shows the expected sources of budget financing in FY 2017/18

**Figure 3.45: Kericho County, Expected Sources of Budget Financing in FY 2017/18 (%)**



Source: Kericho County Treasury

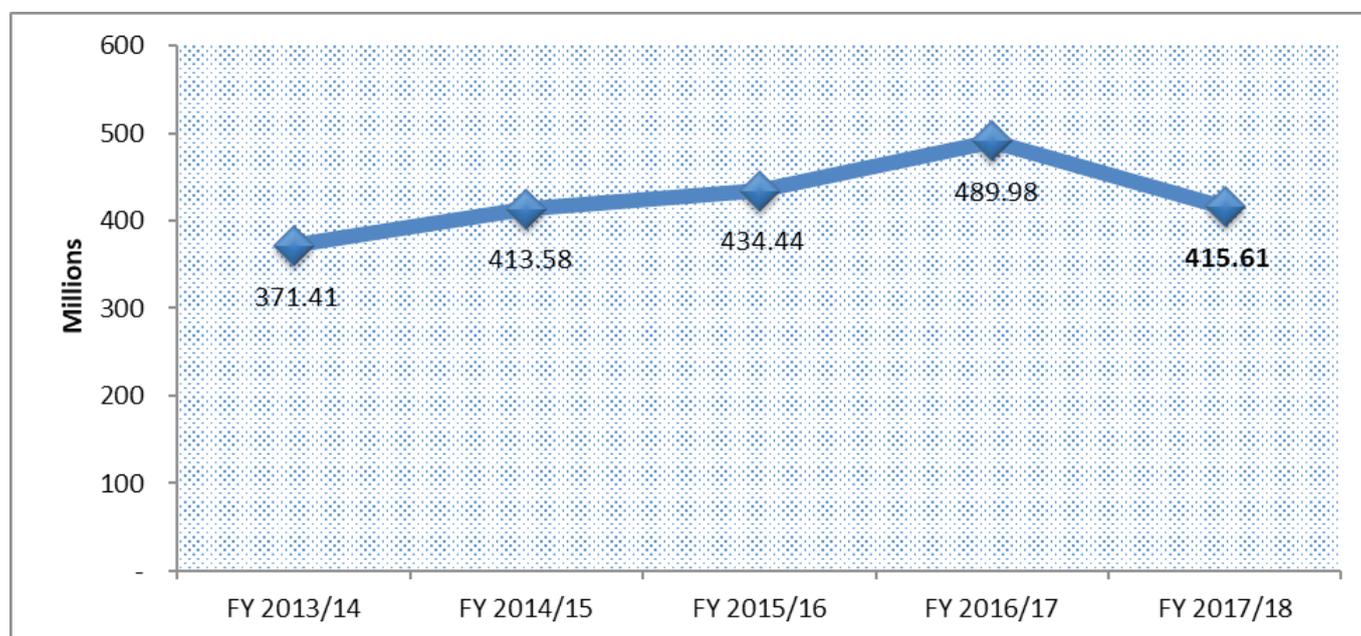
The conditional grants contained in the CARA, 2017 comprised of Kshs.191.95 million (56.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.42.29 million (11.6 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.41.59 million (11.4 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.35.75 million (9.8 per cent) for Development of Youth Polytechnics, Kshs.13.0 million (5.7 per cent) from DANIDA, and Kshs.18.05 million (5 per cent) as Compensation for User Fee Foregone.

### 3.12.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.5.22 billion as equitable share of revenue raised nationally, Kshs.326.98 million as total conditional grants, raised Kshs.415.61 million from own source revenue, and had a cash balance of Kshs.396.77 million from FY 2016/17. The total available funds amounted to Kshs.6.36 billion.

Figure 3.46 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.46: Kericho County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Kericho County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs. 415.61 million, representing a decline of 15.5 per cent compared to Kshs.489.98 million generated in FY 2016/17 and was 74.7 per cent of the annual target.

### 3.12.3 Conditional Grants

Table 3.34 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.34: Kericho County, Analysis of Conditional Grants Actualized in FY 2017/18**

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	191,946,921	205,968,099	191,946,921	100.0
2	World Bank Loan for Transforming Health System for Universal Care System	42,286,732	42,286,732	19,221,241	23.5
3	Kenya Devolution Support Programme (KDSP)	41,594,940	41,594,940	41,594,940	100.0
4	Development of Youth Polytechnics	35,747,121	35,747,121	35,747,121	100.0
5	DANIDA Grant	13,007,075	20,811,321	20,160,966	96.9
6	Compensation for User Fee Foregone	18,048,789	18,048,789	18,313,556	101.5
<b>Total</b>		<b>389,818,032</b>	<b>364,457,002</b>	<b>326,984,745</b>	<b>83.9</b>

Source: Kericho County Treasury

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund, Kenya Devolution Support Programme (KDSP) and Development of Youth Polytechnics recorded the highest receipts at 100 per cent of annual allocation respectively.

### 3.12.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.5.31 billion from the CRF account, which was 81.2 per cent of the Approved Supplementary Budget. This amount represented a decline of 8.6 per cent from Kshs.5.81 billion approved in FY 2016/17 and comprised of Kshs.4.18 billion (78.7 per cent) for recurrent expenditure and Kshs.1.13 billion (21.3 per cent) for development activities.

### 3.12.5 Overall Expenditure Review

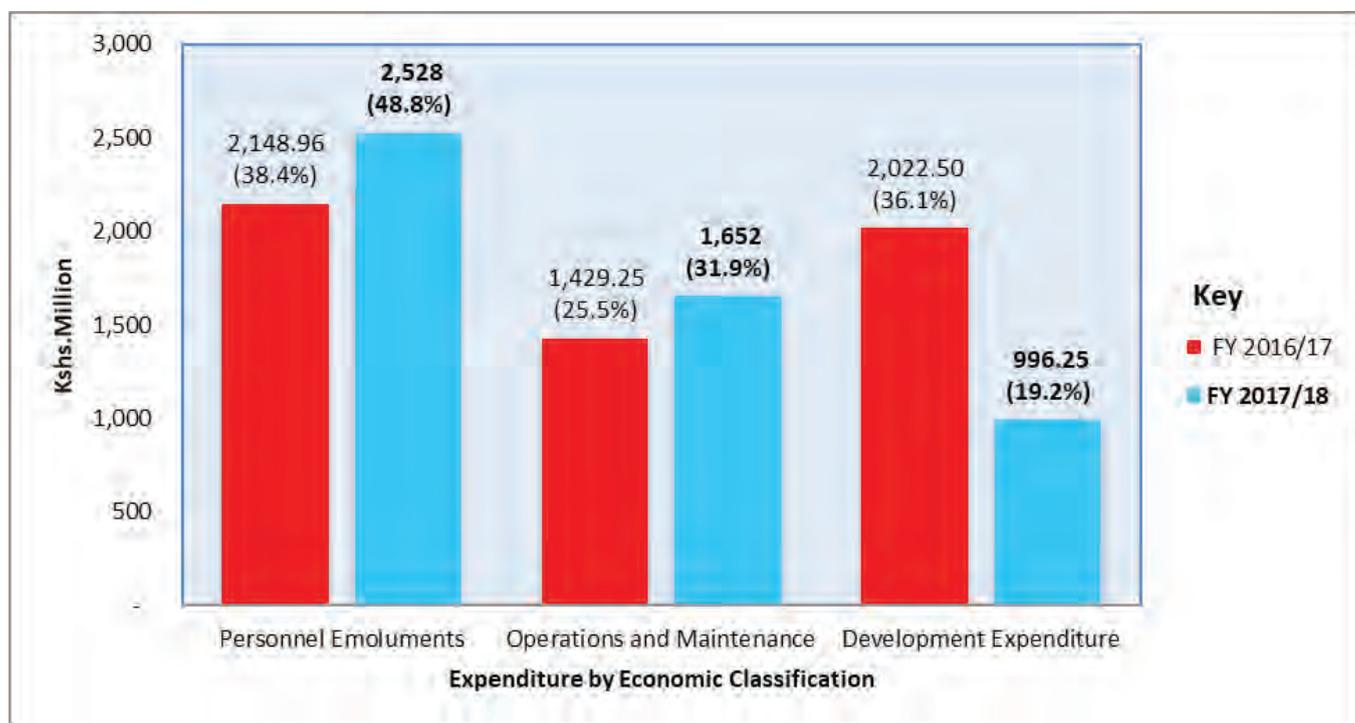
The County spent Kshs.5.18 billion, which was 97.4 per cent of the total funds released for operations. This was a decline of 7.6 per cent from Kshs.5.60 billion spent in FY 2016/17.

A total of Kshs.4.18 billion was spent on recurrent activities while Kshs.996.25 million was spent on development activities. The recurrent expenditure was 100 per cent of the funds released for recurrent activities, while development expenditure was 88 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.965.90 million for development activities and Kshs.289.38 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 92.9 per cent of the annual recurrent budget, a slight increase from 92.8 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 48.8 per cent, which was a decrease from 82.7 per cent attained in FY 2016/17.

Figure 3.47 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.47: Kericho County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



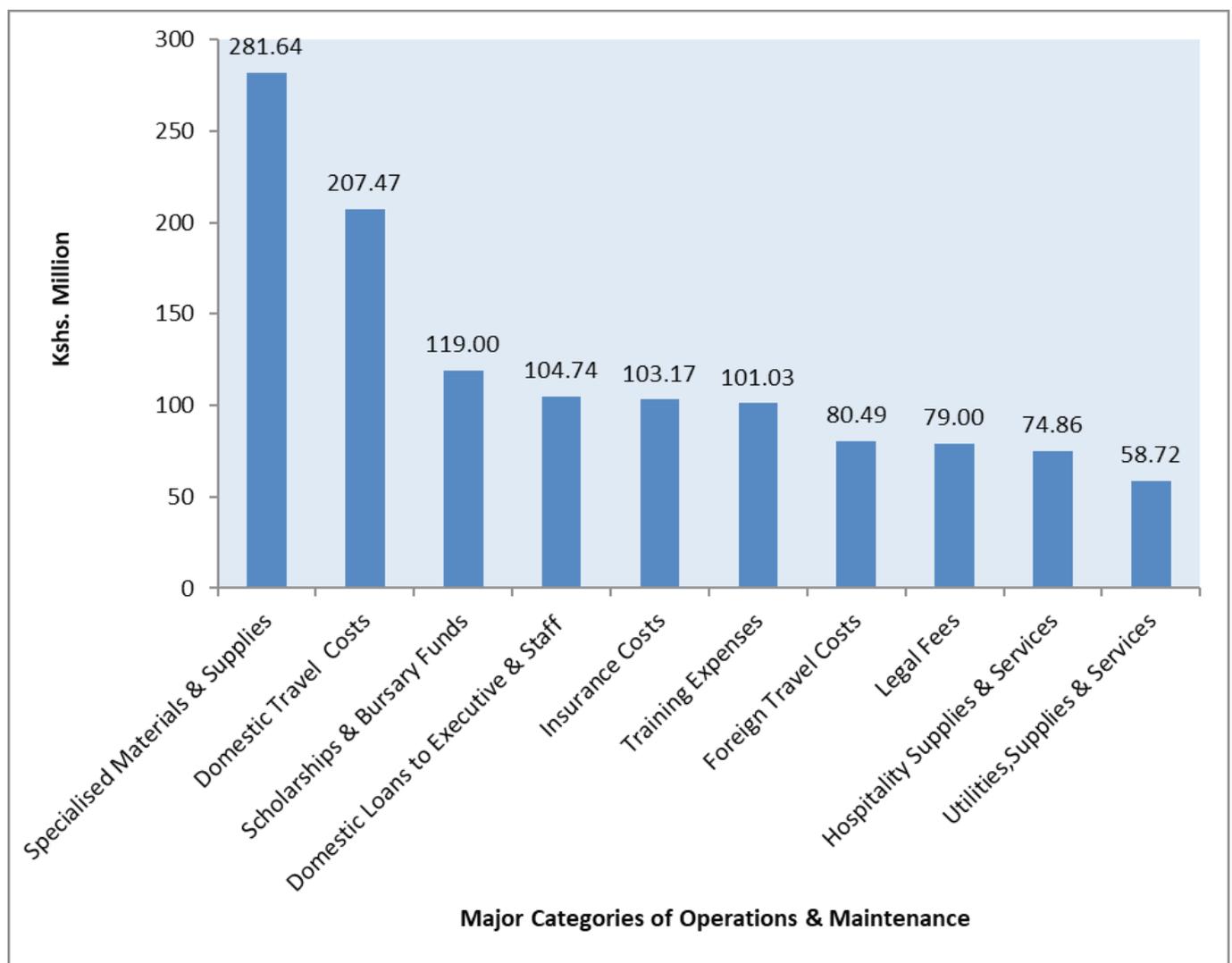
Source: Kericho County Treasury

### 3.12.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.18 billion comprised of Kshs.2.53 billion (60.5 per cent) incurred on personnel emoluments and Kshs.1.65 billion (39.5 per cent) on operations and maintenance as shown in Figure 3.47.

Expenditure on personnel emoluments represented an increase of 17.6 per cent compared to FY 2016/17 when the County spent Kshs.2.15 billion, and was 48.8 per cent of total expenditure in FY 2017/18. Figure 3.48 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.48: Kericho County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Kericho County Treasury

The County spent Kshs.34 million on committee sitting allowances to the 47 MCAs and the speaker against an annual budget allocation of Kshs.35.74 million. This was a decline of 47.2 per cent compared to Kshs.64.40 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.59,044 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.287.95 million and comprised of Kshs.111.99 million spent by the County Assembly and Kshs.175.96 million by the County Executive. This represented 6.9 per cent of total recurrent expenditure and was an increase of 32.5 per cent compared to Kshs.217.37 million spent in FY 2016/17.

### 3.12.7 Development Expenditure Analysis

The total development expenditure of Kshs.996.25 million represented 48.8 per cent of the annual development budget of Kshs.2.04 billion. Table 3.35 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.35: Kericho County, List of Development Projects with the Highest Expenditure in FY 2017/1**

S/No.	Project Name	Project location	Annual Project Budget (Kshs.)	Annual Expenditure (Kshs)	Absorption Rate (%)
1	Construction & Completion of FY 2016/17 County Access Roads in 29 wards (Pending bills)	County wide	300,405,662	301,565,413	100.4
2	Acquisition of 10 acres of land for water infrastructure/treatment plant from Unilever Estate	Kapkurberwet Ward	103,000,000	102,256,137	99.3
3	Purchase of Water Drilling Equipment	Water Department	66,000,000	65,368,815	99.0
4	Design & construction of drainage structures & other infrastructure & civil works including Bridges, Culverts, etc	Across 29 Wards	55,089,264	55,013,354	99.9
5	Construction of Water & Sewerage Infrastructures benefit areas not covered by KEWASCO	Across 29 Wards	134,186,884	52,144,800	38.9
6	Development of County Spatial Plans	Sub-County Head Quarters	35,000,000	34,146,606	97.6
7	Construction & completion of existing ECDE nursery classrooms in 130 ECDE Schools	Across 29 wards	55,000,000	26,696,114	48.5
8	Livestock pests & diseases control programs including vaccination of livestock	County Wide	30,131,472	26,496,208	87.9
9	Maintenance of access roads & drainage structures	Urban Centres	24,528,848	24,477,802	99.8
10	Grants to Tilibei Water & Sanitation Company (TILIL-WASCO)	Kapkatet Ward	35,000,000	22,032,700	63.0

Source: Kericho County Treasury

### 3.12.8 Budget and Budget Performance Analysis by Department

Table 3.36 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.36: Kericho County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	618.08	-	588.08	-	588.07	-	100.0	-	95.1	-
Public Service & Administration	326.11	21.43	291.26	-	310.24	1.43	106.5	-	95.1	6.7
Office of the Governor & Deputy Governor	198.30	-	184.85	-	190.90	-	103.3	-	96.3	-
County Public Service Board	61.84	-	57.43	-	49.72	-	86.6	-	80.4	-
Finance & Economic Planning	350.23	65.72	320.22	33.32	330.56	17.30	103.2	51.9	94.4	26.3
Agriculture, Livestock & Fisheries	209.27	160.18	169.64	53.89	188.12	79.44	110.9	147.4	89.9	49.6
Environment, Water, Energy & Natural Resources	120.04	288.19	106.57	161.77	116.81	191.62	109.6	118.5	97.3	66.5

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Youth, Culture & Social services	398.52	209.59	377.78	43.46	388.04	64.50	102.7	148.4	97.4	30.8
Health Services	1,922	317.81	1,804.17	84.56	1,740.85	32.18	96.5	38.1	90.6	10.1
Land, Housing & Physical Planning	43.45	196.60	41.46	166.86	41	184.79	98.9	110.7	94.4	94.0
Public Works, Roads & Transport	86.67	706.99	84.06	531.23	83.80	381.06	99.7	71.7	96.7	53.9
ICT & E-Government	100.12	43.64	90.13	34.78	92.51	29.63	102.6	85.2	92.4	67.9
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	65.04	30.64	64.66	22.14	59.66	14.31	92.3	64.6	91.7	46.7
<b>TOTAL</b>	<b>4,499.68</b>	<b>2,040.79</b>	<b>4,180.30</b>	<b>1,132.02</b>	<b>4,180.28</b>	<b>996.25</b>	<b>100.0</b>	<b>88.0</b>	<b>92.9</b>	<b>48.8</b>

Source: Kericho County Treasury

Analysis of budget performance by department indicates that the Department of Land, Housing & Physical Planning attained the highest absorption rate of development budget at 94 per cent while the County Assembly Entity, Gubernatorial Office and County Public Service Board did not incur any development expenditure. The Department of Education, Youth, Culture & Social Services had the highest percentage of recurrent expenditure to recurrent budget at 97.4 per cent while the County Public Service Board had the lowest at 80.4 per cent.

### 3.12.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Under-performance in own-revenue collection. During the FY 2017/18, the County generated Kshs.415.61 million, which was a decline of 15.5 per cent compared to Kshs.489.98 million attained in FY 2016/17.
2. Low expenditure on development activities which reduced by 50.7 per cent to Kshs.996.25 million from Kshs.2.02 billion incurred in FY 2016/17 and accounted for an absorption rate of 48.8 per cent.
3. Delay in establishment of an Internal Audit Committee to oversee financial operations and management of public financial resources as provided in Section 155 of the PFM, Act 2012.
4. Operational delays and IFMIS down time witnessed towards the close of the financial year affected approval of requests and payments to suppliers.
5. High personal emolument costs which accounted 48.8 per cent of total expenditure during the reporting period. A high wage bill may affect implementation of development projects.

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

1. The County Treasury should formulate and implement strategies to enhance own source revenue collection.
2. The County should devise and implement strategies to enhance absorption of development funds.
3. The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
4. The County Treasury should liaise with the IFMIS Directorate at the National Treasury for support in order to address the frequent system down time.
5. The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.

### 3.13 Kiambu County

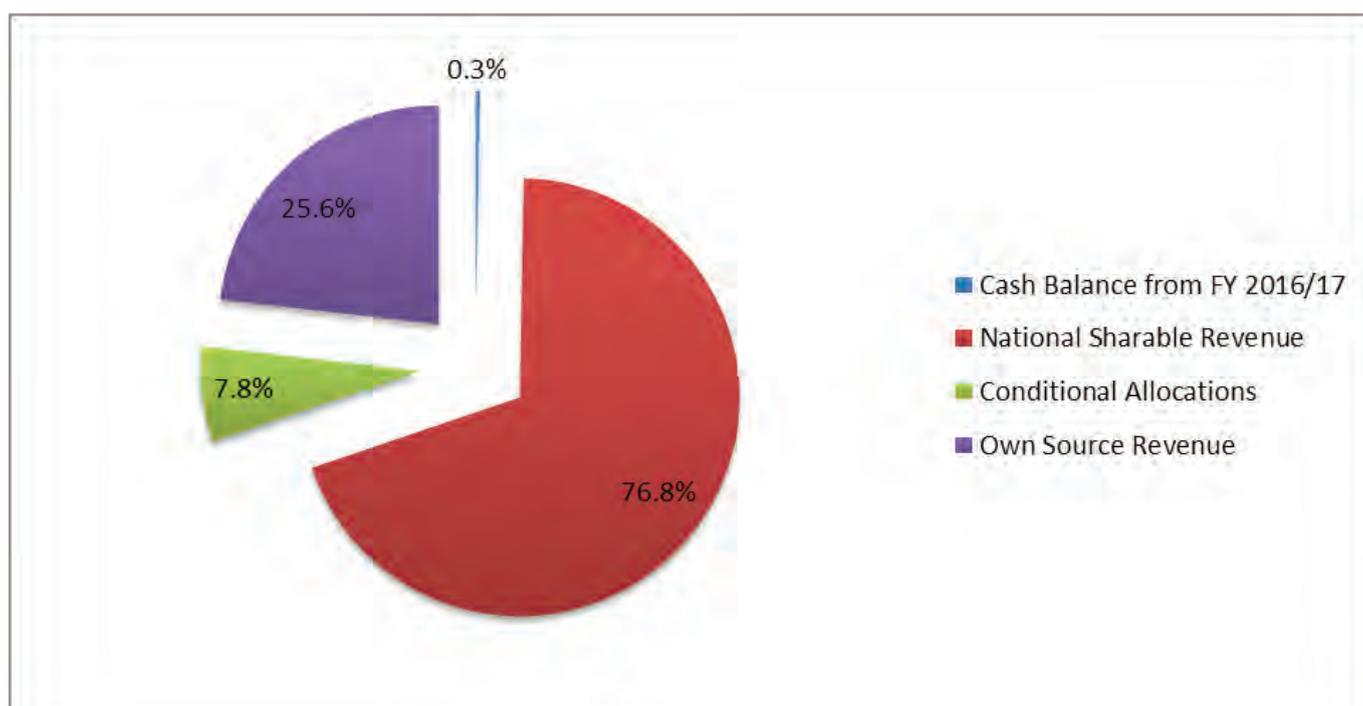
#### 3.13.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.12.59 billion, comprising of Kshs.9.8 billion (78 per cent) and Kshs.2.77 billion (22 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.9.66 billion (76.8 per cent) as equitable share of revenue raised nationally, Kshs.975.49 million (7.8 per cent) as total conditional grants and generate Kshs.3.23 billion (25.6 per cent) from own source revenue Sources, and Kshs.40.06 million (0.3 per cent) cash balance from FY 2016/17.

Figure 3.49 shows the expected sources of financing the budget in FY 2017/18

**Figure 3.49: Kiambu County, Expected Sources of Financing the Budget in FY 2017/18 (%)**



*Source: Kiambu county Treasury*

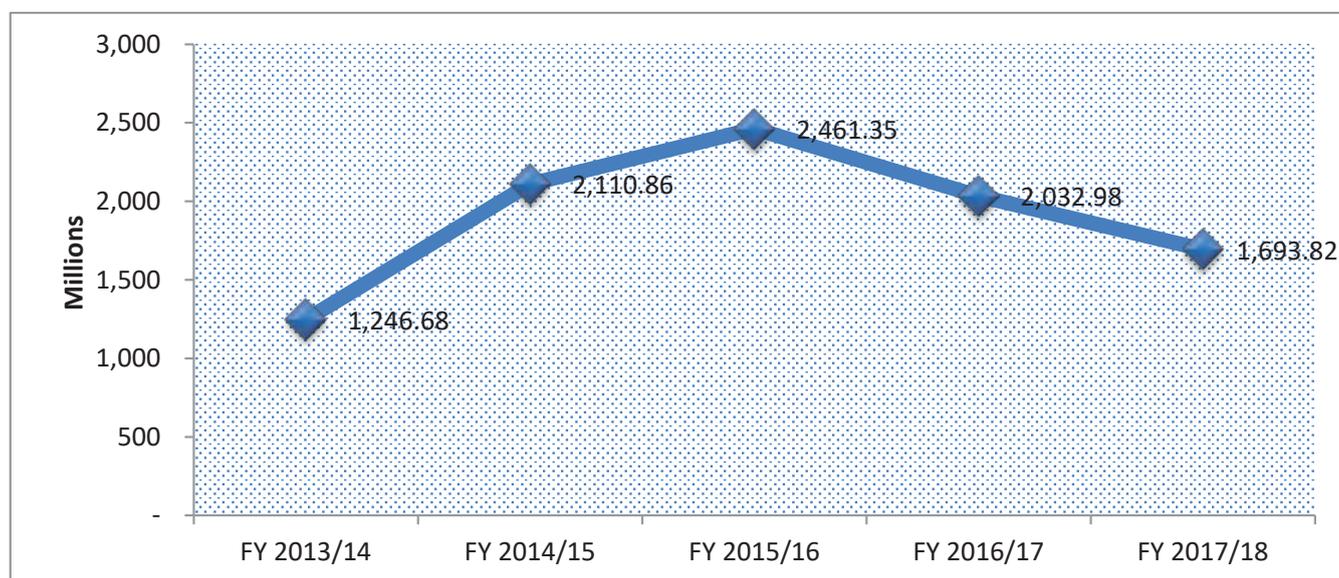
Conditional grants contained in the CARA, 2017 comprised of Kshs.317.99 million (28.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.34.67 million (3.1 per cent) as Compensation for User Fee Foregone, Kshs.33.4 million (0.13 per cent) from DANIDA, Kshs.412.72 million (37 per cent) for Thika Level 5 Hospital, Kshs.56.46 million (5.1 per cent) for the World Bank Kenya Devolution Support Program, Kshs.60.1 million (5.4 per cent) for Development of Youth Polytechnics, Kshs.22 million (2.9 per cent) as World Bank Loan for Transforming Health System for Universal Care System and Kshs.50 million (0.37 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project.

#### 3.13.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.9.66 billion as equitable share of revenue raised nationally, Kshs.920.49 million as total conditional grants, raised Kshs.1.69 billion from own source revenue, and had a cash balance of Kshs.40.05 million from FY 2016/17. The total available funds amounted to Kshs.12.3 billion.

Figure 3.50 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.50: Kiambu County, Trend in Annual Own Source revenue Collection from FY 2013/14 to FY 2017/18**



Source: Kiambu county Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.1.69 billion, representing a decline of 19.2 per cent compared to Kshs.2.1 billion generated in FY 2016/17 and was 52.5 per cent of the annual target.

### 3.13.3 Conditional Grants

Table 3.37 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.37: Kiambu County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Level-5 Hospital	412,716,763	412,716,763	412,716,763	100
2	Road Maintenance Fuel Levy Fund	317,998,559	317,998,559	261,434,700	82
3	Leasing of Medical Equipment	95,744,681	-	-	-
4	Development of Youth Polytechnics	60,096,220	60,096,220	60,096,220	100
5	Kenya Devolution Support Programme (KDSP)	56,459,859	56,459,859	56,459,859	100
6	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101
7	Compensation for User Fee Foregone	34,671,542	34,671,542	35,773,082	103
8	DANIDA Grant	33,400,684	21,548,828	33,400,684	100
9	World Bank Loan for Transforming Health System for universal Care Project	22,000,000	22,000,000	10,000,000	31
10	Conditional Allocation - Other Loans & Grants	21,851,856	-	-	-
<b>Total</b>		<b>1,114,940,164</b>	<b>975,491,771</b>	<b>920,491,163</b>	<b>83</b>

Source: Kiambu county Treasury

Analysis of the conditional grants released during the period under review indicates that, Compensation for User Fee Foregone recorded the highest receipts at 103 per cent of the annual target.

### 3.13.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.11.9 billion from the CRF account, which was 94.7 per cent of the Approved Supplementary Budget. This amount represented an increase of 9.3 per cent from Kshs.11.34 billion approved in FY 2016/17 and comprised of Kshs.9.71 billion (81.4 per cent) for recurrent expenditure and Kshs.2.21 billion (18.6 per cent) for development activities.

### 3.13.5 Overall Expenditure Review

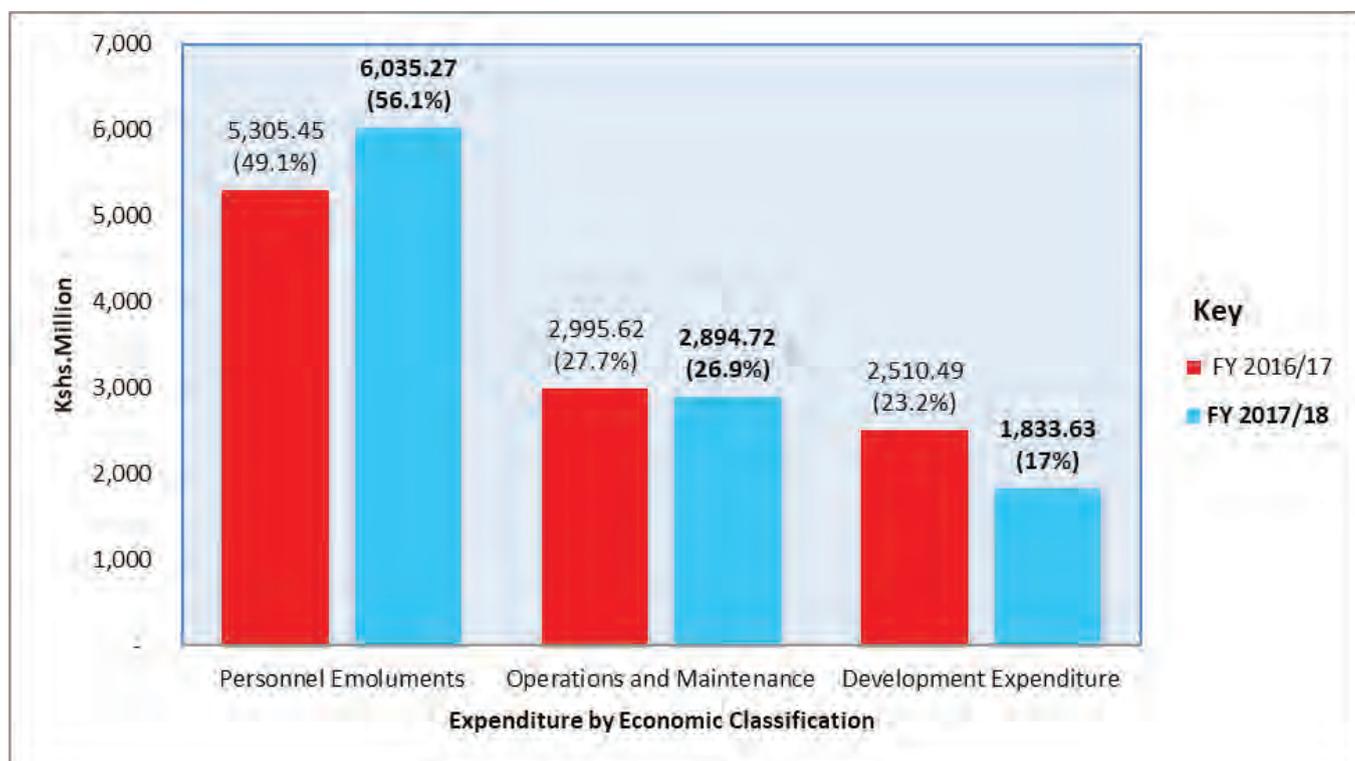
The County spent Kshs.10.76 billion, which was 90.3 per cent of the total funds released for operations. This was a decline of 0.3 per cent from Kshs.10.8 billion spent in FY 2016/17.

A total of Kshs.8.93 billion was spent on recurrent activities while Kshs.1.83 billion was spent on development activities. The recurrent expenditure was 91.9 per cent of the funds released for recurrent activities, while development expenditure was 82.9 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.507.18 million for development activities and Kshs.278.58 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 91 per cent of the annual recurrent budget, a decrease from 94.3 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 66.1 per cent, which was a decrease from 69.9 per cent attained in FY 2016/17.

Figure 3.51 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.51: Kiambu County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



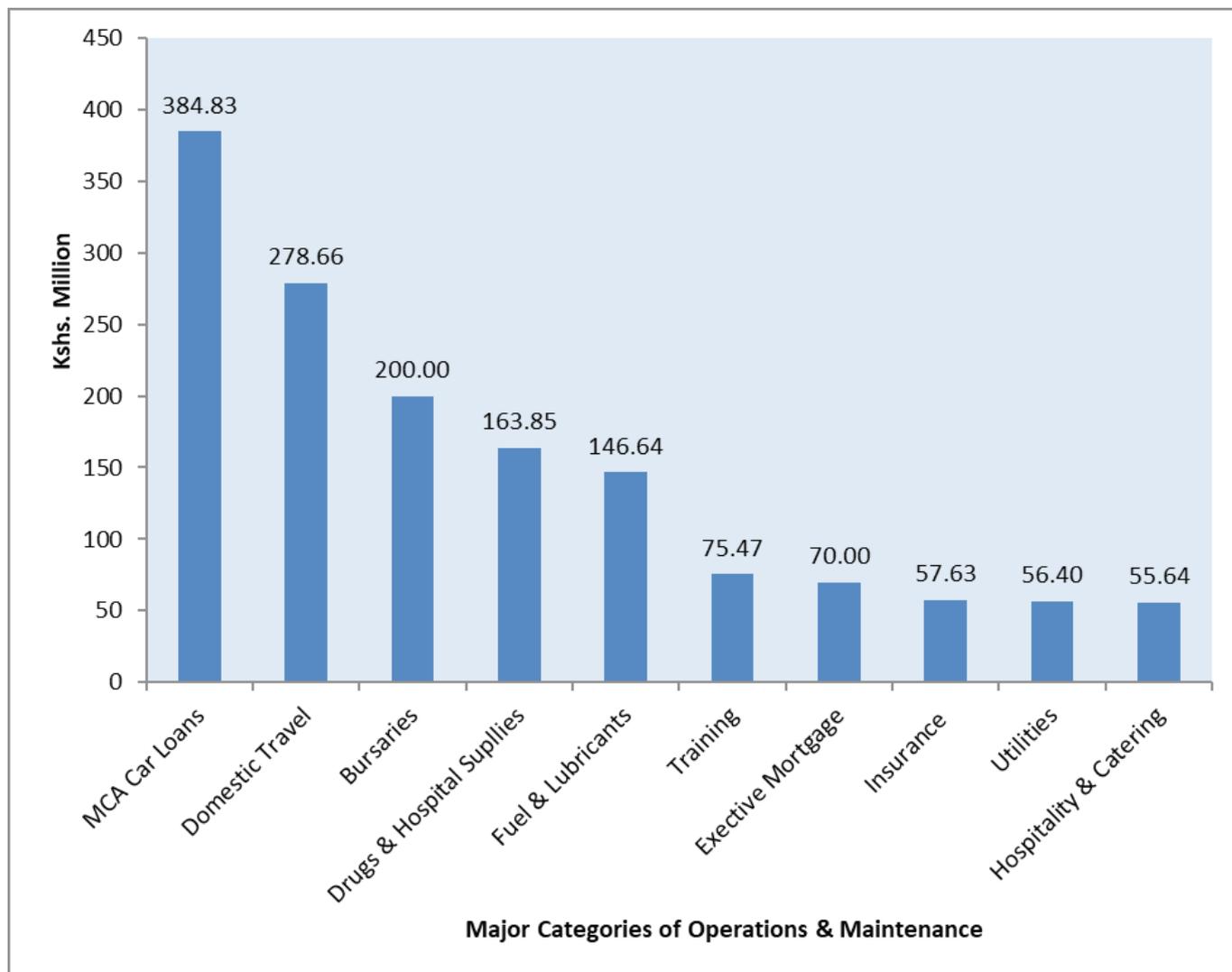
Source: Kiambu county Treasury

### 3.13.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.8.93 billion comprised of Kshs.6.04 billion (67.4 per cent) incurred on personnel emoluments and Kshs.2.89 billion (32.6 per cent) on operations and maintenance as shown in Figure 3.51.

Expenditure on personnel emoluments represented an increase of 13.8 per cent compared to FY 2016/17 when the County spent Kshs.5.31 billion, and was 56.1 per cent of total expenditure in FY 2017/18. Figure 3.52 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.52: Kiambu County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Kiambu County Treasury

The County spent Kshs.56.25 million on committee sitting allowances to the 94 MCAs against the annual budget allocation of Kshs.56.25 million. This was a decline of 45.4 per cent compared to Kshs.102.99 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.49,866 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.278.66 million and comprised of Kshs.171.97 million spent by the County Assembly and Kshs.106.69 million by the County Executive. This represented 3.1 per cent of total recurrent expenditure, and was a decrease of 30 per cent compared to Kshs.398 million spent in FY 2016/17.

### 3.13.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.83 billion represented 67.9 per cent of the annual development budget of Kshs.2.77 billion. Table 3.38 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.38: Kiambu County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)
1	Thogoto-Ndaire road	Thogoto	181,452,510	70,000,000
2	A2 Junction Kimbo Matangini	Kimbo	170,552,896	70,000,000
3	Lari-Kimende town roads	Lari	139,821,009	60,000,000
4	Construction of Githunguri CBD roads	Githunguri	103,997,581	50,000,000
5	Construction of an Amphitheatre and Talent Academy	Kiambu	40,000,000	40,000,000
6	Installation of LAN and monthly subscription of internet Safaricom internet services	Countywide	62,000,000	31,461,914
7	Construction of a perimeter fence, gatehouse and landscaping	Kiambu	19,759,470	13,389,252
8	Avocado seedlings project	Countywide	11,949,401	9,949,501
9	Limuru Hawkers Market	Limuru	14,328,296	9,900,250
10	Refurbishment & construction of a wall at Bahati ECDE	Thika	7,832,540.00	7,832,540.00

Source: Kiambu County Treasury

### 3.13.8 Budget and Budget Performance Analysis by Department

Table 3.39 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.39: Kiambu County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs.Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	1,373.75	8	1,274.79	2.12	1,373.75	8	107.8	377.6	100	100
County Executive	528.37	3.63	528.37	1.94	528.37	3.63	100	187.3	100	100
County Public Service Board	58.11	0	58.11	-	58.11	-	100		100	
Finance, ICT and Econ. Planning	1,112.92	106.25	1,112.92	77.50	1,112.92	106.25	100	137.1	100	100
Administration, Public Service and Communication	581.61	56.94	581.61	45.58	581.61	56.94	100	124.9	100	100
Agriculture, Crop production and irrigation	437.94	66.84	437.94	10.60	0.94	66.84	0.2	630.2	0.2	100
Water, Energy Environment & Natural Resources	272.99	159.43	272.99	152.21	272.99	159.43	100	104.7	100	100
Health Services	3,552.52	879.75	3,552.52	701.57	3,552.52	879.75	100	125.4	100	100
Education, Youth, Sports, Culture & Social Services	1,275.23	214.99	1,275.23	200.14	1,275.23	214.99	100	107.4	100	100
Lands, Physical Planning & Housing	166.82	94.86	166.82	65.24	166.82	94.86	100	145.4	100	100
Trade, Tourism, Industry & Cooperative	148.75	56.27	148.75	67	148.75	56.27	100	84	100	100
Roads, Transport & Public Works	296.47	1,092.20	296.47	883.18	296.47	1,092.20	100	123.7	100	100
Livestock, Fisheries and Marketing	5.35	35.58	5.35	5.80	437	35.58	8167.4	613.5	8167.4	100
<b>TOTAL</b>	<b>9,811</b>	<b>2,775</b>	<b>9,712</b>	<b>2,213</b>	<b>9,805</b>	<b>2,775</b>	<b>101</b>	<b>125.4</b>	<b>99.9</b>	<b>100</b>

Source: Kiambu county Treasury

Analysis of budget performance by department shows that, all the county Departments absorbed their full allocations of the development and recurrent budget.

### 3.13.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. High expenditure on personnel emolument, which increased by 13.8 per cent from Kshs.5.31 billion in FY 2016/17 to Kshs.6.4 billion in FY 2017/18.
2. Underperformance in own source revenue collection which declined by 19.2 per cent from Kshs.2.1 billion collected in FY 2016/17 to Kshs.1.69 billion in FY 2017/18.
3. Decline in absorption of development budget by 27.1 per cent. Development expenditure was Kshs.1.83 billion in FY 2017/18 compared to Ksh.2.51 billion recorded in FY 2016/17.
4. Late submission of financial reports by County Treasury to the COB which affected timely preparation of budget implementation review report.
5. Weak budgetary control as evidenced by expenditure in excess of approved budgetary allocation in the Health, and Water & Irrigation Departments.

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 formulate and implement strategies to enhance own source revenue collection.*
3. *The County should formulate strategies to enhance absorption of development funds.*
4. *The County Treasury should ensure timely preparation and submission of financial returns in line with section 166 of the PFM Act, 2012.*
5. *The County Treasury should improve vote book and budgetary control to ensure that expenditure is within the approved budget.*

## 3.14 Kilifi County

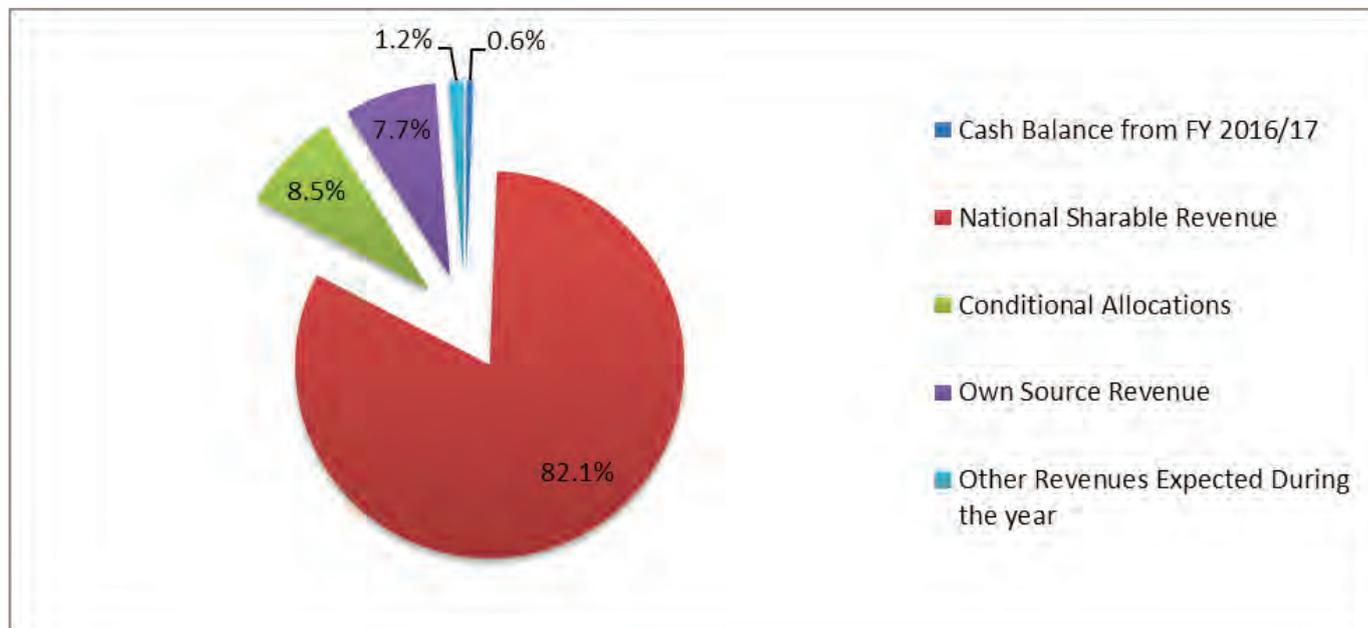
### 3.14.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.12.13 billion, comprising of Kshs.7.86 billion (64.8 per cent) and Kshs.4.27 billion (35.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.9.95 billion (82.1 per cent) as equitable share of revenue raised nationally, Kshs.1.03 billion (8.5 per cent) as total conditional grants, generate Kshs.929.66 million (7.7 per cent) from own source revenue, Kshs.72.74 million (0.6 per cent) cash balance from FY 2016/17 and Kshs.146.9 million (1.2 per cent) as other revenue expected from the National Government for health workers salaries from the national government.

Figure 3.53 shows the expected sources of budget financing in FY 2017/18

**Figure 3.53: Kilifi County, Expected Sources of Budget Financing in FY 2017/18 (%)**



Source: Kilifi County Treasury

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (10.6 per cent) for Leasing of Medical Equipment, Kshs.317.05 million (35.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.25.97 million (2.9 per cent) as Compensation for User Fee Foregone, Kshs.33.3 million (3.7 per cent) from DANIDA, Kshs.96.84 million (10.8 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.57.11 million (6.3 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.67.91 million (7.5 per cent) for Development of Youth Polytechnics, Kshs.136.24 million (15.1 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.20 million (2.2 per cent) as Other Loans and Grants and, Kshs.50 million (5.6 per cent) as World Bank Loan for National Agricultural and Rural Inclusive Project.

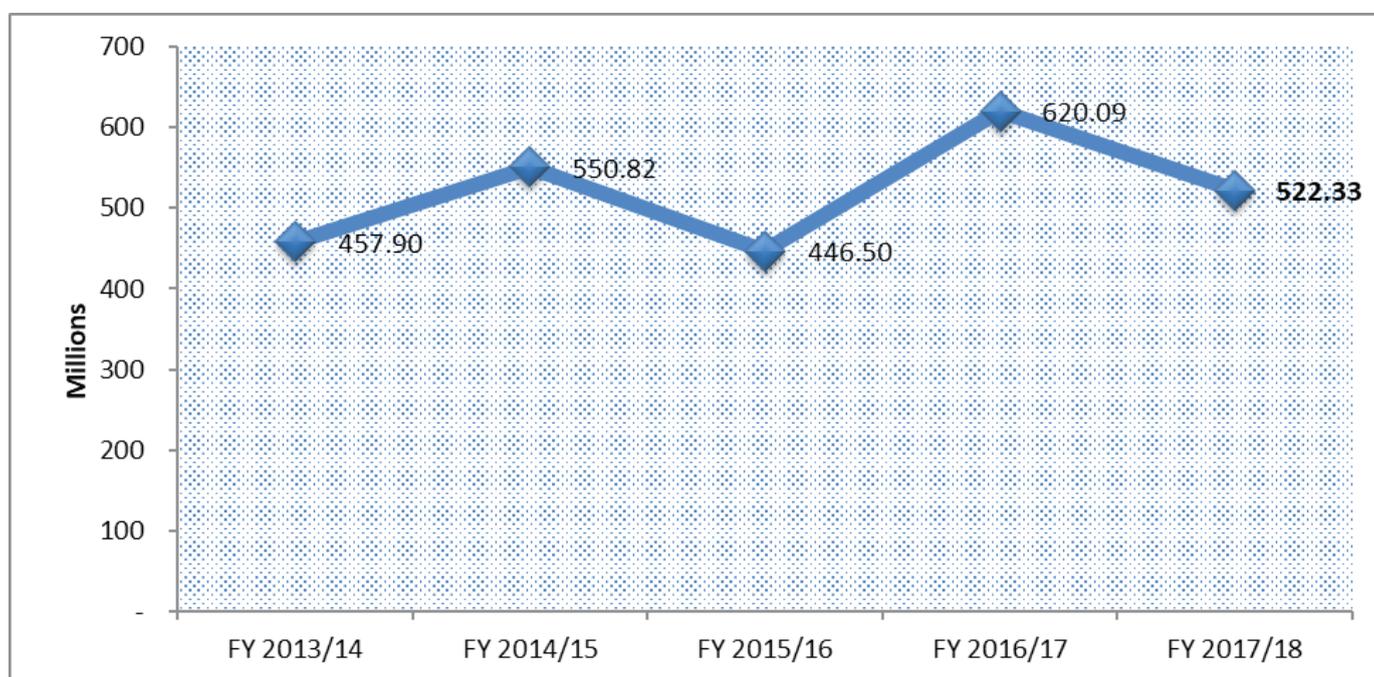
The County also budgeted to receive Kshs.124.46 million as grant for Free Maternal Care programme, which is not contained in the CARA, 2017.

### 3.14.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.9.95 billion as equitable share of revenue raised nationally, Kshs.665.37 million as total conditional grants, raised Kshs.522.33 million from own source revenue, and had a cash balance of Kshs.72.74 million from FY 2016/17. The total available funds amounted to Kshs.11.21billion.

Figure 3.54 shows the annual trend in own source revenue Collection from FY 2013/14 to FY 2017/18.

**Figure 3.54: Kilifi County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Kilifi County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.522.33 million, representing a decline of 15.8 per cent compared to Kshs.620.09 million generated in FY 2016/17 and was 56.2 per cent of the annual target.

### 3.14.3 Conditional Grants

Table 3.40 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.40: Kilifi County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	317,047,351	318,515,934	317,047,351	100
2	World Bank loan for Transforming Health System for Universal Care Project	136,244,736	93,668,256	42,576,480	31
3	World Bank loan to supplement financing of County Health facilities	96,840,000	96,840,000	-	-
4	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
5	Development of Youth Polytechnics	67,906,049	67,906,049	67,906,049	100
6	Kenya Devolution Support Programme (KDSP)	57,107,014	57,107,014	57,107,014	100
7	World Bank loan for National Agricultural & Rural Inclusive Project	50,000,000	50,609,855	50,609,855	101
8	DANIDA grant	33,300,775	21,484,371	21,484,371	65
9	Compensation for User Fee Foregone	25,969,864	25,969,864	38,209,001	147
10	Conditional Allocation - Other Loans & Grants	20,000,000	74,392,884	3,653,221	18

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	<b>Grants Contained in the CARA, 2017</b>				
<b>Sub Total</b>		<b>900,160,470</b>	<b>902,238,908</b>	<b>598,593,343</b>	<b>66</b>
B	<b>Other Grants</b>				
11	Free Maternal Healthcare	-	124,461,343	66,776,764	12.1
12	Conditional allocation for health workers salaries		146,898,050	-	-
<b>Sub Total</b>		-	<b>146,898,050</b>	66,776,764	12.1
<b>Grand Total</b>		<b>900,160,470.0</b>	<b>1,173,598,301</b>	<b>665,370,106.6</b>	<b>74</b>

Source: Kilifi County Treasury

Analysis of the conditional grants released during the period under review indicates that, Compensation for User Fee Foregone attained the highest receipts at 147 per cent of annual allocation.

### 3.14.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.10.71billion from the CRF account, which was 88.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 16 per cent from Kshs.9.23 billion approved in FY 2016/17 and comprised of Kshs.7.16 billion (66.9 per cent) for recurrent expenditure and Kshs.3.55 billion (33.1 per cent) for development activities.

### 3.14.5 Overall Expenditure Review

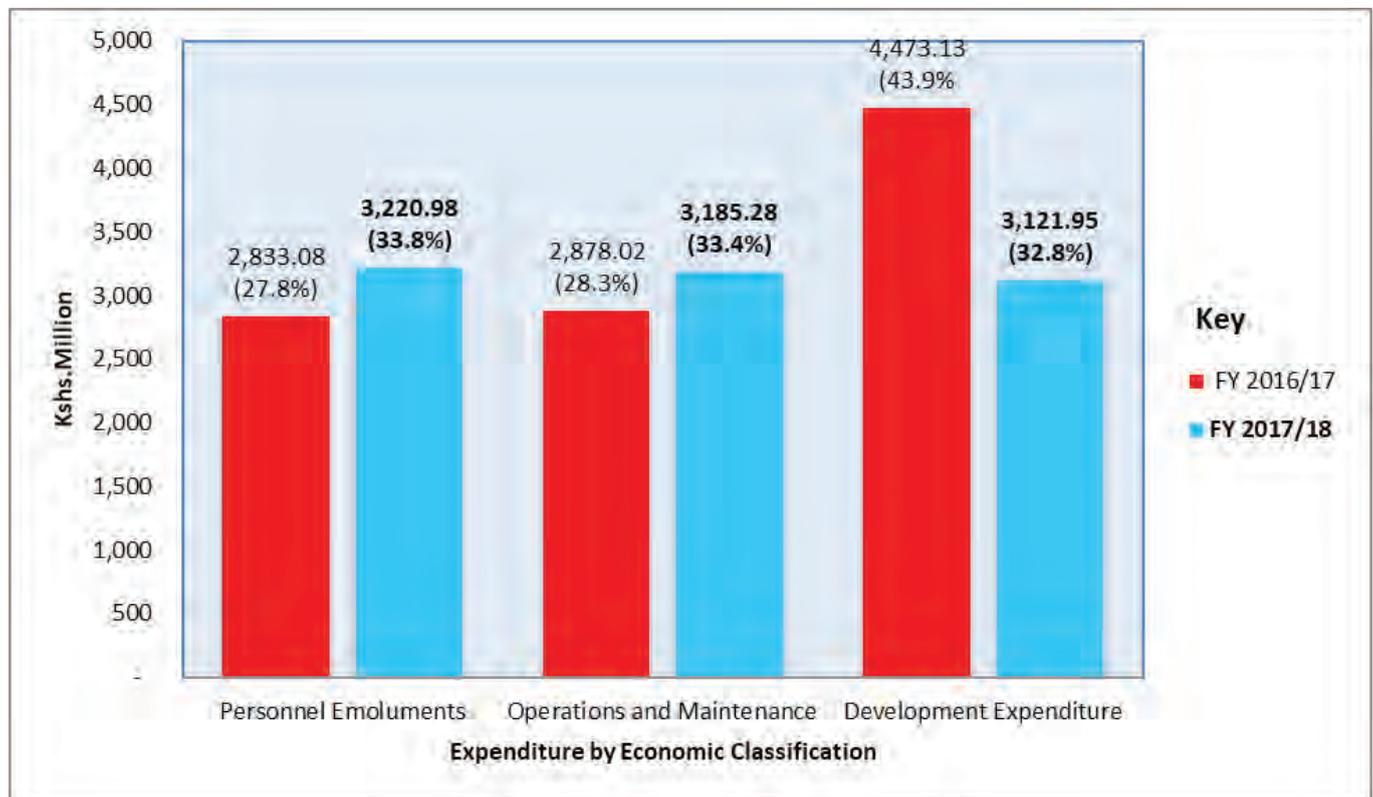
The County spent Kshs.9.53 billion, which was 89 per cent of the total funds released for operations. This was a decline of 6.4 per cent from Kshs.10.18 billion spent in FY 2016/17.

A total of Kshs.6.41 billion was spent on recurrent activities while Kshs.3.12 billion was spent on development activities. The recurrent expenditure was 89.4 per cent of the funds released for recurrent activities, while development expenditure was 88 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.594.21 million for development activities and Kshs.630.5 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 81.5 per cent of the annual recurrent budget, a decrease from 87.8 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 73.1 per cent, which was an increase from 65.5 per cent attained in FY 2016/17.

Figure 3.55 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.55: Kilifi County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



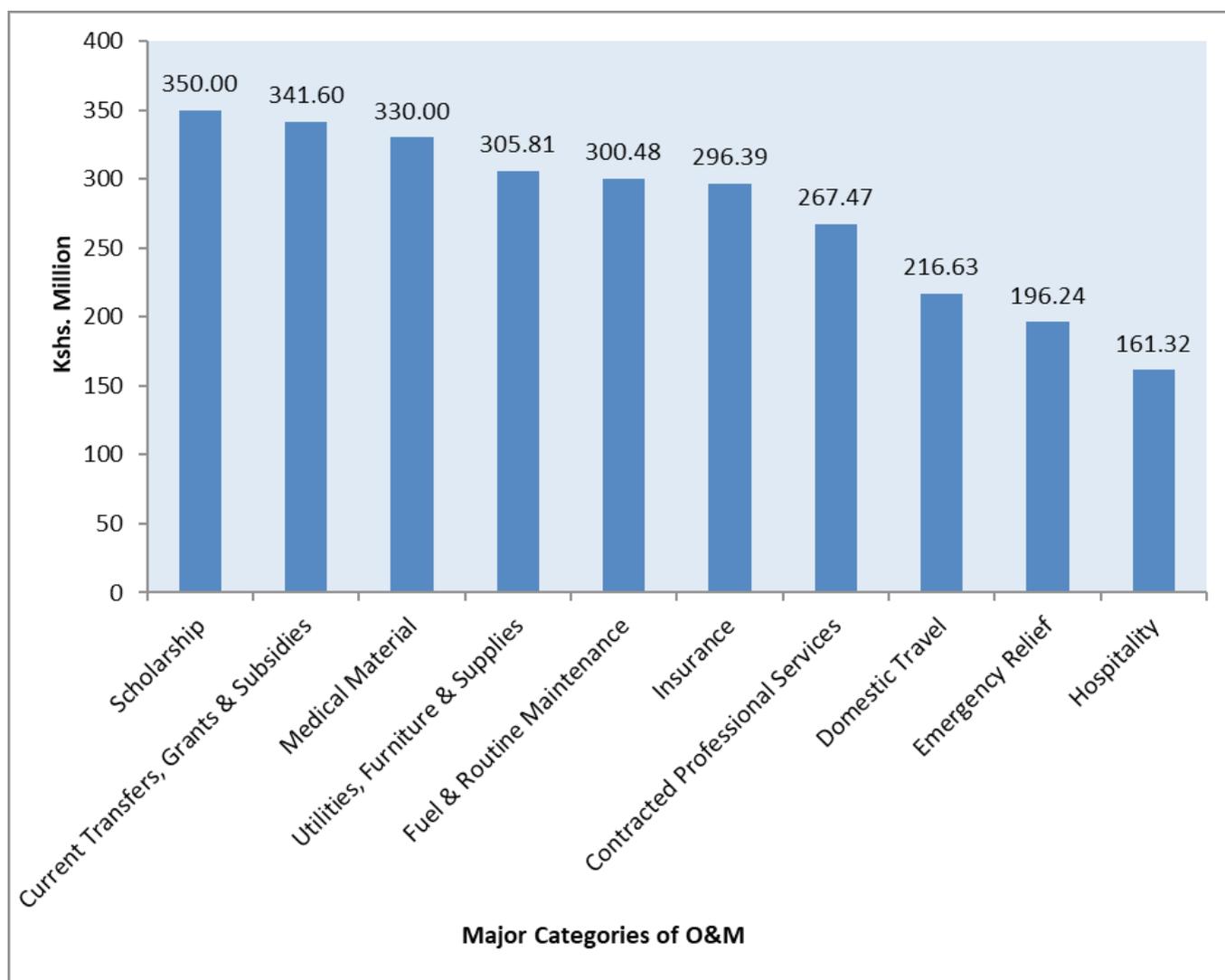
*Source: Kilifi County Treasury*

### 3.14.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.41 billion comprised of Kshs.3.22 billion (50.3 per cent) incurred on personnel emoluments and Kshs.3.19 billion (49.7 per cent) on operations and maintenance as shown in Figure 3.55.

Expenditure on personnel emoluments represented an increase of 13.7 per cent compared to FY 2016/17 when the County spent Kshs.2.83 billion, and was 33.8 per cent of total expenditure in FY 2017/18. Figure 3.56 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.56: Kilifi County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Kilifi County Treasury*

The County spent Kshs.24.49 million on committee sitting allowances to the 56MCAs against the annual budget allocation of Kshs.86.49 million. This was a decline of 49.8 per cent compared to Kshs.48.74 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.36,436 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.216.63 million and comprised of Kshs.117.36 million spent by the County Assembly and Kshs.99.27 million by the County Executive. This represented 3.4 per cent of total recurrent expenditure and was an increase of 1.1 per cent compared to Kshs.214.29 million spent in FY 2016/17.

### 3.14.7 Development Expenditure Analysis

The total development expenditure of Kshs.3.12 billion represented 73.1 per cent of the annual development budget of Kshs.4.27 billion. Table 3.41 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.41: Kilifi County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Annual Project budget (Kshs.)	Annual Expenditure (Kshs.)	Absorption rate (%)
1	Supply of ECD furniture	All wards	30,000,000	26,700,000	89
2	Proposed upgrading to paved standard of Malindi Township road to cabro standards	All wards	91,851,810	72,538,340	79
3	Construction of Market at Mazeras (Purchase of Land)	Mazeras	30,000,000	21,817,900	73
4	Development of Youth Polytechnics	Headquarters	67,906,049	22,649,603	33
5	Purchase of Water Drilling Rig	Headquarters	50,000,000	50,000,000	100
6	Construction of hospital complex	Headquarters	50,000,000	29,614,562	59
7	Opening of access roads in Chakama settlement scheme phase ii	Magarini	20,000,000	19,276,000	96
8	Completion of Mtwapa Market	Mtwapa	47,541,000	33,610,000	71
9	Completion of BP-Eden Rock	Malindi Town	70,000,000	46,595,000	67
10	Completion of Mtwapa Buspark	Mtwapa	93,558,064	23,959,000	26

Source: Kilifi County Treasury

### 3.14.8 Budget and Budget Performance Analysis by Department

Table 3.42 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.42: Kilifi County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	900.42	149.80	673.42	142.50	609.32	73.32	90.5	51.5	67.7	48.9
County Executive	557	-	478.18	-	421.25	-	88.1		75.6	
Finance and Economic Planning	590.09	38	548.57	20.84	358.28	6.74	65.3	32.3	60.7	17.7
Agriculture, Livestock and Fisheries	332.05	364.98	329.64	322.93	264.22	121.79	80.2	37.7	79.6	33.4
Water, Environment, Natural Resources and Solid Waste Management	285.86	868.59	217.60	606.15	258.58	622.28	118.8	102.7	90.5	71.6
Education, Sports And Youth Affairs	791.97	532.88	775.55	390.59	643.61	275.74	83.0	70.6	81.3	51.7
County Health Services	2,560.20	563.92	2,367.01	544.55	2,439.84	429.11	103.1	78.8	95.3	76.1
Roads, Transport and Public Works	418.63	1,321.12	402.77	1,121.58	327.05	1,307.86	81.2	116.6	78.1	99.0
Land, Housing, Physical Planning & Energy	287.58	76.02	276.41	72.19	193.60	71.47	70.0	99.0	67.3	94.0
ICT, E-Government, Culture and Social Services	129.93	120.63	129.93	111.04	79.53	58.32	61.2	52.5	61.2	48.3
Trade Industrialization, Cooperatives, Tourism And Wildlife	113.70	189.55	113.62	179.79	65.23	133.62	57.4	74.3	57.4	70.5

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	90.72	-	90.32	-	41.95	-	46.5		46.2	
Devolution, Public Service & Disaster	799.92	43.36	759.23	37.39	703.81	21.71	92.7	58.1	88.0	50.1
<b>TOTAL</b>	<b>7,858</b>	<b>4,269</b>	<b>7,162</b>	<b>3,550</b>	<b>6,406</b>	<b>3,122</b>	<b>89.4</b>	<b>88.0</b>	<b>81.5</b>	<b>73.1</b>

Source: Kilifi County Treasury

Analysis of budget performance by department shows that, the Department of Roads, Transport and Public Works attained the highest absorption rate of development budget at 99 per cent while the Department of Finance and Economic Planning had the lowest at 17.7 per cent. The Department of County Health Services had the highest percentage of recurrent expenditure to recurrent budget at 95.3 per cent while the County Public Service Board had the lowest at 46.2 per cent.

### 3.14.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Late submission of financial reports by the County Treasury to the Office of the Controller of Budget, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
2. Decline in own source revenue collection by 15.8 per cent to Kshs.522.33 million compared to Kshs.620.09 million generated in FY 2016/17.

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

1. The County Treasury should ensure timely preparation and submission of accurate financial reports in line with Section 166 of PFM Act 2012.
2. The County Treasury should formulate and implement strategies to enhance own source revenue collection.

## 3.15 Kirinyaga County

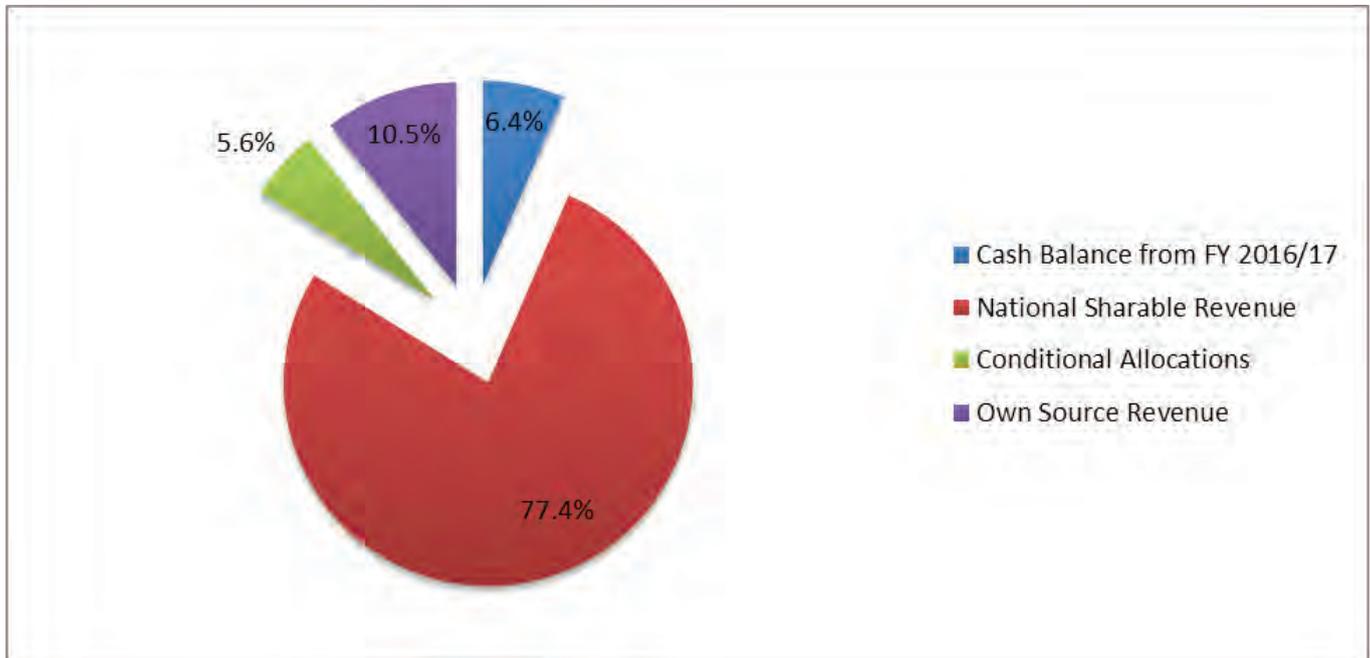
### 3.15.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.5.7 billion, comprising of Kshs.3.99 billion (70 per cent) and Kshs.1.71 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.41 billion (77.4 per cent) as equitable share of revenue raised nationally, Kshs.320.56 million (5.6 per cent) as total conditional grants, generate Kshs.600 million (10.5 per cent) from own source revenue, and Kshs.365.24 million (6.4 per cent) cash balance from FY 2016/17.

Figure 3.57 shows the expected sources of budget financing in FY 2017/18

**Figure 3.57: Kirinyaga County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Kirinyaga County Treasury*

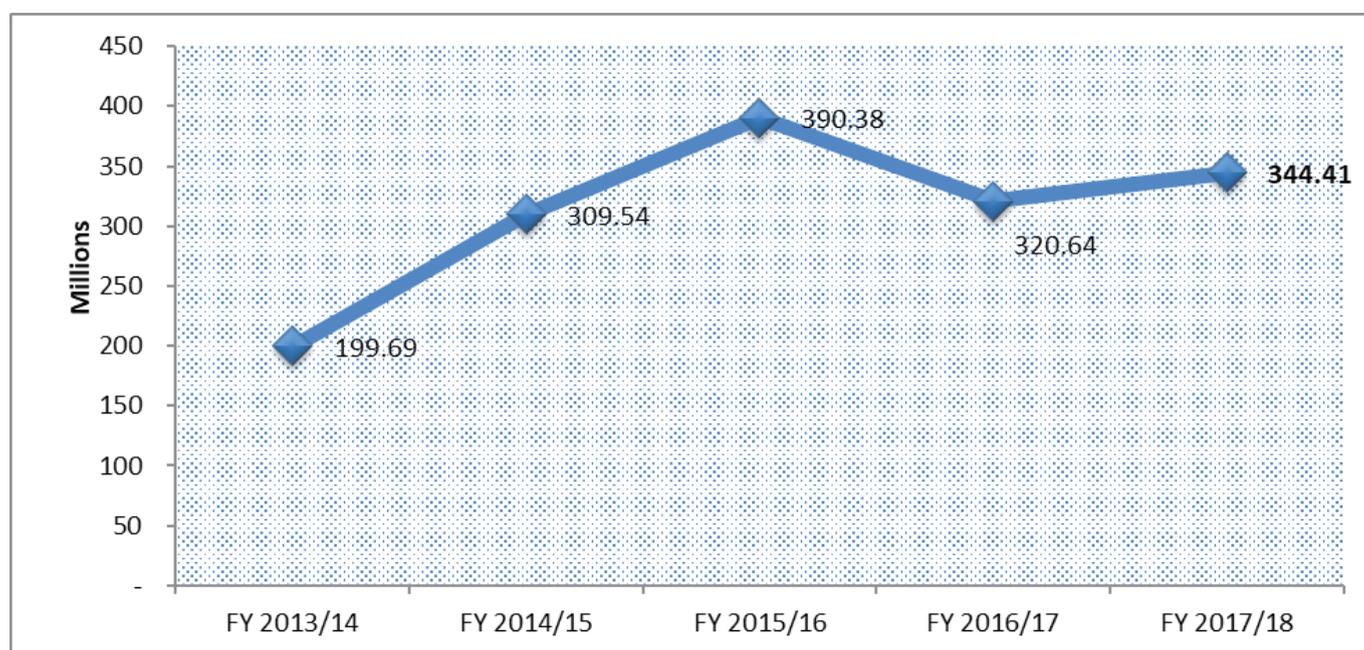
The conditional grants contained in the CARA, 2017 comprised of Kshs.150.75 million (44.9 per cent) for Road Maintenance Fuel Levy Fund, Kshs.38.36 million (11.4 per cent) from the Kenya Devolution Support Programme (KDSP), Kshs.11.28 million (3.4 per cent) as Compensation for User Fee Foregone, Kshs.15.83 million (4.7 per cent) from DANIDA, Kshs.37.34 million (11.1 per cent) for Development of Youth Polytechnics, Kshs.32 million (9.5 per cent) for the World Bank Kenya Devolution Support Programme, and Kshs.50 million (14.9 per cent) for World Bank Loan for National Agricultural & Rural Inclusive Project.

### 3.15.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.4.41 billion as equitable share of revenue raised nationally, Kshs.287.71 million as total conditional grants, raised Kshs.344.41 million from own source revenue, and had a cash balance of Kshs.365.24 million from FY 2016/17. The total available funds amounted to Kshs.5.41 billion.

Figure 3.58 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.58: Kirinyaga County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Kirinyaga County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.344.41 million, representing an increase of 7.4 per cent compared to Kshs.320.64 million generated in FY 2016/17 and was 57.4 per cent of the annual target.

### 3.15.3 Conditional Grants

Table 3.43 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.43: Kirinyaga County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grant or Loan Details	Annual CARA,2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	150,752,571	150,752,571	123,937,522	82.2
2	Kenya Devolution Support Programme (KDSP)	38,364,055	38,364,055	38,364,055	100
3	Compensation for User Fee Foregone	11,282,570	11,282,570	11,625,078	100
4	DANIDA Grant	15,834,157	10,215,585	15,834,157	100
5	Development of Youth Polytechnics	37,339,283	37,339,283	37,339,283	100
6	World Bank Loan for Transforming Health System for universal Care Project	32,000,000	22,000,000	10,000,000	45.5
7	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,609,855	50,609,855	101.2
<b>Total</b>		<b>335,572,636</b>	<b>320,563,919</b>	<b>287,709,950</b>	<b>89.8</b>

Source: Kirinyaga County Treasury

Analysis of the conditional grants released during the period under review indicates that, the World Bank Loan for National Agricultural & Rural Inclusive Project recorded the highest receipts at 101.2 per cent of annual budget allocation.

### 3.15.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.7 billion from the CRF account, which was 82.6 per cent of the Approved Supplementary Budget. This amount represented an increase of 5.5 per cent from Kshs.4.46 billion approved in FY 2016/17 and comprised of Kshs.3.98 billion (84.6 per cent) for recurrent expenditure and Kshs.725.94 million (15.4 per cent) for development activities.

### 3.15.5 Overall Expenditure Review

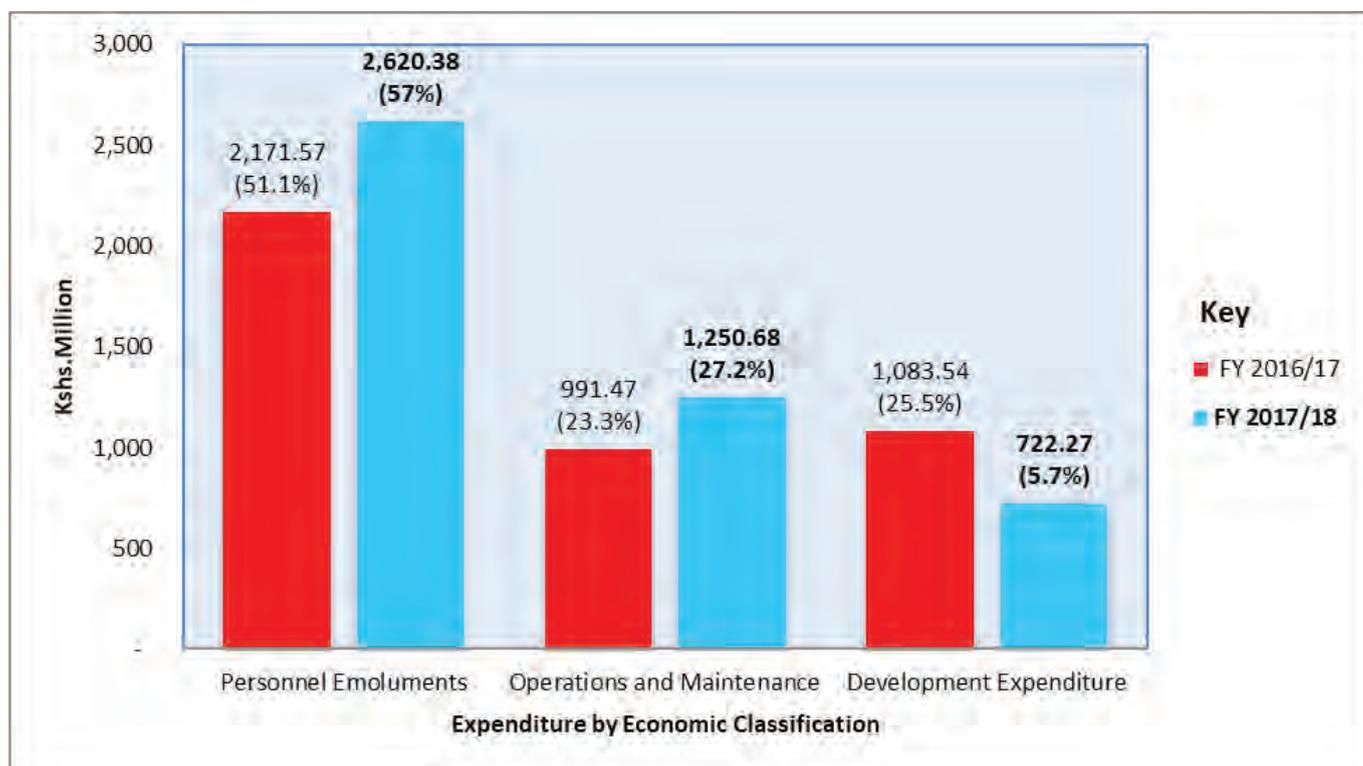
The County spent Kshs.4.59 billion, which was 97.7 per cent of the total funds released for operations. This was an increase of 8.2 per cent from Kshs.4.25 billion spent in FY 2016/17.

A total of Kshs.3.87 billion was spent on recurrent activities while Kshs.722.27 million was spent on development activities. The recurrent expenditure was 97.3 per cent of the funds released for recurrent activities, while development expenditure was 99.5 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.89.95 million for development activities and Kshs.160.14 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 97.1 per cent of the annual recurrent budget, an increase from 93.9 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 42.3 per cent, which was a decrease from 57.8 per cent attained in FY 2016/17.

Figure 3.59 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.59: Kirinyaga County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Kirinyaga County Treasury

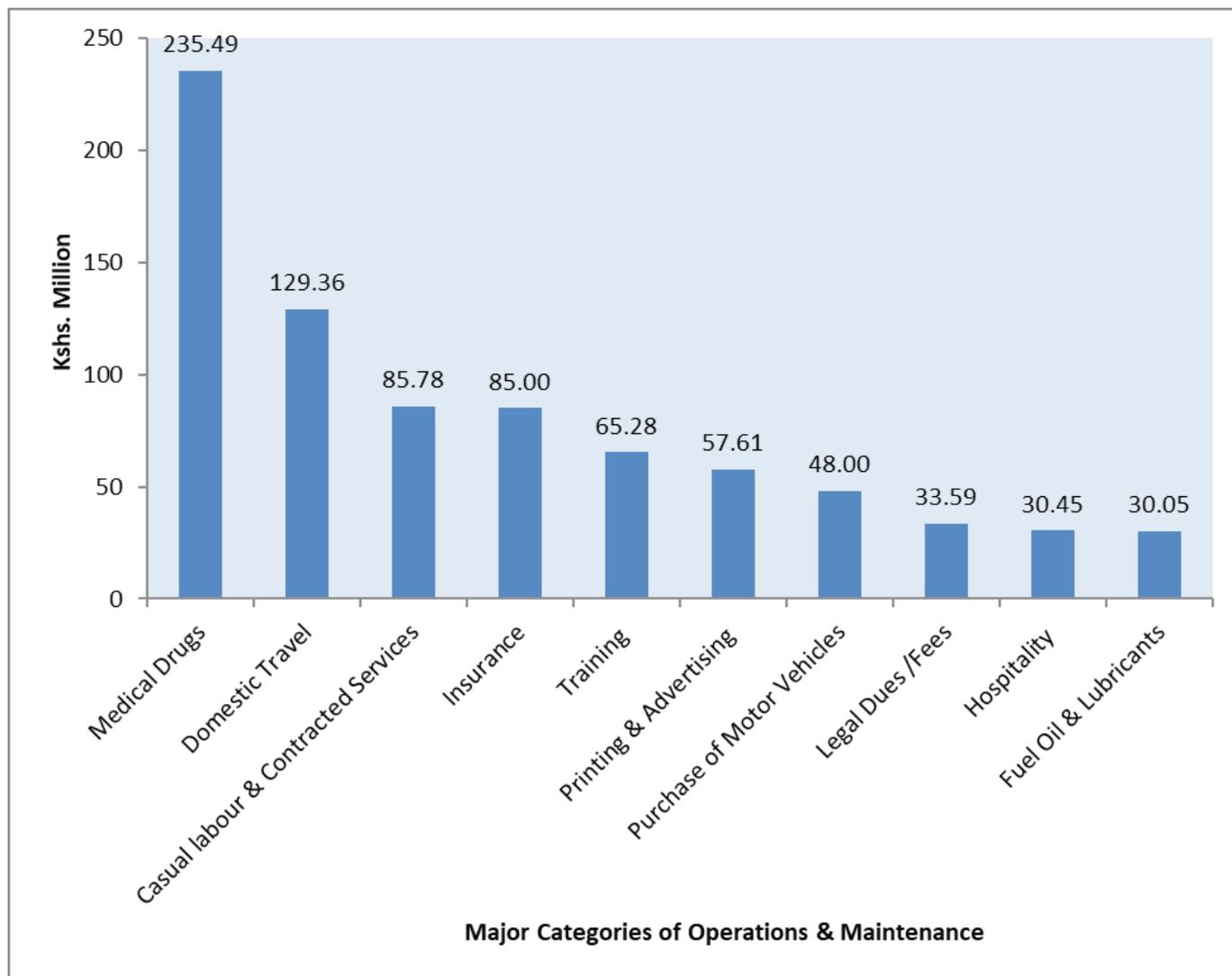
### 3.15.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.87 billion comprised of Kshs.2.62 billion (67.7 per cent) incurred on personnel emoluments and Kshs.1.25 billion (32.3 per cent) on operations and maintenance as shown in Figure 3.3.

Expenditure on personnel emoluments represented an increase of 20.7 per cent compared to FY 2016/17 when the County spent Kshs.2.17 billion, and was 57 per cent of total expenditure.

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

**Figure 3.60: Kirinyaga County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Kirinyaga County Treasury

The County spent Kshs.20.27 million on committee sitting allowances to the 34 MCAs against an annual budget allocation of Kshs.62 million. This was a decline of 43.8 per cent compared to Kshs.36.05 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.49,679 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.129.36 million and comprised of Kshs.69 million spent by the County Assembly and Kshs.60.36 million by the County Executive. This represented 3.3 per cent of total recurrent expenditure and a decrease of 1.7 per cent compared to Kshs.143.95 million spent in FY 2016/17.

### 3.15.7 Development Expenditure Analysis

The total development expenditure of Kshs.722.27 million represented 42.3 per cent of the annual development budget of Kshs.1.71 billion. Table 3.44 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.44: Kirinyaga County, list of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual expenditure (Kshs.)	Absorption rate (%)
1	Purchase of Graders	County Headquarters	278,216,400	266,742,710	96.1
2	Purchase of Equipment, Plant and Machinery	County Headquarters	115,500,000	109,025,180	94.2
3	Access Road Maintenance	Various	193,124,680	97,011,680	50.3
4	Rehabilitation and Reviation	County Headquarters	92,000,000	62,120,667	68.1
5	Water Supply	Various	111,900,000	27,799,218	24.9
6	Non Residential Building	County Headquarters	93,000,000	25,084,259.	27
7	Supply of Fuel For Road Works	Various	20,624,800	19,999,971	97
8	Kagio Market-Construction of market sheds, laying of slabs, drainage, fencing and flood lights	Kiine Ward	22,000,000	18,013,433	82
9	Wanguru Market-Construction of market sheds, laying of slabs, toilets, drainage and floodlights	Tebere	20,000,000	16,546,295	83
10	Makutano Market-Construction of market sheds, laying of slabs, toilets, drainage and flood lights	Wamumu	20,000,000	15,300,501	77

Source: Kirinyaga County Treasury

### 3.15.8 Analysis of Budget Performance by Department

Table 3.45 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.45: Kirinyaga County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs.Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	627.12	930	627.12	24.68	627.12	25.14	100	101.9	100	27
County Executive Services	466.17	118.72	466.17	4.72	435.85	33	93.5	26.9	93.5	2.6
Finance and Economic Planning	428.13	190	421.92	-	415.10	1.69	98.4	-	97	8.9
Medical Services	1,706.76	214.11	1,706.76	45.52	1,694.93	51.37	99.3	112.9	99.3	24
Education	213.66	15.30	213.14	8.57	207.13	7.77	97.2	71.1	96.9	50.8
Agriculture	247.55	54.20	247.55	5.12	229.65	17.61	92.8	343.9	92.8	32.5
Gender/Culture & Social Services	55.79	70	55.79	-	44.57	-	79.9	-	79.9	-
Youth and Sports	24.24	53.10	24.24	2.95	21.23	3.37	87.6	114.2	87.6	6.3
Trade & Co-operative Development	41.19	109.50	39.38	571	35.17	62.12	89.3	109	85.4	56.7
Environment and Natural Resources	80.27	168.40	80.27	59.28	77.19	41.66	96.2	46.9	96.2	24.7
Physical Planning and Housing	22.84	9.32	22.84	-	22.81	-	99.9	-	99.9	-

Department	FY 2017/18 Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs.Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Transport and Infrastructure	727	847.56	727	5189	61.31	508.52		98.2	85.1	60
<b>TOTAL</b>	<b>3,985.80</b>	<b>1,709.20</b>	<b>3,977.26</b>	<b>725.94</b>	<b>3,8726</b>	<b>722.28</b>	<b>97.4</b>	<b>97.1</b>	<b>97.1</b>	<b>42.3</b>

Source: Kirinyaga County Treasury

Analysis of budget performance by department shows that, the Department of Transport and Infrastructure attained the highest absorption rate of development budget at 60 per cent followed by the Department of Trade and Co-operative Development at 56.7 per cent. The County Assembly had the highest percentage of expenditure to recurrent budget at 100 per cent followed by the Department of Physical Planning and housing and the Department of Medical Services at 99.9 per cent and 99.3 per cent respectively.

### 3.15.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Failure of the County Executive 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 20.7 per cent from Kshs.2.17 billion in FY 2016/17 to Kshs.2.62 billion during the period under review.
3. Failure to reconcile IFMIS payroll data to the IPPD data. While IFMIS reports indicated total expenditure on personnel emoluments as Kshs.2.45 billion, data from the IPPD indicated that a total of Kshs.2.62 billion was spent on payroll costs in the same period.
4. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 42.3 per cent compared to 57.8 per cent in a similar period in FY 2016/17.
5. Delay by the County Treasury to submit the quarterly financial returns to the Office of Controller of Budget contrary to Section 166 of PFM, Act, 2012.
6. Under-performance of own source revenue collection, The County collected Kshs.344.41 million, representing 57.4 per cent of the annual target of Kshs.600 million.

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

1. *The County Executive 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 should reconcile the IFMIS & IPPD data on a monthly basis to enhance accuracy in reporting.*
4. *The County should institute mechanisms to enhance absorption of development funds.*
5. *The County Treasury should ensure that the quarterly reports are submitted in line with Section 166 of the PFM Act, 2012.*
6. *The County should formulate and implement strategies to enhance own source revenue collection.*

## 3.16 Kisii County

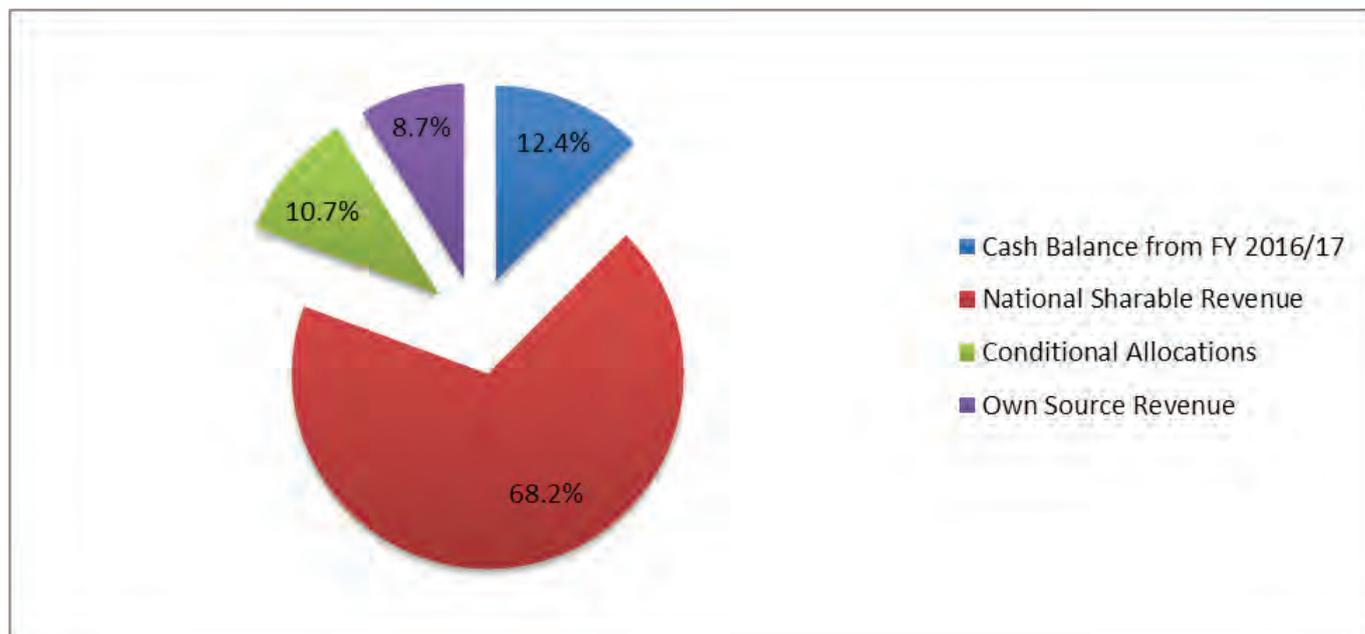
### 3.16.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget II was Kshs.10.89 billion, comprising of Kshs.7.53 billion (69.1 per cent) and Kshs.3.36 billion (30.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.7.43 billion (68.2 per cent) as equitable share of revenue raised nationally, Kshs.1.16 billion (10.7 per cent) as total conditional grants, generate Kshs.950 million (8.7 per cent) from own source revenue, and Kshs.1.36 billion (12.4 per cent) cash balance from FY 2016/17.

Figure 3.61 shows the expected sources of budget financing in FY 2017/18

**Figure 3.61: Kisii County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Kisii County Treasury*

The conditional grants contained in the CARA, 2017 comprise of Kshs.417.57 million (35.4 per cent) for Level 5 Hospital, Kshs.302.24 million (25.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.14 million (2.2 per cent) as Compensation for User Fee Foregone, Kshs.31.75 million (2.7 per cent) from DANIDA, Kshs.50.37 million (4.3 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.29.82 million (2.5 per cent) for Development of Youth Polytechnics, Kshs.74.16 million (6.3 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.50 million (4.2 per cent) as World Bank loan for National Agriculture and Rural Inclusive Growth Project and Kshs.66 million (5.6 per cent) as European Union (EU) grant, Kshs.95.74 million (8.1 per cent) for Leasing of Medical Equipment and Kshs.34.44 million (2.9) for other Loans and Grants .

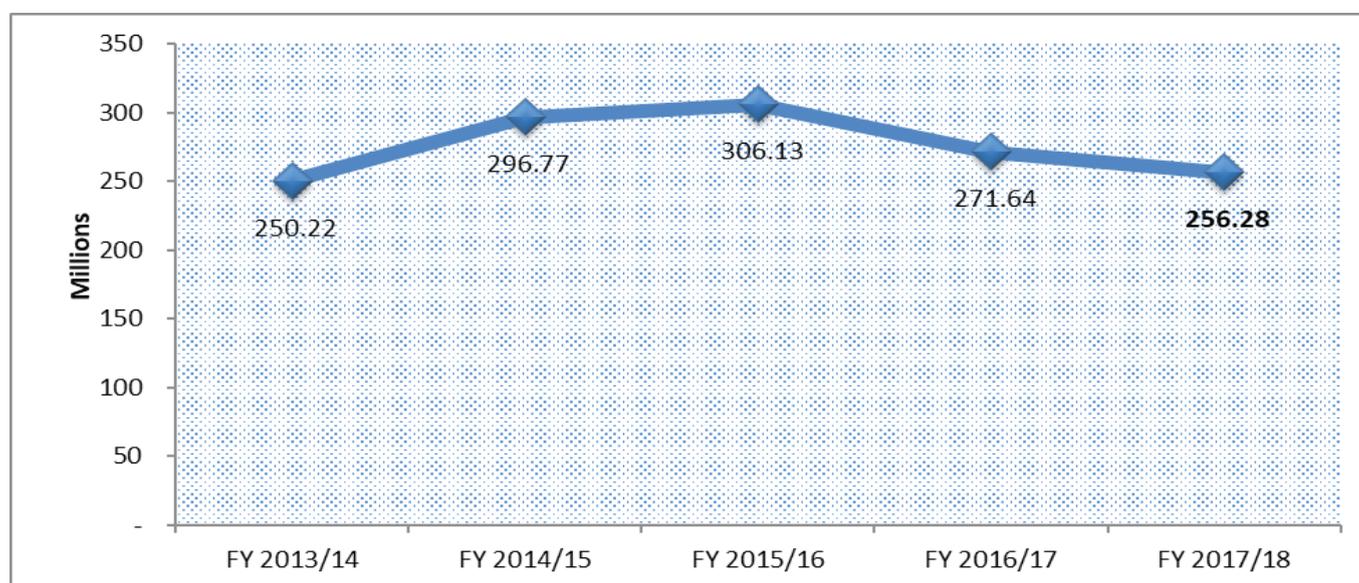
The County also budgeted to receive Kshs.164.05 million as grant for Urban Development programme which was not contained in the CARA, 2017.

### 3.16.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.7.43 billion as equitable share of revenue raised nationally, Kshs.1.06 billion as total conditional grants, raised Kshs.256.28 million from own source revenue, and had a cash balance of Kshs.1.53 billion from FY 2016/17. The total available funds amounted to Kshs.10.27 billion.

Figure 3.62 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.62: Kisii County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Kisii County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.256.28 million, representing a decline of 5.7 per cent compared to Kshs.271.64 million generated in FY 2016/17 and was 27 per cent of the annual target.

### 3.16.3 Conditional Grants

Table 3.46 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.46: Kisii County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Level-5 Hospital	417,572,254	417,572,254	417,572,254	100
2	Road Maintenance Fuel Levy Fund	302,237,647	302,237,647	302,237,646	100
3	Leasing of Medical Equipment	95,744,681	-	-	-
4	EU Grant	66,000,000	66,000,000		0
5	World Bank Loan for Transforming Health System for Universal Care Project	74,159,513	50,984,665	23,174,848	31
6	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101
7	Kenya Devolution Support Programme (KDSP)	50,373,489	34,251,811	176,820,034	351
8	Conditional Allocation - Other Loans & Grants	34,439,292	-	-	-
9	Development of Youth Polytechnics	29,817,690	29,817,690	29,817,670	100
10	Compensation for User Fee Foregone	26,138,997	26,138,997	26,947,170	103
11	DANIDA Grant	31,745,251	20,480,807	31,745,251	100
<b>Sub Total</b>		<b>1,178,228,814</b>	<b>997,483,871</b>	<b>1,058,924,728</b>	<b>90</b>
<b>B</b>	<b>Other Grants</b>				
12	Urban Development Grant	-	164,053,800	-	-
<b>Sub Total</b>		<b>-</b>	<b>164,053,800</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>		<b>1,178,228,814</b>	<b>1,161,537,671</b>	<b>1,058,924,728</b>	<b>90</b>

Source: Kisii County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Kenya Devolution Support Programme (KDSP) was the highest receipt at 351 per cent of annual allocation.

### 3.16.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.8.64 billion from the CRF account, which was 79.3 per cent of the Approved second Supplementary Budget. This amount represented an increase of 7.7 per cent from Kshs.8.02 billion approved in FY 2016/17 and comprised of Kshs.6.75 billion (78.1 per cent) for recurrent expenditure and Kshs.1.89 billion (21.9 per cent) for development activities.

### 3.16.5 Overall Expenditure Review

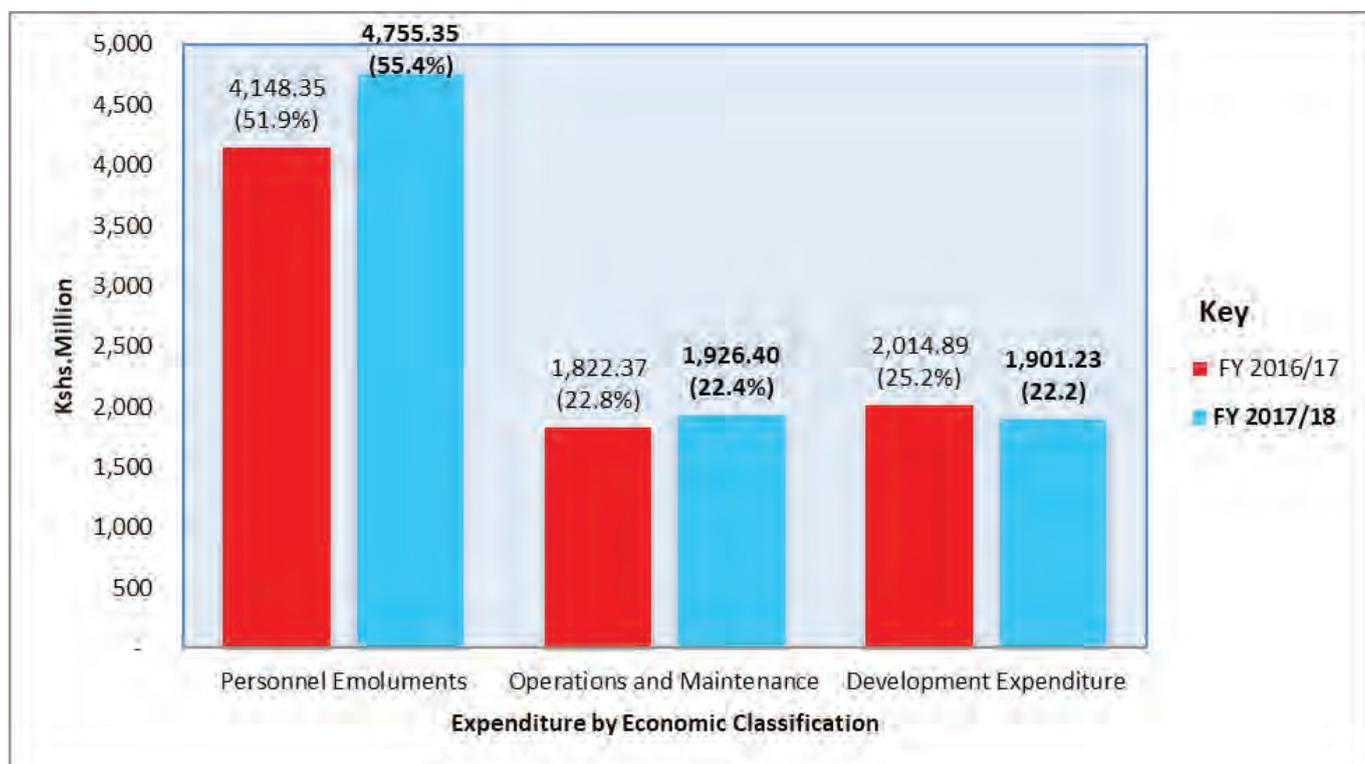
The County spent Kshs.8.58 billion, which was 99.3 per cent of the total funds released for operations. This was an increase of 7.5 per cent from Kshs.7.99 billion spent in FY 2016/17.

A total of Kshs.6.68 billion was spent on recurrent activities while Kshs.1.90 billion was spent on development activities. The recurrent expenditure was 99 per cent of the funds released for recurrent activities, while development expenditure was 100.6 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.697.76 million for development activities and Kshs.167.31million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 88.7 per cent of the annual recurrent budget, a decrease from 93.9 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 56.5 per cent, which was an increase from 54.3 per cent attained in FY 2016/17.

Figure 3.63 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.63: Kisii County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Kisii County Treasury

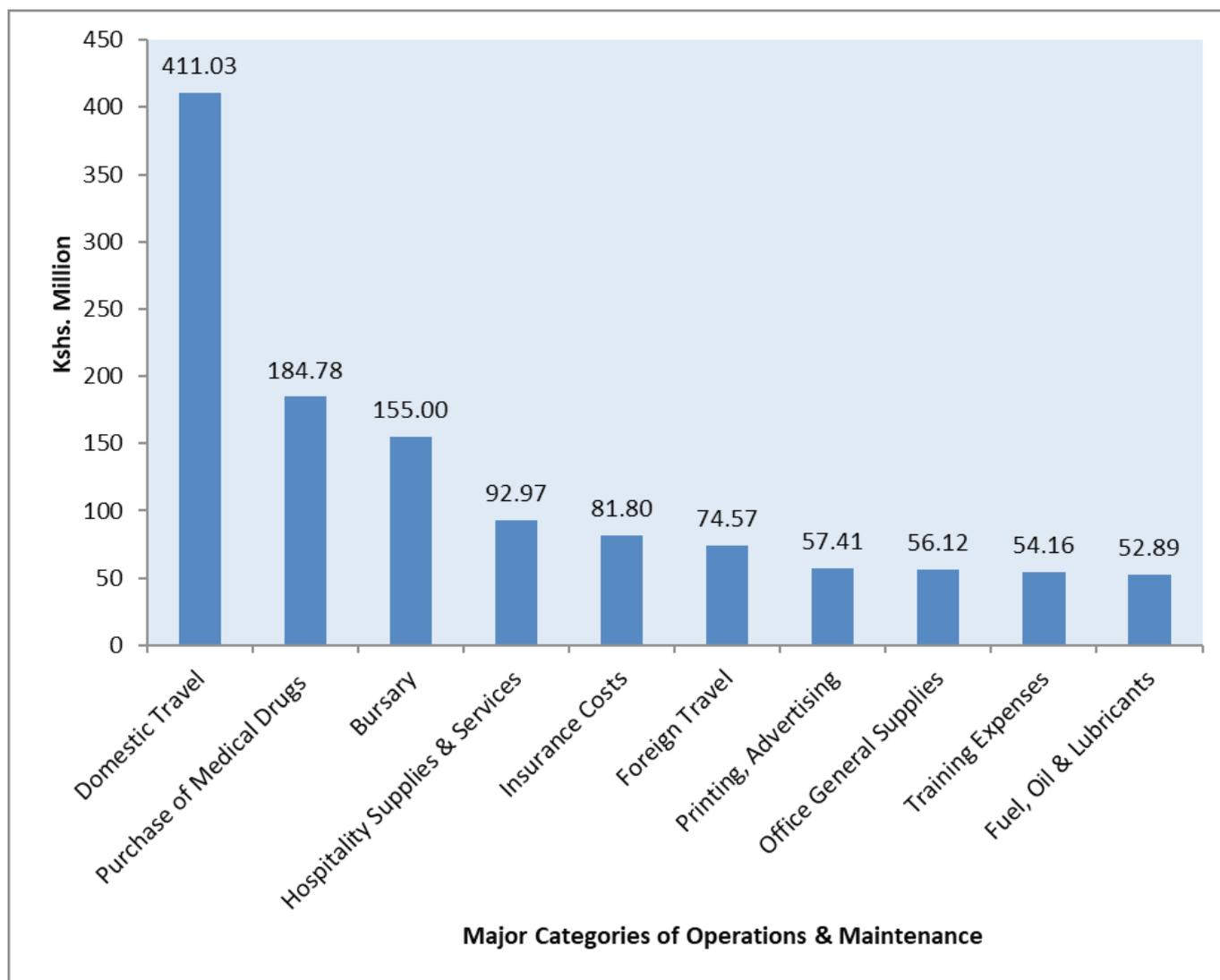
### 3.16.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.68 billion comprised of Kshs.4.76 billion (71.2 per cent) incurred on personnel emoluments and Kshs.1.92 billion (28.8 per cent) on operations and maintenance as shown in Figure 3.3.

