



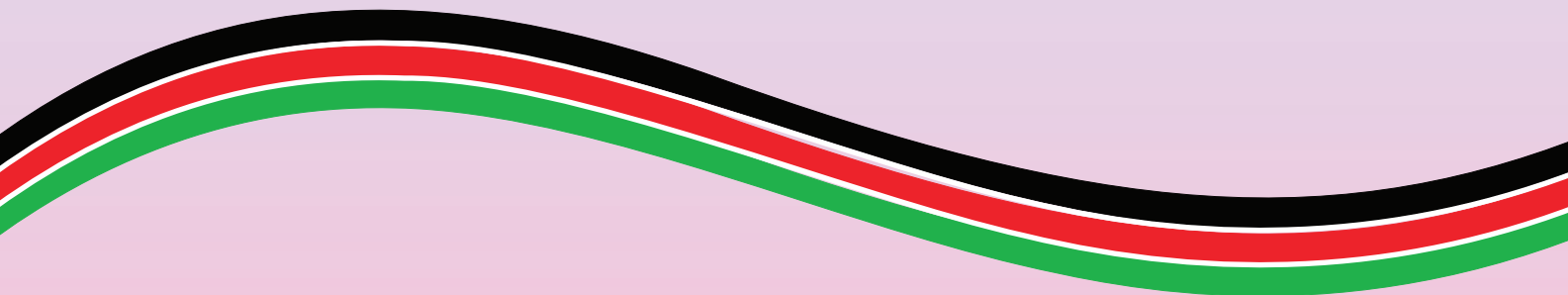
REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

**COUNTY GOVERNMENTS BUDGET
IMPLEMENTATION REVIEW REPORT**

**FIRST QUARTER
FY 2017/18**

DECEMBER, 2017





THE REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

**COUNTY GOVERNMENTS BUDGET IMPLEMENTATION
REVIEW REPORT**

FIRST QUARTER

FY 2017/18

DECEMBER, 2017

PREFACE

It is my pleasure to present the First Quarter County Governments Budget Implementation Review Report (CBIRR) for FY 2017/18 from the Office of the Controller of Budget (OCOB). This report has been prepared in accordance with Article 228 (6) of the Constitution of Kenya 2010, which requires the Office of the Controller of Budget to submit to each House of Parliament a report on the implementation of the budgets of the National and County Governments every four months.

This is the first report in FY 2017/18 and examines budget performance by the forty seven counties for the period July to September, 2017. The information used in preparation of this report is derived from the County Allocation of Revenue Act (CARA), 2017, the CARA, 2017 Disbursement Schedule; the FY 2017/18 Approved County Governments Budgets, expenditure returns submitted by the County Treasuries, and financial data from the Integrated Financial Management Information System (IFMIS). The analysis, findings and recommendations are based on provisions of the Constitution of Kenya, 2010 and the Public Finance Management Act, 2012. The report highlights achievements and challenges encountered in budget implementation and proposes recommendations to address the identified challenges to promote prudence in utilization of public funds.

Preparation of this report has been made possible through concerted effort of staff of both the County Treasuries and the Office of the Controller of Budget. The Office is grateful to the staff in the Budget Implementation Directorate and the County Treasuries for their contribution in preparation of this report.

I urge the readers of this report to take part in public participation and take keen interest in all phases of the budget cycle. This will promote effectiveness and efficiency in the use of public resources.



Mrs. Agnes Odhiambo, CBS

Controller of Budget

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ACRONYMS

| | |
|----------------|--|
| ADP | Annual Development Plan |
| CA | County Assembly |
| CARA | County Allocation of Revenue Act |
| CBEF | County Budget and Economic Forum |
| CBK | Central Bank of Kenya |
| CBROP | County Budget Review and Outlook Paper |
| CBD | Central Business District |
| CEC | County Executive Committee |
| CFSP | County Fiscal Strategy Paper |
| CECM-F | County Executive Committee Member for Finance |
| COB | Controller of Budget |
| CRA | Commission on Revenue Allocation |
| CRF | County Revenue Fund |
| DANIDA | Danish International Development Agency |
| E-G | Electronic Governance |
| IB | Internet Banking |
| ICT | Information Communication Technology |
| IFMIS | Integrated Financial Management Information System |
| IBEC | Intergovernmental Budget and Economic Council |
| IPPD | Integrated Payroll Personnel Database |
| KRB | Kenya Roads Board |
| LAPFUND | Local Authorities Provident Fund |
| LATF | Local Authority Transfer Fund |
| MCA | Member of County Assembly |
| MTEF | Medium Term Expenditure Framework |
| O&M | Operations and Maintenance |
| OCOB | Office of the Controller of Budget |

| | |
|--------------|--|
| P/E | Personnel Emoluments |
| PFM | Public Finance Management |
| SMEs | Small and Medium Enterprises |
| SRC | Salaries and Remuneration Commission |
| THSUC | Transforming Health Systems for Universal Care |

EXECUTIVE SUMMARY

This First Quarter FY 2017/18 County Budget Implementation Review Report (CBIRR) is prepared in fulfillment of Article 228(6) of the Constitution of Kenya, 2010 which requires the Office to report on the implementation of the budgets of both the National and County Governments. The report presents both aggregate and disaggregated analysis of revenue and expenditure performance by each of the 47 County Governments.