Expenditure on personnel emoluments represented an increase of 14.6 per cent compared to FY 2016/17 when the County spent Kshs.4.15 billion, and was 55.4 per cent of total expenditure.

Figure 3.64 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.64: Kisii County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Kisii County Treasury

The County spent Kshs.47.32 million on committee sitting allowances to the 71 MCAs against an annual budget allocation of Kshs.58.23 million. This was a decline of 47.8 per cent compared to Kshs.90.64 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.55,543 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.411.03 million and comprised of Kshs.64.88 million spent by the County Assembly and Kshs.346.15 million by the County Executive. This represented 7.3 per cent of total recurrent expenditure and was a decrease of 3.6 per cent compared to Kshs.468.90 million spent in FY 2016/17.

### 3.16.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.90 billion represented 56.5 per cent of the annual development budget of Kshs.3.36 billion. Table 3.47 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.47: Kisii County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)
1	Artificial Insemination Programme	All Sub Counties	69,000,000	68,995,848
2	Provision of assorted Medical devices to Kisii Health facilities	All Sub Counties	72,161,811	22,478,229
3	Solar Street Lights at Bobaracho, Birongo and Kegati	Bobaracho Ward	21,785,840	21,056,933
4	Supply, Delivery and Installation of Morgue/Pathology Equipment and Rehabilitation mechanical works	Kisii Level 5 Hospital	78,934,080	17,404,400
5	Payment for the Software of Electronic Revenue Collections.	County Headquarters	27,800,000	16,364,944
6	Integrated Water Harvesting and Storage at KTRH-Drilling and Equipping Borehole	Kisii Level 5 Hospital	26,882,919	15,558,508
7	Establishment of basic Human Anatomy Laboratory	Kisii Level 5 Hospital	35,771,162	11,000,000
8	Solar installation Phase II & Internal cabling	Kisii Level 5 Hospital	8,700,060	8,700,060
9	Proposed Parking And Landscaping at KTHR	Kisii Level 5 Hospital	20,510,590	8,000,000
10	Purchase of Carbro making machine	Kisii Town	5,979,000	5,979,000

Source: Kisii County Treasury

### 1.1.1 Analysis of Budget Performance by Department

Table 3.48 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.48: Kisii County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs.Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	879.85	123.66	805.98	68.42	805.74	67.08	100.0	98.0	91.6	54.2
County Executive Office of the Governor	518.39	5	428.57	-	425.82	-	99.4	-	82.1	-
Finance and Economic Planning	1,321.96	151.70	1,086.26	97.93	1,013.19	102.83	93.3	105.0	76.6	67.8
Agriculture, livestock & Fisheries	396.46	249.28	368.74	144.63	331.35	147.28	89.9	101.8	83.6	59.1
Water development, Environment & Natural Resources	154.74	169.30	137.77	96.16	136.19	98.21	98.9	102.1	88.0	58.0
Education, Youth Affairs and Social Development	538.20	115.62	528.94	12.80	531.19	10.41	100.4	81.3	98.7	9.0
County Health Services	2,664.74	668.12	2,480.47	438.24	2,516.10	437.92	101.4	99.9	94.4	65.5
Land, Physical Planning and Urban Development	80.04	218.48	65.84	98.47	70.21	100.94	106.6	102.5	87.7	46.2
Roads, Public Works and Transport	132.89	1,057.31	110.76	766.69	110.33	781.34	99.6	101.9	83.0	73.9
Trade Development and Regulations	67.97	88.42	55.39	10.26	52.61	10.26	95.0	100.0	77.4	11.6
Culture and Social Services	80.58	169.19	61.78	91.85	63.85	83.01	103.4	90.4	79.2	49.1

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs.Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Kisii Town Urban Area	101.78	237.97	91.31	28.55	87.44	28.35	95.8	99.3	85.9	11.9
Administration and Stakeholder Management	596.66	109.03	527.51	36.70	537.72	33.61	101.9	91.6	90.1	30.8
<b>TOTAL</b>	<b>7,534.27</b>	<b>3,363.08</b>	<b>6,749.31</b>	<b>1,890.72</b>	<b>6,681.75</b>	<b>1,901.22</b>	<b>99.0</b>	<b>100.6</b>	<b>88.7</b>	<b>56.5</b>

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 73.9 per cent while the Office of the Governor did not incur any development expenditure. The Department of Education, Youth Affairs and Social Development had the highest percentage of recurrent expenditure to recurrent budget at 98.7 per cent while the Department of Finance and Economic Planning had the lowest at 76.6 per cent.

### 3.16.8 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Under-performance in own source revenue collection, which declined by 5.7 per cent from Kshs.271.64 million in FY 2016/17 to Kshs.256.28 million in FY 2017/18.
2. A high wage bill that increased by 14.6 per cent from Kshs.4.15 billion in FY 2016/17 to Kshs.4.76 billion in the period under review.
3. Failure to deposit all revenue receipts into the County Revenue Fund contrary to Section 109 of the PFM Act 2012. The Office has noted, from the analysis of bank statements and expenditure returns, that the Department of Health Services and the Department of Trade Regulations and Development did not bank all revenue receipts into the CRF account.

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

1. *The County Treasury should formulate and implement strategies to enhance own source revenue collection.*
2. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*
3. *The County should ensure all departments adhere to Section 109 of the PFM Act, 2012 and bank all revenue receipts into the CRF account.*

## 3.17 Kisumu County

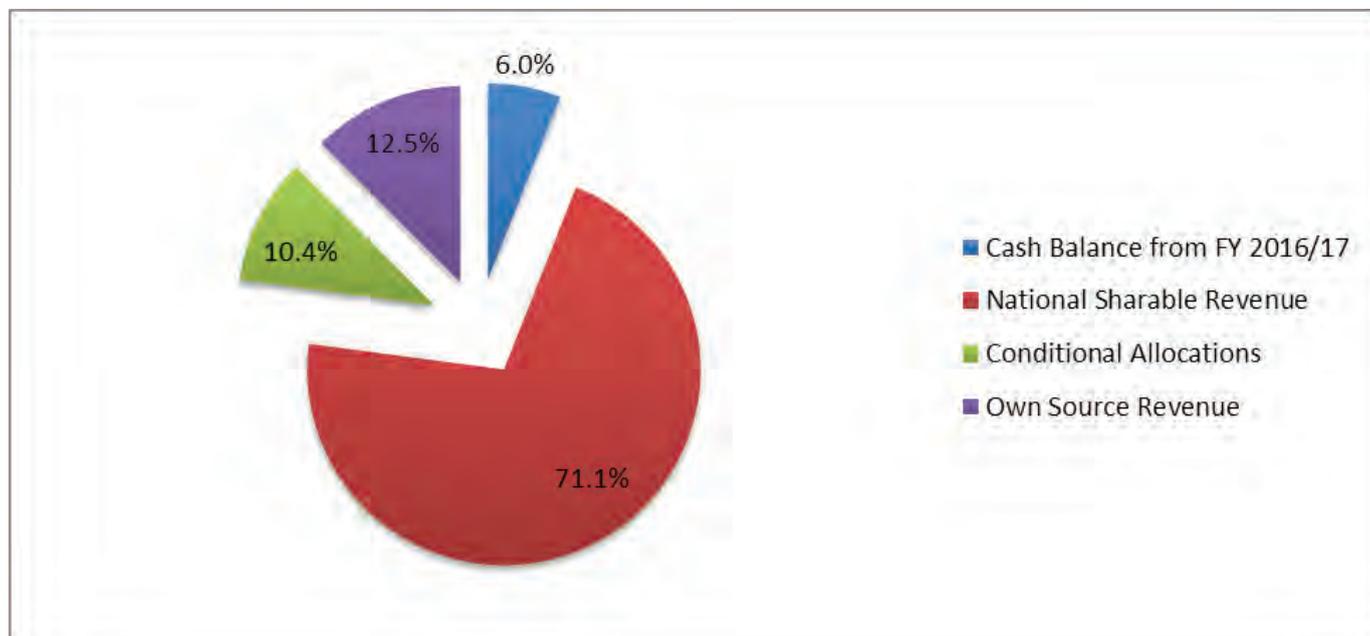
### 3.17.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.9.21 billion, comprising of Kshs.6.38 billion (69.2 per cent) and Kshs.2.84 billion (30.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.6.55 billion (71.1 per cent) as equitable share of revenue raised nationally, Kshs.961.75 million (10.4 per cent) as total conditional grants, generate Kshs.1.15 billion (12.5 per cent) from own source revenue, and Kshs.550.89 million (6 per cent) cash balance from FY 2016/17.

Figure 3.65 shows the expected sources of budget financing in FY 2017/18

**Figure 3.65: Kisumu County, Expected Sources of Budget Financing in FY 2017/18 (%).**



*Source: Kisumu County Treasury*

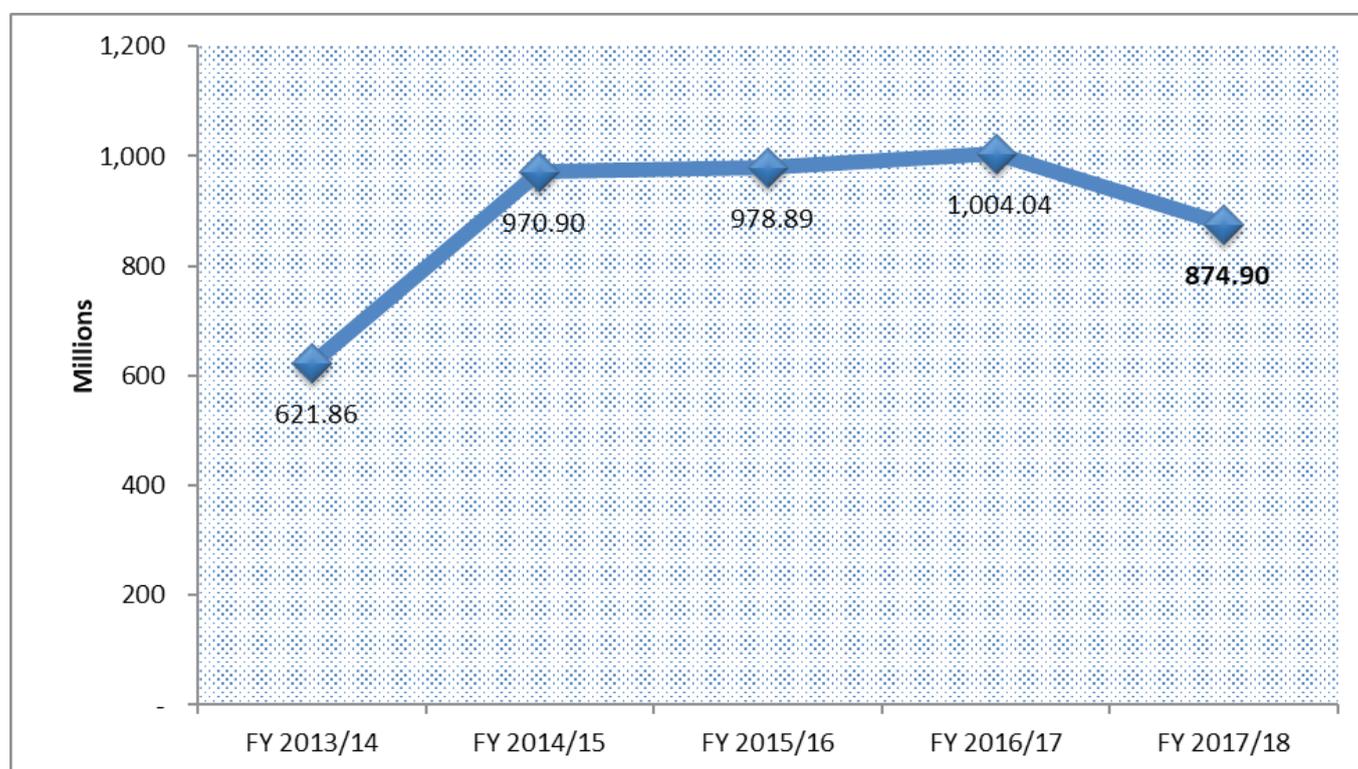
The conditional grants contained in the CARA, 2017 comprised of Kshs.369.02 million (38.4 per cent) for Level 5 Hospital, Kshs.242.06 million (25.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (9.9 per cent) for Leasing of Medical Equipment, Kshs.67.36 million (7 per cent) as World Bank Loan for Transforming Health System for Universal Care Project, Kshs.66 million (6.9 per cent) as European Union (EU) grant, Kshs.46.36 million (4.8 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.28.47 million (3 per cent) for Development of Youth Polytechnics, Kshs.25.42 million (2.6 per cent) from DANIDA, and Kshs.21.3 million (2.2 per cent) as Compensation for User Fees Forgone.

### 3.17.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.6.55 billion as equitable share of revenue raised nationally, Kshs.711.19 million as total conditional grants, raised Kshs.874.9 million from own source revenue, and had a cash balance of Kshs.550.89 million from FY 2016/17. The total available funds amounted to Kshs.8.65 billion.

Figure 3.66 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.66: Kisumu County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Kisumu County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.874.9 million, representing a decline of 12.9 per cent compared to Kshs.1 billion generated in FY 2016/17 and was 76.2 per cent of the annual target.

### 3.17.3 Conditional Grants

Table 3.49 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.49: Kisumu County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grant or Loan Details	Annual CARA,2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Level-5 Hospital	369,017,341	369,017,341	369,017,342	100
2	Road Maintenance Fuel Levy Fund	242,061,249	242,061,249	199,004,709	82.2
3	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
4	World Bank Loan for Transforming Health System for universal Care Project	67,364,354	67,364,354	21,051,361	31.2
5	EU Grant	66,000,000	66,000,000	-	-
6	Kenya Devolution Support Programme (KDSP)	46,361,941	46,361,941	46,361,941	100
7	Development of Youth Polytechnics	28,472,587	28,472,587	28,472,587	100
8	DANIDA Grant	25,424,679	25,424,679	25,424,679	100
9	Compensation for User Fee Foregone	21,299,489	21,299,489	21,854,292	103
<b>Total</b>		<b>961,746,321</b>	<b>961,746,321</b>	<b>711,186,911</b>	<b>74</b>

Source: Kisumu County Treasury

Analysis of the conditional grants released during the period under review indicates that, Compensation for User Fee Foregone recorded the highest receipts at 103 per cent of annual budget allocation

### 3.17.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.7.34 billion from the CRF account, which was 79.7 per cent of the Approved Supplementary Budget. This amount represented a decline of 9 per cent from Kshs.8.7 billion approved in FY 2016/17 and comprised of Kshs.6.33 billion (86.2 per cent) for recurrent expenditure and Kshs.1.06 billion (13.8 per cent) for development activities.

### 3.17.5 Overall Expenditure Review

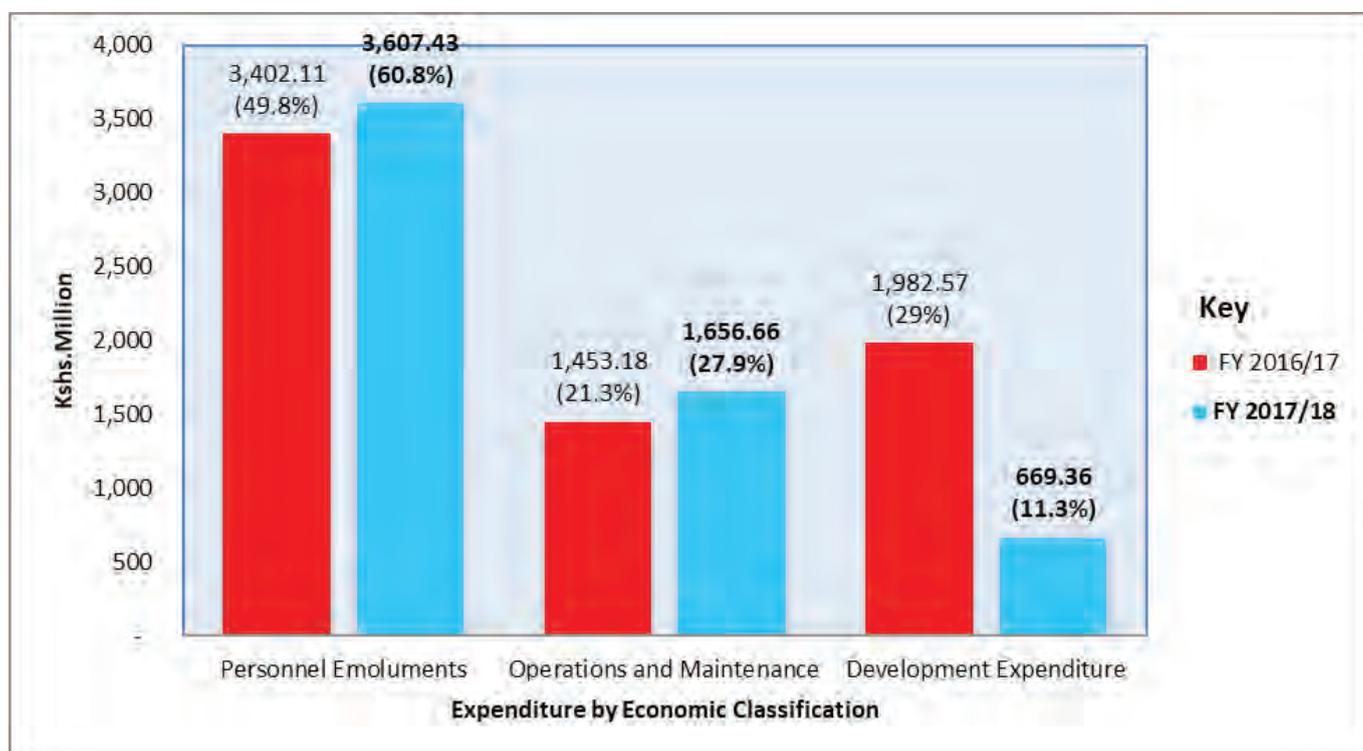
The County spent Kshs.6.43 billion, which was 87.6 per cent of the total funds released for operations. This was a decline of 13.2 per cent from Kshs.6.84 billion spent in FY 2016/17.

A total of Kshs.5.76 billion was spent on recurrent activities while Kshs.669.36 million was spent on development activities. The recurrent expenditure was 91 per cent of the funds released for recurrent activities, while development expenditure was 65.9 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.1.40 billion for development activities and Kshs.643.91 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 90.3 per cent of the annual recurrent budget, an increase from 77.9 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 23.7 per cent, which was a decrease from 62.6 per cent attained in FY 2016/17.

Figure 3.67 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.67: Kisumu County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Kisumu County Treasury

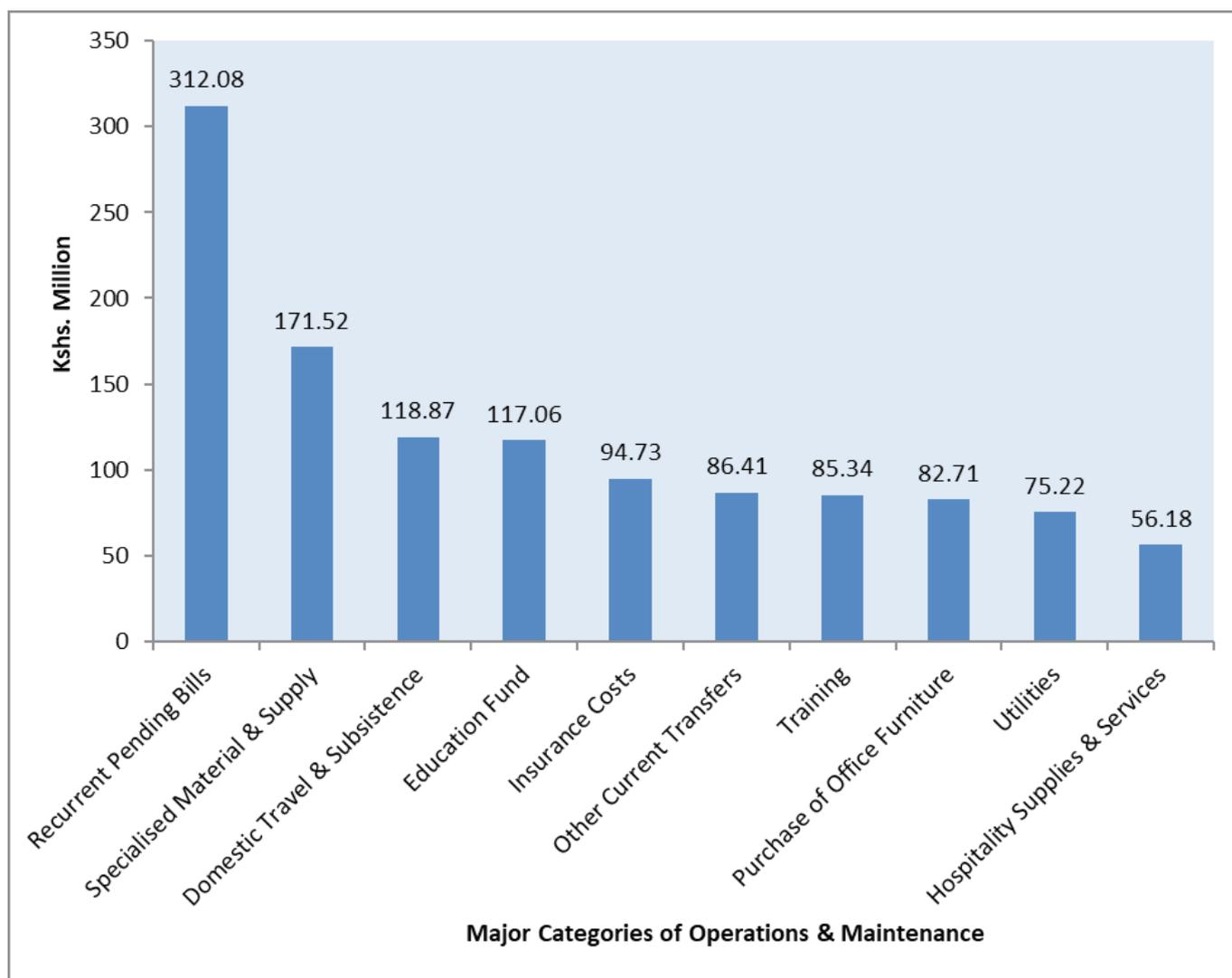
### 3.17.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.76 billion comprised of Kshs.3.61 billion (62.7 per cent) incurred on personnel emoluments and Kshs.1.66 billion (37.3 per cent) on operations and maintenance as shown in Figure 3.67.

Expenditure on personnel emoluments represented an increase of 6.2 per cent compared to FY 2016/17 when the County spent Kshs.3.40 billion, and was 60.8 per cent of total expenditure.

Figure 3.68 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.68: Kisumu County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Kisumu County Treasury

The County spent Kshs.44.05 million on committee sitting allowances to the 49 MCAs against an annual budget allocation of Kshs.49.02 million. This was an increase of 12.4 per cent compared to Kshs.39.18 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.74,912 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.118.87 million and comprised of Kshs.40.71 million spent by the County Assembly and Kshs.78.16 million by the County Executive. This represented 2.3 per cent of total recurrent expenditure and was a decrease of 3.4 per cent compared to Kshs.165.89 million spent in FY 2016/17.

### 3.17.7 Development Expenditure Analysis

The total development expenditure of Kshs.669.36 million represented 23.7 per cent of the annual development budget of Kshs.2.84 billion. Table 3.50 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.50: Kisumu County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual expenditure (Kshs.)	Absorption rate (%)
1	Supply and installation of borehole casing/ gravel / pack/ borehole steel pipe Cappings/ sundries	County wide	20,166,446	16,089,2000	79.8
2	Mordern Retail Market at Pap Onditi	Central Nyakach	18,000,000	9,987,177	55.5
3	Supply, Installation and Commission of 4No.15M High Mast Flood Lights	Kondele,Kolwa Central,Kolwa East & North Kisumu Ward	9,800,000	9,755,832	99.5
4	Supply, Installation and Ciommission of 3No.15M High Mast Flood Lights	Muhoroni/ Koru,Miwani and Central Kisumu	7,500,000	7,489,902	99.9
5	Maseno Kombewa Water Supply	South West Kisumu	6,897,453	4,907,228	71.1
6	Model ECD School at Nyachabla	Nyando	4,971,371	4,971,371	100
7	Construction of Boda Boda Shades	South Nyakach	4,926,510	4,926,510	100
8	Supply and Delivery of Double Cabin Pick - up	County Headquarters	4,895,000	4,895,000	100
9	De-silting of Nyabinda Stream 5 KM (Ombeyo Secondary – Kasak Section)	Muhoroni	4,502,750	4,502,750	100
10	Fabrication, branding and deploying skips (Zone A)	Kisumu City	4,485,000	4,485,000	100

Source: Kisumu County Treasury

### 3.17.8 Analysis of Budget Performance by Department

Table 3.51 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.51: Kisumu County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
office of the Governor & County Administration	428.11	83.52	428.11	25.89	3562	9.22	83.2	35.6	83.2	11
Finance and Planning	6570	978.34	650.44	422.12	628.98	458.53	96.7	108.6	95.7	46.9
Agriculture, Livestock & Fisheries	276.58	134.92	276.58	38.90	153.50	517	55.5	131.3	55.5	37.9
Education, Youth, Gender, Culture & Sports	3545	140.51	352.28	44.90	309.33	45.48	87.8	101.3	87.4	32.4
Tourism, Trade and Heritage	41.33	148.50	41.33	16.91	19.68	3.14	47.6	18.6	47.6	2.1
Lands, Housing and Physical Planning	26.70	169.13	26.41	-	14.75	-	55.9		55.3	-
Roads, Transport and Public Works	175.85	4397	175.86	2426	103.32	9.32	58.8	3.9	58.8	2.1
Health Services	2,740.95	145.53	2,734.28	22.75	2,681.48	20	98.1	8.8	97.8	1.4
Water, Environment & Natural Resources	160.11	140.81	160.11	36.53	96.99	5.60	60.6	15.3	60.6	4

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Industrialization, Enterprise Development, Energy and Mining	100.89	263.46	100.89	10.80	62.92	14.93	62.4	138.2	62.4	5.7
Communication & Information Technology	66.75	34.51	66.75	80	31.68	-	47.5	-	47.5	-
County Assembly	656.62	-	602.52	-	602.51	-	100	-	91.8	-
City of Kisumu	6698	146.78	6698	146.78	663.82	708	99.2	47.7	99.2	47.7
County Public Service Board	35.64	-	42.19	-	33.35	-	79	-	93.6	-
<b>TOTAL</b>	<b>6,389.65</b>	<b>2,8257</b>	<b>6,326.83</b>	<b>1,015.66</b>	<b>5,2649</b>	<b>669.36</b>	<b>91</b>	<b>65.9</b>	<b>90.1</b>	<b>23.7</b>

Source: Kisumu County Treasury

Analysis of budget performance by department shows that, the City of Kisumu Department attained the highest absorption rate of development budget at 47.7 per cent while the Department of Lands, Housing and Physical Planning, and the Department of Communication and Information Technology did not incur any development expenditure. The City of Kisumu Department had the highest percentage of recurrent expenditure to recurrent budget at 99.2 per cent while the Department of Communication & Information Technology had the lowest at 47.5 per cent.

### 3.17.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Decline in performance of own source revenue by 12.9 per cent from Kshs.1 billion in FY 2016/17 to Kshs.879.90 million in FY 2017/18.
2. Reduced absorption of development funds by 62.6 per cent from Kshs.1.98 billion in FY 2016/17 to Kshs.669.36 million in the period under review.
3. Failure to account for expenditure incurred by Hospital and Health Centres financed through capital and current transfers from the County, through IFMIS.
4. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of the Annual Budget Implementation Review Report, contrary to Section 160 of the PFM Act, 2012.
5. High wage bill that has increased by 6.2 per cent from Kshs.3.4 million in FY 2016/17 to Kshs.3.61 million in the period under review.

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

1. *The County Treasury should formulate and implement strategies to enhance own source revenue collection.*
2. *The County to institute project monitoring to improve absorption of development funds.*
3. *The County Treasury to liaise with IFMIS Directorate to build capacity and ensure all expenditure is processed through IFMIS.*
4. *The County Treasury should ensure timely preparation and submission of revenue and expenditure reports to the Controller of Budget in line with Section 166 of the PFM Act, 2012.*
5. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

## 3.18 Kitui County

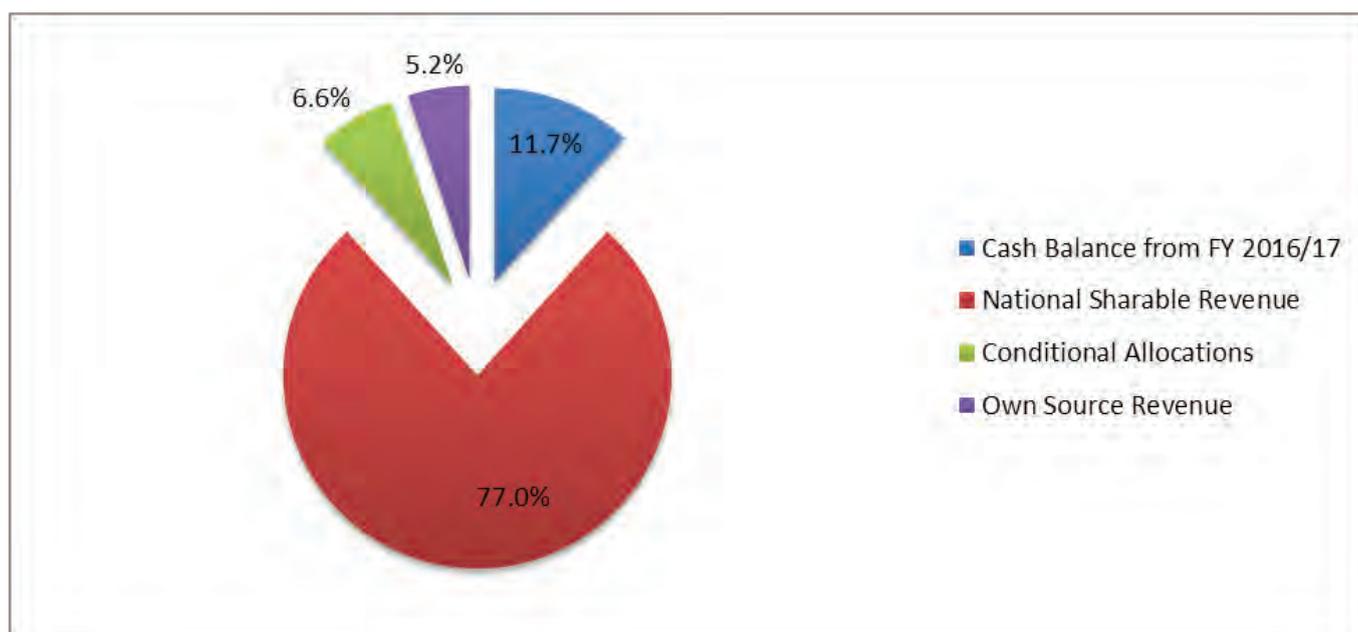
### 3.18.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.11.24 billion, comprising of Kshs.6.69 billion (59.5 per cent) and Kshs.4.56 billion (40.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.8.65 billion (76.6 per cent) as equitable share of revenue raised nationally, Kshs.744.55 million (6.6 per cent) as total conditional grants, generate Kshs.579.16 million (5.1 per cent) from own source revenue, and Kshs.1.32 billion (11.7 per cent) cash balance brought forward from FY 2016/17.

Figure 3.69 shows the expected sources of budget financing in FY 2017/18.

**Figure 3.69: Kitui County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Kitui County Treasury*

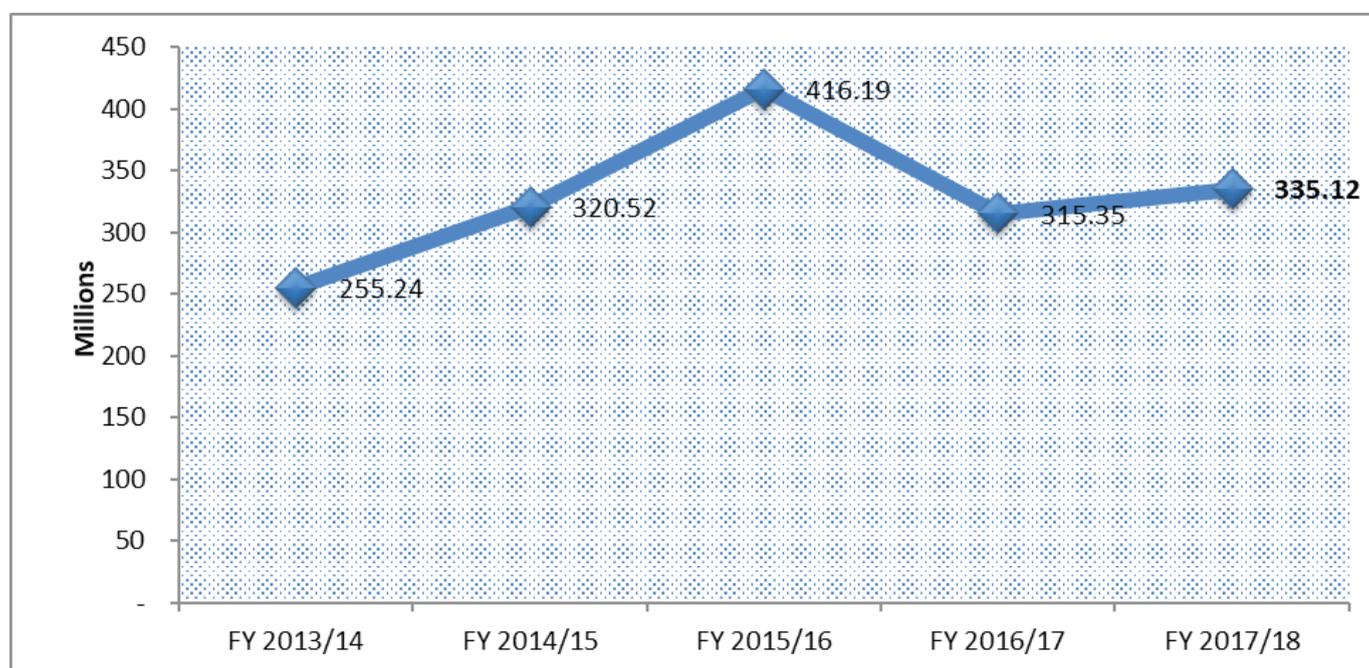
The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (11.4 per cent) for Leasing of Medical Equipment, Kshs.309.64 million (36.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.5 million (2.7 per cent) as Compensation for User Fee Foregone, Kshs.32.52 million (3.9 per cent) from DANIDA, Kshs.58.21 million (6.9 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.53.67 million (6.4 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.67.58 million (8 per cent) for Development of Youth Polytechnics, Kshs.150.44 million (17.9 per cent) as World Bank loan for Transforming Health System for Universal Care Project, and Kshs.50 million (6 per cent) as World Bank loan for National Agricultural and Rural Inclusive Project.

### 3.18.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.8.65 billion as equitable share of revenue raised nationally, Kshs.584.16 million as total conditional grants, raised Kshs.335.12 million from own source revenue, and had a cash balance of Kshs.1.32 billion from FY 2016/17. The total available funds amounted to Kshs.10.89 billion.

Figure 3.70 shows the annual trend in annual own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.70: Kitui County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Kitui County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.335.12 million, representing an increase of 6.3 per cent compared to Kshs.315.35 million generated in FY 2016/17 and was 57.9 per cent of the annual target.

### 3.18.3 Conditional Grants

Table 3.52 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.52: Kitui County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Compensation for User Fee Foregone	22,499,906	22,499,906	23,144,997	102.9
2	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101.2
3	Development of Youth Polytechnics	67,576,636	67,576,636	67,576,636	100
4	Kenya Devolution Support Programme (KDSP)	53,665,066	53,665,066	53,665,066	100
5	DANIDA Grant	32,522,346	32,522,346	32,522,346	100
6	Road Maintenance Fuel Levy Fund	309,636,150	309,636,150	309,636,150	100
7	World Bank Loan for Transforming Health System for Universal Care Project	150,444,260	150,444,260	47,013,831	31.2
8	World Bank loan to supplement financing of County Health facilities	58,210,000	58,210,000	-	-
9	Leasing of Medical Equipment	95,744,681	-	-	-
<b>Total</b>		<b>840,299,045</b>	<b>744,554,364</b>	<b>584,168,882</b>	<b>78.5</b>

Source: Kitui County Treasury

Analysis of the conditional grants released during the period under review indicates that, Compensation for User Fee Foregone recorded the highest receipts at 102.9 per cent of annual budget allocation

## 1.1.2 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.9.81 billion from the CRF account, which was 87.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 6 per cent from Kshs.9.26 billion approved in FY 2016/17 and comprised of Kshs.6.3 billion (64.2 per cent) for recurrent expenditure and Kshs.3.51 billion (35.8 per cent) for development activities.

### 3.18.4 Overall Expenditure Review

The County spent Kshs.9.32 billion, which was 95 per cent of the total funds released for operations. This was an increase of 12.1 per cent from Kshs.8.31 billion spent in FY 2016/17.

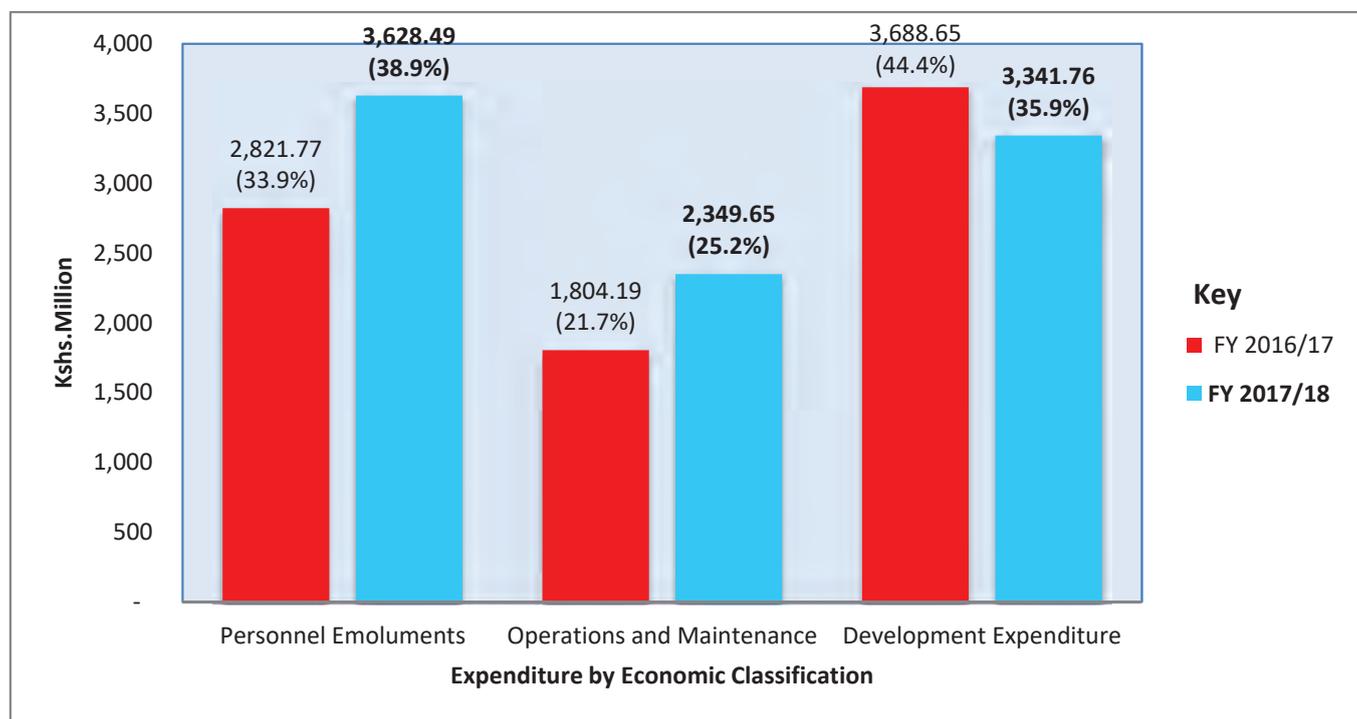
A total of Kshs.5.98 billion was spent on recurrent activities while Kshs.3.34 billion was spent on development activities. The recurrent expenditure was 94.9 per cent of the funds released for recurrent activities, while development expenditure was 95.1 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.936.16 million for development activities and Kshs.230.93 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 89.4 per cent of the annual recurrent budget, an increase from 80.4 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 73.4 per cent, which was an increase from 70.7 per cent attained in FY 2016/17.

Figure 3 presents a comparison between the total expenditure in FY 2016/17 and the FY 2017/18

Figure 3.71 presents a comparison between the total expenditure in FY 2016/17 and the FY 2017/18.

**Figure 3.71: Kitui County, Expenditure by Economic Classification in FY 2016/17 and the FY 2017/18**



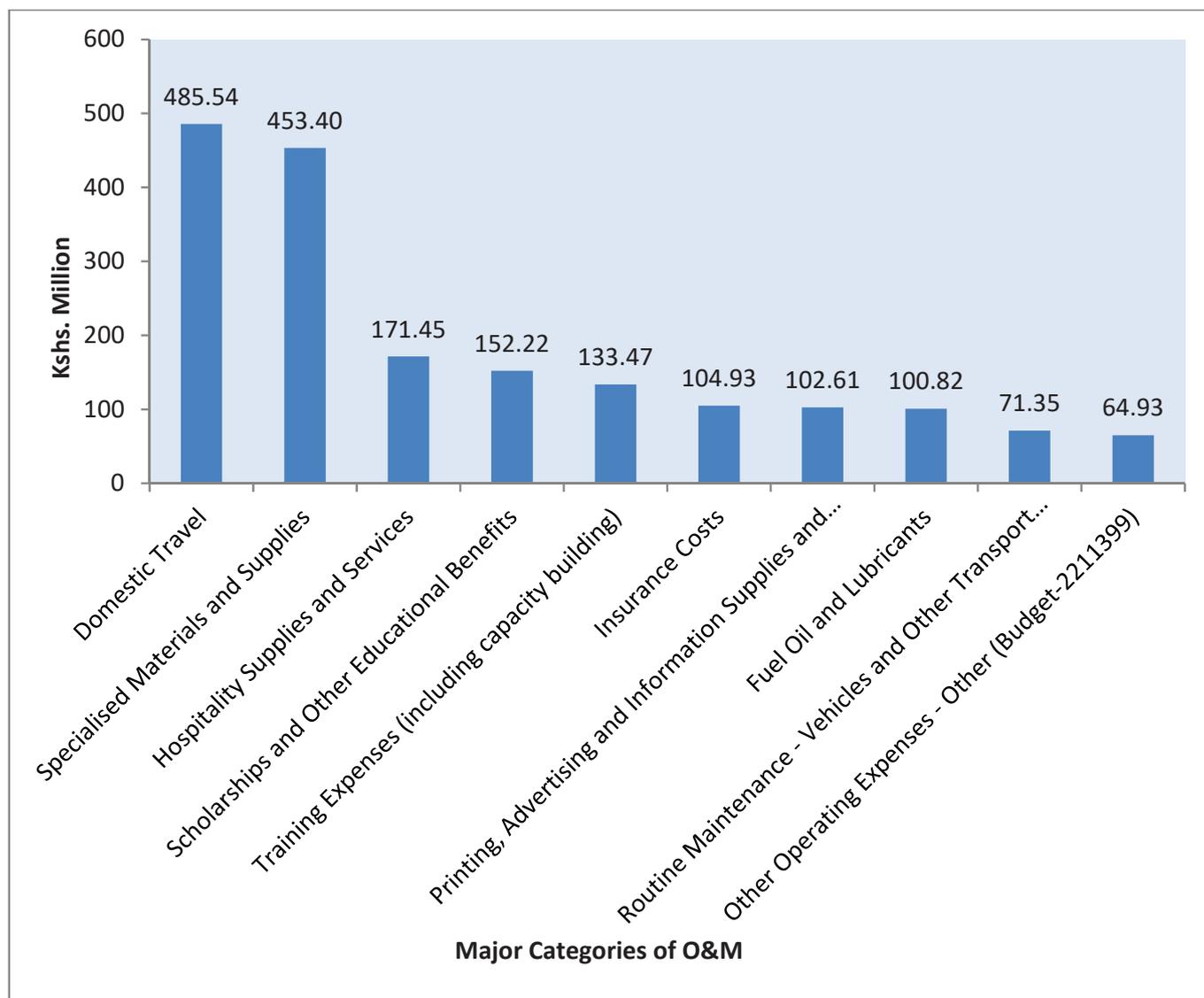
Source: Kitui County Treasury

### 3.18.5 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.85 billion comprised of Kshs.3.62 billion (61.9 per cent) incurred on personnel emoluments and Kshs.2.23 billion (38.1 per cent) on operations and maintenance as shown in Figure 3.71.

Expenditure on personnel emoluments represented an increase of 28.1 per cent compared to FY 2016/17 when the County spent Kshs.2.82 billion, and was 39.6 per cent of total expenditure in FY 2017/18. Figure 3.72 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.72: Kitui County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Kitui County Treasury

The County spent Kshs.17.09 million on committee sitting allowances to the 54 MCAs and speaker against the annual budget allocation of Kshs.36.68 million. This was a decline of 60.3 per cent compared to Kshs.43.07 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.25,889 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.485.54 million and comprised of Kshs.94.66 million spent by the County Assembly and Kshs.390.88 million by the County Executive. This represented 8.1 per cent of total recurrent expenditure and was an increase of 45.6 per cent compared to Kshs.333.52 million spent in the FY 2016/17.

### 3.18.6 Development Expenditure Analysis

The total development expenditure of Kshs.3.34 billion represented 73.4 per cent of the annual development budget of Kshs.4.56 billion. Table 3.53 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.53: Kitui County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual expenditure (Kshs.)	Absorption rate (%)
1	Ndengu Revolution	All wards	133,617,840	132,305,070	99
2	Kenya Devolution Support Programme (KDSP)	County-wide	53,665,066	46,464,466	87
3	Procurement of Farm Tractors, Disc Ploughs and Drawn Trailers	County-wide	43,000,000	42,938,000	100
4	Construction of Surgical and Amenity Block Kitui County Referral Hospital	Kitui Central Sub-County	144,775,000	38,926,677	27
5	Construction of Storeyed Maternity and Paediatric Block Kitui County Referral Hospital	Kitui Central Sub-County	242,782,652	35,281,850	15
6	Procurement of an Excavator	All wards	34,734,796	34,734,200	100
7	Re-carpeting of all Kitui town roads	County Head-quarter	34,224,704	32,416,780	95
8	Upgrading to Bitumen Standard of Road from Oilibya Petrol Station to Jubilee College	Township	29,772,926	29,772,926	100
9	Construction and Development of Playgrounds	County-wide	44,000,000	28,519,766	65
10	Fencing of Livestock Yards	County wide	51,479,624	27,277,873	53

Source: Kitui County Treasury

### 3.18.7 Budget and Budget Performance Analysis by Department

Table 3.54 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.54: Kitui County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the FY 2017/18 (Kshs. Million)		Expenditure in The FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	790.28	574.63	660.49	439.19	746.31	419.99	113.0	95.6	94.4	73.1
Administration and Coordination of County Affairs	440.10	13.78	440.10	10.09	417.53	8.69	94.9	86.2	94.9	63.1
The County Treasury	442.42	128.67	399.48	74.03	386.95	71.12	96.9	96.1	87.5	55.3
Health and Sanitation	2,283.31	737.67	2,283.31	459.57	2,059.22	432.53	90.2	94.1	90.2	58.6
Basic Education, ICT, and Youth Development	485.58	275.54	485.58	203.19	464.16	161.87	95.6	79.7	95.6	58.7
Trade, Cooperatives and Investments	143.51	372.84	143.51	157.83	132.29	140.16	92.2	88.8	92.2	37.6
Lands, Infrastructure, Housing, and Urban Development	308.01	591.83	308.01	574.52	285.33	492.60	92.6	85.7	92.6	83.2
Tourism, Sports and Culture	156.46	144.51	156.46	136.43	137.71	146.47	88.0	107.4	88.0	101.4
Agriculture, Water and Livestock Development	500.64	1,080.09	500.64	904.42	473.88	883.13	94.7	97.6	94.7	81.8
Environment and Natural Resources	106.02	197.13	106.02	157.02	96.36	180.12	90.9	114.7	90.9	91.4
County Public Service Board	70.31	-	70.31	-	63.24	-	90.0	-	90.0	-
County Assembly Service Board (County Assembly)	812.98	176.79	595.67	176.54	555.54	167.07	93.3	94.6	68.3	94.5
Kitui Town Administration (County Head-quarters)	93.67	169.91	93.67	142.30	91.89	161.12	98.1	113.2	98.1	94.8
Mwingi Town Administration	54.92	91.77	54.92	79.81	48.59	76.39	88.5%	95.7	88.5	83.2
Culture, Youth, Sports and Social Services	-	-	-	-	19.14	0.50	-	-	-	-
<b>TOTAL</b>	<b>6,688.21</b>	<b>4,555.14</b>	<b>6,298.15</b>	<b>3,514.94</b>	<b>5,978.14</b>	<b>3,341.76</b>	<b>94.9</b>	<b>95.1</b>	<b>89.4</b>	<b>73.4</b>

Source: Kitui County Treasury

Analysis of budget performance by vote shows that, the Department of Tourism, Sports and Culture attained the highest absorption rate of development budget at 101.4 per cent while the Department of Trade, Cooperatives and Investments had the lowest at 37.6 per cent. The Kitui Town Administration had the highest percentage of recurrent expenditure to recurrent budget at 98.1 per cent while the County Assembly Service Board (County Assembly) had the lowest at 68.3 per cent.

### 3.18.8 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation:-

1. High wage bill that has increased by 28.6 per cent from Kshs.2.82 billion in FY 2016/17 to Kshs.3.62 billion during the year.
2. Late submission of financial reports to the Controller of Budget by the County Treasury, which affected timely preparation of the annual budget implementation report contrary to Section 166 of the PFM Act, 2012.
3. IFMIS downtime 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 Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
3. *The County Treasury to liaise with IFMIS Directorate to address IFMIS challenges.*

## 3.19 Kwale County

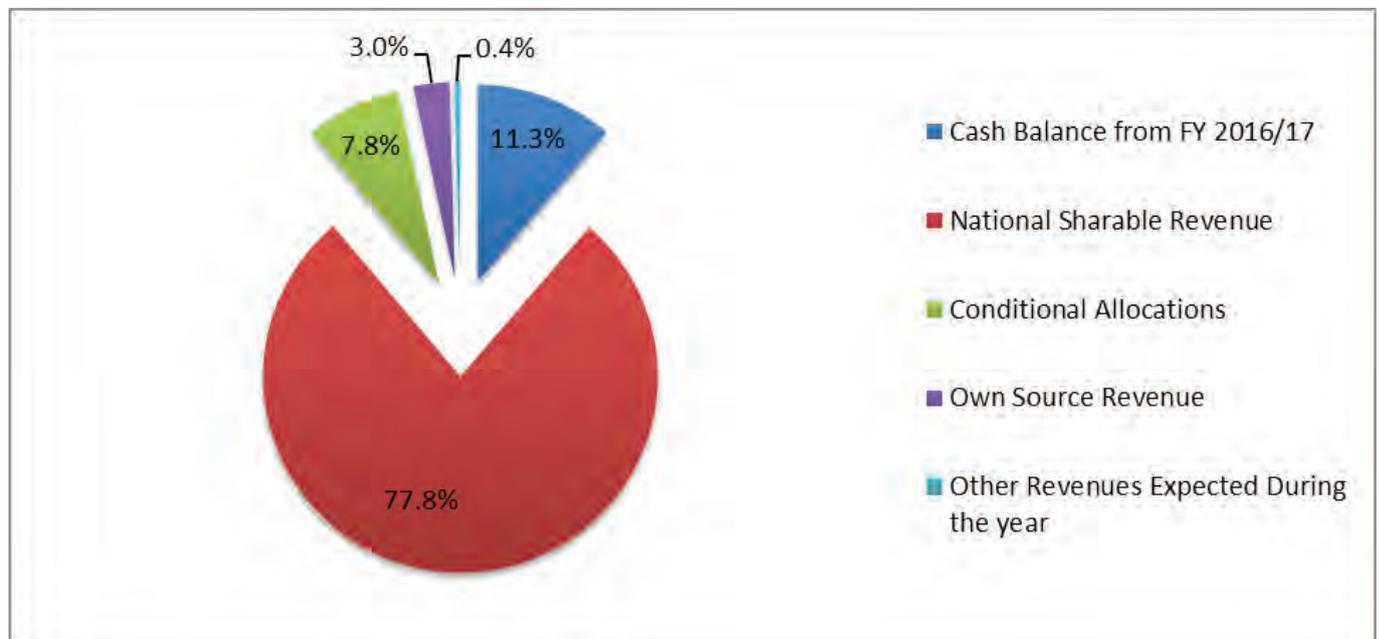
### 3.19.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.9.32 billion, comprising of Kshs.5.20 billion (55.8 per cent) and Kshs.4.11 billion (44.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.7.25 billion (77.8 per cent) as equitable share of revenue raised nationally, Kshs.724.98 million (8 per cent) as total conditional grants, generate Kshs.275 million (3 per cent) from own source revenue, other expected revenue of Kshs.40.87 (0.4 per cent) and Kshs.1.06 billion (11.3 per cent) cash balance from FY 2016/17.

Figure 3.73 shows the expected sources of budget financing in FY 2017/18

**Figure 3.73: Kwale County, Expected Sources of Budget Financing in FY 2017/18 (%)**



Source: Kwale County Treasury

The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (13.8 per cent) for Leasing of Medical Equipment, Kshs.218.39 million (31.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.21 million (2.2 per cent) as Compensation for User Fee Foregone, Kshs.14.8 million (2.1 per cent) from DANIDA, Kshs.37.07 million (5.3 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.47.39 million (6.8 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.43.76 million (6.3 per cent) for Development of Youth Polytechnics, Kshs.67.49 million (9.7 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (9.5 per cent) as European Union (EU) grant, Kshs.50 million (7.2 per cent) as World Bank Loan for National Agriculture and Rural Inclusive Growth Project and Kshs.38.82 million (5.6 per cent) as Other Loans and Grants.

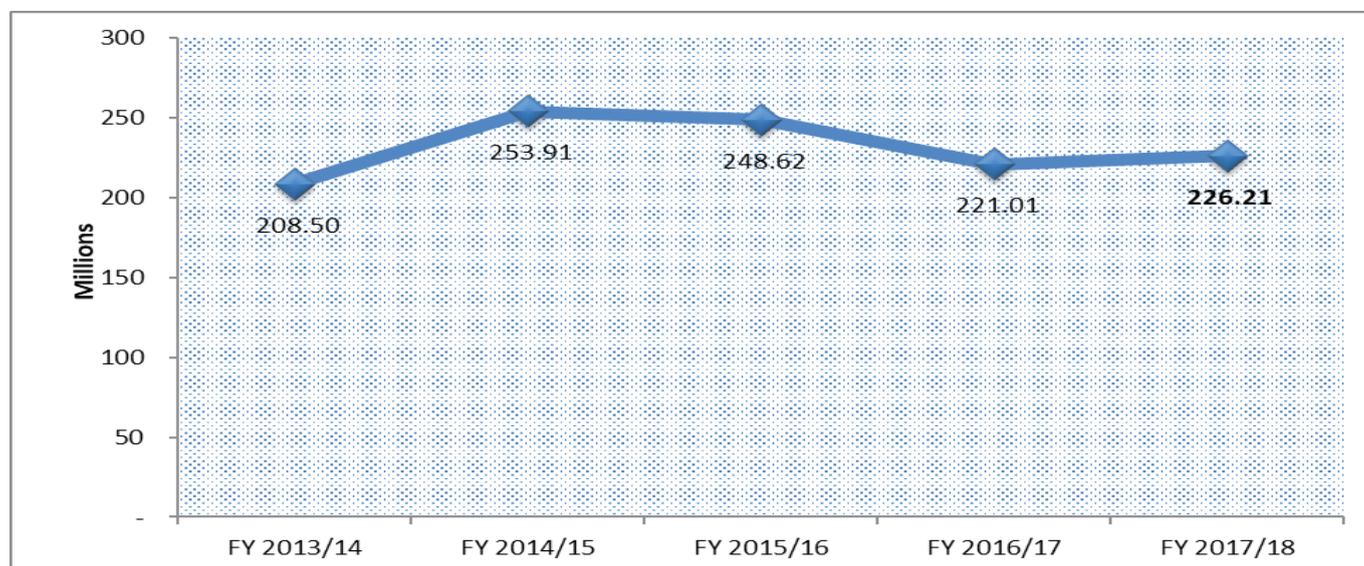
The County also expected to receive Kshs.8.12 million as FY 2016/17 DANIDA grant carried forward which was not contained in the CARA, 2017.

### 3.19.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.7.25 billion as equitable share of revenue raised nationally, Kshs.429.17 million as total conditional grants, raised Kshs.226.21 million from own source revenue, and had a cash balance of Kshs.1.06 billion from FY 2016/17. The total available funds amounted to Kshs.8.96 billion.

Figure 3.74 shows the annual trend in annual own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.74: Kwale County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Kwale County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.226.21 million, representing an increase of 2.4 per cent compared to Kshs.221.01 million generated in FY 2016/17 and was 82.3 per cent of the annual target.

### 3.19.3 Conditional Grants

Table 3.55 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.55: Kwale County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	218,390,206	218,390,206	218,390,207	100
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	0
3	World bank Grant for Transforming Health Systems Universal Care Project	67,495,496	67,495,496	30,679,771	45
4	EU Grant for Instrument for Devolution Advice and Support	66,000,000	66,000,000	-	0
5	World Bank Loan for National Agriculture and Rural Inclusive Growth Project	50,000,000	50,000,000	50,609,855	101
6	KDSP (Level 1 Grant Plus 2016/2017 Allocation) FY 2017/2018	47,394,016	47,394,016	47,394,016	100
7	Development of Youth Polytechnic	43,762,833	43,762,833	43,762,833	100
8	Other Loans and Grants	38,819,208	68,960,425	-	0
9	World Bank Loan to Supplement financing of County Health Facilities	37,075,000	37,075,000	-	0
10	User Fees Forgone	15,209,593	15,209,593	15,397,611	101
11	DANIDA Grant	14,798,976	14,949,437	22,938,413	155
<b>Total</b>		<b>694,690,009</b>	<b>724,981,687</b>	<b>429,172,706</b>	<b>62</b>

Source: Kwale County Treasury

The conditional grants released during the period under review indicate that, the County received grants and loans as listed above against the annual allocation.

### **3.19.4 Exchequer Issues**

During the period under review, the Controller of Budget approved withdrawal of Kshs.6.74 billion from the CRF account, which was 72.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 11.8 per cent from Kshs.6.02 billion approved in FY 2016/17 and comprised of Kshs.4.64 billion (68.9 per cent) for recurrent expenditure and Kshs.2.09 billion (31.1 per cent) for development activities.

### **3.19.5 Overall Expenditure Review**

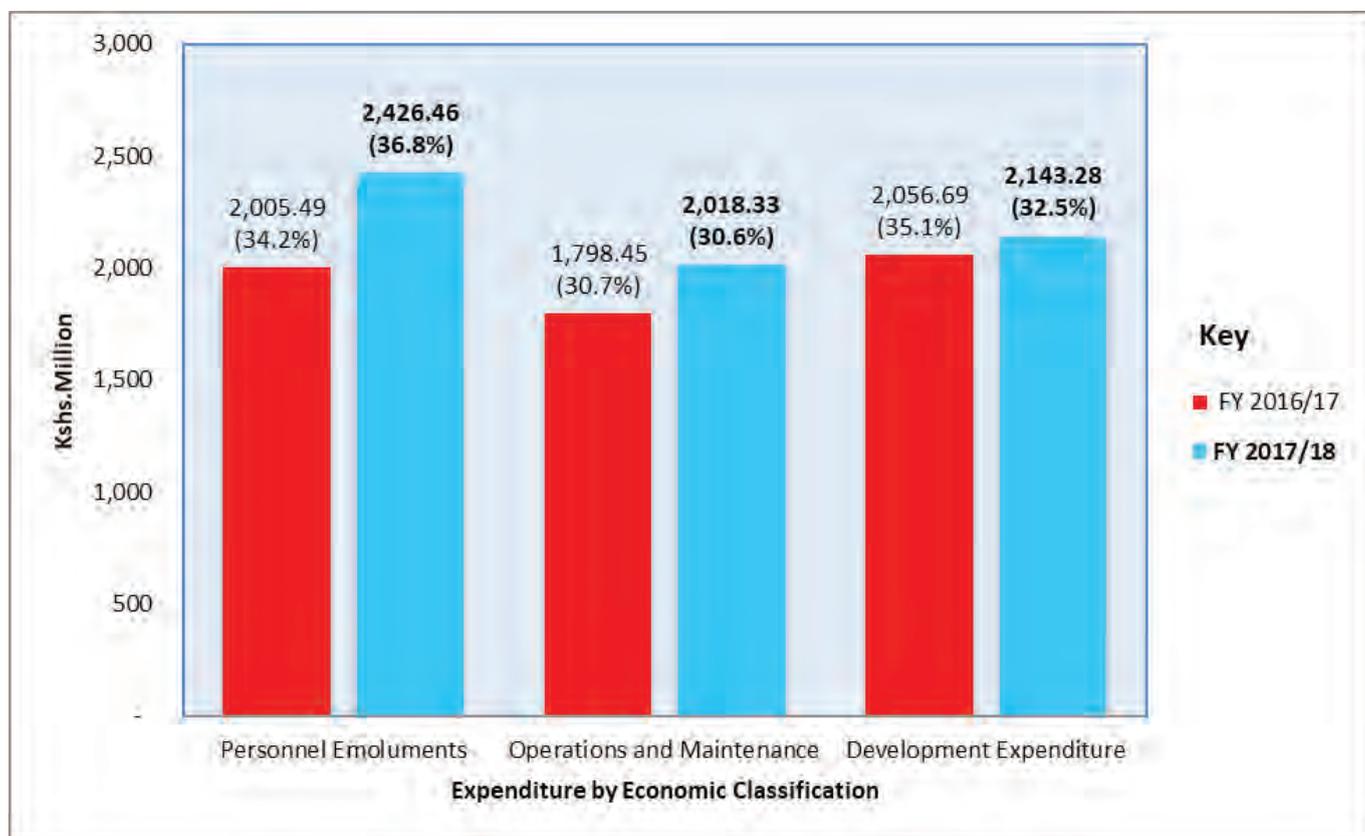
The County spent Kshs.6.59 billion, which was 97.8 per cent of the total funds released for operations. This was an increase of 12.4 per cent from Kshs.5.86 billion spent in FY 2016/17.

A total of Kshs.4.44 billion was spent on recurrent activities while Kshs.2.14 million was spent on development activities. The recurrent expenditure was 102.4 per cent of the funds released for recurrent activities, while development expenditure was 102.4 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.1.69 billion for development activities and Kshs.142.37 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 85.4 per cent of the annual recurrent budget, a decrease from 87.9 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 52.1 per cent, which was a decrease from 56.8 per cent attained in FY 2016/17.

Figure 3.75 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.75: Kwale County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



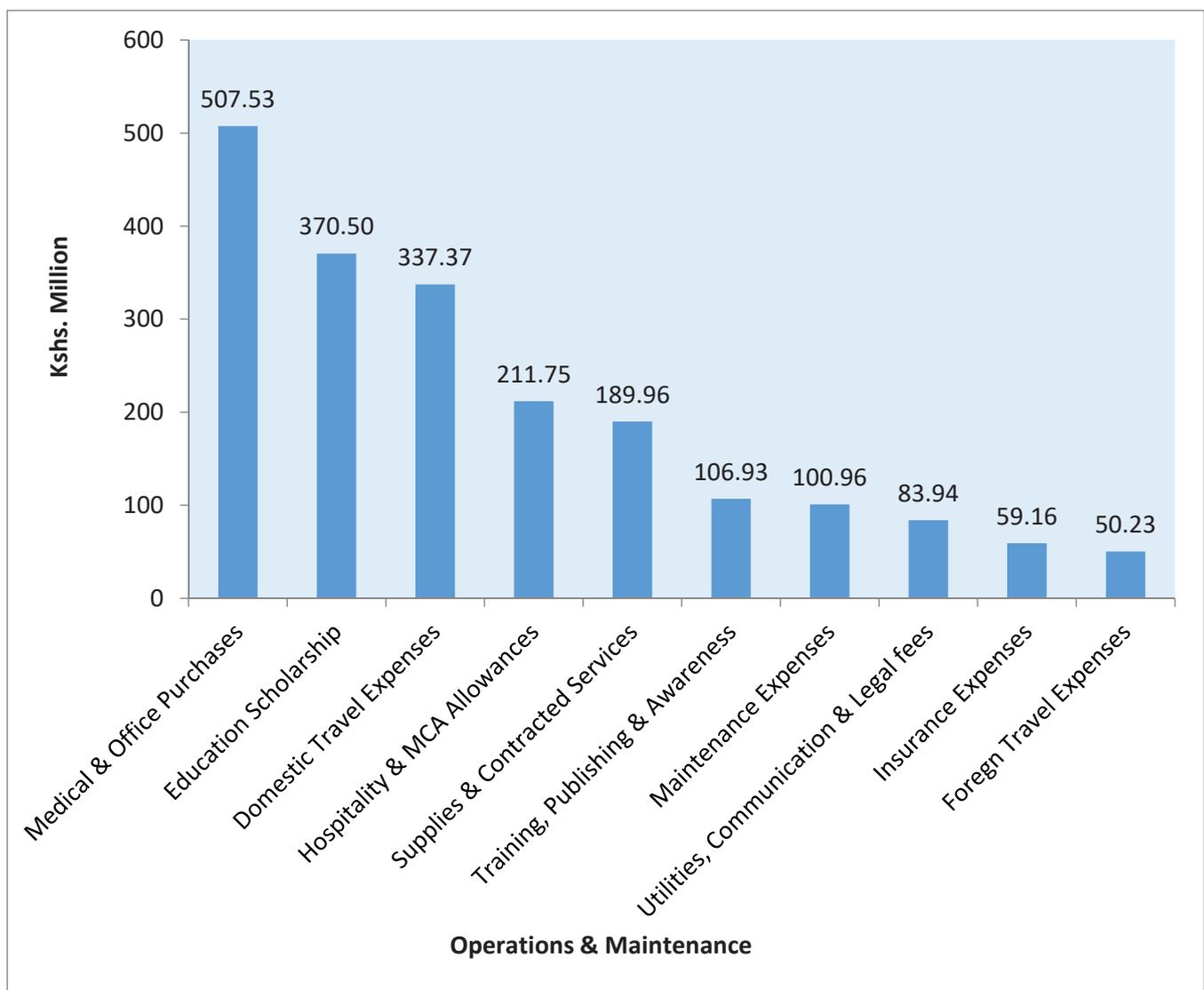
Source: Kwale County Treasury

### 3.19.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.44 billion comprised of Kshs.2.43 billion (54.6 per cent) incurred on personnel emoluments and Kshs.2.02 billion (45.4 per cent) on operations and maintenance as shown in Figure 3.75.

Expenditure on personnel emoluments represented an increase of 21 per cent compared to FY 2016/17 when the County spent Kshs.2.01 billion, and was 36.8 per cent of total expenditure in FY 2017/18. Figure 3.76 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.76: Kwale County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Kwale County Treasury*

The County spent Kshs.30.78 million on committee sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.32.05 million. This was a decline of 31.8 per cent compared to Kshs.45.12 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.75,441 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.337.37 million and comprised of Kshs.137.79 million spent by the County Assembly and Kshs.199.57 million by the County Executive. This represented 7.6 per cent of total recurrent expenditure and was an increase of 98.7 per cent compared to Kshs.195.08 million spent in FY 2016/17.

### 3.19.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.14 billion represented 52.1 per cent of the annual development budget of Kshs.4.11 billion. Table 3.56 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.56: Kwale County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Building Kwale Water infrastructure (Pipelines & Dams)	All Wards	444,046,718	430,696,929	97
2	Spot improvement & Graveling Kwale County Roads	All Wards	300,134,271	290,346,271	97
3	Build Msambweni Maternity & Scan House	Msambweni	107,801,364	97,944,229	91
4	Building County Local Area Network	All Wards	95,313,029	65,383,833	69
5	Building Governor's Residence	Tsimba Goloni	60,000,000	36,071,320	60
6	Purchase of Certified Seeds	All Wards	36,000,000	36,000,000	100
7	Kwale Spatial Plan & Adjudication Surveys	All Wards	47,554,900	29,361,200	62
8	Valuation Rolls	All Wards	34,000,000	23,707,260	70
9	Building Kombani Rehabilitation Centre	Kombani	21,633,925	19,103,460	88
10	Purchasing ECD Learning Materials & Water Tanks	All Wards	32,922,500	19,103,460	58

Source: Kwale County Treasury

### 3.19.8 Budget and Budget Performance Analysis by Department

Table 3.57 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.57: Kwale County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance and Economic Planning	701.15	105.66	488.73	70.32	543.15	70.32	111.1	100.0	77.5	66.6
Agriculture, Livestock and Fisheries	190.60	211.56	179.27	116.50	158.10	92.96	88.2	79.8	82.9	43.9
Land, Environment, Mining & Natural Resources	59.55	84.61	45.83	36.75	38.88	31.57	84.8	85.9	65.3	37.3
Medical Service & Public Health	1,897.42	731.78	1,791.65	364.52	1,731.31	465.61	96.6	127.7	91.2	63.6
County Assembly	491.80	225.15	471.65	60	473.48	53.36	100.4	88.9	96.3	23.7
Industry, Trade and Investments	61.63	122.05	48.52	33.13	33.71	24.48	69.5	73.9	54.7	20.1
Community Development, Youth & Women Empowerment & Social Services	177	226.46	130.94	67.16	104.82	70.44	80.1	104.9	59.2	31.1
Office Of The Governor and The Deputy Governor	216.21	87.38	172.09	36.07	152.23	36.07	88.5	100.0	70.4	41.3
Education	776.74	843.39	743.25	443.78	672.47	454.54	90.5	102.4	86.6	53.9
Water and Urban Planning and Decentralized Units	80.20	784.46	60.28	429.17	50.67	444.05	84.1	103.5	63.2	56.6
Infrastructure and Public Works	195.31	543.14	168.79	326.76	165.67	300.13	98.1	91.9	84.8	55.3
ICT and Tourism	60.04	96.83	51.95	64.35	39.94	55.59	76.9	86.4	66.5	57.4
Public Service and Administration	294.48	50.87	288.61	45.29	280.36	44.16	97.1	97.5	95.2	86.8
<b>TOTAL</b>	<b>5,202.14</b>	<b>4,113.35</b>	<b>4,644.88</b>	<b>2,093.79</b>	<b>4,444.79</b>	<b>2,143.28</b>	<b>95.7</b>	<b>102.4</b>	<b>85.4</b>	<b>52.1</b>

Source: Kwale County Treasury

Analysis of budget performance by department shows that, the Department of Public Service and Administration attained the highest absorption rate of development budget at 86.8 per cent while the Department of Industry Trade and Investment had the lowest development expenditure at 54.7 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 96.3 per cent while the Department of Industry Trade and Investment Development had the lowest at 54.7 per cent.

### 3.19.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. High wage bill that rose by 21 per cent from Kshs.2.01 billion in FY 2016/17 to Kshs.2.43 billion during the year.
2. 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 are:

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
2. *The County Treasury to liaise with IFMIS Directorate to address IFMIS challenges.*

### 3.20 Laikipia County

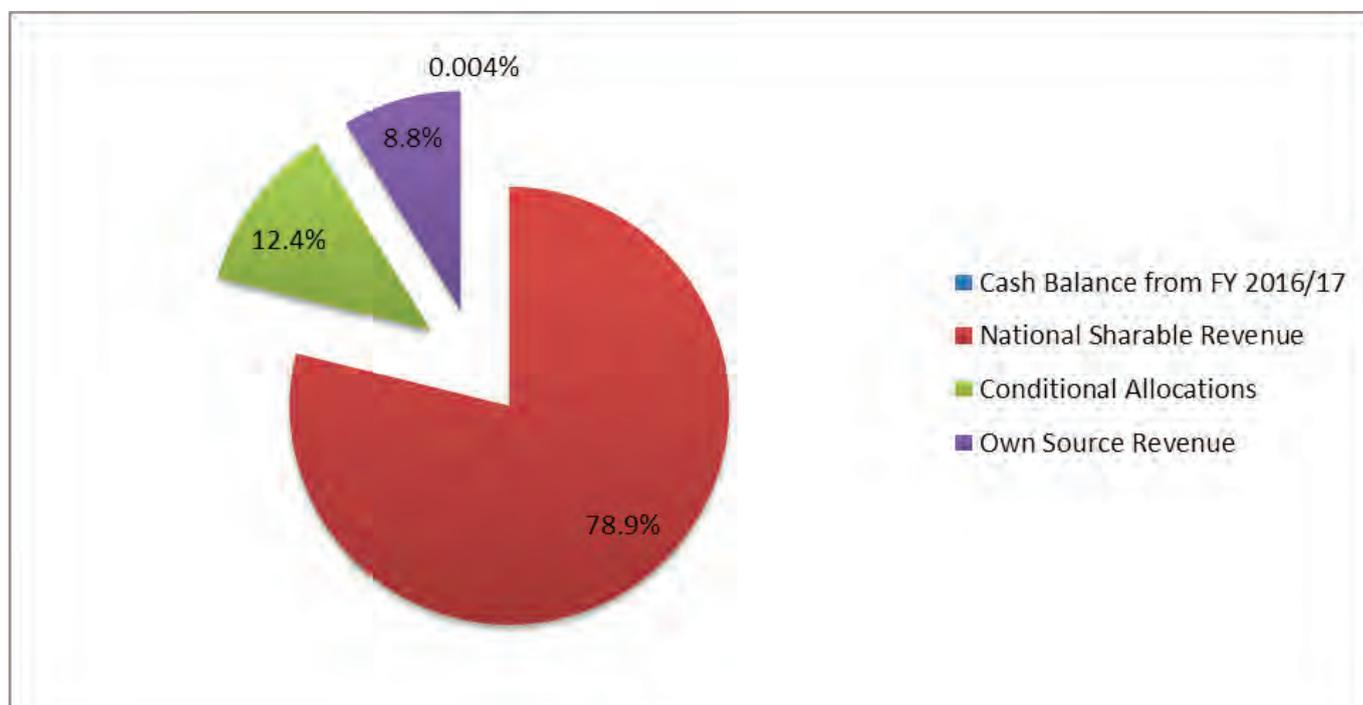
#### 3.20.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs5.71 billion, comprising of Kshs.3.82 billion (66.9 per cent) and Kshs.1.89 billion (33.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.5 billion (78.9 per cent) as equitable share of revenue raised nationally, Kshs.706.49 million (12.4 per cent) as total conditional grants, generate Kshs.500 million (8.8 per cent) from own source revenue Sources, and Kshs.210, 630 (8.8 per cent) cash balance from FY 2016/17.

Figure 3.77 shows the expected sources of budget financing in FY 2017/18

**Figure 3.77: Laikipia County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Laikipia County Treasury*

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (19.2 per cent) for Leasing of Medical Equipment, Kshs.146.97 million (29.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.9.97 million (2 per cent) as Compensation for User Fee Foregone, Kshs.9.96 million (2 per cent)

from DANIDA, Kshs.25.25 million (5.1 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.38.40 million (7.7 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.33.36 million (6.7 per cent) for Development of Youth Polytechnics, Kshs.46.12 million (9.3 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (13.2 per cent) as European Union (EU) grant and Kshs.26.44 million (9.3 per cent) as Other Loans and Grants.

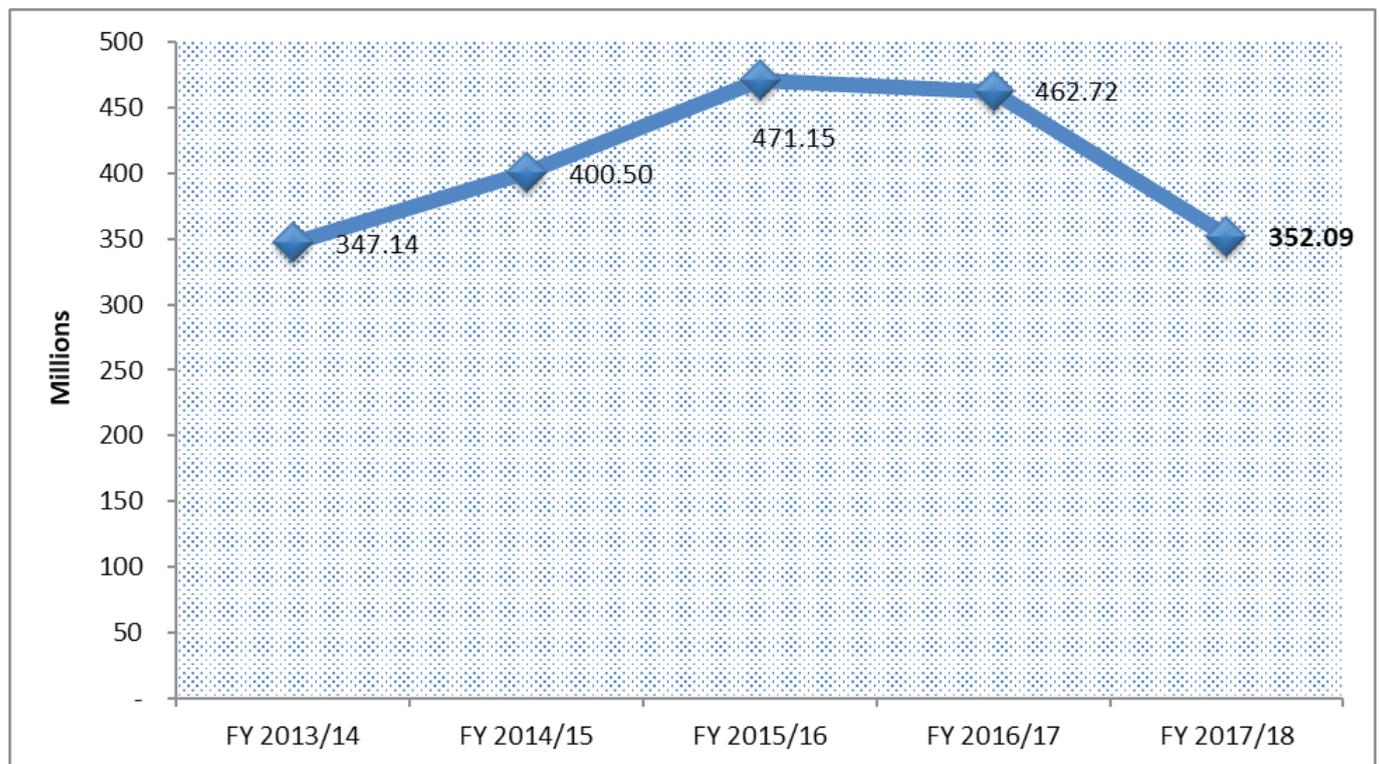
The County also budgeted to receive Kshs.200 million as grant for Health Sector Support and Kshs.8.27 million from Food and Agriculture Organization programme, which are not contained in the CARA, 2017.

### 3.20.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.4.5 billion as equitable share of revenue raised nationally, Kshs.334.61 million as total conditional grants, raised Kshs.352.09 million from own source revenue, and had a cash balance of Kshs.210, 630 from FY 2016/17. The total available funds amounted to Kshs.5.09 billion.

Figure 3.78 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.78: Laikipia County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Laikipia County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.352.09 million, representing a decline of 23.9 per cent compared to Kshs.462.72 million generated in FY 2016/17 and was 64 per cent of the annual target.

### 3.20.3 Conditional Grants

Table 3.58 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.58: Laikipia County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grant or Loan Details	Annual CARA,2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Road Maintenance Fuel Levy Fund	146,974,666	146,974,666	120,831,610	82
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	World Bank loan to supplement financing of County Health facilities	25,255,000	25,255,000	20,961,790	83
4	Kenya Devolution Support Programme-(KDSP)	38,403,464	38,403,464	38,403,464	100
5	Conditional Grants - Compensation for User Fee Foregone	9,968,208	9,968,208	9,872,539	99
6	DANIDA Grant	9,959,579	9,959,579	15,437,348	155
7	Conditional Grants to Development of Youth Polytechnics	33,358,875	33,358,878	33,358,878	100
8	Conditional Allocation - Other Loans & Grants	26,439,559	26,439,559	-	-
9	World Bank Loan for Transforming Health System for universal Care System	46,115,937	46,115,937	-	-
10	EU Grant	66,000,000	66,000,000	-	-
<b>Sub Total</b>		<b>498,219,969</b>	<b>498,219,972</b>	<b>238,835,629</b>	<b>67</b>
<b>B</b>	<b>Other Grants</b>				
10	Facility Improvement Fund including health sector support	-	200,000,000		
11	Food and Agriculture Organisation programme	-	8,265,118		
<b>Sub Total</b>		<b>-</b>	<b>208,265,118</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>		<b>498,219,969</b>	<b>706,485,090</b>	<b>238,835,635</b>	<b>67</b>

Source: Laikipia County Treasury

Analysis of the conditional grants released during the period under review indicates that, DANIDA Grant recorded the highest receipts at 155 per cent of annual budget allocation

### 3.20.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.8 billion from the CRF account, which was 84.1 per cent of the Approved Supplementary Budget. This amount represented a decline of 0.8 per cent from Kshs.4.76 billion approved in FY 2016/17 and comprised of Kshs.3.74 billion (77.9 per cent) for recurrent expenditure and Kshs.1.06 billion (22.1 per cent) for development activities.

### 3.20.5 Overall Expenditure Review

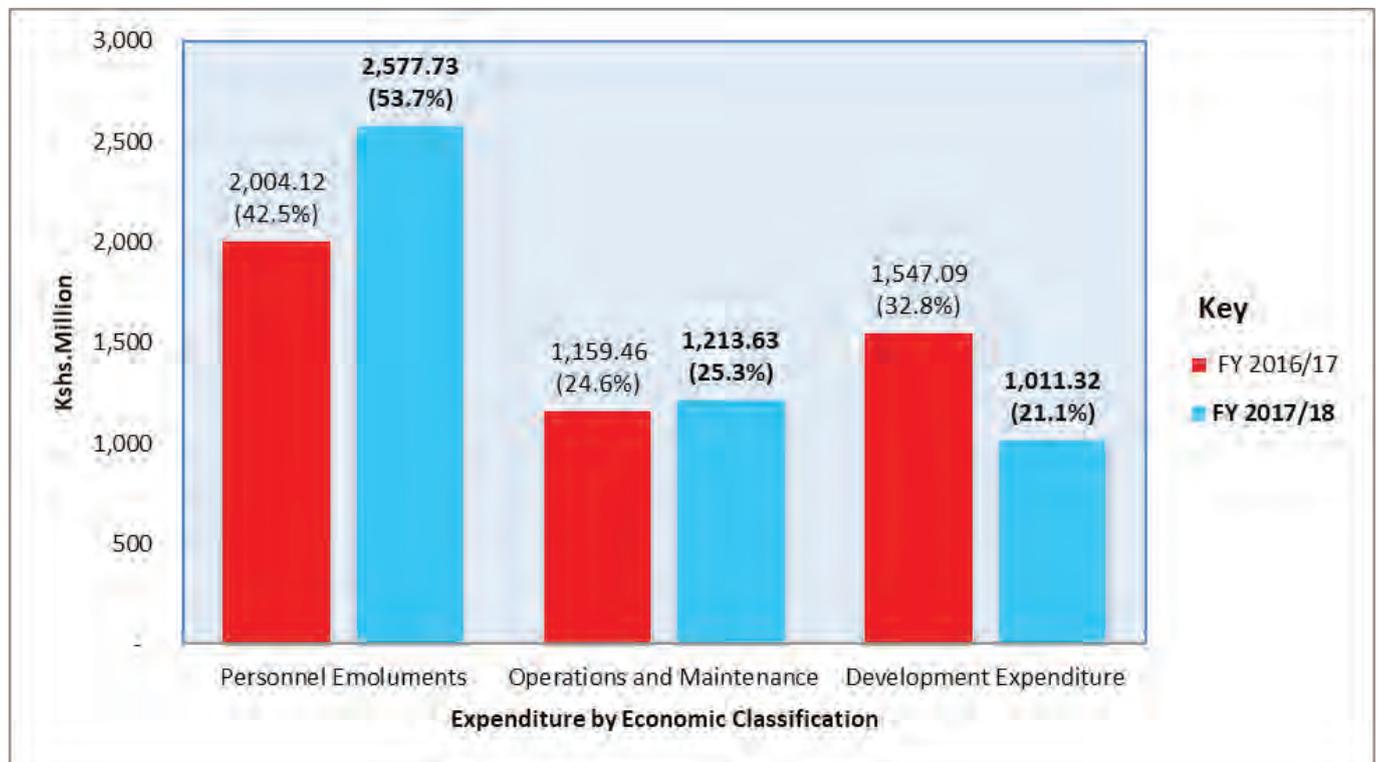
The County spent Kshs.4.8 billion, which was 100.1 per cent of the total funds released for operations. This was a decline of 2 per cent from Kshs.4.71 billion spent in FY 2016/17.

A total of Kshs.3.79 billion was spent on recurrent activities while Kshs.1.01 billion was spent on development activities. The recurrent expenditure was 101.4 per cent of the funds released for recurrent activities, while development expenditure was 95.4 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.563.25 million for development activities and Kshs.197.36 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 99.4 per cent of the annual recurrent budget, a decrease from 90.4 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 53.5 per cent, which was a decrease from 62.7 per cent attained in FY 2016/17.

Figure 3.79 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.79: Laikipia County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



*Source: Laikipia County Treasury*

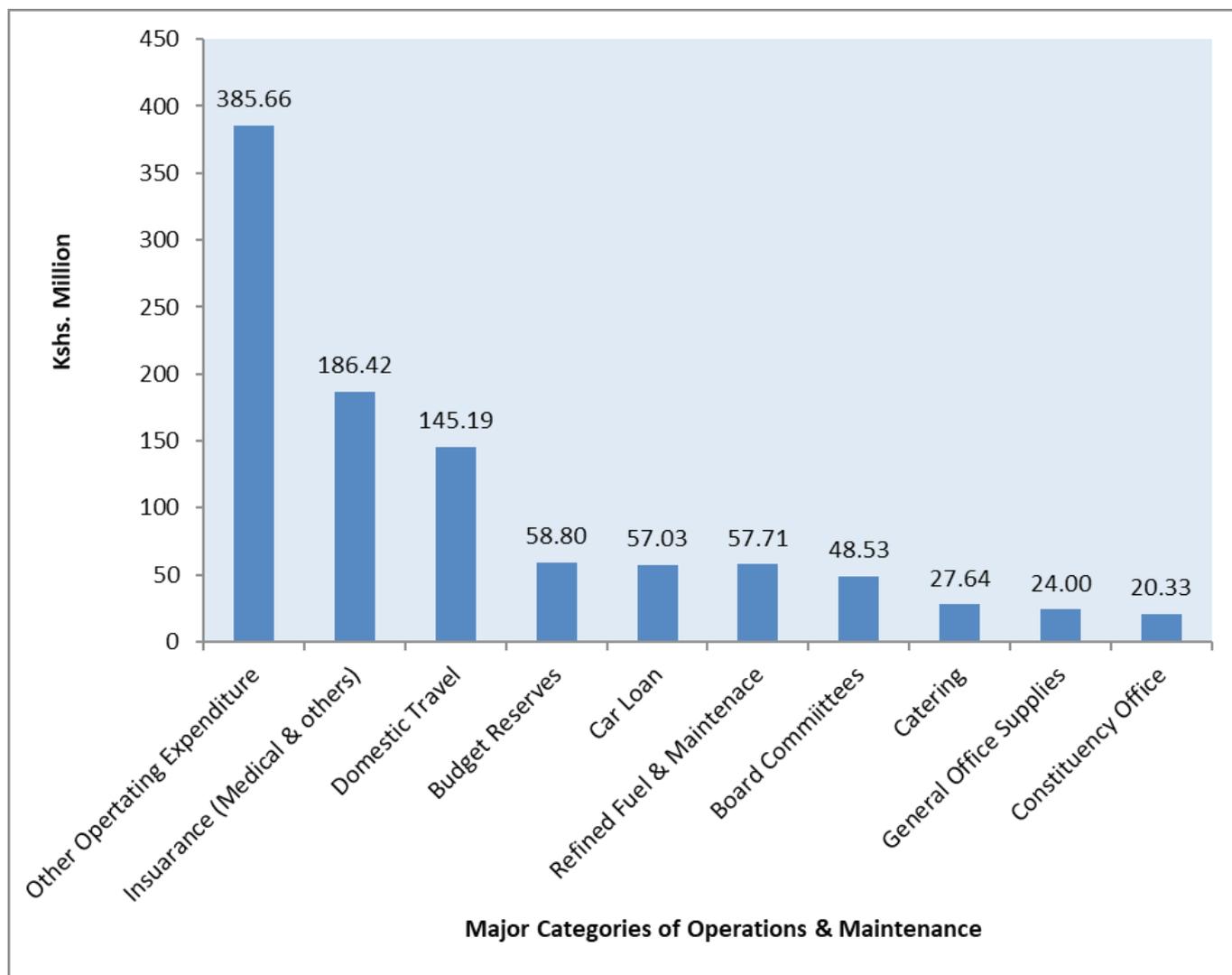
### 3.2.0.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.79 billion comprised of Kshs.2.58 billion (68 per cent) incurred on personnel emoluments and Kshs.1.21 billion (32 per cent) on operations and maintenance as shown in Figure 3.79.

Expenditure on personnel emoluments represented an increase of 28.6 per cent compared to FY 2016/17 when the County spent Kshs.2 billion, and was 53.7 per cent of total expenditure.

Figure 3.80 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.80: Laikipia County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Laikipia County Treasury

The County spent Kshs.10.72 million on committee sitting allowances to the 25 MCAs against an annual budget allocation of Kshs.12.24 million. This was a decrease of 63.2 per cent compared to Kshs.29.15 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.35,746 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.145.19 million and comprised of Kshs.73 million spent by the County Assembly and Kshs.72.19 million by the County Executive. This represented 3.8 per cent of total recurrent expenditure and was a decrease of 3.5 per cent compared to Kshs.150.11 million spent in FY 2016/17.

### 3.20.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.01 billion represented 53.5 per cent of the annual development budget of Kshs.1.89 billion. Table 3.59 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.59: Laikipia County County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Medical drugs	County wide	132,076,000	118,766,856	90
2	Rehabilitation of 15 (10,000 cubic meters) earth dams	County wide	42,000,000	39,500,000	94
3	County contribution to WSTF projects	Tigithi	30,000,000	29,800,000	99
4	Payment for construction of Ewaso Ngiro bridge in Mukogodo West	Mukogondo West	24,760,220	24,760,220	100
5	Supply of drugs Ngobit, Sweetwater's and St. Joseph Catholic	Nanyuki Hospital	24,486,409	24,486,409	100
7	Supply of Grader	County wide	23,160,690	23,160,690	100
8	Purchase of two heavy duty 4wd Toyota Land cruiser hard top ambulances	Nanyuki Hospital	21,576,000	21,576,000	100

Source: Laikipia County Treasury

### 1.1.3 Analysis of Budget Performance by Department

Table 3.60 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.60: Laikipia County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Administration	2,685.27	77.07	2,684.97	55.94	2,725.13	28.06	101.5	50.2	101.5	36.4
Finance and Planning	197.08	424.28	187.08	245.10	177.98	300.98	95.1	122.8	90.3	70.9
Health	231.58	532.70	167.73	234.09	210.60	316.14	125.6	135.0	90.9	59.3
Agriculture	42	173.42	42	140.94	36.46	65.23	86.8	46.3	86.8	37.6
Infrastructure	40.65	293.50	40.65	105.47	31.79	115.75	78.2	109.7	78.2	39.4
Education	95.03	90.99	95.03	88.59	92.06	6.17	96.9	7.0	96.9	6.8
Trade & Industrialization	39.88	104.69	39.88	91.80	39.22	27.02	98.3	29.4	98.3	25.8
Water	31.64	166	31.64	70.47	30.12	124.35	95.2	176.4	95.2	74.9
County Assembly	453	27.72	448.66	27.72	448	27.61	99.9	99.6	98.9	99.6
<b>TOTAL</b>	<b>3,816</b>	<b>1,890</b>	<b>3,738</b>	<b>1,060</b>	<b>3,791</b>	<b>1,011</b>	<b>101.4</b>	<b>95.4</b>	<b>99.4</b>	<b>53.5</b>

Source: Laikipia County Treasury

Analysis of budget performance by department shows that, the County Assembly attained the highest absorption rate of development budget at 99.6 per cent while the Department of Education had the lowest 6.8 per cent. The Department of County Administration had the highest percentage of recurrent expenditure to recurrent budget at 101.5 per cent while the Department of Infrastructure had the lowest at 78.2 per cent.

### 3.20.8 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
2. Under-performance in own source revenue collection. The County collected Ksh.352.09 million in FY 2017/18 representing a decline of 23.9 per cent compared to Kshs.462.72 million generated in FY 2016/17.
3. High wage bill that increased by 28.6 per cent FY 2017/18 where the county spent Kshs.2.58 billion

compared to the previous year when Kshs.2 billion was spent and represented 68 per cent of total expenditure.

4. Weak budgetary control, which led to exceeding of recurrent budget allocation by 1.5 per cent by the County Administration Department.
5. Delay by Fund Administrators of the County Executive Car & Mortgage Fund, County Bursary and Scholarship Fund, Co-operative Fund and Enterprise Fund to submit financial reports on County Public Funds contrary to Section 168 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should develop and implement strategies to enhance own source revenue collection.*
3. *The County Public Service Board should establish and implement an optimal staffing structure in order to ensure sustainable wage bill.*
4. *The County Treasury should enhance budgetary and expenditure controls to ensure expenditure is within the approved budget.*
5. *All Funds Administrators should provide quarterly financial statements for County Public Funds in line with Section 168 of the PFM Act, 2012.*

## **3.21 Lamu County**

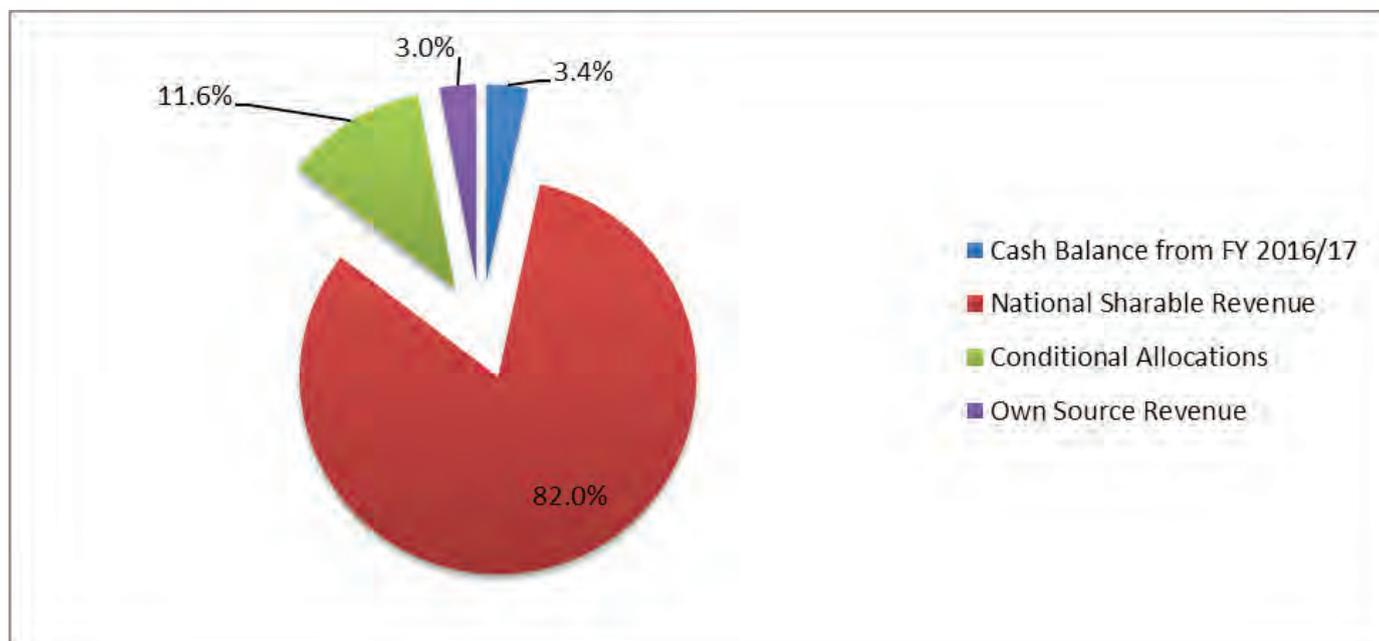
### **3.21.1 Overview of the FY 2017/18 Budget**

The County's FY 2017/18 Approved Supplementary Budget was Kshs.3.02 billion, comprising of Kshs.2.01 billion (66.5 per cent) and Kshs.1.01 billion (33.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.2.48 billion (82 per cent) as equitable share of revenue raised nationally, Kshs.350.16 million (11.6 per cent) as total conditional grants, generate Kshs.90 million (3 per cent) from own source revenue, and Kshs.102.5 million (3.4 per cent) cash balance from FY 2016/17.

Figure 3.81 shows the expected sources of budget financing in FY 2017/18

**Figure 3.81: Lamu County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Lamu County Treasury*

The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (22.1 per cent) for Leasing of Medical Equipment, Kshs.87.42 million (20.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.2.45 million (0.6 per cent) as Compensation for User Fee Foregone, Kshs.5.92 million (1.4 per cent) from DANIDA, Kshs.11.79 million (2.7 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.31.56 million (7.3 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.31.78 million (7.3 per cent) for Development of Youth Polytechnics, Kshs.28.59 million (6.6 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.121 million (28 per cent) as Supplement for Construction of County Headquarters and Kshs.16.25 million (3.8 per cent) as Other Loans and Grants.

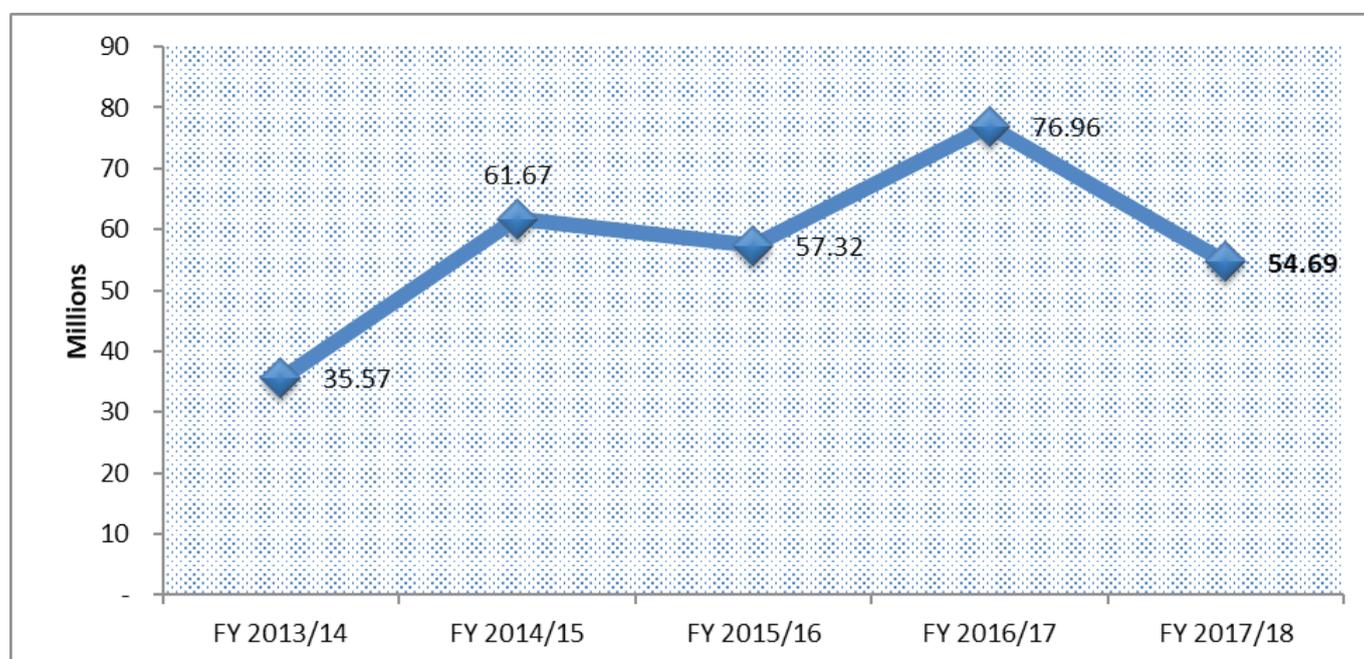
The County also expected to receive Kshs.13.4 million from World Bank loan for National Agricultural & Rural Inclusive Project, which was not contained in the CARA, 2017.

### 3.21.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.2.48 billion as equitable share of revenue raised nationally, Kshs.175.42 million as total conditional grants, raised Kshs.54.69 million from own source revenue, and had a cash balance of Kshs.102.50 million from FY 2016/17. The total available funds amounted to Kshs.2.81 billion.

Figure 3.82 shows the annual trend in annual own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.82: Lamu County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Lamu County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.54.69 million, representing a decrease of 28.9 per cent compared to Kshs.76.96 million generated in FY 2016/17 and was 60.8 per cent of the annual target.

### 3.21.3 Conditional Grants

Table 3.61 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.61: Lamu County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	87,424,448	87,424,448	87,424,448	100
2	Leasing of Medical Equipment	95,744,681	-	-	-
3	World Bank loan to supplement financing of County Health facilities	11,785,000	11,785,000	12,993,407	110
4	Kenya Devolution Support Programme (KDSP)	31,560,246	31,560,246	31,560,246	100
5	Compensation for User Fee Foregone	2,451,034	2,451,034	2,481,810	101
6	DANIDA Grant	5,924,224	9,182,547	9,182,547	155
7	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
8	Development of Youth Polytechnics	31,780,441	31,780,441	31,780,441	100
9	Conditional Allocation - Other Loans & Grants	16,251,730	-	-	-
10	World Bank Loan for Transforming Health System for universal Care Project	28,585,496	41,578,903	-	-
11	World Bank Loan for National Agricultural & Rural Inclusive Project	-	13,400,000	-	-
<b>Total</b>		<b>432,507,300</b>	<b>350,162,619</b>	<b>175,422,899</b>	<b>41</b>

Source: Lamu County Treasury

Analysis of the conditional grants received during the period under review indicates that, the County received grants from DANIDA, the Road Maintenance Fuel Levy Fund, Compensation for User Fees Foregone, Kenya Devolution Support programme, Development of Youth Polytechnics and World Bank loan to Health Facilities. These receipts accounted for 155 per cent, 110 per cent, 101 per cent, 100 per cent, 100 per cent and 100 per cent of annual allocation respectively.

### 3.21.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.2.36 billion from the CRF account, which was 78 per cent of the Approved Supplementary Budget. This amount represented a decline of 10.4 per cent from Kshs.2.63 billion approved in FY 2016/17 and comprised of Kshs.1.91 billion (81.1 per cent) for recurrent expenditure and Kshs.445.76 million (18.9 per cent) for development activities.

### 3.21.5 Overall Expenditure Review

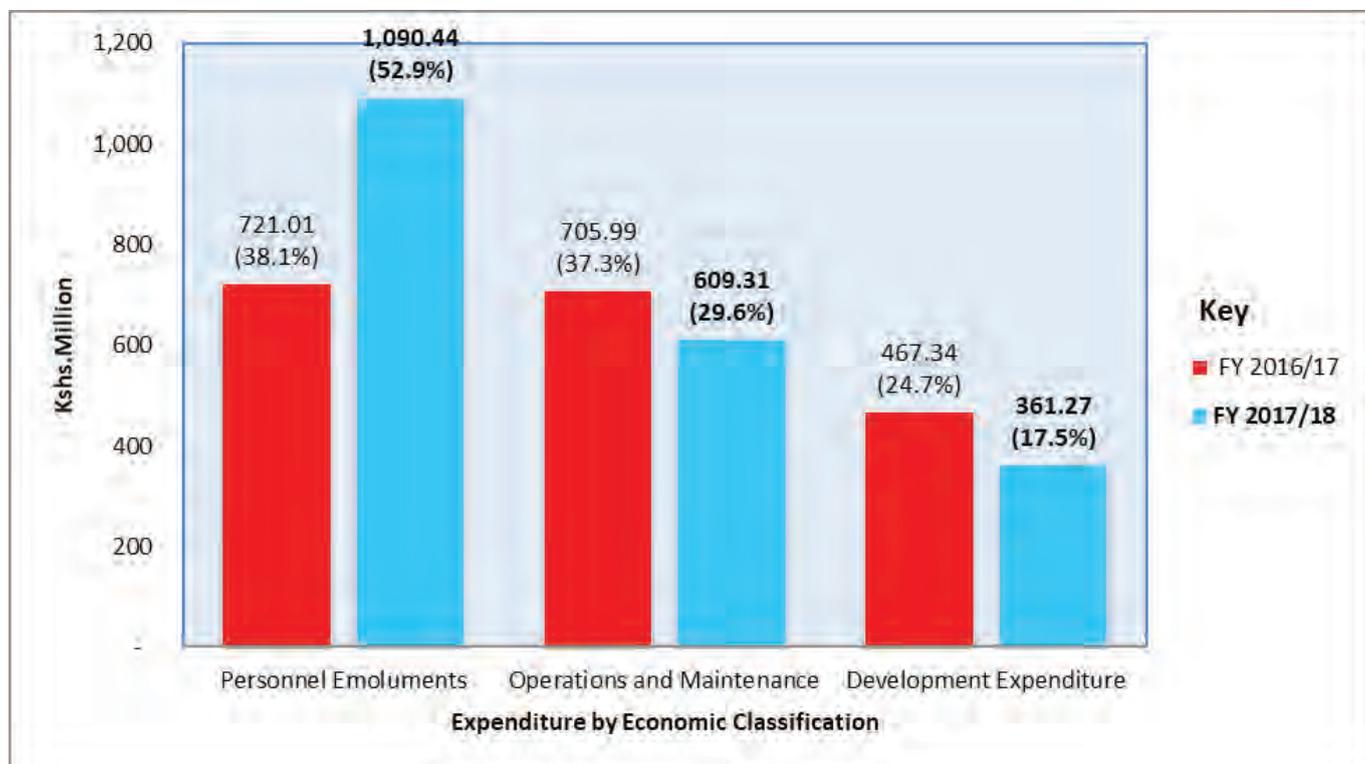
The County spent Kshs.2.06 billion, which was 87.5 per cent of the total funds released for operations. This was an increase of 8.8 per cent from Kshs.1.89 billion spent in FY 2016/17.

A total of Kshs.1.70 billion was spent on recurrent activities while Kshs.361.27 million was spent on development activities. The recurrent expenditure was 89 per cent of the funds released for recurrent activities, while development expenditure was 81 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.39.6 million for development activities and Kshs.139.89 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 84.6 per cent of the annual recurrent budget, an increase from 82.5 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 35.8 per cent, which was an increase from 24.7 per cent attained in FY 2016/17.

Figure 3.83 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.83: Lamu County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



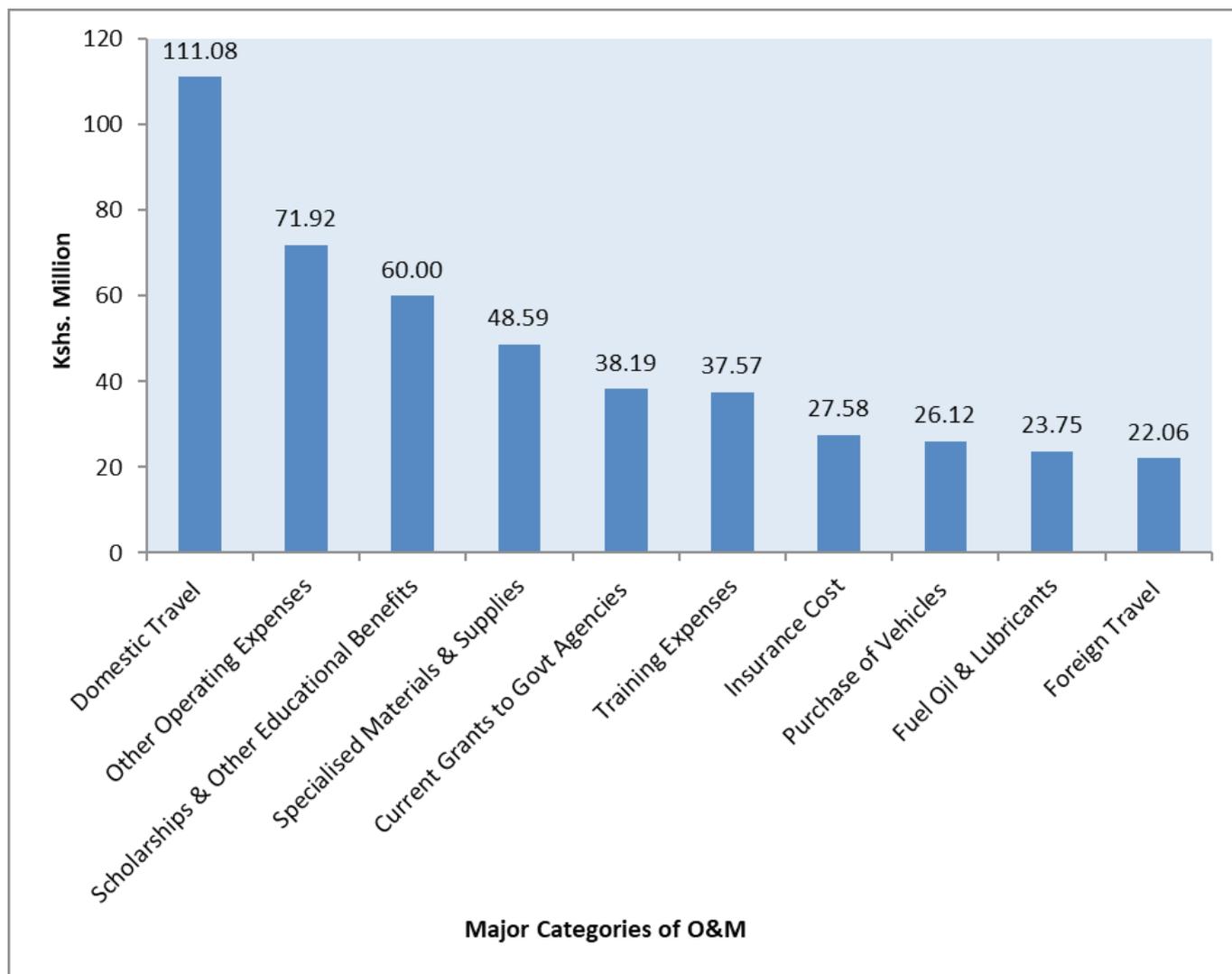
Source: Lamu County Treasury

### 3.21.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.70 billion comprised of Kshs.1.09 billion (64.1 per cent) incurred on personnel emoluments and Kshs.609.31 million (35.9 per cent) on operations and maintenance as shown in Figure 3.83.

Expenditure on personnel emoluments represented an increase of 51.2 per cent compared to FY 2016/17 when the County spent Kshs.721.01 million, and was 52.9 per cent of total expenditure in FY 2017/18. Figure 3.84 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.84: Lamu County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Lamu County Treasury

The County spent Kshs.11.91 million on committee sitting allowances to the 19 MCAs against the annual budget allocation of Kshs.14.88 million. This was an increase of 40.9 per cent compared to Kshs.20.15 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.52,226 per MCA compared to SRC's recommended monthly ceiling of Kshs.80, 000.

Expenditure on domestic travel amounted to Kshs.111.08 million and comprised of Kshs.46.52 million spent by the County Assembly and Kshs.64.56 million by the County Executive. This represented 5.4 per cent of total recurrent expenditure and was an increase of 32.8 per cent compared to Kshs.6.5 million spent in FY 2016/17.

### 3.21.7 Development Expenditure Analysis

The total development expenditure of Kshs.361.27 million represented 35.8 per cent of the annual development budget of Kshs.1.01 billion. Table 3.62 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.62: Laikipia County County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Proposed maternity wing and renovations of existing building at mpeketoni sub-county hospital	Mpeketoni	39,251,360	22,735,284	58
2	Construction of ECD classroom,office and 4 door VIP toilet	Bopwe,Kizingitini,Pangani,Sese,Shanga,Bobo,Amkeni	20,000,000	17,330,225	87
3	Construction of command center	County HQRS	12,000,000	11,921,216	99
4	Supply of desalination unit and its accessories -kiunga	Kiunga	4,067,728	10,362,028	255
5	Routine Maintenance works of Manda Maweni Jetty road phase II	Manda Maweni	10,000,000	9,980,582	100
6	Supply of certified seeds	County Wide	10,000,000	9,694,000	97
7	Planning & survey of Amu Ranch settlement scheme -2nd payment	Lamu West Sub county	14,000,000	8,970,000	64
8	Proposed laundry and kitchen at faza subcounty hospital	Faza	7,991,564	7,438,997	93
9	Routine Maintenance works of Bangure junction kizuke road	Mkunumbi	7,000,000	7,426,488	106
10	Supply of desalination plant unit and its accessories-siyu	Siyu	8,000,000	6,098,024	76

Source: Lamu County Treasury

### 3.21.8 Budget and Budget Performance Analysis by Department

Table 3.63 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.63: Lamu County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs.Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	350	150	301.13	130.97	291.75	132.94	96.9	101.5	83.4	88.6
County Executive and Public Service Management	330.90	233.80	330.90	11.78	256.74	11.92	77.6	101.2	77.6	5.1
Finance and Economic Planning	135.34	7.10	131.60	-	97.87	-	74.4		72.3	-
Agriculture and Irrigation	64.13	58.56	63.94	15.82	48.01	1.18	75.1	7.5	74.9	2.0
Land, Physical Planning, infrastructure Water and Urban Development	66.59	206.17	66.59	142.58	57.50	116.10	86.4	81.4	86.4	56.3
Education, Gender, Youth Affairs, Sports and Social services	133.26	83.78	133.26	50.57	125.47	20.93	94.2	41.4	94.2	25.0
Health, Environment and Sanitation	761.72	174.54	717.83	76.01	681.40	63.51	94.9	83.6	89.5	36.4
Fisheries, Livestock, Veterinary Services and Co-operatives	66.49	60.20	65.43	13.25	61.65	11.90	94.2	89.8	92.7	19.8
Trade, Investment, Tourism and Natural Resources	22.88	24.10	22.49	2.79	16.54	2.79	73.5	100.0	72.3	11.6

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs.Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Information, Communication and Public Participation	30.01	11.70	29.93	2.01	19.57	-	65.4	0.0	65.2	-
County Public Service Board	47.80	-	47.38	-	43.22	-	91.2		90.4	-
<b>TOTAL</b>	<b>2,009.12</b>	<b>1,009.94</b>	<b>1,910.49</b>	<b>445.77</b>	<b>1,699.75</b>	<b>361.27</b>	<b>89.0</b>	<b>81.0</b>	<b>84.6</b>	<b>35.8</b>

Source: Lamu County Treasury

Analysis of budget performance by department shows that, the County Assembly attained the highest absorption rate of development budget at 88.6 per cent while the Department of Finance and Economic planning and the Department of Information, Communication and Public participation did not incur any development expenditure. The Department of Education, Gender, Youth Affairs, Sports and Social services had the highest percentage of recurrent expenditure to recurrent budget at 94.2 per cent while the Department of Information, Communication and Public Participation had the lowest at 65.2 per cent.

### 3.21.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
2. A high wage bill that increased by 51.2 per cent from Kshs.721.01 million in FY 2016/17 to Kshs.1.09 billion during the period under review.
3. Operational delays and IFMIS connectivity challenges, which slowed approval of procurement requests and payment to suppliers.
4. Failure to constitute the County Budget and Economic Forum (CBEF) in line with 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 preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County Treasury should liaise with the IFMIS Directorate for support in application of IFMIS and the E-Procurement module.*
4. *The County should establish the County Budget and Economic Forum for consultation in the budget and economic process in line with Section 137 of the PFM Act, 2012.*

## 3.22 Machakos County

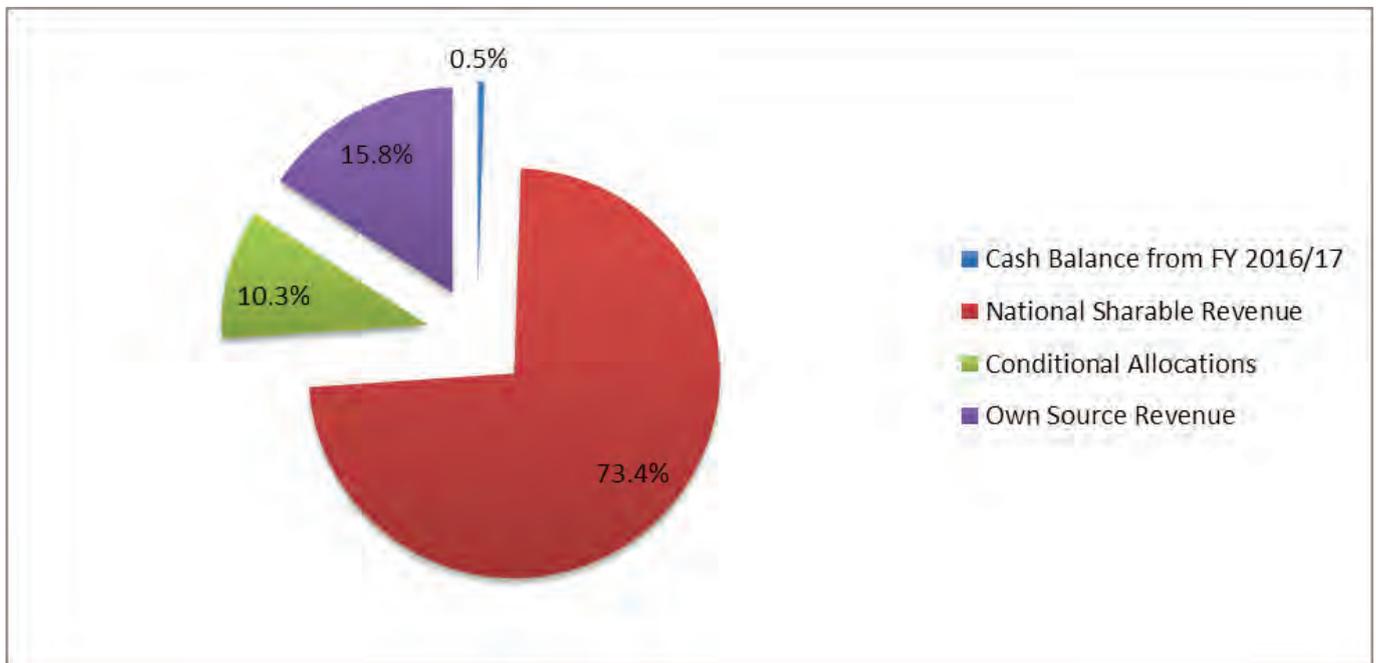
### 3.22.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.10.08 billion, comprising of Kshs.7.01 billion (69.6 per cent) and Kshs.3.07 billion (30.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.7.40 billion (73.4 per cent) as equitable share of revenue raised nationally, Kshs.1.03 billion (10.3 per cent) as total conditional grants, generate Kshs.1.59 billion (15.8 per cent) from own source revenue, and Kshs.51.74 million (0.5 per cent) cash balance from FY 2016/17.

Figure 3.85 shows the expected sources of budget financing in FY 2017/18.

**Figure 3.85: Machakos County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Machakos County Treasury*

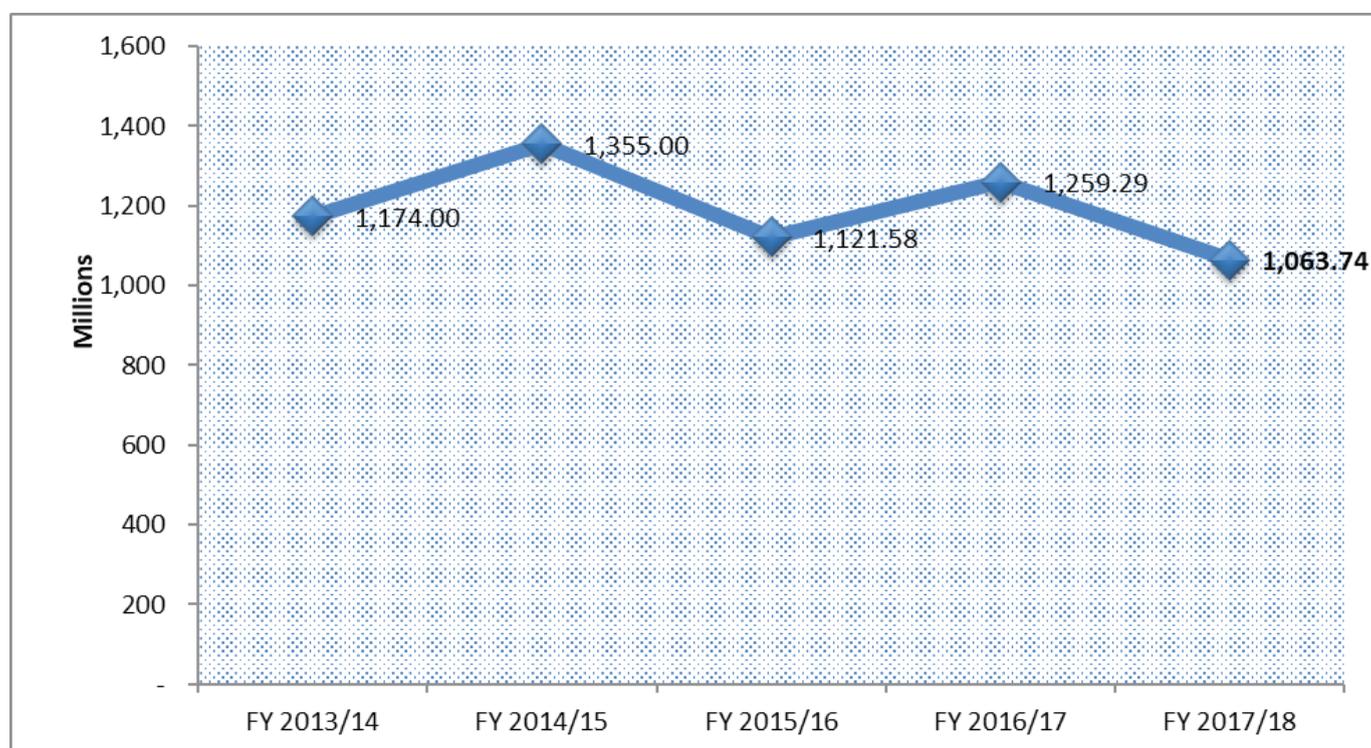
The conditional grants contained in the CARA, 2017 comprised of, Kshs.288.39 million (27.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.24.13 million (2.3 per cent) as Compensation for User Fee Foregone, Kshs.19.54 million (1.9 per cent) from DANIDA, Kshs.383.58 million (37.1 per cent) for Machakos Level 5 Hospital, Kshs.95.74 million (9.3 per cent) for Leasing of Medical Equipment, Kshs.49.89 million (4.8 per cent) for the World Bank Kenya Devolution Support Program, Kshs.65.96 million (6.4 per cent) for Development of Youth Polytechnics, Kshs.65.59 million (6.3 per cent) as World Bank loan for Transforming Health System for Universal Care System, and Kshs.40.56 million (3.9 per cent) as Other Loans and Grants.

### 3.22.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.7.4 billion as equitable share of the revenue raised nationally, Kshs.892.05 million as total conditional allocations, raised Kshs.1.06 billion from own source revenue, and had a cash balance of Kshs.51.74 million brought forward from FY 2016/17. The total available funds amounted to Kshs.9.41 billion.

Figure 3.88 shows the annual trend in own source revenue Collection from FY 2013/14 to FY 2017/18.

**Figure 3.86: Machakos County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18.**



Source: Machakos County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.1.06 billion, representing a decrease of 15.5 per cent compared to Kshs.1.26 billion generated in a similar period of FY 2016/17, and represented 106.4 per cent of the annual target.

### 3.22.3 Conditional Grants

Table 3.64 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.64: Machakos County Analysis of Conditional Grants Received in FY 2017/18.**

S/No	Grants	Annual CARA, 2017 Allocation in Kshs)	Annual Budget Allocation in Kshs)	Actual receipts in FY 2017/18 in Kshs.	Actual Receipts as Percentage of Annual CARA, 2017 Allocation
A	Grants Contained in CARA, 2017				%
1	Road Maintenance Fuel Levy Fund	288,391,503	288,391,503	288,391,504	100
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	Kenya Devolution Support Programme (KDSP)	49,893,169	49,893,169	49,893,169	100
4	Compensation for User Fee Foregone	24,129,039	24,129,039	24,764,877	102.6
5	DANIDA Grant	19,542,538	19,542,538	30,290,934	155
6	Level-5 Hospitals	383,583,815	383,583,815	383,583,815	100
7	Development of Youth Polytechnics	65,957,023	65,957,023	65,957,023	100
8	Other Loans & Grants	40,561,482	40,561,482	-	-
9	World Bank loan for Transforming Health System for universal Care System	65,588,789	65,588,789	49,165,197	75
<b>Total</b>		<b>1,033,392,039</b>	<b>1,033,392,039</b>	<b>892,046,519</b>	<b>86.3</b>

Source: Machakos County Treasury

Analysis of the conditional grants released during the period under review indicates that, DANIDA Grant recorded the highest receipts at 155 per cent of annual budget allocation.

### 3.22.4 Exchequer Issues

During the period, the Controller of Budget authorised withdrawal of Kshs.8.02 billion from the CRF account, which was 79.6 per cent of the Approved Supplementary Budget. This amount represented a decrease of 17.1 per cent from Kshs.9.68 billion authorized in a similar period FY 2016/17 and consisted of Kshs.6.47 billion (80.7 per cent) for recurrent expenditure and Kshs.1.55 billion (19.3 per cent) for development activities.

### 3.22.5 Overall Expenditure Review

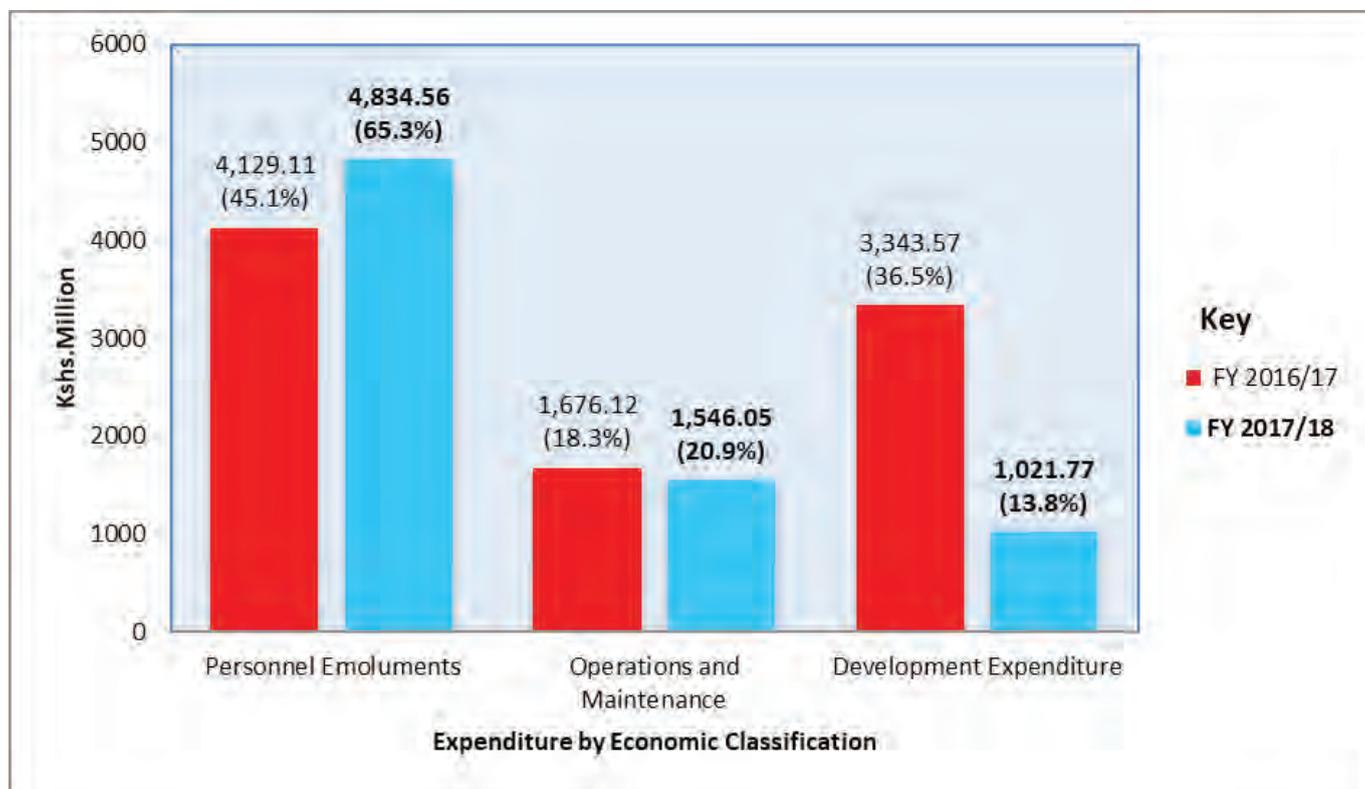
The County spent Kshs.7.4 billion, which was 92.3 per cent of the total funds released for operations. This was a decrease of 19.1 per cent from Kshs.9.14 billion spent in FY 2016/17.

A total of Kshs.6.38 billion was spent on recurrent activities, while Kshs.1.02 billion was spent on development activities. The recurrent expenditure was 98.6 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 within the reporting period. The expenditure excluded pending bills which amounted to Kshs.807.81 million for development activities and Kshs.167.65 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 90.8 per cent of the annual recurrent budget, an increase from 77.2 per cent spent in a similar period FY 2016/17. Development expenditure recorded an absorption rate of 33.3 per cent, which was a decrease from 99 per cent attained in FY 2016/17.

Figure 3.88 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.87: Machakos County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



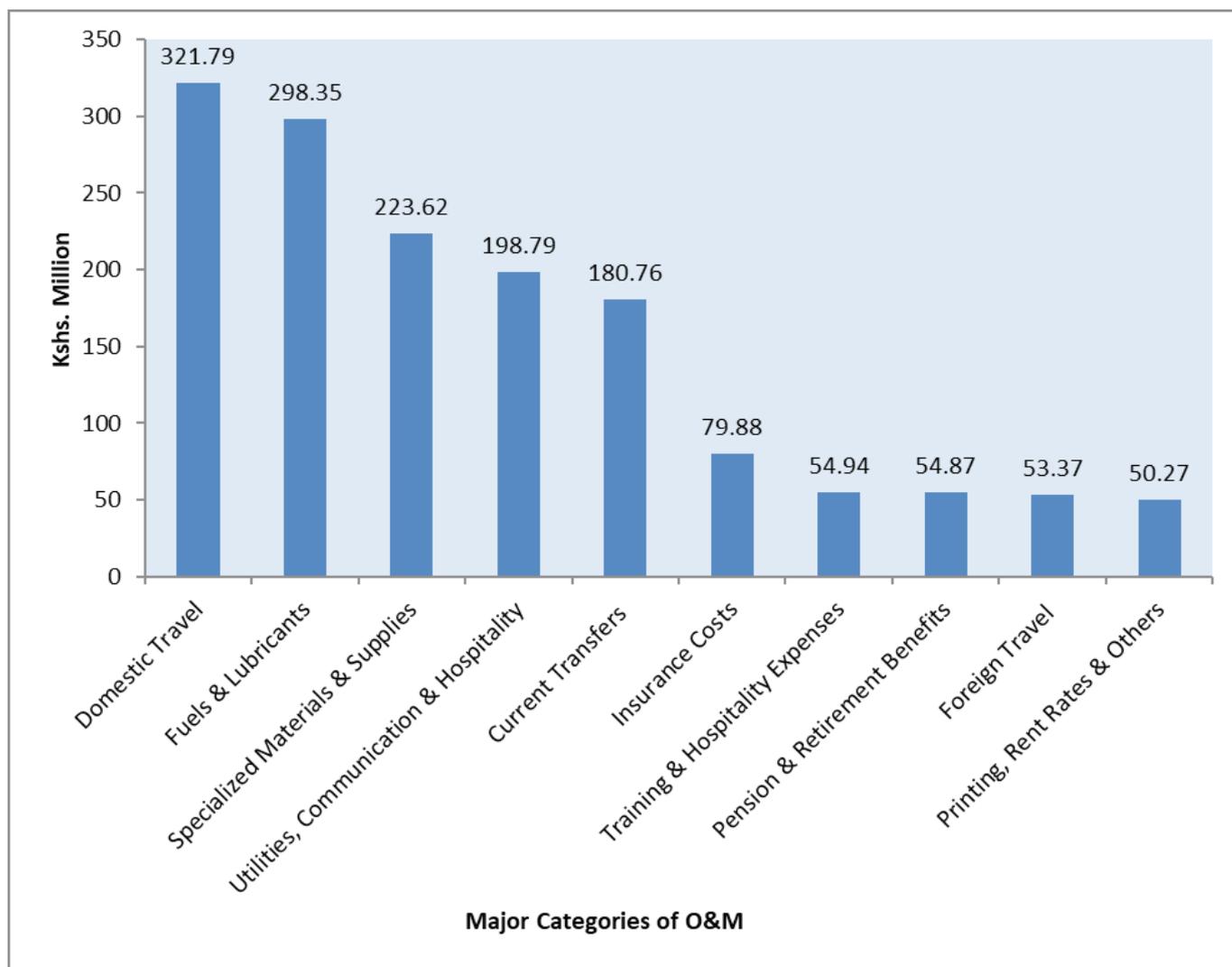
Source: Machakos County Treasury

### 3.22.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.38 billion consisted of Kshs.4.83 billion (75.9 per cent) spent on personnel emoluments and Kshs.1.55 billion (24.1 per cent) on operations and maintenance as shown in Figure 3.87.

Expenditure on personnel emoluments represented an increase of 16.9 per cent, compared to FY 2016/17 when the County spent Kshs.4.13 billion, and was 65.3 per cent of total expenditure in FY 2017/18. Figure 3.88 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.88: Machakos County, Operations and Maintenance Expenditure by Major Categories for the FY 2017/18.**



Source: Machakos County Treasury

The County spent Kshs.19.02 million on sitting allowances to the 59 MCAs and the Speaker against the annual budget allocation of Kshs.39.69 million. This was a decrease of 60.9 per cent compared to Kshs.48.61 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.26,415 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.321.79 million and consisted of Kshs.189.93 million spent by the County Assembly and Kshs.131.86 million spent by the County Executive. It represented 5 per cent of total recurrent expenditure and was an increase of 10.3 per cent compared to Kshs.340 million spent in FY 2016/17.

### 3.22.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.02 billion represented 33.3 per cent of the annual development budget of Kshs.3.07 billion. The County did not report on development projects undertaken during the reporting period.

### 3.22.8 Budget and Budget Performance Analysis by Department

Table 3.65 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.65: Machakos County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	585.93	22.13	486.14	-	368.39	13.32	75.8	-	62.9	60.2
Public Service, Labour and ICT	468.10	14.68	408.38	-	4,547.01	6.21	1113.4	-	971.4	42.3
Trade, Investment, Economic Planning, Industrialization and Energy	81.38	21.97	71.33	-	33.23	0.45	46.6	-	40.8	2
Finance and Revenue Management	352.14	22.50	342.10	-	73.49	12.37	21.5		20.9	55
Decentralized Units, County Administration, Environment & Solid Waste management.	457.47	54.71	457.87	-	124	41.31	27.1	-	27.1	75.5
Agriculture, Livestock, Water & Irrigation Development	426.43	431.19	422.57	241.94	66.58	199.04	15.8	82.3	15.6	46.2
Health and Emergency Services	3,000.12	881.60	2,955.33	133.01	276.26	159.78	9.3	120.1	9.2	18.1
Transport, Roads, Public Works and Housing	251.26	1,198.29	251.26	948.74	41	510.50	16.3	53.8	16.3	42.6
Education, Youth and Social Welfare	251.89	16.47	103.80	49.47	59.59	7.54	57.4	15.2	23.7	45.8
Lands, Energy & Urban development	86.99	83.39	86.99	-	28.11	40.42	32.3	-	32.3	48.5
Tourism, Sports and Culture	76.33	24.89	74.54	-	27.61	9.62	37.0	-	36.2	38.7
County Public Service Board	41.01	-	41.01	-	6.72	-	16.4	-	16.4	-
County Assembly	931.67	296	770.67	173.31	710.39	21.20	92.2	12.2	76.2	7.2
<b>TOTAL</b>	<b>7,010.72</b>	<b>3,067.82</b>	<b>6,471.99</b>	<b>1,546.47</b>	<b>6,362.38</b>	<b>1,021.76</b>	<b>98.3</b>	<b>66.1</b>	<b>90.8</b>	<b>33.3</b>

Source: Machakos County Treasury

Analysis of budget performance by department shows that the Decentralized Units, County Administration, Environment and Solid Waste Management Departments attained the highest absorption rate of development budget at 75.5 per cent followed by the Office of the Governor at 60.2 per cent. The Department of Public Service, ICT and Labour had the highest percentage of recurrent expenditure to recurrent budget at 971.4 per cent followed by County Assembly at 76.2 per cent.

### 3.22.9 Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. A high wage bill that increased by 16.9 per cent from Kshs.4.13 billion in FY 2016/17 to Kshs.4.83 billion in FY 2017/18 which accounted for 65.3 per cent of total expenditure in the reporting period.
2. Failure to establish an Internal Audit Committee contrary to Section 155 of the PFM Act, 2012.

3. Delays by the Fund Administrators of both the County Assembly and the County Executive's Car and Mortgage Funds to submit expenditure reports to the COB contrary to Section 168 of the PFM Act, 2012.
4. Weak budgetary control which resulted in expenditure above approved allocation as evidenced in the Department of Public Service, Labour and ICT.
5. Under-performance in own source revenue collection. The County collected Ksh.1.06 billion in FY 2017/18 representing a decline of 15.5 per cent compared to Kshs.1.26 billion generated in FY 2016/17.

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 CECM-F should ensure that Fund Administrators prepare and submit expenditure reports in line with Section 168 of the PFM Act, 2012.*
4. *The County Treasury should put in place adequate budgetary control to ensure that expenditure is within approved budget.*
5. *The County Treasury should develop and implement strategies to enhance own source revenue collection.*

## **3.23 Makueni County**

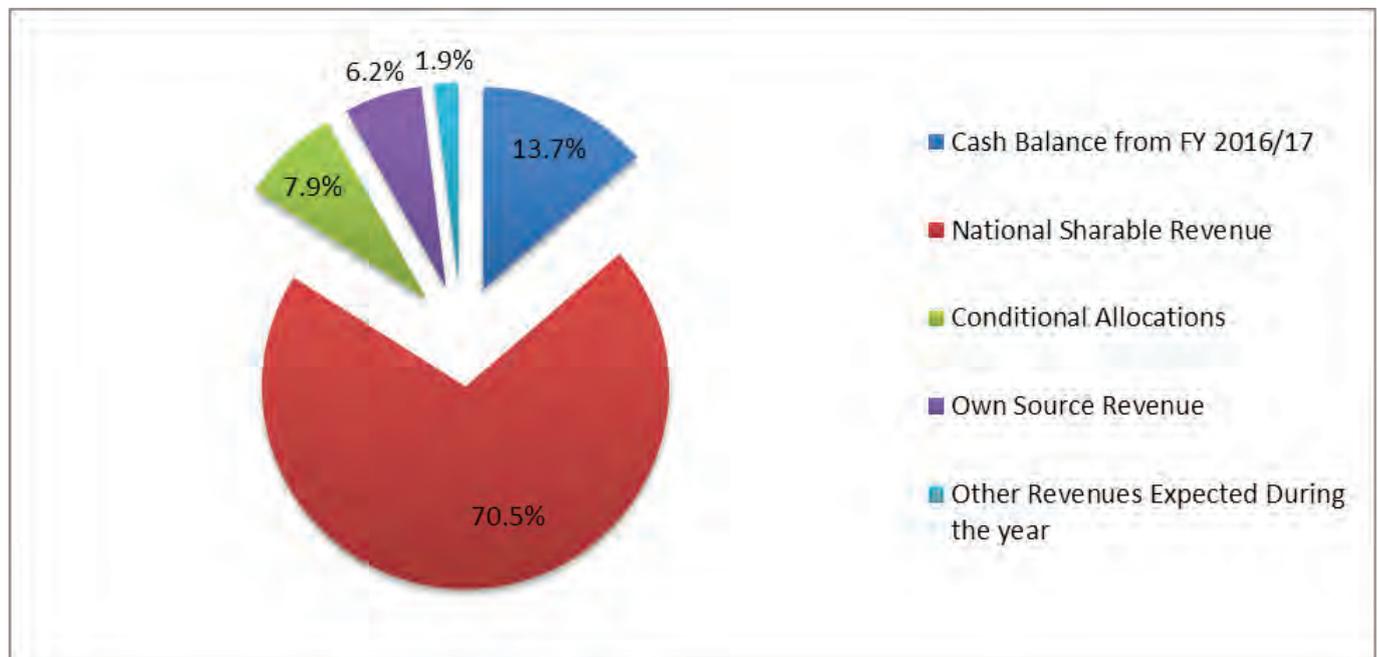
### **3.23.1 Overview of the FY 2017/18 Budget**

The County's FY 2017/18 Approved Supplementary Budget is Kshs.9.67 billion, comprising of Kshs.6.1 billion (63 per cent) and Kshs.3.58 billion (37 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.6.83 billion (70.5 per cent) as equitable share of revenue raised nationally, Kshs.738.34 million (7.9 per cent) as total conditional grants, generate Kshs.600 million (6.2 per cent) from own source revenue Sources, Other expected revenue Kshs.187.84 (1.9 per cent) million, and Kshs.1.32 billion (13.7 per cent) cash balance from FY 2016/17.

Figure 3.89 shows the expected sources of financing the budget in FY 2017/18

**Figure 3.89: Makueni County, Expected Sources of Financing the Budget in FY 2017/18 (%)**



*Source: Makueni County Treasury*

The conditional grants contained in the CARA, 2017 comprise of Kshs.26.72 million (3.5 per cent) from DANIDA, Kshs.47.39 million (6.2 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.104.28 million (13.5per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (8.6 per cent) as European Union (EU) grant for Devolution Support, Kshs.95.74 million (12.4 per cent) for leasing of Medical Equipment, Kshs.254.35 million (33 per cent) for Road maintenance Fuel Levy, Kshs.19.44 million (2.5 per cent) for User Fee foregone, Kshs.64.13 million (8.3 per cent) for Village youth polytechnics, Kshs.42.07 million(5.5 per cent) as other conditional grants and Kshs.50 million (6.5 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project.

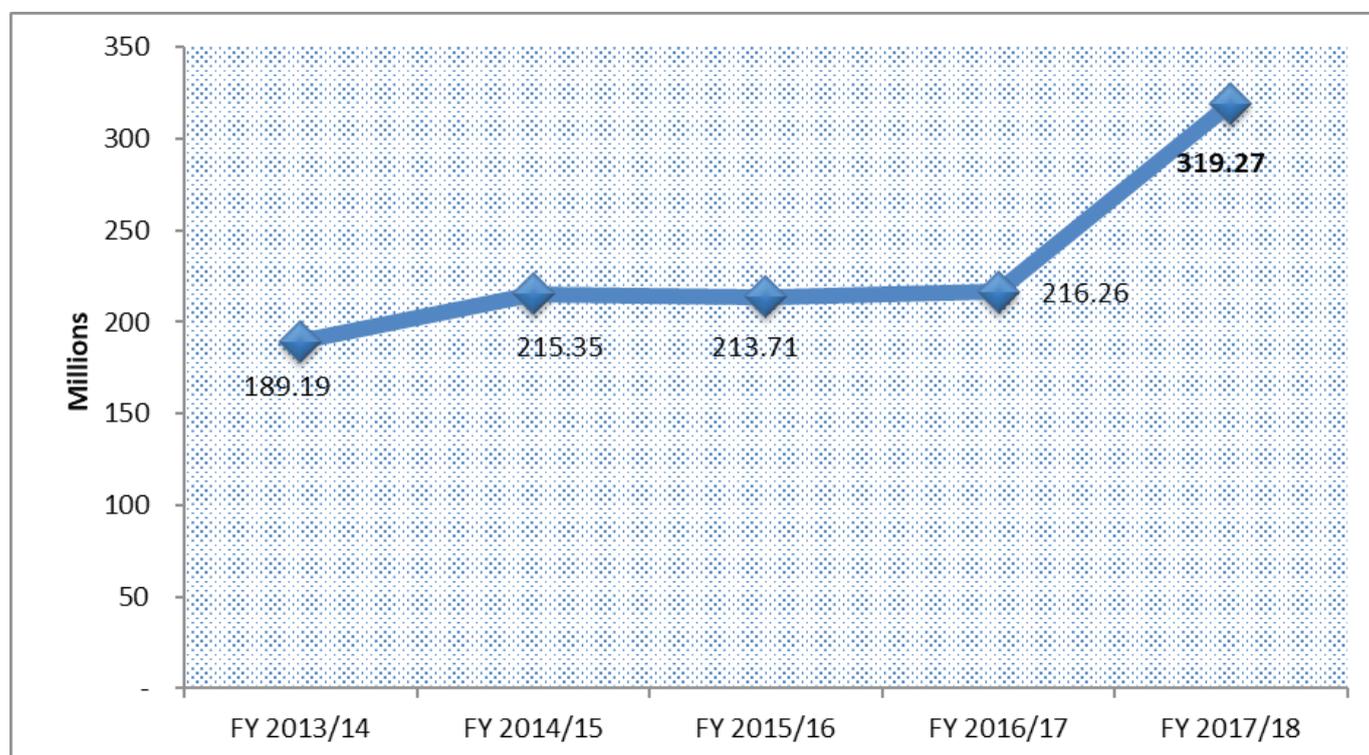
The County also budgeted to receive Kshs.20 million as grant for Kenya Urban Development Support Programme which is not contained in the CARA, 2017.

### 3.23.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.6.82 billion as equitable share of revenue raised nationally, Kshs.495.24 million as total conditional grants, raised Kshs.319.27 million as own source revenue, and had a cash balance of Kshs.1.32 billion from FY 2016/17. The total available funds amounted to Kshs.8.96 billion.

Figure 3.90 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.90: Makueni County, Trend in Own source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Makueni County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.319.26 million, representing an increase of 47.6 per cent compared to Kshs.216.25. million generated in FY 2016/17 and was 53.2 per cent of the annual target.

### 3.23.3 Conditional Grants

Table 3.66 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.66: Makueni County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Road Maintenance Fuel Levy Fund	254,349,334	254,349,334	254,349,334	100
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	Kenya Devolution Support Programme (KDSP)	47,396,651	47,396,651	47,396,651	100
4	Compensation for User Fee Foregone	19,435,760	19,435,760	19,449,802	100
5	DANIDA Grant	26,715,347	27,577,132	26,715,347	100
6	Development of Youth Polytechnics	64,131,527	64,131,527	64,131,527	100
7	Conditional Allocation - Other Loans & Grants	42,068,488	42,068,488	-	-
8	World Bank Loan for Transforming Health System for universal Care Project	104,284,318	71,695,469	32,588,849	31

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
9	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101
10	EU Grant	66,000,000	66,000,000	-	-
<b>Sub Total</b>		<b>770,126,106</b>	<b>738,399,042</b>	<b>495,241,365</b>	<b>64</b>
<b>B</b>	<b>Other Grants</b>				
11	ASDP Funds	-	14,150,515	-	-
12	Registration Universal Health Care	-	50,000,000	-	-
13	Facility Improvement Fund - Health	-	86,000,000	-	-
14	ENE Micro Finance Capital Funds	-	15,000,000	-	-
15	Kenya Urban Development Support Programme	-	20,000,000	-	-
16	ENE Micro Finance Interest Income	-	2,695,417	-	-
<b>Sub Total</b>		<b>-</b>	<b>187,845,932</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>		<b>770,126,106.0</b>	<b>926,244,974.0</b>	<b>495,241,365.4</b>	<b>64</b>

Source: Makueni County Treasury

Analysis of the conditional grants released during the period under review indicates that, World Bank Loan for National Agricultural & Rural Inclusive Project recorded the highest receipts at 101 per cent of the annual target.

### 3.23.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.7.98 billion from the CRF account, which was 82.4 per cent of the Approved Supplementary Budget. This amount represented a decline of 15.1 per cent from Kshs.9.39 billion approved in FY 2016/17 and comprised of Kshs.5.67 billion (71.1 per cent) for recurrent expenditure and Kshs.2.30 billion (28.9 per cent) for development activities.

### 3.23.5 Overall Expenditure Review

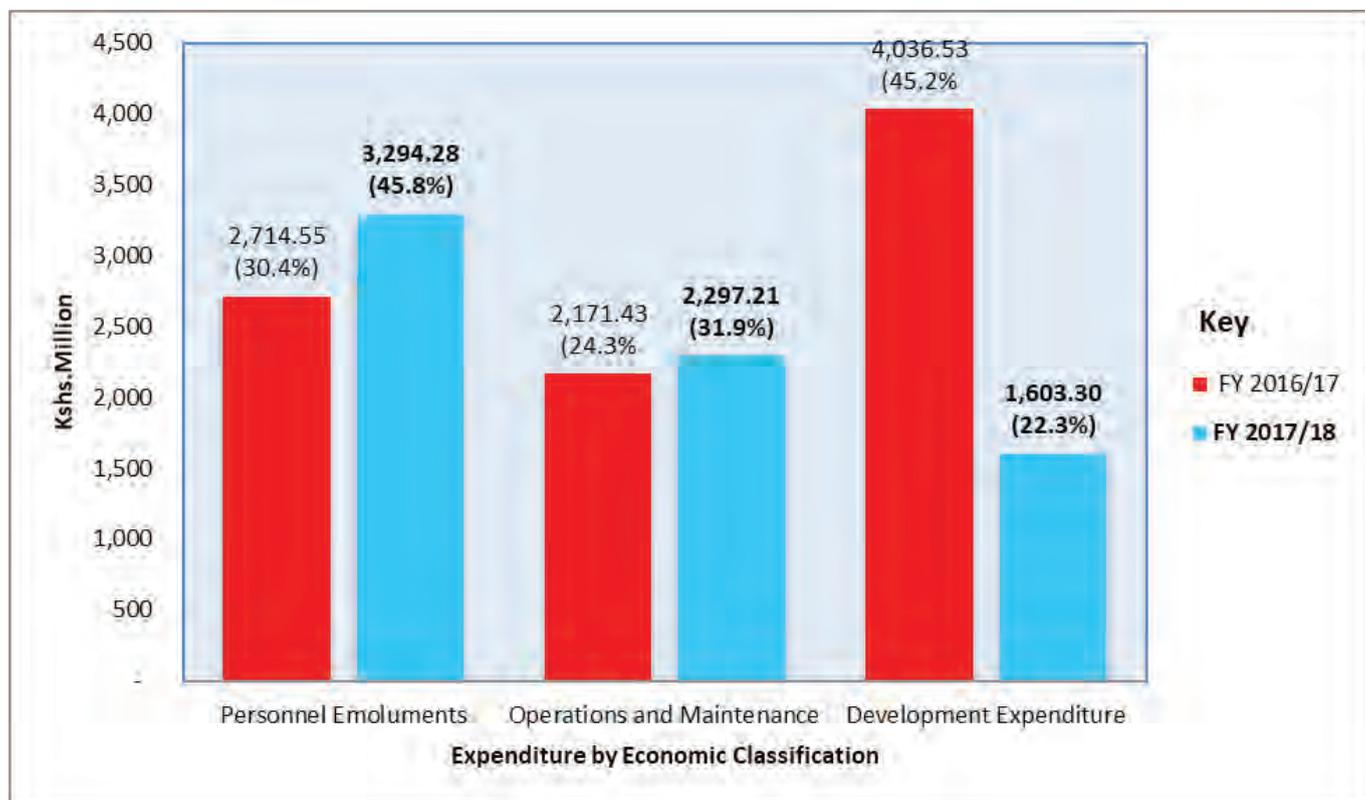
The County spent Kshs.7.19 billion, which was 90.2 per cent of the total funds released for operations. This was a decline of 19.4 per cent from Kshs.8.92 billion spent in FY 2016/17.

A total of Kshs.5.59 billion was spent on recurrent activities while Kshs.1.6 billion was spent on development activities. The recurrent expenditure was 98.6 per cent of the funds released for recurrent activities, while development expenditure was 69.7 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.6.82 million for development activities and Kshs.26.75 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 91.7 per cent of the annual recurrent budget a decrease from 94.8 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 44.8 per cent, which was a decrease from 73.4 per cent attained in FY 2016/17.

Figure 3.91 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.91: Makueni County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



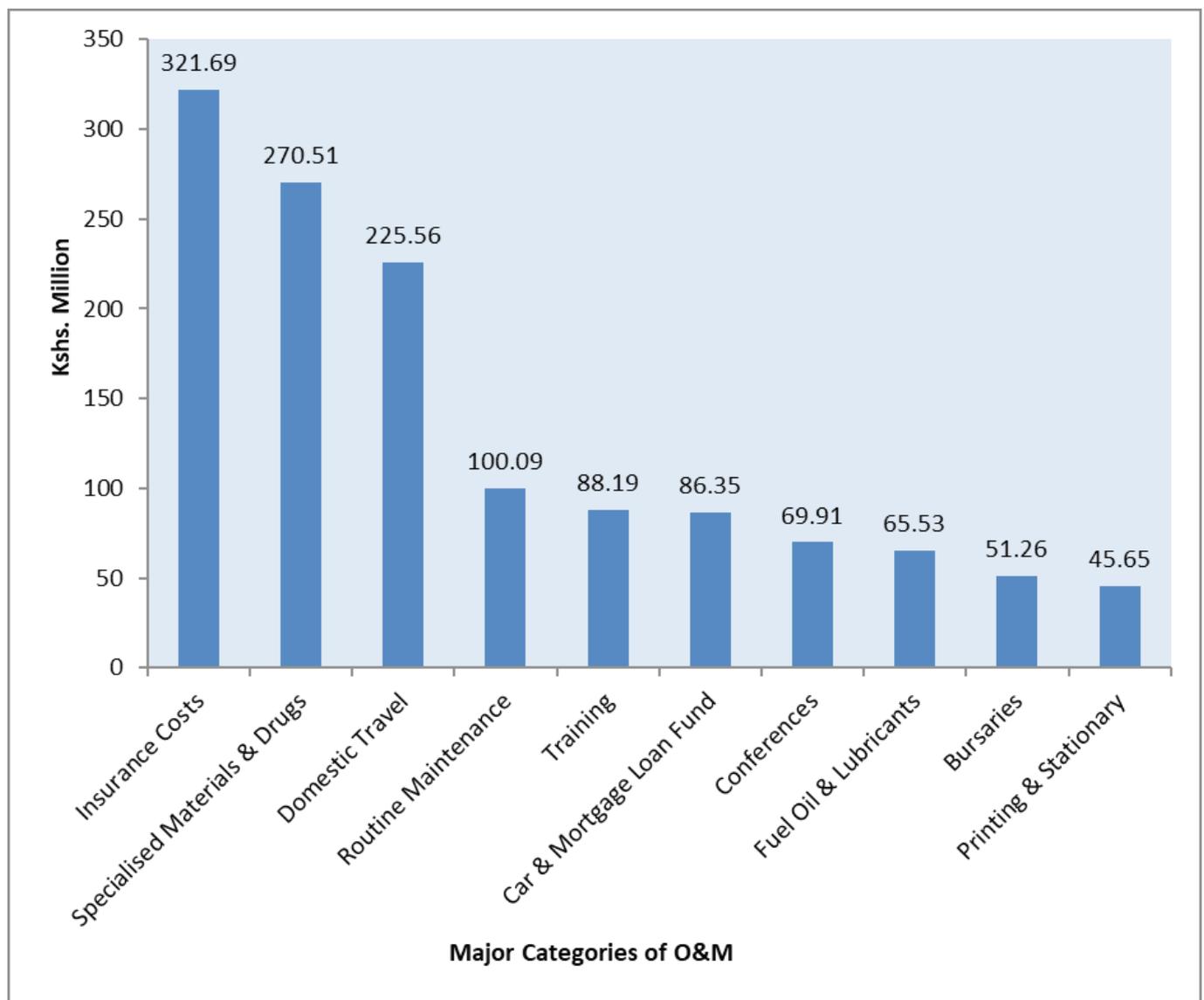
Source: Makueni County Treasury

### 3.2.3.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.59 billion comprised of Kshs.3.29 billion (58.9 per cent) incurred on personnel emoluments and Kshs.2.29 billion (41.1 per cent) on operations and maintenance as shown in Figure 3.91.

Expenditure on personnel emoluments represented an increase of 21.4 per cent compared to FY 2016/17 when the County spent Kshs.2.71 billion, and was 45.8 per cent of total expenditure in FY 2017/18. Figure 3.92 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.92: Makueni County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Makueni County Treasury*

The County spent Kshs.32.73 million on committee sitting allowances to the 49 MCAs against the annual budget allocation of Kshs.35.04 million. This was a decline of 33.7 per cent compared to Kshs.49.34 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.55,659 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.225.56 million and comprised of Kshs.102.67 million spent by the County Assembly and Kshs.122.9 million by the County Executive. This represented 4.4 per cent of total recurrent expenditure and was a decrease of 9.7 per cent compared to Kshs.277.04 million spent in FY 2016/17.

### **3.23.7 Development Expenditure Analysis**

The total development expenditure of Kshs.1.60 billion represented 44.8 per cent of the annual development budget of Kshs.3.57 billion. Table 3.67 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.67: Makueni County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Universal Health Care	All Wards	151,165,533	151,115,003	100
2	Purchasing & Leasing of Equipment	All Wards	10,000,000	9,500,000	95
3	Agricultural Mechanization Unit	Wote/Nziu Ward	19,000,000	15,323,288	81
4	Kenya Devolution Support Programme (KDSP)	Wote/Nziu Ward	47,396,651	41,009,663	87
5	SACCOs & Groups Development program	All Wards	15,000,000	15,000,000	100
6	Youth Empowerment Programs	All Wards	15,000,000	13,938,899	93
7	Thwake Bridge	Kalawa Ward	106,331,924	106,331,924	100
8	National Agriculture & Rural Inclusive Growth Project (NAGRIP)	All Wards	50,000,000	31,505,700	63
9	Youth Village Polytechnics	All Wards	64,131,527	48,058,500	75
10	Office Block, Governor & Guest House	Wote/Nziu Ward	80,663,734	70,864,554	88

Source: Makueni County Treasury

### 3.23.8 Budget and Budget Performance Analysis by Department

Table 3.68 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.68: Makueni County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs.million)		Exchequer Issues in FY 2017/18 (Kshs.million)		Expenditure in FY 2017/18 (Kshs. million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Attorney's office	30.38	-	19.71	-	25.49	-	129.3	-	83.9	-
County Public Service Board	65.23	-	63.26	-	65.02	-	102.8	-	99.7	-
Lands, Physical Planning & Mining	44.04	78.80	42.39	11.21	41.58	26.44	98.1	235.7	94.4	33.6
Office of Governor	217.54	-	203.18	-	198.44	-	97.7	-	91.2	-
Trade, Tourism & Cooperatives	79.83	129.98	78.60	95.59	78.45	61.55	99.8	64.4	98.3	47.4
Youth, Gender, Sports & Social services	74.56	186.27	74.02	130.12	74.40	84.42	100.5	64.9	99.8	45.3
County Secretary	848.26	-	716.62	-	725.59	-	101.3	-	85.5	-
Finance & Socio Economic Planning	865.30	53.65	669.44	52.12	689.77	42.49	103.0	81.5	79.7	79.2
Education & ICT	353.93	226.62	318.84	158.13	353.79	152.39	111	96.4	100.0	67.2
Transport & Infrastructure	125.96	714.17	123.33	595.44	124.59	111.38	101	18.7	98.9	15.6
Agriculture, Livestock & Fisheries Development	244.49	470.76	243.72	372.63	250.44	296.50	102.8	79.6	102.4	63.0
Water, Irrigation & Environment	152.80	1,011.79	149.87	576.25	128.70	397.98	85.9	69.1	84.2	39.3
Health	2,067.18	630.29	2,067.18	264.19	1,965.76	391.19	95.1	148.1	95.1	62.1
Devolution & Public Service	302.80	3.87	281.13	3.87	262.13	2.73	93.2	70.4	86.6	70.4
County Assembly	623.10	73.31	622.08	42.26	607.34	36.24	97.6	85.8	97.5	49.4
<b>TOTAL</b>	<b>6,095</b>	<b>3,580</b>	<b>5,673</b>	<b>2,302</b>	<b>5,591</b>	<b>1,603</b>	<b>98.6</b>	<b>69.7</b>	<b>91.7</b>	<b>44.8</b>

Source: Makueni County Treasury

Analysis of budget performance by department shows that, the Department of Finance and Socio Economic Planning attained the highest absorption rate of development budget at 79.2 per cent while the Department of Transport, Public Works and Infrastructure had the lowest at 15.6 per cent. The Department of Agriculture, Livestock & Fisheries Development had the highest percentage of recurrent expenditure to recurrent budget at 102.4 per cent while the Department of Finance & Socio Economic Planning had the lowest at 79.9 per cent.

### 3.23.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
2. High wage bill that increased by 21.4 per cent from Kshs.2.71 billion in FY 2016/17 to Kshs.3.29 billion in the period under review.
3. Failure by Fund Administrators to submit quarterly expenditure reports on County Public Funds contrary to Section 168 of the PFM Act, 2012.

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

1. *The County Treasury should liaise with the IFMIS Directorate for support in utilization of IFMIS and E-procurement module.*
2. *The County Public Service Board should establish an optimal staffing structure to ensure sustainable wage bill.*
3. *The County Treasury should ensure timely submission of expenditure reports on all County Public Funds in line with Section 168 of the PFM Act, 2012.*

### 3.24 Mandera County

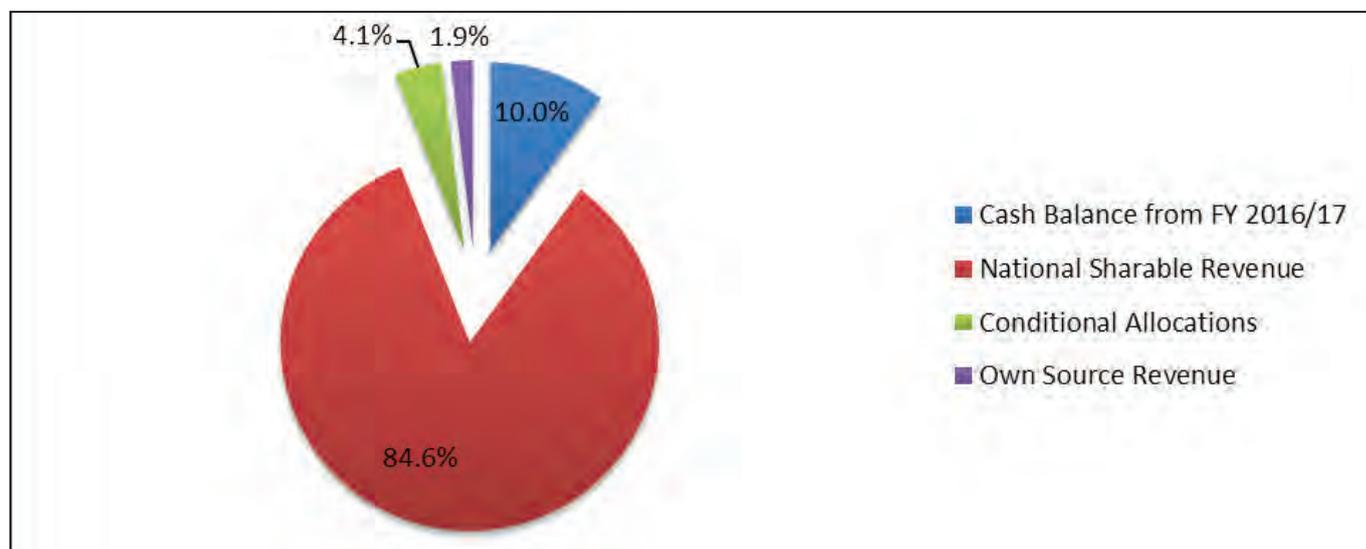
#### 3.24.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.12.25 billion, comprising of Kshs.6.47 billion (52.8 per cent) and Kshs.5.77 billion (47.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.10.36 billion (84.6 per cent) as equitable share of revenue raised nationally, Kshs.502.62 million (4.1 per cent) as total conditional grants, generate Kshs.231 million (1.9 per cent) from own source revenue, and Kshs.1, 226.94 million (10 per cent) cash balance from FY 2016/17.

Figure 3.93 shows the expected sources of financing the budget in FY 2017/18

**Figure 3.93: Mandera County, Expected Sources of Financing the Budget in FY 2017/18 (%)**



Source: Mandera County Treasury

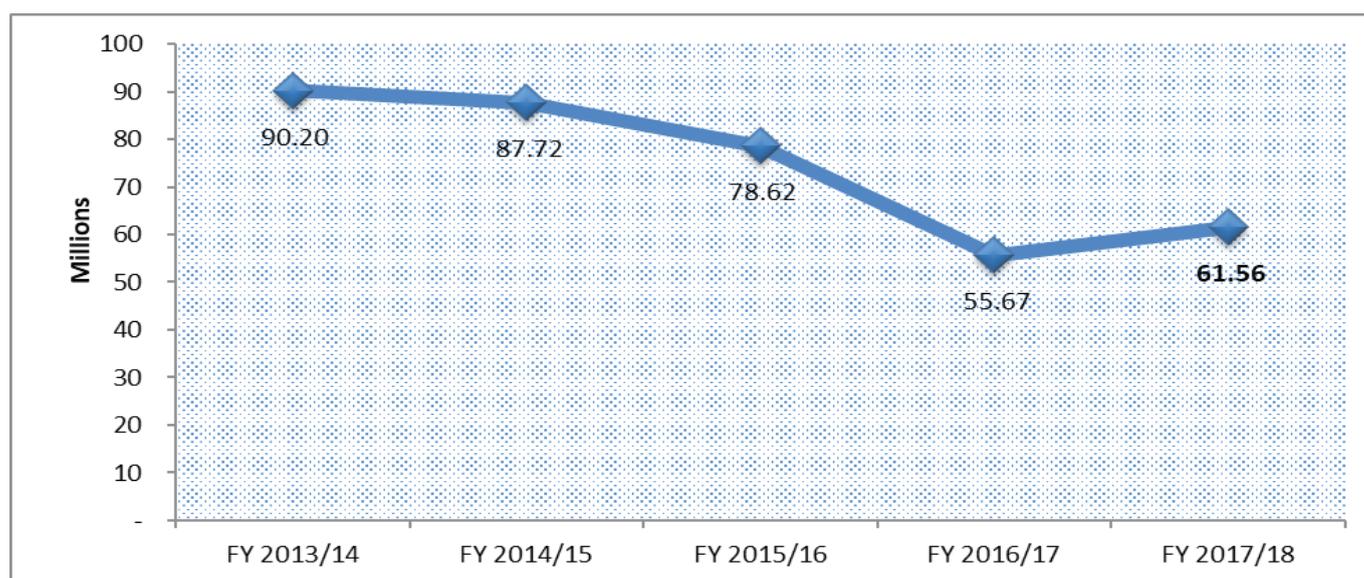
The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (12.7 per cent) for Leasing of Medical Equipment, Kshs.381.57 million (50.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.25.47 million (3.4 per cent) as Compensation for User Fee Foregone, Kshs.25.86 million (3.4 per cent) from DANIDA, Kshs.28.31 million (3.8 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.54.80 million (7.3 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.29.83 million (4 per cent) for Development of Youth Polytechnics, and Kshs.110 million (14.6 per cent) as World Bank loan for Transforming Health System for Universal Care Project.

### 3.24.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.9.74 billion as equitable share of revenue raised nationally, Kshs.406.55 million as total conditional grants, raised Kshs.61.56 million from own source revenue, and had a cash balance of Kshs.1.65 billion from FY 2016/17. The total available funds amounted to Kshs.11.85 billion.

Figure 3.94 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.94: Mandera County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Mandera County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.61.56 million, representing an increase of 10.6 per cent compared to Kshs.55.67 million generated in FY 2016/17 and was 26.8 per cent of the annual target.

### 3.24.3 Conditional Grants

Table 3.69 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.69: Mandera County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grant or Loan Details	Annual CARA,2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	<b>Grants Contained in the CARA,2017</b>				
1	Road Maintenance Fuel Levy Fund	381,574,994	271,489,957	244,319,822	64.0
2	Leasing of Medical Equipment	95,744,681	-	-	-

S/No	Grant or Loan Details	Annual CARA,2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
3	World Bank loan to supplement financing of County Health facilities	28,305,000	-	-	-
4	Kenya Devolution Support Programme (KDSP)	54,795,936	39,304,000	39,304,000	71.7
5	Compensation for User Fee Foregone	25,474,920	25,474,920	7,760,865	30.5
6	DANIDA grant	25,857,016	14,620,000	25,857,016	100.0
7	Conditional Allocation - Other Loans & Grants	29,831,415	-	-	-
8	World Bank loan for Transforming Health System for universal Care Project	110,000,000	100,000,000	89,304,000	81.2
<b>Total</b>		<b>751,583,962</b>	<b>502,617,962</b>	<b>406,545,703</b>	<b>54.1</b>

Source: Mandera County Treasury

Analysis of the conditional grants released during the period under review indicates that, the DANIDA Grant recorded the highest receipts at 100 per cent of the annual allocation.

### 3.24.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.9.28 billion from the CRF account, which was 75.8 per cent of the Approved Supplementary Budget. This amount represented a decline of 8.9 per cent from Kshs.10.2 billion approved in FY 2016/17 and comprised of Kshs.5.64 billion (60.7 per cent) for recurrent expenditure and Kshs.3.65 billion (39.3 per cent) for development activities.

### 3.24.5 Overall Expenditure Review

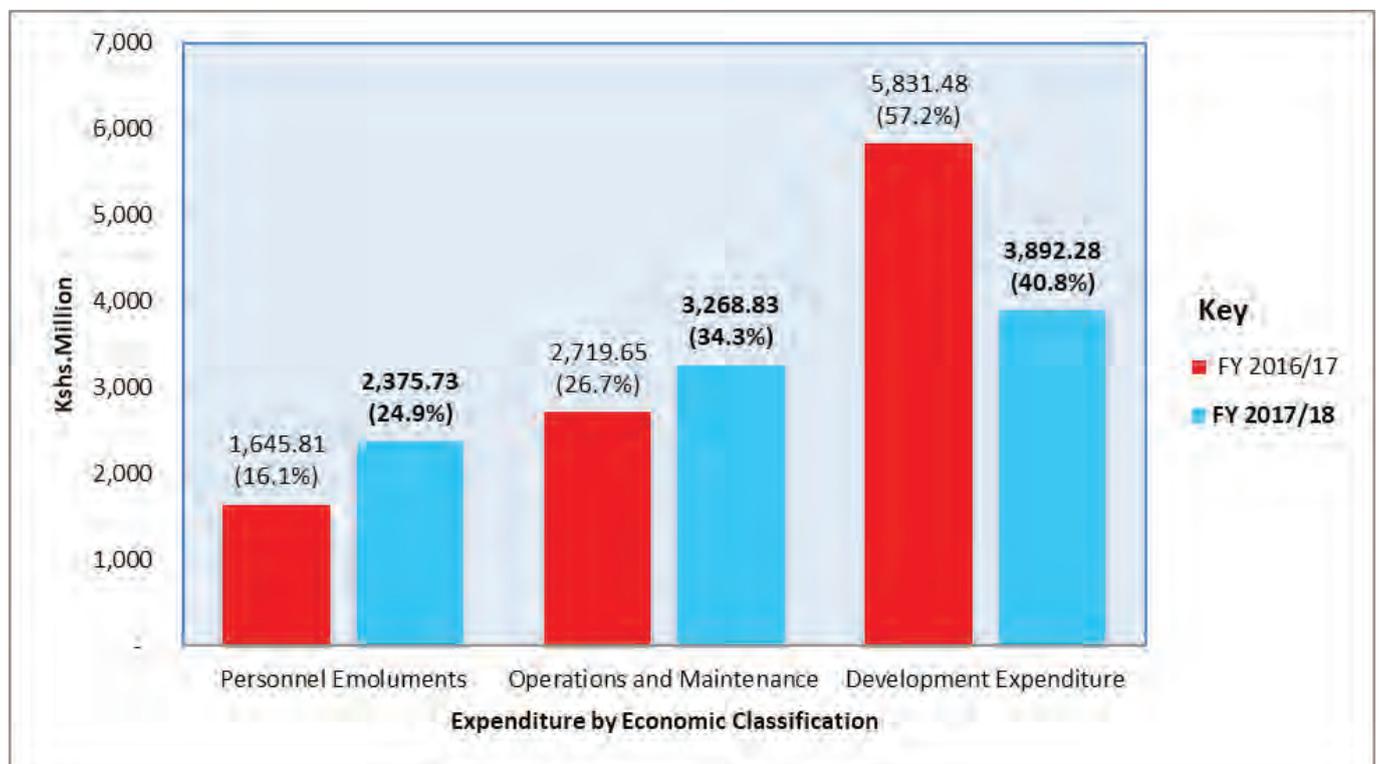
The County spent Kshs.9.54 billion, which was 102.7 per cent of the total funds released for operations. This was a decline of 6.7 per cent from Kshs.10.2 billion spent in FY 2016/17.

A total of Kshs.5.64 billion was spent on recurrent activities while Kshs.3.89 billion was spent on development activities. The recurrent expenditure was 100.2 per cent of the funds released for recurrent activities, while development expenditure was 106.7 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.56.67 million for development activities and Kshs.50.91 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 82.7 per cent of the annual recurrent budget, a decrease from 91.1 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 67.4 per cent, which was a decrease from 80.6 per cent attained in FY 2016/17.

Figure 3.95 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.95: Mandera County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Mandera County Treasury

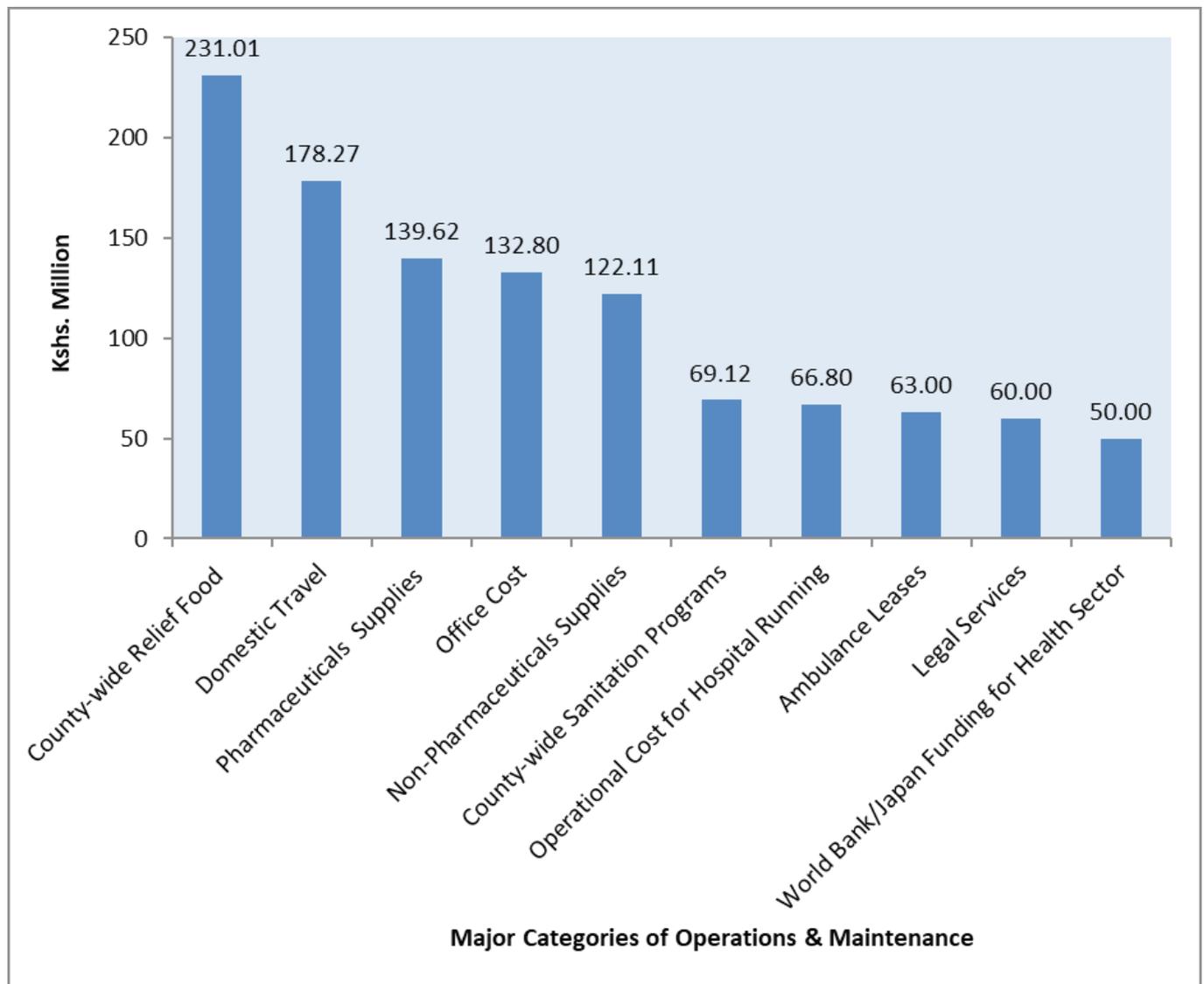
### 3.2.4.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.64 billion comprised of Kshs.2.38 billion (42.1 per cent) incurred on personnel emoluments and Kshs.3.27 billion (57.9 per cent) on operations and maintenance as shown in Figure 3.95.

Expenditure on personnel emoluments represented an increase of 44.3 per cent compared to FY 2016/17 when the County spent Kshs.1.65 billion, and was 24.9 per cent of total expenditure.

Figure 3.96 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.96: Mandera County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Mandera County Treasury*

The County spent Kshs.31.76 million on committee sitting allowances to the 49 MCAs against an annual budget allocation of Kshs.30.2 million. This was an increase of 49 per cent compared to Kshs.21.31 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.54,010 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.178.27 million and comprised of Kshs.97.58 million spent by the County Assembly and Kshs.80.7 million by the County Executive. This represented 3.2 per cent of total recurrent expenditure and was a decrease of 3.4 per cent compared to Kshs.146.45 million spent in FY 2016/17.

### 3.24.7 Development Expenditure Analysis

The total development expenditure of Kshs.3.89 billion represented 67.4 per cent of the annual development budget of Kshs.5.77 billion. Table 3.70 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.70: Mandera County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual expenditure (Kshs.)	Absorption rate (%)
1	Mandera Town Tarmac Road Lot 1 by Frontier Eng.	Mandera Town	205,186,093	150,000,000	73
2	Mandera Town Road Tarmac Road II (Lafey)	Mandera Town	156,125,720	150,000,000	96
3	Accident and Emergency Unit at MCRH & Elwak Sub-county Hospital	ManderaCounty Referral Hospital & Elwak Sub-county Hospital	157,554,475	137,554,475	87
4	Mandera Town Road B/f LOT II (Lafey)	Mandera Town	174,691,003	125,000,000	72
5	Elwak SME Park (Elwak Market) on-going	Elwak Market	119,126,317	119,126,317	100
6	Mandera Town Road B/f LOT I (Frontier)	Mandera Town	174,691,003	100,000,000	57
7	Dental & Eye equipment for 6 Sub County Hospital.	Selected sub county Hospital	60,000,000	60,000,000	100
8	Lafey - Waranqara Road from RMLF	Lafey - Waranqara Road	58,091,780	57,784,545	99
9	Accident & Emergency equipment for Elwak & ManderaCounty Refferal Hospital (Phase II)	Elwak & ManderaCounty Refferal Hospital	50,000,000	50,000,000	100
10	Modern Maternity at ManderaCounty Refferal Hospital	ManderaCounty Refferal Hospital	40,000,000	40,000,000	100

Source: Mandera County Treasury

### 3.24.8 Analysis of Budget Performance by Department

Table 3.71 shows a Summary of Budget Estimates and budget performance by Department in FY 2017/18.

**Table 3.71: Mandera County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	802.35	123.17	586.24	30.46	585.66	30.46	99.9	100	73.0	24.7
Agriculture, Livestock and Fisheries	251.18	265.23	229.09	204.30	229.09	204.30	100	100	91.2	77.0
Education, Culture and Sports	578.87	302.35	416.88	176.18	440.25	176.18	105.6	100	76.1	58.3
Gender, Youth and Social Services	98.59	55.50	59.04	-	59.04	-	100	-	59.9	-
Finance & Economic Planning and ICT	608.63	355.92	599.50	142.30	599.50	142.30	100	100	98.5	40.0
Health Services	1,774.42	788.46	1,539.13	575.25	1,539.13	575.25	100	100	86.7	73.0
Trade, Investments, Industrialization, and Cooperative Development	51.92	259.14	44.49	163.53	44.49	163.53	100	100	85.7	63.1
Lands, Housing Developments and Physical Planning	83.28	258	76.42	152.12	76.42	152.12	100	100	91.8	59.0
office of the Governor and Deputy Governor	389.80	-	389.80	-	389.80	-	100	-	100.0	-
County Public Service Board	57.16	-	46.78	-	46.78	-	100	-	81.8	-
Public Service Management and Devolved Units	1,060.06	255.22	993.51	101.77	979.79	101.77	98.6	100	92.4	39.9
Public Works, Roads and Transport	118.41	1,824.18	107.17	1,262.44	107.17	1,506.76	100	119.4	90.5	82.6

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Water, Energy, Environment, Natural Resources Tourism and Wildlife	597.24	1,287.77	547.43	839.62	547.43	839.62	100	100	91.7	65.2
<b>Total</b>	<b>6,471.92</b>	<b>5,774.94</b>	<b>5,635.46</b>	<b>3,647.96</b>	<b>5,644.55</b>	<b>3,892.28</b>	<b>100.2</b>	<b>106.7</b>	<b>87.2</b>	<b>67.4</b>

Source: Mandera 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 82.6 per cent while the Department of Gender, Youth and Social Services did not incur any development expenditure. The office of the Governor and Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the Department of Gender, Youth and Social Services had the lowest at 59.9 per cent.

### 3.24.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Reduction in absorption of development budget from 80.6 per cent in FY 2016/17 to 67.4 per cent in the period.
2. Under-performance of own source revenue collection when compared to annual target. The County collected Kshs.61.56 million which accounted for only 26.8 per cent of the annual target of Kshs.231 million.

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

1. The County should devise and implement strategies to ensure the development budget is fully utilized.
2. The County Treasury should formulate and implement strategies to ensure own source revenue target is realized.

## 3.25 Marsabit County

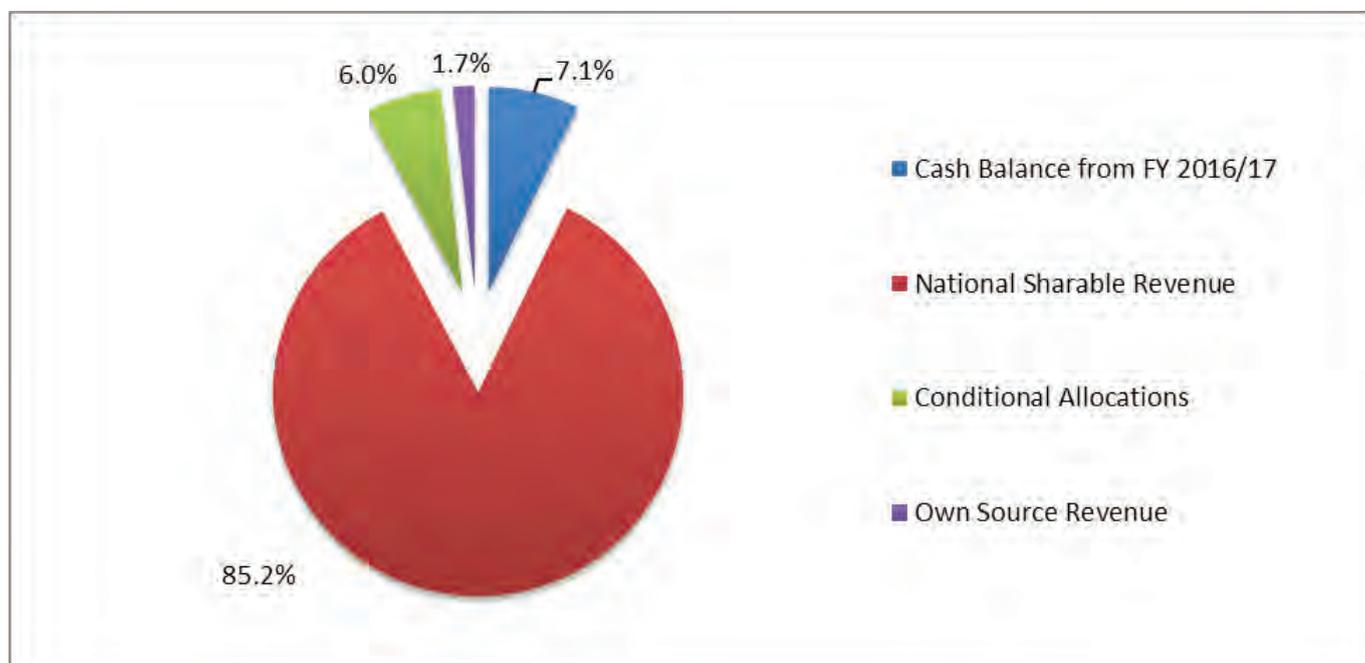
### 3.25.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.7.73 billion, comprising of Kshs.4.30 billion (55.6 per cent) and Kshs.3.43 billion (44.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.6.58 billion (85.2 per cent) as equitable share of revenue raised nationally, Kshs.465.37 million (6 per cent) as total conditional grants, generate Kshs.130 million (1.7 per cent) from own source revenue, and Kshs.551.9 million (7.1 per cent) cash balance from FY 2016/17.

Figure 3.97 shows the expected sources of budget financing in FY 2017/18

**Figure 3.97: Marsabit County, Expected Sources of Budget Financing in FY 2017/18 (%).**



*Source: Marsabit County Treasury*

The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (13.5 per cent) for Leasing of Medical Equipment, Kshs.221.11 million (31.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.6.64 million (0.9 per cent) as Compensation for User Fee Foregone, Kshs.23.19 million (3.3 per cent) from DANIDA, Kshs.36.8 million (5.2 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.45.75 million (6.4 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.29.6 million (4.2 per cent) for Development of Youth Polytechnics, Kshs.148.21 million (20.8 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.61.80 million (8.7 per cent) as European Union (EU) Grant, and Kshs.42.30 million (5.9 per cent) as Other Loans and Grants.

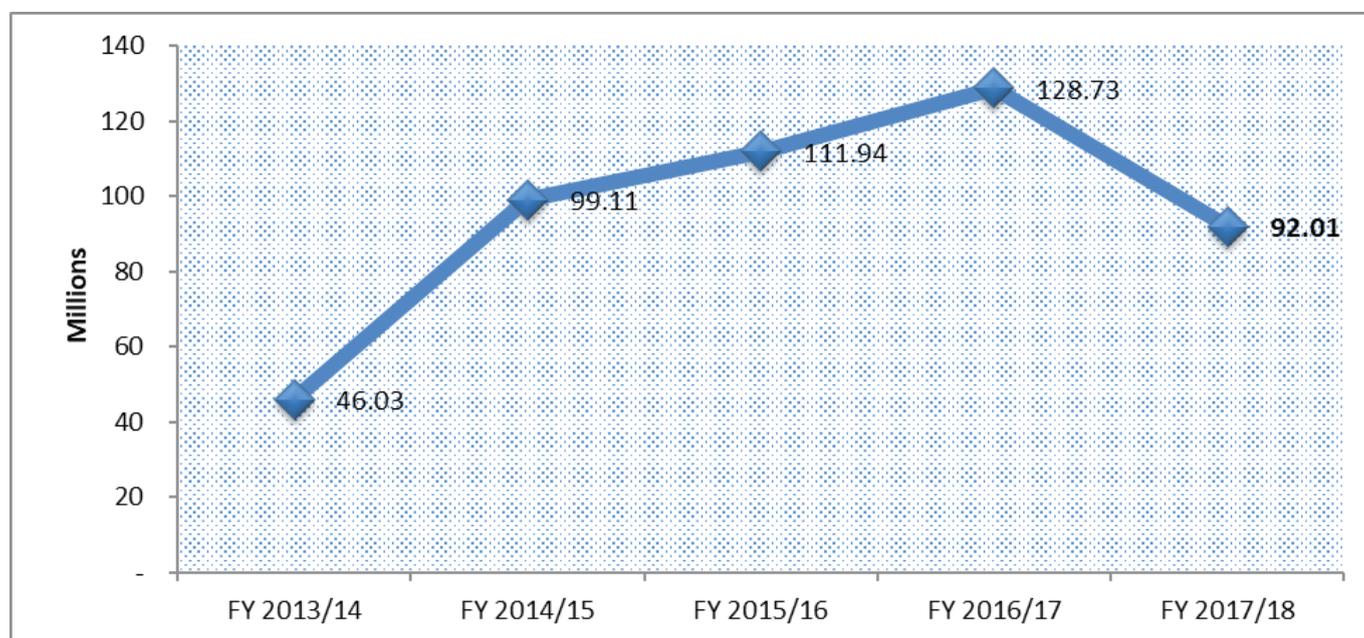
The County also expected to receive Kshs.20.6 million as grant for Kenya Urban Support programme, which was not contained in the CARA, 2017.

### 3.25.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.6.58 billion as equitable share of revenue raised nationally, Kshs.368.13 million as total conditional grants, raised Kshs.92.01 million from own source revenue, and had a cash balance of Kshs.551.90 million from FY 2016/17. The total available funds amounted to Kshs.7.6 billion.

Figure 3.98 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.98: Marsabit County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Marsabit County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.92.01 million, representing a decline of 28.5 per cent compared to Kshs.128.73 million generated in FY 2016/17 and was 70.8 per cent of the annual target.

### 3.25.3 Conditional Grants

Table 3.72 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.72: Marsabit County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Road Maintenance Fuel Levy Fund	221,107,010	221,107,010	181,777,695	82.2
2	World Bank Loan for Transforming Health System for universal Care Project	148,207,171	46,314,741	46,314,741	31.3
3	Kenya Devolution Support Programme (KDSP)	45,748,545	45,748,545	45,748,545	100.0
4	World Bank loan to supplement financing of County Health facilities	36,800,000	36,800,000	34,627,134	94.1
5	Conditional Allocation - Other Loans & Grants	42,302,134	34,627,134	-	-
6	Development of Youth Polytechnics	29,598,081	29,598,081	29,598,081	100.0
7	DANIDA Grant	23,186,442	23,934,392	23,186,442	100.0
8	Kenya Urban Support Programme	-	20,600,000	-	-
9	Compensation for User Fee Foregone	6,643,714	6,643,714	6,872,636	103.4
11	Leasing of Medical Equipment	95,744,681	-	-	-
12	EU Grant	61,800,000	-	-	-
<b>Total</b>		<b>711,137,778</b>	<b>465,373,617</b>	<b>368,125,274</b>	<b>51.8</b>

Source: Marsabit County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Compensation for User Fee Foregone recorded the highest receipts at 103.4 per cent of annual allocation.

### 3.25.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.6.82 billion from the CRF account, which was 88.2 per cent of the Approved Supplementary Budget. This amount represented an increase of 7.1 per cent from Kshs.6.37 billion approved in FY 2016/17 and comprised of Kshs.4.15 billion (60.9 per cent) for recurrent expenditure and Kshs.2.67 billion (39.1 per cent) for development activities.

### 3.25.5 Overall Expenditure Review

The County spent Kshs.6.57 billion, which was 96.3 per cent of the total funds released for operations. This was an increase of 6.9 per cent from Kshs.6.14 billion spent in FY 2016/17.

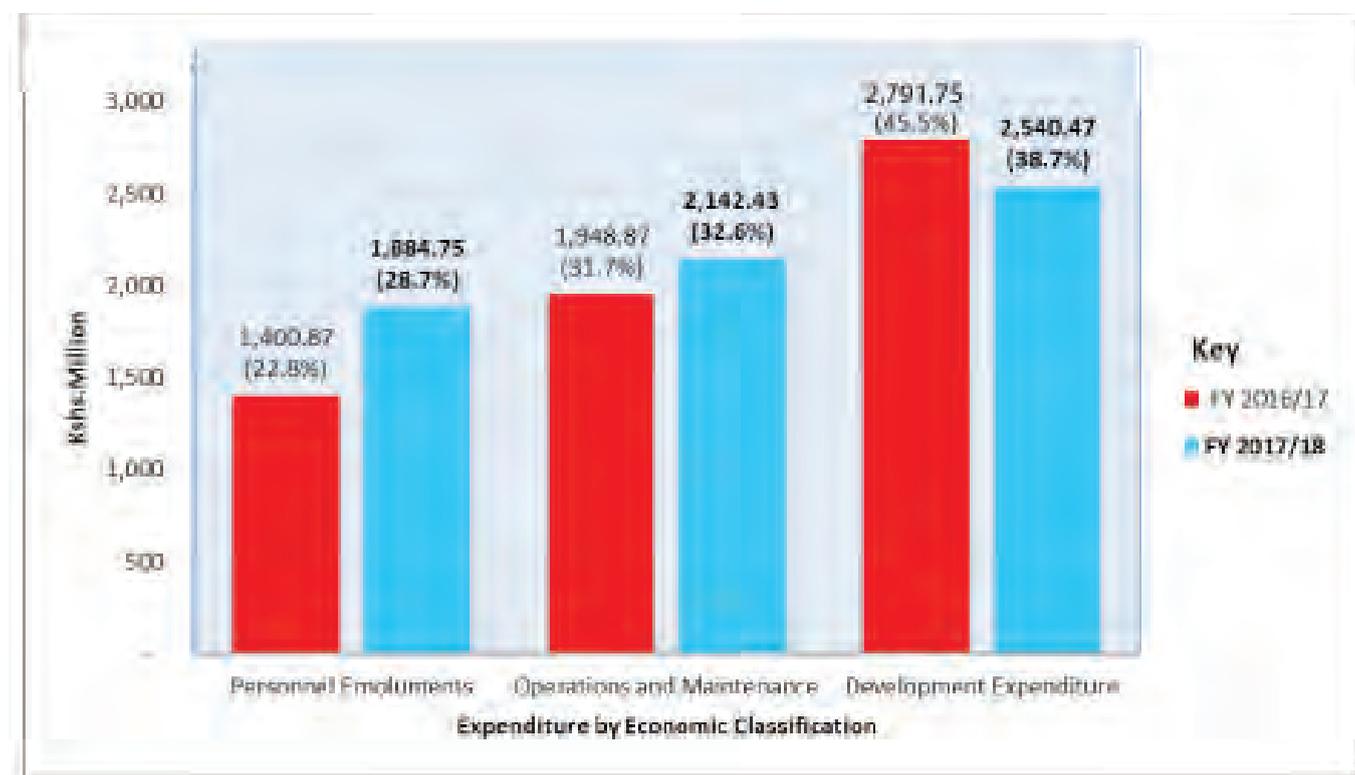
A total of Kshs.4.04 billion was spent on recurrent activities while Kshs.2.54 billion was spent on development activities. The recurrent expenditure was 97 per cent of the funds released for recurrent activities, while development expenditure was 95.3 per cent of funds released for development activities.

The expenditure excluded pending bills which amounted to Kshs.468.53 million for development activities and Kshs.330.63 million for recurrent expenditure as at June 30, 2018..

The recurrent expenditure represented 93.7 per cent of the annual recurrent budget, an increase from 92.8 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 74 per cent, which was a decrease from 87 per cent attained in FY 2016/17.