The aggregate Approved Budget Estimates for the County governments in the FY 2017/18 amounts to Kshs.374.68 billion and comprises of Kshs.239.9 billion (64 per cent) for recurrent expenditure and Kshs.134.78 billion (36 per cent) for development activities. The allocation for development activities conforms to Section 107(2) (b) of the Public Finance Management Act, 2012 which requires at least 30 per cent of the budget to be allocated for development expenditure.

To finance the FY 2017/18 Approved Budget, County Governments expect to receive Kshs.302 billion as equitable share of revenue raised nationally, Kshs.23.27 billion as total conditional grants from the National Government, Kshs.16.41 billion as total conditional grants from the Development Partners, and generate Kshs.55.92 billion from local sources, and Kshs.25.17 billion cash balance from FY 2016/17.

In the first quarter of FY 2017/18, County Governments received Kshs.20.43 billion as equitable share of revenue, Kshs.4.94 billion from the Road Maintenance Fuel Levy Fund, Kshs.4.82 billion as revenue generated from local sources, and Kshs.25.17 billion cash balance from FY 2016/17. The local revenue of Kshs.4.82 billion collected during the period under review was 8.6 per cent of the annual target and a decline of 32 per cent compared to Kshs.7.09 billion generated in a similar period of FY 2016/17.

The Counties that recorded the highest amount of local revenue were Nairobi City County at Kshs.1.49 billion, followed by Narok and Mombasa at Kshs.692.38 million and Kshs.307.91 million respectively. The counties that generated the lowest amount were Tharaka Nithi, Lamu and Tana River at Kshs.6.14 million, Kshs.5.45 million and Kshs.3.95 million respectively. Analysis of local revenue as a proportion of the annual revenue target indicates that Samburu, Baringo and Isiolo Counties recorded the highest proportion at 21.7 per cent, 20.5 per cent and 18.3 per cent respectively.

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.37.79 billion from the County Revenue Funds (CRF) to the County Operational Accounts, and comprised of Kshs.37.26 billion (98.6 per cent) for recurrent expenditure and Kshs.530.64 million (1.4 per cent) for development expenditure. This was a decline by 50.1 per cent from Kshs.75.69 billion released in a similar period of FY 2016/17. Nairobi City County received the highest amount at Kshs.4.33 billion, followed by Kiambu and Narok at Kshs.1.7 billion and Kshs.1.34 billion respectively. Three Counties, Marsabit, Tana River and Wajir did not receive funds for operations during the period due to delays in approval of their FY 2017/18 Budgets.

Total expenditure by the County governments was Kshs.35.43 billion representing an absorption rate of 9.5 per cent of the total annual County Governments' budgets. This was a decrease from an absorption rate of 14.5 per cent attained in a similar period of FY 2016/17 where total expenditure was Kshs.56.55 billion. The expenditure consisted of Kshs.34.27 billion for recurrent activities (96.7 per cent) and Kshs.1.15 billion (3.3 per cent) for development activities.

The Counties that attained the highest expenditure in absolute terms were; Nairobi City at Kshs.4.56 billion, Kiambu at Kshs.1.7 billion, and Narok at Kshs.1.33 billion. Review of the expenditure by economic classification showed that Kshs.27.75 billion (78.3 per cent) was incurred on personnel emoluments, Kshs.6.52 billion (18.4 per cent) on operations and maintenance, and Kshs.1.15 billion (3.3 per cent) on development activities. Three Counties, namely; Marsabit, Tana River, and Wajir did not report any expenditure during the reporting period.