Figure 3.99 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.99: Marsabit County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Marsabit County Treasury

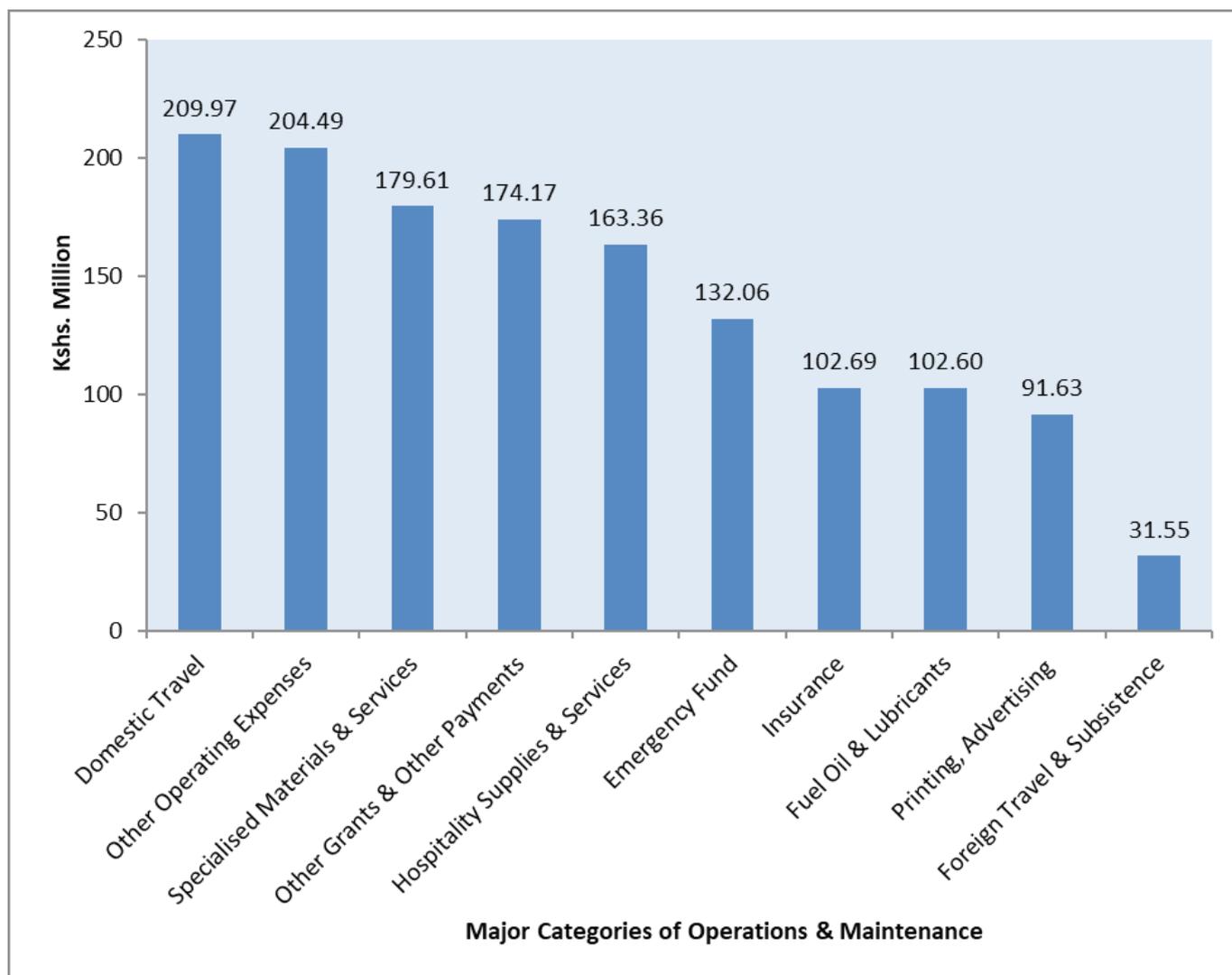
### 3.25.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.04 billion comprised of Kshs.1.88 billion (46.8 per cent) incurred on personnel emoluments and Kshs.2.14 billion (53.2 per cent) on operations and maintenance as shown in Figure 3.99.

Expenditure on personnel emoluments represented an increase of 34.5 per cent compared to FY 2016/17 when the County spent Kshs.1.40 billion, and was 28.7 per cent of total expenditure.

Figure 3.100 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.100: Marsabit County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Marsabit County Treasury

The County spent Kshs.45 million on committee sitting allowances to the 31 MCAs against an annual budget allocation of Kshs.45 million. This was an increase of 34.4 per cent compared to Kshs.33.48 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.120,967 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.209.97 million and comprised of Kshs.79.96 million spent by the County Assembly and Kshs.130.01 million by the County Executive. This represented 6 per cent of total recurrent expenditure and was an increase of 46.6 per cent compared to Kshs.164.76 million spent in FY 2016/17.

### 3.25.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.54 billion represented 74 per cent of the annual development budget of Kshs.3.43 billion. Table 3.73 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.73: Marsabit County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)
1	Distribution of Relief food	All Wards	230,000,000	156,870,000
2	Upgrading of Marsabit Town roads to Bitumen Standard	Marsabit Town	80,000,000	56,875,221
3	Solar powered street lights	Marsabit & Moyale Towns	22,500,000	16,334,656
4	Marsabit Integrated Development Plan.	Head Quarters	25,000,000	15,196,200
5	Improvement works on Manyatta Jillo-Kubi Qallo-Qoran Gogo Road	Marsabit Town	15,000,000	14,888,700
6	Construction of Tubacha dam in Korr	Laisamis Sub-county	10,200,000	10,187,400
7	Boreholes in Sololo Makutano	Sololo	7,000,000	6,907,220
8	3phase electricity connection at Marsabit Hospital.	Marsabit Town	5,000,000	4,999,020

Source: Marsabit County Treasury

### 3.25.8 Analysis of Budget Performance by Department

Table 3.74 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.74: Marsabit County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	600.96	50	550.12	35	549.41	40.91	99.9	116.9	91.4	81.8
County Executive	512.14	624.74	512.14	442.64	503.74	275.66	98.4	62.3	98.4	44.1
Finance & Economic Planning	680.05	445	636.34	425.64	592.61	450.75	93.1	105.9	87.1	101.3
Agriculture, Livestock & Fisheries	173.28	144.80	173.25	96.80	166.07	143.42	95.9	148.2	95.8	99.0
County Public Service Board	92.87	9	92.87	9	91.23	6.86	98.2	76.2	98.2	76.2
Education, Skill Development, Youth & Sports	230.07	231.10	230.07	194.45	223.36	173.89	97.1	89.4	97.1	75.2
County Health Services	1,215.73	507.25	1,163.75	396	1,160.76	366.65	99.7	92.6	95.5	72.3
Administration, Coordination & ICT	306.09	10	306.09	10	294.28	9.92	96.1	99.2	96.1	99.2
Energy, Lands & Urban Development	137.09	187.05	136.84	160.76	132.37	163.05	96.7	101.4	96.6	87.2
Roads & Public Services	70.57	360.38	70.55	251.66	68.44	360.35	97.0	143.2	97.0	100
Water, Environment & Natural Resources	125.51	636.25	125.51	472.95	103.78	453.93	82.7	96.0	82.7	71.3

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade, Tourism, Industry & Enterprise Development	78.87	112.30	78.87	86	74.22	56.48	94.1	65.7	94.1	50.3
Culture & Social Services	73.26	116.50	73.22	86	66.90	38.62	91.4	44.9	91.3	33.2
<b>TOTAL</b>	<b>4,296.49</b>	<b>3,434.38</b>	<b>4,149.62</b>	<b>2,666.91</b>	<b>4,027.18</b>	<b>2,540.47</b>	<b>97.0</b>	<b>95.3</b>	<b>93.7</b>	<b>74.0</b>

Source: Marsabit 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 101.3 per cent while the Department of Culture and Social Service had the lowest at 33.2 per cent. The County Executive had the highest percentage of recurrent expenditure to recurrent budget at 98.4 per cent while the Department of Water, Environment and Natural Resources had the lowest at 82.7 per cent.

### 3.25.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Late submission of financial reports by the County Treasury to the Office of the Controller of Budget, which affected timely preparation of Budget Implementation Review Report.
2. The County has not constituted the CBEF in line with Section 137 of the PFM Act, 2012 for consultation in the budget making process.

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

1. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.
2. The County should establish the County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.

## 3.26 Meru County

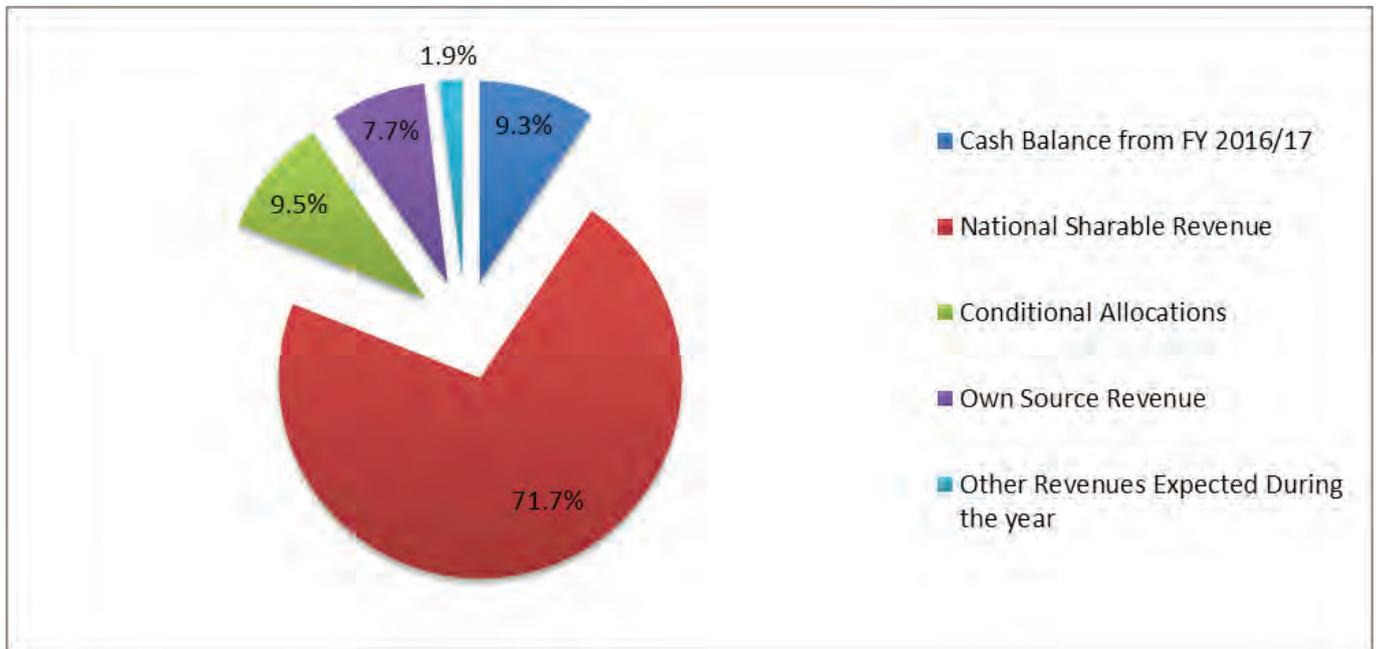
### 3.26.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.10.74 billion, comprising of Kshs.7.52 billion (70 per cent) and Kshs.3.22 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.7.70 billion (71.7 per cent) as equitable share of revenue raised nationally, Kshs.1.02 billion (9.5 per cent) as total conditional grants, generate Kshs.300 million (2.8 per cent) from own source revenue, and Kshs.999.74 million (9.3 per cent) cash balance from FY 2016/17. In Addition the county expected to receive Kshs.199.33 million (1.9 per cent) from the Ministry of Health (National Government) as salary arrears for FY 2016/17.

Figure 3.101 shows the Expected sources of budget financing in FY 2017/18

**Figure 3.101: Meru County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Meru County Treasury*

The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (1.9 per cent) for Leasing of Medical Equipment, Kshs.276.67 million (5.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.31.65 million (0.7 per cent) as Compensation for User Fee Foregone, Kshs.373.87 (7.6 per cent) from Grants to Level-5 Hospital, Kshs.18.75 million (0.6 per cent) from DANIDA, Kshs.50.38 million (1 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.58.67 million (1.2 per cent) for Development of Youth Polytechnics, Kshs.29.42 million (0.9 per cent) as World Bank loan for Transforming Health System for Universal Care Project, and Kshs.3.94 billion (79.5 per cent) as Other Loans and Grants.

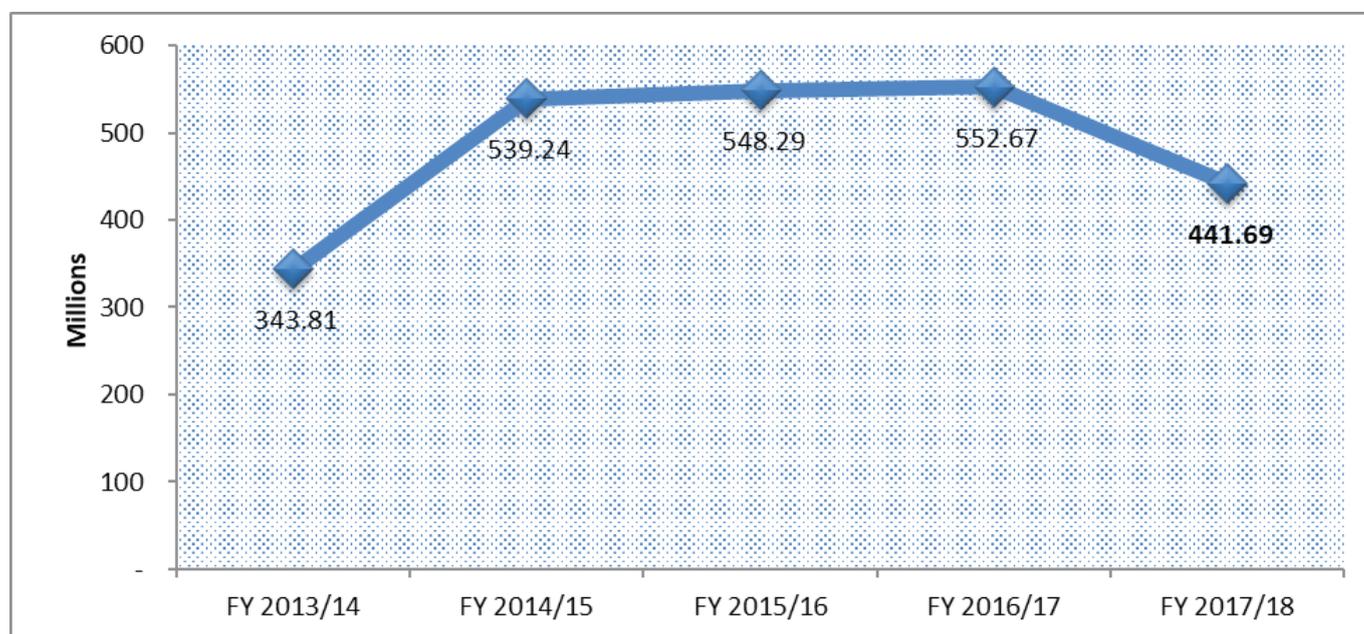
The County also expected to receive Kshs.8.10 million as grant for Government of Kenya –Swedish International Development Agency (SIDA) programme, which was not contained in the CARA, 2017.

### 3.26.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.7.70 billion as equitable share of revenue raised nationally, Kshs.884.78 million as total conditional grants, raised Kshs.441.69 million from own source revenue, and had a cash balance of Kshs.999.74 million from FY 2016/17. The total available funds amounted to Kshs.10.03 billion.

Figure 3.102 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.102: Meru County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Meru County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.441.69 million, representing a decline of 20.1 per cent compared to Kshs.552.67 million generated in FY 2016/17 and was 147.2 per cent of the annual target.

### 3.26.3 Conditional Grants

Table 3.75 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.75: Meru County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	276,672,439	276,672,439	276,672,439	100
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	0
3	Kenya Devolution Support Programme (KDSP)	50,375,116	50,375,116	50,375,116	100
4	Compensation for User Fee Foregone	31,648,428	31,648,428	32,096,227	100
5	DANIDA Grant	18,748,409	29,060,034	29,060,034	100
6	Level-5 Hospital	373,872,832	373,872,832	373,872,832	100
7	Development of Youth Polytechnics	58,668,764	58,668,764	58,668,764	100
8	Conditional Allocation - Other Loans & Grants	3,943,731,665	-	-	0
9	World Bank Loan for Transforming Health System for universal Care Project	42,944,127	42,944,127	13,420,040	31
10	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,609,855	50,609,855	101
<b>Sub Total</b>		<b>4,992,406,461</b>	<b>1,009,596,276</b>	<b>884,775,307</b>	<b>18</b>
<b>B</b>	<b>Other Grants</b>				

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
11	GoK- Swedish International Development Co-operation Agency (SIDA)	-	8,102,151		-
<b>Sub Total</b>		-	<b>8,102,151</b>	-	-
<b>Grand Total</b>		<b>4,992,406,461</b>	<b>1,017,698,427</b>	<b>884,775,307</b>	<b>18</b>

Source: Meru County Treasury

Analysis of the conditional grants released during the period under review indicates that, the World Bank Loan for National Agricultural & Rural Inclusive Project recorded the highest receipts at 101 per cent of annual budget allocation.

### 3.26.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.8.49 billion from the CRF account, which was 79.1 per cent of the Approved Supplementary Budget. This amount represented a decline of 3 per cent from Kshs.8.75 billion approved in FY 2016/17 and comprised of Kshs.6.97 billion (82.1 per cent) for recurrent expenditure and Kshs.1.52 billion 17.9 (per cent) for development activities.

### 3.26.5 Overall Expenditure Review

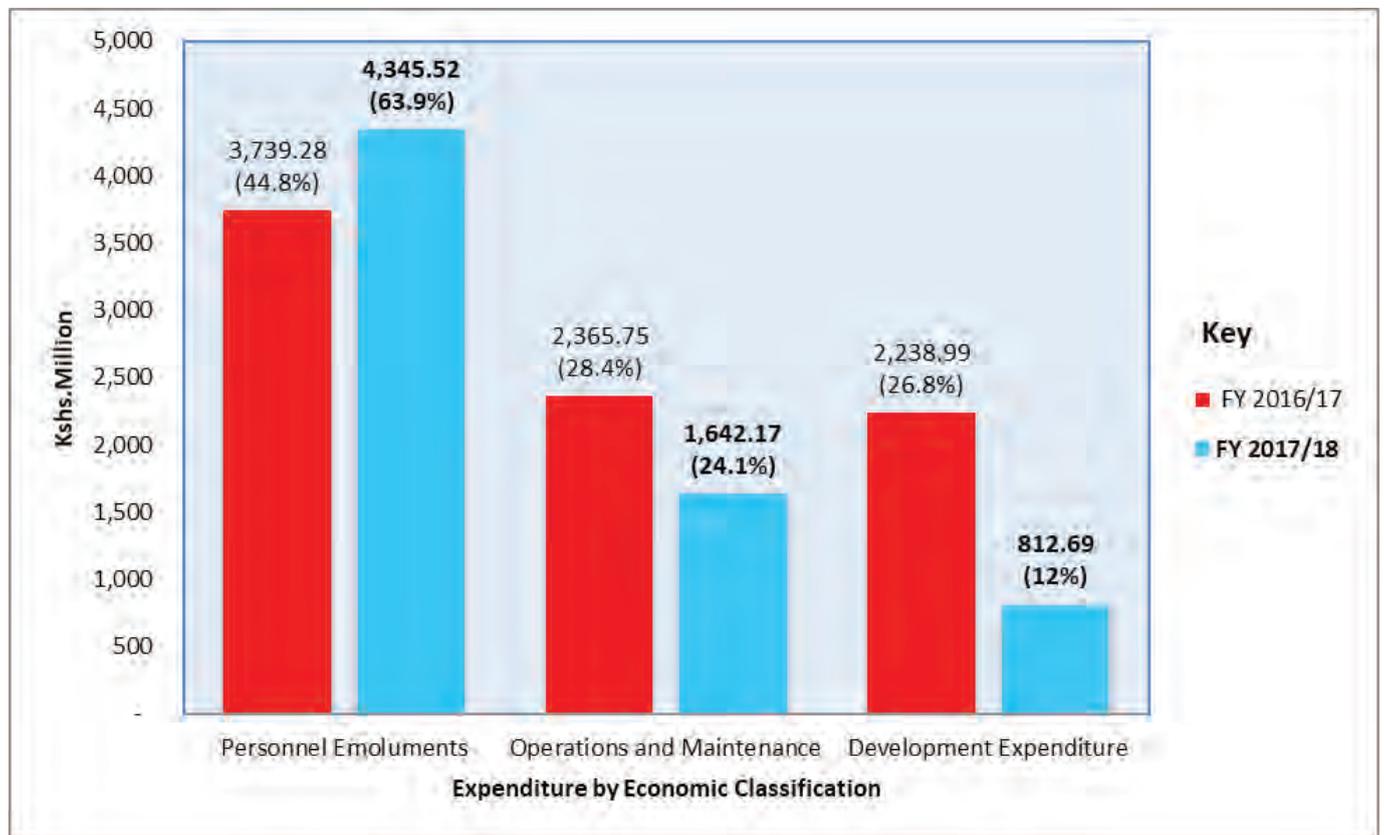
The County spent Kshs.6.80 billion, which was 80.1 per cent of the total funds released for operations. This was a decline of 18.5 per cent from Kshs.8.34 billion spent in FY 2016/17.

A total of Kshs.5.99 billion was spent on recurrent activities while Kshs.812.69 million was spent on development activities. The recurrent expenditure was 86 per cent of the funds released for recurrent activities, while development expenditure was 53.3 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.1.65 billion for development activities and Kshs.350.51 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 79.6 per cent of the annual recurrent budget, a decrease from 88.2 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 25.3 per cent, which was a decrease from 69.6 per cent attained in FY 2016/17.

Figure 3.103 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.103: Meru County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



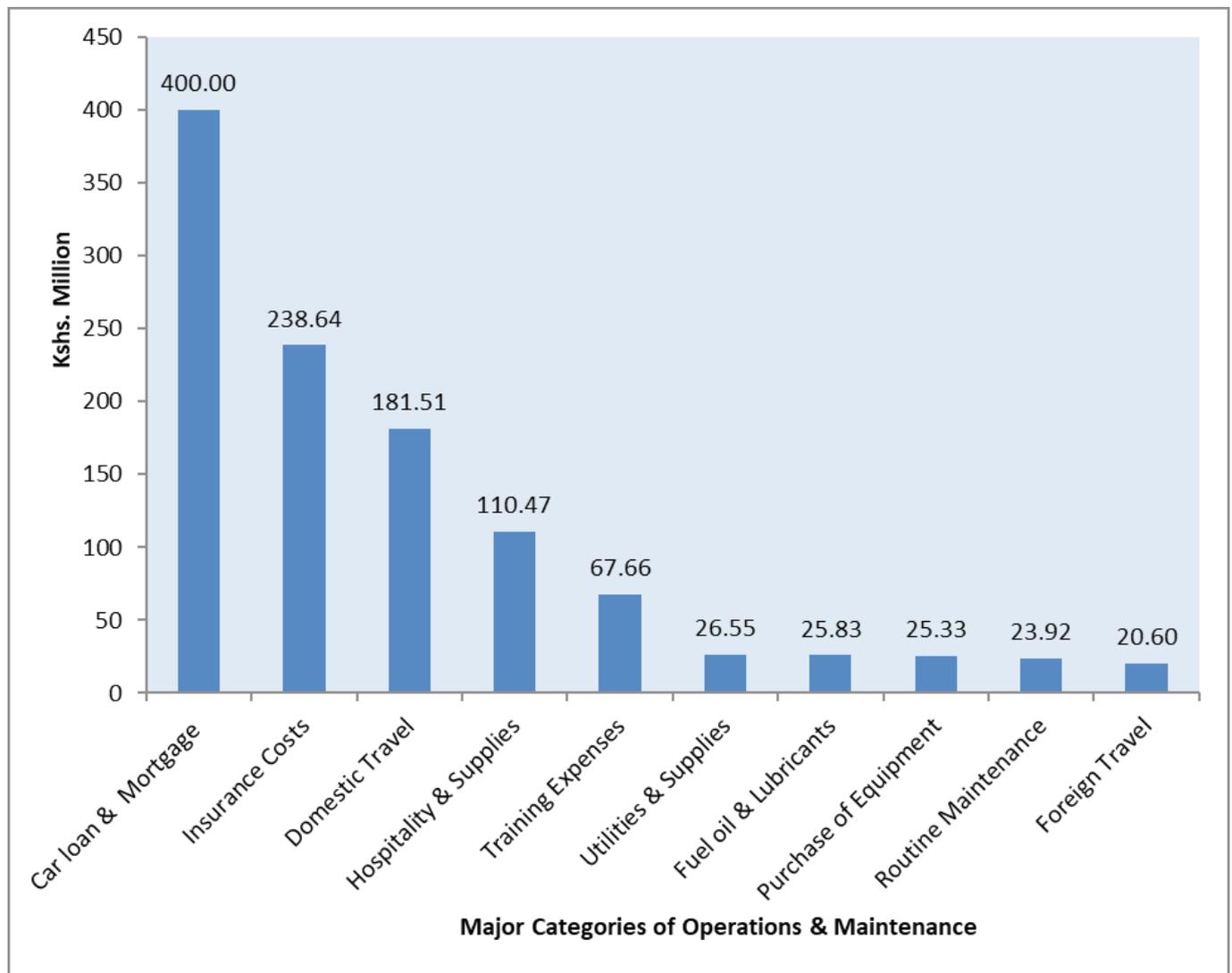
Source: Meru County Treasury

### 3.26.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.99 billion comprised of Kshs.4.35 billion (72.6 per cent) incurred on personnel emoluments and Kshs.1.64 billion (27.4 per cent) on operations and maintenance as shown in Figure 3.103.

Expenditure on personnel emoluments represented an increase of 16.2 per cent compared to FY 2016/17 when the County spent Kshs.3.74 billion, and was 63.9 per cent of total expenditure in FY 2017/18. Figure 3.104 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.104: Meru County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Meru County Treasury

The County spent Kshs.48.41 million on committee sitting allowances to the 69 MCAs against an annual budget allocation of Kshs.57.9 million. This was a decline of 49 per cent compared to Kshs.94.88 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.58,472 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.181.51 million and comprised of Kshs.144.87 million spent by the County Assembly and Kshs.36.63 million by the County Executive. This represented 3 per cent of total recurrent expenditure and was a decrease of 33.7 per cent compared to Kshs.248.30 million spent in FY 2016/17.

### 3.26.7 Development Expenditure Analysis

The total development expenditure of Kshs.812.69 million represented 25.3 per cent of the annual development budget of Kshs.3.22 billion. Table 3.76 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.76: Meru County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	FY2017/18 Project Expenditure (Kshs.)
1	Drilling, casing and equipping of boreholes	Wards	590,000,000	472,000,000	80.0
2	Meru Youth Service programme		91,863,782	91,863,782	100.0
3	Integrated urban spatial plan	Laare, Githongo, Maua, Timau, Kianjai, Nkubu, Nturigwi, & Ngundune	27,800,000	27,800,000	100.0
4	Construction of Gikui Mweru water project	Gikui Mweru	20,275,500	17,635,000	87.0
5	Construction of Iraru water project	Iraru	28,808,745	17,543,000	60.9
6	Genetic improvement	County Wide	17,422,193	17,422,193	100.0
7	Construction of Tumutumu water project	Tumutumu	22,891,773	16,839,500	73.6
8	Design and develop GIS	County Headquarters	12,040,356	12,040,356	100.0
9	Construction of water tanks, pipeline and equipping of boreholes and shallow wells 16	Wards	12,703,504	10,190,267	80.2
10	Rehabilitation of Mariara river catchment area	Mariara River	9,992,200	9,992,200	100.0

Source: Meru County Treasury

### 3.26.8 Analysis of Budget Performance by Department

Table 3.77 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.77: Meru County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs.Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	1,193.03	32.91	1,174.03	9.75	1,169.88	10.91	99.6	111.8	98.1	33.1
office of the Governor	233.34	-	208.14	-	161.88	-	77.8	-	69.4	-
Finance, Economic Planning and ICT	767.18	301	658.45	161	555.23	-	84.3	0.0	72.4	0.0
Agriculture, Livestock & Fishery	345.79	257.27	323.05	145.33	269.92	47.48	83.6	32.7	78.1	18.5
Water & Irrigation	105.57	862.15	98.98	620.02	81.09	553.04	81.9	89.2	76.8	64.1
Education Technology, Gender Culture & Social Development	628.63	171.49	578.16	58.67	420.22	-	72.7	0.0	66.8	0.0
Health Services	3,167.13	222.99	2,910.30	50	2,558.10	-	87.9	0.0	80.8	0.0
Land, Physical Planning, Urban Development & Public Works	83.13	123.60	65.74	-	49.17	4.27	74.8	-	59.1	3.5
Public Service Administration & Legal Affairs	760.10	-	734.24	-	568.35	-	77.4	-	74.8	-
Roads, Transport & Energy	72.90	842.48	65.24	363.56	54.28	62.80	83.2	17.3	74.5	7.5
Trade, Investment, Industrialization, Tourism & Cooperative Development	72.44	179.41	67.35	22.68	49.99	12.76	74.2	56.3	69.0	7.1
Youth Affairs & Sport	32.36	180.70	29	83.23	24.96	106.84	86.1	128.4	77.1	59.1

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs.Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Service Board	26.86	-	26.50	-	16.65	-	62.8	-	62.0	-
Environment, Wildlife & Natural Resources	32.90	44.17	26.94	9.50	7.97	14.60	29.6	153.7	24.2	33.0
<b>TOTAL</b>	<b>7,521</b>	<b>3,218</b>	<b>6,966</b>	<b>1,524</b>	<b>5,988</b>	<b>813</b>	<b>86.0</b>	<b>53.3</b>	<b>79.6</b>	<b>25.3</b>

Source: Meru County Treasury

Analysis of budget performance by department shows that, the Department of Water & Irrigation attained the highest absorption rate of development budget at 64.1 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 98.1 per cent while the Department of Environment, Wildlife & Natural Resources had the lowest at 24.2 per cent.

### 3.26.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Delay in submission of financial reports by the County Treasury to the Office of the Controller of Budget contrary to Section 166 of the PFM Act, 2012.
2. Under-performance in own source revenue collection, which declined by 20.1 per cent from Kshs.552.67 million generated in FY 2016/17 to Kshs.441.69 million in the reporting period.
3. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 25.3 per cent compared to 69.6 per cent in a similar period in FY 2016/17.
4. High wage bill that has increased by 16.2 per cent from Kshs.3.74million in FY 2016/17 to Kshs.4.35 billion in the period under review.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should formulate and implement strategies to enhance own source revenue collection.*
3. *The County should devise appropriate strategies to enhance absorption of development funds.*
4. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

## 3.27 Migori County

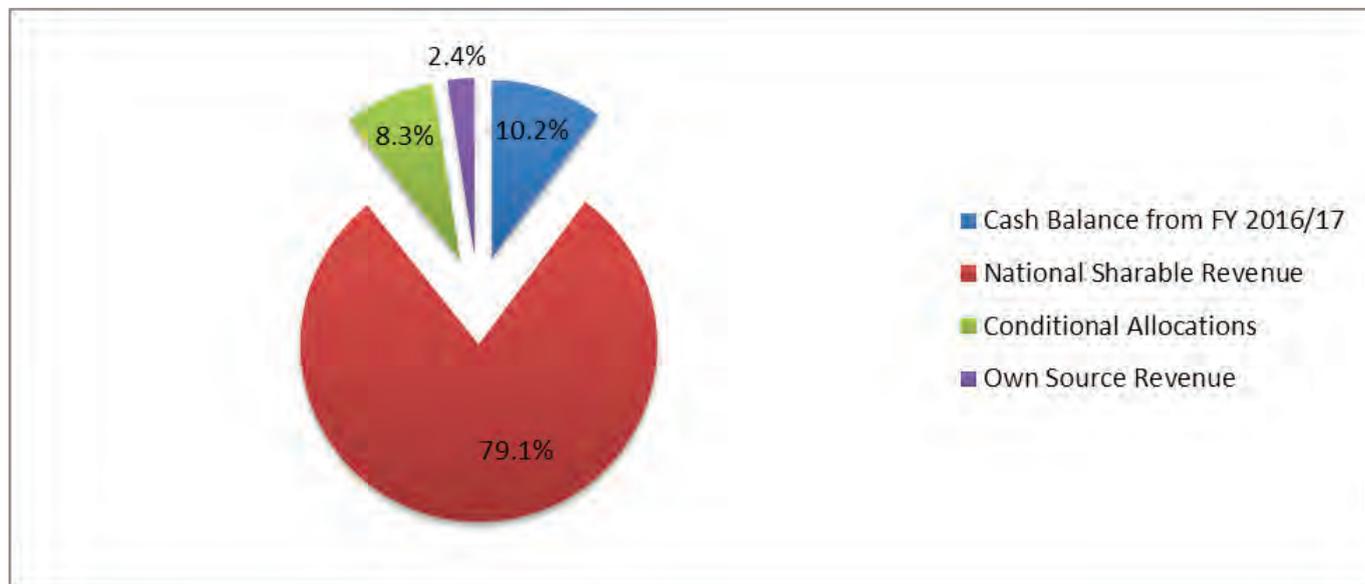
### 3.27.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Supplementary Budget is Kshs.8.17 billion, comprising of Kshs.5.47 billion (67 per cent) and Kshs.2.7 billion (33 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.6.46 billion (79.1 per cent) as equitable share of revenue raised nationally, Kshs.674.91 million (8.3 per cent) as total conditional grants, generate Kshs.200 million (2.4 per cent) from own source revenue, and Kshs.829.19 million (10.2 per cent) cash balance from FY 2016/17.

Figure 3.105 shows the expected sources of budget financing in FY 2017/18

**Figure 3.105: Migori County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Migori County Treasury*

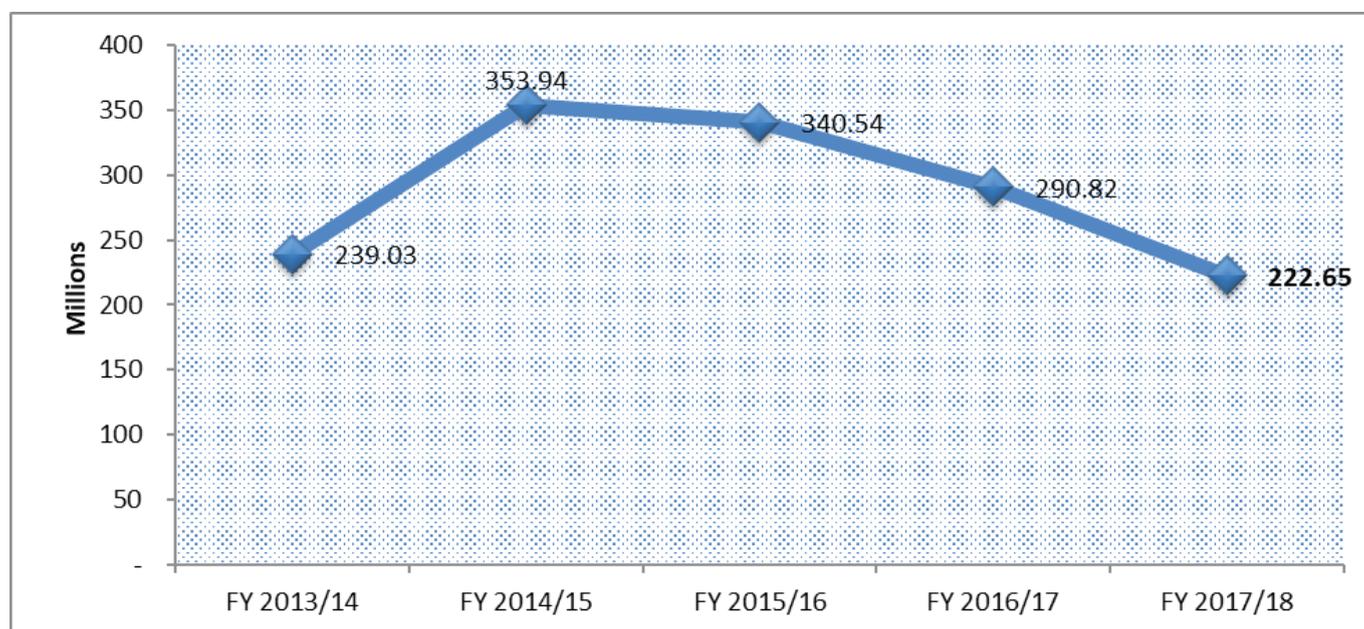
The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (12.8 per cent) for Leasing of Medical Equipment, Kshs.248.69 million (33.3per cent) from the Road Maintenance Fuel Levy Fund, Kshs.21.66 million (2.9 per cent) as Compensation for User Fee Foregone, Kshs.16.85 million (2.3 per cent) from DANIDA, Kshs.40.63 million (5.4 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.46.33 million (6.2 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.47.02 million (6.3 per cent) for Development of Youth Polytechnics, Kshs.71.99 million (9.6 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (8.8 per cent) as European Union (EU) grant and Kshs.50 million (6.7 per cent) as World Bank loan for National Agriculture and Rural Inclusive Growth Project.

### **3.27.2 Revenue Analysis**

During the FY 2017/18, the County received Kshs.6.46 billion as equitable share of revenue raised nationally, Kshs.567.36 million as total conditional grants, raised Kshs.222.65 million from own source revenue, and had a cash balance of Kshs.829.19 million from FY 2016/17. The total available funds amounted to Kshs.8.08 billion.

Figure 3.106 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.106: Migori County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Migori County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.222.65 million, representing a decline of 23.4 per cent compared to Kshs.290.82 million generated in FY 2016/17 and was 111.3 per cent of the annual target.

### 3.27.3 Conditional Grants

Table 3.78 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.78: Migori County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Road Maintenance Fuel Levy Fund	248,690,316	248,690,316	204,454,632	82
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	World Bank loan to supplement financing of County Health facilities	40,625,000	40,625,000	-	-
4	Kenya Devolution Support Programme (KDSP)	46,330,994	46,330,994	46,330,994	100
5	Compensation for User Fee Foregone	21,655,884	21,655,884	21,882,372	101
6	DANIDA Grant	16,852,230	26,120,957	26,120,957	155
7	Development of Youth Polytechnics	47,015,785	47,015,785	47,015,785	100
8	Conditional Allocation - Other Loans & Grants	41,991,777	-	-	-
9	World Bank Loan for Transforming Health System for universal Care Project	71,990,710	32,723,050	32,723,050	45
10	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101
11	EU Grant	66,000,000	66,000,000	-	-
<b>Sub Total</b>		<b>746,897,377</b>	<b>674,906,667</b>	<b>429,137,645</b>	<b>57</b>

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	<b>Grants Contained in the CARA,2017</b>				
B	<b>Other Grants</b>				
12	Result Base Financing (RBF)			138,220,725	-
<b>Sub Total</b>		-	-	138,220,725	-
<b>Grand Total</b>		<b>746,897,377</b>	<b>674,906,667</b>	<b>567,358,370.4</b>	<b>76</b>

Source: Migori County Treasury

Analysis of the conditional grants released during the period under review indicates that, DANIDA Grant recorded the highest receipt at 155 per cent of CARA, 2017 allocation.

### 3.27.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.6.89 billion from the CRF account, which was 84.4 per cent of the Supplementary Budget. This amount represented a decline of 2.8 per cent from Kshs.7.09 billion approved in FY 2016/17 and comprised of Kshs.4.57 billion (66.3 per cent) for recurrent expenditure and Kshs.2.33 billion (33.7 per cent) for development activities.

### 3.27.5 Overall Expenditure Review

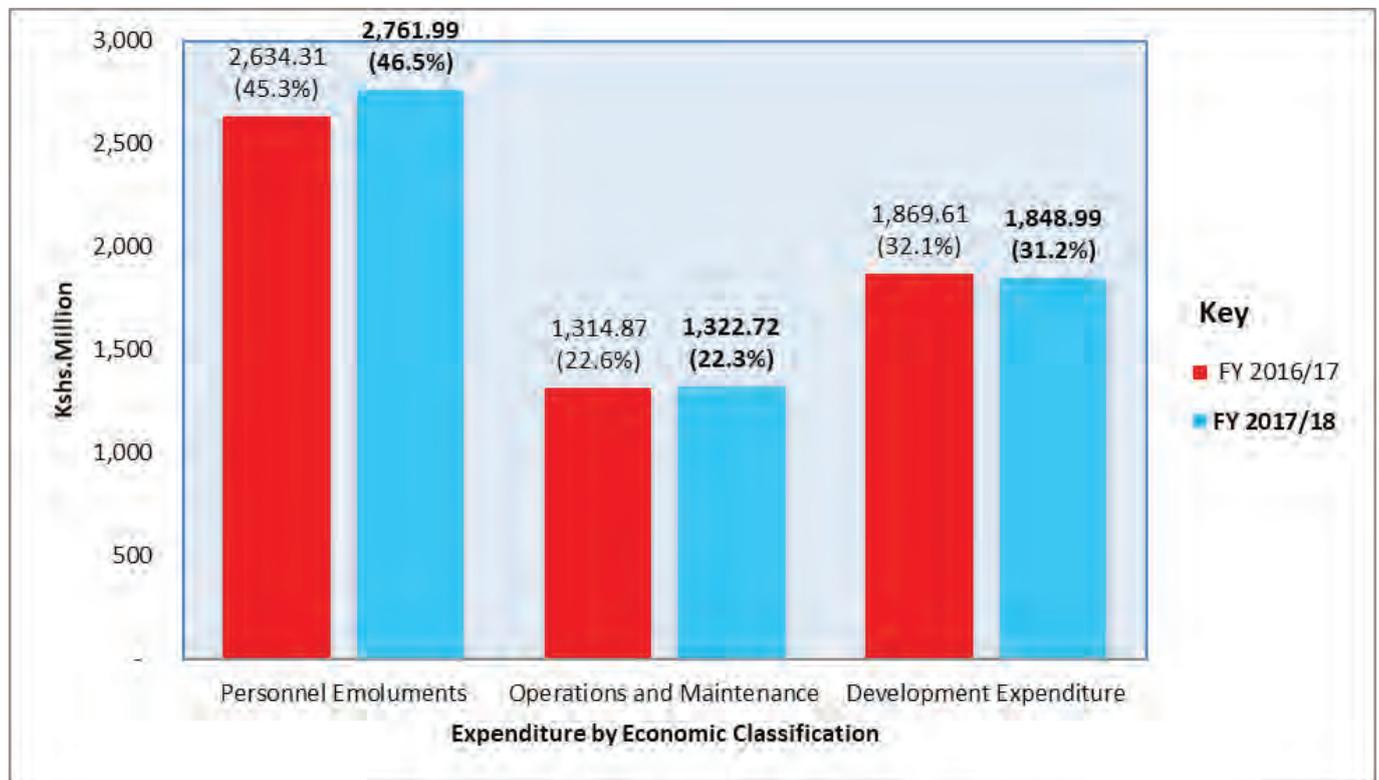
The County spent Kshs.5.93 billion, which was 86.1 per cent of the total funds released for operations. This was an increase of 2 per cent from Kshs.5.82 billion spent in FY 2016/17.

A total of Kshs.4.08 billion was spent on recurrent activities while Kshs.1.85 billion was spent on development activities. The recurrent expenditure was 86.1 per cent of the funds released for recurrent activities, while development expenditure was 79.5 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.192.46 million for development activities and Kshs.98.48 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 74.7 per cent of the annual recurrent budget, a decrease from 83.2 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 63.6 per cent, which was an increase from 62.8 per cent attained in FY 2016/17.

Figure 3.107 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.107: Migori County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



*Source: Migori County Treasury*

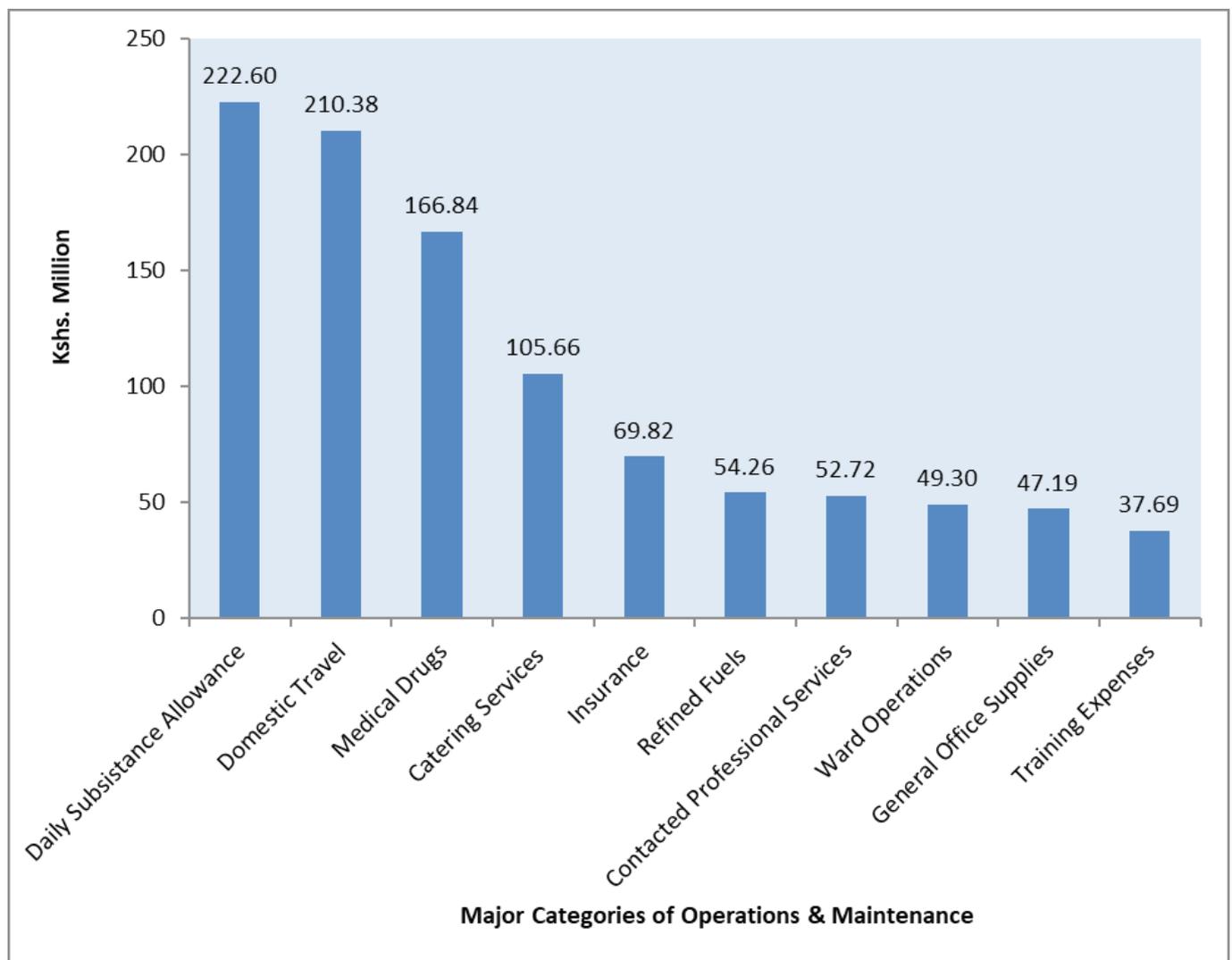
### 3.27.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.08 billion comprised of Kshs.2.76 billion (67.6 per cent) incurred on personnel emoluments and Kshs.1.32 billion (32.4 per cent) on operations and maintenance as shown in Figure 3.107.

Expenditure on personnel emoluments represented an increase of 4.9 per cent compared to FY 2016/17 when the County spent Kshs.2.63 billion, and was 46.5 per cent of total expenditure.

Figure 3.108 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.108: Migori County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Migori County Treasury

The County spent Kshs.36.49 million on committee sitting allowances to the 58 MCAs against an annual budget allocation of Kshs.205.16 million. This was a decline of 40.4 per cent compared to Kshs.61.28 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.52,433 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.210.38 million and comprised of Kshs.92.06 million spent by the County Assembly and Kshs.336.46 million by the County Executive. This represented 10.5 per cent of total recurrent expenditure and was an increase of 36.9 per cent compared to Kshs.321 million spent in FY 2016/17.

### 3.27.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.85 billion represented 63.6 per cent of the annual development budget of Kshs.2.70 billion. Table 3.79 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.79: Migori County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)
1	Upgrading to Bitumen standard of Uriri-Oria road	Uriri Sub County	45,138,610	45,138,610
2	Intergrated Urban plan for Rongo town	Rongo Sub County	34,515,061	34,515,061
3	Intergrated urban development for Sori town	Nyatike Sub County	34,012,624	34,012,624
4	Supply & delivery of chemicals for fall army worms	County Headquarters	29,700,000	29,700,000
5	Installation & Commissioning of structured cabling for Lands, Sub County & Ward Admin offices	County Headquarters	28,550,000	28,550,000
6	Maintenance of Macalder-Migori road	Nyatike Sub County	18,797,637	18,797,637
7	Pipe laying & community water kiosk construction	Uriri Sub County	17,911,401	17,911,401
8	Construction of 2 community water pans	Nyatike Sub County	17,499,463	17,499,463
9	Construction of 2 community water pans	Suna East Sub County	17,495,783	17,495,783
10	Maintenance of Thim Lich-Otho road	Nyatike Sub County	17,176,236	17,176,236

Source: Migori County Treasury

### 3.27.8 Analysis of Budget Performance by Department

Table 3.80 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.80: Migori County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock Production, Fisheries, Veterinary Services and Water	335.17	414.99	304.61	400.28	260.92	199.28	85.7	49.8	77.8	48.0
County Assembly	736.79	60	736	-	654.29	6.09	88.9	0	88.8	10.2
County Executive	527.83	243.04	347.28	7.94	243.04	65.10	70.0	819.9	46.0	26.8
Education, Youth, Sports, Culture and Social Development	313.80	156.77	200.51	89.66	271.57	18.63	135.4	20.8	86.5	11.9
Finance and Economic Planning	957.80	30	587.91	29.89	669.75	96.09	113.9	321.5	69.9	320.3
Health Services	1,684.49	242.15	1,120.99	195.79	1,207.68	306.98	107.7	156.8	71.7	126.8
Lands, Housing, Physical Planning and Survey	77.07	72.85	68.75	49.53	53.37	100.12	77.6	202.1	69.2	137.4
Environment and Disaster Management	96.78	63.10	73.40	43.81	83.61	13.75	113.9	31.4	86.4	21.8
Public Service, Labor and ICT	586.01	354.78	536.06	191.35	479.90	278.58	89.5	145.6	81.9	78.5
Roads, Public Works, Transport and Energy	67.35	1,222.80	56.62	1,309.52	78.24	755.40	138.2	57.7	116.2	61.8
Trade Development and Regulation	86.76	45.72	78.71	7.50	82.33	8.97	104.6	119.6	94.9	19.6
<b>TOTAL</b>	<b>5,469.85</b>	<b>2,697.05</b>	<b>4,567.84</b>	<b>2,325</b>	<b>4,084.70</b>	<b>1,848.99</b>	<b>99.4</b>	<b>79.5</b>	<b>74.7</b>	<b>63.6</b>

Source: Migori 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 320.3 per cent while the County Assembly and Department of Education, Youth, Sports, Culture and Social Development incurred lowest development expenditure at 10.2 per cent and 11.9 per cent respectively. The Department of Roads, Public Works, Transport and Energy had the highest percentage of recurrent expenditure to recurrent budget at 116.2 per cent while the County Executive had the lowest at 46 per cent.

### 3.27.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012
2. High wage bill that has increased by 4.9 per cent from Kshs.2.63 million in FY 2016/17 to Kshs.2.76 million in the period under review.
3. Under-performance in own source revenue collection, which declined by 23.4 per cent from to Kshs.290.82 million generated in FY 2016/17 to Kshs.222.65 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 own source revenue collection.*

## 3.28 Mombasa County

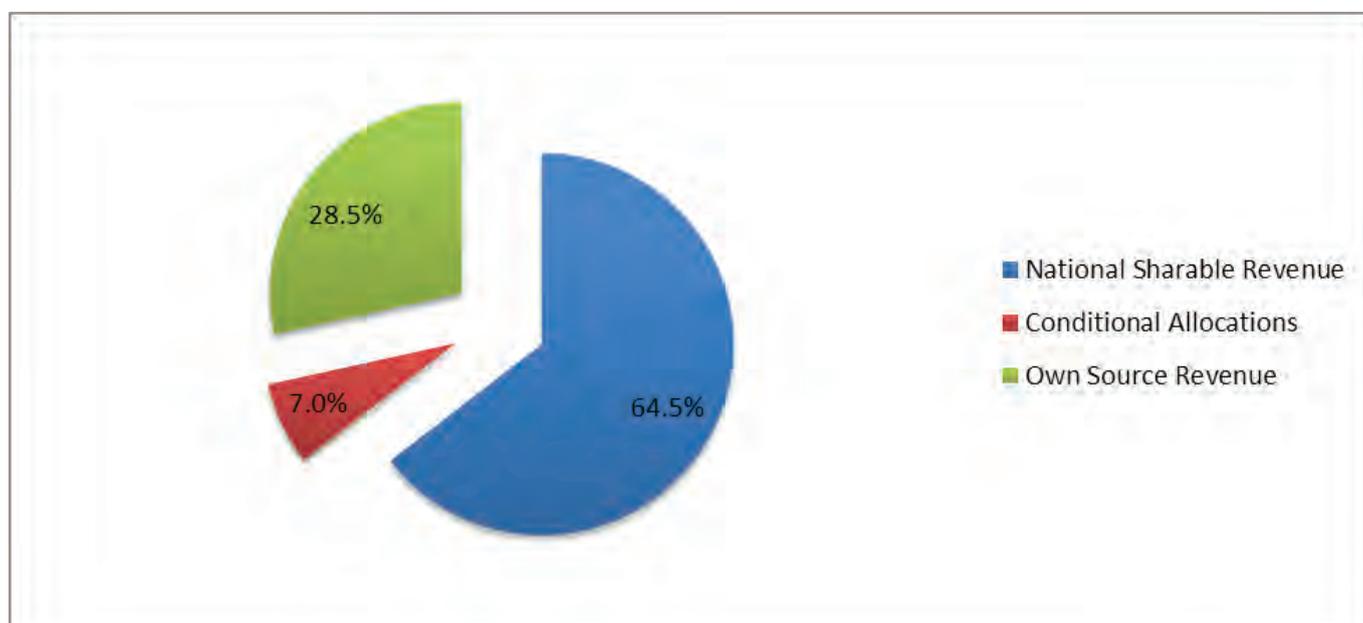
### 3.28.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.12.63 billion, comprising of Kshs.8.81 billion (69.72 per cent) and Kshs.3.83 billion (30.28 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.8.15 billion (64.5per cent) as equitable share of revenue raised nationally, Kshs.886.19 million (7per cent) as total conditional grants and generate Kshs.3.59 billion (28.5 per cent) from own source revenue.

Figure 3.109 shows the expected sources of budget financing in FY 2017/18

**Figure 3.109: Mombasa County, Expected Sources of Budget Financing in FY 2017/18 in millions (%).**



Source: Mombasa County Treasury

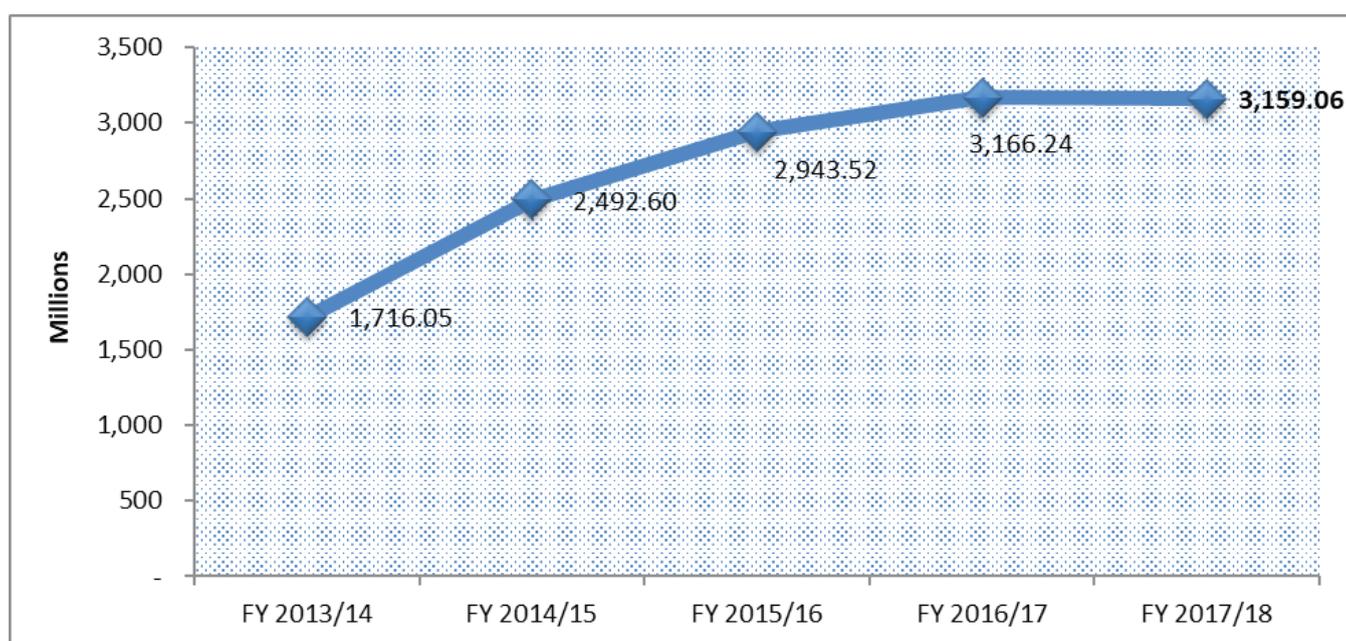
The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (10.8 per cent) for Leasing of Medical Equipment, Kshs.221.46 million (25per cent) from the Road Maintenance Fuel Levy Fund, Kshs.23.39 million (2.6 per cent) as Compensation for User Fee Foregone, Kshs.15 million (1.7per cent) from DANIDA, Kshs.23.62 million (2.7 per cent) as World Bank loan for Transforming Health System for universal Care Project, Kshs.49.81 million (5.6 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.30.59 million (3.5 per cent) for Development of Youth Polytechnics, Kshs.388.44 million (43.8 per cent) for Mombasa level 5 Hospitals, and Kshs.38.14 million (4.3 per cent) as Other Loans and Grants.

### 3.28.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.8.15 billion as equitable share of revenue raised nationally, Kshs.708.42 million as total conditional grants, raised Kshs.3.16 billion from own source revenue. The total available funds amounted to Kshs.12.02 billion.

Figure 3.110 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.110: Mombasa County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Mombasa County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.3.16 billion, representing a decline of 0.3 per cent compared to Kshs.3.17 billion generated in FY 2016/17 and was 88 per cent of the annual target.

### 3.28.3 Conditional Grants

Table 3.81 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.81: Mombasa County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Road Maintenance Fuel Levy Fund	221,466,275	221,466,275	182,073,057	82
2	Leasing of Medical Equipment	95,744,681	95,744,681		0

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
3	Kenya Devolution Support Programme (KDSP)	49,809,062	49,809,062	49,809,062	100
4	Compensation for User Fee Foregone	23,385,934	23,385,934	23,514,312	101
5	DANIDA Grant	15,007,422	15,007,422	23,261,504	155
6	Level-5 Hospital	388,439,306	388,439,306	388,439,306	100
7	Development of Youth Polytechnics	30,586,320	30,586,320	30,586,320	100
8	Conditional Allocation - Other Loans & Grants	38,140,114	38,140,114		0
9	World Bank Loan for Transforming Health System for universal Care Project	23,619,270	23,619,270	10,736,032	45
<b>Sub Total</b>		<b>886,198,384</b>	<b>886,198,384</b>	<b>708,419,593</b>	<b>80</b>

Source: Mombasa County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from DANIDA, the Road Maintenance Fuel Levy Fund, and World Bank loan to Health Facilities. These receipts accounted for 154.9 per cent, 82.2 per cent, and 45 per cent of annual allocation respectively.

### 3.28.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.10.57 billion from the CRF account, which was 83.7 per cent of the Approved Supplementary Budget. This amount represented an increase of 20.3 per cent from Kshs.8.78 billion approved in FY 2016/17 and comprised of Kshs.7.67 billion (72.6 per cent) for recurrent expenditure and Kshs.2.89 billion (27.4 per cent) for development activities.

### 3.28.5 Overall Expenditure Review

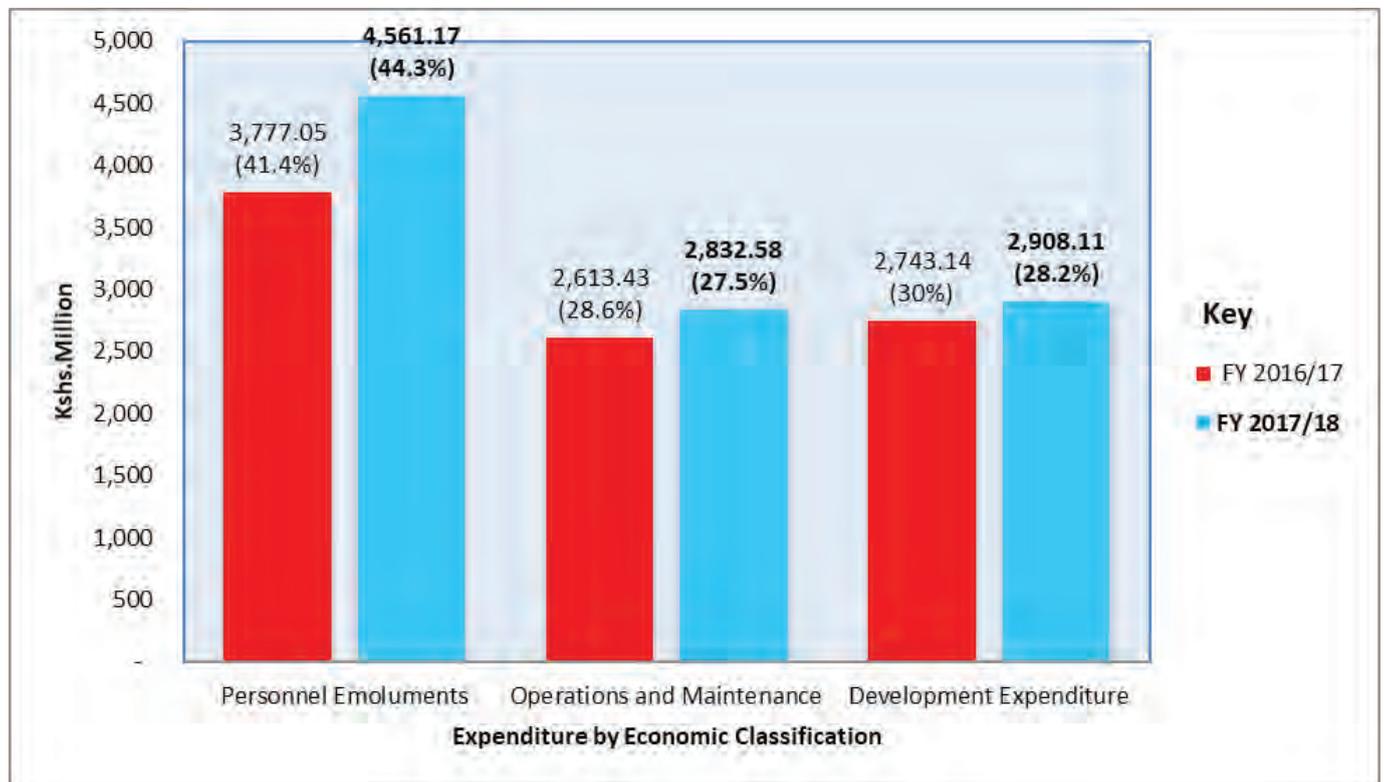
The County spent Kshs.10.31 billion, which was 97.5 per cent of the total funds released for operations. This was a decline of 12.9 per cent from Kshs.9.13 billion spent in FY 2016/17.

A total of Kshs.7.39 billion was spent on recurrent activities while Kshs.2.91 billion was spent on development activities. The recurrent expenditure was 96.3 per cent of the funds released for recurrent activities, while development expenditure was 100.5 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.529.36 million for development activities and Kshs.3.18 billion for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 83.9 per cent of the annual recurrent budget, a slight increase from 83.5 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 76 per cent, which was an increase from 68.8 per cent attained in FY 2016/17.

Figure 3.111 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.111: Mombasa County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



*Source: Mombasa County Treasury*

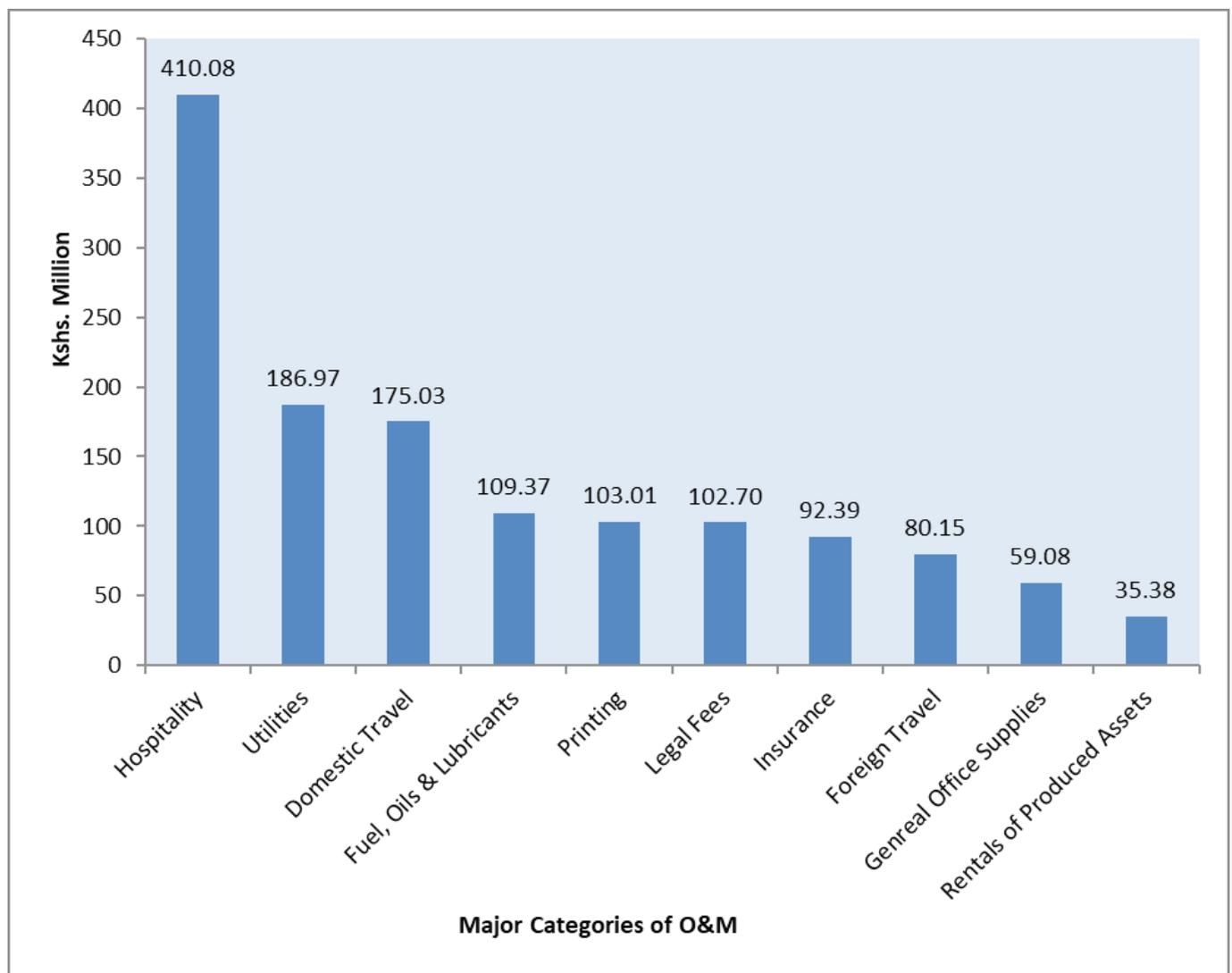
### 3.28.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.7.39 billion comprised of Kshs.4.56 billion (61.7 per cent) incurred on personnel emoluments and Kshs.2.83 billion (38.3 per cent) on operations and maintenance as shown in Figure 3.111.

Expenditure on personnel emoluments represented an increase of 20.9 per cent compared to FY 2016/17 when the County spent Kshs.3.77 billion, and was 44.2 per cent of total expenditure.

Figure 3.112 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.112: Mombasa County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Mombasa County Treasury

The County spent Kshs.24.28 million on committee sitting allowances to the 44 MCAs against the annual budget allocation of 45 million. This was a decline of 49.8 per cent compared to Kshs.48.4 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.45,984 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.255.18 million and comprised of Kshs.33.85 million spent by the County Assembly and Kshs.221.33 million by the County Executive. This represented 3.4 per cent of total recurrent expenditure and was an increase of 116.2 per cent compared to Kshs.118.04 million spent in FY 2016/17.

### 3.28.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.91 billion represented 76 per cent of the annual development budget of Kshs.3.83 billion. Table 3.82 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.82: Mombasa County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Supply of tippers	Mvita	102,000,000	47,413,793	46
2	Construction of Sagaa to Pride Inn Road Nyali	Nyali	70,241,902	41,183,940	59
3	Construction of Chaani Hospital	Changamwe	53,498,480	45,791,067	86
4	Construction of Mtopanga KwaBuro Access Road	Kisauni	45,950,695	44,071,617	96
5	Improvement of Changamwe Industrial Area Road	Changamwe	36,637,685	32,848,830	90
6	Expansion of a section of New Nyali Road	Nyali	36,622,225	34,727,973	95
7	Construction of Mtaa Makka -Timb-wani-Likoni Road to cabro standards	Likoni	35,162,034	35,062,033	100
8	Maintenance of Masai Buxton Estate	Mvita	31,733,975	28,426,633	90
9	Maintenance of Jomvu Access and Drift Bridge	Jomvu	30,507,778	28,929,789	95
10	Maintenance of Kiaumu Al Bin Naaaman Road	Mvita	29,618,937	24,165,456	82

Source: Mombasa County Treasury

### 3.28.8 Analysis of Budget Performance by Department

Table 3.83 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.83: Mombasa County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs.Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	432.68	54.65	409.24	13.23	280.69	24.77	68.6	187.2	64.9	45.3
County Assembly	667.64	-	546	-	500.38	44.30	91.6		74.9	
Public Service Board	104.24	11.43	131.94	-	69.33	-	52.5		66.5	0.0
Finance and Economic Planning	1,200.32	972.19	1,461.94	854.99	1,434.43	788.97	98.1	92.3	119.5	-
Energy, Environment and Waste Management	528.74	146.30	431.63	-	451.55	53.15	104.6		85.4	5.5
Education	739.11	291.41	656.49	66.75	413.98	55.17	63.1	82.7	56.0	37.7
Health	2,703.08	175.28	2,180.25	276	2,432.99	67.18	111.6	24.3	90.0	23.1
Water and Sanitation	98.49	78.65	86.04	76.33	67.27	27.80	78.2	36.4	68.3	15.9
Youth, Gender and Sports	217.12	279.18	170.79	295.22	133.71	190.05	78.3	64.4	61.6	241.6
Trade and Cooperative Development	334.96	31.17	213.11	-	208.91	3.18	98.0		62.4	1.1
Lands, Housing and Physical Planning	203.41	245.09	200.28	151.56	121.99	154.25	60.9	101.8	60.0	494.9
Transport and Infrastructure Development	546.93	1,303.53	475.65	1,074.89	457.28	1,414.24	96.1	131.6	83.6	577.0
Agriculture and Fisheries Development	194.61	149.02	145.80	71.66	122.91	71.26	84.3	99.4	63.2	5.5
Devolution	837.18	88.01	562.76	14.15	698.28	13.82	124.1	97.7	83.4	9.3
<b>TOTAL</b>	<b>8,809</b>	<b>3,826</b>	<b>7,672</b>	<b>2,895</b>	<b>7,394</b>	<b>2,908</b>	<b>96.4</b>	<b>100.5</b>	<b>83.9</b>	<b>76.0</b>

Source: Mombasa County Treasury

Analysis of budget performance by department shows that, County Executive attained the highest absorption rate of development budget at 45.3 per cent while the Public Service Board did not incur any development expenditure. The Department of County Health had the highest percentage of recurrent expenditure to recurrent budget at 90 per cent while the Department of Education had the lowest absorption at 56 per cent.

### 3.28.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. High wage bill that increased by 20.9 per cent from Kshs.3.77 billion in FY 2016/17 to Kshs.4.56 billion in the period under review.
2. Decline in own source revenue collection, which declined by 0.3 per cent from Kshs.3.17 billion in FY 2016/17 to Kshs.3.16 billion in the reporting period.

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 and implement strategies to mobilize own source revenue.*

## 3.29 Murang'a County

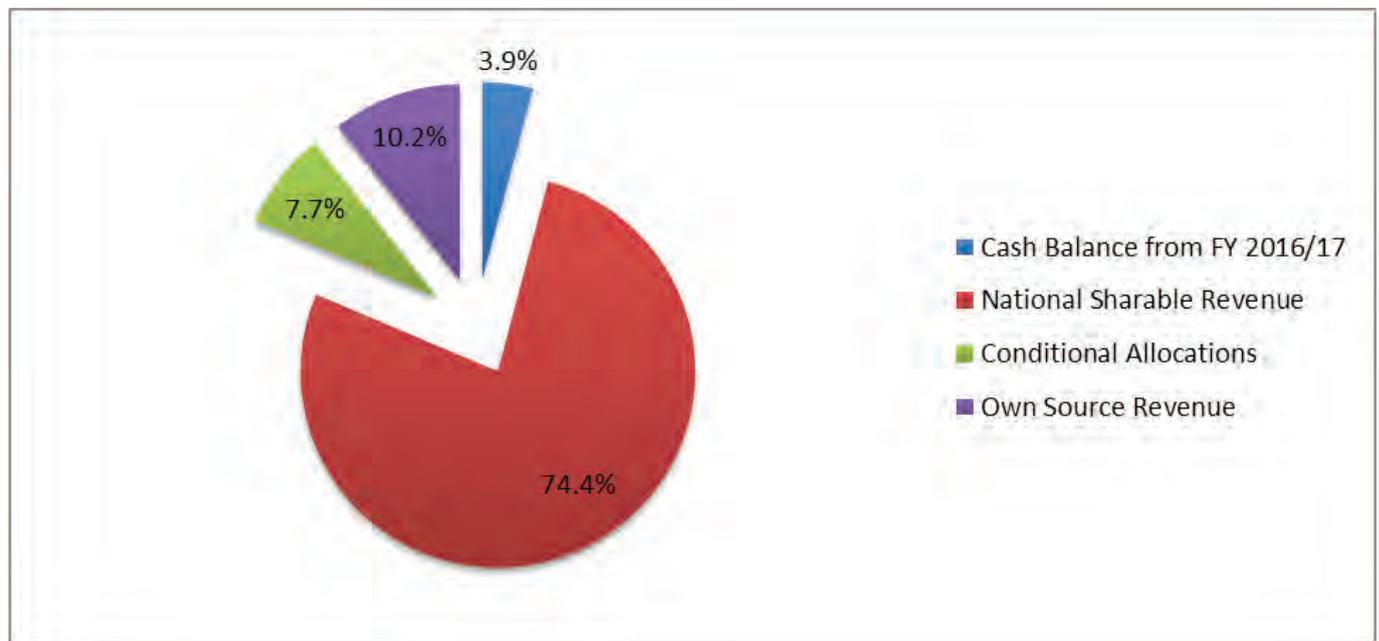
### 3.29.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.8.32 billion, comprising of Kshs.5.28 billion (63.5 per cent) and Kshs.3.03 billion (36.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.6.19 billion (74.4 per cent) as equitable share of revenue raised nationally, Kshs.454.19 million (7.7 per cent) as total conditional grants, generate Kshs.850 million (10.2 per cent) from own source revenue and Kshs.328.46 million (3.9 per cent) cash balance from FY 2016/17.

Figure 3.113 shows the expected sources of financing the budget in FY 2017/18

**Figure 3.113: Murang'a County, Expected Sources of Financing the Budget in FY 2017/18 (%)**



*Source: Murang'a County Treasury*

The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (15.9 per cent) for Leasing of Medical Equipment, Kshs.228.2 million (37.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.14 million (3.3 per cent) as Compensation for User Fee Foregone, Kshs.15.46 million (4 per cent) from DANIDA, Kshs.45.06 million (7.5 per cent) as World Bank Kenya Devolution Support Programme, Kshs.84.09 million (13.9 per cent) for Development of Youth Polytechnics, Kshs.32 million (5.3 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.50 million (8.3 per cent) as World Bank loan for National Agriculture and Rural Inclusive project.

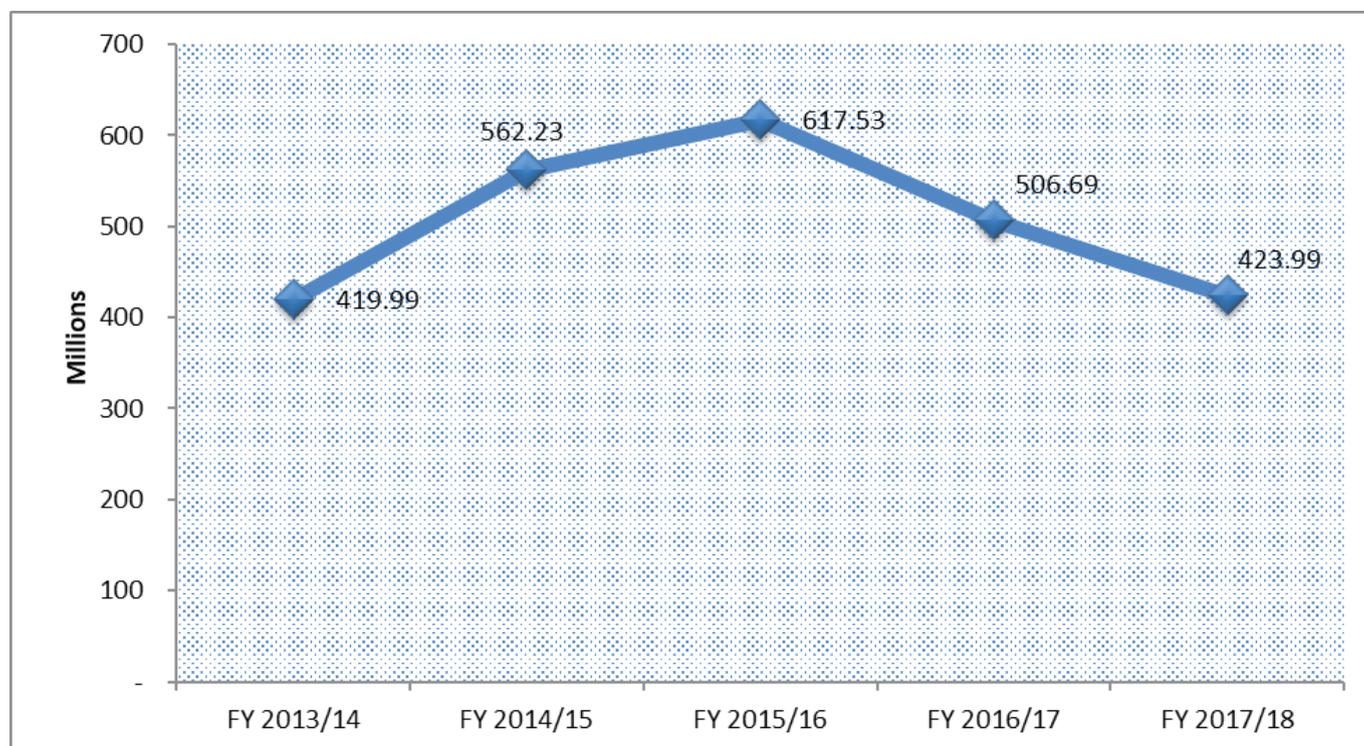
The County also expected to receive Kshs.64.79 million as grant for Free Maternal Health and Kshs.13.15 for Agricultural Sector Development Support Programme, which was not contained in the CARA, 2017.

### 3.29.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.6.19 billion as equitable share of revenue raised nationally, Kshs.461.74 million as total conditional grants, raised Kshs.423.99 million from own source revenue, and had a cash balance of Kshs.395.79 million from FY 2016/17. The total available funds amounted to Kshs.7.5 billion.

Figure 3.114 shows the annual trend in own source revenue Collection from FY 2013/14 to FY 2017/18.

**Figure 3.114: Muranga County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Murang'a county Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.423.99 million, representing a decline 16.3 per cent compared to Kshs.506.69 million generated in FY 2016/17 and was 49.9 per cent of the annual target.

### 3.29.3 Conditional Grants

Table 3.84 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.84: Murang'a County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants Contained in the CARA, 2017	Annual CARA, 2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	228,202,512	228,202,512	228,202,512	100
2	Conditional Allocation for development of Youth Polytechnics	84,088,455	84,088,455	84,088,455	100
3	World Bank loan for National Agricultural Rural Inclusive Growth Project (NARIGP)	50,000,000	50,000,000	50,000,000	100
4	Kenya Devolution Support Programme (KDSP)	45,056,255	29,000,000	45,056,255	155
5	World Bank loan for Transforming Health System for universal Care Project	22,000,000	22,000,000	22,000,000	100
6	Compensation for User Fee Foregone	20,138,691	20,138,691	20,138,691	100
7	DANIDA grant	15,463,900	20,756,250	12,252,105	59
8	Leasing of Medical Equipment	95,744,681	-	-	
9	Conditional Allocation - Other Loans & Grants	42,405,145	-	-	
<b>Total</b>		<b>608,391,989</b>	<b>454,185,908</b>	<b>461,738,018</b>	<b>102</b>

Source: Murang'a County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Kenya Devolution Support Programme (KDSP) received the highest receipts at 155 per cent annual budget allocation.

### 3.29.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.6.5 billion from the CRF account, which was 78.2 per cent of the Approved Supplementary Budget. This amount represented a decline of 3.1 per cent from Kshs.6.71 billion approved in FY 2016/17 and comprised of Kshs.4.29 billion (65.9 per cent) for recurrent expenditure and Kshs.2.22 billion (34.1 per cent) for development activities.

### 3.29.5 Overall Expenditure Review

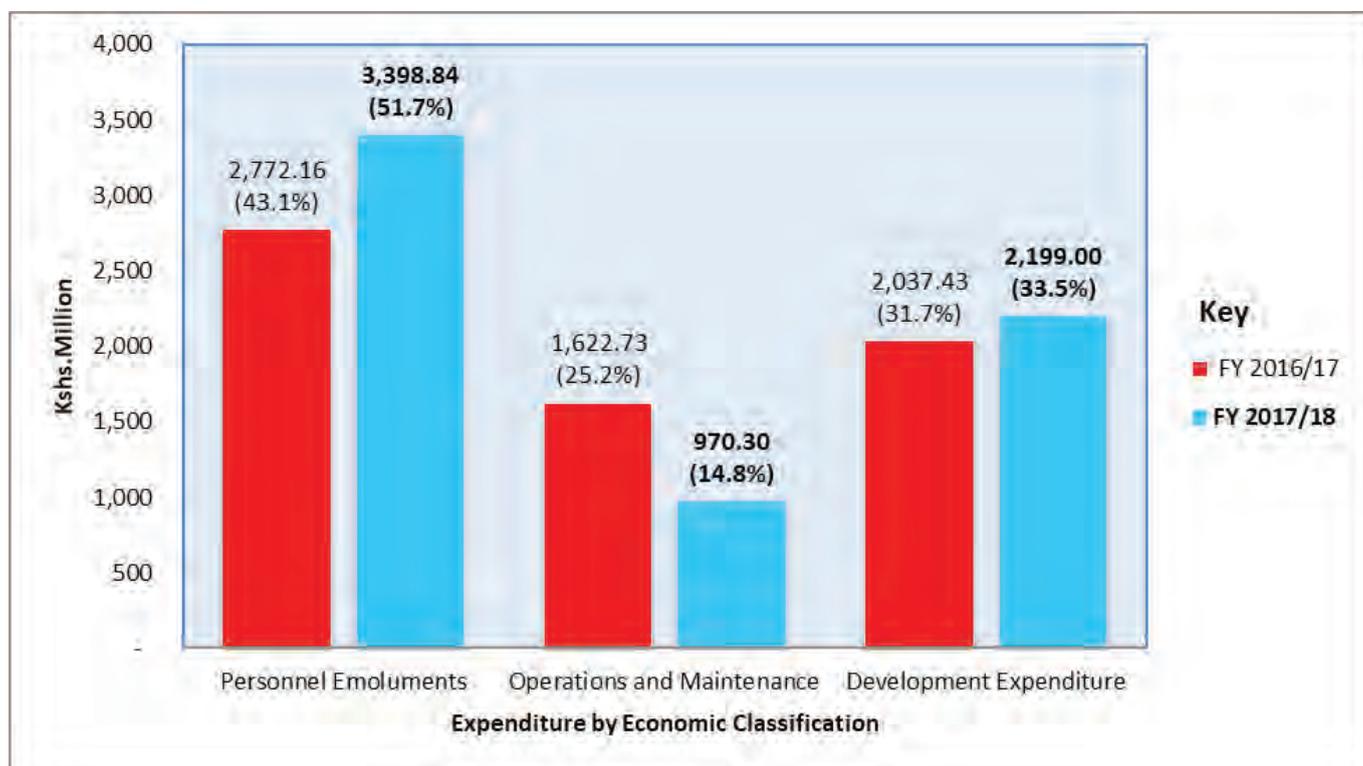
The County spent Kshs.6.57 billion, which was 101 per cent of the total funds released for operations. This was an increase of 1.1 per cent from Kshs.6.43 billion spent in FY 2016/17.

A total of Kshs.4.37 billion was spent on recurrent activities while Kshs.2.2 billion was spent on development activities. The recurrent expenditure was 102.9 per cent of the funds released for recurrent activities, while development expenditure was 101.9 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.303.14 million for development activities and Kshs.166.34 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 82.7 per cent of the annual recurrent budget, a decrease from 93.4 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 72.8 per cent, which was an increase from 58.1 per cent attained in FY 2016/17.

Figure 3.115 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.115: Murang'a County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



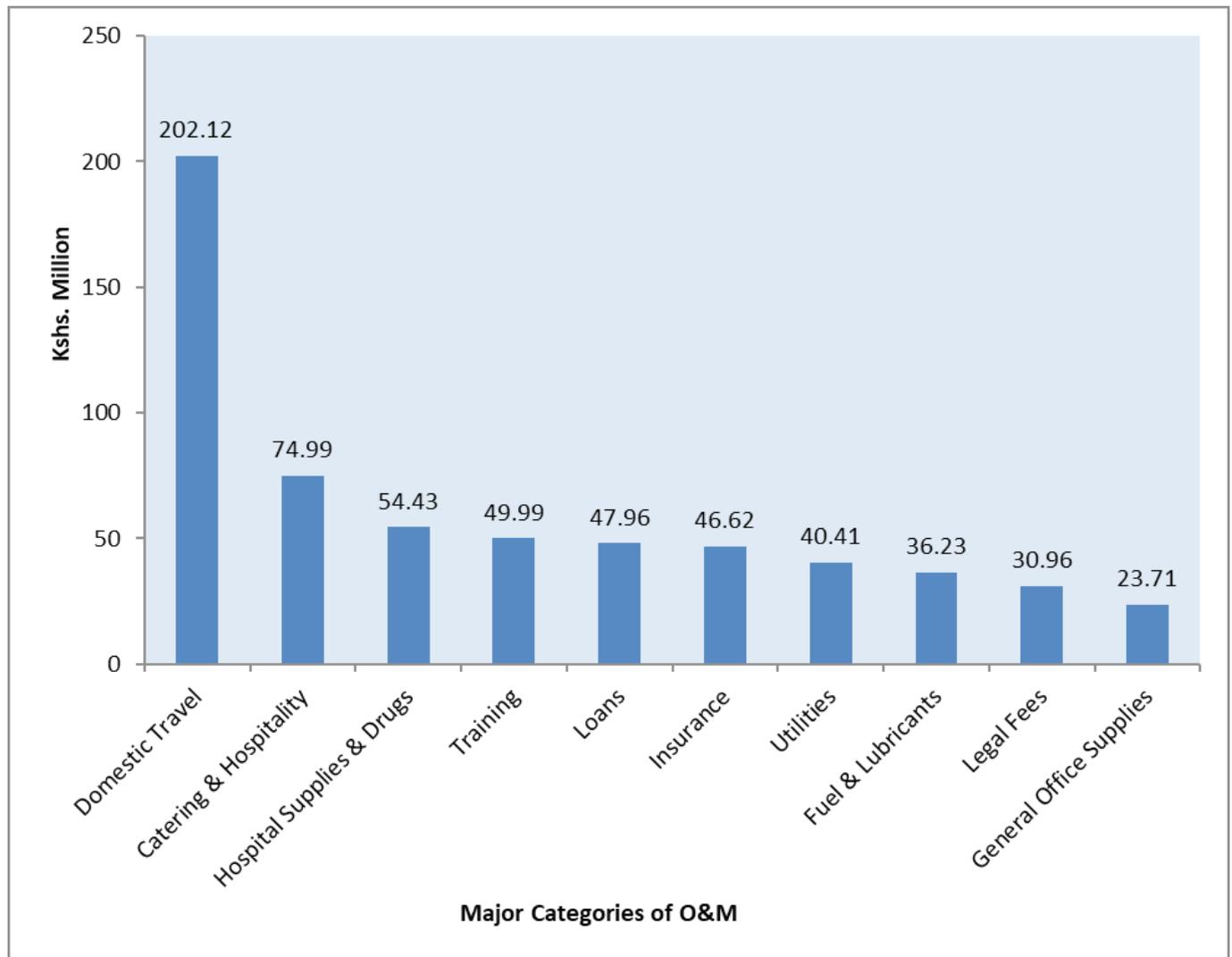
Source: Murang'a county Treasury

### 3.29.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.37 billion comprised of Kshs.3.40 billion (77.8 per cent) incurred on personnel emoluments and Kshs.970.3 million (22.2 per cent) on operations and maintenance as shown in Figure 3.115.

Expenditure on personnel emoluments recorded an increase of 22.6 per cent compared to FY 2016/17 when the County spent Kshs.2.77 billion, and was 51.7 per cent of total expenditure in FY 2017/18. Figure 3.116 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.116: Murang’a County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Murang’a County Treasury

The County spent Kshs.27.46 million on committee sitting allowances to the 54 MCAs against the annual budget allocation of Kshs.33.63 million. This was a decline of 61.6 per cent compared to Kshs.71.47 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.42,374 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.202.12 million and comprised of Kshs.113.77 million spent by the County Assembly and Kshs.88.35 million by the County Executive. This represented 4.6 per cent of total recurrent expenditure and was a decrease of 13.2 per cent compared to Kshs.246.36 million spent in FY 2016/17.

### 3.29.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.2 billion represented 72.8 per cent of the annual development budget of Kshs.3.03 billion. Table 3.85 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.85: Murang’a County, List of Development Projects with the Highest Expenditure**

## in FY 2017/18

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual expenditure (Kshs.)	Absorption rate (%)
1	Supply of medical drugs & Supplies	Countywide	717,848,705	800,000,000	111.4
2	Construction and maintenance of roads	Countywide	1,008,880,572	673,612,779	66.8
3	Murang'a County Milk project	Countywide	-	163,745,479	-
4	Purchase of certified seeds	Countywide	100,000,000	94,600,511	94.6
5	School Milk program	Countywide	170,000,000	90,934,137	53.5
6	ECDE feeding program	Countywide	185,000,000	74,241,534	40.1
7	Micro Finance Youth program	Countywide	125,000,000	71,486,945	57.2
8	Supply of manure/fertilizer	Countywide	60,000,000	42,294,186	70.5
9	Purchase of Animals and breeding stock	Countywide	60,000,000	13,654,542	22.8
10	Veterinarian supplies and materials	Countywide	10,000,000	9,447,200	94.5

Source: Murang'a County Treasury

### 3.29.8 Budget and Budget Performance Analysis by Department

Table 3.86 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.86: Murang'a County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	673.75	73	483.47	-	513.49	40.38	106.2	-	76.2	55.3
Governorship, County Coordination and Administration	272.26	-	213.93	-	235.66	-	110.2	-	86.6	-
Finance, Information Technology	207.50	10	124.32	-	162.44	3-9	130.7	-	78.3	30.9
Agriculture, Livestock and Fisheries	278.43	397	233.70	251.4	240.87	166.65	103.1	66.3	86.5	42
Energy, Transport and Infrastructure	105.56	1093.88	87.10	697.5	72.82	790.83	83.6	113.4	69	72.3
Commerce, Trade, Industry and Tourism	24.12	15.10	9.1	14.9	3.77	7.86	41.8	52.8	15.6	52.1
Education and Technical Training	312.01	390.75	273.40	305.8	296.6	272.39	108.3	89.1	94.9	69.7
Health and Sanitation	2287.10	860.10	1999.62	761.8	2149.15	758.18	107.5	99.5	94	88.2
Lands, Housing and Physical Planning	23.62	9.10	10.54	-	4.57	-	43.4	-	19.4	-
CPSB	30.74	-	25.14	-	7.72	-	30.7	-	25.1	-
Youth, Culture, Gender, Social Services & Cooperatives	145.53	168	94.2	127.5	65.29	159.61	69.3	125.2	44.9	95
Environment & Nat. Resources	15	3	8.8	-	4.23	-	48	-	28.2	-
Public Service Administration	908.71	-	680.8	-	613.7	-	90.1	-	67.5	-
<b>Total</b>	<b>5,284.32</b>	<b>3,019.93</b>	<b>4,244.3</b>	<b>2158.9</b>	<b>4,369.13</b>	<b>2,199</b>	<b>102.9</b>	<b>101.9</b>	<b>82.68</b>	<b>72.82</b>

Source: Murang'a County Treasury

Analysis of budget performance by department shows that, the Education and Technical Training attained the highest recurrent expenditure to recurrent budget at 94.9 per cent while the Department of Commerce Trade, Industry and Tourism had the lowest absorption at 15.6 per cent. The Department of Youth, Culture, Gender, Social Services and Cooperatives had the highest absorption at 95 per cent.

### 3.29.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Late Submission of financial reports by the County Treasury to the COB affected timely preparation of budget implementation review report.
2. Under-performance in own source revenue collection which declined by 16.3 per cent to Kshs.423.99

million compared from Kshs.506.69 million generated in FY 2016/17 and was 49.88 per cent of the annual target.

3. Failure to establish Internal Audit Committee to oversee financial operations in the county contrary to section 155 of the PFM Act, 2012.
4. High wage bill that has increased by 22.6 per cent from Kshs.2.77 billion in FY 2016/17 to Kshs.3.4 billion in FY 2017/18.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should formulate and implement strategies to enhance own revenue collection*
3. *The County should establish an Internal Audit Committee in line with Section 155 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.*

### **3.30 Nairobi City County**

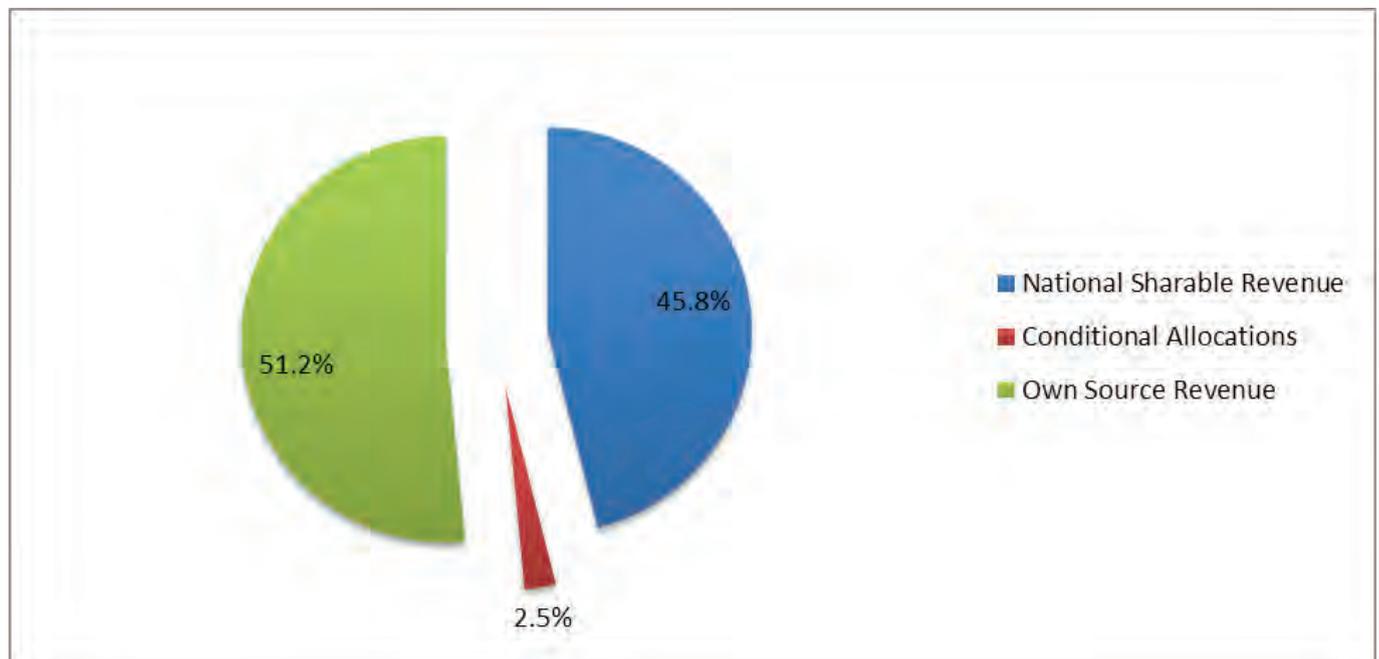
#### **3.30.1 Overview of the FY 2017/18 Budget**

The County's FY 2017/18 Approved Supplementary Budget was Kshs.33.65 billion, comprising of Kshs.25.28 billion (75.1 per cent) and Kshs.8.37 billion (24.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.15.4 billion (45.8 per cent) as equitable share of revenue raised nationally, Kshs.826.76 million (2.5 per cent) as total conditional grants and generate Kshs.17.23 billion (51.2 per cent) from own source revenue.

Figure 3.117 shows the expected sources of financing the budget in FY 2017/18.

**Figure 3.117: Nairobi City County, Expected Sources of Financing the Budget in FY 2017/18 (%).**



*Source: Nairobi City County Treasury*

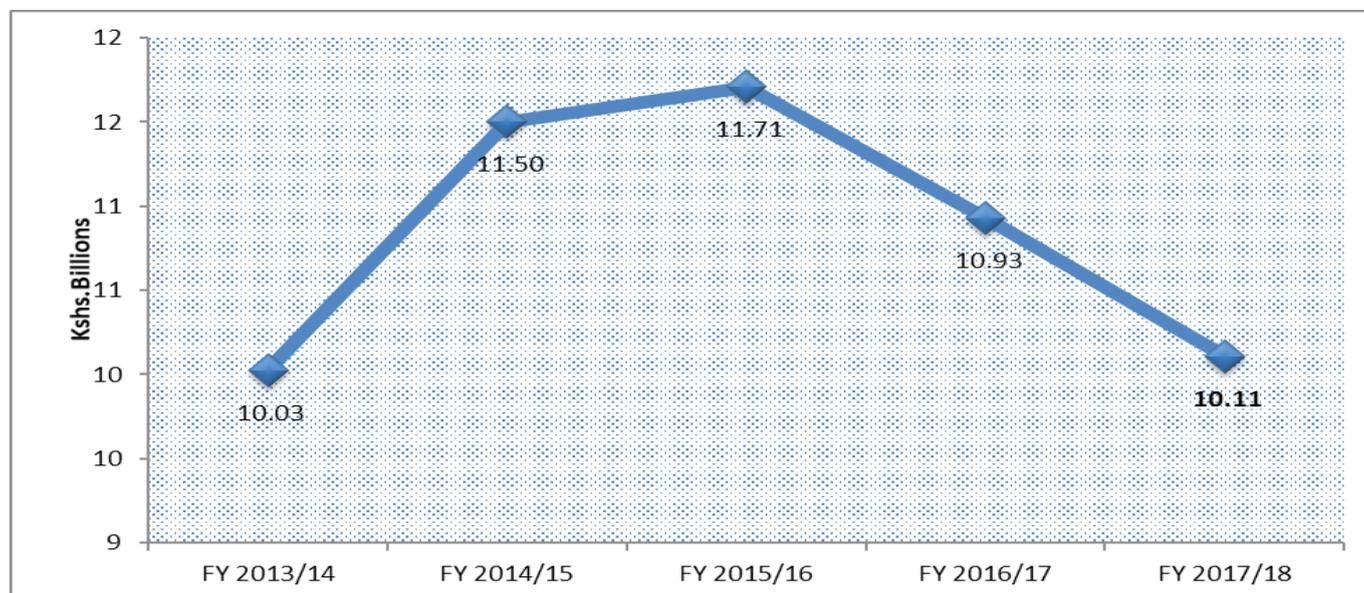
The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (3.1 per cent) for Leasing of Medical Equipment, Kshs.553.75 million (18.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.79.42 million (2.6 per cent) as Compensation for User Fee Foregone, Kshs.37.52 million (1.2 per cent) from DANIDA, Kshs.37.42 million (1.2 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.77.91 million (2.6 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.30.65 million (1 per cent) for Development of Youth Polytechnics, and Kshs.2.14 billion (70.1 per cent) as Other Loans and Grants.

### 3.30.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.15.40 billion as equitable share of revenue raised nationally, Kshs.817.36 million as total conditional grants and raised Kshs.10.11 billion as own source revenue. The total available funds amounted to Kshs.26.33 billion.

Figure 3.118 shows the annual trend in own source revenue Collection from FY 2013/14 to FY 2017/18.

**Figure 3.118: Nairobi City County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Nairobi City County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.10.11 billion, representing a decrease of 7.5 per cent compared to Kshs.10.93 billion generated in FY 2016/17 and was 58.7 per cent of the annual target.

### 3.30.3 Conditional Grants

Table 3.87 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.87: Nairobi City County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	553,745,527	553,745,527	553,745,527	100
2	Leasing of Medical Equipment	95,744,681	-	-	-
3	Kenya Devolution Support Programme (KDSP)-Level 1	77,910,897	77,910,897	77,910,897	100
4	Compensation for User Fee Foregone	79,423,251	79,879,082	79,879,082	101
5	DANIDA Grant	37,523,967	58,162,149	58,162,149	100
6	Development of Youth Polytechnics	30,654,947	30,654,947	30,654,947	100
7	Conditional Allocation - Other Loans & Grants	2,137,647,302	-	-	-
8	World Bank loan for Transforming Health System for Universal Care Project	37,420,064	17,009,120	17,009,120	31
<b>Sub Total</b>		<b>3,050,070,636</b>	<b>817,361,722</b>	<b>817,361,722</b>	<b>27</b>
<b>B</b>	<b>Other Grants</b>				
9	Agricultural Development Support Project -ADSP II	-	9,400,000	-	-
<b>Sub Total</b>		<b>-</b>	<b>9,400,000</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>		<b>3,050,070,636</b>	<b>826,761,722</b>	<b>817,361,722</b>	<b>27</b>

Source: Nairobi City County Treasury

Analysis of the conditional grants released during the period under review indicates that, Compensation for User Fee Foregone recorded the highest receipts at 101 per cent of the annual budget allocation respectively.

### 3.30.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.21.13 billion from the CRF account, which was 62.8 per cent of the Approved Supplementary Budget. This amount represented an increase of 36 per cent from Kshs.15.54 billion approved in FY 2016/17 and comprised of Kshs.19.91 billion (94.2 per cent) for recurrent expenditure and Kshs.1.22 billion (5.8 per cent) for development activities.

### 3.30.5 Overall Expenditure Review

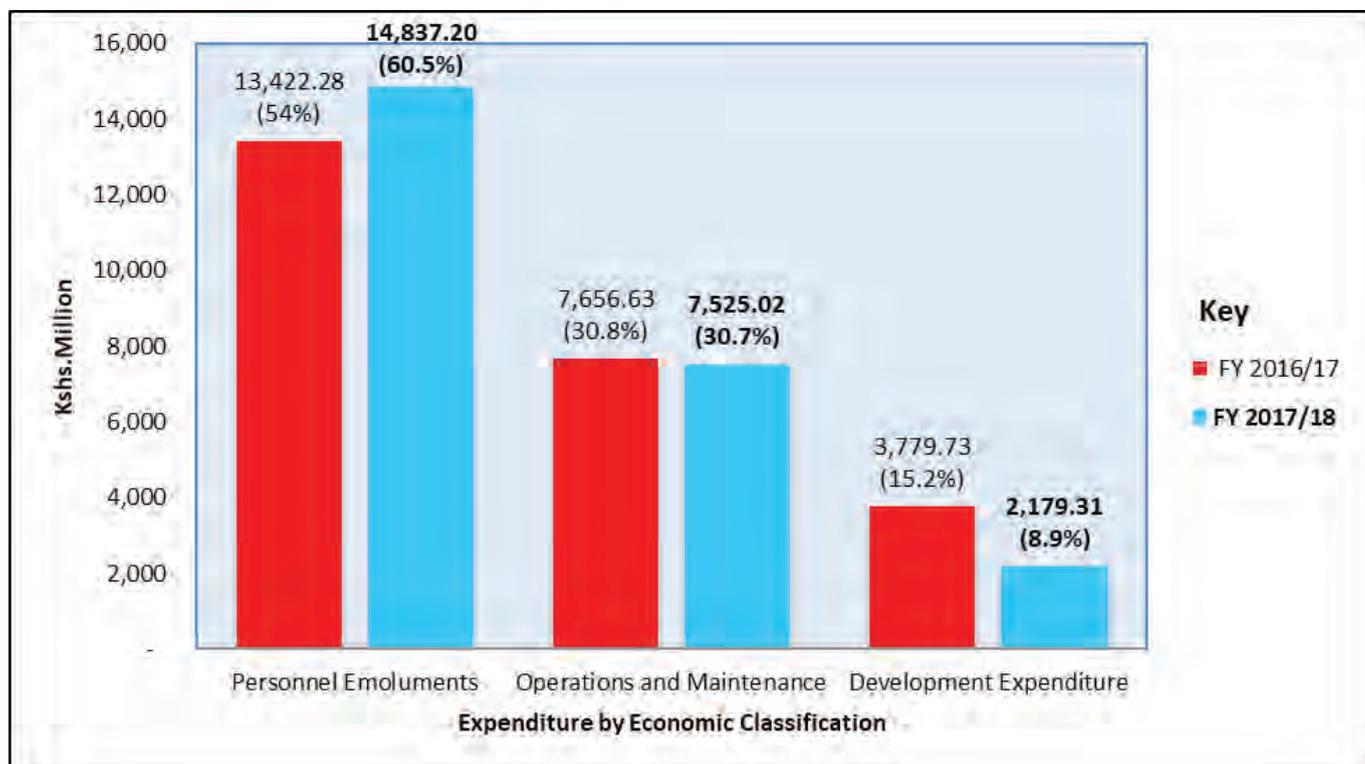
The County spent Kshs.24.54 billion which was 116.1 per cent of the total funds released for operations. This was a decrease of 1.3 per cent from Kshs.24.86 billion spent in FY 2016/17.

A total of Kshs.22.36 billion was spent on recurrent activities while Kshs.2.18 billion was spent on development activities. The recurrent expenditure was 112.3 per cent of the funds released for recurrent activities, while development expenditure was 178.5 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.64.8 billion as at June 30, 2018.

The recurrent expenditure represented 88.4 per cent of the annual recurrent budget, a decrease from 89.8 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 26.1 per cent, which was a decrease from 33.4 per cent attained in FY 2016/17.

Figure 3.119 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.119: Nairobi City County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Nairobi City County Treasury

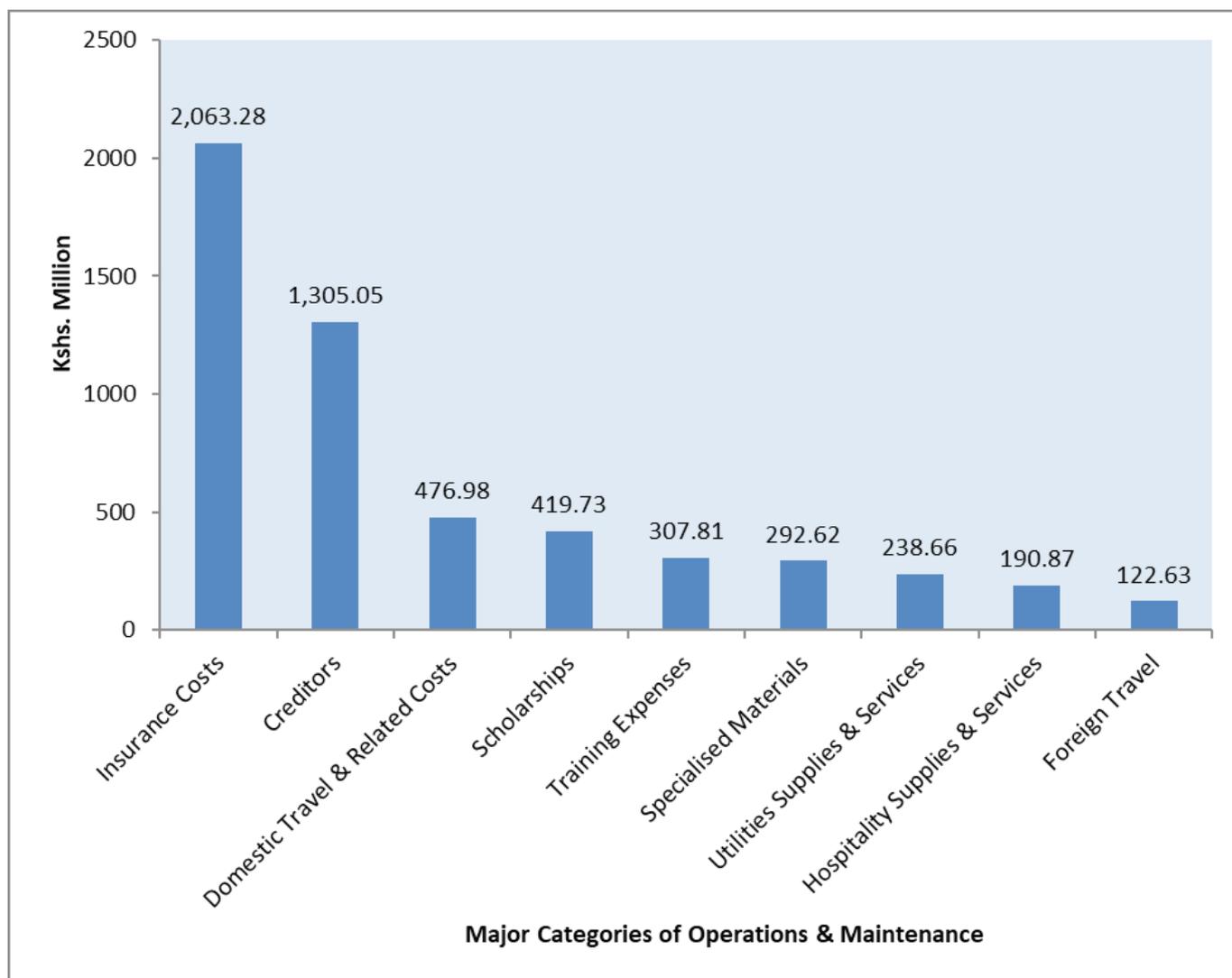
### 3.30.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.22.36 billion comprised of Kshs.14.84 billion (66.4 per cent) incurred on personnel emoluments and Kshs.7.53 billion (33.6 per cent) on operations and maintenance as shown in Figure 3.119.

Expenditure on personnel emoluments represented an increase of 10.5 per cent compared to FY 2016/17 when the County spent Kshs.13.42 billion and was 60.5 per cent of total expenditure in FY 2017/18.

Figure 3.120 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.120: Nairobi City County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Nairobi City County Treasury*

The County spent Kshs.73.93 million on committee sitting allowances to the 128 MCAs against the annual budget allocation of Kshs.112.47 million. This was a decrease of 16 per cent compared to Kshs.88.05 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.48,130 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.476.98 million and comprised of Kshs.198.52 million spent by the County Assembly and Kshs.278.47 million by the County Executive. This represented 2.1 per cent of total recurrent expenditure and was a decrease of 6.2 per cent compared to Kshs.639.33 million spent in FY 2016/17.

### 3.30.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.18 billion represented 26.1 per cent of the annual development budget of Kshs.8.37 billion. Table 3.88 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.88: Nairobi City County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual expenditure (Kshs.)	Absorption rate (%)
1	Refurbishment of Buildings	County Headquarters	975,793,657	826,444,202	85
2	Construction of Roads - Other	County Headquarters	590,473,229	438,245,841	74
3	Other Infrastructure & Civil Works	County Headquarters	840,603,287	353,862,825	42
4	Construction of Access Roads	County Headquarters	88,441,519	61,617,904	70
5	Overhaul of Other Infrastructure & Civil Works	County Headquarters	297,268,525	52,667,559	18
6	Purchase of Software	County Headquarters	195,000,000	47,303,495	24
7	Purchase of Printing Equipment	County Headquarters	35,000,000	35,000,000	100
8	Construction of Buildings - Other	County Headquarters	375,000,000	31,897,772	9
9	Research, Feasibility Studies	County Headquarters	100,000,000	18,405,567	18
10	Purchase of ICT Networking & Communication Equipment	County Headquarters	40,000,000	13,276,850	33

Source: Nairobi City County Treasury

### 3.30.8 Budget and Budget Performance Analysis by Department

Table 3.89 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.89: Nairobi City County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	68.70	12.40	56.86	-	46.91	-	82.5	-	68.3	-
Office of the Governor & Deputy Governor	5,910.58	506	4,869.65	-	5,157.77	3.85	105.9	-	87.3	0.8
ICT, E-Gov't & Public Communications	227.52	240	191.47	48.64	162.22	82.30	84.7	169.2	71.3	34.3
Finance & Economic Planning	3,282.51	45	2,196.94	-	3,002.09	-	136.6	-	91.5	-
Health	6,319.11	634.30	5,325.10	61.69	5,435.05	-	102.1	-	86	-
Urban Planning	368.51	299	314.53	-	324.71	18.41	103.2	-	88.1	6.2
Public Works, Transport & Infrastructure	1,142.09	3,033.60	756.90	954.79	1,013.02	842.81	133.8	88.3	88.7	27.8
Education, Youth Affairs, Sports, Culture & Social Services	1,665.88	555.65	1,351.34	-	1,505.35	31.90	111.4	-	90.4	5.7
Trade, Commerce, Tourism & Cooperatives	518.73	220	369.77	18.37	396.36	-	107.2	-	76.4	-
Public Service Management	2,351.24	80	2,166.90	-	2,146.47	13.28	99.1	-	91.3	16.6
Agriculture, Livestock Dev. Fisheries & Forestry	362.10	93.50	294.03	-	313.70	-	106.7	-	86.6	-
County Assembly	1,369.80	417.82	1,125.32	93.15	1,246.61	235.35	110.8	252.7	91	56.3
Environment, Water, Energy & Natural Resources	1,543.66	757.33	819.22	44.57	1,510.52	118.71	184.4	266.4	97.9	15.7
Urban Renewal & Housing	114.51	400	67.92	-	87.93	6.26	129.5	-	76.8	1.6
Ward Development Fund	39.38	980.79	4.10	-	13.51	826.44	329.5	-	34.3	84.3
Emergency Fund	-	90	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>25,284</b>	<b>8,365</b>	<b>19,910</b>	<b>1,221</b>	<b>22,362</b>	<b>2,179</b>	<b>112.3</b>	<b>178.5</b>	<b>88.4</b>	<b>26.1</b>

Source: Nairobi City County Treasury

Analysis of budget performance by vote shows that, one Ward Development Fund attained the highest absorption rate of development budget at 84.3 per cent. The vote of Environment, Water, Energy and Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 97.9 per cent while the Ward Development Fund had the lowest at 34.3 per cent.

### 3.30.9 Key Observations & Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. High wage bill that has increased by 10.5 per cent from Kshs.13.42 billion in FY 2016/17 to Kshs.14.84 billion in FY2017/18.
2. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 26.1 per cent, which was a decrease from 33.4 per cent attained in FY 2016/17.
3. Under performance in own source revenue collection which was at Kshs.10.11 billion having the annual target at 58.7 per cent.

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 institute mechanisms to enhance absorption of development funds.*
3. *The County Treasury should formulate and implement strategies to enhance own source revenue collection.*

## 3.31 Nakuru County

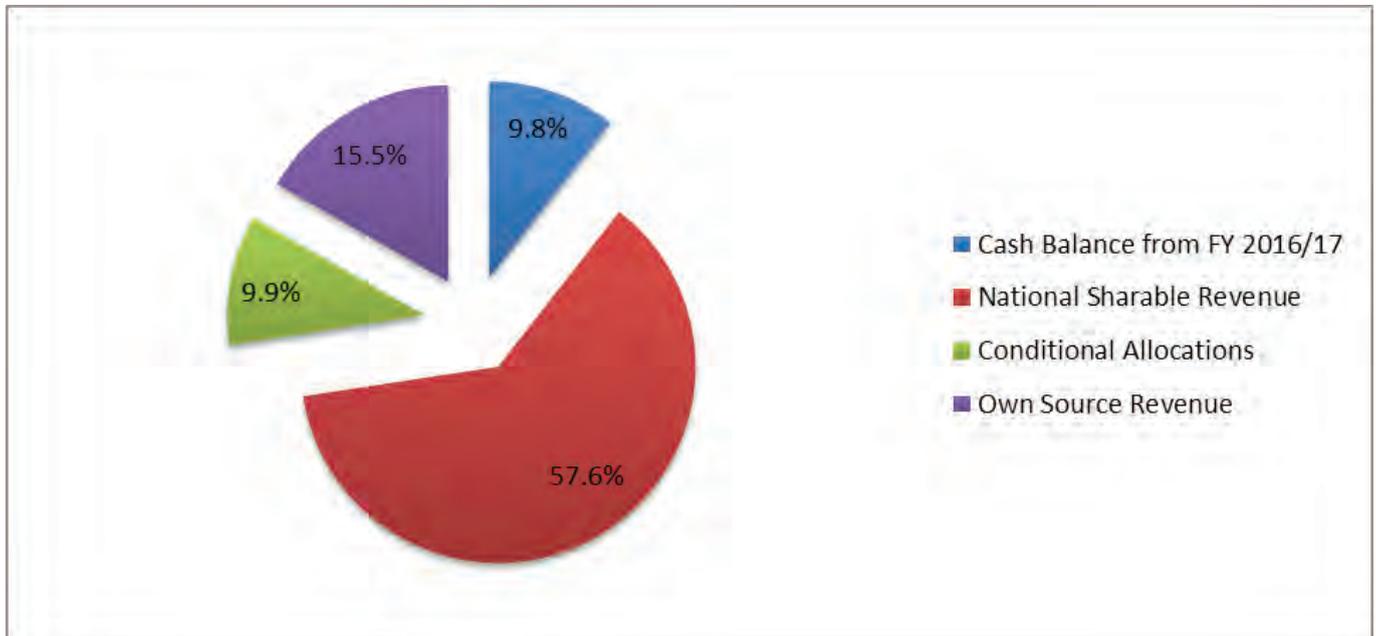
### 3.31.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.16.10 billion, comprising of Kshs.9.95 billion (61.8 per cent) and Kshs.6.15 billion (38.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.9.27 billion (57.6 per cent) as equitable share of revenue raised nationally, Kshs.1.59 billion (9.9 per cent) as total conditional grants and generate Kshs.2.5 billion (15.5 per cent) from own source revenue, and Kshs.1.57 billion (9.8 per cent) cash balance from FY 2016/17.

Figure 3.121 shows the expected sources of financing the budget in FY 2017/18

**Figure 3.121: Nakuru County, Expected Sources of Financing the Budget in FY 2017/18 (%)**



*Source: Nakuru County Treasury*

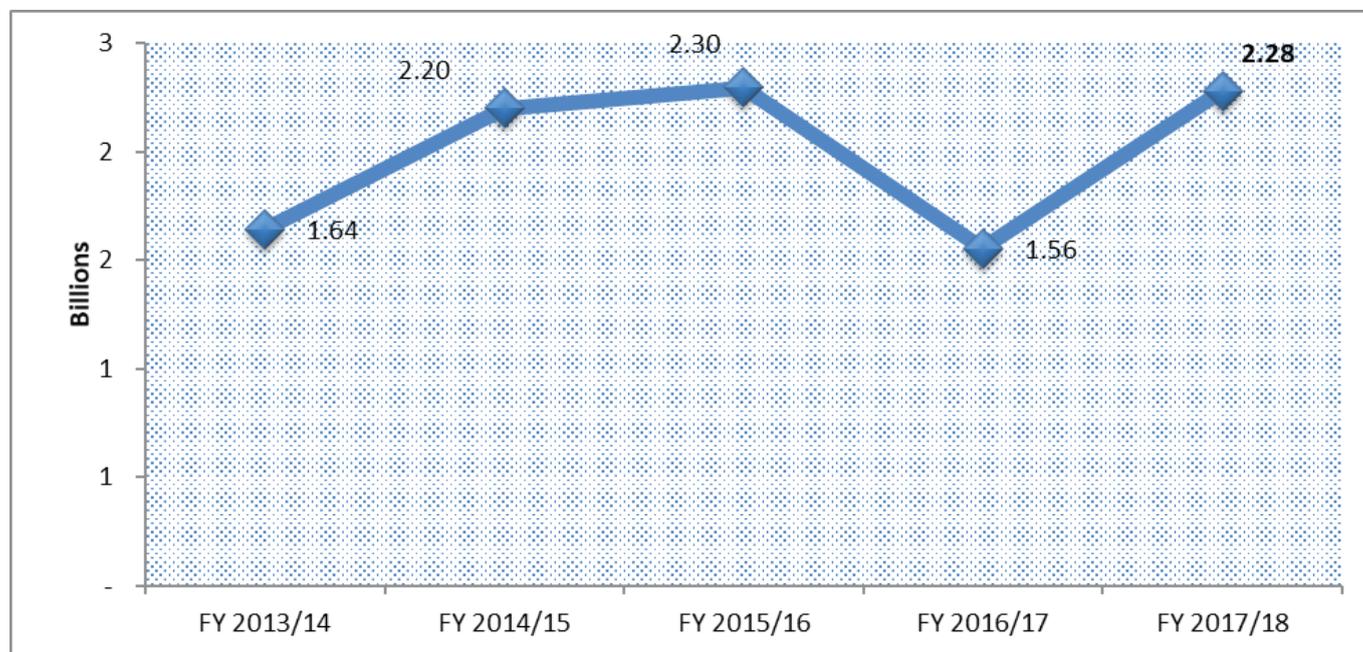
The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (8.5 per cent) for Leasing of Medical Equipment, Kshs.345.81 million (30.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.38.72 million (3.4 per cent) as Compensation for User Fee Foregone, Kshs.23.43 million (2.1 per cent) from DANIDA, Kshs.65.34 million (5.8 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.56.3 million (5 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.35.43 million (3.1 per cent) for Development of Youth Polytechnics, Kshs.50 million (4.4 per cent) from the World Bank loan for National Agricultural and Rural Inclusive Project, and Kshs.42.59 million (3.8 per cent) as Other Loans and Grants, and Kshs. 373.84 million (33.2 per cent) for Nakuru Level 5 Hospital.

### 3.31.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.9.27 billion as equitable share of revenue raised nationally, Kshs.954.37 million as total conditional grants and raised Kshs.2.28 billion from own source revenue. The total available funds amounted to Kshs.14.1 billion.

Figure 3.122 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.122: Nakuru County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Nakuru County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.2.28 billion, representing an increase of 46.5 per cent compared to Kshs.1.56 billion generated in FY 2016/17 and was 91.1 per cent of the annual target.

### 3.31.3 Conditional Grants

Table 3.90 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.90: Nakuru County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	345,811,895	345,811,895	345,811,894	100.0
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	Kenya Devolution Support Programme (KDSP)	56,299,041	56,299,041	56,299,041	100
4	Compensation for User Fee Foregone	38,723,265	38,723,265	39,216,180	101.3
5	DANIDA Grant	23,433,569	12,630,000	23,433,569	100
6	Level-5 Hospital	373,872,832	373,872,832	373,872,834	100
7	Development of Youth Polytechnics	35,431,434	35,431,434	35,431,434	100
8	Conditional Allocation - Other Loans & Grants	42,587,323	-	-	-
9	World Bank loan for Transforming Health System for universal Care Project	65,337,491	-	29,698,860	45.5
10	World Bank loan for National Agricultural & Rural Inclusive Project	50,000,000	-	50,609,855	101.2

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	Grants Contained in the CARA, 2017				
<b>Sub Total</b>		<b>1,127,241,531</b>	<b>958,513,148</b>	<b>954,373,667</b>	<b>84.7</b>
<b>B</b>	Other Grants				
11	Symbiocity programme	-	26,500,000	-	-
12	F.I.F.	-	611,050,000	-	-
<b>Sub Total</b>		<b>-</b>	<b>5637,50,000</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>		<b>1,127,241,531</b>	<b>958,513,148</b>	<b>954,373,667</b>	<b>85.0</b>

Source: Nairobi City County Treasury

Analysis of the conditional grants released during the period under review indicates that, Compensation for User Fee Foregone received the highest receipts at 101.3 per cent of annual allocation.

### 3.31.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.10.2 billion from the CRF account, which was 63.4 per cent of the Approved Supplementary Budget. This amount represented a decrease of 9.5 per cent from Kshs.11.27 billion approved in FY 2016/17 and comprised of Kshs.8.70 billion (85.3 per cent) for recurrent expenditure and Kshs.1.5 billion (14.7 per cent) for development activities.

### 3.31.5 Overall Expenditure Review

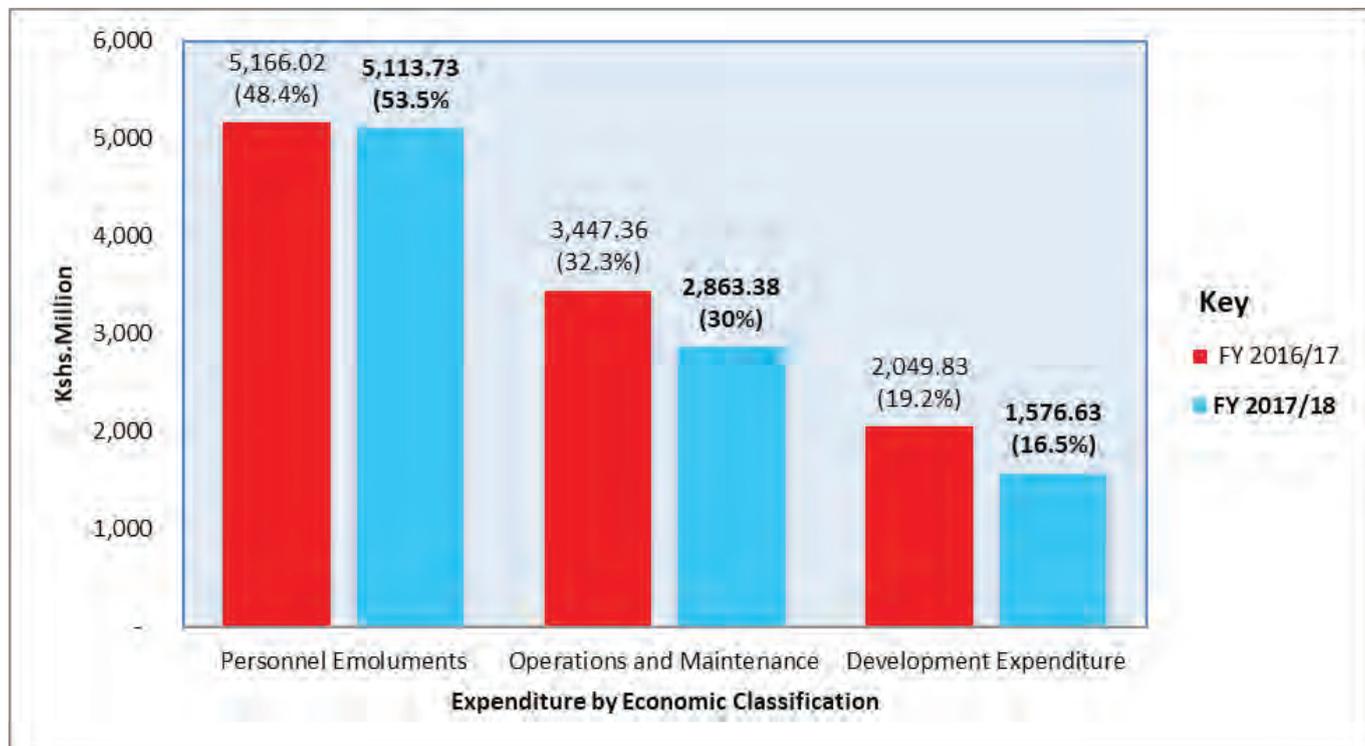
The County spent Kshs.9.55 billion which was 93.7 per cent of the total funds released for operations. This was a decrease of 10.4 per cent from Kshs.10.66 billion spent in FY 2016/17.

A total of Kshs.7.98 billion was spent on recurrent activities while Kshs.1.58 billion was spent on development activities. The recurrent expenditure was 91.7 per cent of the funds released for recurrent activities, while development expenditure was 105.4 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.1.57 billion for development activities and Kshs.811.17 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 80.2 per cent of the annual recurrent budget, a decrease from 93.1 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 25.6 per cent, which was a decrease from 35.1 per cent attained in FY 2016/17.

Figure 3.123 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.123: Nakuru County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



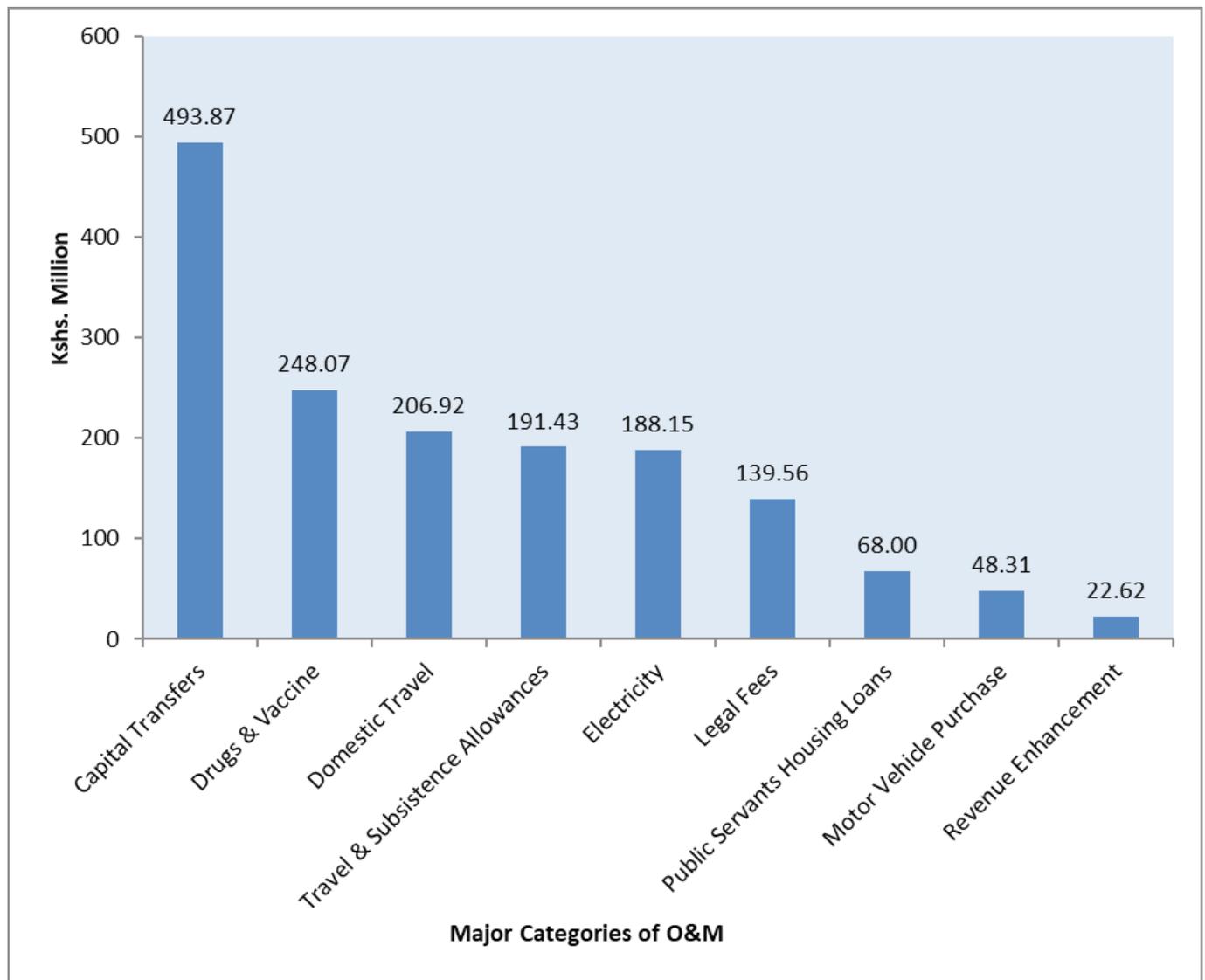
Source: Nakuru County Treasury

### 3.31.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.7.98 billion comprised of Kshs.5.11 billion (64.1 per cent) incurred on personnel emoluments and Kshs.2.86 billion (35.9 per cent) on operations and maintenance as shown in Figure 3.123.

Expenditure on personnel emoluments represented a marginal decrease of 1 per cent compared to FY 2016/17 when the County spent Kshs.5.17 billion and was 53.5 per cent of total expenditure in FY 2017/18. Figure 3.124 shows a summary of operations & maintenance expenditure by major categories.

**Figure 3.124: Nakuru County, Operations & Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Nakuru County Treasury

The County spent Kshs.47.56 million on committee sitting allowances to the 75 MCAs against the annual budget allocation of Kshs.47.58 million. This was a decrease of 48.3 per cent compared to Kshs.91.96 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.52,845 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.206.92 million and comprised of Kshs.58.52 million spent by the County Assembly and Kshs.148.4 million by the County Executive. This represented 3.3 per cent of total recurrent expenditure and was a decrease of 32.8 per cent compared to Kshs.385.85 million spent in FY 2016/17.

### 3.31.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.58 billion represented 25.6 per cent of the annual development budget of Kshs.6.15 billion. Table 3.91 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.91: Nakuru County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Water tank constructions & Water works	Countywide	135,607,455	128,496,107	95
2	Routine road maintenance & installation of high mast floodlights	Countywide	131,148,683	127,942,801	98
3	Supply of Vaccines & Artificial Insemination Kits	Countywide	115,385,371	76,263,937	66
4	Construction and equipping of ECD Centres	Countywide	69,455,177	69,455,134	100
5	Supply of Medical Equipment to various Facilities	Countywide	92,562,897	46,300,345	50
6	Transfer for National Agricultural & Rural Inclusive Growth Project Activities	Countywide	50,000,000	32,666,450	65
7	Development of Youth Polytechnics	Countywide	35,431,434	25,995,000	73
8	Preparation of Spatial Plan	Countywide	23,440,059	21,326,283	91
9	Market Construction & Renovations	Countywide	17,864,701	16,460,293	92
10	Procurement of Water Bowser	Countywide	15,000,000	15,000,000	100
11	Preparation of Land Information Management System	Countywide	16,977,974	8,488,987	50

Source: Nakuru County Treasury

### 3.31.8 Budget & Budget Performance Analysis by Department

Table 3.92 shows a summary of budget estimates & budget performance by department in FY 2017/18.

**Table 3.92: Nakuru County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	50.29	-	49.40	-	58.64	-	118.7	-	116.6	-
Office of Governor & Deputy Governor	171.11	60.26	160.25	25	170.13	35.03	106.2	140.1	99.4	58.1
ICT, E-Gov & Public Communications	68.54	18.66	47.36	-	38.41	8.49	81.1	-	56	45.5
Finance & Economic Planning	962.15	175.52	744.86	11.58	853	153.51	114.5	1326.1	88.7	87.5
Health	4,951.83	1,169.25	4,537.23	388.57	3,828.97	433.88	84.4	111.7	77.3	37.1
Urban Planning & Lands	141.03	312.72	107.81	201.18	110.42	54.74	102.4	27.2	78.3	17.5
Public Works, Transport & Infrastructure	300.47	1,915.91	243.71	426.12	381.05	302.04	156.4	70.9	126.8	15.8
Education, Youth Affairs, Sports, Culture & Social Services	561.26	888.30	384.72	101.86	353.91	148.59	92	145.9	63.1	16.7

Trade, Commerce, Tourism & Cooperatives	144.98	214.61	108.23	27.36	93.12	30.40	86	111.1	64.2	14.2
Public Service Management	783.81	21.41	698.46	-	578.78	3.30	82.9	-	73.8	15.4
Agriculture, Livestock Devt, Fisheries & Forestry	503.45	200.69	448.73	122.55	377.32	112.78	84.1	92	74.9	56.2
County assembly	947.83	364.27	912.88	56.46	911.84	150.38	99.9	266.4	96.2	41.3
Environment, Water, Energy & natural resources	360.86	809.73	259.6	135.74	221.52	143.50	85.3	105.7	61.4	17.7
<b>Total</b>	<b>9,947.6</b>	<b>6,151.33</b>	<b>8,703.24</b>	<b>1,496.42</b>	<b>7,977.11</b>	<b>1,576.63</b>	<b>91.7</b>	<b>105.4</b>	<b>80.2</b>	<b>25.6</b>

Source: Nakuru County Treasury

Analysis of budget performance by department shows that, the Department of Finance & Economic Planning attained the highest absorption rate of development budget at 87.5 per cent. The Department of Public Works, Transport & Infrastructure had the highest percentage of recurrent expenditure to recurrent budget at 126.8 per cent while the Department of Environment, Water, Energy & Natural Resources had the lowest at 61.4 per cent.

### 3.31.9 Key Observations & Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 25.6 per cent, which was a decrease from 35.1 per cent attained in FY 2016/17.
2. Weak budgetary control as evidenced by expenditure in excess of approved budgetary allocation in the Department of Public Works, Transport and Infrastructure and the County Public Service Board.
3. Delay in submission of financial reports by the County Treasury to the Office of the Controller of Budget contrary to Section 166 of the PFM Act, 2012.
4. High wage bill that was 53.5 per cent of total expenditure in the period under review.

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

1. The County should institute appropriate mechanisms to enhance absorption of development funds.
2. The County Treasury should improve vote book and budgetary control to ensure that expenditure is within the approved budget.
3. The County Treasury should ensure timely preparation and submission of financial reports to the COB in line with Section 166 of PFM Act, 2012.
4. The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.

## 3.32 Nandi County

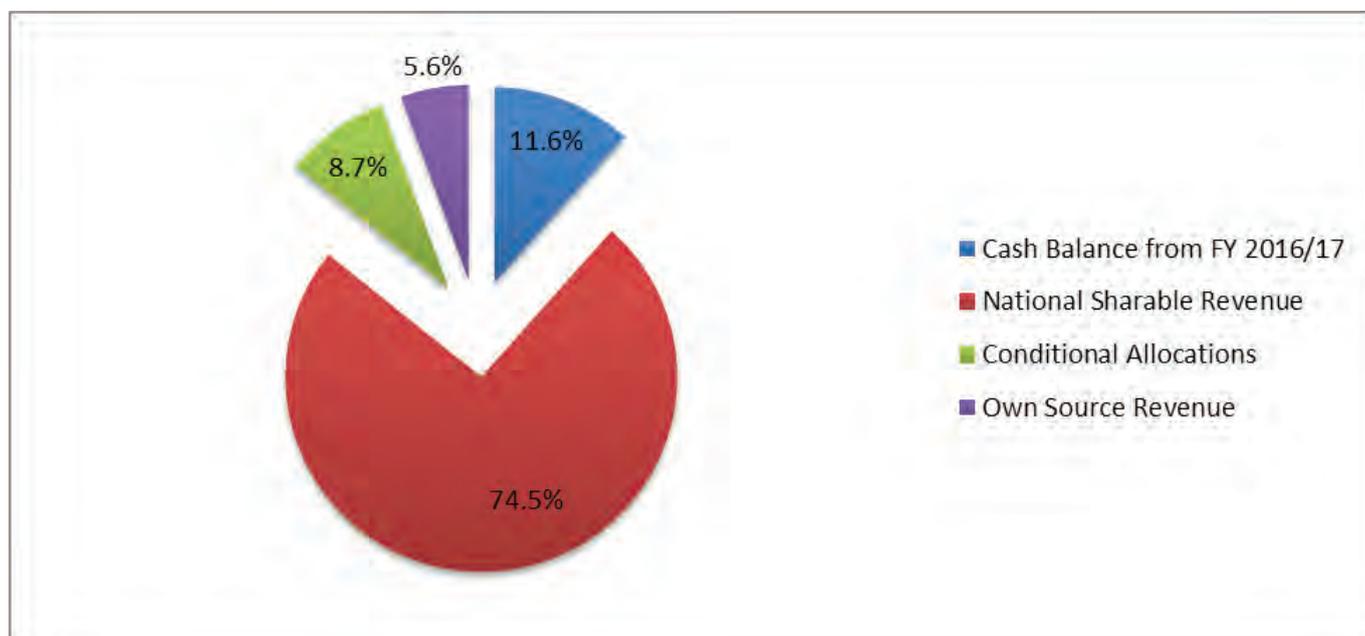
### 3.32.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.6.85 billion, comprising of Kshs.4.69 billion (68.5 per cent) and Kshs.2.15 billion (31.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.10 billion (74.5 per cent) as equitable share of revenue raised nationally, Kshs.480.02 million (8.7 per cent) as total conditional grants, generate Kshs.385.44 million (5.6 per cent) from own source revenue, and Kshs.795.58 million (11.6 per cent) cash balance from FY 2016/17.

Figure 3.125 shows the expected sources of budget financing in FY 2017/18

**Figure 3.125: Nandi County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Nandi County Treasury*

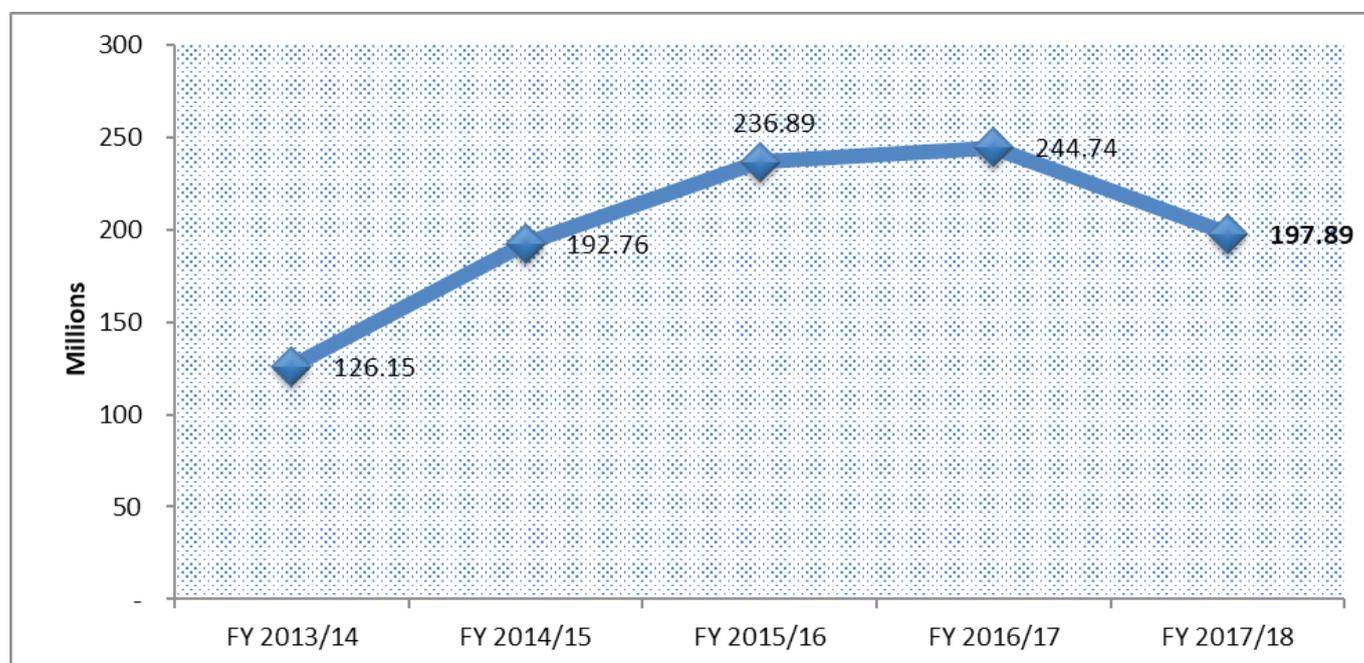
The conditional grants contained in the CARA, 2017 comprise of Kshs.202.60 million (34.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.09 million (3 per cent) as Compensation for User Fee Foregone, Kshs.21.28 million (3.6 per cent) from DANIDA, Kshs.41.61 million (7 per cent) for the World Bank Kenya Devolution Support Program, Kshs.29.29 million (4.9 per cent) for Development of Youth Polytechnics, Kshs.97.23 million (16.4 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (8.4 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project and Kshs.37.94 million (6.4 per cent) as Other Loans and Grants.

### 3.32.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.5.10 billion as equitable share of revenue raised nationally, Kshs.357.81 million as total conditional grants, raised Kshs.197.89 million from own source revenue, and had a cash balance of Kshs.795.58 million from FY 2016/17. The total available funds amounted to Kshs.6.46 billion.

Figure 3.126 shows the annual own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.126: Nandi County, Trend in Own source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Nandi County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.197.89 million, representing a decline of 19.1 per cent compared to Kshs.244.74 million generated in FY 2016/17 and was 51.3 per cent of the annual target.

### 3.32.3 Conditional Grants

Table 3.93 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.93: Nandi County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA,2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Road Maintenance Fuel Levy Fund	202,600,435	202,600,435	166,562,969	82.2
2	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101.2
3	Kenya Devolution Support Programme (KDSP)	41,606,801	41,606,801	41,606,801	100.0
4	World Bank Loan for Transforming Health System for universal Care Project	97,229,497	97,229,497	30,384,218	31.3
5	Development of Youth Polytechnics	29,282,394	29,282,394	29,282,394	100.0
6	DANIDA Grant	21,279,949	21,279,949	21,279,949	100.0
7	Compensation for User Fee Foregone	18,086,363	18,086,363	18,086,363	100.0
8	Conditional Allocation - Other Loans & Grants	37,935,168	37,935,168	-	-
<b>Total</b>		<b>498,020,607</b>	<b>498,020,607</b>	<b>357,812,549</b>	<b>71.8</b>

Source: Nandi County Treasury

Analysis of the conditional grants released during the period under review indicates that, World Bank loan for National Agricultural & Rural Inclusive Project recorded the highest receipts at 101.2 per cent of the annual budget allocation respectively.

### 3.32.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.5.41 billion from the CRF account, which was 79 per cent of the Approved Supplementary Budget. This amount represented a decline of 8.4 per cent from Kshs.5.91 billion approved in FY 2016/17 and comprised of Kshs.4.42 billion (81.8 per cent) for recurrent expenditure and Kshs.985.42 million (18.2 per cent) for development activities.

### 3.32.5 Overall Expenditure Review

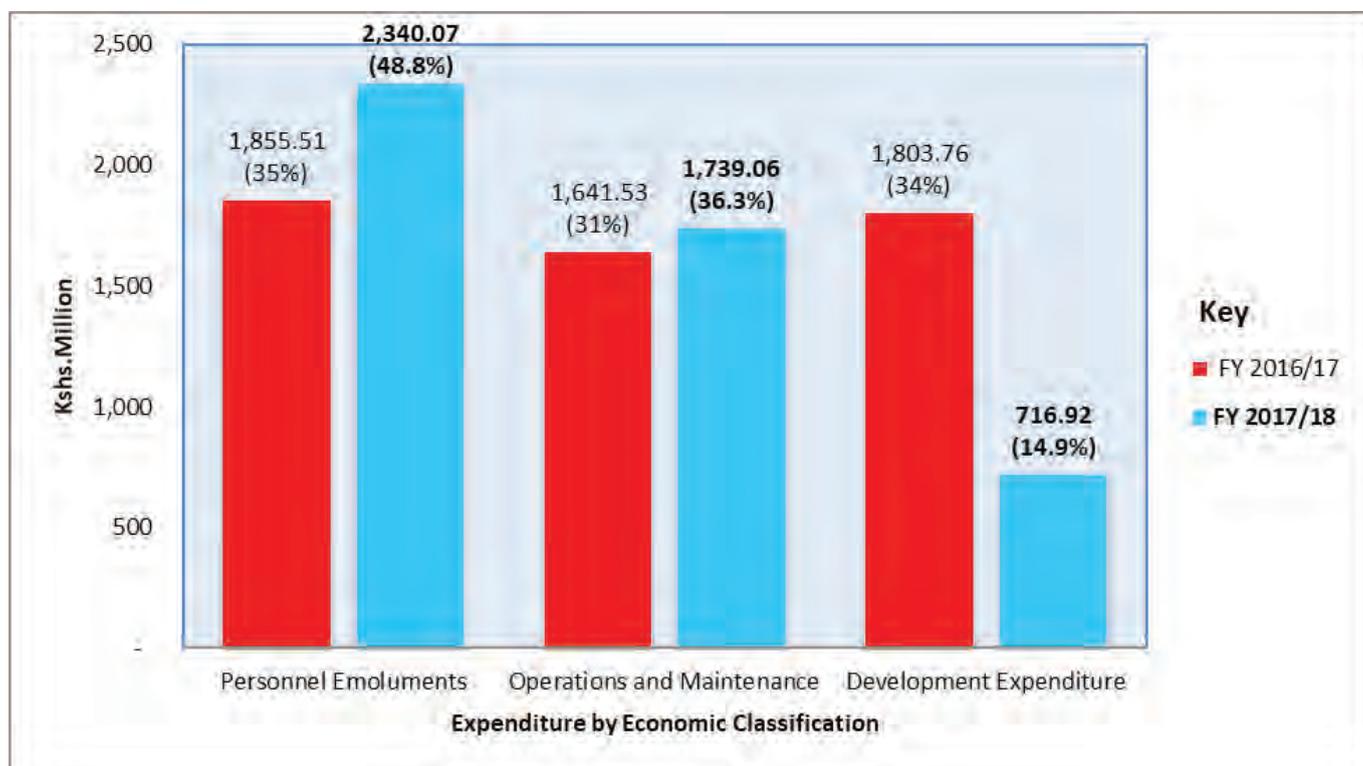
The County spent Kshs.4.8 billion, which was 88.7 per cent of the total funds released for operations. This was a decline of 9.5 per cent from Kshs.5.30 billion spent in FY 2016/17.

A total of Kshs.4.08 billion was spent on recurrent activities while Kshs.716.92 million was spent on development activities. The recurrent expenditure was 92.2 per cent of the funds released for recurrent activities, while development expenditure was 72.8 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.1.04 billion for development activities and Kshs.349.92 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 86.9 per cent of the annual recurrent budget, an increase from 14.2 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 33.3 per cent, which was a decrease from 60.3 per cent attained in FY 2016/17.

Figure 3.127 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.127: Nandi County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



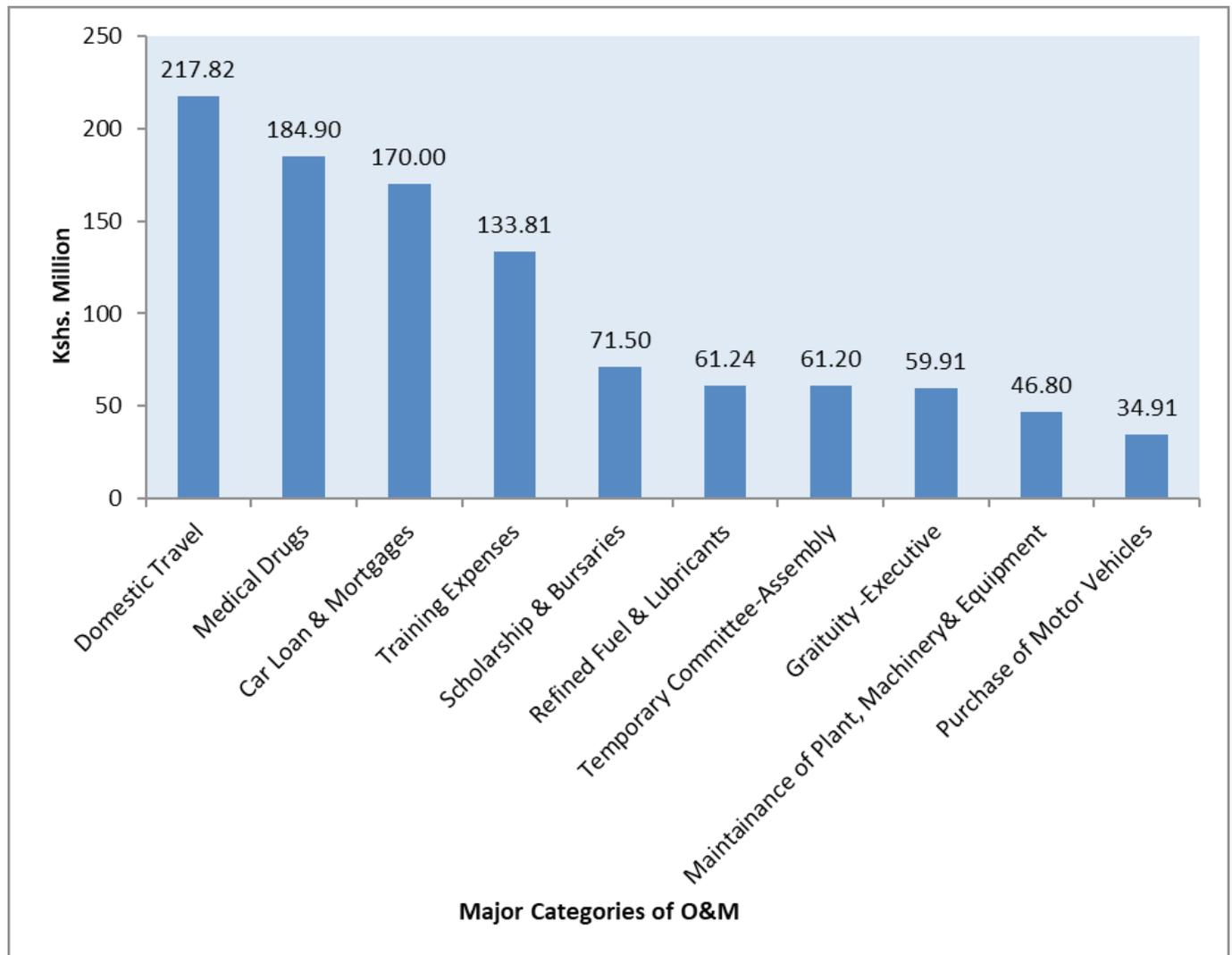
Source: Nandi County Treasury

### 3.32.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.08 billion comprised of Kshs.2.34 billion (57.4 per cent) incurred on personnel emoluments and Kshs.1.74 billion (42.6 per cent) on operations and maintenance as shown in Figure 3.127.

Expenditure on personnel emoluments represented an increase of 26.1 per cent compared to FY 2016/17 when the County spent Kshs.1.86 billion, and was 48.8 per cent of total expenditure in FY 2017/18. Figure 3.128 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.128: Nandi County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Nandi County Treasury*

The County spent Kshs.21.99 million on committee sitting allowances to the 39 MCAs against the annual budget allocation of Kshs.28.99 million. This was a decline of 62.6 per cent compared to Kshs.58.85 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.46,993 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.217.82 million and comprised of Kshs.66.93 million spent by the County Assembly and Kshs.150.89 million by the County Executive. This represented 6.3 per cent of total recurrent expenditure and was an increase of 6.9 per cent compared to Kshs.233.94 million spent in FY 2016/17.

### 3.32.7 Development Expenditure Analysis

The total development expenditure of Kshs.716.92 million represented 33.3 per cent of the annual development budget of Kshs.2.15 billion.

Table 3.94 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.94: Nandi County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Access Roads	County Wide	477,053,449	220,573,646	46.2
2	Purchase of Specialized Plant & Equipment	Kapsabet	271,000,000	185,710,320	68.5
3	Construction of Buildings - Nandi County Assembly	Kapsabet	125,000,000	88,334,301	70.7
4	Early Child Development and Education	County Wide	125,300,000	40,499,824	32.3
5	Water Supplies and Sewerage	County Wide	165,904,638	36,174,120	21.8
6	Purchase of Vaccines & Sera	County Wide	51,750,000	26,220,000	50.7
7	Acquisition of Land for Speaker's Residence	Kapsabet	15,000,000	9,000,000	60.0
8	Construction of Buildings -Livestock Production and Management	County Wide	18,900,000	8,970,347	47.5
9	Bridges and Foot bridges	County Wide	25,000,000	7,365,634	29.5
10	Purchase of Tractor	Kaimosi	9,000,000	4,180,000	46.4

Source: Nandi County Treasury

### 3.32.8 Budget and Budget Performance Analysis by Department

Table 3.95 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.95: Nandi County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	435.18	13	411.34	-	401.97	-	97.7	0.0	92.4	0.0
Finance and Economic Planning	1,027.82	117.67	992.80	-	949.09	-	95.6	0.0	92.3	21.7
Devolved Units and Special Programmes	123.87	113.50	105.17	20.85	90.35	25.55	85.9	122.5	72.9	0.0
Health and Sanitation	1,539.77	204.22	1,476.74	125.17	1,338.28	85.53	90.6	68.3	86.9	1.5
Agriculture, Livestock and Fisheries	223.17	169.17	191.31	27.10	191.23	43.41	100.0	160.2	85.7	50.6
Tourism, Culture and Co-operative Development	39.45	12	31.59	7.54	9.78	3.03	30.9	40.2	24.8	-
Youth, Gender and Social Services	35.91	58.50	32.91	-	21.76	-	66.1	-	60.6	-
Education Research and Vocational Training	304.24	166.38	269.90	613.24	206.64	418.79	76.6	68.3	67.9	26.1
Lands, Environment and Natural Resources	62.95	282.90	54.96	-	40.53	-	73.7	-	64.4	15.3
Roads Transport and Public Works	236.58	795.05	202.05	-	202.10	-	100.0	-	85.4	52.7
Trade and Industrial Development	38.92	82.50	36.93	74.18	30.30	43.27	82.1	58.3	77.9	-
Public Service and Labour	32.14	-	30.65	-	15.49	97.33	50.5	-	48.2	-
County Assembly	593.05	140	587.95	117.34	581.62	-	98.9	-	98.1	69.5
<b>TOTAL</b>	<b>4,693.02</b>	<b>2,154.91</b>	<b>4,424.30</b>	<b>985.42</b>	<b>4,079.13</b>	<b>716.92</b>	<b>92.2</b>	<b>72.8</b>	<b>86.9</b>	<b>33.3</b>

Source: Nandi County Treasury

Analysis of budget performance by department shows that, the County Assembly attained the highest absorption rate of development budget at 69.5 per cent and had the highest percentage of recurrent expenditure to recurrent budget at 98.1 per cent.

### 3.32.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Late submission of financial reports to the Office of Controller of Budget by the County Treasury contrary to Section 166 (4) and 168 (3) of the PFM Act, 2012 which affected timely preparation of the budget implementation review report.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
3. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
4. Delay by Fund Administrators to submit expenditure reports of all the County Public Funds contrary to Section 168 of the PFM Act, 2012.
5. High wage bill that has increased by 26.1 per cent from Kshs.1.86 billion in FY 2016/17 to Kshs.2.34 billion in the period under review.
6. Under-performance in own source revenue collection, which declined by 19.1 per cent from Kshs.244.74 million generated in FY 2016/17 to Kshs.197.89 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 in line with Section 166 (4) and 168 (3) of the PFM Act, 2012 and Section 16 of the Controller of Budget Act, 2016.*
2. *The County should liaise with the IFMIS Directorate to address IFMIS connectivity challenges.*
3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
4. *All County Public Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
5. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
6. *The County Treasury should formulate and implement strategies to enhance own source revenue collection.*

## 3.33 Narok County

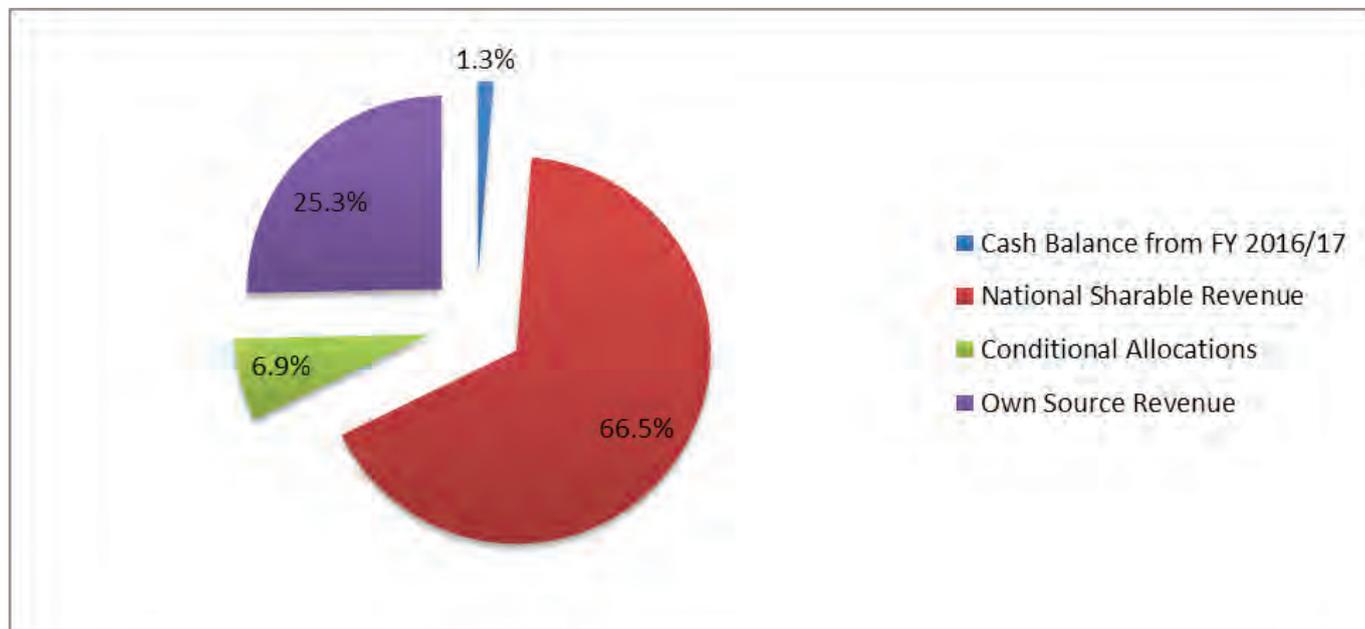
### 3.33.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.9.81 billion, comprising of Kshs.6.52 billion (66.4 per cent) and Kshs.3.29 billion (33.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.6.52 billion (66.5 per cent) as equitable share of revenue raised nationally, Kshs.675.98 million (6.9 per cent) as total conditional grants, generate Kshs.2.48 billion (25.3 per cent) from own source revenue, and Kshs.123 million (1.3 per cent) cash balance from FY 2016/17.

Figure 3.129 shows the expected sources of budget financing in FY 2017/18

**Figure 3.129: Narok County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Narok County Government*

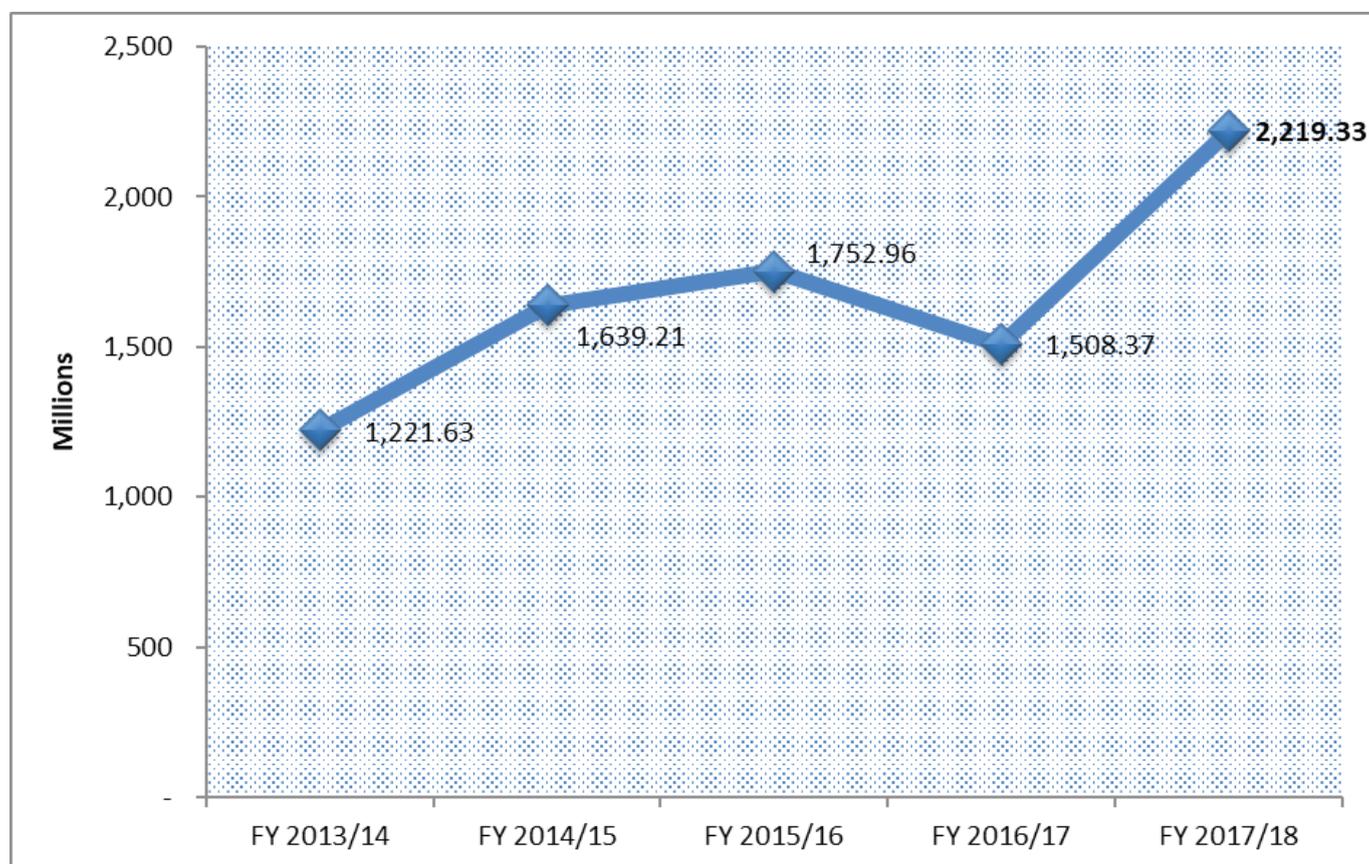
The conditional grants contained in the CARA, 2017 comprised of Ksh.95.74 million (14.2 per cent) for Leasing of Medical Equipment, Kshs.225.3 million (33.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.5 million (0.2 per cent) as Compensation for User Fee Foregone, Kshs.15.27 million (2.3 per cent) from DANIDA, Ksh.41.78 million (6.2 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.45.8 million (6.8 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.31.46 million (4.7 per cent) for Development of Youth Polytechnics, Kshs.83.62 million (0.9 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Ksh.46.41 ( 12.4 per cent) as Other Loans and Grants and Ksh.50 million (7.4 per cent) for World bank Loan- National Agriculture and Rural Growth.

### 3.33.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.6.52 billion as equitable share of revenue raised nationally, Kshs.507.76 million as total conditional grants, raised Kshs.2.22 billion from own source revenue, and had a cash balance of Kshs.123 million from FY 2016/17. The total available funds amounted to Kshs.8.85 billion.

Figure 3.130 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.130: Narok County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Narok County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.2.22 billion, representing an increase of 47.1 per cent compared to Kshs.1.51 billion generated in FY 2016/17 and was 89.4 per cent of the annual target.

### 3.33.3 Conditional Grants

Table 3.96 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.96: Narok County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grant or Loan Details	Annual CARA,2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>Grants Contained in the CARA,2017</b>					
1	Road Maintenance Levy Fund	225,301,202	225,301,202	225,301,201	100
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	World Bank Loan for Transforming Health System for universal Care Project	83,620,453	83,620,453	81,201,403	97
4	World Bank Loan- National Agriculture & Rural Growth	50,000,000	50,000,000	50,609,855	101
5	Other Loans & Grants	46,406,308	46,406,308	7,866,189	17
6	Loans & Grants-KDSP	45,796,323	45,796,323	45,796,323	100
7	World Bank loan-County Health Facilities	41,780,000	41,780,000	38,009,297	91

S/No	Grant or Loan Details	Annual CARA,2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>Grants Contained in the CARA,2017</b>					
8	Conditional Allocation for development of Village Polytechnics	31,464,754	31,464,754	23,598,565	75
9	Compensation for User Fee Foregone	-	20,595,297	20,106,734	98
10	Kenya Urban Support Programme	20,000,000	20,000,000	-	-
11	DANIDA Grant	15,267,292	15,267,292	15267292	100
<b>Total</b>		<b>645,976,310</b>	<b>675,976,310</b>	<b>507,756,859</b>	<b>75</b>

*Source: Narok County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the World Bank Loan - National Agriculture & Rural Growth recorded the highest receipts at 101 per cent of annual allocation, followed by Road Maintenance Levy Fund, Kenya Devolution Support Program and DANIDA grant at 100 per cent.

### 3.33.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.8.33 billion from the CRF account, which was 85 per cent of the Approved Supplementary Budget. This amount represented an increase of 10.2 per cent from Kshs.7.47 billion approved in FY 2016/17 and comprised of Kshs.6.4 billion (76.8 per cent) for recurrent expenditure and Kshs.1.93 billion (23.2 per cent) for development activities.

### 3.33.5 Overall Expenditure Review

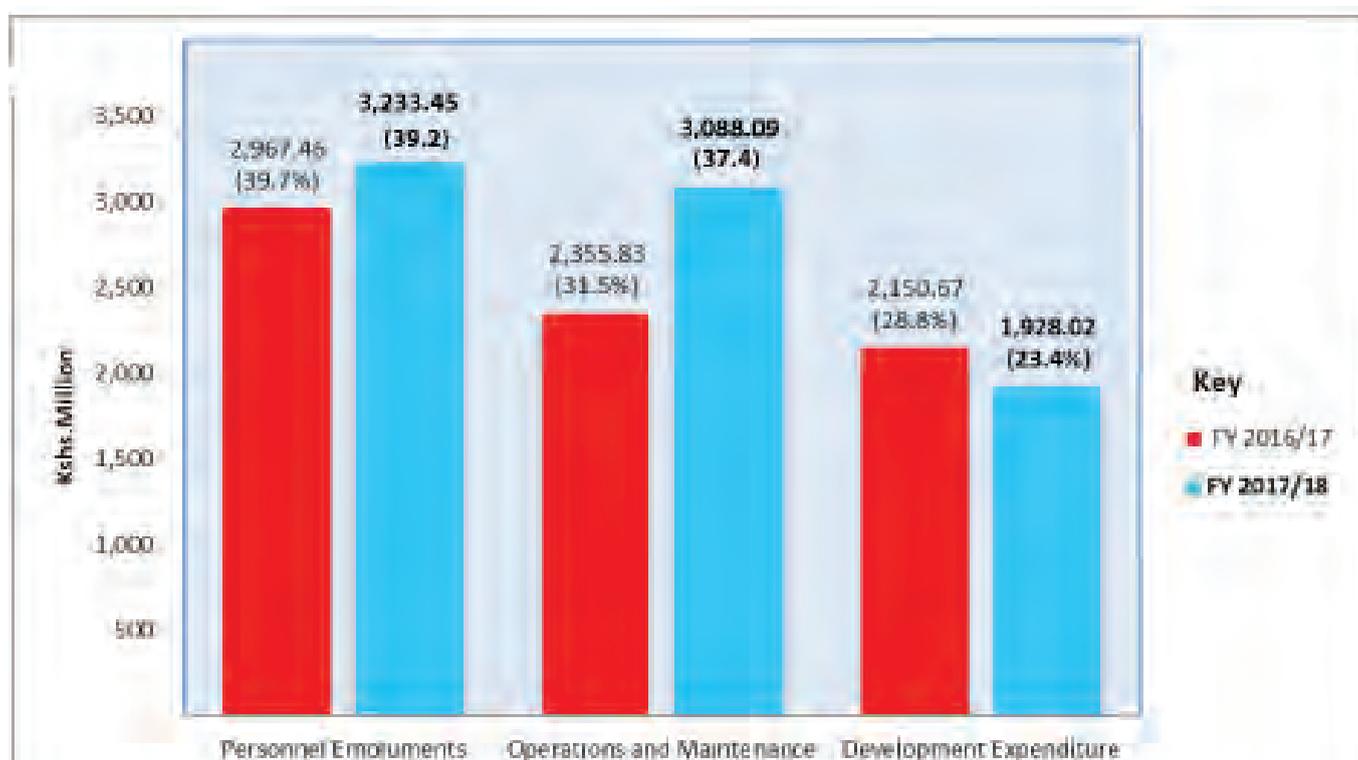
The County spent Ksh.8.25 billion, which was 99 per cent of the total funds released for operations. This was an increase of 10.4 per cent from Ksh.7.47 billion spent in FY 2016/17.

A total of Ksh.6.32 billion was spent on recurrent activities while Kshs.1.93 billion was spent on development activities. The recurrent expenditure was 98.8 per cent of the funds released for recurrent activities, while development expenditure was 99.9 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.1.09 billion for development activities and Kshs.634.51 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 97 per cent of the annual recurrent budget, an increase from 93.7 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 58.6 per cent, which was a decrease from 63.3 per cent attained in FY 2016/17.

Figure 3.131 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.131: Narok County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Narok County Treasury

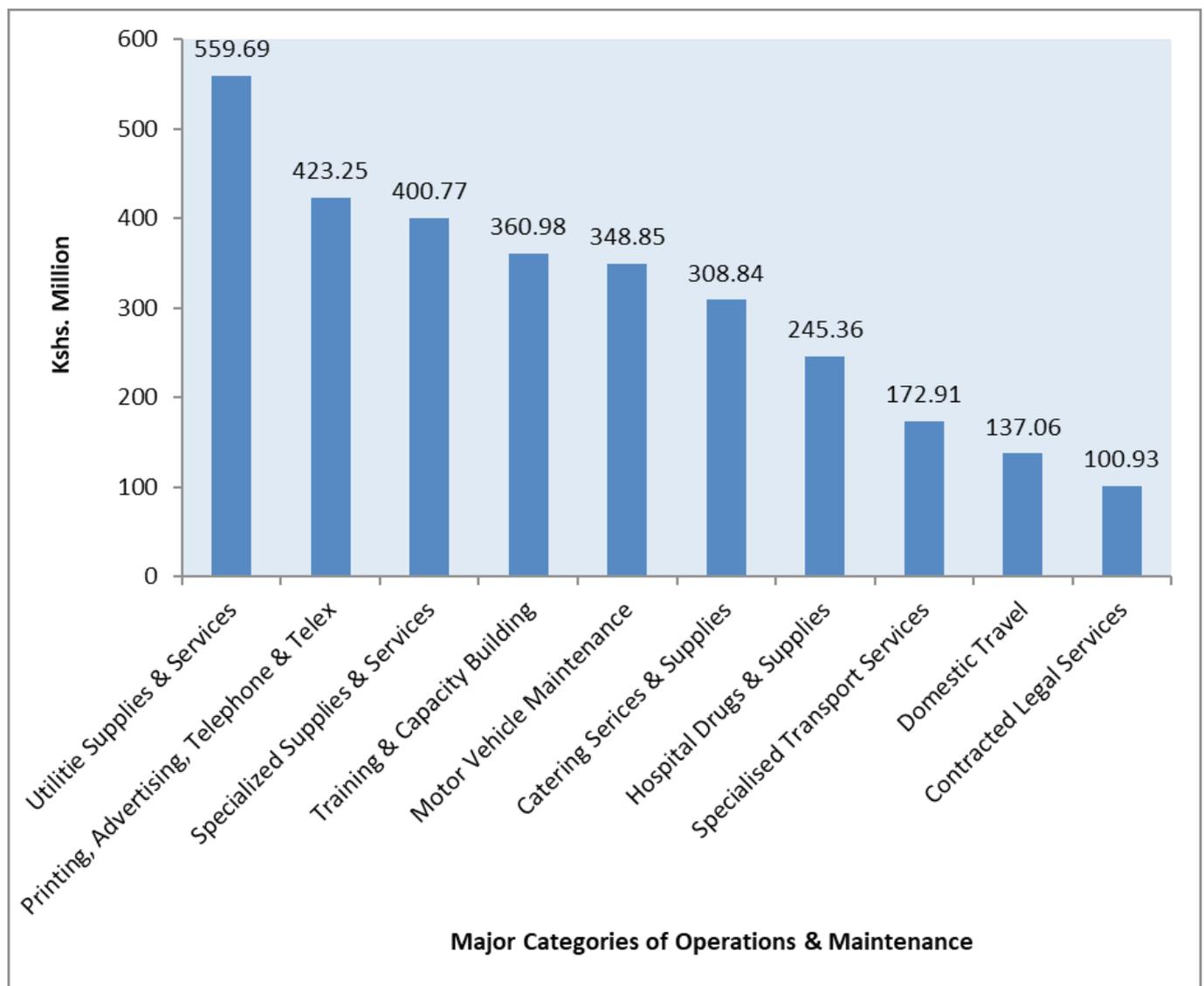
### 3.33.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.32 billion comprised of Kshs.3.23 billion (51.1 per cent) incurred on personnel emoluments and Kshs.3.09 billion (48.9 per cent) on operations and maintenance as shown in Figure 3.131.

Expenditure on personnel emoluments represented an increase of 9 per cent compared to FY 2016/17 when the County spent Ksh.2.97 billion, and was 39.2 per cent of total expenditure.

Figure 3.132 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.132: Narok County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Narok County Treasury*

The County spent Kshs.31.95 million on committee sitting allowances to the 48 MCAs and the speaker against an annual budget allocation of Kshs.62 million. This was a decline of 12.7 per cent compared to Kshs.36.61 million spent in FY 2016/17. The average monthly sitting allowance was Ksh.55,468 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Ksh.137.06 million and comprised of Ksh.34.78 million spent by the County Assembly and Kshs.102.29 million by the County Executive. This represented 2.6 per cent of total recurrent expenditure and was a decrease of 12.5 per cent compared to Kshs.156.6 million spent in FY 2016/17.

### 3.33.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.93 billion represented 58.6 per cent of the annual development budget of Kshs.3.2 billion. Table 3.97 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.97: Narok County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Construction of Non-Residential Buildings	HQs, Narok North	726,104,120	590,511,617	81%
2	Maintenance of Access Roads	Narok South, North, Transmara, Emurua Dikirr, Narok West	90,357,500	74,056,107	82%
3	Other Infrastructure and Civil Works	Narok South, North, Transmara, Emurua Dikirr, Narok West	463,903,763	355,835,201	77%
4	Purchase of Graders	HQs	270,000,000	200,000,000	74%
5	Maintenance Major Roads	Narok South, North, Transmara, Emurua Dikirr, Narok West	340,000,000	235,100,000	69%
6	Maintenance of Civil Works Equipment	HQs	237,308,660	135,714,754	57%
7	Non Residential Buildings-schools	Narok South, North, Transmara, Emurua Dikirr, Narok West	605,000,000	267,845,670	44%
8	Grants for Management of Natural Disasters	HQs, Narok South, Narok west, Narok north	62,456,000	21,456,000	34%
9	Other Capital Grants and Trans	HQs	495,000,000	47,500,000	10%

Source: Narok County Treasury

### 3.33.8 Analysis of Budget Performance Analysis by Department

Table 3.98 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.98: Narok County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	341.86	-	341.76	-	341.72	-	100	-	100	-
Finance and Economic Planning	700.34	440.87	700.17	-	700.17	-	100	-	100	-
Roads, Public Works and Transport	226.66	1,050.20	226.48	877.25	226.48	876.57	100	99.9	99.9	83.5
Education, Youth, Sports, Culture and Social Services	859.57	603.71	854.67	511.9	831.67	511.54	97.3	99.9	96.8	84.7
Environment protection, Energy, Water & Natural Resources	101.53	69.10	96.48	-	96.48	-	100	-	95	-
Public Service Board	90.62	-	90.61	-	90.61	-	100	-	100	-
Agriculture, Livestock, Fisheries and Veterinary Services	452.56	248.41	445.40	115.11	389.29	115.11	87.4	100	86.0	46.3
Health and Sanitation	1,739.49	418.01	1,739.43	340	1,739.36	340	100	100	100	81.3
Land, Physical Planning and Urban Development	94.68	116.76	94.68	40	94.68	40	100	100	100	34.3
Tourism, Wildlife Trade, Industry and Cooperative Development	236.27	75.70	230.24	15	230.24	15	100	100	97.4	19.8
County Administration and Public Service Management	1,070.77	5.69	1,069.60	-	1,069.60	-	100	-	99.9	-
County Assembly	601.16	261.68	511.25	30	511.25	29.80	100	99.3	85	11.4

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
<b>TOTAL</b>	<b>6,516</b>	<b>3,290</b>	<b>6,401</b>	<b>1,929</b>	<b>6,322</b>	<b>1,928</b>	<b>98.8</b>	<b>99.9</b>	<b>97</b>	<b>58.6</b>

Source: Narok County Treasury

Analysis of budget performance by department shows that, the Department of Education, Youth, Sports Culture and Social Services, attained the highest absorption rate of development budget at 84.7 per cent. The Department of Agriculture, Livestock & Fisheries and the County Assembly had the lowest percentage of recurrent expenditure to recurrent budget at 86 per cent and 85 per cent respectively.

### 3.33.9 1.1.8 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected 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. Low absorption of development budget at 58.6 per cent (Kshs.1.93 billion) compared to a rate of 63.3 per cent (Kshs.2.15 billion) attained in FY 2016/17.
3. Diversion of exchequer releases to fund unrequested activities. The county diverted funds to operationalize their Bursary and Masaai Mara Support Funds despite not receiving approval from the Controller of Budget. Further, the fund administrators failed to provide financial returns for the County Public Funds in line with Section 168 of the PFM Act, 2012.

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

1. *The County should establish the Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
2. *The County should devise and implement strategies to ensure the development budget is fully utilised.*
3. *The County Treasury should apply funds as approved by the Controller of Budget and ensure quarterly financial returns are submitted in line with Section 168 of the PFM Act, 2012.*

## 3.34 Nyamira County

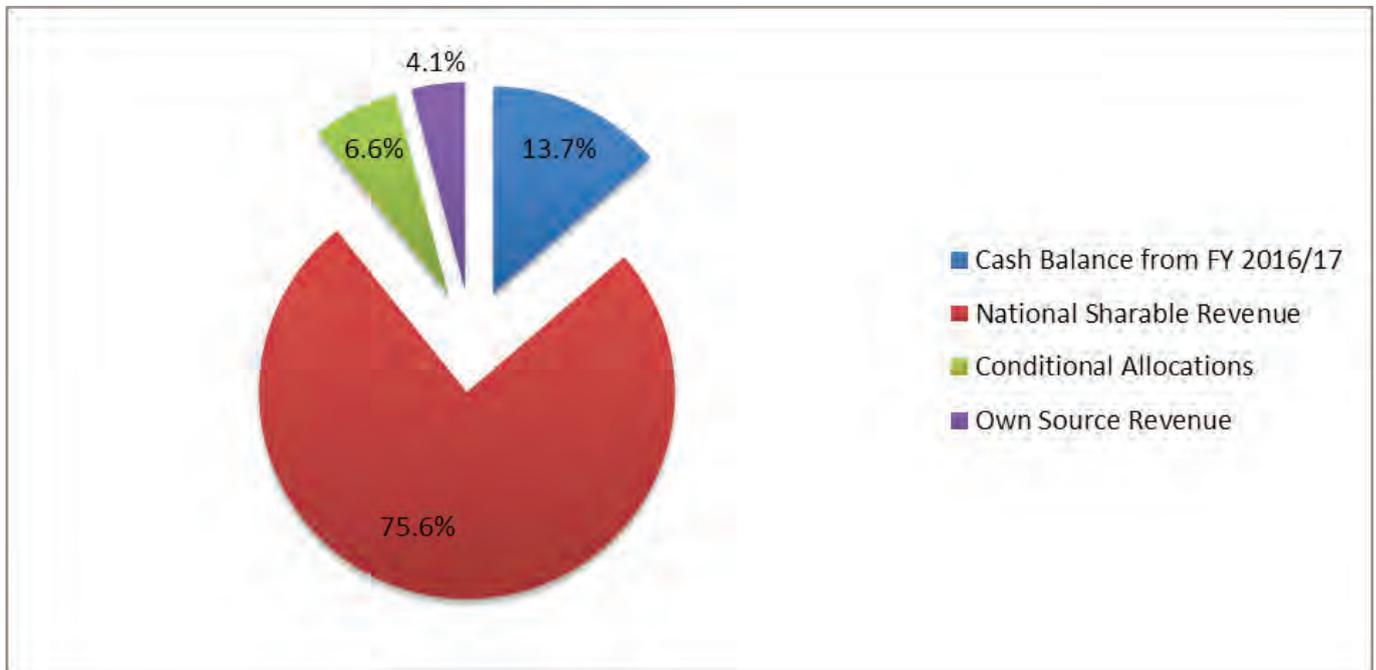
### 3.34.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.6.11 billion, comprising of Kshs.4.22 billion (69.1 per cent) and Kshs.1.89 billion (30.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.62 billion (75.6 per cent) as equitable share of revenue raised nationally, Kshs.403.68 million (6.6 per cent) as total conditional grants, generate Kshs.253.11 million (4.1 per cent) from own source revenue, and Kshs.834.30 million (13.7 per cent) cash balance from FY 2016/17.

Figure 3.133 shows the expected sources of budget financing in FY 2017/18

**Figure 3.133: Nyamira County, Expected Sources of Budget Financing in FY 2017/18 (%).**



*Source: Nyamira County Treasury*

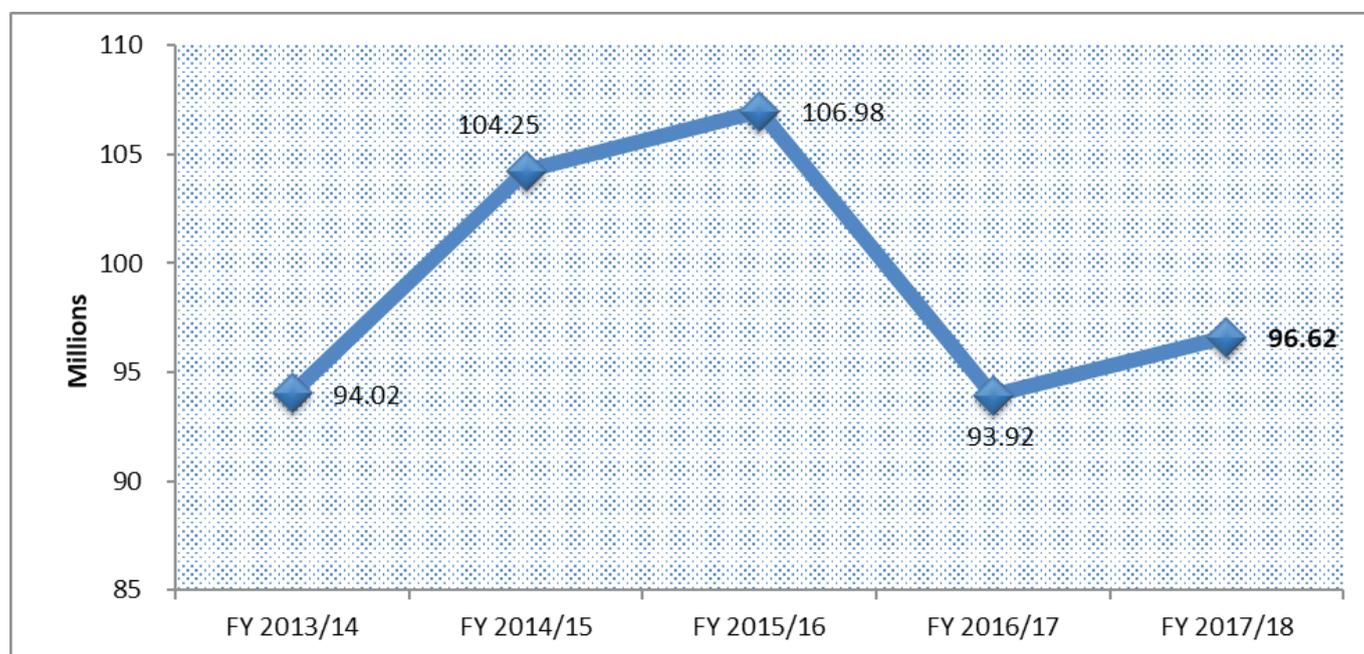
The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (18.4 per cent) for Leasing of Medical Equipment, Kshs.177.01 million (34.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.18 million (2.5 per cent) as Compensation for User Fee Foregone, Kshs.18.59 million (3.6 per cent) from DANIDA, Kshs.39.58 million (7.6 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.83.7 million (16.1 per cent) for Development of Youth Polytechnics, Kshs.41.39 million (8 per cent) as World Bank loan for Transforming Health System for Universal Care Project, and Kshs.50 million (9.6 per cent) World Bank Loan for National Agricultural & Rural Inclusive Project.

### 3.34.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.4.62 billion as equitable share of revenue raised nationally, Kshs.394.01 million as total conditional grants, raised Kshs.96.62 million from own source revenue, and had a cash balance of Kshs.834.3 million from FY 2016/17. The total available funds amounted to Kshs.5.95 billion.

Figure 3.134 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.134: Nyamira County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Nyamira County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.96.62 million, representing an increase of 2.9 per cent compared to Kshs.93.92 million generated in FY 2016/17 and was 38.2 per cent of the annual target.

### 3.34.3 Conditional Grants

Table 3.99 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.99: Nyamira County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grant or Loan Details	Annual CARA,2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA,2017	a	b	c	d= c / b *100
1	Road Maintenance Fuel Levy Fund	177,012,086	177,012,086	177,012,086	100
2	Development of Youth Polytechnics	83,704,140	83,704,140	83,704,140	100
3	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101
4	Kenya Devolution Support Programme (KDSP)	39,582,751	39,582,751	39,582,751	100
5	World Bank Loan for Transforming Health System for Universal Care Project	41,386,154	28,210,933	12,933,173	46
6	Compensation for User Fee Foregone	13,175,221	13,175,221	11,578,458	88
7	DANIDA Grant	18,592,300	11,995,032	18,592,300	155
8	Leasing of Medical Equipment	95,744,681	-	-	-
<b>Total</b>		<b>519,197,333</b>	<b>403,680,163</b>	<b>394,012,763</b>	<b>98</b>

Source: Nyamira County Treasury

Analysis of the conditional grants released during the period under review indicates that, DANIDA Grant recorded the highest receipts at 155 per cent of annual budget allocation.

### 3.34.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.85 billion from the CRF account, which was 79.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 2.8 per cent from Kshs.4.72 billion approved in FY 2016/17 and comprised of Kshs.4 billion (82.5 per cent) for recurrent expenditure and Kshs.846.52 million (17.5 per cent) for development activities.

### 3.34.5 Overall Expenditure Review

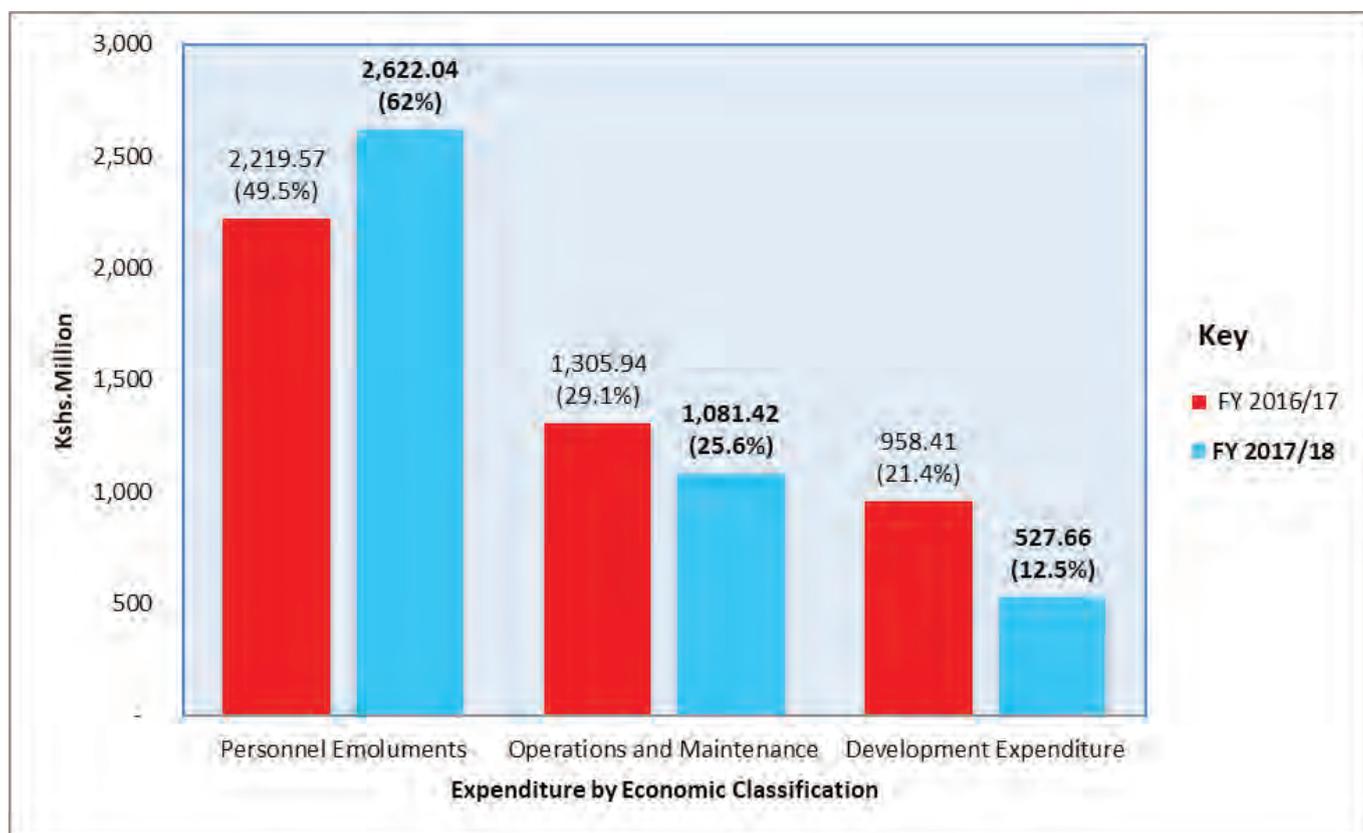
The County spent Kshs.4.23 billion, which was 87.3 per cent of the total funds released for operations. This was a decline of 5.6 per cent from Kshs.4.48 billion spent in FY 2016/17.

A total of Kshs.3.7 billion was spent on recurrent activities while Kshs.527.66 million was spent on development activities. The recurrent expenditure was 92.6 per cent of the funds released for recurrent activities, while development expenditure was 62.3 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.938.83 million for development activities and Kshs.410.76 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 87.7 per cent of the annual recurrent budget, a decrease from 89.4 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 27.9 per cent, which was a decrease from 58.6 per cent attained in FY 2016/17.

Figure 3.135 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.135: Nyamira County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Nyamira County Treasury

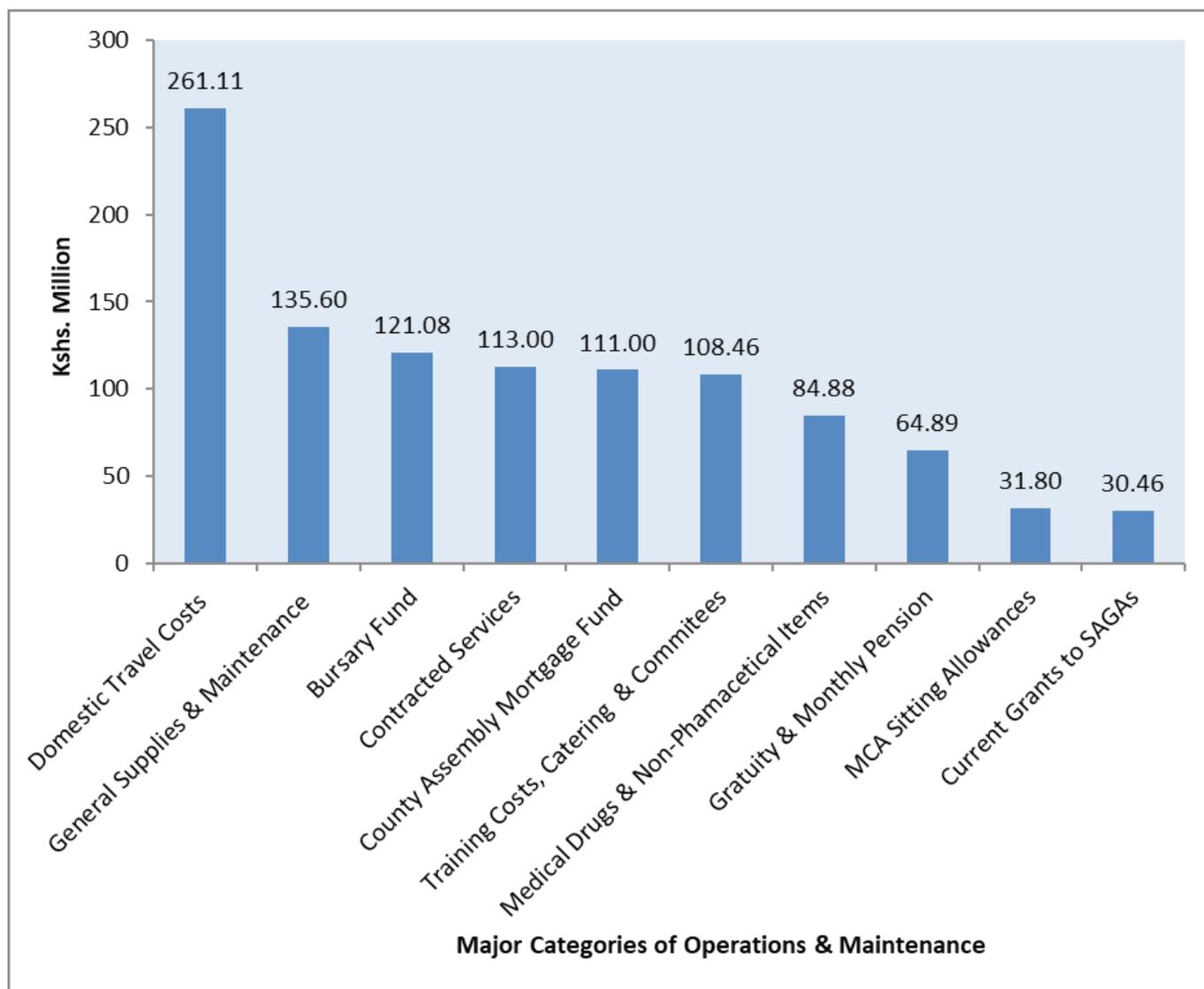
### 3.34.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.7 billion comprised of Kshs.2.62 billion (70.8 per cent) incurred on personnel emoluments and Kshs.1.08 billion (29.2 per cent) on operations and maintenance as shown in Figure 3.135.

Expenditure on personnel emoluments represented an increase of 18.1 per cent compared to FY 2016/17 when the County spent Kshs.2.22 billion, and was 62 per cent of total expenditure.

Figure 3.136 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.136: Nyamira County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Nyamira County Treasury*

The County spent Kshs.31.8 million on committee sitting allowances to the 37 MCAs against an annual budget allocation of Kshs.51.18 million. This was an increase of 26.7 per cent compared to Kshs.25.09 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.71,620 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.261.11 million and comprised of Kshs.100.12 million spent by the County Assembly and Kshs.160.99 million by the County Executive. This represented 7.6 per cent of total recurrent expenditure and was a decrease of 33.9 per cent compared to Kshs.424.27 million spent in FY 2016/17.