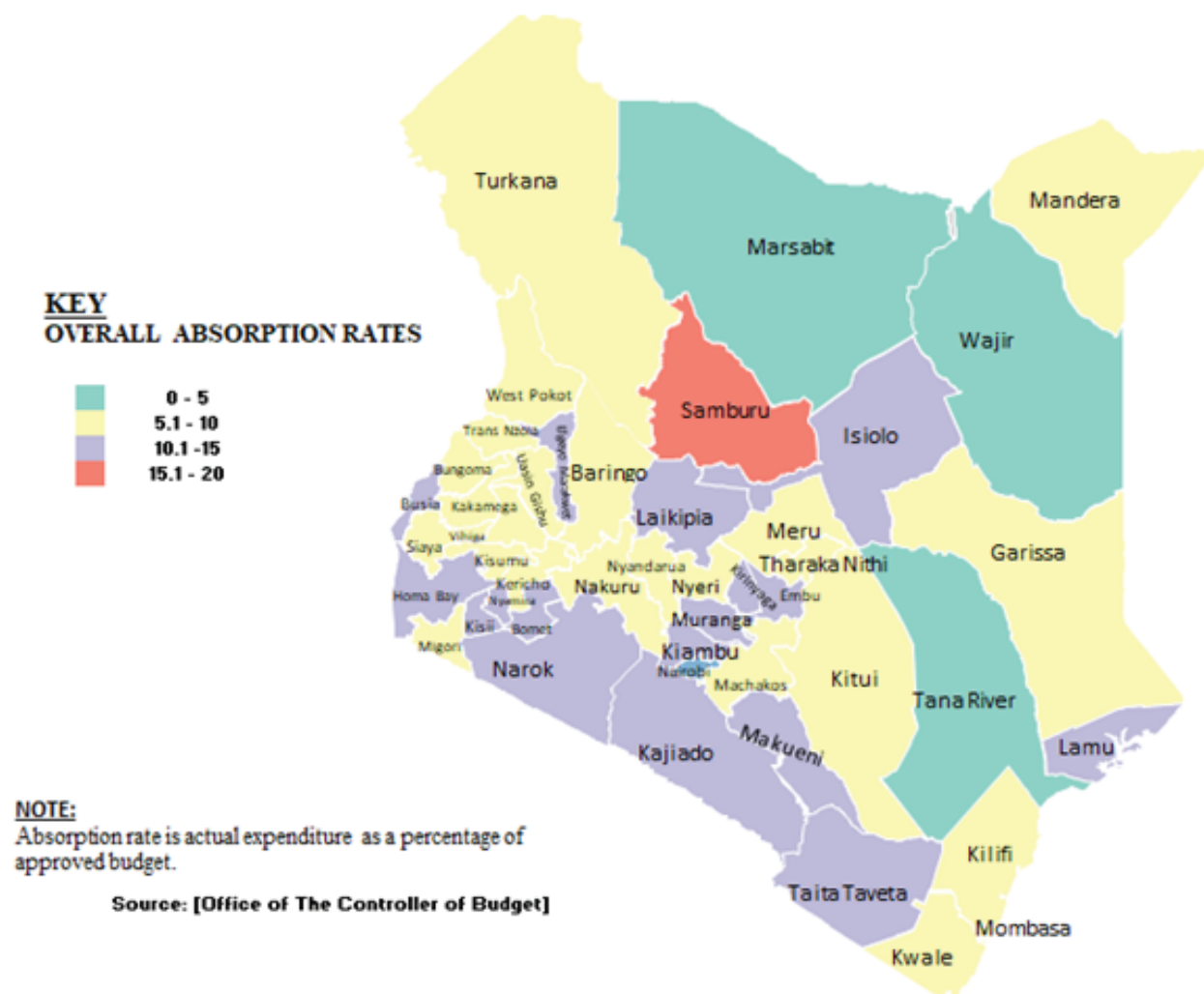
The Office identified the following challenges that continued to hamper effective budget implementation; high expenditure on personnel emoluments, under-performance in local revenue collection, delay by the National Treasury to disburse the equitable share of revenue raised nationally due to delay in approval of the County Allocation of Revenue Act (CARA), 2017 and an error in the Cash Disbursement Schedule, IFMIS connectivity challenges and frequent downtime, low expenditure on the development budget which was affected by delay in release of funds, and failure to budget for all revenue sources as contained in the County Allocation of Revenue Act (CARA), 2017.

In order to address the challenges, counties should ensure the following; contain the wage bill at sustainable levels and in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015, which sets the ceiling on the County Governments expenditure on wages at 35 per cent of the total revenue, develop and implement strategies to enhance local revenue collection, liaise with the National Treasury to ensure the equitable share of revenue raised nationally is disbursed in line with the CARA, 2017 Cash Disbursement Schedule, liaise with the IFMIS Directorate to address IFMIS connectivity challenges and frequent downtime, and finally, prepare Supplementary Budgets to capture all revenue as provided for in the CARA, 2017.

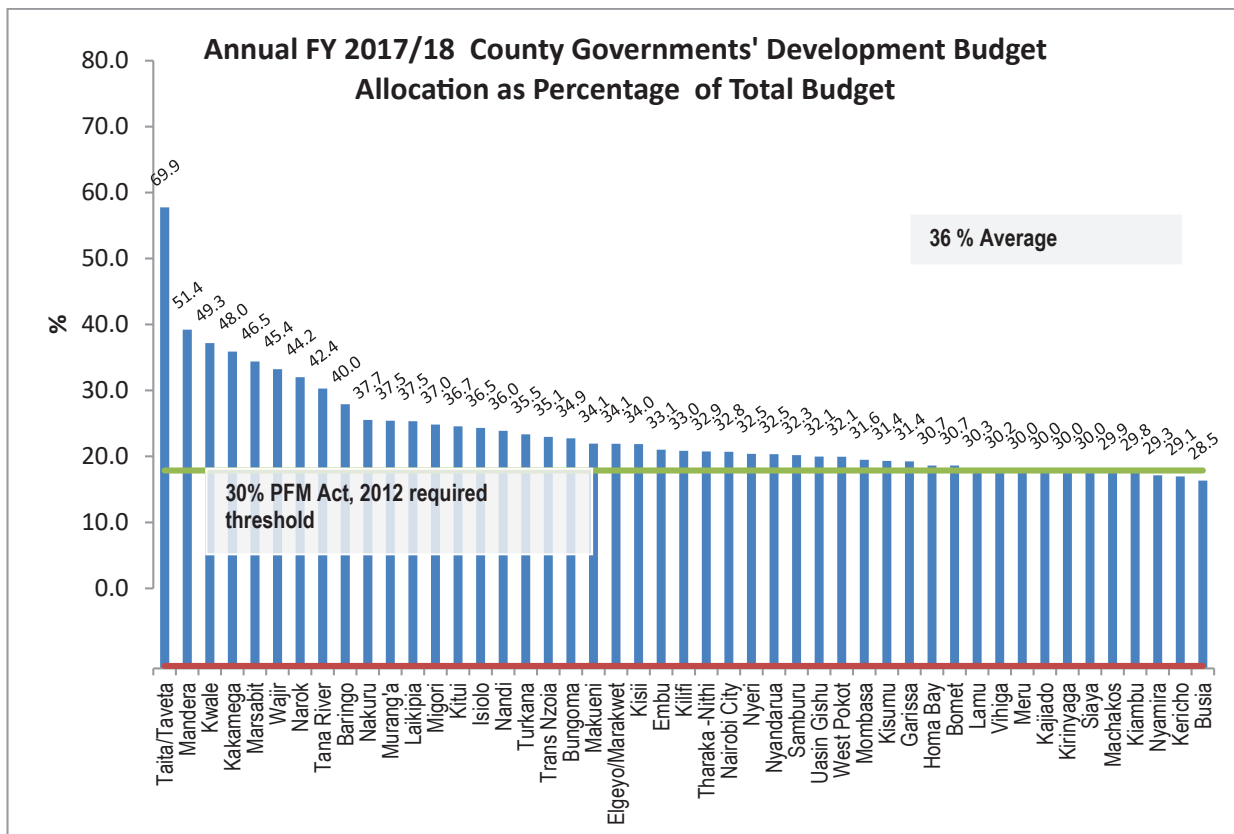
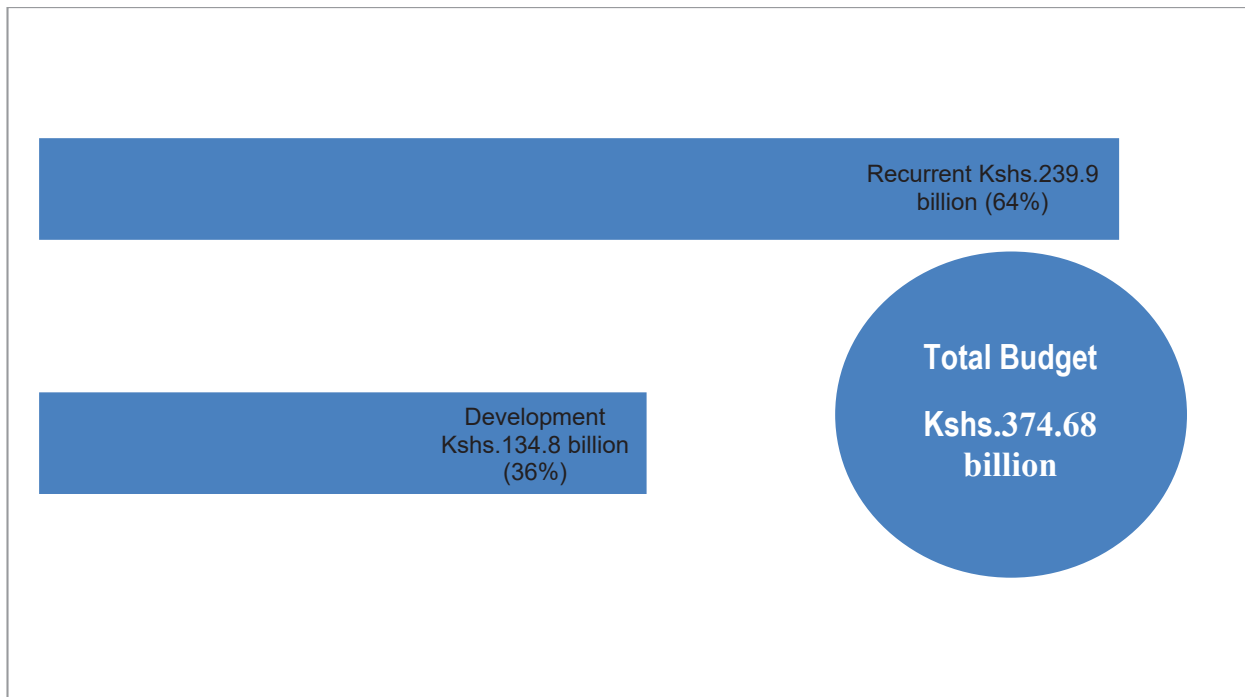
KEY HIGHLIGHTS