### 3.34.7 Development Expenditure Analysis

The total development expenditure of Kshs.527.66 million represented 27.9 per cent of the annual development budget of Kshs.1.89 billion. Table 3.100 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.100: Nyamira County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual expenditure (Kshs.)	Absorption rate (%)
1	Construction of 80 bed capacity with Doctors plaza at Nyamira County Referral Hospital	Nyamira Town	142,319,154	22,269,890	16
2	Purchase and Installation of Dental and Laboratory Equipment at Nyamira County Referral Hospital	Nyamira Town	43,850,000	15,000,000	34
3	Mechanical Transport Fund pending bills from previous year now paid	County wide	42,887,500	42,887,500	100
4	Electricity connection to KPLC for various water projects	20 wards	30,000,000	9,800,000	33
5	Fire Engine	County wide	29,600,000	29,600,000	100
6	Rehabilitation of Nyamira County Referral Hospital high and low level water tanks	Nyamira Town	26,393,010	22,776,002	86
7	Furnishing of County Assembly chambers - Auditorium Chairs and Hansard Tables	Nyamira Town	25,000,000	23,636,526	95
8	Construction of Manga Stadium	Manga Sub- County	25,000,000	11,393,446	46
9	Furnishing of County Assembly chambers - Automation of Broadcasting & Hansard Recording	Nyamira Town	18,000,000	8,849,000	49
10	Furnishing of County Assembly chambers - padding & carpeting	Nyamira Town	12,000,000	10,498,319	87

Source: Nyamira County Treasury

### 3.34.8 Analysis of Budget Performance by Department

Table 3.101 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.101: Nyamira County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Nyamira County Assembly	596.21	180	596.08	65.99	574.39	67.12	96.4	101.7	96.3	37.3
County Executive Office	414.42	-	412.83	-	297.76		72.1	-	71.9	-
Finance & Economic Planning	414.48	39.09	364.64	0.28	310.40	2.24	85.1	790.7	74.9	5.7
Agriculture, Livestock & Fisheries	173.65	104.40	173.84	68.95	157.33	23.59	90.5	34.2	90.6	22.6
Environment, Water, Mineral Resources, Mining & Energy	109.24	216.03	109.01	62.45	101.01	66.55	92.7	106.6	92.5	30.8
Education & Youth Empowerment	463.18	178.67	456.70	97.64	426.48	50.64	93.4	51.9	92.1	28.3
Health Services	1,477.23	331.22	1,365.78	112.25	1,313.73	101.01	96.2	90.0	88.9	30.5
Lands, Housing & Physical Planning	64.34	117.98	63.92	18.52	54.49	19.96	85.3	107.7	84.7	16.9
Roads, Transport And Public Works	113.79	569.44	113.16	399.10	105.52	172.72	93.2	43.3	92.7	30.3

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade, Tourism, Industrialization & Cooperatives Development	42.94	46.01	37.47	9.27	36.75	7.42	98.1	80.1	85.6	16.1
Sports, Gender, Culture & Social Services	43.85	99.75	39.40	5.90	40.33	11.39	102.4	193.1	92.0	11.4
County Public Service Board	70.71	-	57.96	-	55.22		395.	-	78.1	-
Public Service Management	238.98	6.22	208.32	6.16	230.05	6.16	110.4	100.0	96.3	99.1
<b>TOTAL</b>	<b>4,223.02</b>	<b>1,888.8</b>	<b>3,999.11</b>	<b>846.52</b>	<b>3,703.45</b>	<b>527.66</b>	<b>92.6</b>	<b>62.5</b>	<b>87.7</b>	<b>28.0</b>

Source: Nyamira County Treasury

Analysis of budget performance by department shows that, the Department of Public Service Management attained the highest absorption rate of development budget at 99.1 per cent while the Department of Finance & Economic Planning had the least at 5.7 per cent. Both Nyamira County Assembly and the Department of Public Service Management had the highest percentage of recurrent expenditure to their recurrent budget at 96.3 per cent while the County Executive Office had the lowest at 71.9 per cent.

### 3.34.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. The County's wage bill has remained high at 62 per cent of total expenditure and increased by 18.1 per cent from Kshs.2.22 billion in FY 2016/17 to Kshs.2.62 billion in the period under review.
2. Delay in preparation and approval of supplementary budgets in the financial year leading to delayed delivery of services in the period under review.
3. Late submission of financial reports by the County Treasury and Fund Administrators to the Office of the Controller of Budget, which affected timely preparation of the budget implementation review report.
4. Slow implementation of development activities during FY 2017/18. The County spent Kshs.527.66 million on development projects which represents 27.9 per cent of the annual development budget of Kshs.1.89 billion.

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 reduce the wage bill.
2. The County Executive and County Assembly, while recognising the principle of separation of power, should closely work together to deliver timely approval of budget.
3. The County Treasury and Fund Administrators should ensure timely preparation and submission of financial reports in line with Section 166 and 168 of PFM Act, 2012.
4. The County should identify and address issues that caused delay in implementation of development projects.

## 3.35 Nyandarua County

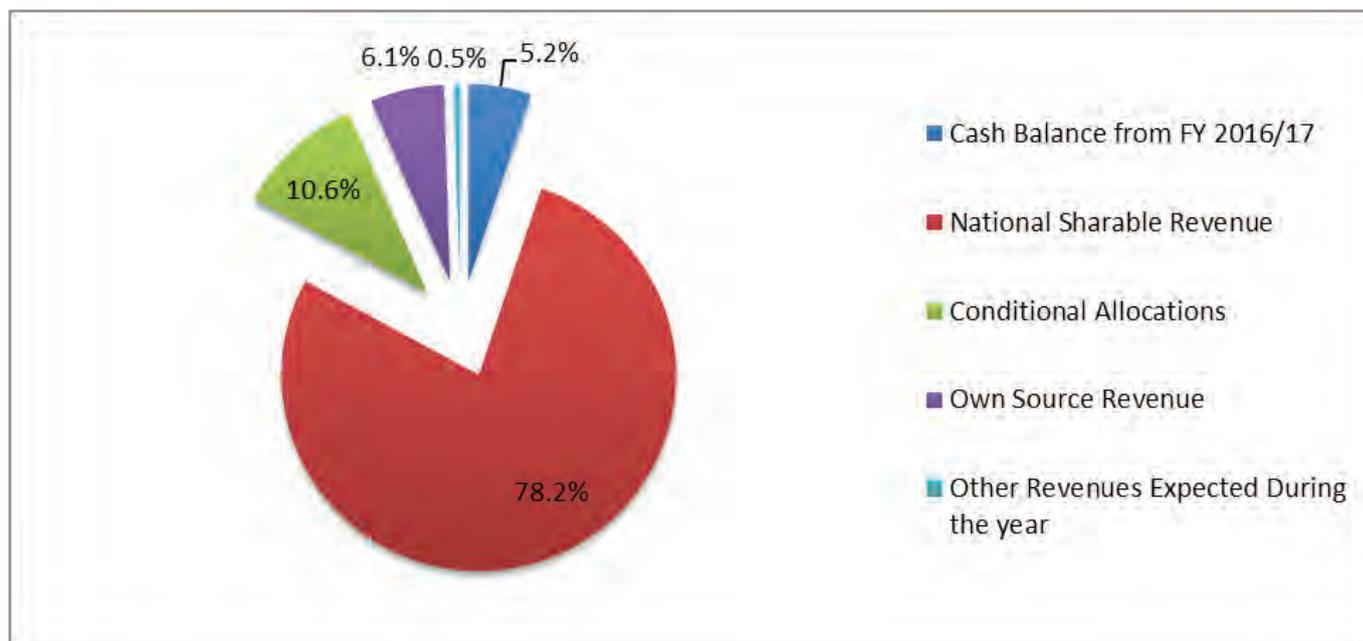
### 3.35.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.6.11 billion, comprising of Kshs.4.08 billion (66.8 per cent) and Kshs.2.03 billion (33.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.77 billion (78.2 per cent) as equitable share of revenue raised nationally, Kshs.647.08 million (10.6 per cent) as total conditional grants, generate Kshs.371 million (6.1 per cent) from own source revenue sources, Kshs.315.7 million (5.2 per cent) cash balance from FY 2016/17 and Kshs.30 million (0.5 per cent) from the Linda Mama Programme.

Figure 3.137 shows the expected sources of budget financing in FY 2017/18

**Figure 3.137: Nyandarua County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Nyandarua County Treasury*

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (15.3 per cent) for Leasing of Medical Equipment, Kshs.183.51 million (29.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.121 million (19.3 per cent) as Supplement for Construction of County Headquarters, Kshs.121 million (19.6 per cent) as Supplement for Construction of County Headquarters, Kshs.66 million (10.5 per cent) as European Union (EU) grant, Kshs.46.59 million (7.4 per cent) for Development of Youth Polytechnics, Kshs.40.22 million (6.4 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.22 million (3.5 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.12.44 million (2 per cent) from DANIDA and Kshs.12.74 million (2 per cent) as Compensation for User Fee Foregone. The County did not budget for Ksh.25.84 million conditional allocation for Other Loans and Grants which is contained in the CARA 2017

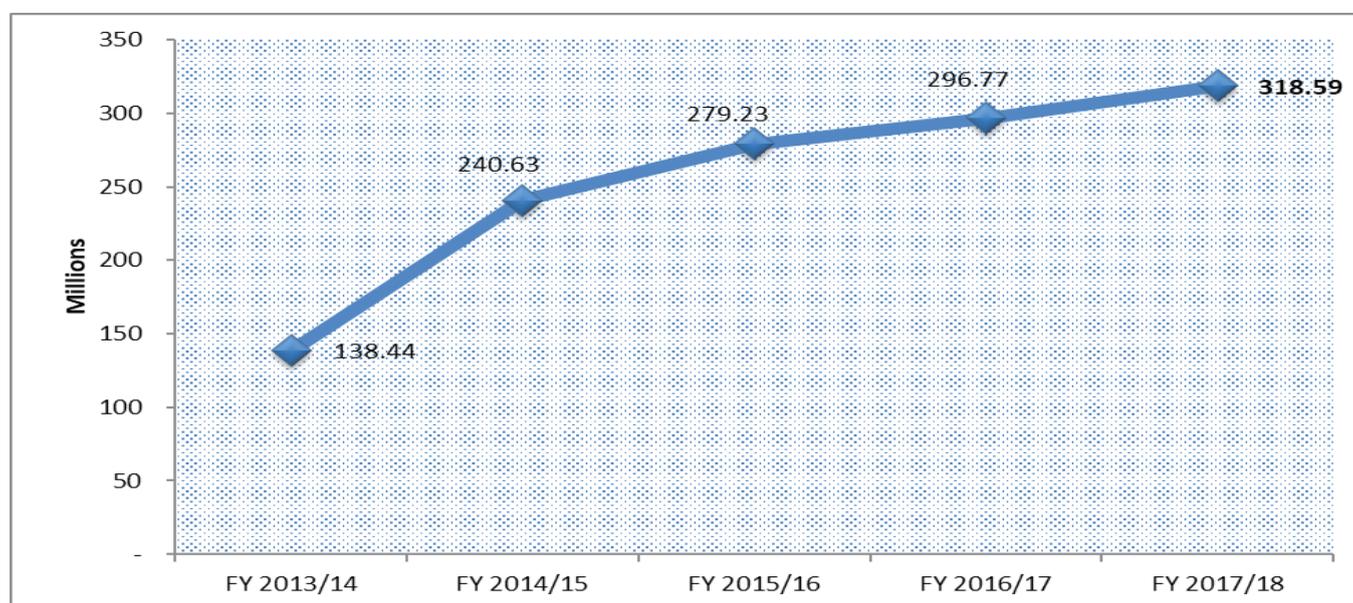
The County also budgeted to receive Kshs.30 million as grant for Linda Mama programme, which is not contained in the CARA, 2017.

### 3.35.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.4.77 billion as equitable share of revenue raised nationally, Kshs.556.17 million as total conditional grants, raised Kshs.318.59 million from own source revenue, and had a cash balance of Kshs.315.7 million from FY 2016/17. The total available funds amounted to Kshs.5.96 billion.

Figure 3.138 shows the annual trend in own source revenue Collection from FY 2013/14 to FY 2017/18.

**Figure 3.138: Nyandarua County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Nyandarua County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.318.59 million, representing an increase of 7.4 per cent compared to Kshs.296.77 million generated in FY 2016/17 and was 85.9 per cent of the annual target.

### 3.35.3 Conditional Grants

Table 3.102 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.102: Nyandarua County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A Grants Contained in the CARA, 2017</b>					
1	Road Maintenance Fuel Levy Fund	183,511,039	183,511,039	150,869,091	82
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	Kenya Devolution Support Programme (KDSP)	40,222,996	40,222,996	322,870,807	803
4	Compensation for User Fee Foregone	12,735,922	12,735,922	6,561,119.50	52
5	DANIDA Grant	12,435,427	19,274,912	19,274,912	155
6	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
7	Development of Youth Polytechnics	46,590,293	46,590,293	46,590,293	100
8	Conditional Allocation - Other Loans & Grants	25,839,485	-	-	-
9	World Bank loan for Transforming Health System for universal Care Project	22,000,000	32,000,000	10,000,000	45
10	EU Grant	66,000,000	66,000,000	-	-
<b>Sub Total</b>		<b>626,079,843</b>	<b>617,079,843</b>	<b>556,166,223</b>	<b>89</b>
<b>B Other Grants</b>					
11	Linda Mama	-	30,000,000	-	-
<b>Sub Total</b>		<b>-</b>	<b>30,000,000</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>		<b>626,079,843.0</b>	<b>647,079,843.0</b>	<b>556,166,222.5</b>	<b>89</b>

Source: Nyandarua County Treasury

Analysis of the conditional grants released during the period under review indicates that, Kenya Devolution Support Programme (KDSP) received the highest receipts at 803 per cent of annual allocation.

### 3.35.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.81 billion from the CRF account, which was 78.8 per cent of the Approved Supplementary Budget. This amount represented a decline of 6.7 per cent from Kshs.5.17 billion approved in FY 2016/17 and comprised of Kshs.3.77 billion (78.4 per cent) for recurrent expenditure and Kshs.1.03 billion (21.6 per cent) for development activities.

### 3.35.5 Overall Expenditure Review

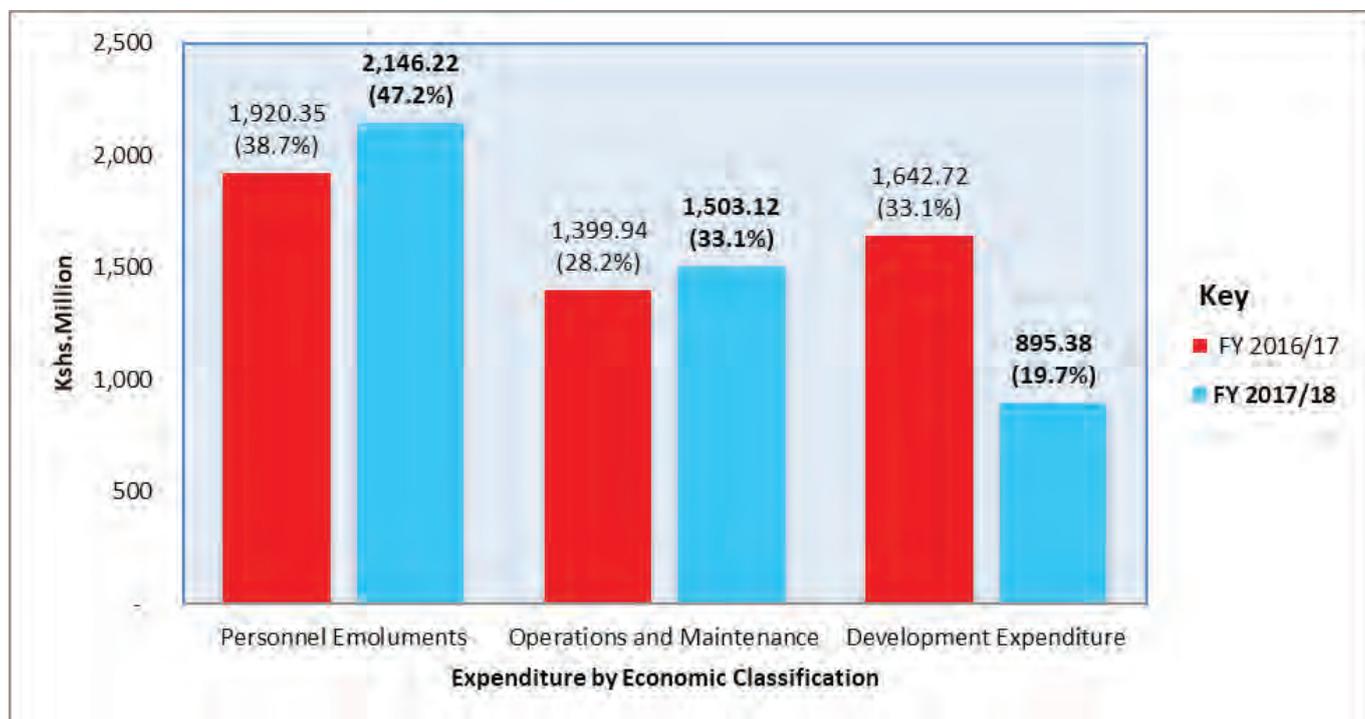
The County spent Kshs.4.54 billion, which was 94.5 per cent of the total funds released for operations. This was a decline of 8.4 per cent from Kshs.4.96 billion spent in FY 2016/17.

A total of Kshs.3.65 billion was spent on recurrent activities while Kshs.895.38 million was spent on development activities. The recurrent expenditure was 96.8 per cent of the funds released for recurrent activities, while development expenditure was 86.2 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.811.64 million for development activities and Kshs.95.28 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 89.4 per cent of the annual recurrent budget, an increase from 89.1 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 44.2 per cent, which was a decrease from 84.4 per cent attained in FY 2016/17.

Figure 3.139 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.139: Nyandarua County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



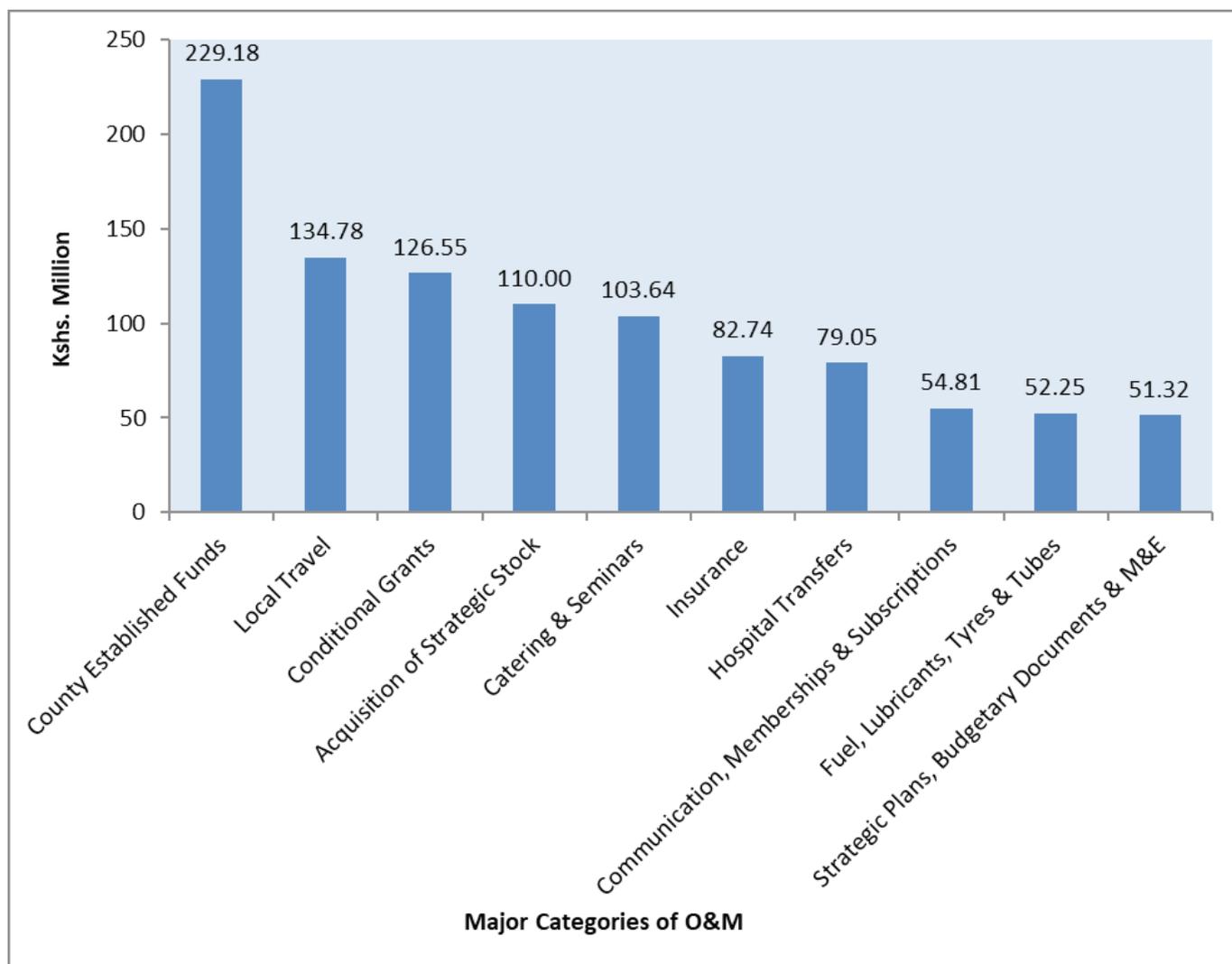
Source: Nyandarua County Treasury

### 3.35.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.65 billion comprised of Kshs.2.15 billion (58.8 per cent) incurred on personnel emoluments and Kshs.1.5 billion (41.2 per cent) on operations and maintenance as shown in Figure 3.139.

Expenditure on personnel emoluments represented an increase of 11.8 per cent compared to FY 2016/17 when the County spent Kshs.1.92 billion, and was 47.2 per cent of total expenditure in FY 2017/18. Figure 3.140 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.140: Nyandarua County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Nyandarua County Treasury*

The County spent Kshs.26.66 million on committee sitting allowances to the 40 MCAs against the annual budget allocation of Kshs.22.66 million. This was a decline of 36 per cent compared to Kshs.35.38 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.47,202 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.134.78 million and comprised of Kshs.60.33 million spent by the County Assembly and Kshs.74.45 million by the County Executive. This represented 3.7 per cent of total recurrent expenditure and was a decrease of 39.2 per cent compared to Kshs.249.33 million spent in FY 2016/17.

### 3.35.7 Development Expenditure Analysis

The total development expenditure of Kshs.895.38 million represented 44.2 per cent of the annual development budget of Kshs.2.03 billion. Table 3.103 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.103: Nyandarua County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Roads Maintenance Levy Fund	183,511,039	182,726,531	100
2	Construction of County Assembly Office Block	194,862,460	124,712,225	64
3	County spatial plan	47,066,913	47,066,913	100
4	Completion of County Assembly Chambers	30,000,000	30,000,000	100
5	Construction of a County Lands office	37,400,000	23,473,115	63
6	Purchase of tippers	35,000,000	20,961,350	60
7	Fertilizer Input Subsidy	19,602,000	19,599,000	100
8	Construction of V.I.P dias Ol'kalou stadium	8,107,550	15,396,543	190
9	Development programmes coordination (National Government support )	13,926,040	13,926,040	100
10	Provision of parking lots at Olkalau town for revenue enhancement	14,000,000	12,648,085	90

Source: Nyandarua County Treasury

### 3.35.8 Budget and Budget Performance Analysis by Department

Table 3.104 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.104: Nyandarua County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governor's Office & Service Delivery	179.34	10	175.37	6.90	108.69	-	62	-	60.6	-
The County Secretary	848.15	-	847.36	-	1,856.47	-	219.1	-	218.9	-
County Public Service Board	22.83	-	22.78	-	9.41	-	41.3	-	41.2	-
Public Administration & ICT	35.62	7.65	35.15	7.65	25.43	6.64	72.4	86.8	71.4	86.8
County Attorney	26.35	2.50	26.29	1.80	16.50	1.74	62.7	96.8	62.6	69.7
Finance & Economic Development	633.74	-	555.25	-	455.03	-	82	-	71.8	-
Agriculture Livestock & Fisheries	187.77	158.44	180.29	42.68	27.07	23.18	15	54.3	14.4	14.6
Lands, Housing & Physical Planning	36.28	149.90	24.41	97.87	22.83	100.23	93.6	102.4	62.9	66.9
Transport, Energy & Public Works	85.01	756.49	81.91	290.42	47.85	245.59	58.4	84.6	56.3	32.5
Health Services	1,125.12	188.55	954.14	91.20	324.43	92.06	34.0	100.9	28.8	48.8
Education, Gender, Youth, Culture and Social Services	153.95	131.56	144.38	117.39	87.41	68.96	60.5	58.7	56.8	52.4
Youth, Sports and Arts	37.56	67.96	36.33	67.25	24.30	73.70	66.9	109.6	64.7	108.4
Industrialization Cooperatives, Trade & Enterprise Development	56.64	63.56	52.79	14.06	37.63	37.60	71.3	267.5	66.4	59.2
Water , Environment, Tourism & Natural Resources	59.13	243.76	53.76	146.36	25.10	90.95	46.7	62.1	42.4	37.3

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	592.44	244.86	581.22	154.77	581.20	154.71	100.0	100.0	98.1	63.2
<b>TOTAL</b>	<b>4,079.94</b>	<b>2,025.24</b>	<b>3,771.43</b>	<b>1,038.36</b>	<b>3,649.34</b>	<b>895.38</b>	<b>96.8</b>	<b>86.2</b>	<b>89.4</b>	<b>44.2</b>

Source: Nyandarua County Treasury

Analysis of budget performance by department shows that, the Department of Youth, Sports and the Arts attained the highest absorption rate of development budget at 108.4 per cent while the Office of the Governor did not incur any development expenditure. The County Secretary had the highest percentage of recurrent expenditure to recurrent budget at 218.9 per cent while the Department Agriculture Livestock and Fisheries had the lowest at 14.4 per cent.

### 3.35.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Weak budgetary control as evidenced by expenditure in excess of approved budgetary allocation in Youth, Sports and Arts Department and the County Secretary Office.
2. Decline in absorption of development funds by 45.5 per cent from Kshs.1.64 billion in FY 2016/17 to Kshs.895.38 million in a similar period in FY 2017/18.
3. Large outstanding imprests. The cumulative outstanding imprests totaled Kshs.44.66 million as at 30th June FY 2017/2018.
4. The County's wage bill has remained high at 47.2 per cent of total expenditure and increased by 11.8 per cent from Kshs.1.92 billion in FY 2016/17 to Kshs.2.15 billion in the period under review.

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

1. *The County Treasury should improve vote book and budgetary control to ensure that expenditure is within the approved budget.*
2. *The County should institute appropriate mechanisms to enhance absorption of development funds.*
3. *The County Treasury should ensure strict adherence to financial regulations on management of imprest.*
4. *The County Public Service Board should establish an optimal staffing structure in order to reduce the wage bill.*

## 3.36 Nyeri County

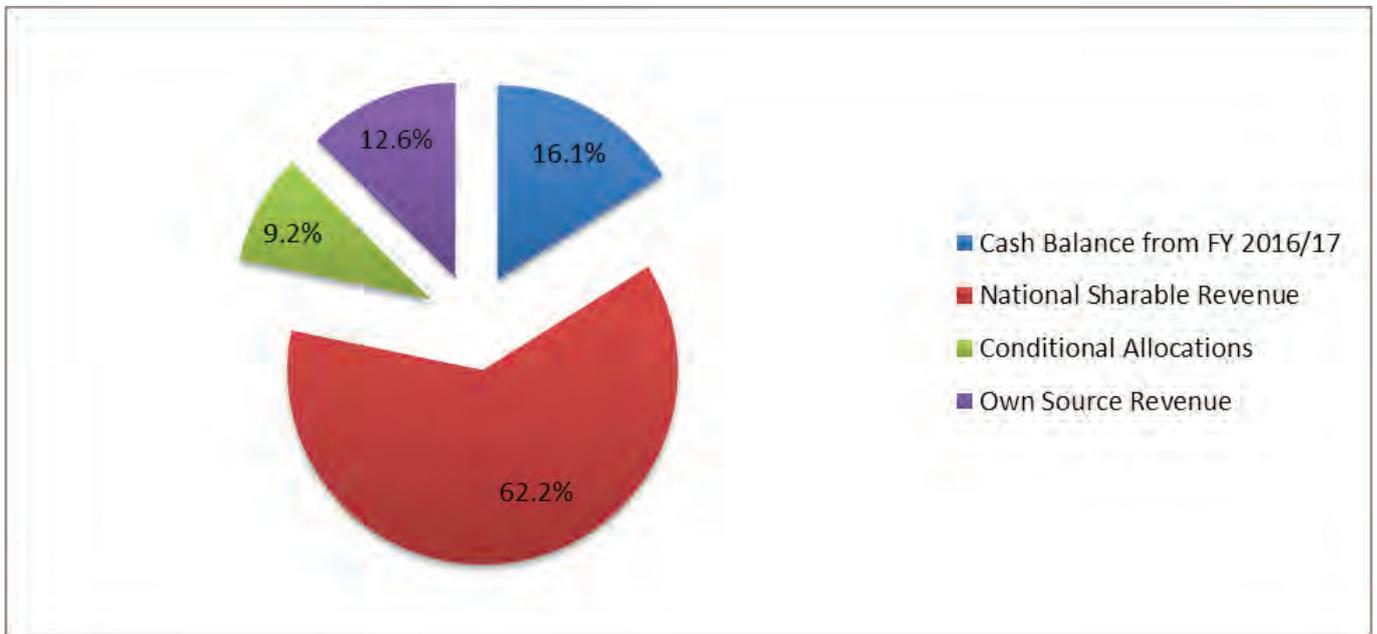
### 3.36.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Supplementary Budget was Kshs.7.96 billion, comprising of Kshs.5.47 billion (68.7 per cent) and Kshs.2.49 billion (31.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.95 billion (62.2 per cent) as equitable share of revenue raised nationally, Kshs.729.04 million (9.2 per cent) as total conditional grants, generate Kshs.1 billion (12.6 per cent) from own source revenue, and Kshs.1.28 billion (16.1 per cent) cash balance from FY 2016/17.

Figure 3.141 shows the expected sources of budget financing in FY 2017/18

**Figure 3.141: Nyeri County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Nyeri County Treasury*

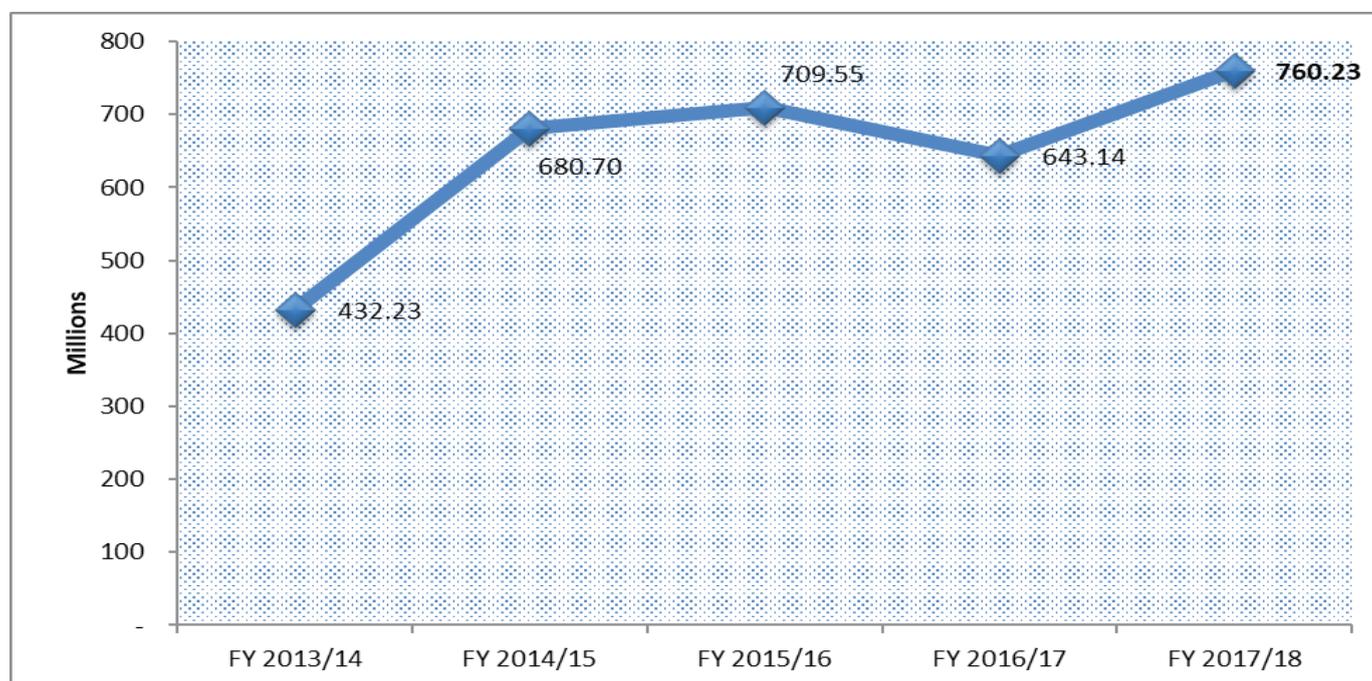
The conditional grants contained in the CARA, 2017 comprised of Kshs.407.86 million (48.4 per cent) for Nyeri Level 5 Hospital, Kshs.95.74 million (11.4 per cent) for Leasing of Medical Equipment Kshs.189.57 million (22.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.70 million (1.6 per cent) as Compensation for User Fee Foregone, Kshs.12.85 million (1.5 per cent) from DANIDA, Kshs.40.85 million (4.9 per cent) for the World Bank Kenya Devolution Support Program, Kshs.42.21 million (5 per cent) for Development of Youth Polytechnics, Kshs.22 million (2.6 per cent) as World Bank loan for Transforming Health System for Universal Care System, and Kshs.17.06 million (2 per cent) as Other Loans and Grants.

### **3.36.2 Revenue Analysis**

During the FY 2017/18, the County received Kshs.4.95 billion as equitable share of revenue raised nationally, Kshs.683.32 million as total conditional grants, raised Kshs.760.23 million from own source revenue, and had a cash balance of Kshs.1.28 billion from FY 2016/17. The total available funds amounted to Kshs.7.68 billion.

Figure 3.142 shows the quarterly trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.142: Nyeri County, Trend in Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Nyeri County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.760.23 million, representing an increase of 18.2 per cent compared to Kshs.643.14 million generated in FY 2016/17 and was 76 per cent of the annual target.

### 1.1.4 Conditional Grants

Table 3.105 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.105: Nyeri County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grant or Loan Details	Annual CARA,2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA,2017</b>				
1	Level-5 Hospital	407,861,272	407,861,272	407,861,272	100.0
2	Road Maintenance Fuel Levy Fund	189,567,564	189,567,564	155,848,315	82.2
3	Leasing of Medical Equipment	95,744,681	-	-	-
4	Development of Youth Polytechnics	42,211,848	42,211,848	42,211,848	100.0
5	Kenya Devolution Support Programme (KDSP)	40,850,289	40,850,289	40,850,289	100.0
6	World Bank Loan for Transforming Health System for Universal Care System	22,000,000	22,000,000	10,000,000	45.5
7	Other Loans & Grants	17,065,212	-	-	-
8	Compensation for User Fee Foregone	13,701,379	13,701,379	13,701,379	100.0
9	DANIDA Grant	12,845,841	12,845,841	12,845,841	100.0
<b>Grand Total</b>		<b>841,848,086</b>	<b>729,038,193</b>	<b>683,318,944</b>	<b>81.2</b>

Source: Nyeri County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Level-5 Hospital, Development of Youth Polytechnics, Kenya Devolution Support Programme (KDSP), Compensation for User Fee Foregone, and the DANIDA grant attained 100 per cent of the annual target.

### 3.36.3 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.6.54 billion from the CRF account, which was 82.1 per cent of the Supplementary Budget. This amount represented an increase of 10.4 per cent from Kshs.5.92 billion approved in FY 2016/17 and comprised of Kshs.5.07 billion (77.6 per cent) for recurrent expenditure and Kshs.1.46 billion (22.4 per cent) for development activities.

### 3.36.4 Overall Expenditure Review

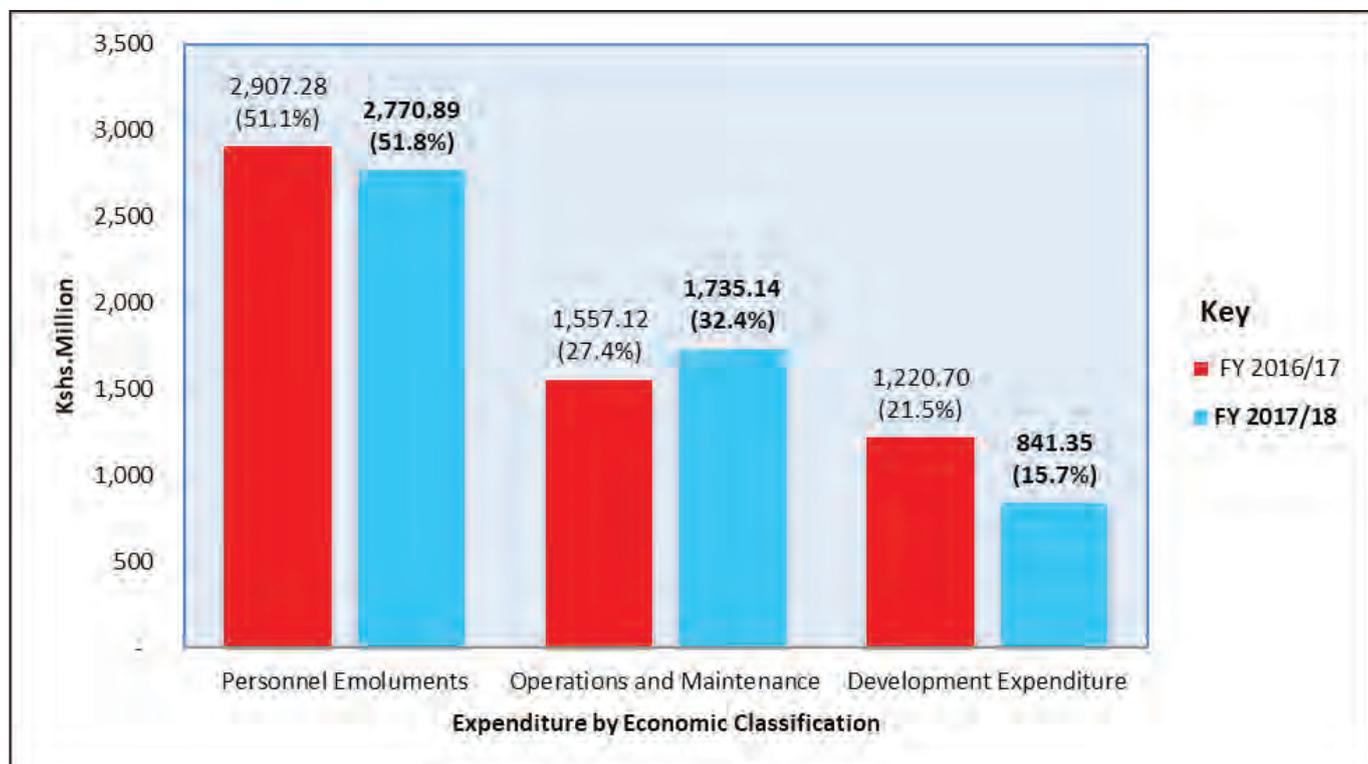
The County spent Kshs.5.35 billion, which was 81.8 per cent of the total funds released for operations. This was a decline of 5.9 per cent from Kshs.5.68 billion spent in FY 2016/17.

A total of Kshs.4.5 billion was spent on recurrent activities while Kshs.841.57 million was spent on development activities. The recurrent expenditure was 88.8 per cent of the funds released for recurrent activities, while development expenditure was 57.5 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.1.07 billion for development activities and Kshs.345.76 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 82.4 per cent of the annual recurrent budget, a decrease from 89.7 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 33.8 per cent, which was a decrease from 53 per cent attained in FY 2016/17.

Figure 3.143 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.143: Nyeri County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Nyeri County Treasury

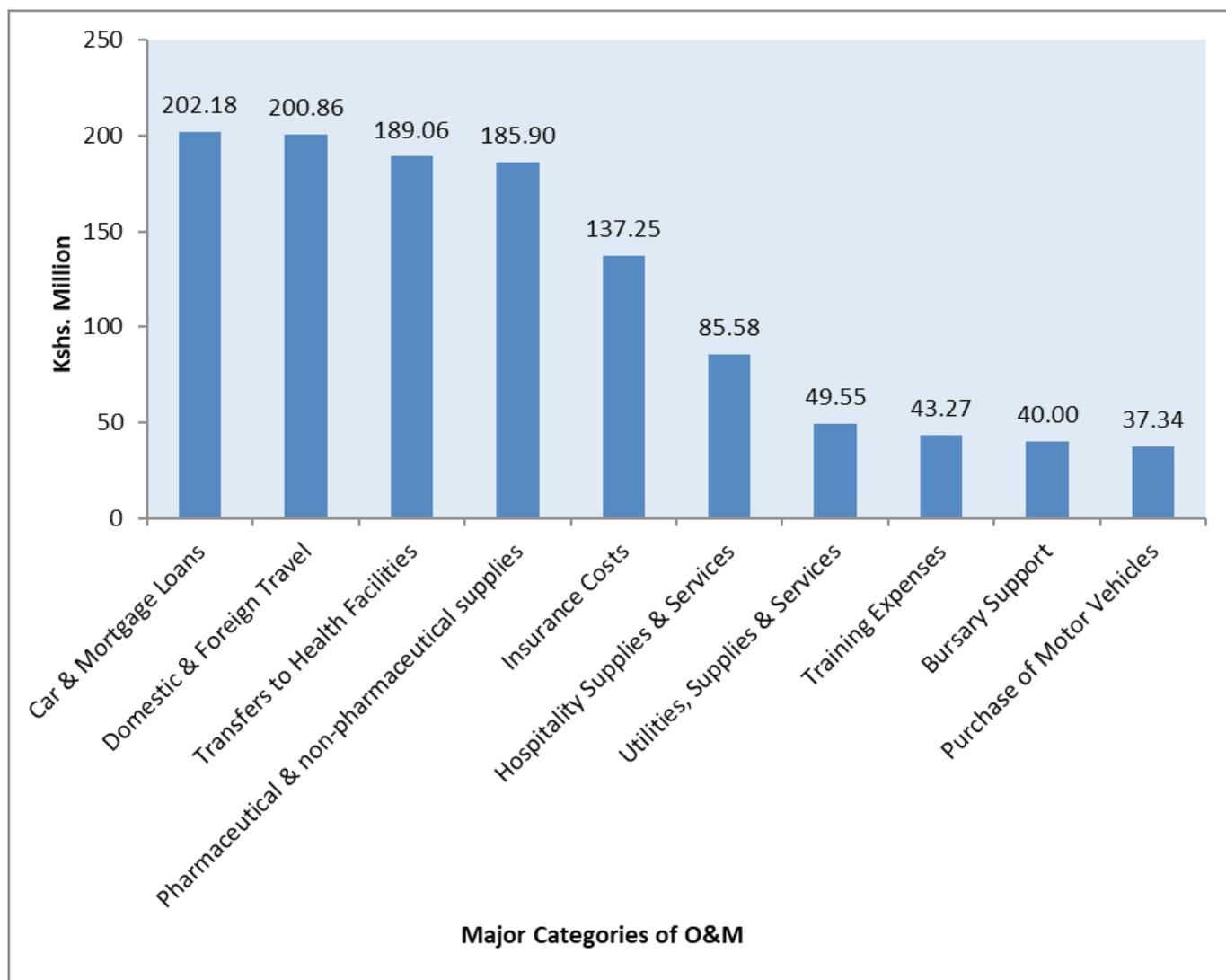
### 3.36.5 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.5 billion comprised of Kshs.2.77 billion (61.5 per cent) incurred on personnel emoluments and Kshs.1.73 billion (38.5 per cent) on operations and maintenance as shown in Figure 3.143.

Expenditure on personnel emoluments represented a decrease of 4.7 per cent compared to FY 2016/17 when the County spent Kshs.2.91 billion, and was 51.8 per cent of total expenditure in FY 2017/18.

Figure 3.144 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.144: Nyeri County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Nyeri County Treasury

The County spent Kshs.20.59 million on committee sitting allowances to the 45 MCAs against the annual budget allocation of Kshs.46.8 million. This was a decline of 57.1 per cent compared to Kshs.48.01 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.38,130 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.179.39 million and comprised of Kshs.123.75 million spent by the County Assembly and Kshs.55.64 million by the County Executive. This represented 2.7 per cent of total recurrent expenditure and was decrease of 41.1 per cent compared to Kshs.244.08 million spent in FY 2016/17.

### 3.36.6 Development Expenditure Analysis

The total development expenditure of Kshs.841.57 million represented 33.8 per cent of the annual development budget of Kshs.2.49 billion. The County did not provide a list of development projects during the reporting period. Table 3.106 provides a summary of development projects with the highest expenditure in the FY 2017/18.

**Table 3.106: Nyeri County, List of Development Projects with the Highest Expenditure in the FY 2017/18**

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual expenditure (Kshs.)	Absorption rate (%)
1	Purchase of 2 Fire Engines	County Headquarters	100,000,000	100,000,000	100
2	Drilling & Equipping Boreholes	County Wide	67,822,808	67,822,808	100
3	Enterprise Development Loans	County Wide	30,000,000	30,000,000	100
4	Avocado/ Greening Project	County Wide	30,000,000	26,467,600	88
5	Soil Liming	County Wide	49,321,260	23,359,726	47
6	Motor Vehicles - Extension Work	County Wide	20,268,000	20,268,000	100
7	Refurbishment - Level 5 Hospital	Nyeri Town	32,383,460	16,479,523	51
8	Rehabilitation of Fish Ponds	County Wide	14,750,000	14,750,000	100
9	Procurement of Semen & Liquid Nitrogen	County Wide	10,560,000	10,560,000	100
10	Revenue Management System	County Headquarters	17,000,000	10,469,580	62

Source: Nyeri County Treasury

### 3.36.7 Budget and Budget Performance Analysis by Department

Table 3.107 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.107: Nyeri County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	152.04	22.52	146.04	-	105.89	-	72.5	-	69.6	-
office of the County Secretary	299.39	-	299.38	-	232.20	-	77.6	-	77.6	-
Finance and Economic Planning	587.82	558.95	491.45	529.01	347.34	472.20	70.7	89.3	59.1	84.5
Lands, Physical Planning, Housing & Urbanization	54.29	51.91	54.29	51	30.70	-	56.6	-	56.6	-
Health, Public Health & Sanitation Services	2,418.14	250.44	2,209.60	63	2,316.42	45.56	104.8	72.3	95.8	18.2
Gender and Social Services	124.64	138.42	117.95	114	63.76	100.61	54.1	88.3	51.2	72.7
County Public Service, Administration & Youth Affairs	280.89	27.75	280.89	6	241.80	-	86.1	-	86.1	-
Agriculture, Livestock & Fisheries Development	319.42	228.07	319.06	144.85	253.12	79.54	79.3	54.9	79.2	34.9
Trade, Culture, Tourism & Cooperative Development	63.90	105.93	51.62	70	18.41	34.33	35.7	49.0	28.8	32.4

Department	FY 2017/18 Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Science & Technology	179.03	99.41	179.03	56.99	117.27	8.62	65.5	15.1	65.5	8.7
Water, Environment & Natural Resources	133.69	250.60	133.69	103.43	78.89	35.70	59.0	34.5	59.0	14.2
County Assembly	676.01	61.75	615.09	4.99	592.93	4.99	96.4	100.0	87.7	8.1
County Public Service Board	37.30	-	37.30	-	24.34	-	65.2	-	65.2	-
Transport, Public Works, Infrastructure & Communication	141.92	693.77	136.22	320.15	80.51	59.80	59.1	18.7	56.7	8.6
Energy	3.10	-	2.82	-	2.45	-	86.7	-	78.9	-
<b>TOTAL</b>	<b>5,471.57</b>	<b>2,489.53</b>	<b>5,074.43</b>	<b>1,463.42</b>	<b>4,506.03</b>	<b>841.57</b>	<b>88.8</b>	<b>57.5</b>	<b>82.4</b>	<b>33.8</b>

Source: Nyeri 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 84.5 per cent while the Department of Health, Public Health & Sanitation Services had the highest percentage of recurrent expenditure to recurrent budget at 95.8 per cent.

### 3.36.8 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation:-

1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.
2. A high wage bill that was 51.8 of the total expenditure in the period under review.
3. Delay in submission of the annual expenditure returns by the County Treasury to the Office of the Controller of Budget contrary to Section 166 of the PFM Act, 2012.

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

1. The County should 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 ensure timely preparation and submission of financial returns in line with Section 166 of PFM Act, 2012.

## 3.37 Samburu County

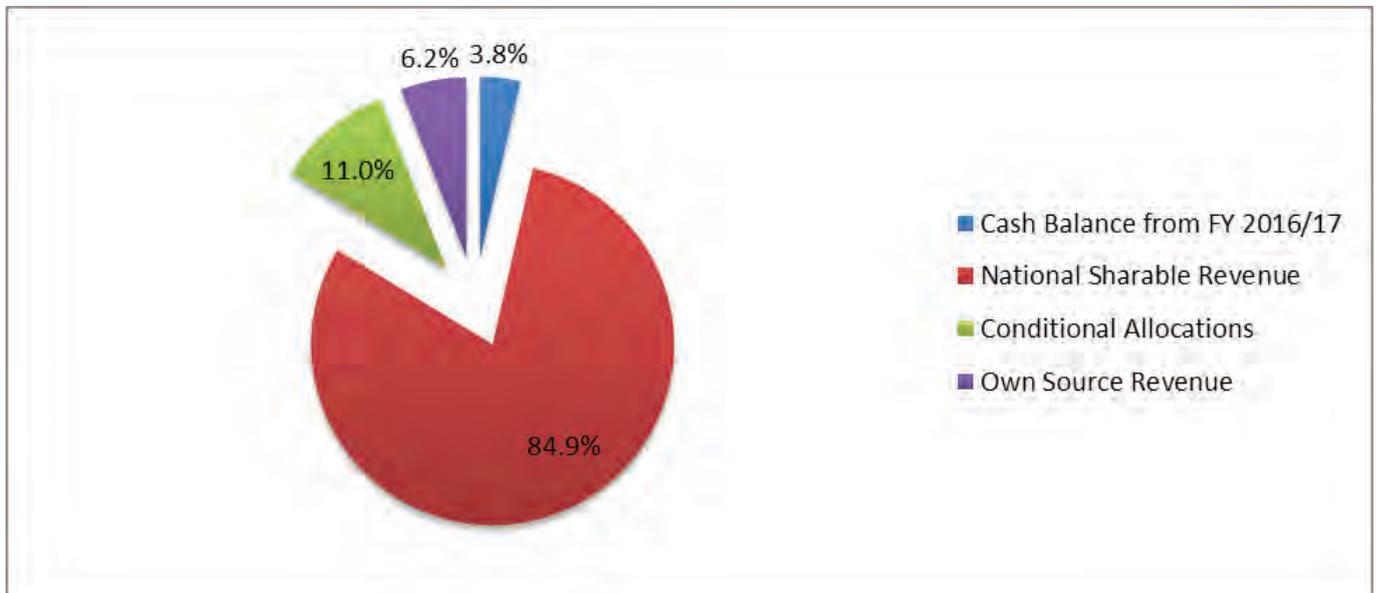
### 3.37.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.4.83 billion, comprising of Kshs.3.38 billion (69.9 per cent) and Kshs.1.45 billion (30.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.1 billion (84.9 per cent) as equitable share of revenue raised nationally, Kshs.530.69 million (11 per cent) as total conditional grants, generate Kshs.301.23 million (6.2 per cent) from own source revenue, and Kshs.182.47 million (6.2 per cent) cash balance from FY 2016/17.

Figure 3.145 shows the expected sources of budget financing in FY 2017/18

**Figure 3.145: Samburu County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Samburu County Treasury*

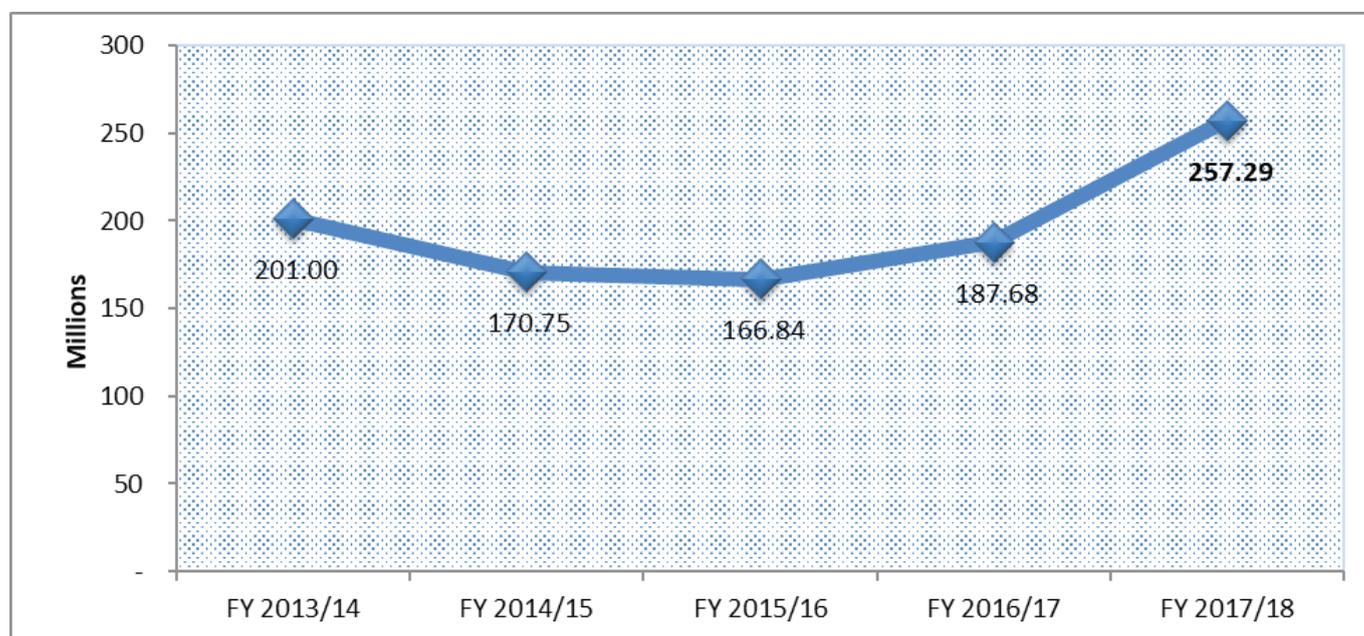
The conditional grants contained in the CARA, 2017 comprised of Kshs.151.37 million (28.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.33 million (1 per cent) as Compensation for User Fee Foregone, Kshs.10.26 million (1.9 per cent) from DANIDA, Kshs.53.13 million (10 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.36.73 million (6.9 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.25.36 million (4.8 per cent) for Development of Youth Polytechnics, Kshs.66.79 million (12.6 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.95.74 million (18 per cent) for Leasing of medical Equipment and Kshs.66 million (38.9 per cent) as European Union (EU) grant. The County also budgeted to receive Kshs.35.99 for Other Loans and Grants and Kshs.50 million as grant for National Agricultural & Rural Inclusive Growth Project programme, which is contained in the CARA, 2017.

### 3.37.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.4.1 billion as equitable share of revenue raised nationally, Kshs.225.12 million as total conditional grants, raised Kshs.257.29 million from own source revenue, and had a cash balance of Kshs.182.47 million from FY 2016/17. The total available funds amounted to Kshs.4.77 billion.

Figure 3.147 shows the annual trend in annual own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.146: Samburu County, Trend in Annual Own Source revenue Collection from FY 2013/14 to FY 2017/18**



Source: Samburu County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.257.29 million, representing an increase of 37.1 per cent compared to Kshs.187.68 million generated in FY 2016/17 and was 85.4 per cent of the annual target.

### 3.37.3 Conditional Grants

Table 3.108 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.108: Samburu County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	151,365,222	151,365,222	35,000,000	23
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	World Bank loan to supplement financing of County Health facilities	53,125,000	53,125,000	53,848,048	101
4	Kenya Devolution Support Programme (KDSP)	36,731,596	36,731,596	36,731,596	100
5	Compensation for User Fee Foregone	5,325,578	5,325,578	5,321,855	100
6	DANIDA Grant	10,256,191	10,256,191	10,256,191	100
7	Development of Youth Polytechnics	25,356,891	25,356,891	25,850,000	102
8	Conditional Allocation - Other Loans & Grants	35,998,283	35,998,283		-
9	World Bank Loan for Transforming Health System for universal Care Project	66,786,231	66,786,231	7,507,125	11
10	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101
<b>Total</b>		<b>530,689,673</b>	<b>530,689,673</b>	<b>225,124,670</b>	<b>42</b>

Source: Samburu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Development of Youth Polytechnics grant recorded the highest receipts at 102 per cent of annual allocation.

### 3.37.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.3.96 billion from the CRF account, which was 82 per cent of the Approved Supplementary Budget. This amount represented a decline of 7.4 per cent from Kshs.4.28 billion approved in FY 2016/17 and comprised of Kshs.3.38 billion (85.3 per cent) for recurrent expenditure and Kshs.582.44 million (14.7 per cent) for development activities.

### 3.37.5 Overall Expenditure Review

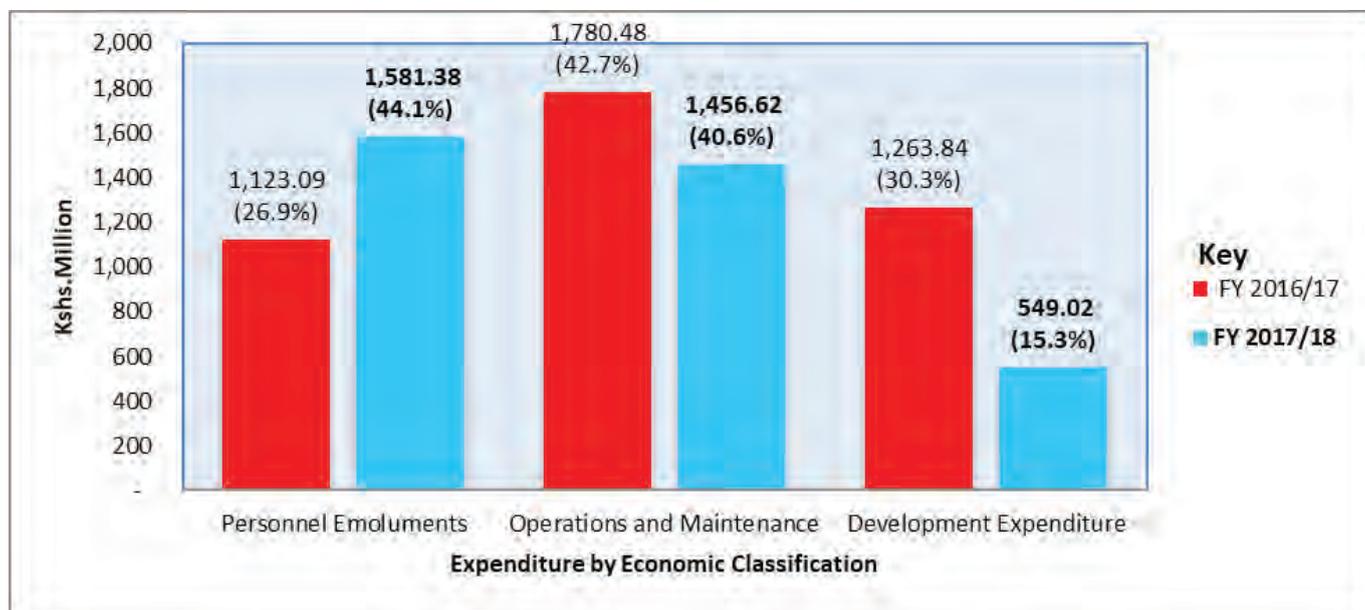
The County spent Kshs.3.59 billion, which was 90.5 per cent of the total funds released for operations. This was decline of 13.9 per cent from Kshs.4.17 billion spent in FY 2016/17.

A total of Kshs.3.04 billion was spent on recurrent activities while Kshs.549.02 million was spent on development activities. The recurrent expenditure was 89.9 per cent of the funds released for recurrent activities, while development expenditure was 94.3 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.516.64 million for development activities and Kshs.276.02 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 89.9 per cent of the annual recurrent budget, a decrease from 90.6 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 37.6 per cent, a decrease from 86.4 per cent attained in FY 2016/17.

Figure 3.148 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.147: Samburu County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



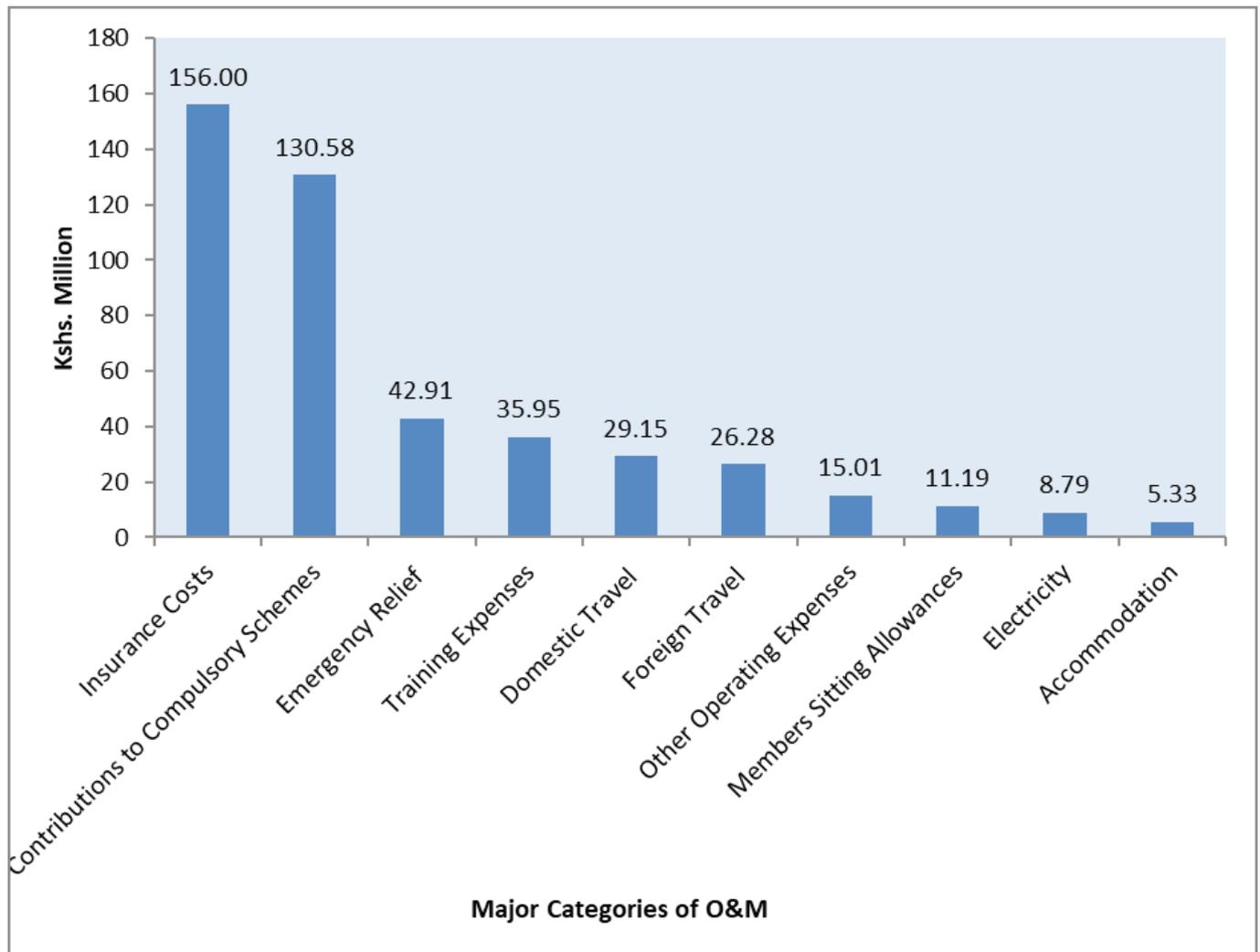
Source: Samburu County Treasury

### 3.37.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.04 billion comprised of Kshs.1.58 billion (52.1 per cent) incurred on personnel emoluments and Kshs.1.46 million (47.9 per cent) on operations and maintenance as shown in Figure 3.147.

Expenditure on personnel emoluments represented an increase of 40.8 per cent compared to FY 2016/17 when the County spent Kshs.1.12 billion, and was 44.1 per cent of total expenditure in FY 2017/18. Figure 3.148 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.148: Samburu County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Samburu County Treasury*

The County spent Kshs.11.19 million on committee sitting allowances to the 28 MCAs against the annual budget allocation of Kshs.24.4 million. This was a decline of 58 per cent compared to Kshs.26.61 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.33,302 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.29.15 million and comprised of Kshs.19.75 million spent by the County Assembly and Kshs.9.4 million by the County Executive. This represented 1 per cent of total recurrent expenditure and was a decrease of 59 per cent compared to Kshs.166.84 million spent in FY 2016/17.

### 3.37.7 Development Expenditure Analysis

The total development expenditure of Kshs.549.02 million represented 39.4 per cent of the annual development budget of Kshs.1.39 billion. Table 3.109 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.109: Samburu County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)
1	Construction of County offices	Maralal	45,000,000	45,000,000
2	Construction of County Assembly chambers	Maralal	60,000,000	48,491,292
3	Construction of Boreholes/water expansion	Maralal	20,964,564	20,964,564
4	Construction of Sub County Administrators-East office variation, Fencing and VIP Toilets and ward offices	Wamba	20,875,837	20,875,837
5	Construction of Boreholes/water expansion	Wamba	15,617,558	15,617,558.65
6	Purchase of Animals and Breeding Stock	County Wide	12,416,000	12,416,000
7	Construction of Roads	Maralal	11,206,000	11,206,000
8	Construction of Roads	Maralal	10,970,000	10,970,000
9	Construction of modern outpatient block phase 1 and laboratory	Maralal	10,460,026	1,046,0026

Source: Samburu County Treasury

### 3.37.8 Budget and Budget Performance Analysis by Department

Table 3.110 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.110: Samburu County, Budget Performance by Department in FY 2017/18**

	Budget Allocation (Kshs. Million)		Exchequer Issues in the FY 2017/18 (Kshs. Million)		Expenditure in The FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	544.04	60.00	542.51	50.00	487.42	-	89.8		89.6	
County Executive	463.53	35.90	477.59	14.00	386.22	15.44	80.9	110.3	83.3	43.0
Finance & Economic planning	505.80	20.03	506.89	8.00	440.92	0.32	87.0	4.0	87.2	1.6
Agriculture, Livestock, Veterinary & Fisheries	210.38	184.84	203.07	68.50	185.57	53.25	91.4	77.7	88.2	28.8
Environment & Natural Resources	149.04	259.41	105.14	99.75	97.96	34.13	93.2	34.2	65.7	13.2
Education, Youth Affairs & Social Development	320.14	140.95	341.58	50.30	323.35	53.16	94.7	105.7	101.0	37.7
County Health Services	788.71	183.94	771.25	59.35	731.33	41.34	94.8	69.7	92.7	22.5
Lands, Physical Planning and Urban Development	78.45	62.36	77.24	22.00	58.63	3.32	75.9	15.1	74.7	5.3
County Transport, Public Works and Water Services	83.92	348.21	110.77	148.94	146.51	255.39	132.3	171.5	174.6	73.3
Trade, Tourism, Cooperatives and Enterprise Development	154.06	136.30	157.27	54.60	125.30	85.19	79.7	156.0	81.3	62.5
Culture, Social Services and Gender	81.24	21.32	87.47	7.00	54.76	7.51	62.6	107.3	67.4	35.2
<b>TOTAL</b>	<b>3,379</b>	<b>1,453</b>	<b>3,381</b>	<b>582</b>	<b>3,038</b>	<b>549</b>	<b>89.9</b>	<b>94.3</b>	<b>89.9</b>	<b>37.8</b>

Source: Samburu County Treasury

Analysis of budget performance by department shows that, the Department of County Transport, Public Works and Water Services attained the highest absorption rate of development budget at 73.3 per cent. The Department of County Transport, Public had the highest percentage of recurrent expenditure to recurrent budget at 174.6 per cent while the Department of Environment & Natural Resources had the lowest at 65.7 per cent.

### 3.37.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
2. Delay in submission of the annual expenditure returns by the County Treasury to the Office of the Controller of Budget contrary to Section 166 of the PFM Act, 2012.
3. High wage bill that has increased by 40.8 per cent from Kshs.1.12 billion in FY 2016/17 to Kshs.1.58 billion during the period under review.

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

1. *The County Treasury to liaise with IFMIS Directorate to address the connectivity challenges.*
2. *The County Treasury should ensure timely preparation and submission of financial returns in line with Section 166 of PFM Act, 2012.*
3. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

### 3.38 Siaya County

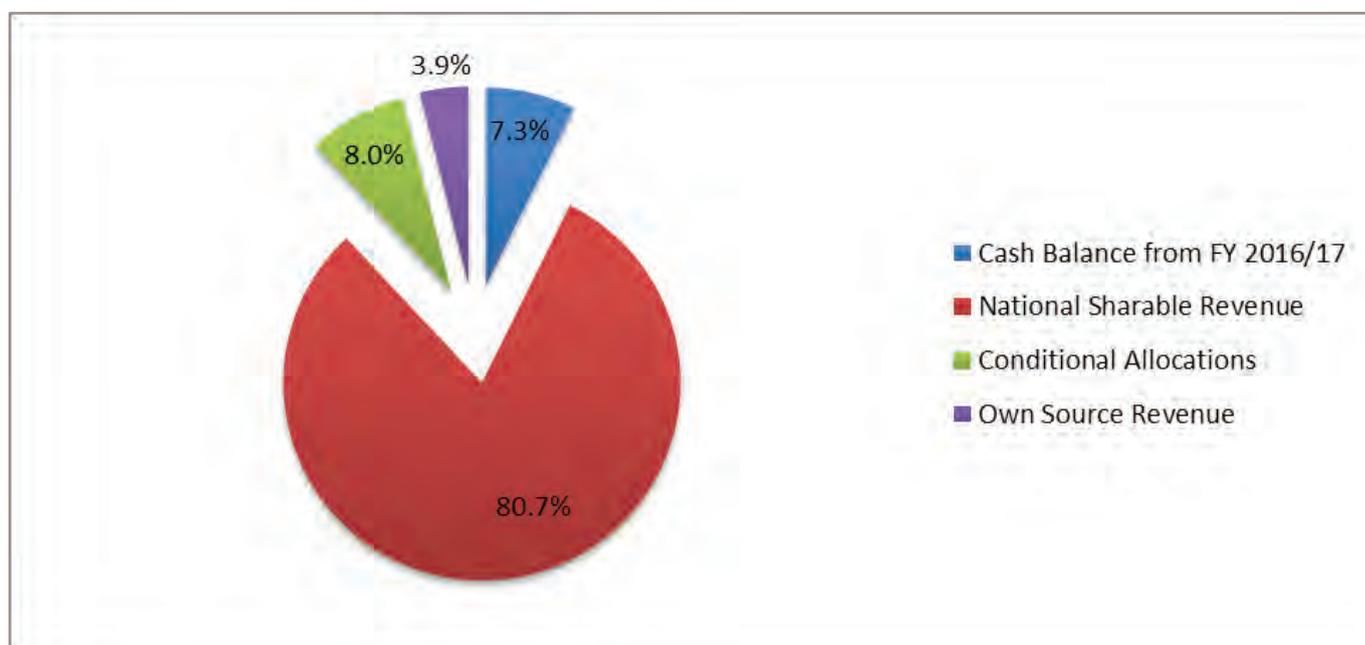
#### 3.38.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.6.85 billion, comprising of Kshs.4.3 billion (62.8 per cent) and Kshs.2.55 billion (37.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.53 billion (80.7 per cent) as equitable share of revenue raised nationally, Kshs.549.62 million (8 per cent) as total conditional grants, generate Kshs.270 million (3.9 per cent) from own source revenue, and Kshs.499.12 million (7.3 per cent) cash balance from FY 2016/17.

Figure 3.149 shows the expected sources of budget financing in FY 2017/18

**Figure 3.149: Siaya County Expected Sources of Budget Financing in FY 2017/18 (%)**



Source: Siaya County Treasury

Conditional grants contained in the CARA, 2017 comprised of Kshs.212.83 million (40.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (18.1 per cent) for Leasing of Medical Equipment, Kshs.43.03 million (8.2 per cent) for the World Bank Kenya Devolution Support Program, Kshs.63.67 million (7.2 per cent) as Conditional Allocation-Other Loans and Grants, Kshs.18.19 million (3.4 per cent) as Compensation for User Fee Foregone, Kshs.39.02 million (10.8 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.14.42 million (4.2 per cent) from DANIDA and Kshs.40.65 million (7.7 per cent) for the Development of Youth Polytechnics.

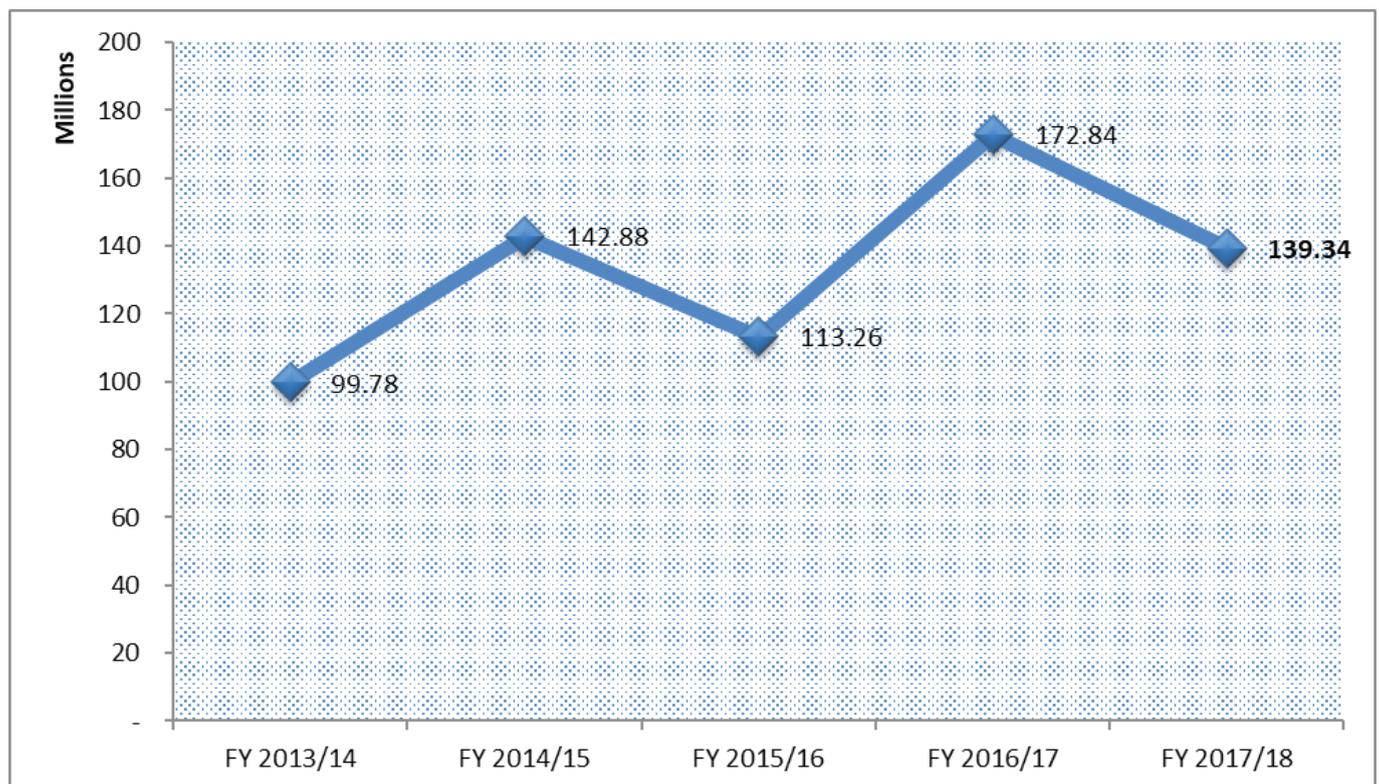
The County also expected to receive Kshs.13.4 million as grant for the Agricultural Sector Development Support Program (ASDP), which was not contained in the CARA, 2017.

### 3.38.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.5.53 billion as equitable share of revenue raised nationally, Kshs.451.31million as total conditional grants, raised Kshs.139.34 million from own source revenue, and had a cash balance of Kshs.499.12 million from FY 2016/17. The total available funds amounted to Kshs.6.62 billion.

Figure 3.150 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.150: Siaya County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



*Source: Siaya County Treasury*

The total own source revenue generated in FY 2017/18 amounted to Kshs.139.34 million, representing a decline of 19.4 per cent compared to Kshs.172.84 million generated in FY 2016/17. This represented 51.6 per cent of the annual own source revenue target.

### 3.38.3 Conditional Grants

Table 3.111 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.111: Siaya County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	212,834,314	212,834,314	212,834,315	100
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	World Bank Loan for Transforming Health System for Universal Care System	39,021,230	39,021,230	17,736,923	45
4	Kenya Devolution Support Programme (KDSP)	43,031,378	43,031,378	146,613,471	341
5	Development of Youth Polytechnics	40,647,137	40,647,137	40,647,137	100
6	Conditional Allocation - Other Loans & Grants	63,669,291	63,669,291	-	-
7	DANIDA Grant	14,422,487	23,075,979	14,422,487	100
8	Compensation for User Fee Foregone	18,194,808	18,194,808	19,057,307	105
9	Agricultural Sector development Support Program	-	13,400,000	-	-
<b>Grand Total</b>		<b>527,565,326</b>	<b>549,618,818</b>	<b>451,311,640</b>	<b>86</b>

Source: Siaya County Treasury

Analysis of the conditional grants released during the period under review indicates that, Kenya Devolution Support Programme (KDSP) recorded the highest receipts at 341 per cent of annual budget allocation. This amount included Kshs.103.58 million under the KDSP-Level 2 allocation on performance assessment.

### 3.38.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.5.44 billion from the CRF account, which was 79.4 per cent of the Approved Supplementary Budget. This amount represented a decline of 14.8 per cent from Kshs.6.38 billion approved in FY 2016/17 and comprised of Kshs.4.24 billion (78 per cent) for recurrent expenditure and Kshs.1.2 billion (22 per cent) for development activities.

### 3.38.5 Overall Expenditure Review

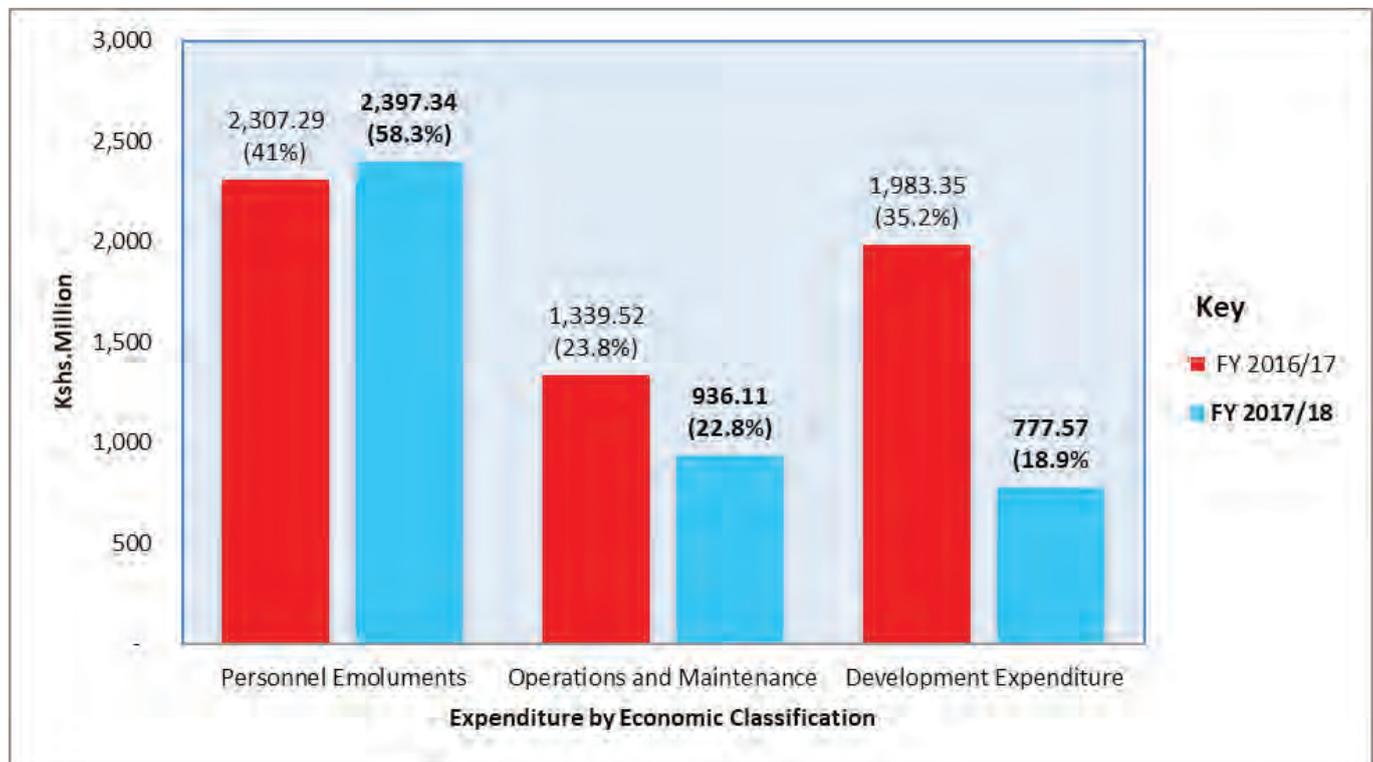
The County spent Kshs.4.11 billion, which was 75.6 per cent of the total funds released for operations. This was a decline of 27 per cent from Kshs.5.63 billion spent in FY 2016/17.

A total of Kshs.3.33 billion was spent on recurrent activities while Kshs.777.57 million was spent on development activities. The recurrent expenditure was 78.6 per cent of the funds released for recurrent activities, while development expenditure was 65 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.246.75 million for development activities and Kshs.367.75 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 77.5 per cent of the annual recurrent budget, a decrease from 93.1 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 30.5 per cent, which was a decrease from 62.9 per cent attained in FY 2016/17.

Figure 3.151 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.151: Siaya County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



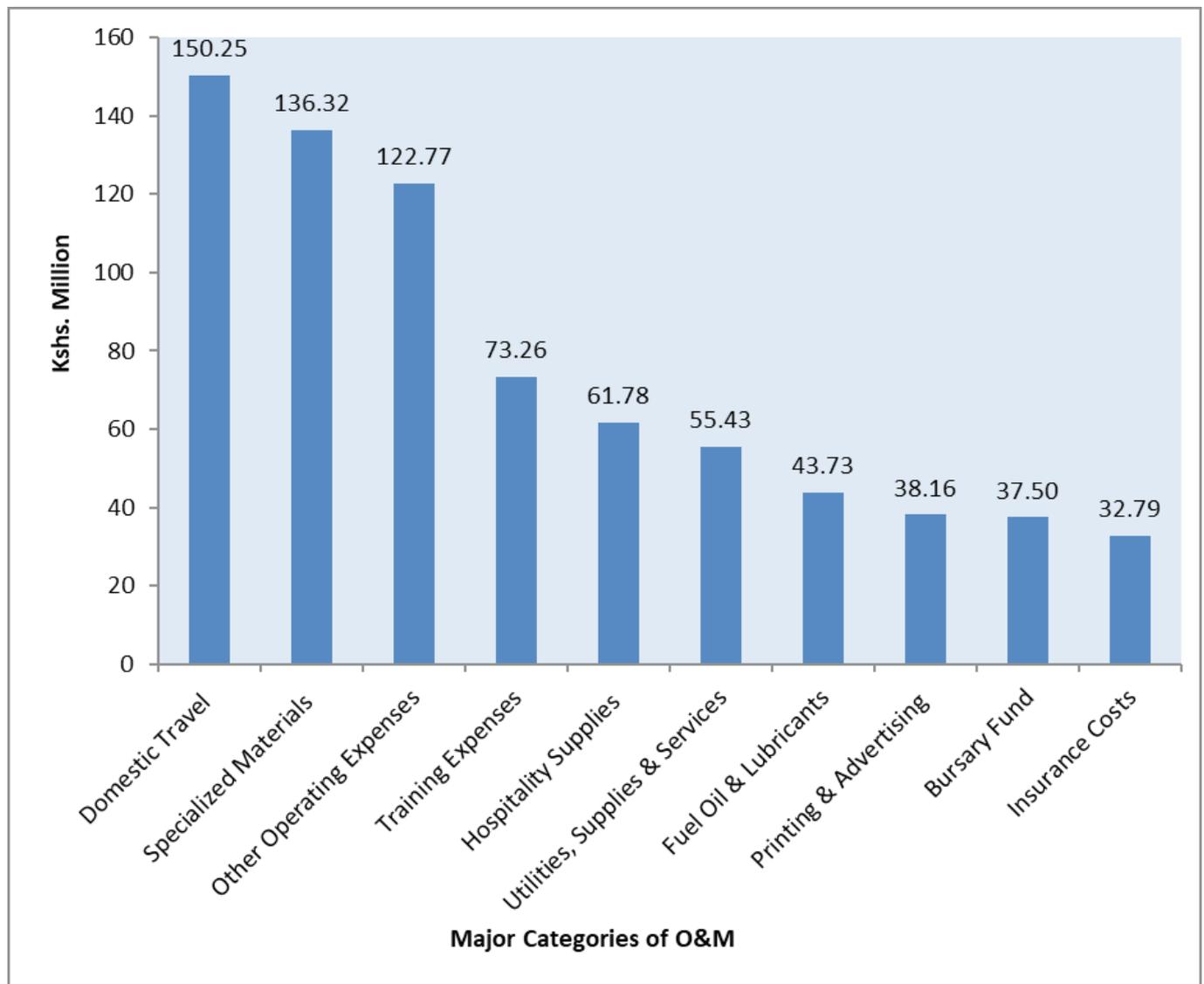
Source: Siaya County Treasury

### 3.38.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.33 billion comprised of Kshs.2.4 billion (71.9 per cent) incurred on personnel emoluments and Kshs.936.11 million (28.1 per cent) on operations and maintenance as shown in Figure 3.151.

Expenditure on personnel emoluments represented an increase of 3.9 per cent compared to FY 2016/17 when the County spent Kshs.2.31 billion, and was 58.3 per cent of total expenditure in FY 2017/18. Figure 3.152 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.152: Siaya County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Siaya County Treasury*

The County spent Kshs.20.64 million on committee sitting allowances to the 43 MCAs including the speaker against the annual budget allocation of Kshs.26.72 million. This was a decline of 67.1 per cent compared to Kshs.62.68 million spent in FY2016/17. The average monthly sitting allowance was Kshs. 39,990 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.150.25 million and comprised of Kshs.68.32 million spent by the County Assembly and Kshs.81.94 million by the County Executive. This represented 4.5 per cent of total recurrent expenditure and was a decrease of 35.3 per cent compared to Kshs.261.46 million spent in FY2016/17.

### **3.38.7 Development Expenditure Analysis**

The total development expenditure of Kshs.777.57 million represented 30.5 per cent of the annual development budget of Kshs.2.55 billion. Table 3.112 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.112: Siaya County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY 2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Supply of ECD furniture's to all classrooms	All Wards	35,000,000	35,000,000	100
2	Renovation works at Moi University Odera Akango Campus College	Yala Township	35,000,000	13,910,411	40
3	Provision of wide area network connectivity and internet	Headquarters	18,002,002	13,094,866	73
4	Supply of dairy cows	Sidindi	10,350,000	10,275,000	99
5	Supply and delivery of fertilizers	Headquarters	20,000,000	10,150,000	51
6	Siaya County Spatial Plan	Headquarters	20,000,000	10,000,000	50
7	Maintenance of Kipasi Wagusu road	South Sakwa	9,863,944	9,567,360	97
8	Supply delivery and installation of multimedia system at County Assembly	Headquarters	51,000,000	9,364,950	18
9	Construction of Bondo modern market	North Sakwa	14,867,560	8,878,640	60
10	Maintenance of Akala-Nyagondo road	West Gem	9,230,723	8,864,739	96

Source: Siaya County Treasury

### 3.38.8 Budget and Budget Performance Analysis by Department

Table 3.113 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.113: Siaya County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	552.10	4.77	552.10	3.73	330.23	-	59.8	-	59.8	-
Finance, Planning and Vision 2030	669.43	23.47	669.27	10	542.72	9.23	81.1	92.3	81.1	39.3
Agriculture, Livestock & Fisheries	267.56	147.61	249.16	52.61	117.49	41.80	47.2	79.5	43.9	28.3
Water, Environment & Natural Resources	98.59	214.35	98.59	129.86	59.81	44.11	60.7	34	60.7	20.6
Education, Youth Affairs, Sports & Social Services	328.17	464.22	328.17	148.06	188.07	79.37	57.3	53.6	57.3	17.1
Health Services	1,549.71	364.62	1,520.06	104.89	1,333.30	47.19	87.7	45.0	86	12.9
Lands, Housing, Physical Planning & Survey	50.57	31.35	50.57	5.15	41.57	0.94	82.2	18.2	82.2	3
Trade, Industry and Cooperative Development	48.16	154.08	48.16	70.78	31.48	32.74	65.4	46.3	65.4	21.2
Tourism and ICT	52.24	55.77	52.24	20.97	46.45	5.84	88.9	27.9	88.9	10.5
Roads, Transport & Public Works	89.85	785.35	89.85	644.40	66.33	492.56	73.8	76.4	73.8	62.7
County Assembly	592.66	300.68	582	4.99	576	23.79	99	476.6	97.2	7.9
<b>TOTAL</b>	<b>4,299.05</b>	<b>2,546.29</b>	<b>4,240.18</b>	<b>1,195.44</b>	<b>3,333.46</b>	<b>777.57</b>	<b>78.6</b>	<b>65</b>	<b>77.5</b>	<b>30.5</b>

Source: Siaya County Treasury

Analysis of budget performance by department shows that, the Department of Roads, Transport & Public Works attained the highest absorption rate of development budget at 62.7 per cent while the County Executive did not incur any development expenditure. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 97.2 per cent while the Department of Agriculture, Livestock & Fisheries had the lowest at 43.9 per cent.

### 3.38.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Late submission of financial reports by the County Treasury, which affected timely preparation of the Annual Budget Implementation Review Report. The financial reports were submitted on August 28, 2018.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
3. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
4. Delay by Fund Administrators to submit expenditure reports of all the County established Funds contrary to Section 168 of the PFM Act, 2012.
5. Failure to constitute a County Budget and Economic Forum (CBEF) as per the requirement of Section 137 of the PFM Act, 2012 for consultation in the budget process.
6. High wage bill that has increased by 3.9 per cent from Kshs.2.4 billion in FY 2016/17 to Kshs.2.31 billion during the period under review.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with PFMA, 2012.*
2. *The County should liaise with the IFMIS Directorate to address the IFMIS connectivity challenges.*
3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
4. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
5. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*
6. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

## 3.39 Taita Taveta County

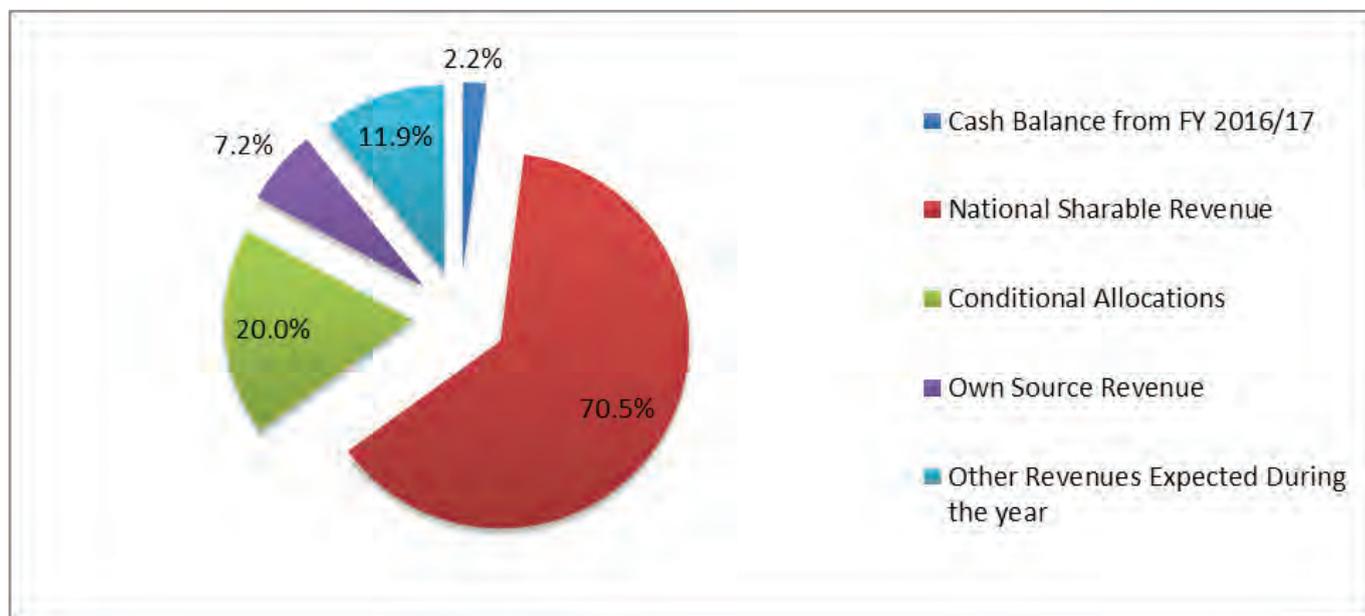
### 3.39.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.5.52 billion, comprising of Kshs.3.89 billion (70.5 per cent) and Kshs.1.63 billion (29.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.3.89 billion (70.5 per cent) as equitable share of revenue raised nationally, Kshs.1.11 billion (20 per cent) as total conditional grants, generate Kshs.398.47 million (7.2 per cent) from own source revenue, and Kshs.123 million (2.2 per cent) cash balance from FY 2016/17.

Figure 3.153 shows the expected sources of budget financing in FY 2017/18

**Figure 3.153: Taita Taveta County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Taita Taveta County Treasury*

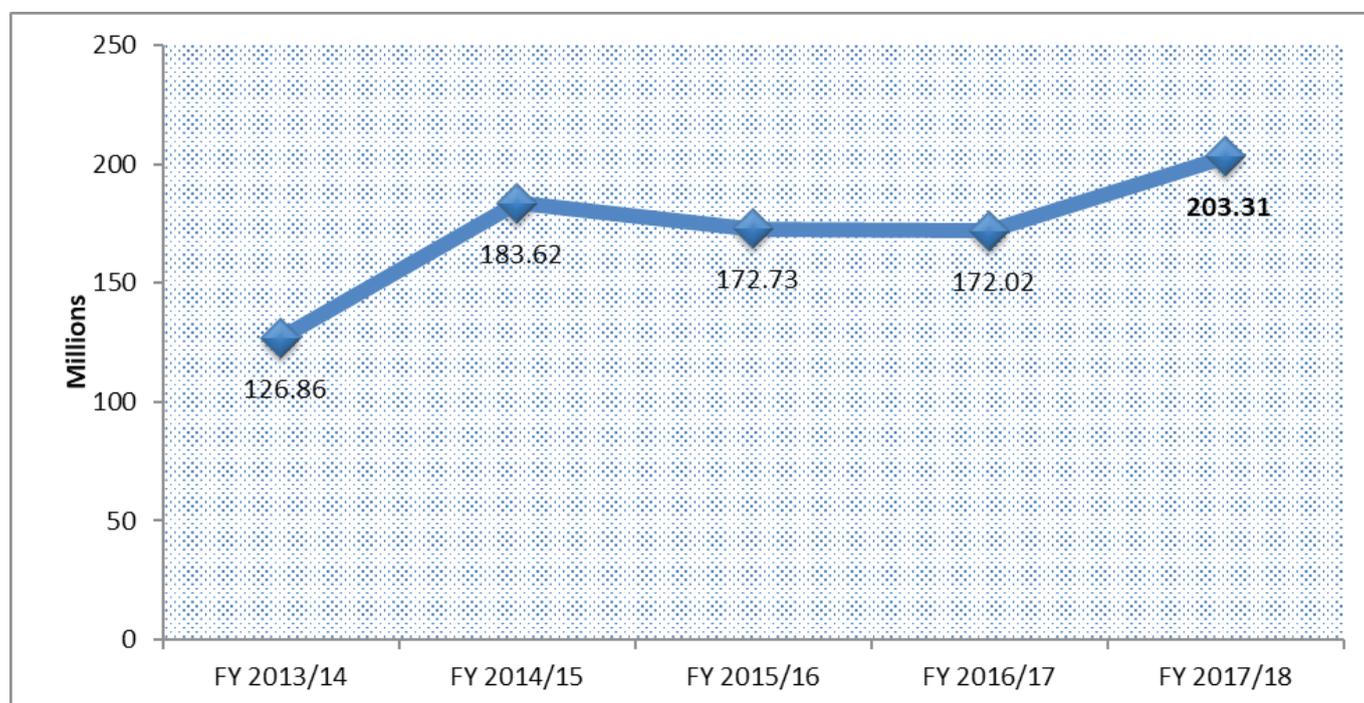
The conditional grants contained in the CARA, 2017 comprise of Kshs.9.56 million (2.6 per cent) from DANIDA, Kshs.31.8 million (8.5 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.36.73 million (9.9 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.32.7 million (8.8 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (17.7 per cent) as European Union (EU) grant, Kshs.20.12 million as Other Loans and Grants, Kshs.141.01 million (37.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.3 million (1.4 per cent) as Compensation for User Fee Foregone, and Kshs.49.75 million (13.3 per cent) for Development of Youth Polytechnics.

### 1.1.5 Revenue Analysis

During the FY 2017/18, the County received Kshs.3.89 billion as equitable share of revenue raised nationally, Kshs.269.49 million as total conditional grants, raised Kshs.203.31 million from own source revenue, and had a cash balance of Kshs.123 million from FY 2016/17. The total available funds amounted to Kshs.5.52 billion.

Figure 3.154 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.154: Taita Taveta County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Taita Taveta County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.203.31 million, representing an increase of 18.2 per cent compared to Kshs.172.02 million generated in FY 2016/17 and was 51 per cent of the annual target.

### 3.39.2 Conditional Grants

Table 3.114 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.114: Taita Taveta County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	141,010,523	141,010,523	115,928,336	82
2	EU Grant	66,000,000	66,000,000	-	-
3	Development of Youth Polytechnics	49,747,167	49,747,167	49,747,167	100
4	World Bank Loan for Transforming Health System for universal Care Project	32,699,643	47,563,117	14,863,473	45
5	Kenya Devolution Support Programme (KDSP)	36,728,875	36,728,875	36,728,875	100
6	KHSSP - World Bank (RBF 2016/17 BF)	-	36,034,216	36,034,216	-
7	World Bank loan to supplement financing of County Health facilities	31,797,500	31,797,500	-	--
8	Kenya Urban Support Programme		20,000,000		-
9	DANIDA Grant	9,555,425	14,810,909	9,555,425	100
10	Conditional Allocation - Other Loans & Grants	-	20,118,958		
11	Compensation for User Fee Foregone	5,296,305	5,296,305	6,631,099	125
<b>Sub Total</b>		<b>372,835,438</b>	<b>469,107,570</b>	<b>269,488,591</b>	<b>72</b>

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	<b>Grants Contained in the CARA, 2017</b>				
B	<b>Other Grants</b>				
12	Other Development Programmes		658,149,277		
<b>Sub Total</b>		-	658,149,277	-	
<b>Grand Total</b>		<b>196,900,401.0</b>	<b>1,127,256,847.0</b>	<b>269,488,590.8</b>	<b>72</b>

Source: Taita Taveta County Treasury

Analysis of the conditional grants released during the period under review indicates that, Compensation for User Fee Foregone recorded the highest receipts at 125 per cent of annual budget allocation.