KEY HIGHLIGHTS

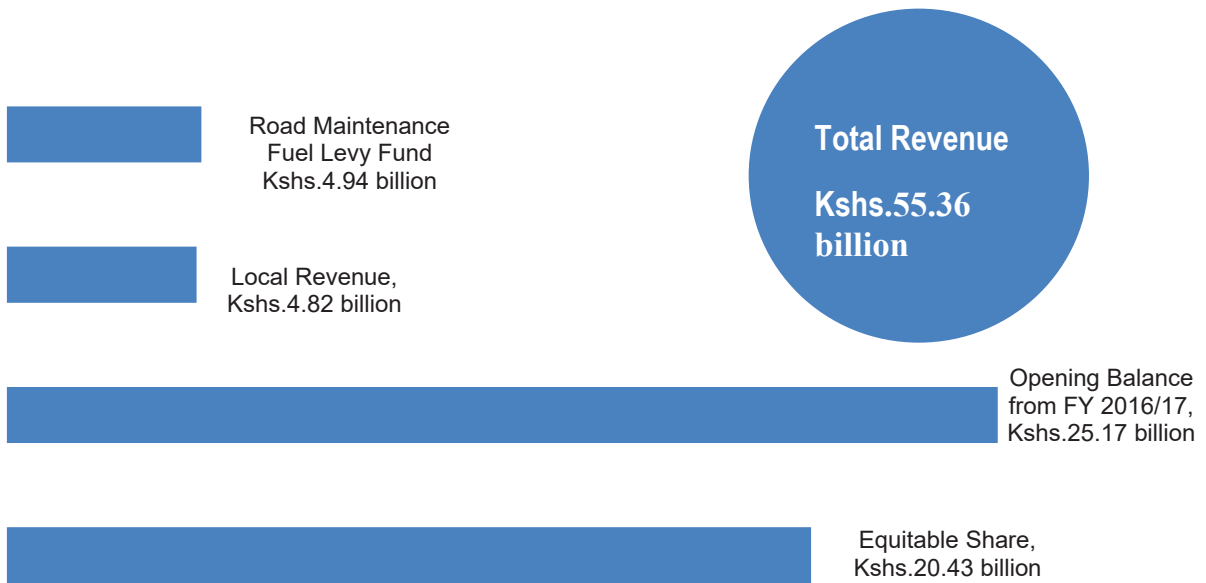
OVERALL ABSORPTION RATES FOR THE FIRST QUARTER OF FY 2017/18



Approved Budget Estimates



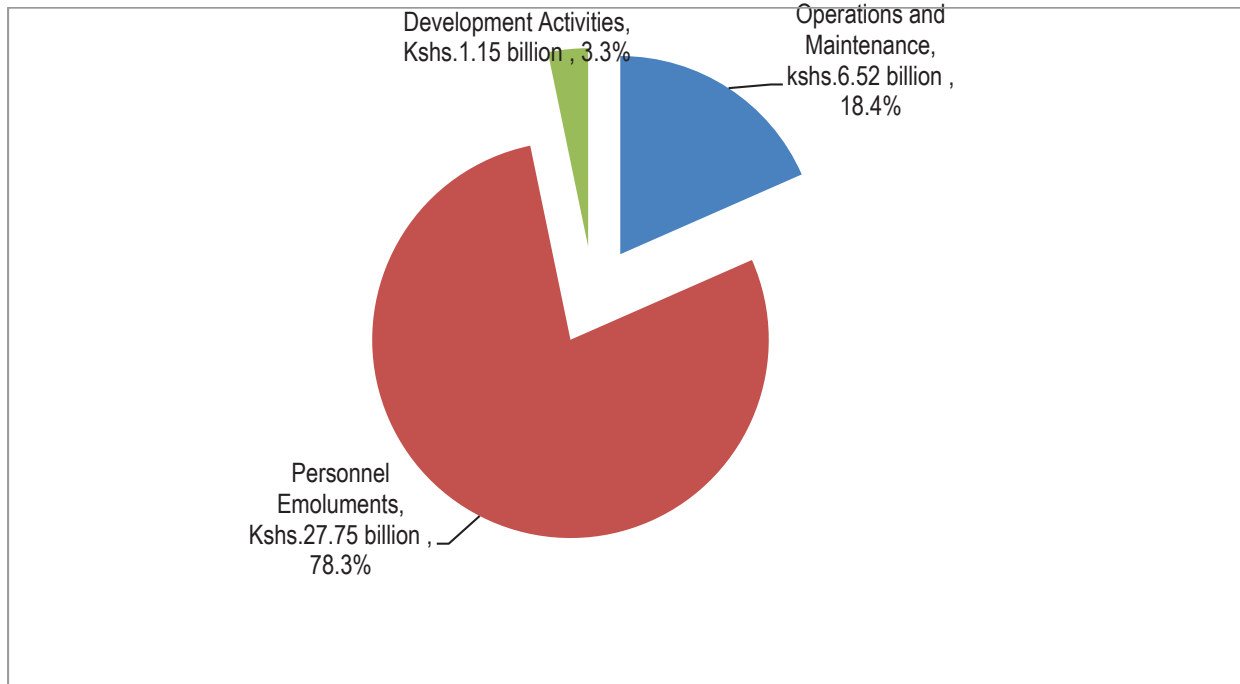
Total Revenue Available in the First Quarter of FY 2017/18



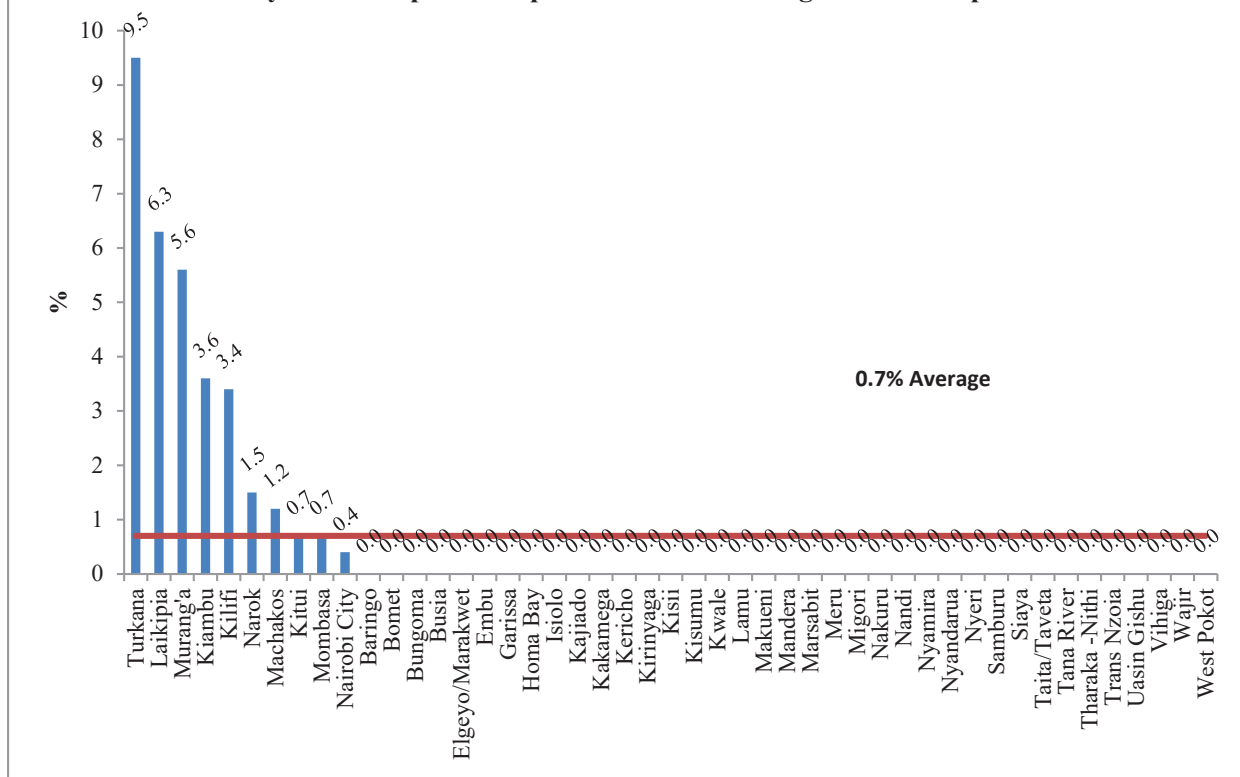
Annual Exchequer Issues in the First Quarter of FY 2017/18



First Quarter of FY 2017/18 Expenditure by Economic Classification



Summary on Development Expenditure as Percentage of Total Expenditure



1 INTRODUCTION

The Office of the Controller of Budget (OCOB) is an oversight institution established under Article 228 of the Constitution of Kenya, 2010 to oversee and report on implementation of the budgets of the National and County Governments. Article 228 (6) of the Constitution, and Section 9 of the Controller of Budget (COB) Act, 2016, require the Controller of Budget to submit to each house of Parliament a report on the implementation of the budgets of the national and county governments every four months. This report has been prepared in conformity with this requirement and covers the first quarter of FY 2017/18.