### 3.39.3 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.17 billion from the CRF account, which was 75.5 per cent of the Approved Supplementary Budget. This amount represented an increase of 7.2 per cent from Kshs.3.89 billion approved in FY 2016/17 and comprised of Kshs.3.61 billion (86.5 per cent) for recurrent expenditure and Kshs.561.69 million (13.5 per cent) for development activities.

### 3.39.4 Overall Expenditure Review

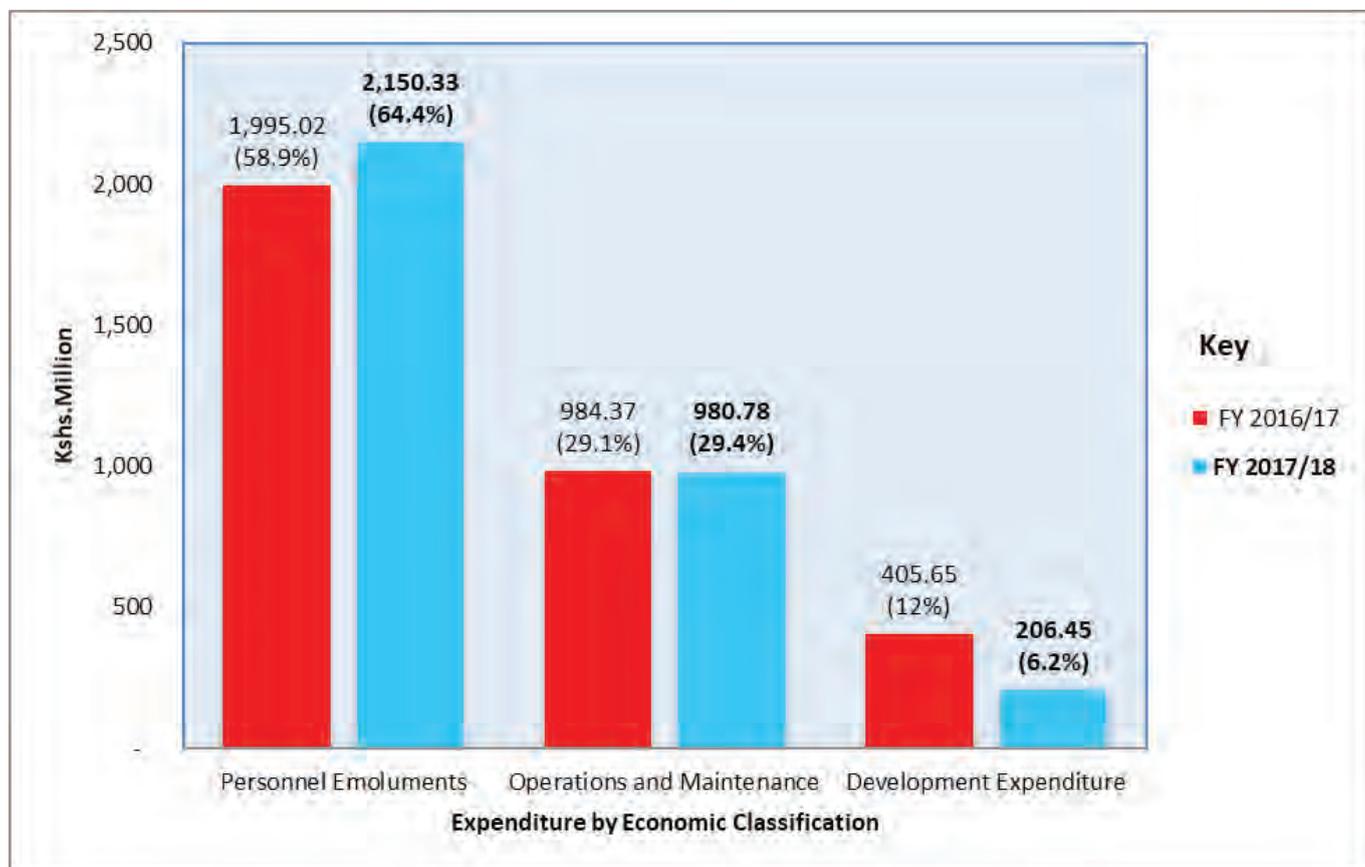
The County spent Kshs.3.34 billion, which was 80 per cent of the total funds released for operations. This was a decline of 1.4 per cent from Kshs.3.39 billion spent in FY 2016/17.

A total of Kshs.3.13 billion was spent on recurrent activities while Kshs.206.45 million was spent on development activities. The recurrent expenditure was 86.7 per cent of the funds released for recurrent activities, while development expenditure was 36.8 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.43.59 million for development activities and Kshs.196.07 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 80.4 per cent of the annual recurrent budget, a decrease from 91.9 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 12.7 per cent, which was a decrease from 28.6 per cent attained in FY 2016/17.

Figure 3.155 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.155: Taita Taveta County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



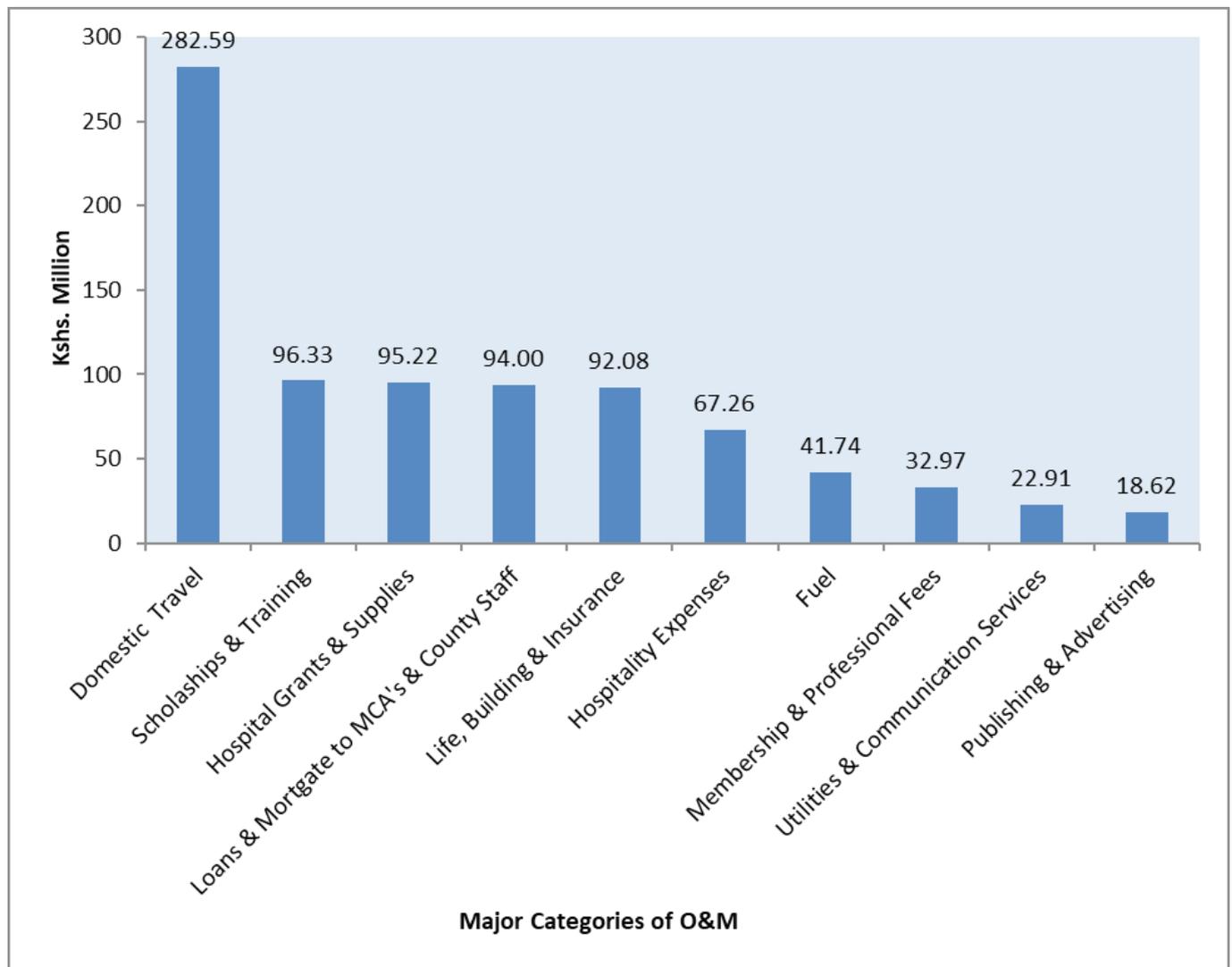
Source: Taita Taveta County Treasury

### 3.39.5 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.13 billion comprised of Kshs.2.15 billion (68.6 per cent) incurred on personnel emoluments and Kshs.980.78 million (31.4 per cent) on operations and maintenance as shown in Figure 3.155.

Expenditure on personnel emoluments represented an increase of 7.8 per cent compared to FY 2016/17 when the County spent Kshs.1.99 billion, and was 64.4 per cent of total expenditure in FY 2017/18. Figure 3.156 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.156: Taita Taveta County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Taita Taveta County Treasury

The County spent Kshs.32.95 million on committee sitting allowances to the 34 MCAs against an annual budget allocation of Kshs.35.44 million. This was a decline of 0.5 per cent compared to Kshs.33.11 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.80,760 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.282.59 million and comprised of Kshs.74.99 million spent by the County Assembly and Kshs.207.6 million by the County Executive. This represented 9 per cent of total recurrent expenditure and was a decrease of 24.7 per cent compared to Kshs.375.63 million spent in FY 2016/17.

### 3.39.6 Development Expenditure Analysis

The total development expenditure of Kshs.206.45 million represented 12.7 per cent of the annual development budget of Kshs.1.63 billion.

Table 3.115 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.115: Taita Taveta County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Completion of Various ECD classrooms,	County Wide	86,177,404	58,911,557	68
2	Bore holes and other water projects	County Wide	81,862,500	31,891,250	39
3	Loans to Women, Youth groups and the Disabled	County Wide	21,110,902	19,500,000	92
4	Construction and Completion Polytechnics and work-shops	County Wide	35,172,037	16,804,761	48
5	Completion and maintenance of access roads	County Wide	61,349,359	15,493,783	25
6	Construction of Mwatate Administration offices Pending Bill (For variation and Extra work-ramp, fence sentry box)	Mwatate	10,698,977	9,509,039	89
7	Completion and renovation of various Medical centers, Equipping and Stocking of Medical drugs	County Wide	28,487,348	8,268,750	29
8	Purchase of Artificial Insemination Semen Kit, Vaccines and Certified Crop Seed	Headquarter	6,100,000	6,591,400	108
9	Refurbishment of County Assembly Headquarter	Headquarter Wundanyi	23,222,570	4,771,227	21
10	Purchase of ICT Networking and Communication Equipment	Headquarter	15,549,203	3,640,071	23

Source: Taita Taveta County Treasury

### 3.39.7 Analysis of Budget Performance by Department

Table 3.116 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.116: Taita Taveta County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	579.72	23.22	507.80	-	532.80	4.77	104.9	-	91.9	20.5
Administration and Devolution	2,205.17	441.10	2,058.13	3.81	1,859.91	9.51	90.4	249.8	84.3	2.2
The Governor and Deputy Governor's office	154.33	7.50	154.33	-	133.23	-	86.3	-	86.3	-
Finance and Planning	397.66	10	374.66	2.55	384.28	-	102.6	0.0	96.6	-
Agriculture, Livestock and Fisheries	20.68	136.81	20.68	9.49	9.81	11.97	47.4	126.1	47.4	8.8
Water and Irrigation	11.95	183.16	11.95	99.66	5.88	31.89	49.2	32.0	49.2	17.4
Education and Libraries	129.58	176.98	129.58	111.35	42.64	75.72	32.9	68.0	32.9	42.8
Health	275.50	150.96	236.46	55.32	115.46	25.64	48.8	46.3	41.9	17.0
Trade and Community Affairs	26.53	48.01	26.53	18.05	12.21	2.51	46.0	13.9	46.0	5.2
County Public Service Board	14.34	-	14.34	-	12.05	-	84.0	-	84.0	-
Infrastructure and Public Works	15.66	296.47	15.66	211.38	4.81	15.49	30.7	7.3	30.7	5.2
Lands and Mining	28.79	40.65	28.79	0.45	9.39	1.14	32.6	253.4	32.6	2.8
Industrialization, Energy, Research and ICT	23.97	21.25	23.97	0.54	4.26	3.64	17.8	678.8	17.8	17.1
Youth, Gender, sports, Culture and Social Services	9.05	95.38	9.05	34.23	4.37	24.17	48.3	70.6	48.3	25.3

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
<b>TOTAL</b>	<b>3,892.92</b>	<b>1,631.48</b>	<b>3,611.93</b>	<b>561.69</b>	<b>3,131.10</b>	<b>206.46</b>	<b>86.7</b>	<b>37.8</b>	<b>80.4</b>	<b>12.7</b>

Source: Taita Taveta County Treasury

Analysis of budget performance by department shows that, the department of Education and Libraries attained the highest absorption rate of development budget at 42.8 per cent while the Office of the Governor and the department of Finance and Planning did not incur any development expenditure. The Department of Finance and Planning had the highest percentage of recurrent expenditure to recurrent budget at 96.6 per cent while the Department of Industrialization, Energy, Research and ICT had the lowest at 17.8 per Cent.

### 3.39.8 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Late submission of financial reports by the County Treasury to the Office of the Controller of Budget which affected timely preparation of the budget implementation review report, contrary to Section 168 and 168 of PFM Act, 2012.
2. A high wage bill that increased by 7.8 per cent from Kshs.1.99 billion in FY 2016/17 to Kshs.2.15 billion in the period under review.
3. IFMIS connectivity challenges which slowed down processing of financial transaction.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of the PFM Act 2012.*
2. *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 IFMIS Directorate at the National Treasury to address the down time experienced in the use of IFMIS*

## 3.40 Tana River County

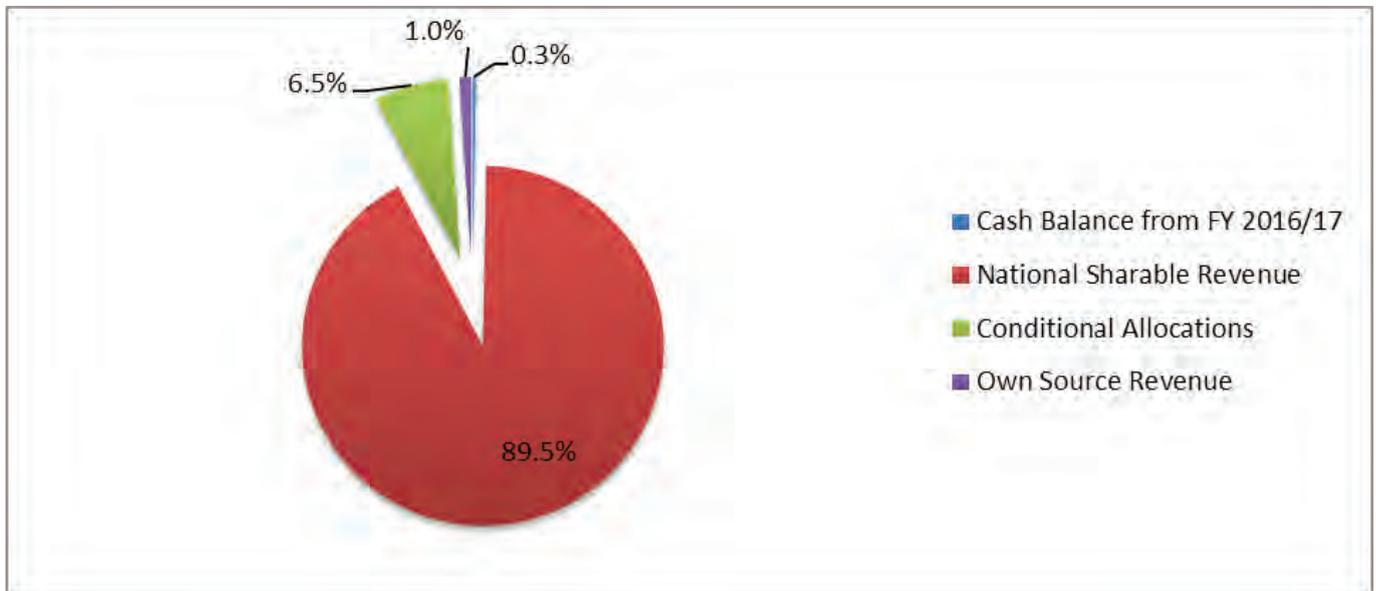
### 3.40.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.5.97 billion comprising of Kshs.3.45 billion (58 per cent) and Kshs.2.52 billion (42 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.35 (90.4 per cent) as equitable share of revenue raised nationally, Kshs.538.36 million (9.1 per cent) as total conditional grants, generate Kshs.30 million (1 per cent) from local revenue sources, and Kshs.20.38 million (0.3 per cent) cash balance from FY 2016/17.

Figure 3.157 shows the expected sources of budget financing in FY 2017/18

**Figure 3.157: Tana River County Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Tana River County Treasury*

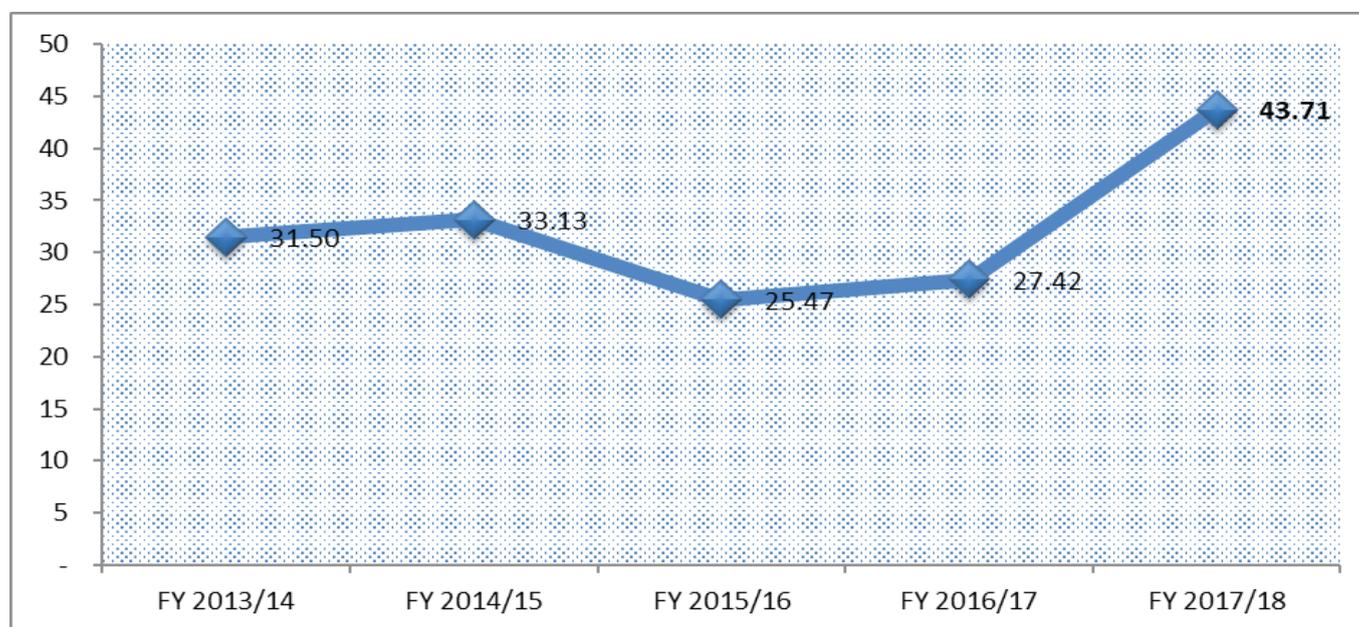
The conditional grants contained in the CARA, 2017 comprised of Kshs.169.77 million (29.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.68 million (1 per cent) as Compensation for User Fee Foregone, Kshs.11.5 million (2 per cent) from DANIDA, Kshs.24.73 million (4.3 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.41.1 million (7.1 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.27.36 million (4.7 per cent) for Development of Youth Polytechnics, Kshs.71.22 million (12.3 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (11.4 per cent) as European Union (EU) grant, Kshs.121 million (2.1 Per cent) for the Construction of County Headquarters and Kshs.38.7 million (6.7 per cent) as Other Loans & Grants. The County budgeted to receive a grant of Kshs.20 million for World Bank Grant for Kenya Urban Support Programme which is not contained in the CARA,2017.

### **3.40.2 Revenue Analysis**

During the FY 2017/18, the County received Kshs.5.35 billion as equitable share of revenue raised nationally, Kshs.272.57 million as total conditional grants, raised Kshs.43.71 million from own source revenue, and had a cash balance of Kshs.20.38 million from FY 2016/17. The total available funds amounted to Kshs.5.53 billion

Figure 3.158 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.158: Tana River County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Tana River County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.43.71 million, representing an increase of 59.4 per cent compared to Kshs.27.42 million generated in FY 2016/17 and was over 134 per cent of the annual target.

### 1.1.6 Conditional Grants

Table 3.117 shows an analysis of conditional grants received in the FY 2017/18.

**Table 3.117: Tana River County, Analysis of Conditional Grants Received in the FY 2017/18**

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Re-ceipts in the FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	169,770,271	169,770,271	139,572,456	82.2
2	World Bank loan to supplement financing of County Health facilities	24,725,000	24,725,000	24,725,000	100
3	Kenya Devolution Support Programme (KDSP)	41,095,762	41,095,762	41,095,762	100
4	Compensation for User Fee Foregone	5,682,537	5,682,537	2,849,925	50.2
5	DANIDA Grant for Universal Healthcare in Devolved system Programme	11,504,299	11,504,299	11,504,299	100
6	Construction of County Headquarters	121,000,000	121,000,000	-	-
7	World Bank loan for Transforming Health System for Universal Care Project	71,224,457	71,224,457	32,374,753	45.5
8	EU grant for Devolution, Advice and Support	66,000,000	66,000,000	-	-
9	Development of Youth Polytechnics	27,360,819	27,360,819	20,450,000	74.8
10	World Bank Grant for Kenya Urban Support Programme	-	20,000,000	-	-
11	Other Loans & Grants	38,702,117	-	-	-
<b>Total</b>		<b>577,065,262.0</b>	<b>558,363,145.0</b>	<b>272,572,195</b>	<b>47</b>

Source: Tana River County Treasury

Analysis of the conditional grants released during the period under review indicates that, the World Bank loan to supplement financing of County Health facilities, Kenya Devolution Support Programme (KDSP) and DANIDA grant for Universal Healthcare in Devolved Systems recorded the highest receipts at 100 per cent of their annual allocations.

### 3.40.3 Exchequer Issues.

During the period under review, the Controller of Budget approved withdrawal of Kshs.3.90 billion from the CRF account, which was 65.9 per cent of the Approved Supplementary Budget. This amount represented a decrease of 13.4 per cent from Kshs.4.50 billion approved in FY 2016/17 and comprised of Kshs.2.98 billion (76.4 per cent) for recurrent expenditure and Kshs.918.61 million (23.6 per cent) for development activities.

### 3.40.4 Overall Expenditure Review

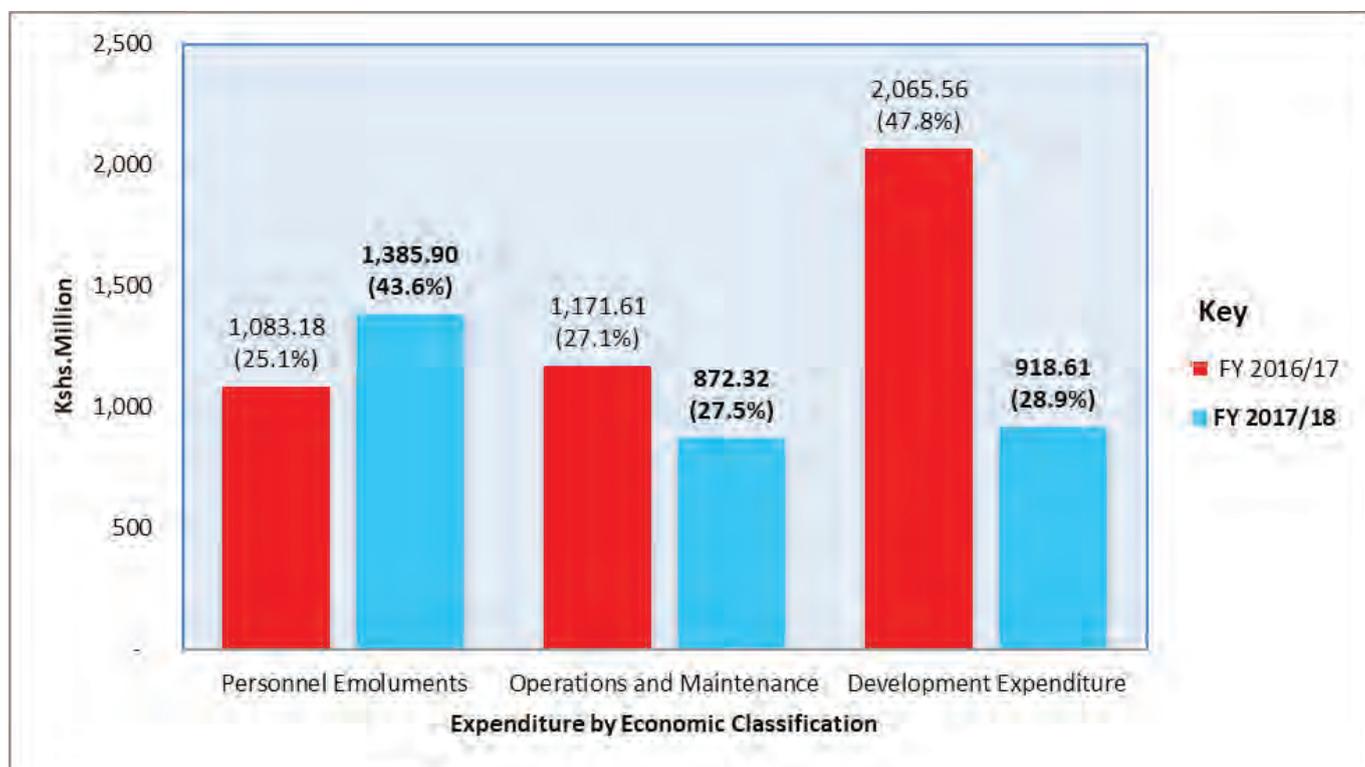
The County spent Kshs.2.23 billion which was 69.7 per cent of the total funds released for operations. This was a decrease of 37.2 per cent from Kshs.3.55 billion spent in FY 2016/17.

A total of Kshs.2 billion was spent on recurrent activities while Kshs.918.6 million was spent on development activities. The recurrent expenditure was 67.2 per cent of the funds released for recurrent activities, while development expenditure was 100 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.853.44 million for development activities and Kshs.95.59 million for recurrent expenditure as at June 30, 2018..

The recurrent expenditure represented 59.9 per cent of the annual recurrent budget, a decrease from 79.3 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 37.4 per cent, which was a decrease from 75.5 per cent attained in FY 2016/17.

Figure 3.159 presents a comparison between the total expenditure in the FY 2016/17 and FY 2017/18.

**Figure 3.159: Tana River County, Expenditure by Economic Classification in the FY 2016/17 and the FY 2017/18**



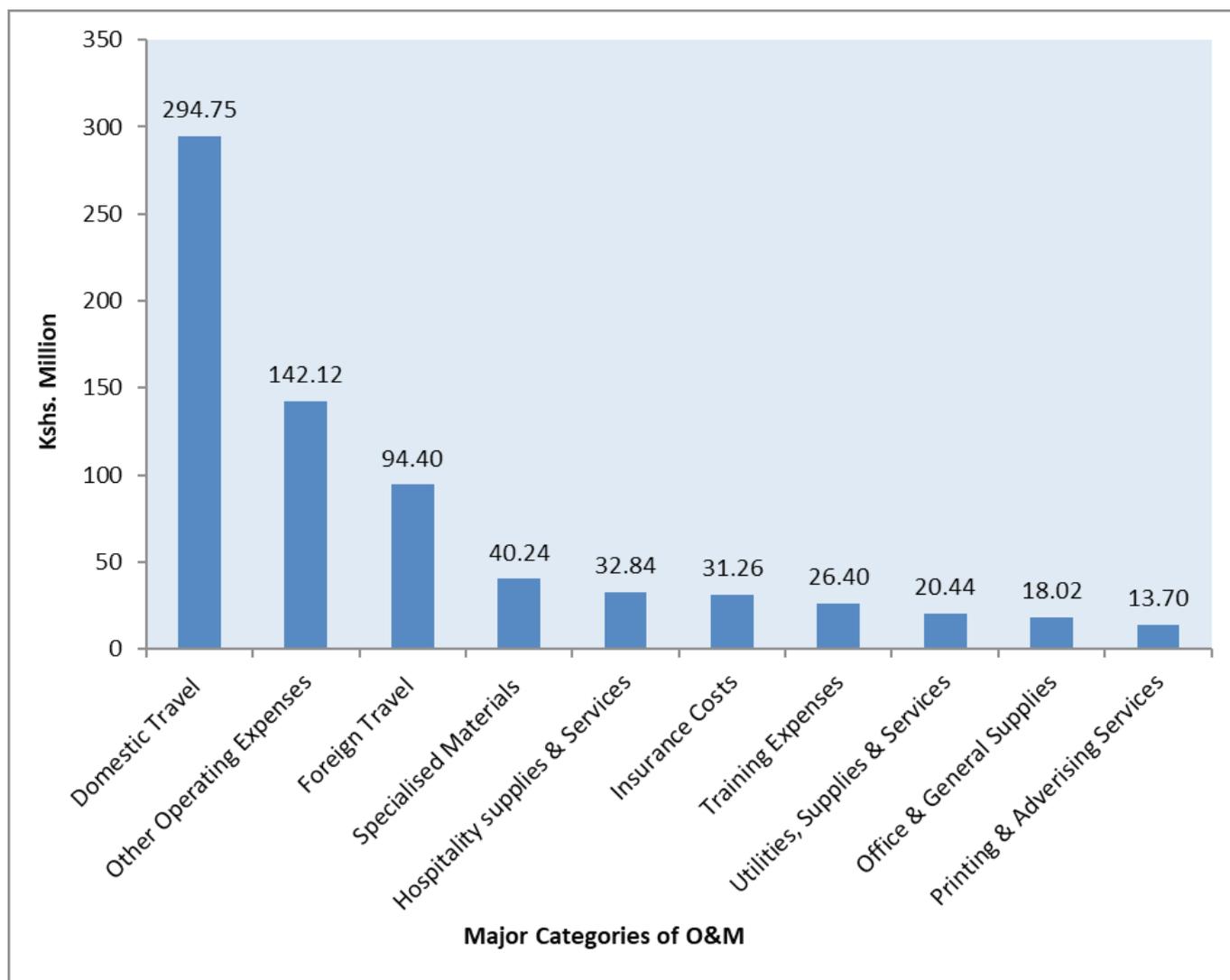
Source: Tana River County Treasury

### 3.40.5 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2 billion comprised of Kshs.1.39 billion (69.3 per cent) incurred on personnel emoluments and Kshs.872.32 million (30.7 per cent) on operations and maintenance as shown in Figure 3.159.

Expenditure on personnel emoluments represented an increase of 11.8 per cent compared to FY 2016/17 when the County spent Kshs.1.08 billion, and was 43.6 per cent of total expenditure in FY 2017/18. Figure 3.160 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.160: Tana River County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Tana River County Treasury*

The County spent Kshs.26.96 million on committee sitting allowances to the 24 MCAs against an annual budget allocation of Kshs.27 million. This was an increase of 37.2 per cent compared to Kshs.19.65 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.93,599 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.294.75 million and comprised of Kshs.94.58 million spent by the County Assembly and Kshs.200.17 million by the County Executive. This represented 14.7 per cent of total recurrent expenditure, and was an increase of 42.8 per cent compared to Kshs.206.37 million spent in FY 2016/17.

### 3.40.6 Development Expenditure Analysis

The total development expenditure of Kshs.918.61 million represented 37.4 per cent of the annual development budget of Kshs.2.51 billion. Table 3.118 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.118: Tana River County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Tarmacking of Hola Roads to Bitumen Standard	Hola Township	548,868,900	98,294,152	18
2	Proposed Construction of Market and Bus Park in Garsen Township	Garsen Township	262,157,912	64,791,632	25
3	Supply & Installation of Flood Lights in Various Townships in the County.	County-Wide	64,431,040	16,616,007	26
4	Construction of Food Store in Hola Township	Hola Township	67,995,998	9,556,843	14
5	Construction of Lands Registry	Hola Town	19,200,000	10,832,362	56
6	Governor's Residence	Hola Town	154,372,240	20,093,087	13
7	Supply of Medical Equipment to Hola Level 4 Hospitals	Hola Level 4 Hospital	48,000,000	12,855,862	27
8	Construction of Chardende Water Pipeline	Chardende	72,000,000	18,364,877	66
9	Construction of Hola New Maternity Wing	Hola Town	16,000,000	8,622,419	54
10	Supply of Seeds	County-Wide	12,000,000	4,944,900	41

Source: Tana River County Treasury

### 3.40.7 Analysis of Budget Performance by Department

Table 3.119 shows a summary of budget estimates and budget performance by department in the FY 2017/18.

**Table 3.119: Tana River County, Budget Performance by Department in the FY 2017/18**

Department	Budget Allocation (Kshs.million)		Exchequer Issues in the FY 2017/18 (Kshs.million)		Expenditure in the FY 2017/18 (Kshs. million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	454.96	98	454.50	60	431.24	17.56	94.9	29.3	94.9	17.9
Office of The Governor	489.69	73.53	364.58	7.45	385.09	20.09	105.6		78.6	
Finance & Economic Planning	266.24	20	234.44	2.03	164.65	-	70.2	-	61.8	-
Gender, Culture & Social Services	24.77	33.59	18.44	3.40	9.03	-	49	-	36.5	-
County Public Service Board	65.95	-	48.54	-	37.92	-	78.1	-	57.5	-
Trade, Tourism & Industry	51.52	156	38.36	15.81	28.49	64.79	74.3	409.8	55.3	41.5

Department	Budget Allocation (Kshs.million)		Exchequer Issues in the FY 2017/18 (Kshs.million)		Expenditure in the FY 2017/18 (Kshs. million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Health & Water	705.57	324.95	635.98	78.96	483.10	369.49	76	468	68.5	113.7
Roads & Public Works	87.91	594.85	85.25	386.01	35.96	169.48	42.2	43.9	42.2	28.5
Agriculture, Lands, Livestock, Veterinary, Fisheries, Marketing & Urban Development	363.80	408.10	360.86	41.36	88.80	56.37	24.6	136.3	99.2	13.8
Cohesion & Special Programmes	285.53	40.37	282.59	4.09	70.19	40.37	24.8	986.6	24.6	100
Education, Vocational Training & Sports	363.39	247.25	360.56	49.86	186.73	150.00	51.8	300.8	51.8	60.7
Environment & Natural Resources	178.59	46.68	93.59	0.77	110.92	30.45	118.5	3948	52.4	65.2
<b>TOTAL</b>	<b>3,336.71</b>	<b>2,458.32</b>	<b>2,977.68</b>	<b>918.61</b>	<b>2,000.06</b>	<b>918.61</b>	<b>67.2</b>	<b>100.0</b>	<b>59.9</b>	<b>37.4</b>

Source: Tana River County Treasury

Analysis of budget performance by department shows that, the Department of Health and Water attained the highest absorption rate of development budget at 113.7 per cent. The Department of Agriculture, Lands, Livestock, Veterinary, Fisheries, Marketing and Urban Development had the highest percentage of recurrent expenditure to recurrent budget at 99.2 per cent.

### 3.40.8 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Frequent IFMIS down time which slowed down approval of procurement requests and payments to suppliers.
2. High personal emolument costs which accounted 43.6 per cent of total expenditure during the reporting period. A high wage bill may affect implementation of development projects
3. Late submission of financial reports to the OCOB by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012 which requires the financial reports to be submitted by the 15th day after the end of each quarter.
4. Weak budgetary control as evidenced by expenditure in excess of approved budgetary allocation in the Health, and Water & Irrigation Departments.

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 the frequent IFMIS down time.*
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 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*
4. *The County Treasury should improve vote book and budgetary control to ensure that expenditure is within the approved budget.*

## 3.41 Tharaka Nithi County

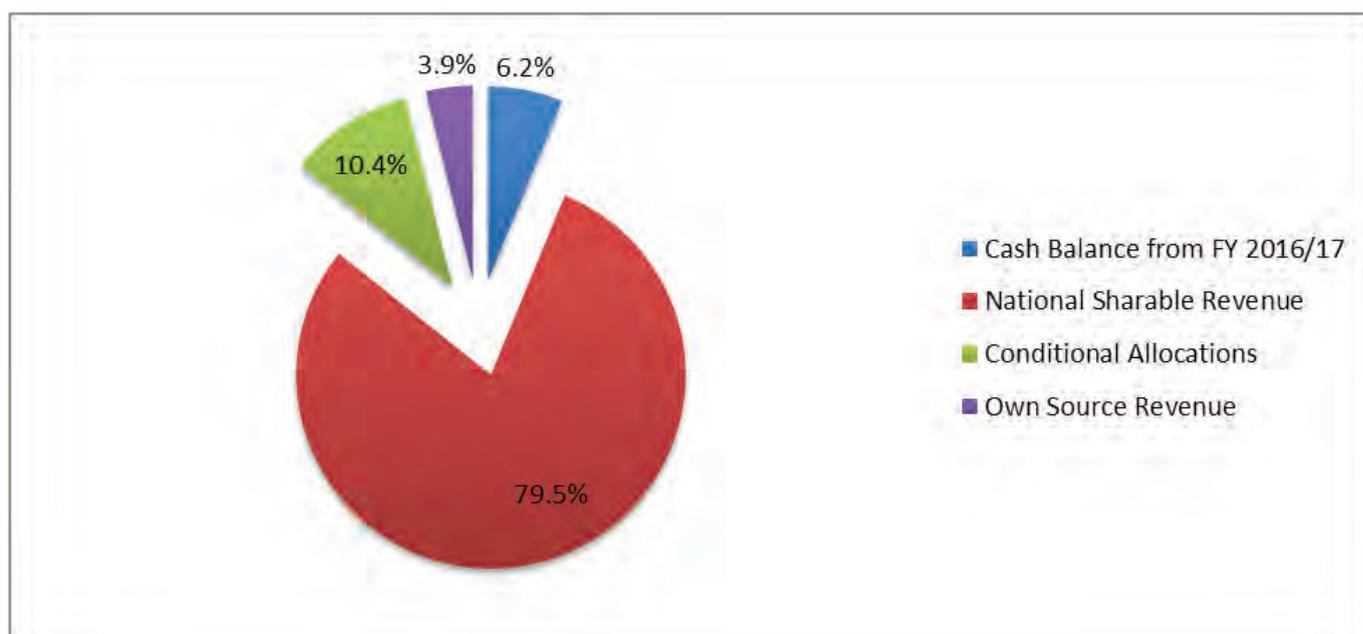
### 3.41.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.4.63 billion, comprising of Kshs.3.04 billion (65.6 per cent) and Kshs.1.60 billion (34.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.3.68 billion (79.5 per cent) as equitable share of revenue raised nationally, Kshs.480.37 million (10.4 per cent) as total conditional grants, generate Kshs.179.92 million (3.9 per cent) from own source revenue, and Kshs.287.55 million (6.2 per cent) cash balance from FY 2016/17.

Figure 3.161 shows the expected sources of budget financing in FY 2017/18

**Figure 3.161: Tharaka Nithi County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Tharaka Nithi County Treasury*

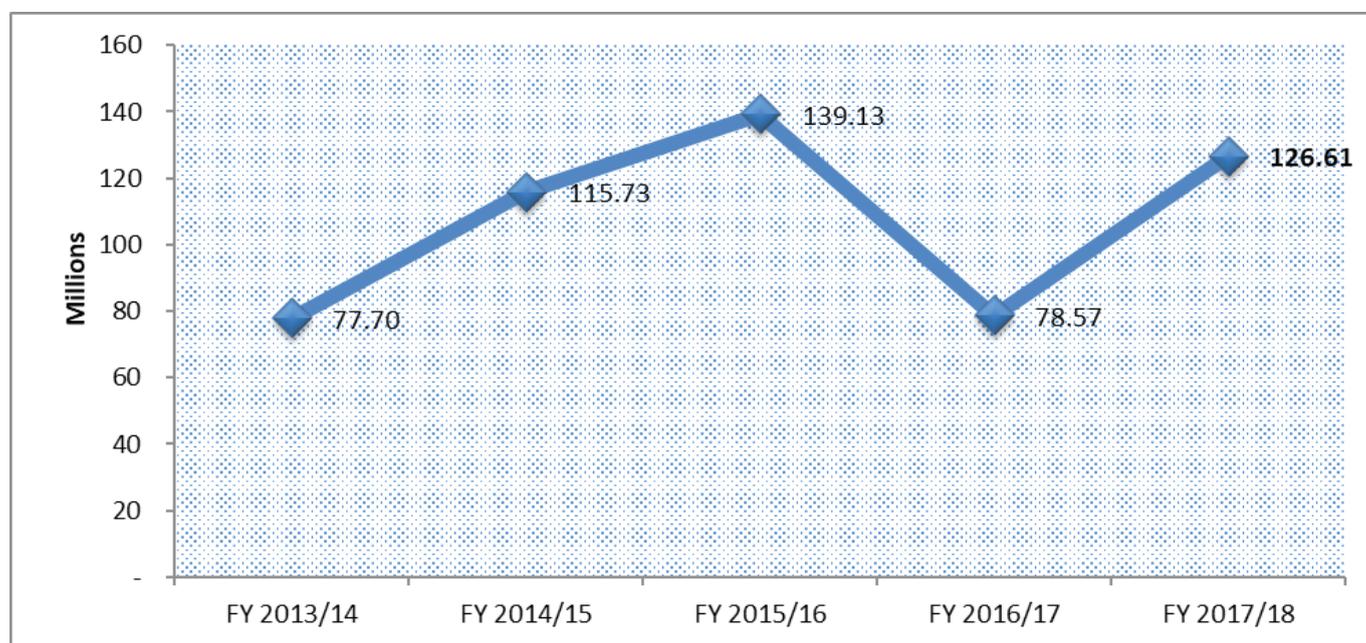
The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (19.2 per cent) for Leasing of Medical Equipment, Kshs.133.68 million (26.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.23 million (1.7 per cent) as compensation for User Fee Foregone, Kshs.9.06 million (1.8 per cent) from DANIDA, Kshs.18.77 million (3.8 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.38.12 (7.7 per cent) for Development of Youth Polytechnic, Kshs.35.99 million (7.2 per cent) for the World Bank Kenya Devolution Support Program, Kshs.22 million (4.4 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.121 million (24.3 per cent) as Supplement for Construction of County Headquarters and Kshs.14.98 (3 per cent) as Other Loan and Grants.

### 3.41.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.3.68 billion as equitable share of revenue raised nationally, Kshs.279.93 million as total conditional grants, raised Kshs.126.61 million from own source revenue, and had a cash balance of Kshs.287.55 million from FY 2016/17. The total available funds amounted to Kshs.4.38 billion.

Figure 3.162 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.162: Tharaka Nithi County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Tharaka Nithi County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.126.61 million, representing an increase of 61.1 per cent compared to Kshs.78.57 million generated in FY 2016/17 and was 70.4 per cent of the annual own source revenue target.

### 3.41.3 Conditional Grants

Table 3.120 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.120: Tharaka Nithi County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants or Loan Details	Annual CARA, 2017 Allocation in Kshs)	FY2017/18 Annual Budget Allocation Kshs)	Actual receipts in FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	133,682,063	133,682,063	133,682,063	100
2	World Bank loan to supplement financing of County Health facilities	18,767,500	28,767,500	-	-
3	KDSP	35,989,349	59,889,349	35,989,349	100
4	Compensation for User Fee Foregone	8,218,119	8,218,119	8,419,197	102
5	DANIDA Grant	9,058,820	9,053,820	9,058,820	100
6	Conditional Allocation Other Loans Grants	14,982,351	14,982,351	-	-
7	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
8	Conditional Grants to Development of Youth Polytechnics	38,121,638	38,121,638	38,121,638	100
9	World Bank Loan for Transforming Health System for Universal Care System	22,000,000	66,650,000	54,654,343	248
10	Leasing of Medical Equipment	95,744,681	-	-	-
<b>Total</b>		<b>497,564,521</b>	<b>480,369,840</b>	<b>279,925,410</b>	<b>56</b>

Source: Tharaka Nithi County Treasury

Analysis of the conditional grants released during the period under review indicates that, World Bank Loan for Transforming Health System for Universal Care System recorded the highest receipts at 248 per cent of the annual allocation.

### 3.41.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.3.78 billion from the CRF account, which was 81.6 per cent of the Approved Supplementary Budget. This amount represented an increase of 6.2 per cent from Kshs.3.56 billion approved in FY 2016/17 and comprised of Kshs.2.85 billion (75.4 per cent) for recurrent expenditure and Kshs.929.99 million (24.6 per cent) for development activities.

### 3.41.5 Overall Expenditure Review

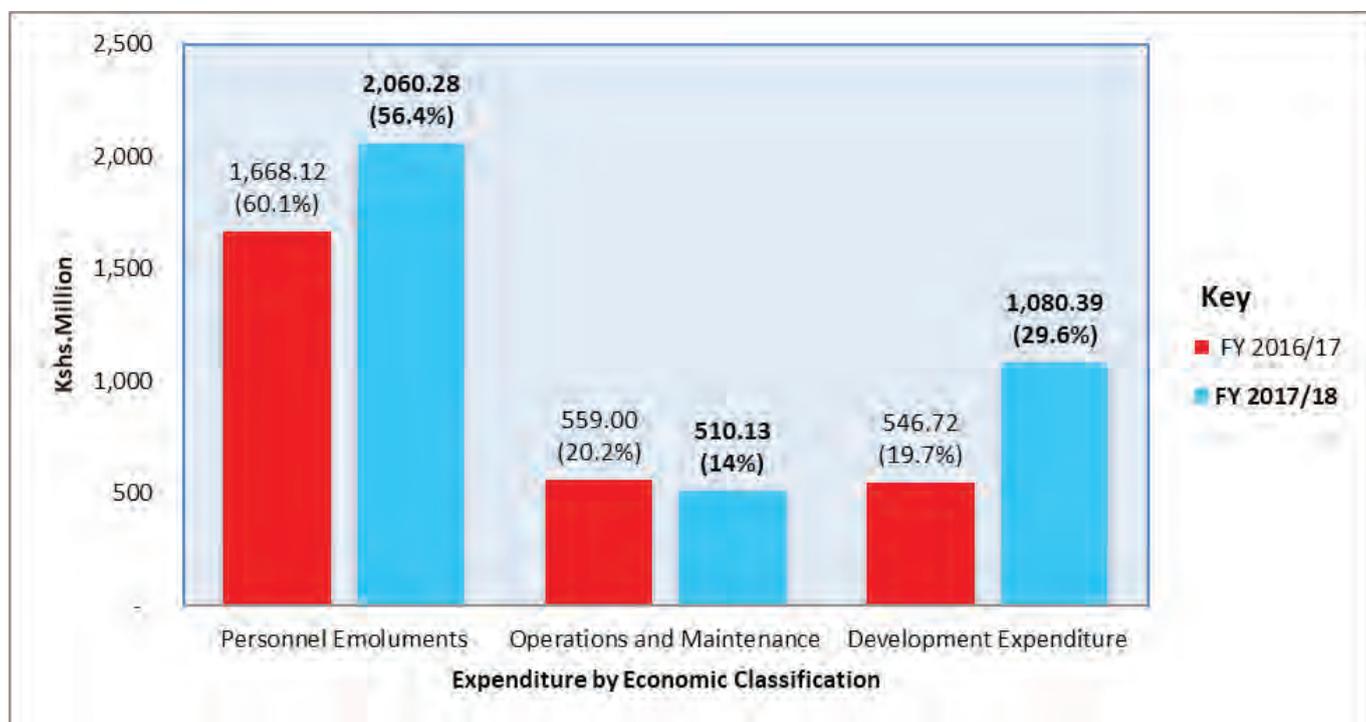
The County spent Kshs.3.65 billion, which was 96.1 per cent of the total funds released for operations. This was an increase of 31.8 per cent from Kshs.2.77 billion spent in FY 2016/17.

A total of Kshs.2.57 billion was spent on recurrent activities while Kshs.1.08 billion was spent on development activities. The recurrent expenditure was 90.2 per cent of the funds released for recurrent activities, while development expenditure was 116.1 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.221.48 million for development activities and Kshs.39.3 million for recurrent expenditure as at June 30th, 2018.

The recurrent expenditure represented 84.7 per cent of the annual recurrent budget, an increase from 82.9 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 67.7 per cent, which was an increase from 42.9 per cent attained in FY 2016/17.

Figure 3.163 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.163: Tharaka Nithi County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



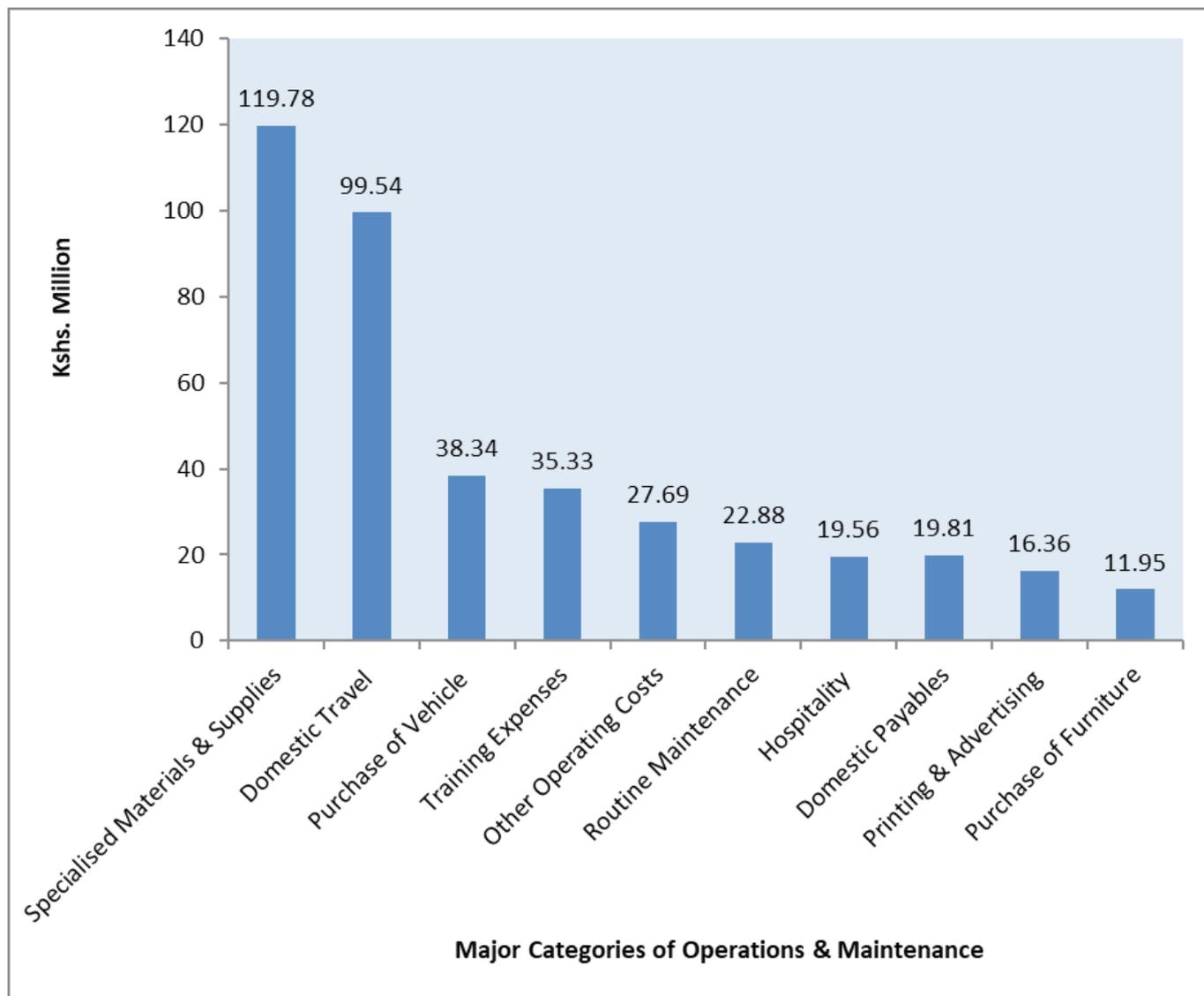
Source: Tharaka Nithi County Treasury

### 3.41.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.57 billion comprised of Kshs.2.06 billion (79.2 per cent) incurred on personnel emoluments and Kshs.510.13 million (20.8 per cent) on operations and maintenance as shown in Figure 3.163.

Expenditure on personnel emoluments represented an increase of 23.4 per cent compared to FY 2016/17 when the County spent Kshs.1.67 billion, and was 56.4 per cent of total expenditure in FY 2017/18. Figure 3.164 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.164: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Tharaka Nithi County Treasury

The County spent Kshs.5.95 million on committee sitting allowances to the 21 MCAs against an annual budget allocation of Kshs.8 million. This was a decline of 67 per cent compared to Kshs.18.02 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.23,621 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.115.29 million and comprised of Kshs.70.14 million spent by the County Assembly and Kshs.45.15 million by the County Executive. This represented 4.5 per cent of total recurrent expenditure, and was a decrease of 11.2 per cent compared to Kshs.129.84 million spent in FY 2016/17.

### 3.41.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.08 billion represented 67.7 per cent of the annual development budget of Kshs.1.6 billion. Table 3.121 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.121: Tharaka Nithi County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Construction of Markets	Countywide	130,000,000	106,383,551	82
2	Rehabilitation and Equipping of 15 boreholes	Countywide	105,500,000	104,560,295	99
3	Domestic payables from previous FY	Countywide	79,400,000	77,699,412	98
4	Revenue Automation System	Headquarters	50,000,000	49,905,906	100
5	Construction of headquarter Executive block	Headquarters	28,000,000	25,890,580	92
6	Construction of a modern outpatient block at Chuka Hospital	Karingani	23,000,000	22,608,874	98
7	Construction of Building for KMTC	Karingani	21,000,000	20,169,476	96
8	Purchase of Grader	Headquarters	20,000,000	19,980,000	100
9	Nguruki-Kieni-Kanini-Muragara-Kaare road	Mwimbi	19,576,840	19,411,354	99
10	Electrification of Kathangacini-Partly Rural Electrification	Gatunga	19,300,000	19,000,000	98

Source: Tharaka Nithi County Treasury

### 3.41.8 Analysis of Budget Performance by Department

Table 3.122 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.122: Tharaka Nithi County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	384.90	100	313.50	36.81	294.10	-	93.8	-	76.4	0.0
County Executive	174.19	-	170.45	-	133.48	-	78.3	-	76.6	-
Finance and Economic Planning	466.43	79.40	382.02	75.40	393.82	77.70	103.1	103.1	84.4	97.9
Agriculture	261.62	107.83	261.59	52.64	246.77	86.52	94.3	164.3	94.3	80.2
Environment and Natural Resources	28.81	59	28.80	38.31	23.07	50.18	80.1	131.0	80.1	85.1
Education, Gender and Vocational Training	196.84	106.05	175.74	50.32	155.29	34.23	88.4	68.0	78.9	32.3
Medical Services	1,091.55	106.75	1,090.60	63.40	1,068.12	58.62	97.9	92.5	97.9	54.9
Lands, Physical Planning and Urban Development	30.10	48.25	30.07	17.76	16.47	30.84	54.8	173.6	54.7	63.9
Roads, Infrastructure, Transport and Public Works	56.03	508.60	56.03	227.17	19.58	304.52	34.9	134.1	34.9	59.9

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Administration and Public Services	150.64	-	149.17	-	128.64	-	86.2		85.4	
Trade, Industry and Cooperative Development	54.73	143	54.53	110.73	33.57	108.66	61.6	98.1	61.3	76.0
Water Services and Irrigation	19.43	232.40	16.27	181.52	6.81	224.97	41.9	123.9	35.1	96.8
County Public Services Board	22.40	-	22.38	-	8.70	-	38.9		38.9	
Livestock, Veterinary and Fisheries	13.16	-	13.16	-	0.50	-	-	-	-	-
Public Health and Sanitation	22.91	-	22.91	-	16.26	-	-	-		-
Energy and ICT	47.86	104.90	47.78	75.93	23.92	104.16	-	-	-	-
Youth, Culture, Sport and Tourism	14.47	-	14.47	-	1.31	-	9.1		9.1	
<b>TOTAL</b>	<b>3,036</b>	<b>1,596</b>	<b>2,849</b>	<b>930</b>	<b>2,570</b>	<b>1,080</b>	<b>90.2</b>	<b>116.2</b>	<b>84.7</b>	<b>67.7</b>

Source: Tharaka Nithi 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 97.9 per cent. The Department of Medical Services had the highest percentage of recurrent expenditure to recurrent budget at 97.9 per cent while the Department of Livestock, Veterinary and Fisheries had the lowest at 3.8 per cent.

### 3.41.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.
2. The COB has noted, from the analysis of bank statements and expenditure reports that the County has continued to make financial transactions from bank accounts maintained with commercial banks and make payments through cheques. This contravenes Government policy which requires all payments by government to be made online through Internet Banking platform.
3. The County has not constituted the CBEF as per the requirement of Section 137 of the PFM Act, 2012 for consultation in the budget process.
4. Late submission of financial reports by the County Treasury, to the Office of the Controller of Budget which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
5. A high wage bill that increased by 23.4 per cent from Kshs.1.67 billion in FY 2016/17 to Kshs.2.06 billion in the period under review.

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. All Accounting Officers should ensure that payments are made online through the prescribed Internet Banking platform at the Central Bank of Kenya.
3. The County should establish an effective CBEF for consultation in the budget and economic process in line with Section 137 of the PFM Act, 2012.
4. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012

5. The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.

### 3.42 Trans Nzoia County

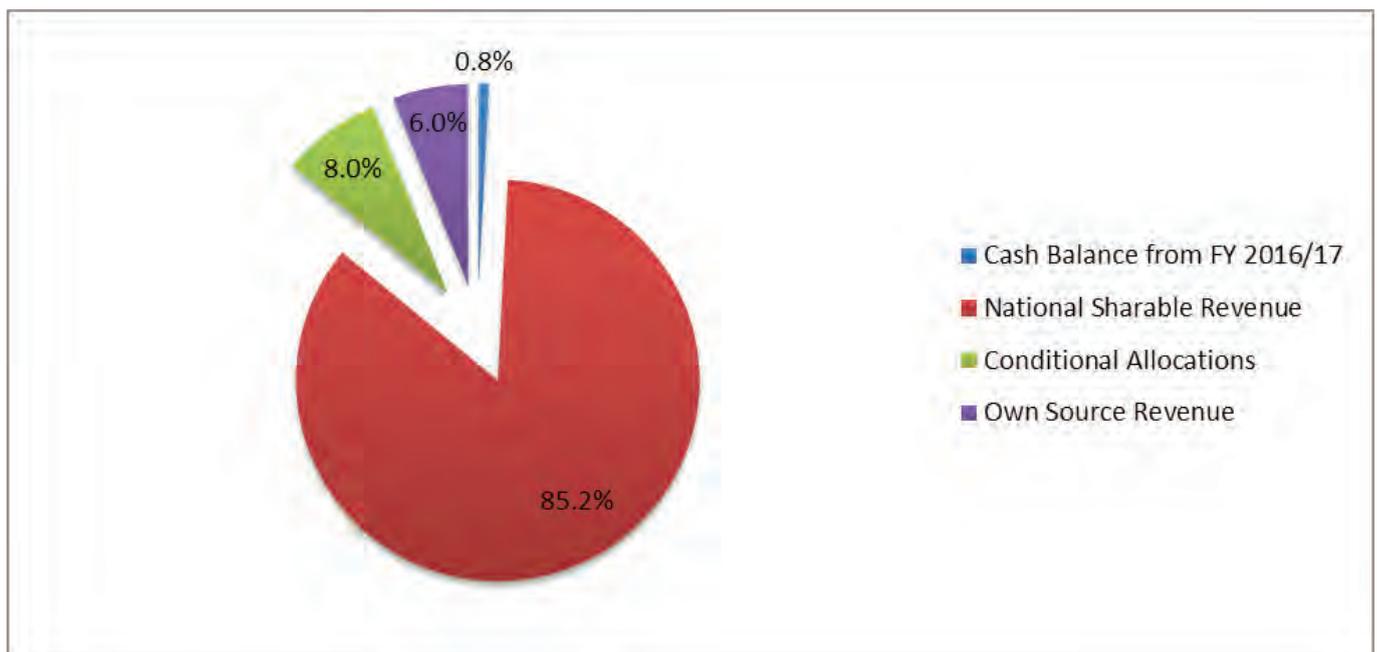
#### 3.42.1 Overview of the FY 2017/18 Budget

The County’s FY 2017/18 Approved Supplementary Budget was Kshs.6.63 billion, comprising of Kshs.4.63 billion (69.9 per cent) and Kshs.2 billion (30.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.65 billion (85.2 per cent) as equitable share of revenue raised nationally, Kshs.527.83 million (8 per cent) as total conditional grants, generate Kshs.400 million (6.6 per cent) from own source revenue, and Kshs.53.30 million (0.8 per cent) cash balance from FY 2016/17.

Figure 3.165 shows the expected sources of budget financing in FY 2017/18

**Figure 3.165: Trans Nzoia County, Expected Sources of Budget Financing in FY 2017/18 (%).**



*Source: Trans Nzoia County Treasury*

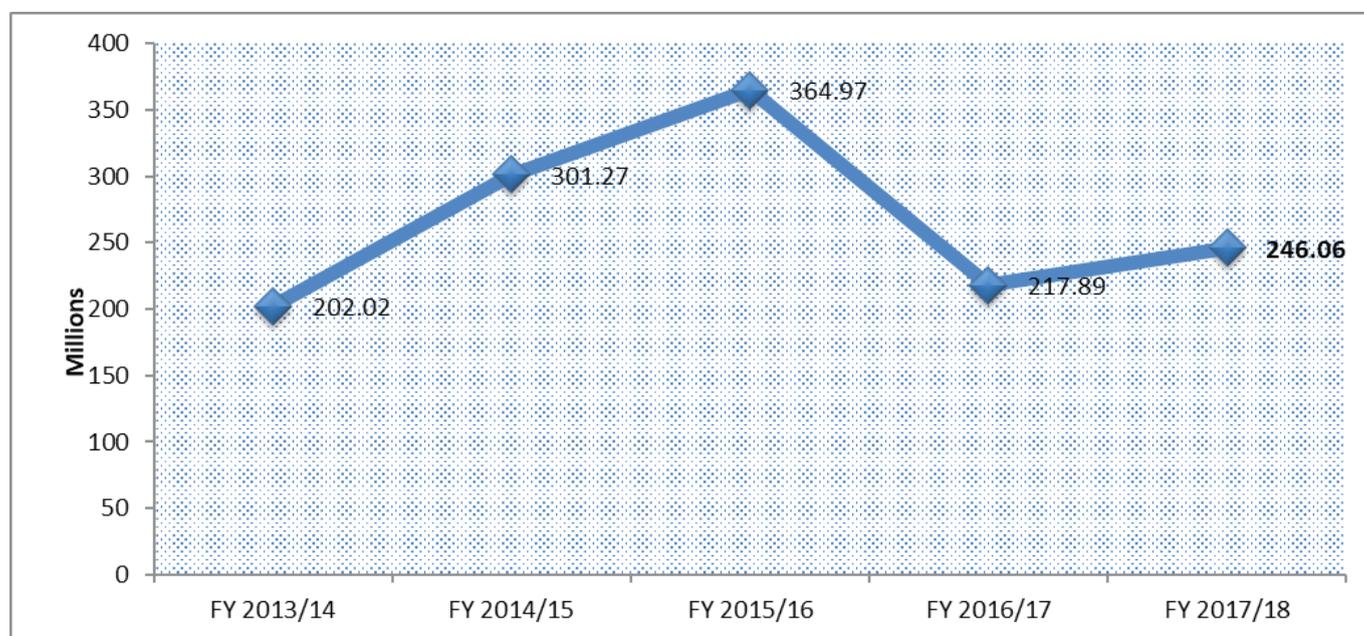
The conditional grants contained in the CARA, 2017 comprise of Kshs.217.28 million (41.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.21.30 million (4.4 per cent) as Compensation for User Fee Foregone, Kshs.22.82 million (4.3 per cent) from DANIDA, Kshs.43.39 million (8.2 per cent) for the World Bank Kenya Devolution Support Program, Kshs.39.11 million (7.4 per cent) for Development of Youth Polytechnics, Kshs.113.92 million (21.6 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (9.5 per cent) as World Bank loan for National Agricultural & Rural Inclusive Project, and Kshs.20 million (3.8 per cent) as Other Loans and Grants.

#### 3.42.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.5.65 billion as equitable share of revenue raised nationally, Kshs.382.27 million as total conditional grants, raised Kshs.246.06 million from own source revenue, and had a cash balance of Kshs.53.3 million from FY 2016/17. The total available funds amounted to Kshs.6.26 billion.

Figure 3.166 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.166: Trans Nzoia County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Trans Nzoia County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.246.06 million, representing an increase of 12.9 per cent compared to Kshs.217.89 million generated in FY 2016/17 and was 61.5 per cent of the annual own source revenue target.

### 3.42.3 Conditional Grants

Table 3.123 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.123: Trans Nzoia County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation in Kshs	Annual Budget Allocation in Kshs	Actual receipts in FY 2017/18 in Kshs.	Actual Receipts as Percentage of Annual CARA, 2017 Allocation ww(%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101.2
2	Kenya Devolution Support Programme (KDSP)	43,386,482	43,386,482	43,386,482	100.0
3	Development of Youth Polytechnics	39,109,877	39,109,877	39,109,877	100.0
4	Compensation for User Fee Foregone	21,304,915	21,304,915	20,209,153	94.9
5	Road Maintenance Fuel Levy Fund	217,278,809	217,278,809	178,630,435	82.2
6	DANIDA Grant	22,821,679	22,821,679	14,723,664	64.5
7	World Bank Loan for Transforming Health System for Universal Care System	113,923,776	113,923,776	35,601,180	31.3
8	Other Loans & Grants	20,000,000	20,000,000	0	0
<b>Total</b>		<b>527,825,538</b>	<b>527,825,538</b>	<b>382,270,646</b>	<b>72.4</b>

Source: Trans Nzoia County Treasury

Analysis of the conditional grants released during the period under review indicates that, the World Bank loan for National Agricultural & Rural Inclusive Project recorded the highest receipts at 101.2 per cent of annual budget allocation.

### 3.42.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.5.79 billion from the CRF account, which was 87.4 per cent of the Approved Supplementary Budget. This amount represented a decline of 6.6 per cent from Kshs.6.2 billion approved in FY 2016/17 and comprised of Kshs.4.59 billion (79.3 per cent) for recurrent expenditure and Kshs.1.20 billion (20.7 per cent) for development activities.

### 3.42.5 Overall Expenditure Review

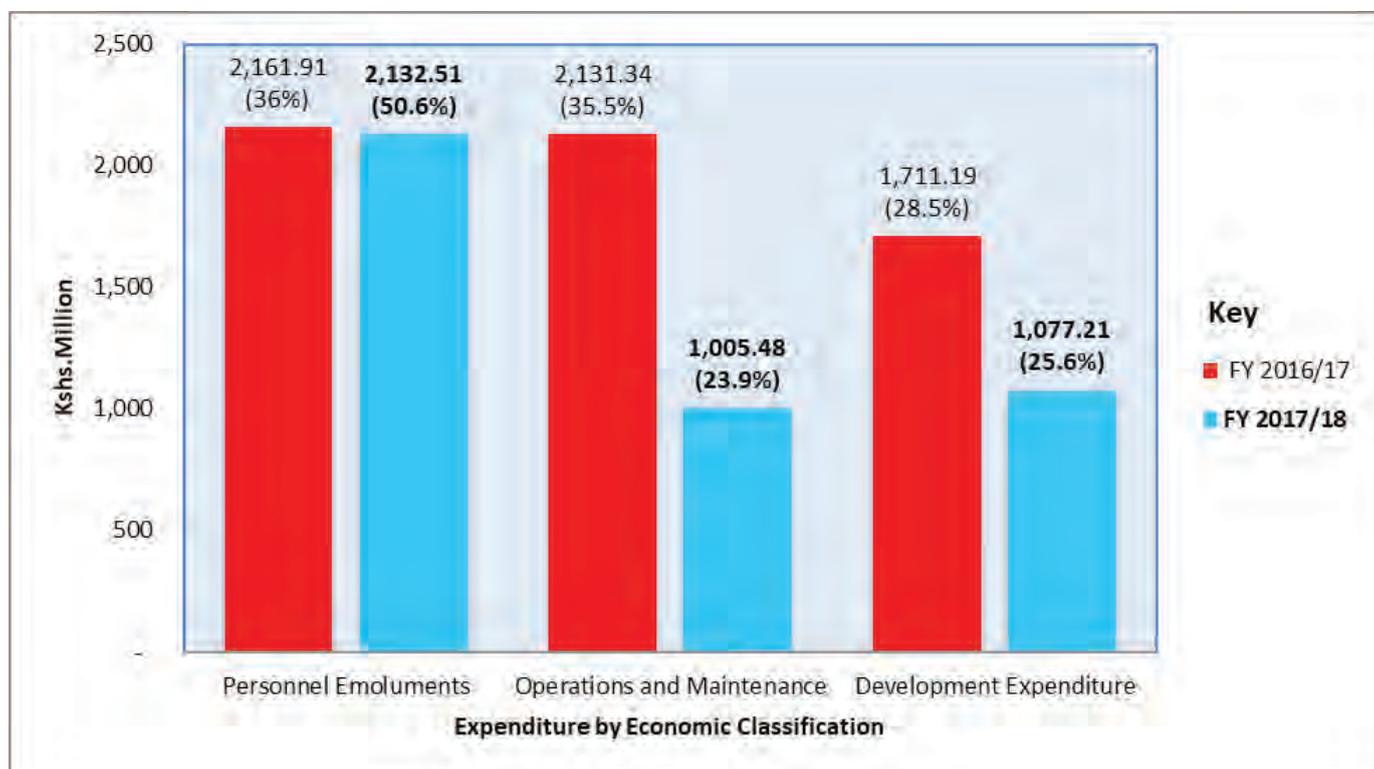
The County spent Kshs.4.22 billion, which was 72.7 per cent of the total funds released for operations. This was a decline of 29.7 per cent from Kshs.6 billion spent in FY 2016/17.

A total of Kshs.3.14 billion was spent on recurrent activities while Kshs.1.08 billion was spent on development activities. The recurrent expenditure was 68.3 per cent of the funds released for recurrent activities, while development expenditure was 89.7 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.313.30 million for development activities and Kshs.468.28 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 67.7 per cent of the annual recurrent budget, a decrease from 101.6 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 54 per cent, which was a decrease from 64.6 per cent attained in FY 2016/17.

Figure 3.167 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.167: Trans Nzoia County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Trans Nzoia County Treasury

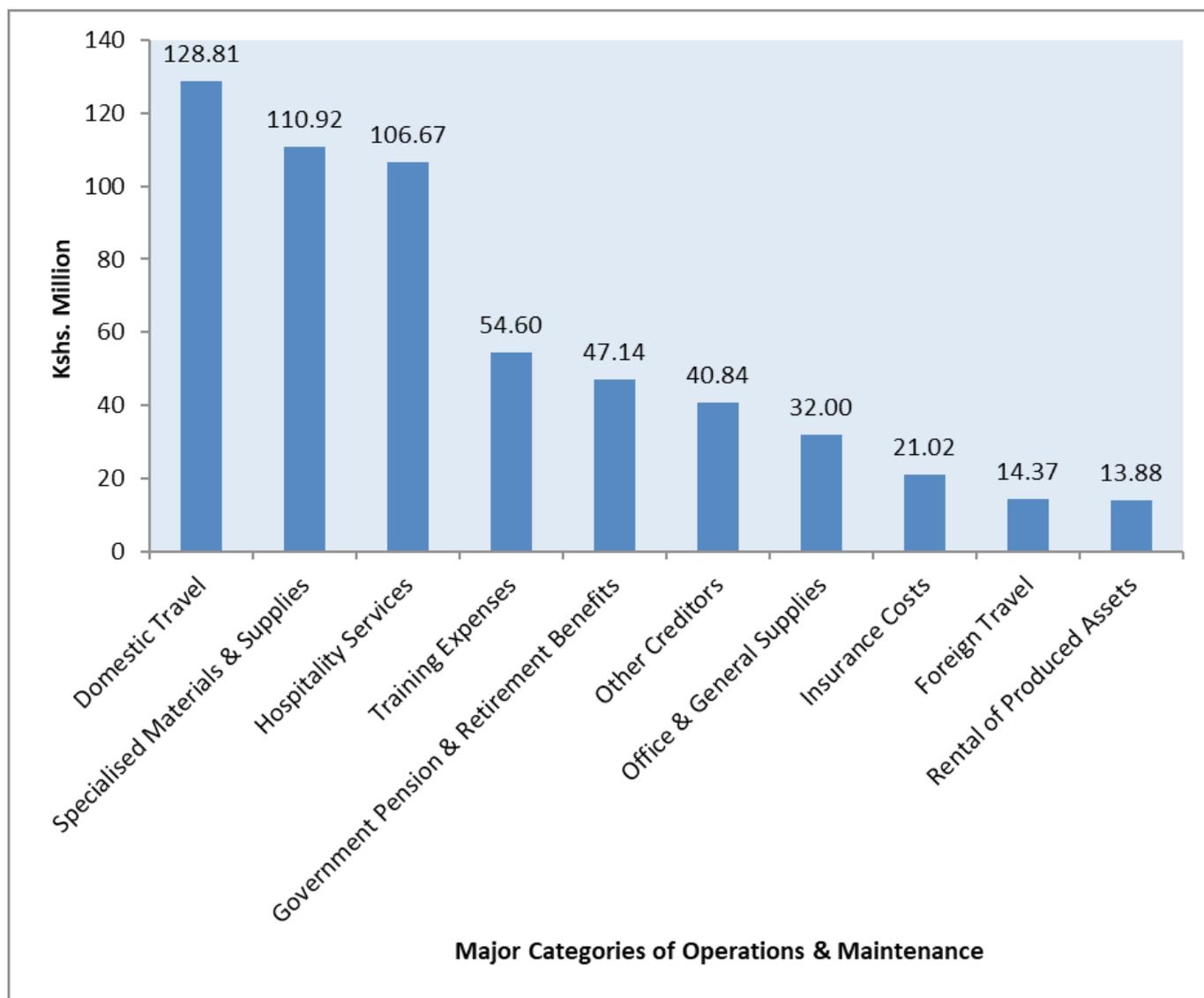
### 3.42.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.14 billion comprised of Kshs.2.13 billion (68 per cent) incurred on personnel emoluments and Kshs.1 billion (32 per cent) on operations and maintenance as shown in Figure 3.167.

Expenditure on personnel emoluments represented a decrease of 1.4 per cent compared to FY 2016/17 when the County spent Kshs.2.16 billion, and was 50.6 per cent of total expenditure in FY 2017/18.

Figure 3.168 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.168: Trans Nzoia County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Trans Nzoia County Treasury

The County spent Kshs.14.69 million on committee sitting allowances to the 40 MCAs and the Speaker against an annual budget allocation of Kshs.61.56 million. This was a decrease of 11.7 per cent compared to Kshs.59.95 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.30,603 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.128.81 million and comprised of Kshs.81.85 million spent by the County Assembly and Kshs.46.96 million by the County Executive. This represented 4.1 per cent of total recurrent expenditure and was a decrease of 61.1 per cent compared to Kshs.349.34 million spent in FY 2016/17.

### 3.42.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.08 billion represented 54 per cent of the annual development budget of Kshs.2 billion.

Table 3.124 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.124: Trans Nzoia County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual expenditure (Kshs.)	Absorption rate (%)
1	Borehole Installation & Rehabilitation	Waitaluk and Sikhendu Wards	10,000,000	22,506,844	225.1
2	Cattle dip Renovation and Supply of Acaricides	Countywide	25,100,000	40,355,302	160.8
3	Supply of Polytechnics Materials and Equipment's	Countywide	25,000,000	24,257,851	97.0
4	Routine road maintenance	Countywide	317,278,809	301,696,291	95.1
5	Levelling of Sport Fields	Countywide	14,584,992	12,460,860	85.4
6	Pipeline Extension	Countywide	91,701,458	69,867,656	76.2
7	Construction of Dispensaries & Health Centers	Countywide	59,406,646	32,834,385	55.3
8	Construction of County Referral Hospital	Matisi Ward	350,000,000	174,700,710	49.9
9	Street Lighting	Kitale Town	36,500,000	14,921,406	40.9
10	Acquisition of Land	Countywide	16,600,000	5,475,000	33.0

Source: Trans Nzoia County Treasury

### 3.42.8 Analysis of Budget Performance by Department

Table 3.125 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.125: Trans Nzoia County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs.Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Veterinary & Fisheries	295.39	109.36	295.39	51.64	172.65	80.42	58.4	155.7	58.4	73.5
Economic Planning, Commerce & Industry	61.7	79.95	61.70	19.52	28.91	12.84	46.9	65.8	46.9	16.1
Water, Environment & Natural Resources	72.57	188.4	72.57	183.95	38.83	205.97	53.5	112	53.5	109.3
Public Works, Transport & Infrastructure	343.16	565.98	343.02	483.29	75.94	397.80	22.1	82.3	22.1	70.1
Health Services	1,570.72	592.39	1,570.72	357.92	1,400.74	242.98	89.2	67.9	89.2	41
Lands, Housing & Physical Planning	94.95	78.20	94.95	11.12	23.36	8.43	24.6	75.8	24.6	10.8
Gender, Youth, Sports, Culture & Tourism	139.79	78.21	139.79	24.82	55.38	18.79	39.6	75.7	39.6	24

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs.Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, ECDE & Vocational Training	400.29	154.51	312.12	48.52	326.4	50.43	104.6	103.9	81.5	32.6
Governance & Public Service Management	383.56	27.84	383.56	17.52	281.25	13.73	73.3	78.4	73.3	49.3
County Public Service Board	33	18	33	-	23.25	0.36	70.5	-	70.5	2
Finance	706.62	29.50	706.61	2.79	308.20	45.46	43.6	1,629.4	43.6	154.1
County Assembly	530.45	73.99	530.45	-	403.07	-	76	-	76	-
<b>TOTAL</b>	<b>4,632.20</b>	<b>1,996.33</b>	<b>4,593.89</b>	<b>1,201.08</b>	<b>3,137.98</b>	<b>1,077.21</b>	<b>68.3</b>	<b>89.7</b>	<b>67.7</b>	<b>54</b>

Source: Turkana County Treasury

Analysis of budget performance by department shows that the Department of Finance and Water, Environment and Natural Resources had the highest absorption rate of development budget at 154 per cent and 109.3 per cent respectively while the County Assembly did not incur any development expenditure. On the other hand, the Department of Health had the highest percentage of recurrent expenditure to recurrent budget at 89.2 per cent while the Department of Public Works, Transport and infrastructure had the lowest at 22.1 per cent.

### 3.42.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

Late submission of financial reports to the OCOB by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012 which requires the financial reports to be submitted by the 15th day after the end of each quarter.

1. Decline in absorption of development funds from 64.6 per cent attained in FY 2016/17 compared to 54 per cent in FY 2017/18.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.
3. High wage bill that was 50.6 per cent of the total expenditure during the period under review.
4. Weak budgetary control as evidenced by expenditure in excess of approved budgetary allocation in Water, Environment & Natural Resources Department and the County Secretary Office.

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

1. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.
2. The County should formulate and implement strategies to enhance implementation of development projects.
3. The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
4. The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill
5. The County Treasury should improve vote book and budgetary control to ensure that expenditure is within the approved budget.

### 3.43 Turkana County

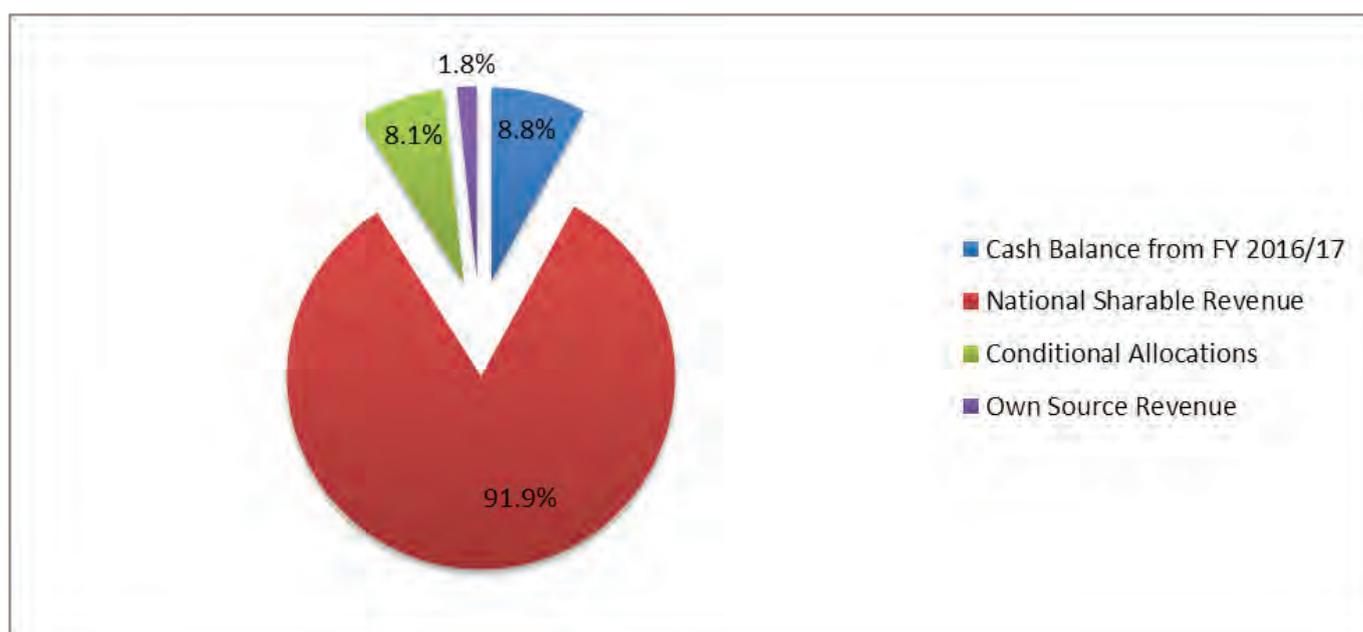
#### 3.43.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.12.15 billion, comprising of Kshs.7.78 billion (62 per cent) and Kshs.4.37 billion (38 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.10.07 billion (91.9 per cent) as equitable share of revenue raised nationally, Kshs.888.34 million (8.1 per cent) as total conditional grants, generate Kshs.200 million (1.8 per cent) from own source revenue, and Kshs.965 million (8.8 per cent) cash balance from FY 2016/17.

Figure 3.169 shows the expected sources of budget financing in FY 2017/18

**Figure 3.169: Turkana County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Turkana County Treasury*

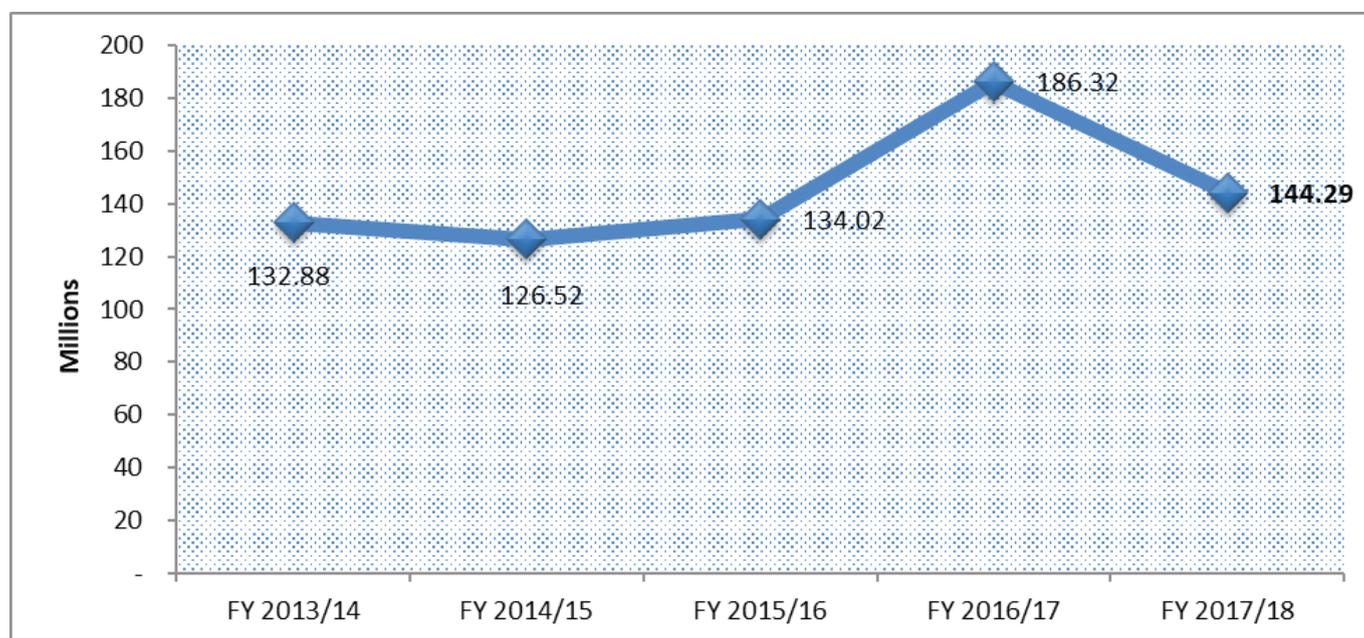
The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (10.2 per cent) for Leasing of Medical Equipment, Kshs.446.48 million (47.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.25.63 million (2.7 per cent) as Compensation for User Fee Foregone, Kshs.30.26 million (3.2 per cent) from DANIDA, Kshs.24.2 million (2.6 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.61.12 million (6.5 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.50 million (5.3 per cent) World Bank Loan for National Agricultural & Rural Inclusive Project Kshs.26.36 million (2.8 per cent) for Development of Youth Polytechnics, and Kshs.110 million (11.7 per cent) as World Bank loan for Transforming Health System for Universal Care Project.

#### 3.43.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.10.07 billion as equitable share of revenue raised nationally, Kshs.888.34 million as total conditional grants, raised Kshs.144.29 million from own source revenue, and had a cash balance of Kshs.365 million from FY 2016/17. The total available funds amounted to Kshs.11.72 billion.

Figure 3.170 shows the annual trend in annual own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.170: Turkana County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Turkana County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.144.29 million, representing a decline of 22.6 per cent compared to Kshs.186.32 million generated in FY 2016/17 and was 72.1 per cent of the annual target.

### 3.43.3 Conditional Grants

Table 3.126 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.126: Turkana County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	446,479,380	446,479,380	446,479,380	100
2	Leasing of Medical Equipment	95,744,681	-	-	-
3	World Bank loan to supplement financing of County Health facilities	24,195,000	24,195,000	24,195,000	100
4	Kenya Devolution Support Programme (KDSP)	61,120,888	61,120,888	61,120,888	100
5	Compensation for User Fee Foregone	25,634,941	-	-	-
6	DANIDA Grant	30,255,192	52,930,548	30,255,192	100
7	Development of Youth Polytechnics	26,358,855	26,358,855	26,358,855	100
8	Other Loans & Grants	66,640,356	67,258,982	67,258,982	101
9	World Bank Loan for Transforming Health System for universal Care Project	110,000,000	160,000,000	110,000,000	100
10	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,000,000	100
<b>Total</b>		<b>936,429,293</b>	<b>888,343,653</b>	<b>888,343,653</b>	<b>95</b>

Source: Turkana County Treasury

Analysis of the conditional grants released during the period under review indicates that, Other Loans & Grants recorded the highest receipts at 101 per cent of annual budget allocation.

### 3.43.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.8.45 billion from the CRF account, which was 77 per cent of the Approved Supplementary Budget. This amount represented a decline of 34 per cent from Kshs.12.8 billion approved in FY 2016/17 and comprised of Kshs.6.75 billion (82.1 per cent) for recurrent expenditure and Kshs.2.06 billion (17.9 per cent) for development activities.

### 3.43.5 Overall Expenditure Review

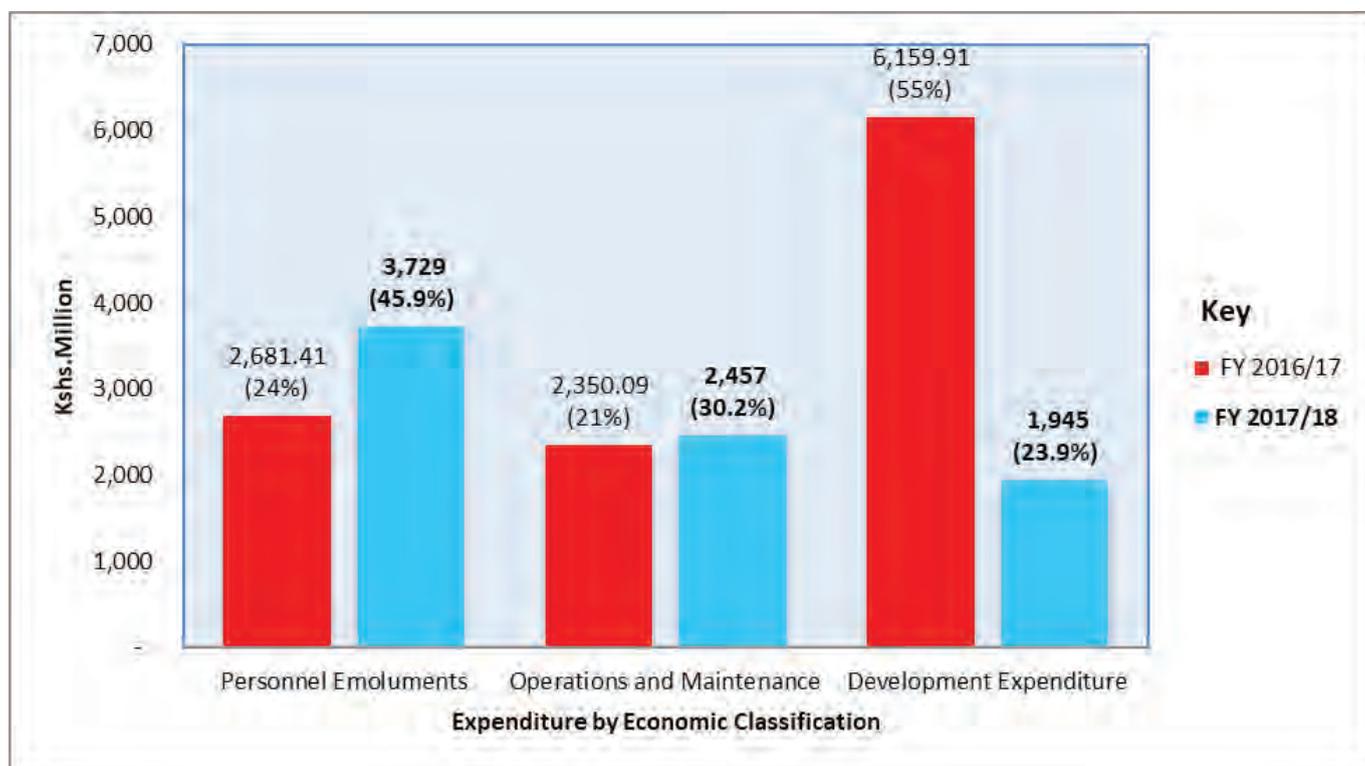
The County spent Kshs.8.13 billion, which was 96.3 per cent of the total funds released for operations. This was a decline of 27.3 per cent from Kshs.11.19 billion spent in FY 2016/17.

A total of Kshs.5.44 billion was spent on recurrent activities while Kshs.1.94 billion was spent on development activities. The recurrent expenditure was 94.3 per cent of the funds released for recurrent activities, while development expenditure was 97.4 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.209.88 million for development activities and Kshs.423.79 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 91 per cent of the annual recurrent budget, a decrease from 91.7 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 46.7 per cent, which was a decrease from 69.4 per cent attained in FY 2016/17.

Figure 3.171 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.171: Turkana County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



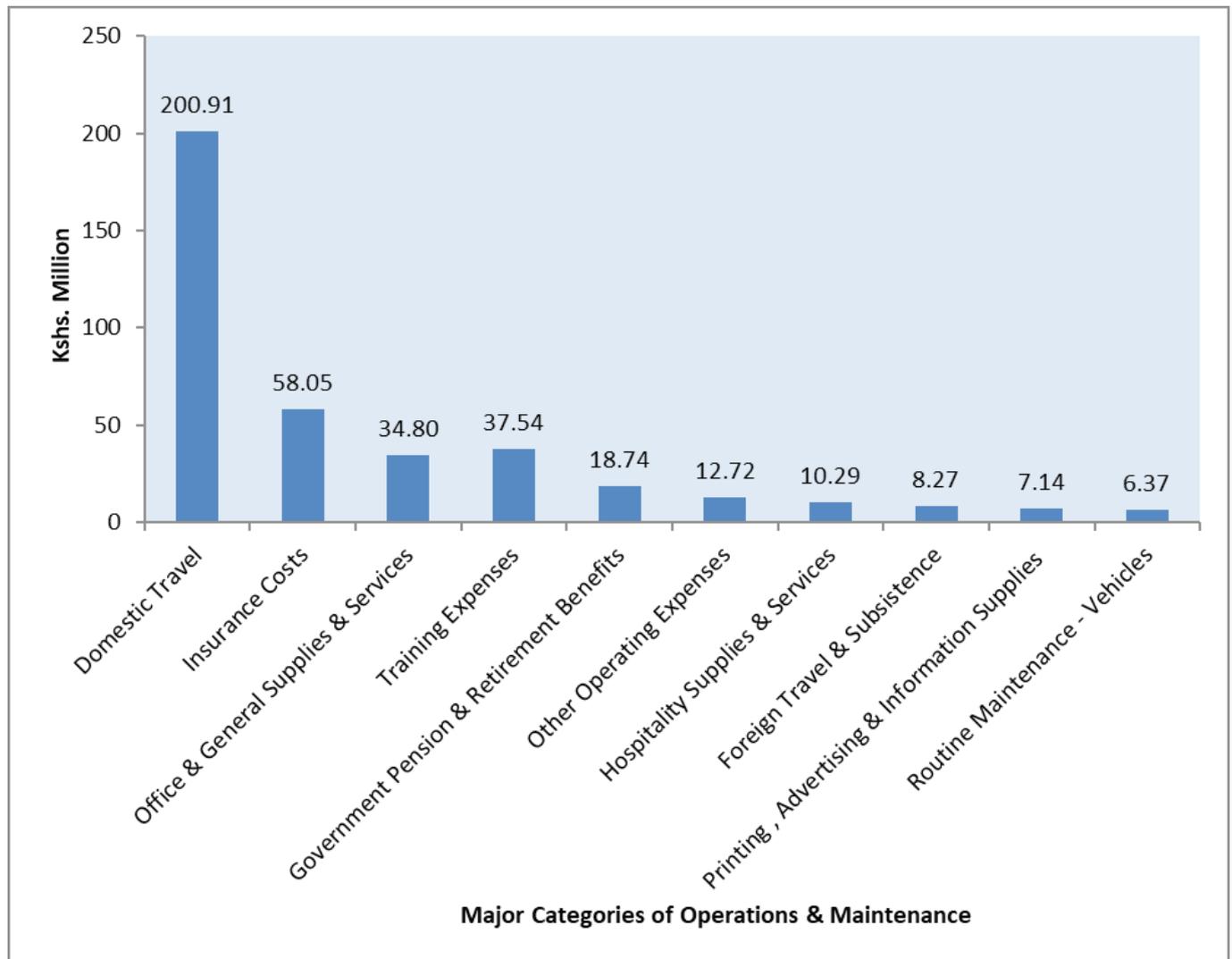
Source: Turkana County Treasury

### 3.43.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.44 billion comprised of Kshs.3.73 billion (68.6 per cent) incurred on personnel emoluments and Kshs.2.46 million (31.4 per cent) on operations and maintenance as shown in Figure 3.171.

Expenditure on personnel emoluments represented an increase of 39.1 per cent compared to FY 2016/17 when the County spent Kshs.2.68 billion, and was 45.9 per cent of total expenditure in FY 2017/18. Figure 3.172 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.172: Turkana County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



Source: Turkana County Treasury

The County spent Kshs.5.65 million on committee sitting allowances to the 48 MCAs against the annual budget allocation of Kshs.38.44 million. This was a decline of 84.2 per cent compared to Kshs.35.77 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.9,809 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.200.91 million and comprised of Kshs.129.36 million spent by the County Assembly and Kshs.71.52 million by the County Executive. This represented 2.2 per cent of total recurrent expenditure and was a decrease of 34.8 per cent compared to Kshs.320.8 million spent in FY 2016/17.

### 3.43.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.94 billion represented 46.7 per cent of the annual development budget of Kshs.4.16 billion. Table 3.127 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.127: Turkana County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Construction of Water Supply Systems Commitments and Pending bills	County Wide	325,595,949	269,417,696	82.7
2	County Headquarters Offices	Lodwar	195,000,000	140,853,438	72.2
3	Maintenance of Rural Roads	County Wide	110,138,768	87,429,957	79.4
4	Upgrading to Bitumen standards roads-Ekaales centre Road	Ekaales	164,097,020	71,361,783	43.5
5	Irrigation in 3 sites (Kalemngorok, Kobuin, Kibish)	Kalemngorok, Kobuin, Kibish	211,890,924	40,362,225	19.0
6	Completion of Ward Offices (Katilu, Lobei/Kotaruk, Kakuma, Nakalale, Kainuk, Kanamkemer)	Katilu, Lobei/Kotaruk, Kakuma, Nakalale, Kainuk, Kanamkemer	35,000,000	13,057,915	37.3
7	Renewable Energy Development (Stand alone systems for Public Institutions and sites)	County Wide	26,543,509	27,247,135	102.7
8	Livestock Restocking	County Wide	20,000,000	26,443,200	132.2
9	Medical Equipment	County Wide	29,911,100	21,258,275	71.1

Source: Turkana County Treasury

### 3.43.8 Budget and Budget Performance Analysis by Department

Table 3.128 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.128: Turkana County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the FY 2017/18 (Kshs. Million)		Expenditure in The FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governance (Office of the Gvn and Liaison)	412.20	-	341.57	-	361.57	0.00	105.9	-	87.7	-
Office of the Deputy Governor	21.14	-	15.12	288.01	12.12	0.00	80.2	-	57.3	-
Finance and Planning	331.03	425.57	223.73	386.26	283.73	266.26	126.8	68.9	85.7	62.6
Water Services, Environment and Mineral Resources	53.67	646.32	22.16	136.45	22.16	349.45	100.0	256.1	41.3	54.1
Health & Sanitation Services	1146.52	266.43	609.82	93.72	541.82	93.72	88.8	100	47.3	35.2
Trade, Gender and Youth Affairs	104.33	256.41	70.91	53.13	76.91	53.13	108.5	100	73.7	20.7
Education, Sports and Social Protection	485.05	368.58	408.32	25.69	158.32	173.94	38.8	677	32.6	47.2
Public Services, Decentralized Administration & Disaster Management	3741.64	55.00	3768.05	288.94	3768.05	25.69	100.0	8.9	100.7	46.7
Infrastructure Transport & Public Works	43.95	1181.72	33.49	502	23.49	704.15	70.1	140.3	53.4	59.6
Agriculture, Pastoral Economy & Fisheries	168.22	513.54	119.40	48.86	56.40	148.86	47.2	304.7	33.5	29

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the FY 2017/18 (Kshs. Million)		Expenditure in The FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Tourism, Culture and Natural Resources	75.90	147.79	26.72	45.72	34.72	45.72	129.9	100.0	45.7	30.9
Lands, Energy, Housing & Urban Areas Mgt.	94.24	297	44.92	86.01	44.92	84.01	100.0	97.7	47.7	28.3
County Public Service Board	121.93	6.57	88.10	42.69	59.10	0.00	67.1	0.0	48.5	-
County Assembly	980.45	204.93	980.45	58	980.40	46.32	100.0	79.9	100.0	22.6
<b>TOTAL</b>	<b>7,780</b>	<b>4,370</b>	<b>6,933</b>	<b>1,510</b>	<b>6,424</b>	<b>1,991</b>	<b>95.1</b>	<b>96.9</b>	<b>82.6</b>	<b>45.6</b>

Source: Turkana County Treasury

Analysis of budget performance by department shows that, the Department of Finance and Planning attained the highest absorption rate of development budget at 62.6 per cent while the County Public Service Board did not incur any development expenditure. The Department of Public Services, Decentralized Administration & Disaster Management had the highest percentage of recurrent expenditure to recurrent budget at 100.7 per cent while the Department of Education, Sports and Social Protection had the lowest at 32.6 per cent.