The report presents status of budget execution by the 47 County Governments and contains information on budgets, revenue, expenditure, and challenges encountered in budget execution during the reporting period. It is primarily aimed at providing information to Parliament and County Assemblies, but is also useful to other stakeholders and the public at large. The report also satisfies Section 39(8) of the Public Finance Management (PFM) Act, 2012, which requires the Controller of Budget (COB) to ensure that members of the public are provided with information on budget implementation.

The report is organized into four chapters. Chapter two provides the aggregate analysis of budget performance by the Counties during the reporting period. It presents revenue performance, exchequer issues to the County Governments and expenditure performance disaggregated into development and recurrent expenditure in line with Section 9 (3) (a) of the Controller of Budget Act, 2016. Revenue performance is analyzed by stream, namely equitable shareable revenue, conditional grants from the National Government, conditional grants from Development Partners, and County Governments' own local revenue collection. Chapter three presents performance by individual Counties. It presents information on budget financing, budget allocation, exchequer issues, and expenditure performance. The progress made in implementing recommendations made in prior reports by the OCOB is also highlighted while, key challenges that affected budget execution are identified and appropriate recommendations made.

The overall challenges that affected budget implementation by County Governments are presented in Chapter four. Appropriate recommendations are also included, with the objective of ensuring effective budget implementation in the future. Chapter five provides the conclusion.

2 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION IN THE FIRST QUARTER

2.1 Introduction

This chapter presents analysis of aggregated budget performance by the counties in the first three months of FY 2017/18.

2.2 Revenue Analysis

In FY 2017/18, the combined County governments' budgets approved by the County Assemblies amounts to Kshs.374.68 billion and comprised of Kshs.239.9 billion (64 per cent) allocated to recurrent expenditure and Kshs.134.78 billion (36 per cent) for development expenditure.

In order to finance the budgets, county governments expect to receive Kshs.302 billion as equitable share of revenue raised nationally, Kshs.23.27 billion as total conditional grants from the National Government, Kshs.16.41 billion as conditional grants from the Development Partners, and generate Kshs.55.92 billion from local sources, and Kshs.25.17 billion cash balance brought forward from FY 2016/17. The conditional grants from the National Government comprise 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, Kshs.605 million for Construction of County Headquarters in Isiolo, Lamu, Nyandarua, Tana River and Tharaka Nithi Counties.

The Conditional grants from the Development Partners comprise of Kshs.873.41 million as World Bank Loan to supplement financing of County Health facilities, Kshs.2.15 billion for Kenya Devolution Support Programme (KDSP) Grant by 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 as DANIDA Grant for Universal Healthcare in Devolved System Program, Kshs.985.8 million as EU Grant for Devolution Advice and Support, and Kshs.7.84 billion as Other Loans & Grants.