### 3.43.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected 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 39.1 per cent from Kshs.2.68 billion in FY 2016/17 to Kshs.3.73 billion during the period under review.
3. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 46.7 per cent compared to 67.4 per cent in FY 2016/17.
4. Under-performance in own source revenue collection which declined by 22.6 per cent from Kshs.186.32 million in FY 2016/17 to Kshs.144.29 million during the reporting period.
5. Non-compliance with the requirement to ensure all payments are processed through IFMIS and the Internet Banking platform. The Office noted that some funds were transferred to commercial bank accounts and payments done by cheques.

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 should put mechanisms in place that will enhance absorption of development funds.*
3. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
4. *The County Treasury should formulate and implement strategies to enhance own source revenue collection.*
5. *Accounting officers in the County should ensure that all financial transactions are made on IFMIS and payments made online through the Internet Banking platform at the Central Bank of Kenya.*

### 3.44 Uasin Gishu County

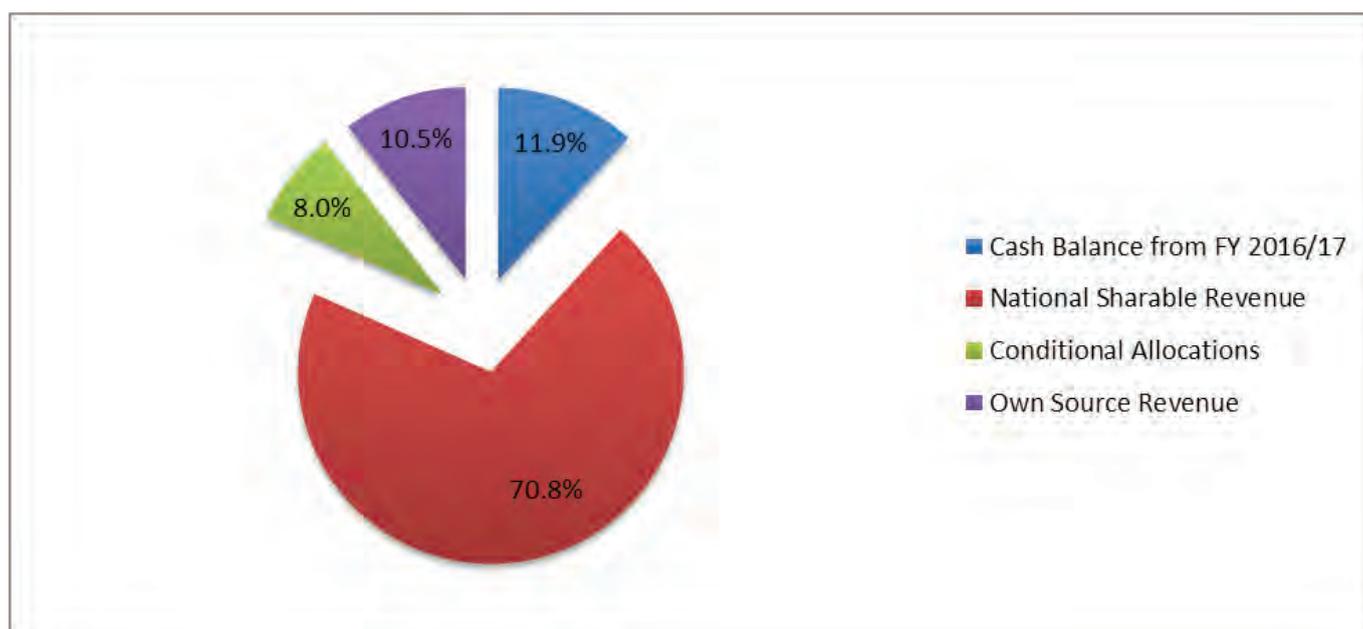
#### 3.44.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget was Kshs.8.06 billion, comprising of Kshs.5.02 billion (62.3 per cent) and Kshs.3.04 billion (37.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.71 billion (70.8 per cent) as equitable share of revenue raised nationally, Kshs.647.5 million (6.8 per cent) as total conditional grants, generate Kshs.850 million (10.5 per cent) from own source revenue, and Kshs.958.25 million (11.9 per cent) cash balance from FY 2016/17.

Figure 3.173 shows the expected sources of financing the budget in FY 2017/18

**Figure 3.173: Uasin Gishu County, Expected Sources of Financing the Budget in FY 2017/18 (%).**



*Source: Uasin Gishu County Treasury*

The conditional grants contained in the CARA, 2017 comprised of Kshs.221.17 million (40.5 per cent) as Road Maintenance Fuel Levy Fund, Kshs.20.84 million (3.8 per cent) as Compensation for User Fee Foregone, Kshs.35.47 million (6.5 per cent) as Development of youth Polytechnics, Kshs.81.89 million (15 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.23.23 million (4.3 per cent) as DANIDA grant, Kshs.66 million (12.1 per cent) as EU Grants, Kshs.43.65 million (8 per cent) as Kenya Devolution Support Programme Grant, and Kshs.33.83 million (6.2 per cent) as Other Loans and grants.

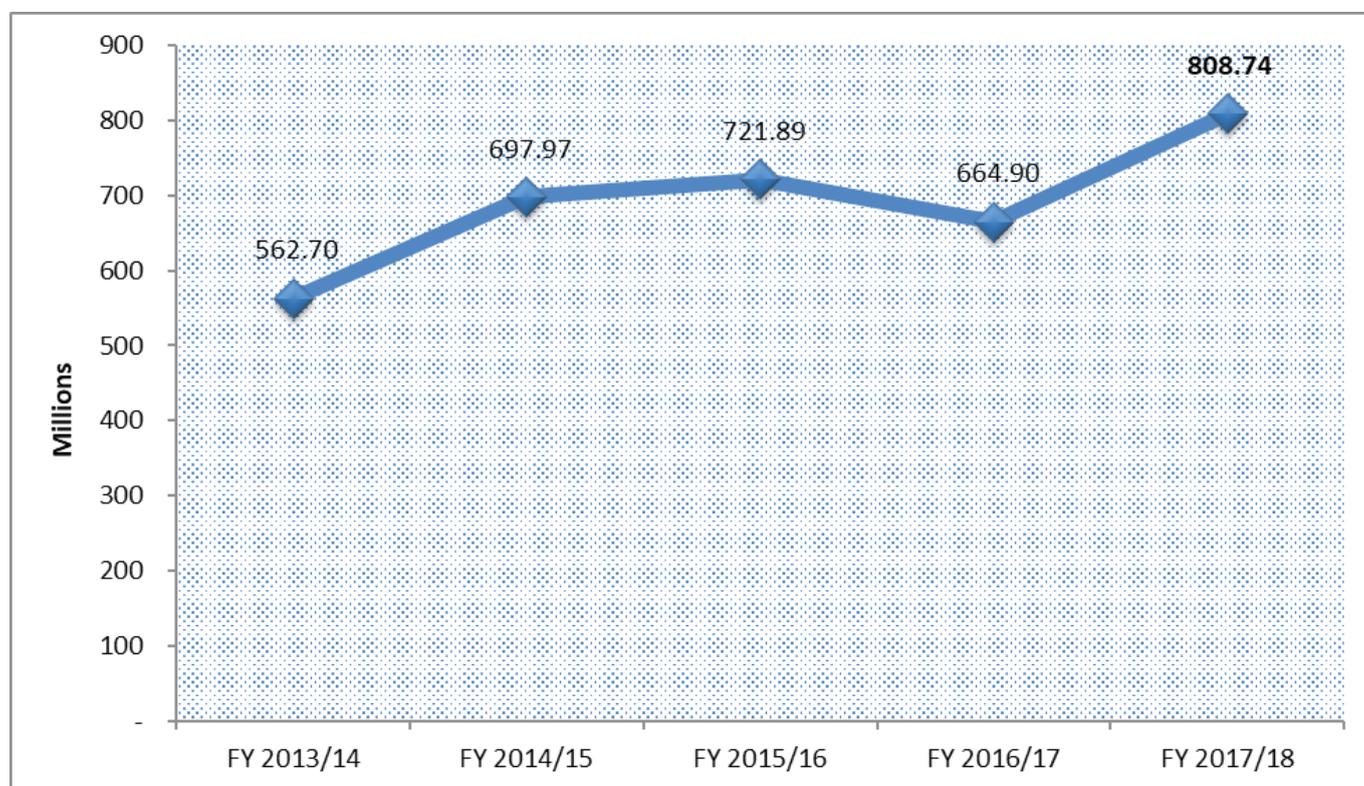
The County also expected to receive Kshs.20 million as grant for World Bank (Kenya Urban Support programme, which was not contained in the CARA, 2017.

#### 3.44.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.5.71 billion as equitable share of revenue raised nationally, Kshs.363.05 million as total conditional grants, raised Kshs.808.74 million from own source revenue, and had a cash balance of Kshs.958.25 million from FY 2016/17. The total available funds amounted to Kshs.7.84 billion.

Figure 3.174 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.174: Uasin Gishu County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: Uasin Gishu County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.808.74 million, representing an increase of 21.8 per cent compared to Kshs.664.9 million generated in FY 2016/17 and was 95.1 per cent of the annual own source revenue target.

### 3.44.3 Conditional Grants

Table 3.129 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.129: Uasin Gishu County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	221,167,426	315,880,000	221,167,425	70.0
2	Free Maternity Healthcare	-	18,038,055	-	-
3	World Bank loan for Transforming Health Systems for Universal Care project	81,893,450	81,893,450	25,591,703	31.2
4	Kenya Devolution Support Programme (KDSP)	43,650,314	43,650,314	43,650,314	100.0
5	Compensation for User Fee Foregone	20,843,281	20,843,281	22,181,068	106.4
6	DANIDA grant	23,230,116	31,890,116	14,987,172	47.0
7	Conditional Allocation - Other Loans & Grants	33,834,647	33,834,647	-	-
8	World Bank loan for Development of Youth polytechnics	35,472,610	35,472,610	35,472,610	100.0
9	EU grant -IDAS	66,000,000	66,000,000	-	-
<b>Sub Total</b>		<b>526,091,844</b>	<b>465,774,376</b>	<b>363,050,292</b>	<b>363,050,292</b>

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
B	<b>Other Grants</b>				
10	Kenya Urban Support Programme	-	20,000,000	-	-
<b>Sub Total</b>		-	20,000,000	-	-
<b>Grand Total</b>		<b>526,091,844</b>	<b>485,774,376</b>	<b>363,050,292</b>	<b>54.4</b>

Source: Uasin Gishu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from the Road Maintenance Fuel Levy Fund, World Bank Loan for Transforming Health Systems for Universal Care Project, Kenya Devolution Support Programme (KDSP), Compensation of User Fees, DANIDA, and World Bank loan for Youth Polytechnics. These receipts accounted for 70 per cent, 31.2 per cent, 100 per cent, 106.4 per cent, 74.8 per cent and 75 per cent of annual allocation respectively.

### 3.44.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.6.39 billion from the CRF account, which was 79.3 per cent of the Approved Supplementary Budget. This amount represented a decline of 1.5 per cent from Kshs.6.46 billion approved in FY 2016/17 and comprised of Kshs.4.85 billion (76per cent) for recurrent expenditure and Kshs.1.53 million (24per cent) for development activities.

### 3.44.5 Overall Expenditure Review

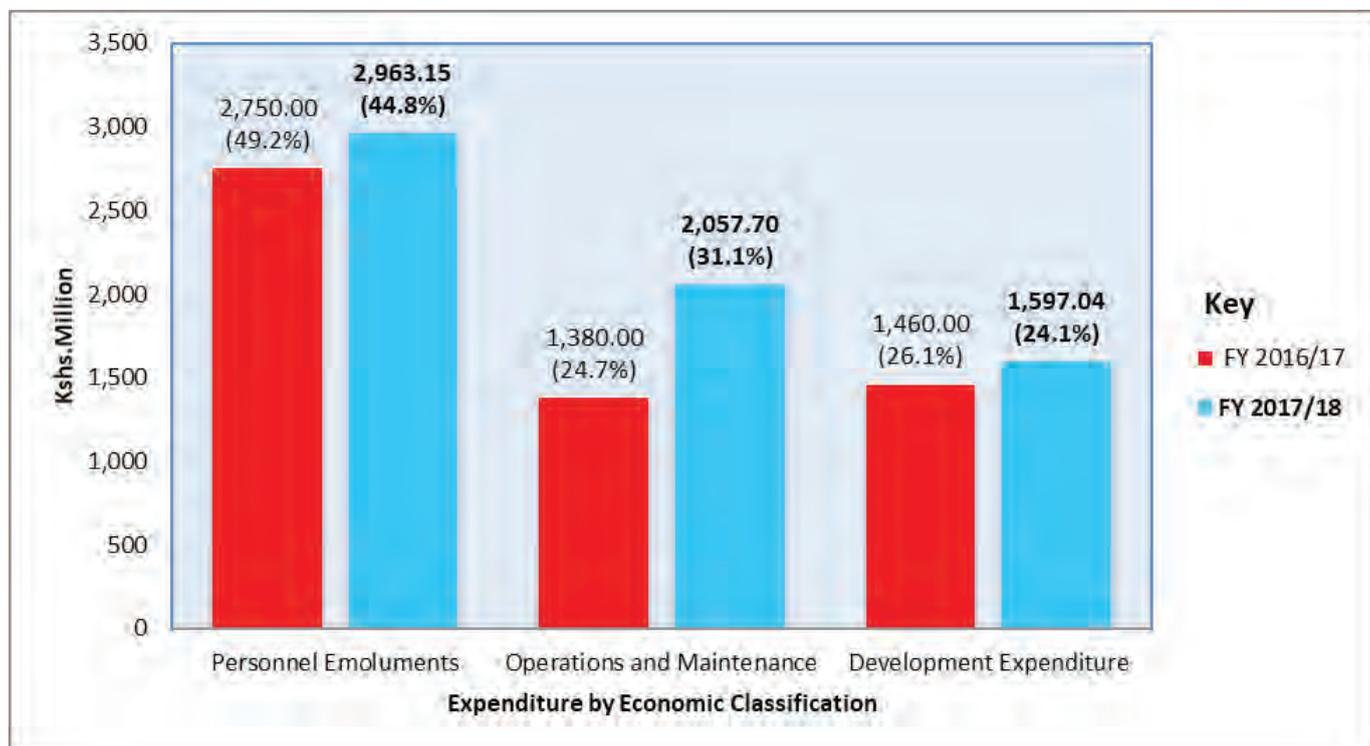
The County spent Kshs.6.62 billion, which was 98.4 per cent of the total funds released for operations. This was an increase of 12.5 per cent from Kshs.5.59 billion spent in FY 2016/17.

A total of Kshs.4.73 billion was spent on recurrent activities while Kshs.1.6 billion was spent on development activities. The recurrent expenditure was 97.1 per cent of the funds released for recurrent activities, while development expenditure was 100.6 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.84.15 million for Development activities and Kshs.235.20 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 94.3 per cent of the annual recurrent budget, an increase from 82 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 52.5 per cent, which was a decrease from 54.6 per cent attained in FY 2016/17.

Figure 3.175 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.175: Uasin Gishu County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Uasin Gishu County Treasury

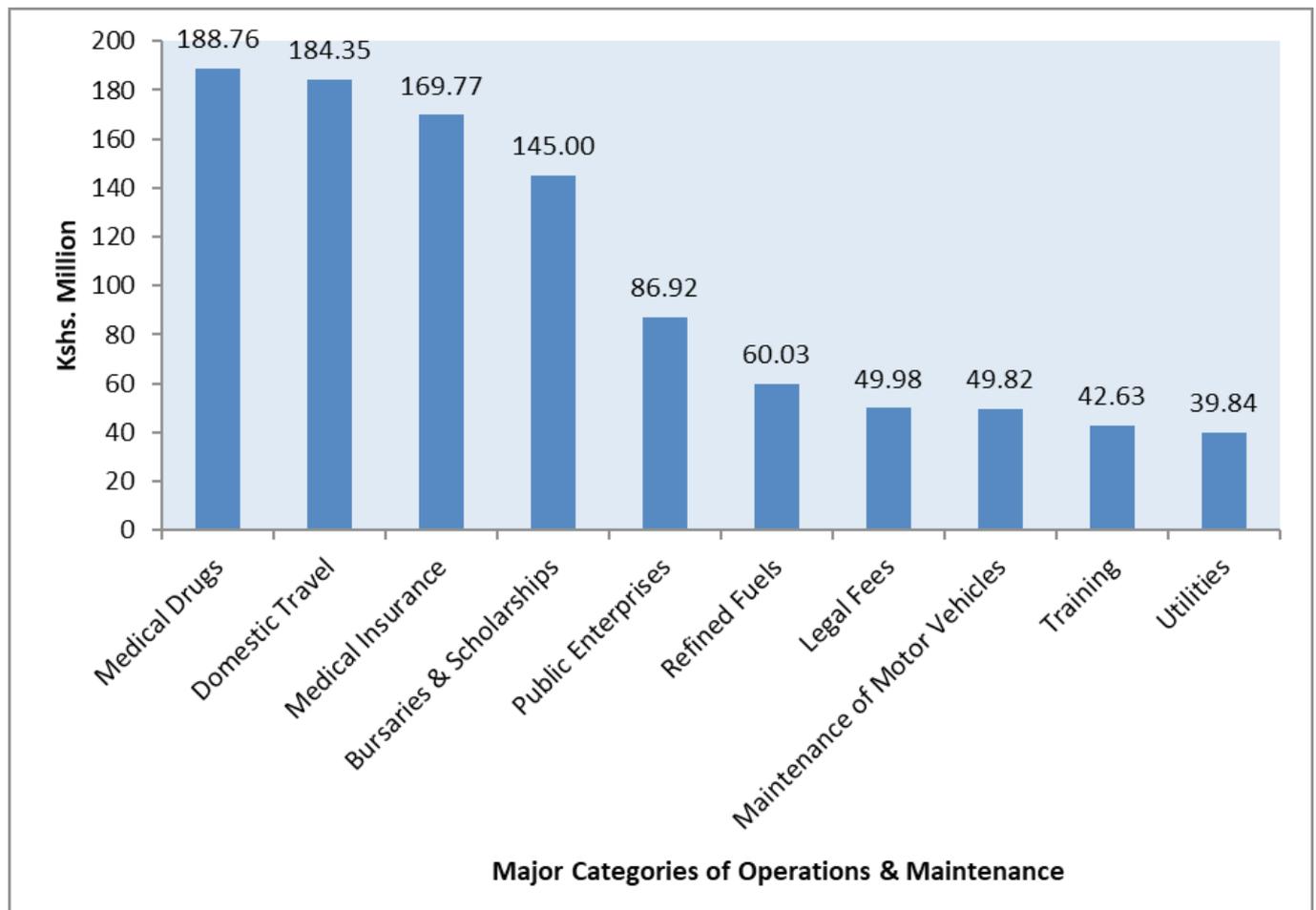
### 3.44.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.73 billion comprised of Kshs.2.96 billion (62.6 per cent) incurred on personnel emoluments and Kshs.2.06 billion (37.4 per cent) on operations and maintenance as shown in Figure 3.175.

Expenditure on personnel emoluments represented an increase of 7.6 per cent compared to FY 2016/17 when the County spent Kshs.2.75 billion, and was 46.8 per cent of total expenditure.

Figure 3.176 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.176: Uasin Gishu County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Uasin Gishu County Treasury*

The County spent Kshs.29.81 million on committee sitting allowances to the 47 MCAs against an annual budget allocation of Kshs.30 million. This was a decline of 31.7 per cent compared to Kshs.43.64 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.52,850 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.184.35 million and comprised of Kshs.83.11 million spent by the County Assembly and Kshs.101.24 million by the County Executive. This represented 4.3 per cent of total recurrent expenditure and was a decrease of 27.1 per cent compared to Kshs.281.52 million spent in FY 2016/17.

### 3.44.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.56 billion represented 51.3 per cent of the annual development budget of Kshs.3.04 billion. Table 3.130 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.130: Uasin Gishu County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S / No.	Project Name	Project location	Project budget (Kshs.)	FY 2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Construction of High Altitude Training Camp	Tarakwa ward	172,310,405	9,750,458	6
2	Supply of Tipplers	County Headquarters	69,654,000	58,045,000	83
3	Development of County Spatial Plan	County Headquarters	97,839,915	19,567,831	20
4	Construction of 70 bed West Maternity	County Headquarters	63,005,156	3,095,100	5
5	Development of Architectural Designs for the Construction of Ultra-Modern Chambers & Offices	County Assembly	50,000,000	49,108,389	98
6	Supply of Fall Army worm Pesticide	County Headquarters	39,096,875	17,113,200	44
7	Construction of Tuiyo Cereals Store	Kapsaret/Simat	14,343,248	4,029,420	28
8	Installation of Power to Cooling Milk Plants	County Wide	9,000,000	8,934,874	99
9	Eldoret Town Evaluation Roll	Eldoret Town	7,813,139	5,206,590	67
10	Construction of Perimeter Fence at Koiboboi	Tapsagoi ward	3,000,000	2,921,334	97

Source: Uasin Gishu County Treasury

### 3.44.8 Analysis of Budget Performance by Department

Table 3.131 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.131: Uasin Gishu County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	158.04	-	158.04	-	156.74	-	99.2	-	99.2	-
Finance	321.54	-	287.70	-	270.67	-	94.1	-	84.2	-
Economic Planning	97.21	-	97.21	-	91.06	-	93.7	-	93.7	-
Agriculture	249.97	187.43	249.97	87.97	288.40	57.73	91.4	65.6	91.4	30.8
Health Services	1,800.51	218.28	1,6185.27	143.94	1,671.39	146.99	97.5	102.1	92.8	67.3
Water, Environment & Natural Resources	131.59	488.27	131.59	299.74	120.62	286.30	91.7	95.5	91.7	58.6
Trade, Tourism, Industry & Cooperatives Development	87.95	175.80	87.95	44.98	91.57	40.86	104.1	90.8	104.1	23.2
Roads & Public Works	336.70	724.42	336.70	415.56	332.81	437.21	98.8	105.2	98.8	60.4
Education, Social & Culture	386.70	116.16	386.70	74.48	383	71.06	99.0	95.4	99.0	61.2
Lands & Housing	38.65	279.30	38.65	18.69	34.39	18.69	89.0	100.0	89.0	67.0
Public Service Management	401.12	22.45	401.12	-	390.14	3.46	97.3	-	97.3	15.4
ICT & E-Government	39.87	28.93	39.87	19.77	39.35	22.32	98.7	112.9	98.7	77.2
County public Service Board	50.38	-	5.38	-	47.88	-	95.0	-	95.0	-
Public Administration & Coordination	184.74	69.90	184.74	-	182.09	1.99	98.6	-	98.6	2.8
Youth & Sports Development	112.26	184.85	112.26	103.15	111.10	107.37	99.0	104.1	99.0	58.1
County Assembly	568.75	50	568.54	49.11	568.15	49.11	99.9	100.0	99.9	98.2
Cooperatives and Enterprise Development	14.86	242.07	14.86	231.01	10.36	236.40	69.7	102.3	69.7	97.7

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs. Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Physical Planning & Urban Development	30.25	58.26	4.19	4.41	1.24	53.56	29.6	1,214.5	4.1	91.9
Livestock Development & Fisheries	9.77	195.21	9.77	54.43	1.24	23.98	12.7	44.1	12.7	12.3
<b>TOTAL</b>	<b>5,020.86</b>	<b>3,041.33</b>	<b>4,845.51</b>	<b>1,547.24</b>	<b>4,732.21</b>	<b>1,557.04</b>	<b>97.1</b>	<b>100.6</b>	<b>94.3</b>	<b>51.2</b>

Source: Uasin Gishu County Treasury

Analysis of budget performance by department shows that, the County Assembly attained the highest absorption rate of development budget at 98.2 per cent while the Public Administration had the lowest at 2.8 per cent. The Department of Trade, Tourism, Industry & Cooperatives Development had the highest percentage of recurrent expenditure to recurrent budget at 104.1 per cent while the Department of Physical Planning & Urban Development had the lowest at 4.1 per cent.

### 3.44.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Failure to establish and operationalize an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
2. Late Submission of financial reports by the County Treasury to the OCoB, which affected timely preparation of budget implementation report. Section 166 of the PFM Act, 2012 requires the financial reports to be submitted by 15th day after the end of each quarter.
3. High wage bill that has increased by 7.6 per cent from Kshs.2.75 billion in FY 2016/17 to Kshs.2.96 billion during the period under review.

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 ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of the PFM Act, 2012.
3. The County should put mechanisms in place that will enhance absorption of development funds.

## 3.45 Vihiga County

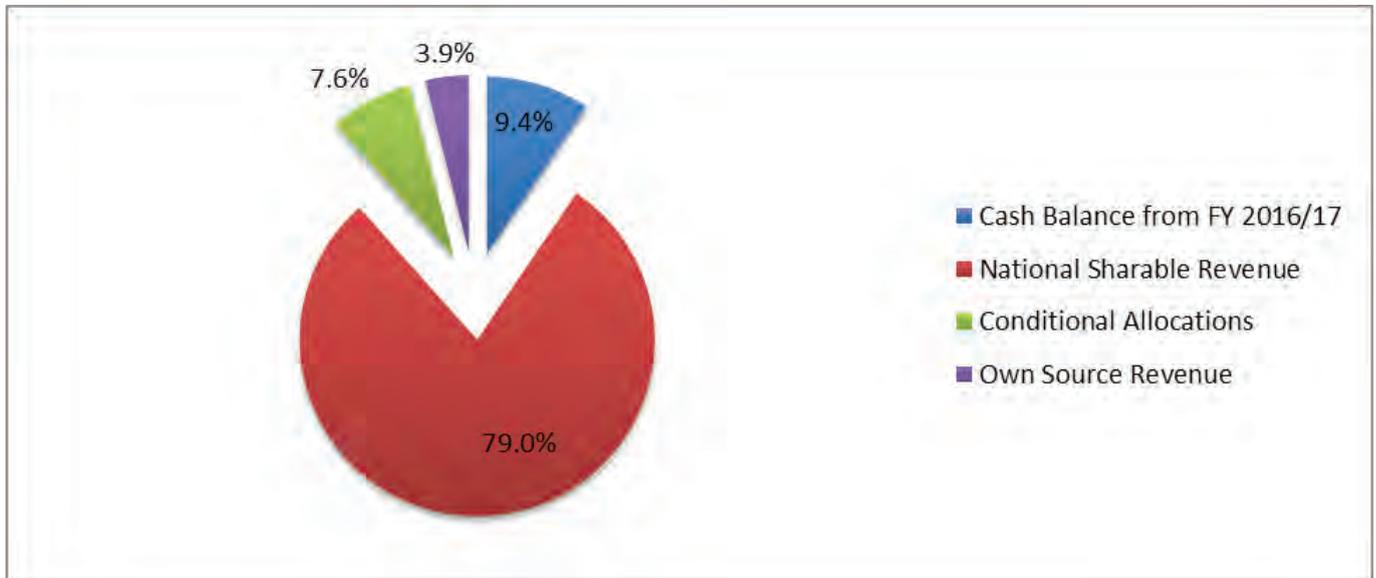
### 3.45.1 Overview of the FY 2017/18 Budget.

The County's FY 2017/18 Approved Supplementary Budget was Kshs.5.58 billion, comprising of Kshs.3.88 billion (69.5 per cent) and Kshs.1.7 billion (30.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.41 billion (79 per cent) as equitable share of revenue raised nationally, Kshs.425.13 million (7.6 per cent) as total conditional grants, generate Kshs.220 million (3.9 per cent) from own source revenue, and Kshs.527.38 million (9.4 per cent) cash balance from FY 2016/17.

Figure 3.177Error! Reference source not found. shows the expected sources of budget financing in FY 2017/18

**Figure 3.177: Vihiga County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Vihiga County Treasury*

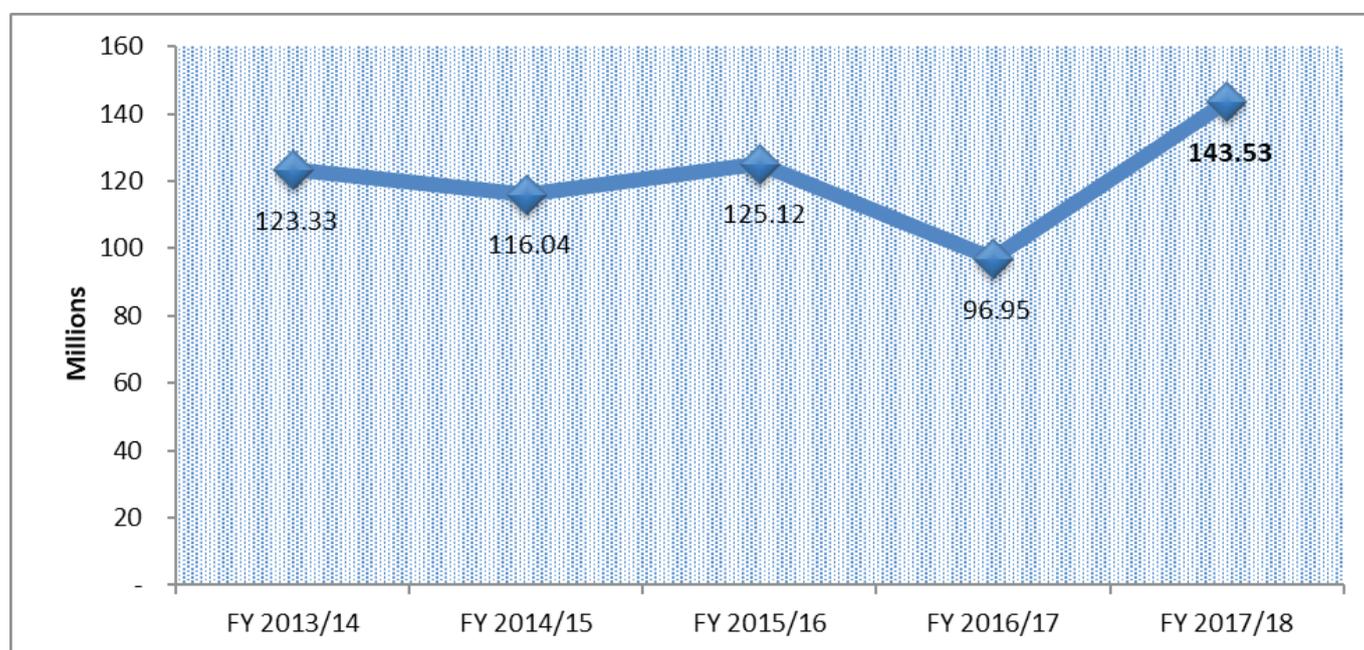
The conditional grants contained in the CARA, 2017 comprised of Kshs.95.74 million (18.4 per cent) for Leasing of Medical Equipment, Kshs.164.95 million (31.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.66 million (2.4 per cent) as Compensation for User Fee Foregone, Kshs.17.33 million (3.3 per cent) from DANIDA, Kshs.38.85 million (7.5 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.50.89 million (9.8 per cent) for Development of Youth Polytechnics, Kshs.50 million (9.6 per cent) for the World Bank Loan on National Agriculture & Rural Inclusive Initiative, Kshs.73.96 million (14.2 per cent) as World Bank loan for Transforming Health System for Universal Care Project and Kshs.16.5 million (3.2 per cent) as Other Loans and Grants.

### 3.45.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.4.41 billion as equitable share of revenue raised nationally, Kshs.329.40 million as total conditional grants, raised Kshs.143.53 million from own source revenue, and had a cash balance of Kshs.527.38 million from FY 2016/17. The total available funds amounted to Kshs.5.41 billion.

Figure 3.178 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.178: Vihiga County, Trend in Annual Own Source revenue Collection from FY 2013/14 to FY 2017/18.**



Source: Vihiga County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.143.53 million, representing an increase of 49.5 per cent compared to Kshs.96.95 million generated in FY 2016/17 and was 65.2 per cent of the annual own source revenue target.

### 3.45.3 Conditional Grants

Table 3.132 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.132: Vihiga County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	FY 2017/18 Annual Budget Allocation (Kshs)	Actual Receipts in FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	164, 948, 954	164, 948, 954	135, 608, 730	82.2
2	World Bank loan for Transforming Health System for universal Care Project	73, 956, 777	73, 956, 777	23, 111, 493	31.3
3	Development of National Youth Polytechnics	50, 886, 386	50, 886, 386	50, 886, 386	100
4	World Bank loan National Agriculture & Rural Inclusive Project	50, 000, 000	50, 000, 000	50, 609, 855	101.2
5	Kenya Devolution Support Programme (KDSP)	38, 854, 627	38, 854, 627	38, 854, 627	100
6	DANIDA grant	17, 325, 260	17, 325, 260	17, 325, 260	100
7	Other Loans & Grants	16, 500, 000	16, 500, 000	-	-
8	Compensation for User Fee Foregone	12, 657, 201	12, 657, 201	13, 002, 761	102.7
	<b>Total</b>	<b>425, 129, 205</b>	<b>425, 129, 205</b>	<b>329, 399, 112</b>	<b>77.5</b>

Source: Vihiga County Treasury

Analysis of the conditional grants released during the period under review indicates that, Compensation for User Fee Foregone and World Bank loan for the National Agriculture & Rural Inclusive Project recorded the highest receipts at 102.7 per cent and 101.2 per cent of the annual allocation respectively.

### 3.45.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.02 billion from the CRF account, which was 72 per cent of the Approved Supplementary Budget. This amount represented a decline of 7.2 per cent from Kshs.4.31 billion approved in FY 2016/17 and comprised of Kshs.3.63 billion (90.3 per cent) for recurrent expenditure and Kshs.387.98 million (9.7 per cent) for development activities.

### 3.45.5 Overall Expenditure Review

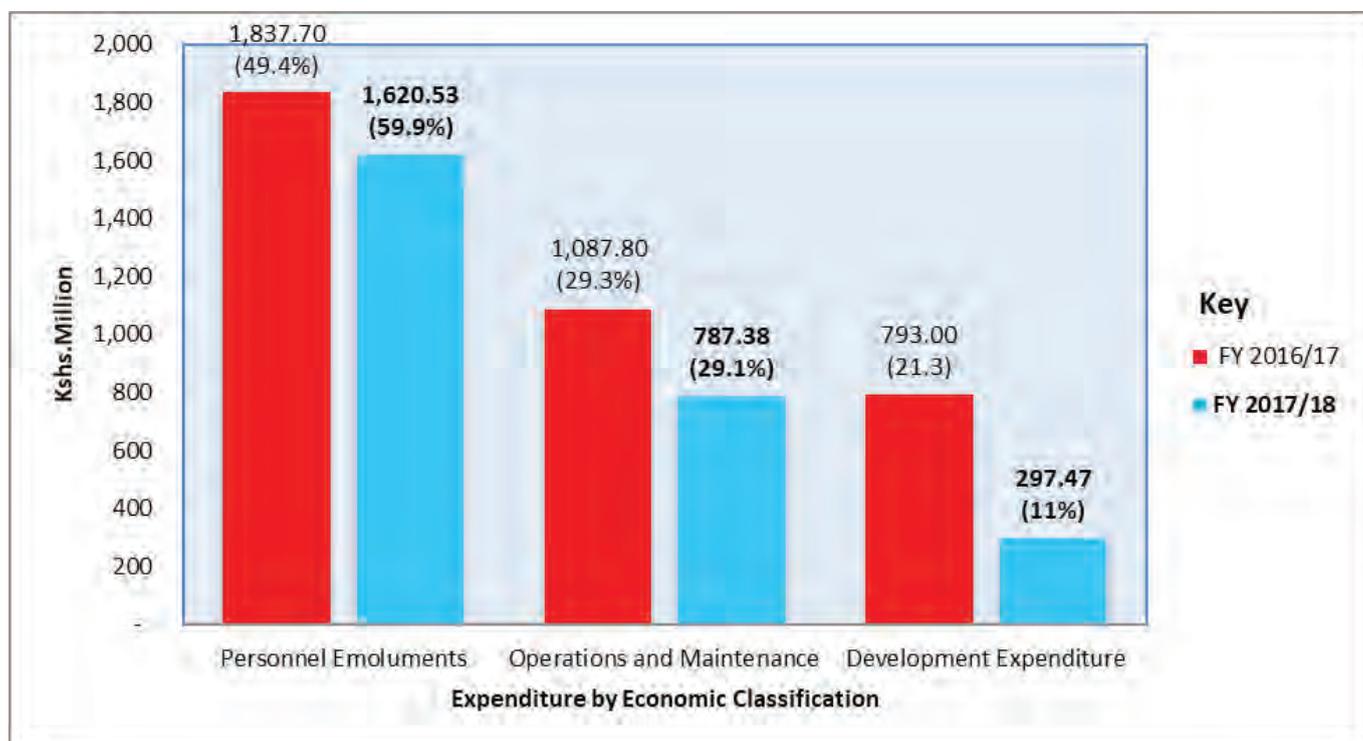
The County spent Kshs.2.71 billion, which was 67.4 per cent of the total funds released for operations. This was a decline of 27.2 per cent from Kshs.3.72 billion spent in FY 2016/17.

A total of Kshs.2.41 billion was spent on recurrent activities while Kshs.297.47 million was spent on development activities. The recurrent expenditure was 66.4 per cent of the funds released for recurrent activities, while development expenditure was 76.6 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.207.33 million for development activities and Kshs.977.48 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 62 per cent of the annual recurrent budget, a decrease from 82.9 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 17.5 per cent, which was a decrease from 52.5 per cent attained in FY 2016/17.

Figure 3.179 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.179: Vihiga County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



Source: Vihiga County Treasury

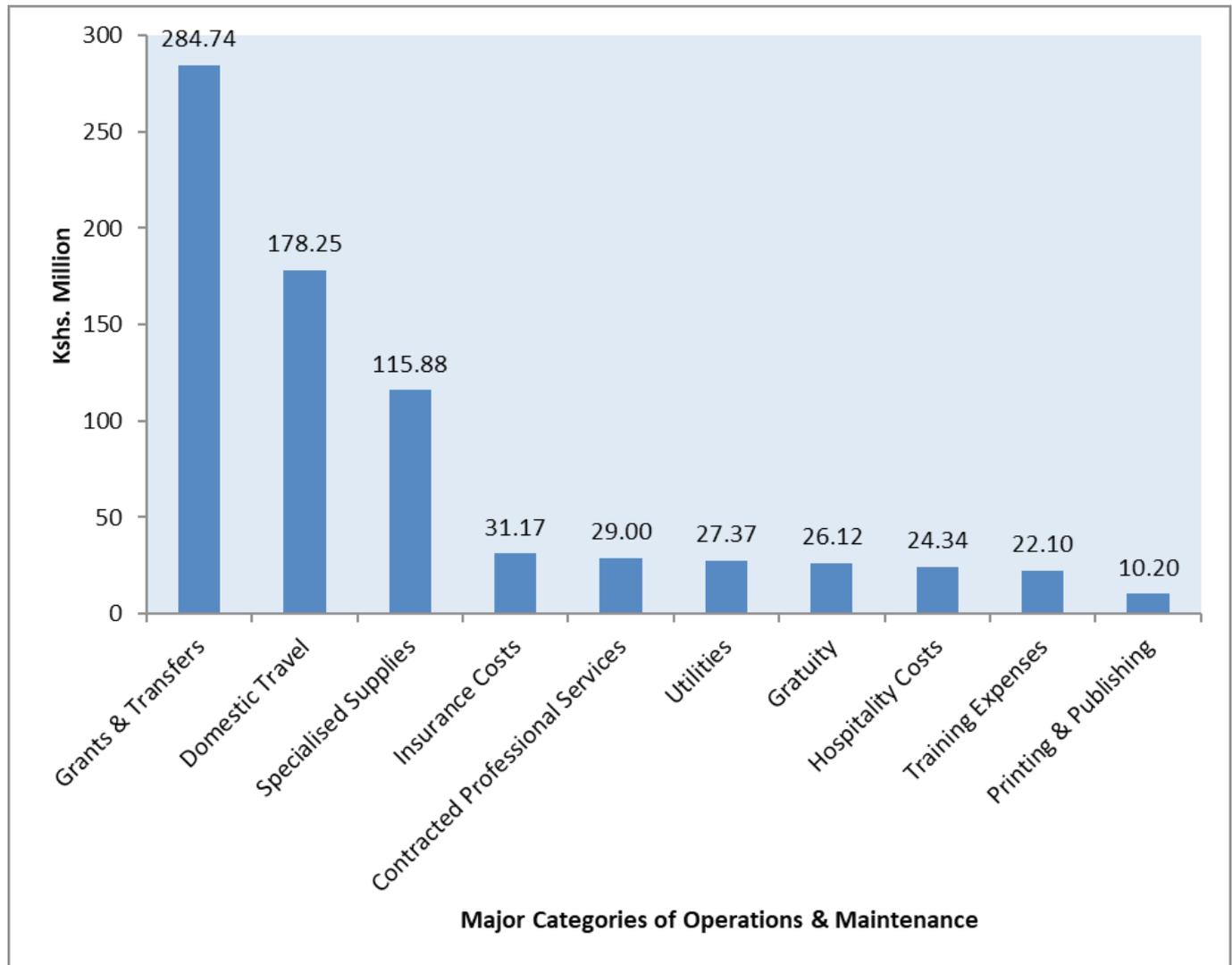
### 3.45.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.41 billion comprised of Kshs.1.62 billion (67.2 per cent) incurred on personnel emoluments and Kshs.787.38 million (32.8 per cent) on operations and maintenance as shown in Figure 3.179.

Expenditure on personnel emoluments represented a decrease of 12 per cent compared to FY 2016/17 when the County spent Kshs.1.84 billion, and was 59.9 per cent of total expenditure.

Figure 3.180 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.180: Vihiga County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Vihiga County Treasury*

The County spent Kshs.39.99 million on committee sitting allowances to the 39 MCAs against an annual budget allocation of Kshs.44.68 million. This was an increase of 287.1 per cent compared to Kshs.10.33 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.85,453 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80, 000.

Expenditure on domestic travel amounted to Kshs.178.25 million and comprised of Kshs.83.89 million spent by the County Assembly and Kshs.94.36 million by the County Executive. This represented 7.4 per cent of total recurrent expenditure and was a decrease of 30.8 per cent compared to Kshs.257.41 million spent in FY 2016/17.

### 3.45.7 Development Expenditure Analysis

The total development expenditure of Kshs.297.47 million represented 17.5 per cent of the annual development budget of Kshs.1.7 billion. Table 3.133 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.133: Vihiga County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/ No.	Project name	Project location	Annual project budget (Kshs.)	Annual expenditure (Kshs.)	Absorption rate (%)
1	Supply of fertilizer	County wide	-	47,448,120	-
2	Six storey hospital plaza	Vihiga C. R. hospital	130,000,000	43,228,661	33.3
3	Supply of crop seed	County wide	10,000,000	9,720,000	97.2
4	Purchase of land	Izava-Lyaduywa Ward	20,000,000	23,940,000	119.7
5	Construction of new mortuary	Vihiga C. R. hospital	13,005,926	4,543,437	34.9
6	Gavalagi-Chanzoka-Lusiola Rd	Vihiga Sub-County.	3,328,620	3,318,728	99.7
7	Ludzu-Budira P.A.G-Chamakanga Road	Sabatia Sub- County	3,206,878	3,206,878	100
8	Itabalia Pri-Munjina S.A. Road	Luanda Sub-County	3,538,696	2,500,101	70.7
9	Emanyinya-Esiarambatsi-Emakakha Rd.	Emuhaya Sub-County	3,890,176	3,890,176	100
10	Kakbutu-Musunji-Jidereri Road	Hamisi Sub-County	2,036,960	1,728,864	84.9

Source: Vihiga County Treasury

### 3.45.8 Analysis of Budget Performance Analysis by Department

Table 3.134 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.134: Vihiga County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries & Co-Operatives	133.83	211.31	131.20	118.26	101	57.17	77.0	48.3	75.5	27.1
Lands, Housing & Physical Planning	31.65	65	31.65	23.94	20.16	-	63.7	-	63.7	-
Transport & Infrastructure	141.36	436.14	141.63	139.26	51.85	112.92	36.6	81.1	36.6	25.9
Industrialization, Trade & Tourism	142.36	70.53	47.49	-	14.79	-	31.1	-	10.4	-
County Health Services	1,248.14	233.26	1,231.61	51.87	853.47	58.61	69.3	113	68.4	25.1
Education, Science & Technology	337.49	258.50	259.51	38.16	347.08	35	133.7	91.7	102.8	13.5
County Executive	364.97	54.78	330.97	-	150.53	13.14	45.5	-	41.2	24
County Assembly	530.77	40.44	530.15	13.47	445.86	12.01	84.1	89.2	84	29.7
Finance & Economic Planning	246.78	102.19	246.78	-	77.12	-	31.3	-	31.3	-
County Public Service Board	49.13	-	49.13	-	24.67	-	50.2	-	50.2	-
Public Service & Administration	365.98	53.26	365.98	-	246.76	5.62	67.4	-	67.4	10.6
Gender, Culture, Youth & Sports	222.71	51.60	196.80	-	32.98	-	16.8	-	14.8	-
Environment, Water & Forestry	66.61	123.17	66.61	3	41.64	3	62.5	100	62.5	2.4
<b>TOTAL</b>	<b>3,882.05</b>	<b>1,700.19</b>	<b>3,629.51</b>	<b>387.96</b>	<b>2,407.91</b>	<b>297.47</b>	<b>66.3</b>	<b>76.7</b>	<b>62.0</b>	<b>17.5</b>

Source: Vihiga County Treasury

Analysis of budget performance by department shows that, the County Assembly attained the highest absorption rate of development budget at 29.7 per cent. The Department of Education, Science and Technology attained the highest percentage of recurrent expenditure to recurrent budget at 102.8 per cent while the Department of Industrialization, Trade and Tourism attained the lowest at 10.4 per cent.

### 3.45.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Inadequate budgetary control which resulted in higher expenditure than Approved Budget in the Department of Education, Science and Technology.
2. Intermittent use of IFMIS, which is the prescribed financial management system for processing all financial transactions per Section 12 of the PFM Act, 2012.
3. High wage bill that was 59.9 per cent of the total expenditure during the period under review.

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

1. *The County should enhance vote book control to ensure adherence to the approved budget.*
2. *The County Treasury should ensure IFMIS is adopted by all entities in processing financial transactions.*
3. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

### 3.46 Wajir County

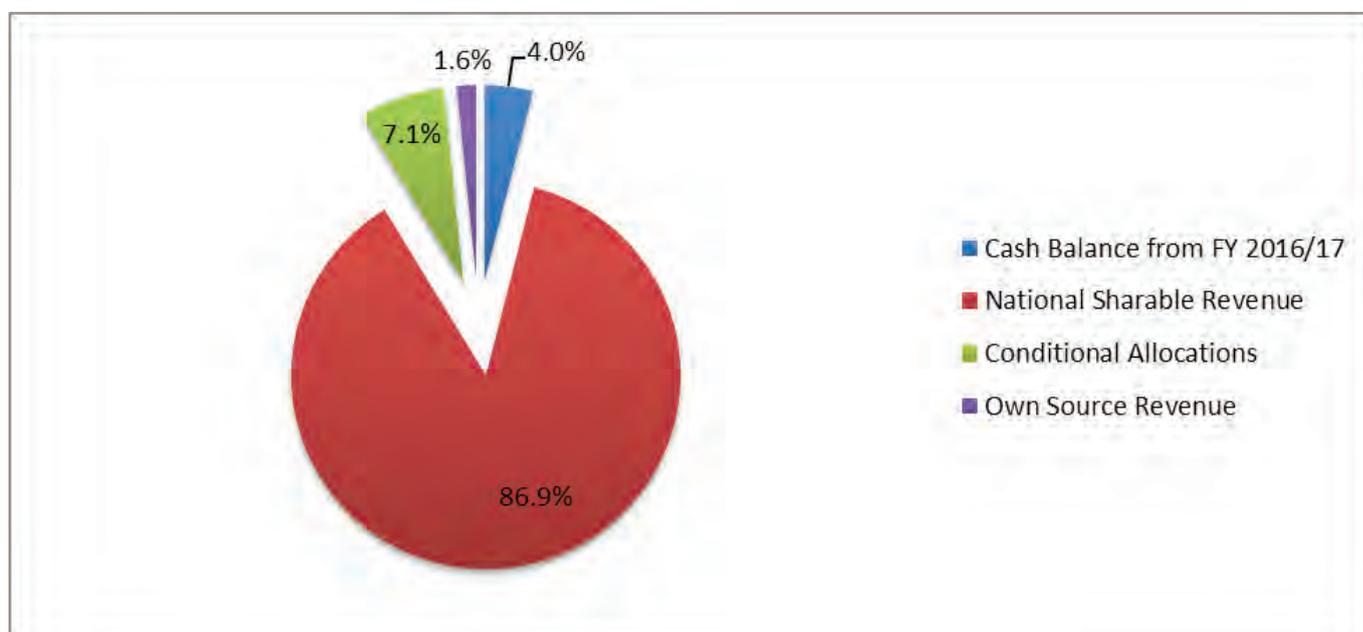
#### 3.46.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.9.36 billion, comprising of Kshs.5.69 billion (60.8 per cent) and Kshs.3.67 billion (39.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.8.14 billion (86.9 per cent) as equitable share of revenue raised nationally, Kshs.661.91 million (7.1 per cent) as total conditional grants, generate Kshs.150 million (1.6 per cent) from own source revenue, and Kshs.371.70 million (3.9 per cent) cash balance from FY 2016/17.

Figure 3.181 shows the expected sources of budget financing in FY 2017/18

**Figure 3.181: Wajir County, Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: Wajir County Treasury*

The conditional grants contained in the CARA, 2017 comprise of Kshs.308.16 million (42.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.78 million (2.2 per cent) as Compensation for User Fee Foregone,

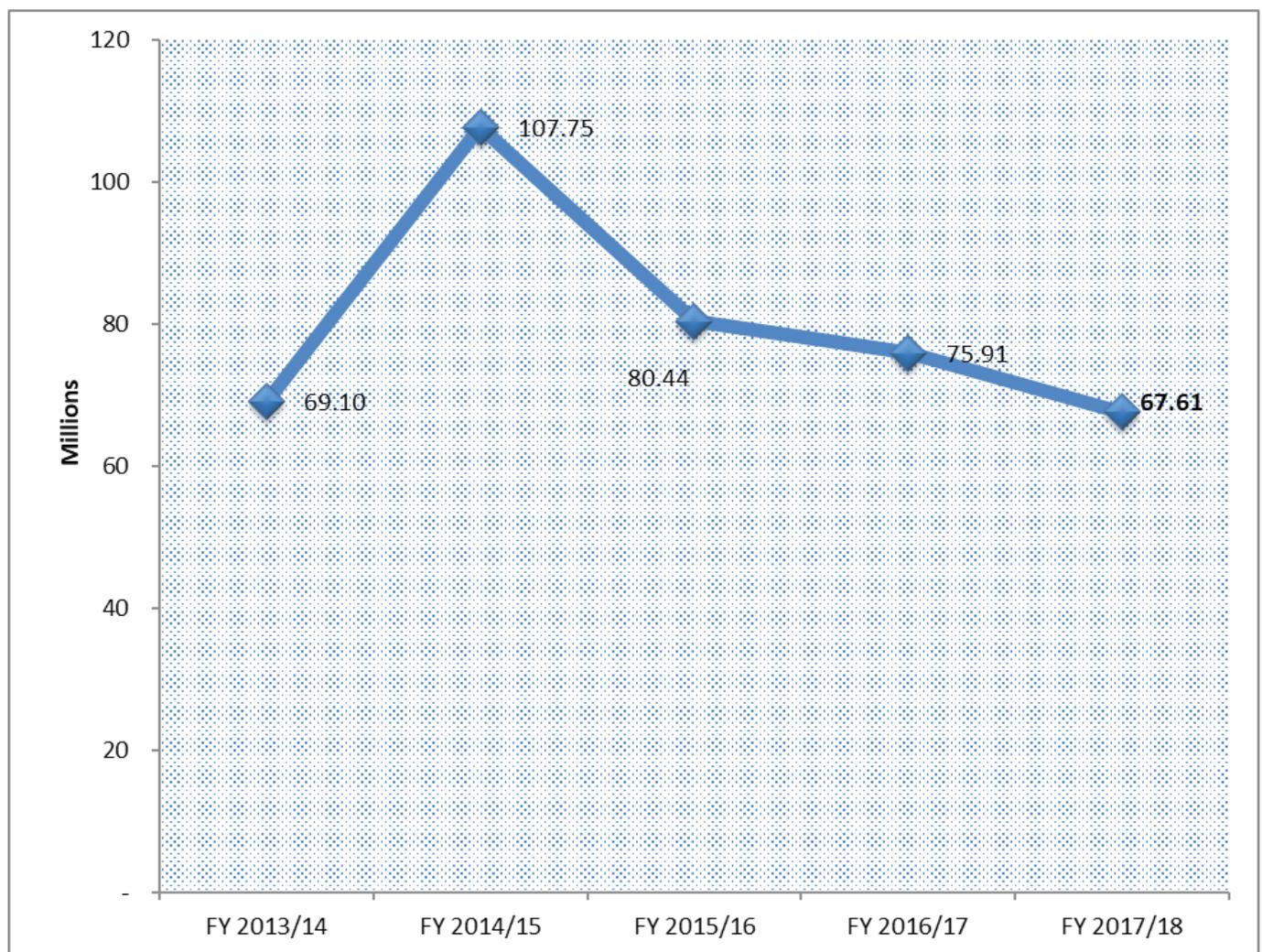
Kshs.11.48 million (1.6 per cent) from DANIDA, Kshs.45.04 million (6.2 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.49.87 million (6.8 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.28.31 million (3.8 per cent) for Development of Youth Polytechnics, Kshs.110 million (15.1 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (9 per cent) as European Union (EU) grant and Kshs.95.79 million (13.1 per cent) for Leasing of Medical Equipment.

### 3.46.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.5.7 billion as equitable share of revenue raised nationally, Kshs.356.1 million as total conditional grants, raised Kshs.67.6 million from own source revenue, and had a cash balance of Kshs.371.7 million from FY 2016/17. The total available funds amounted to Kshs.6.56 billion.

Figure 3.182 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.182: Wajir County, Trend in Annual Own source Revenue Collection from FY 2013/14 to FY 2017/18**



*Source: Wajir County Treasury*

The total own source revenue generated in FY 2017/18 amounted to Kshs.67.6 million, representing a decline of 10.9 per cent compared to Kshs.75.91 million generated in FY 2016/17 and was 45.1 per cent of the annual own source revenue target.

### 3.46.3 Conditional Grants

Table 3.135 shows an analysis of conditional grants Received in FY 2017/18.

**Table 3.135: Wajir County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	308,164,819	308,164,819	263,598,137	86
2	Leasing of Medical Equipment	95,744,681	-	-	-
3	World Bank loan to supplement financing of County Health facilities	45,040,000	45,040,000	22,000,000	49
4	Kenya Devolution Support Programme (KDSP)	49,871,995	49,871,995	49,871,995	100
5	Compensation for User Fee Foregone	15,784,997	15,784,997	-	-
6	DANIDA Grant	20,882,450	20,882,450	20,630,000	99
7	Conditional Allocation - Other Loans & Grants	61,485,350	46,166,458	-	-
8	Development of Youth Polytechnics	28,307,881	-	-	-
9	World Bank Loan for Transforming Health System for Universal Care Project	110,000,000	110,000,000	-	-
10	EU Grant	66,000,000	66,000,000	-	-
<b>Total</b>		<b>785,963,281</b>	<b>661,910,719</b>	<b>356,100,132</b>	<b>49</b>

Source: Wajir County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Kenya Devolution Support Programme (KDSP) recorded the highest receipts at 100 per cent of the annual budget target.

### 3.46.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.6.5 billion from the CRF account, which was 70 per cent of the Approved Supplementary Budget. This amount represented a decline of 19.2 per cent from Kshs.8.1 billion approved in FY 2016/17 and comprised of Kshs.5.57 billion (85.1 per cent) for recurrent expenditure and Kshs.977 million (14.9 per cent) for development activities.

### 3.46.5 Overall Expenditure Review

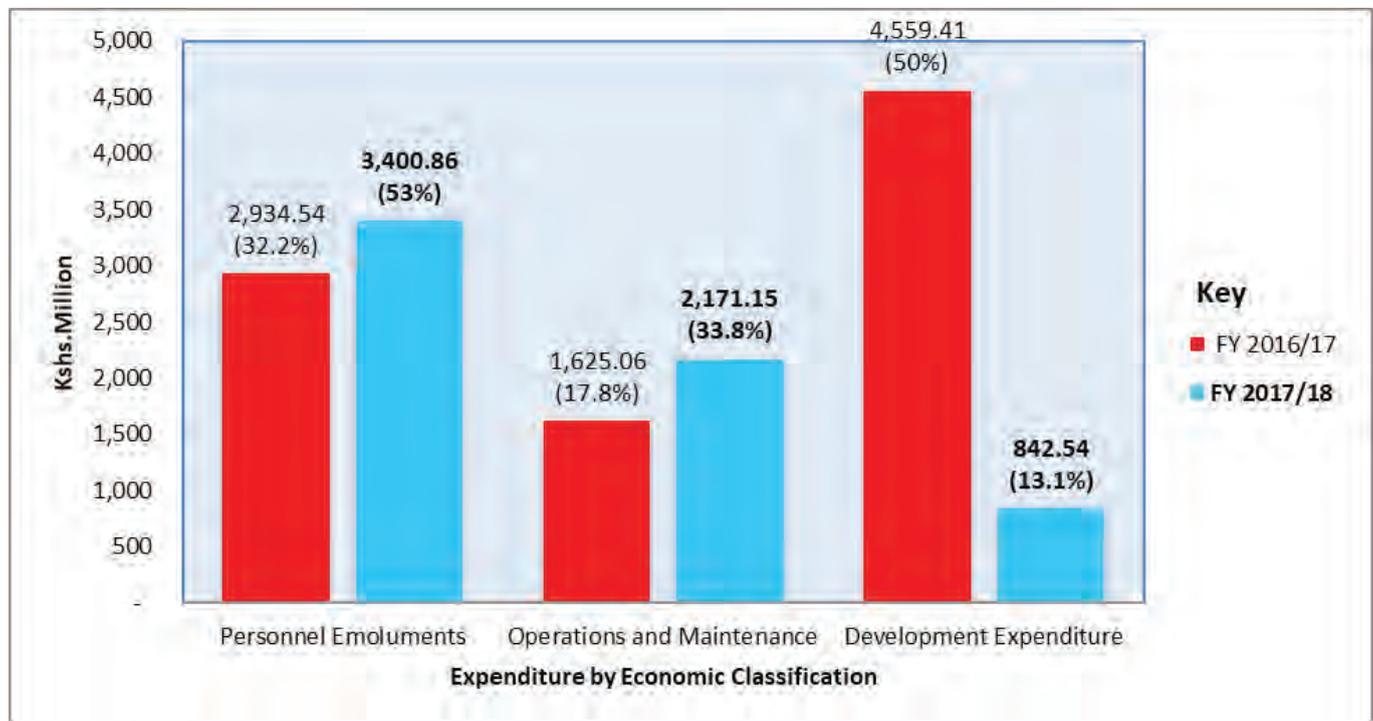
The County spent Kshs.6.4 billion, which was 97.9 per cent of the total funds released for operations. This was a decline of 29.7 per cent from Kshs.8.1 billion spent in FY 2016/17.

A total of Kshs.5.62 billion was spent on recurrent activities while Kshs.842.5 million was spent on development activities. The recurrent expenditure was 100 per cent of the funds released for recurrent activities, while development expenditure was 86.2 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.2.49 billion for development activities and Kshs.126.72 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 97.9 per cent of the annual recurrent budget, an increase from 97.9 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 22.9 per cent, which was a decrease from 72.5 per cent attained in FY 2016/17.

Figure 3.183 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.183: Wajir County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



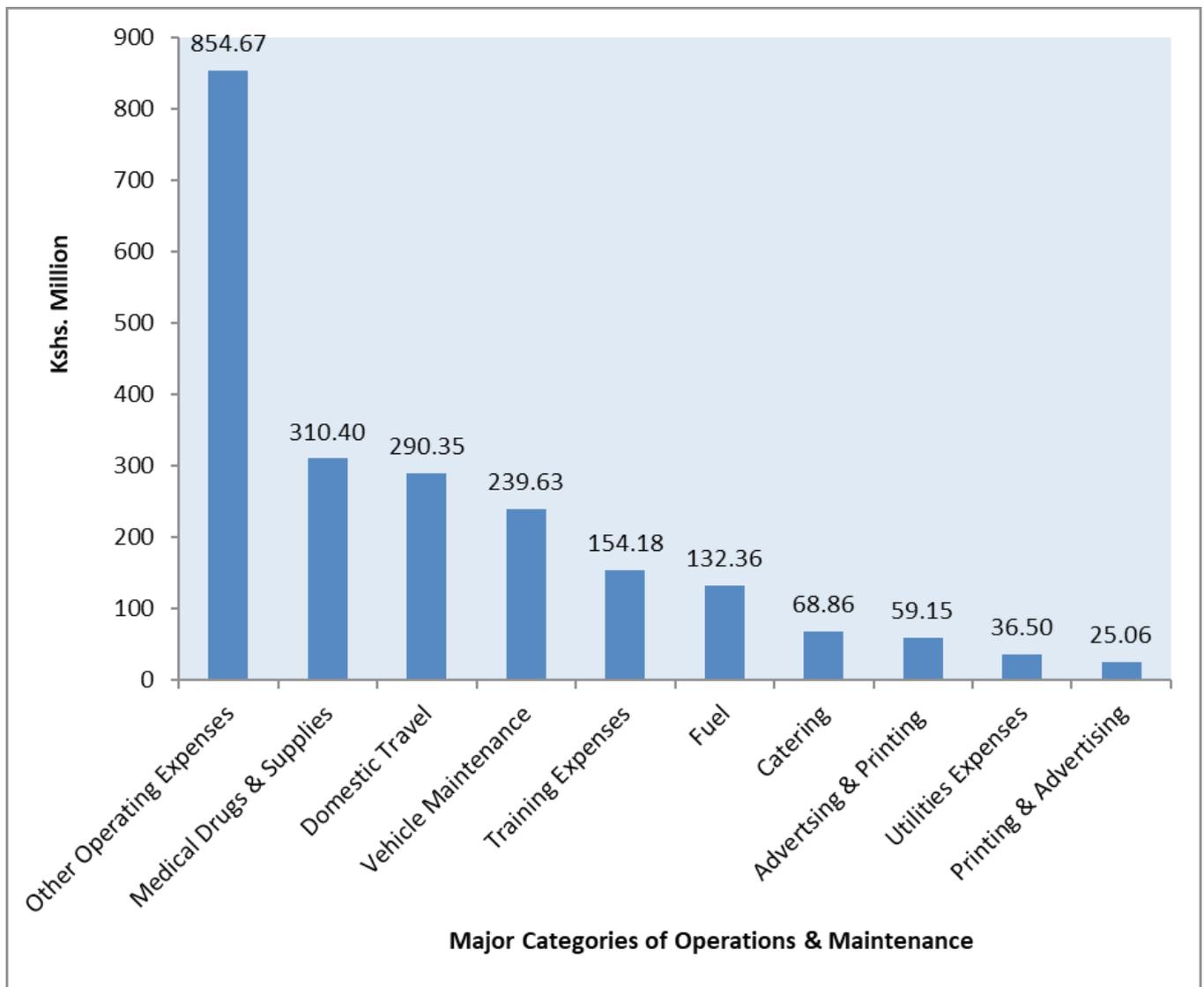
Source: Wajir County Treasury

### 3.46.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.62 billion comprised of Kshs.3.4 billion (61 per cent) incurred on personnel emoluments and Kshs.2.17 billion (39 per cent) on operations and maintenance as shown in Figure 3.183.

Expenditure on personnel emoluments represented an increase of 15.9 per cent compared to FY 2016/17 when the County spent Kshs.2.93 billion, and was 53 per cent of total expenditure in FY 2017/18. Figure 3.184 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.184: Wajir County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: Wajir County Treasury*

The County spent Kshs.26 million on committee sitting allowances to the 46 MCAs against the annual budget allocation of Kshs.26 million. This was an increase of 5.5 per cent compared to Kshs.24.6 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.47,101 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.290.35 million and comprised of Kshs.77.4 million spent by the County Assembly and Kshs.212.9 million by the County Executive. This represented 5.5 per cent of total recurrent expenditure and was an increase 11.8 per cent compared to Kshs.271.8 million spent in FY 2016/17.

### **3.46.7 Development Expenditure Analysis**

The total development expenditure of Kshs.842.5 million represented 22.9 per cent of the annual development budget of Kshs.3.7 billion. Table 3.136 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.136: Wajir County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)
1	Grading and Gravelling of Roads	Various	308,164,819	308,164,819
2	Overhaul of Water Supplies and Severage-Desilting	Various	305,117,764	305,117,764
3	Overhaul of Roads and Bridges	Various	112,512,588	112,512,588
4	Bush clearing	Various	96,000,000	96,000,000
5	Other Infrastructure and Civil Works	Various	13,743,706	13,743,706
6	Refurbishment	Various	7,000,000	7,000,000

Source: Wajir County Treasury

### 3.46.8 Budget and Budget Performance Analysis by Department

Table 3.137 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

**Table 3.137: Wajir County, Budget Performance by Department in FY 2017/18**

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs.Mil-lion)		FY 2017/18 Expen-diture to Exchequer Issues (%)		FY 2017/18 Ab-sorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Execu-tive-Governor	456.23	-	456.23	-	456.23	-	100	-	100	-
County Assembly	643.96	-	643.96	-	643.96	-	100	-	100	-
County Treasury Services	634.36	-	634.36	-	634.36	-	100	-	100	-
Agriculture and livestock	197.35	227.96	197.35	90.40	197.35	90.40	100	100	100	39.7
Health and Medical services	1,535.60	413.31	1,462.60	170.90	1,462.60	135.60	100	79.3	95.2	32.8
Roads and Transport	167.11	1,052.66	167.10	135	167.10	135	100	100	100	12.8
Water Services	266.58	985.66	266.58	305.20	266.58	205.60	100	67.4	100	20.9
Public Services	810.23	37.72	810.23	22.70	810.23	22.70	100	100	100	60.2
Education	566.74	252.04	566.74	91.40	566.74	91.40	100	100	100	36.3
Trade and ICT	135.53	195.58	135.53	16.10	135.53	16.10	100	100	100	8.2
Public Works, Land and Housing	85.18	161.04	85.18	143.60	85.18	143.60	100	100	100	89.2
Energy and Envi-ronment	67.33	224	67.30	-	67.30	-	100	-	100	-
WAJWASCO	49.99	123.02	49.99	2.10	49.99	2.10	100	100	100	1.7
County Public Ser-vice Board	72.74	-	72.70	-	72.70	-	100	-	99.9	-
<b>TOTAL</b>	<b>5,689</b>	<b>3,673</b>	<b>5,616</b>	<b>977</b>	<b>5,572.01</b>	<b>843</b>	<b>100</b>	<b>86.2</b>	<b>98.7</b>	<b>22.9</b>

Source: Wajir County Treasury

Analysis of budget performance by department shows that, the Department of Public Works, Land and Housing attained the highest absorption rate of development budget at 89.2 per cent. All the Departments had 100 per cent of recurrent expenditure to their recurrent budget except the Department of Health and Medical Services 95.2per cent, and the County Public Service Board at 99.9 per cent.

### 3.46.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Late submission of financial reports by the County Treasury to the Office of the Controller of Budget, which affected timely preparation of the Budget Implementation Review Report contrary to 166 of the PFM Act, 2012.
2. Under-performance in own source revenue collection, which declined by 10.9 per cent from 75.9 million in FY 2016/17 to Kshs.67.6 million in the reporting period.
3. High wage bill that has increased by 15.9 per cent from Kshs.2.93 billion in FY 2016/17 to Kshs.3.4 billion during the period under review.
4. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 22.9 per cent compared to 72.5 per cent in a similar period in FY 2016/17.

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 OCOB in line with Section 166 of PFM Act, 2012*
2. *The County Treasury should formulate and implement strategies to enhance policy aimed at improving own source revenue collection.*
3. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
4. *The County should put mechanisms in place that will enhance absorption of development funds.*

## **3.47 West Pokot County**

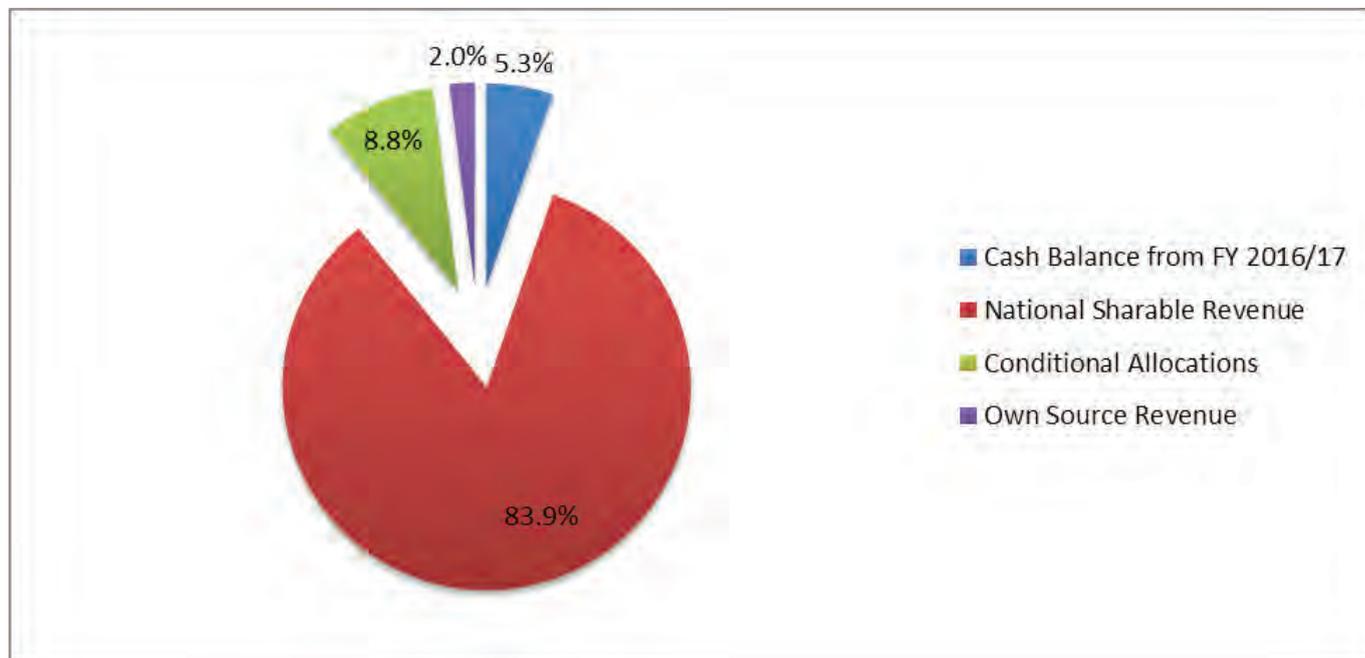
### **3.47.1 Overview of the FY 2017/18 Budget**

The County's FY 2017/18 Approved Second Supplementary Budget was Kshs.5.65 billion, comprising of Kshs.3.93 billion (69.6 per cent) and Kshs.1.72 billion (30.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.74 billion (83.9 per cent) as equitable share of revenue raised nationally, Kshs.498.19 million (8.8 per cent) as total conditional grants, generate Kshs.111.25 million (2 per cent) from own source revenue, and Kshs.298.27 million (5.3 per cent) cash balance from FY 2016/17.

Figure 3.185 shows the expected sources of budget financing in FY 2017/18

**Figure 3.185: West Pokot Expected Sources of Budget Financing in FY 2017/18 (%)**



*Source: West Pokot County Treasury*

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (15 per cent) for Leasing of Medical Equipment, Kshs.183.79 million (28.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.13 million (1.9 per cent) as Compensation for User Fee Foregone, Kshs.12.45 million (2 per cent) from DANIDA, Kshs.67.99 million (10.6 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.40.08 million (6.3 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.32.55 million (5.1 per cent) for Development of Youth Polytechnics, Kshs.83.20 million (13 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (10.3 per cent) as European Union (EU) grant and Kshs.44.67 million (7.0 per cent) as Other Loans and Grants.

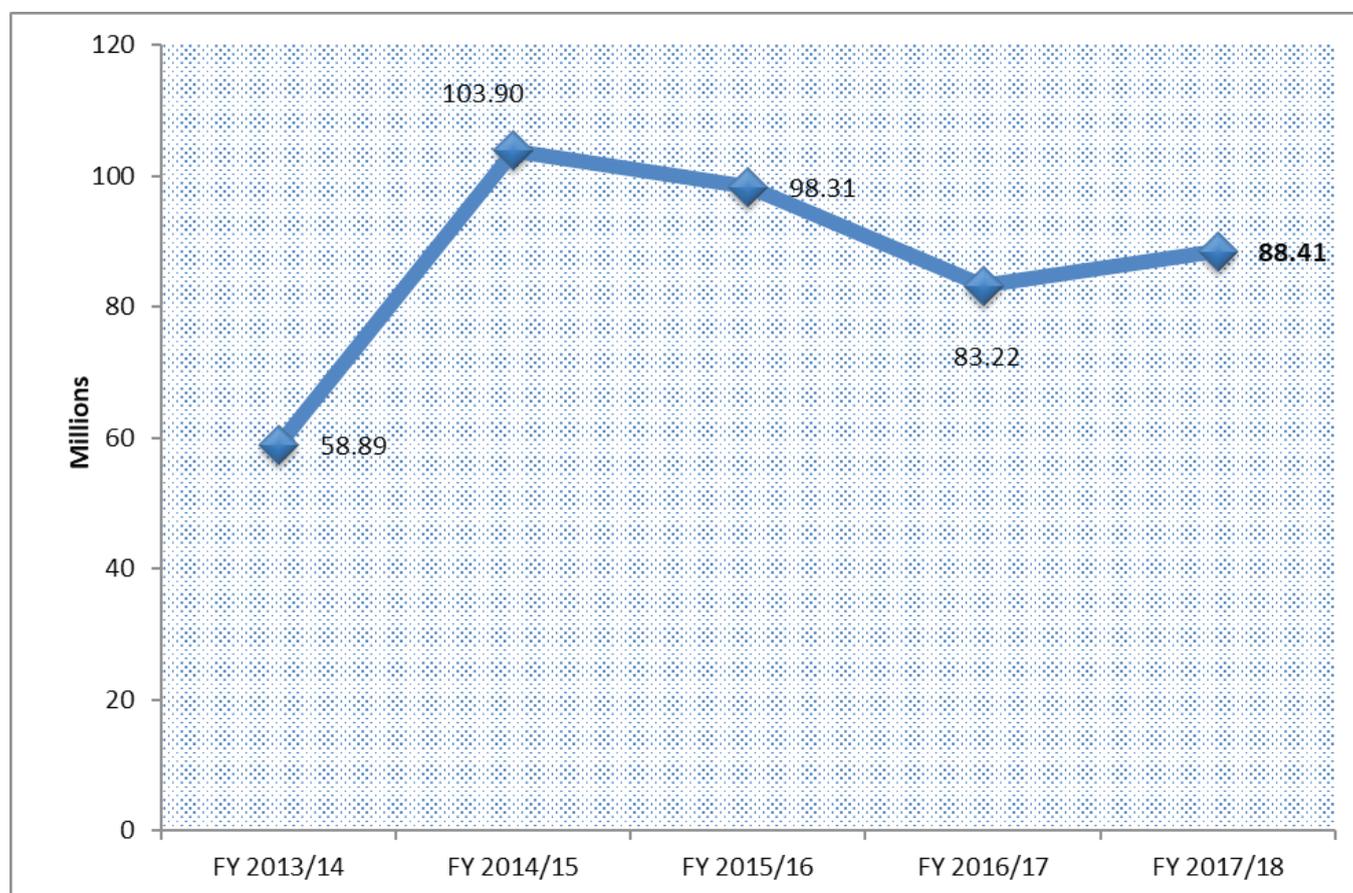
The County did not budget to receive money for Leasing of Medical Equipment and Other Loans and Grants, which is contained in the CARA, 2017.

### 3.47.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.4.74 billion as equitable share of revenue raised nationally, Kshs.355.21 million as total conditional grants, raised Kshs.88.41 million from own source revenue, and had a cash balance of Kshs.298.27 million from FY 2016/17. The total available funds amounted to Kshs.5.48 billion.

Figure 3.186 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

**Figure 3.186: West Pokot County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18**



Source: West Pokot County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.88.41 million, representing an increase of 6.2 per cent compared to Kshs.83.22 million generated in FY 2016/17 and was 79.5 per cent of the annual own source revenue target.

### 3.47.3 Conditional Grants

Table 3.138 shows an analysis of conditional grants received in FY 2017/18.

**Table 3.138: West Pokot County, Analysis of Conditional Grants Received in FY 2017/18**

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	183,793,164	183,793,164	151,101,034	82
2	Leasing of Medical Equipment	95,744,681	-	-	-
3	World Bank loan to supplement financing of County Health facilities	67,985,000	67,985,000	56,049,761	82
4	Kenya Devolution Support Programme (KDSP)	40,081,255	40,081,255	46,067,624	115
5	Compensation for User Fee Foregone	12,128,484	12,128,484	6,158,215	51
6	DANIDA Grant	12,454,545	12,454,545	25,462,760	204

7	Development of Youth Polytechnics	32,549,071	32,549,071	32,549,071	100
8	Conditional Allocation - Other Loans & Grants	44,669,544	-	-	-
9	World Bank Loan for Transforming Health System for Universal Care Project	83,202,997	83,202,997	37,819,544	45
10	EU Grant	66,000,000	66,000,000	-	-
<b>Total</b>		<b>638,608,741</b>	<b>498,194,516</b>	<b>355,208,008</b>	<b>56</b>

*Source: West Pokot County Treasury*

Analysis of the conditional grants released during the period under review indicates that DANIDA Grant recorded the highest receipts at 204 per cent of the annual budget target.

### 3.47.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.5.04 billion from the CRF account, which was 89.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 1.7 per cent from Kshs.4.96 billion approved in FY 2016/17 and comprised of Kshs.3.88 billion (77 per cent) for recurrent expenditure and Kshs.1.16 billion (23 per cent) for development activities.

### 3.47.5 Overall Expenditure Review

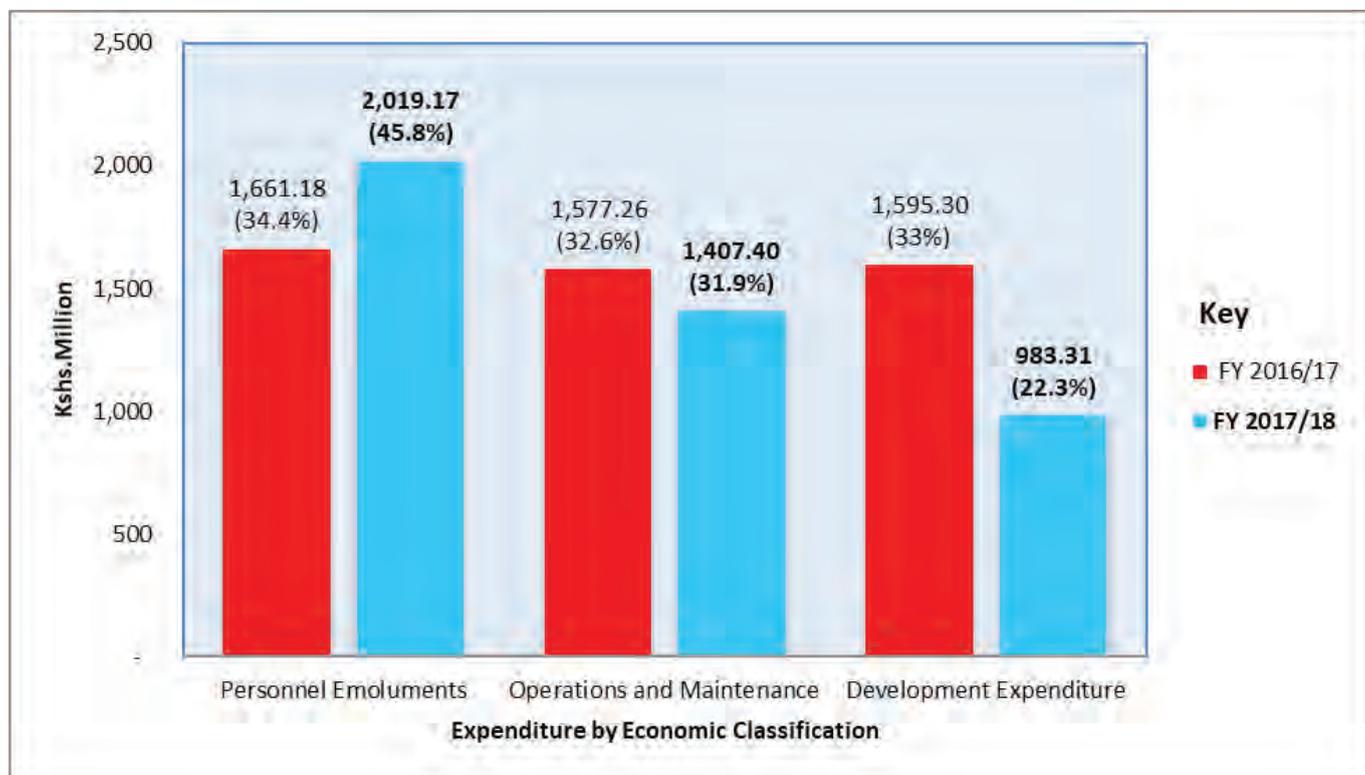
The County spent Kshs.4.41 billion, which was 87.4 per cent of the total funds released for operations. This was a decline of 8.8 per cent from Kshs.4.80 billion spent in FY 2016/17.

A total of Kshs.3.43 billion was spent on recurrent activities while Kshs.983.31 million was spent on development activities. The recurrent expenditure was 88.2 per cent of the funds released for recurrent activities, while development expenditure was 84.8 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.89.88 million for development activities and Kshs.23.18 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 87.2 per cent of the annual recurrent budget, a decrease from 94.7 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 57.2 per cent, which was a decrease from 85.5 per cent attained in FY 2016/17.

Figure 3.187 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

**Figure 3.187: West Pokot County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18**



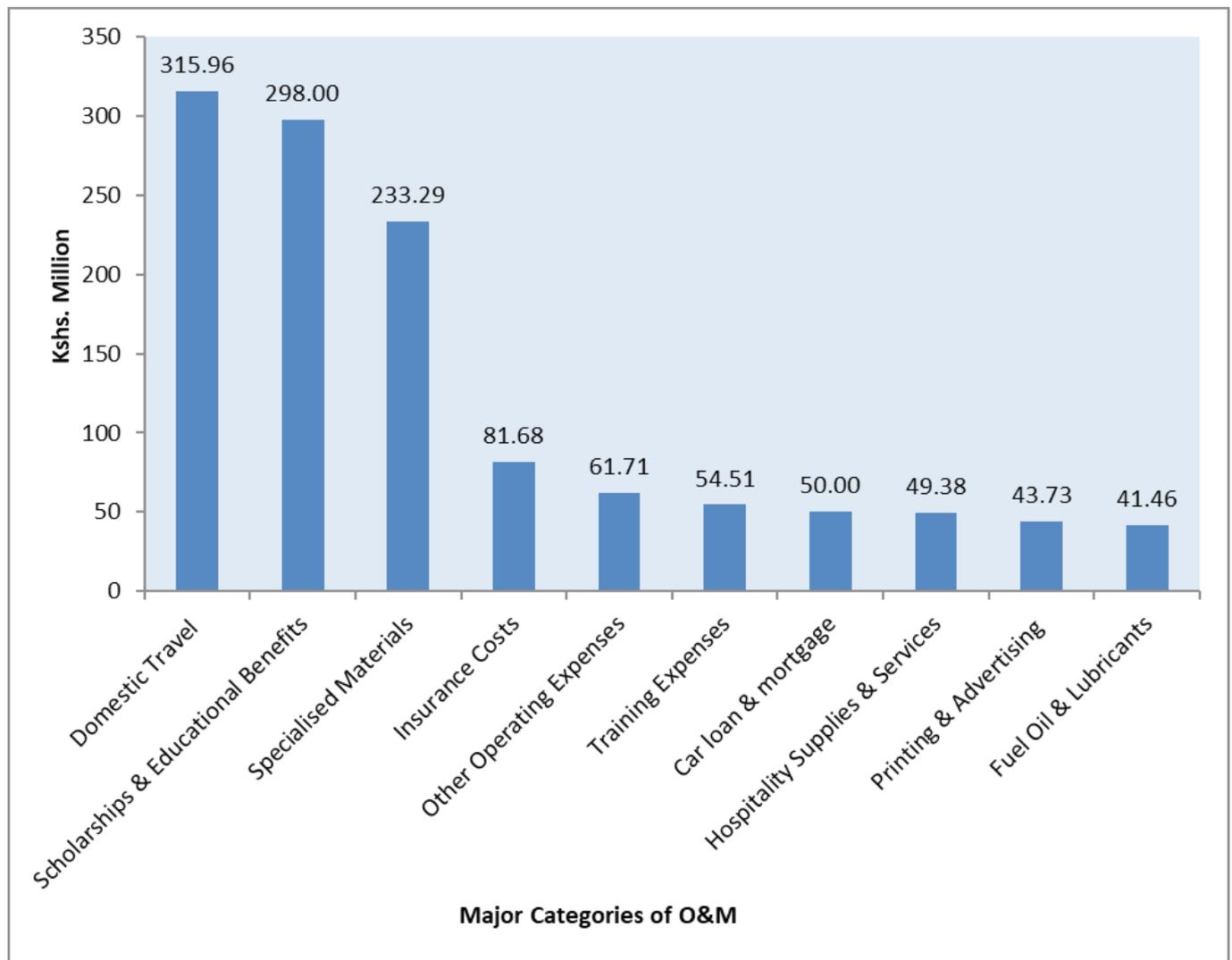
Source: West Pokot County Treasury

### 3.47.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.43 billion comprised of Kshs.2.02 billion (58.9 per cent) incurred on personnel emoluments and Kshs.1.41 billion (41.1 per cent) on operations and maintenance as shown in Figure 3.187.

Expenditure on personnel emoluments represented an increase of 21.6 per cent compared to FY 2016/17 when the County spent Kshs.1.66 billion, and was 45.8 per cent of total expenditure in FY 2017/18. Figure 3.188 shows a summary of operations and maintenance expenditure by major categories.

**Figure 3.188: West Pokot County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18**



*Source: West Pokot County Treasury*

The County spent Kshs.19.52 million on committee sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.46.29 million. This was a decline of 58.4 per cent compared to Kshs.46.91 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.47,848 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.315.96 million and comprised of Kshs.102.81 million spent by the County Assembly and Kshs.213.15 million by the County Executive. This represented 9.2 per cent of total recurrent expenditure and was a decrease of 21.1 per cent compared to Kshs.400.62 million spent in FY 2016/17.

### 3.47.7 Development Expenditure Analysis

The total development expenditure of Kshs.983.31 million represented 57.2 per cent of the annual development budget of Kshs.1.72 billion. Table 3.139 provides a summary of development projects with the highest expenditure in FY 2017/18.

**Table 3.139: West Pokot County, List of Development Projects with the Highest Expenditure in FY 2017/18**

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Supply, Delivery & Commissioning Of Fire Fighting Engine(Pending Bill)	Kapenguria	Not Budgeted	55,200,000	-
2	Pending Bills Roads	County Wide	Not Budgeted	53,670,390	-
3	Completion Of Icu And Casualty At Kapenguria Hospital	Kapenguria	44,189,367	41,855,525	95
4	Purchase Of Improved Galla Goats, Dopers, Sahiwal Bulls And Poultry Breeds(Alale, Kiwawa, Kodich ,Kasei,Suam,Riwo,Endugh,Masol,Weiwei,Lomut,Kapchok,Cheparerria,Sekker,Sook)	County Wide	36,020,000	35,461,000	98
5	Purchase Of Certified Crop Seed To Be Distributed To Farmers In Wards(Maize, Beans, Mango Seedlings, Sorghum ,Millet)	County Wide	28,967,790	32,524,000	112
6	Renovation and Fencing of Makutano Primary and Mnagei Secondary Schools	Kapenguria	20,000,000	20,000,000	100
7	Purchase of Motor Vehicles	Kapenguria	20,000,000	18,992,400	95
8	Construction of Model ECDE Centres in the County	County Wide	20,000,000	15,000,000	75
9	Construction of Kanyerus Primary Boarding Border School	Kacheliba	15,000,000	15,000,000	100
10	Construction of Akulo Border School		15,000,000	15,000,000	100

Source: West Pokot County Treasury

### 3.47.8 Budget and Budget Performance Analysis by Department

Table 3.140 shows a summary of budget estimates and budget performance by department in FY 2017/18.

**Table 3.140: West Pokot County, Budget Performance by Department in FY 2017/18**

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in the FY 2017/18 (Kshs. Million)		Expenditure in the FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	395.36	38.76	394.83	16.73	371.75	19.47	94.2	116.4	94.0	50.2
Finance and Economic Planning	245.80	1,440.35	245.64	-	198.21	0.94	80.7	-	80.6	0.1
Public Works, Transport and Infrastructure	98.84	366.88	98.68	282.15	96.99	225.68	98.3	80	98.1	61.5
Health, Sanitation and Emergencies	1,366.1	319.51	1,365.36	230.08	1,086.90	124.55	79.6	54.1	79.6	39
Education and Technical Training	501.11	281.20	499.52	220.76	500.14	166.59	100.1	75.5	99.8	59.2
Agriculture and Irrigation	91.76	81.23	91.40	60.83	90.48	73.24	99	120.4	98.6	90.2
Pastoral Economy	94.77	134.22	94.16	54.81	94.63	64.33	100.5	117.4	99.8	47.9
Trade, Industrialization, Investment and Cooperative development	41.2	48.57	40.73	15.99	38.13	14.65	93.6	91.6	92.5	30.2

Department	FY 2017/18 Budget Allocation (Kshs. Million)		Exchequer Issues in the FY 2017/18 (Kshs. Million)		Expenditure in the FY 2017/18 (Kshs. Million)		FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Land, Housing, Physical planning and Urban Development	72.17	56.25	71.82	12.5	71.68	49.32	99.8	394.5	99.3	87.7
Water development, Environment and Natural Resources	66.39	152.02	66.26	132.33	64.27	87.51	97.0	66.1	96.8	57.6
Youth, Sports, Tourism, Gender and Social Services	69.54	122.57	68.96	42.4	66.31	67.64	96.2	159.5	95.4	55.2
Public Service, ICT and Decentralized Units	237.09	25.2	234.89	-	134.77	-	57.4	-	56.8	-
Special Programmes and directorates	143.26	18.85	132.25	-	139.95	-	105.8	-	97.7	-
County Assembly	506.88	91	480	90.33	472.37	89.40	98.4	99	93.2	98.2
<b>TOTAL</b>	<b>3,930</b>	<b>1,719</b>	<b>3,885</b>	<b>1,159</b>	<b>3,427</b>	<b>983</b>	<b>88.2</b>	<b>84.8</b>	<b>87.2</b>	<b>57.2</b>

Source: West Pokot County Treasury

Analysis of budget performance by department shows that, the County Assembly attained the highest absorption rate of development budget at 98.2 per cent while the Special Programmes and Directorates and the Department of Public Service, ICT and Decentralised Units did not incur any development expenditure. The Department of Education and the Technical Training and Pastoral Economy department had the highest percentage of recurrent expenditure to its recurrent budget at 99.8 per cent while the Department of Public Service, ICT and Decentralised Units had the lowest at 56.8 per cent.

### 3.47.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: -

1. Operational delays and IFMIS connectivity challenges, which slowed approval of procurement requests and payment to suppliers.
2. Late Submission of Expenditure returns as the Annual Returns were submitted on 5th September 2018 contrary to Section 168 of the PFM Act, 2012.
3. Weak budgetary control as evidenced by expenditure in excess of approved budgetary allocation in Special Programmes and directorates.
4. High wage bill that has increased by 21.6 per cent from Kshs.1.66 billion in FY 2016/17 to Kshs.2.02 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 IFMIS Directorate for intervention measures and adequate support in application of IFMIS and E-procurement module.*
2. *The County Treasury should ensure timely preparation and submission of financial reports to the OCOB in line with Section 166 of PFM Act, 2012*
3. *The County Treasury should improve vote book and budgetary control to ensure that expenditure is within the approved budget.*
4. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

## 4 KEY CHALLENGES AND RECOMMENDATIONS

This chapter highlights cross-cutting issues that affected budget implementation during FY 2017/18. It also contains recommendations aimed at addressing the challenges in order to enhance smooth budget execution by the County Governments.

### 4.1 High Expenditure on Personnel Emoluments

Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 sets a limit of the County Governments' expenditure on wages and benefits at 35 per cent of a county's total revenue.

In FY 2017/18, the County Governments spent an aggregate of Kshs.151.09 billion on personnel emoluments (PE), which accounted for 49.7 per cent of the total expenditure for the period, and an increase of 15.4 per cent from Kshs.130.97 billion incurred in FY 2016/17. Only three counties: namely Kilifi, Marsabit, and Mandera reported expenditure on personnel emoluments that was within the maximum allowed limit of 35 per cent of their total expenditure in FY 2017/18 at 33.8 per cent, 28.7 per cent and 24.9 per cent respectively.

High expenditure on personnel emoluments is unsustainable and will crowd out spending on development activities. There is therefore, need for county governments to ensure that this expenditure is contained at sustainable levels and in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 which set a limit on a county government's expenditure on wages and benefits at 35 per cent of total revenue.

### 4.2 Delay in Submission of Financial Reports

Section 166 (4) of the PFM Act, 2012 requires the County Treasury to prepare and submit financial reports to the Office of the Controller of Budget not later than one month after the end of each quarter. Further, Section 168 of the PFM Act, 2012 requires designated Fund Administrators of a county public fund to submit financial reports to the Controller of Budget, not later than fifteen days after the end of each quarter.

During the period under review, the Office noted delays in submission of quarterly financial reports by County Treasuries, which led to late preparation of the County Budget Implementation Review Report (CBIRR), thereby affecting monitoring of budget implementation.

County Governments should ensure timely preparation and submission of financial reports in line with Section 166 (4) and 168 of the PFM Act, 2012 and Section 16 of the Controller of Budget Act, 2016.

### 4.3 Under-Performance in Own Source Revenue Collection

Article 209 (3) of the Constitution, 2010 empowers a County Government to generate revenue from own sources which consist of; property rates, entertainment taxes and any other tax that is authorized to impose by an Act of Parliament.

During the reporting period, counties collected Kshs.32.49 billion, representing 66 per cent of the annual target of Kshs.49.22 billion, and a marginal decrease from Kshs.32.52 billion realized in FY 2016/17. The low performance of local revenue collections should be addressed to avoid hidden budget deficits and facilitate full implementation of planned activities.

We advise counties to develop and implement strategies to mobilize own source revenue collection.

### 4.4 High Pending Bills

As at 30th June, 2018 the county governments had accumulated pending bills amounting to Kshs.108.41 billion. These bills were attributed to failure by the counties to effectively align their procurement plans to cash flow plans and delay by the National Treasury to disburse national transfers to the County governments on a timely manner.

County Governments should ensure effective management of pending bills by aligning procurement plans to cash flow projections as well as ensuring that their budgets consider pending bills (as a first charge) before any new projects.

#### **4.5 Frequent IFMIS Downtime**

The National Treasury prescribed IFMIS for processing of financial transactions in line with Section 12 (1)(e) of the PFM Act, 2012. The use of IFMIS enhances fiscal transparency, accountability and improves efficiency in public financial management.

The Office observed that, most counties experienced IFMIS connectivity challenges which affected approval of procurement requests, payments and timely production of financial reports by the County Treasuries.

The Office recommends that County Treasuries should liaise with the IFMIS Directorate for support in order to ensure smooth operation of IFMIS.

#### **4.6 Delay in the Establishment of Internal Audit Committees**

Section 155 of the PFM Act, 2012 and Regulation 167 of the PFM (County Governments) Regulations, 2015 requires a county government to establish an Internal Audit Committee in order to enhance transparency and accountability in the management of public resources.

During the reporting period, the Office noted that 17 counties, namely; Bomet, Busia, Embu, Garissa, Isiolo, Kericho, Kirinyaga, Machakos, Muranga, Nandi, Narok, Nyeri, Siaya, Tharaka Nithi, Trans Nzoia, Turkana , and Uasin Gishu were yet to establish internal audit committees.

Counties should establish Internal Audit Committees in line with Section 155 of the PFM Act, 2012 and Regulation 167 of the PFM (County Governments) Regulations, 2015, in order to enhance transparency and accountability in the management of public resources.

#### **4.7 Weak Budgetary Control by the County Treasuries**

Withdrawal of funds from the County Revenue Fund is guided by Article 228(5) of the Constitution and Section 109(6) of the PFM Act, 2012 which requires the County Treasury to obtain written approval of the Controller of Budget before withdrawing money from the County Revenue Fund. It is the responsibility of the County Executive to approve work plans, which are the basis of the exchequer requests from the Controller of Budget.

Despite the above legal requirements, the Office noted instances where Counties incurred expenditure in excess of approved budgetary allocations as a result of weak budgetary control.

County Treasuries should improve vote book and budgetary control to ensure that expenditure is within the approved budget.

## 5 CONCLUSION

This report was prepared in fulfilment of Article 228(6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016. It presents information on budget implementation and also highlights the challenges that affected budget implementation during the reporting period. Further, it contains appropriate recommendations to address the challenges.

During FY 2017/18, the cumulative budget for the counties amounted to Kshs.410.5 billion and consisted of Kshs.271.32 billion (66.1per cent) for recurrent expenditure and Kshs.139.18 billion (33.9 per cent) for development expenditure. These allocations were in line with Section 107(2(b)) of the PFM Act, 2012, which requires that at least 30 per cent of budget be allocated to development programs. The county governments spent a total of Kshs.303.83 billion which translated to an absorption rate of 74 per cent, which was a decline from 79.9 per cent attained in FY 2016/17. A total of Kshs.236.94 billion was spent on recurrent expenditure while Kshs.66.89 billion was spent on development expenditure. The expenditure translated to an absorption rate of 87.3 per cent for recurrent expenditure and 48.1 per cent for development expenditure.

The Office has identified some challenges that affected budget implementation during FY 2017/18. These challenges included; high expenditure on personnel emoluments, delay in submissions of financial reports by County Treasuries to the Controller of Budget contrary to Section 166 and 168 of the PFM Act, 2012, under-performance of own source revenue collection, high pending bills which amounted to Ksh.108.41 billion at the end of the financial year, IFMIS connectivity challenges, and delay in establishment of Internal Audit Committees contrary to Section 155 of the PFM Act, 2012. The report has also provided appropriate recommendations on how to address the identified challenges in order to enhance execution of the budget in future.

In line with its mandate, the Office will continue to oversee budget implementation by the County Governments and shall publish and publicize quarterly Budget Implementation Review Reports to inform Parliament, stakeholders and members of the public on the progress made in budget implementation.



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