2.3 Own Revenue

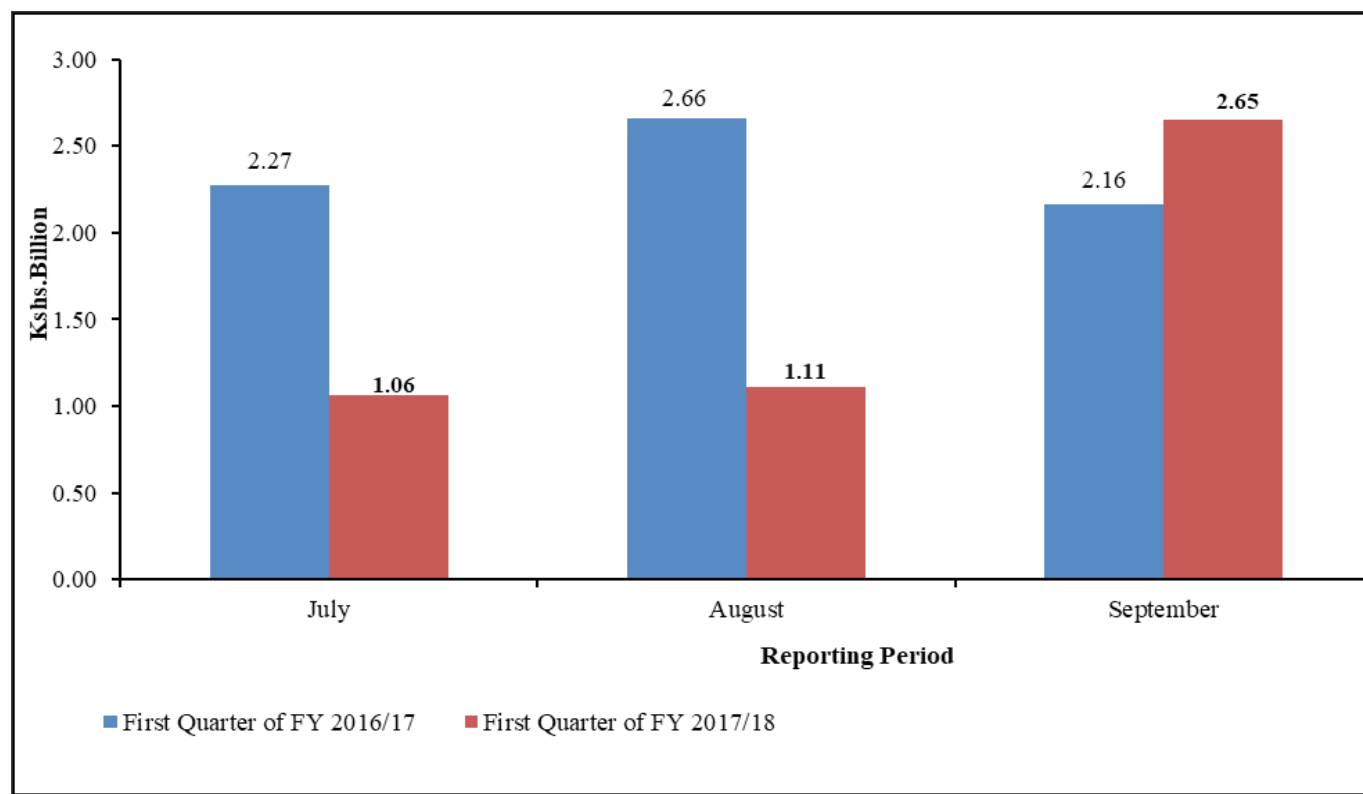
The total funds available to the County Governments in the first quarter of FY 2017/18 amounted to Kshs.55.36 billion. This amount consisted of Kshs.20.43 billion as equitable share of revenue, Kshs.4.94 billion from the Road Maintenance Fuel Levy Fund, Kshs.4.82 billion as revenue raised from local sources, and Kshs.25.17 billion cash balance from FY 2016/17.

2.4 Locally Collected Revenue

The aggregate annual local revenue target for counties in FY 2017/18 is Kshs.55.92 billion. During the reporting period, county governments generated a total of Kshs.4.82 billion, which was 8.6 per cent of the annual target. This was a decline of 32 per cent compared to Kshs.7.09 billion generated in a similar period of FY 2016/17, which was 12.3 per cent of the annual revenue target.

The monthly local revenue collection in the first quarter of FY 2016/17 and in a similar period of FY 2017/18 is shown in **Figure 2.1**.

Figure 2.1: Monthly Local Revenue Collection for the First Quarter of FY2016/17 and the First Quarter of FY 2017/18 (Kshs.Billions)



Source: County Treasuries

The monthly local revenue collection for the period July to September 2017 is shown in Table 2.1.

Table 2.1: Monthly Local Revenue Collection for the Period July-September 2017

| County Title | First Quarter of FY 2017/18 Local Revenue Collection (Kshs.) | | | | Annual Local Revenue Target for FY 2017/18 (Kshs.) | % of Local Revenue Against Annual Local Revenue Target |
|-----------------|--|-------------|----------------|-------------|--|--|
| | July-2017 | August-2017 | September-2017 | Total | | |
| Baringo | 36,930,678 | 32,724,881 | 22,389,324 | 92,044,883 | 450,000,000 | 20.5 |
| Bomet | 5,643,950 | 4,673,631 | 6,113,159 | 16,430,740 | 228,480,000 | 7.2 |
| Bungoma | 55,695,896 | 18,681,526 | 23,663,663 | 98,041,085 | 731,897,495 | 13.4 |
| Busia | 13,139,612 | 9,109,278 | 9,919,863 | 32,168,753 | 612,155,210 | 5.3 |
| Elgeyo/Marakwet | 6,400,000 | 4,480,000 | 6,320,000 | 17,200,000 | 160,291,113 | 10.7 |
| Embu | 16,496,185 | 15,544,130 | 22,745,683 | 54,785,998 | 839,779,876 | 6.5 |
| Garissa | 3,393,800 | 2,493,024 | 3,987,125 | 9,873,949 | 250,000,000 | 3.9 |
| Homa Bay | 6,483,345 | 3,736,693 | 5,741,284 | 15,961,322 | 209,457,525 | 7.6 |
| Isiolo | 9,853,653 | 10,968,441 | 12,562,920 | 33,385,014 | 182,861,337 | 18.3 |
| Kajiado | 22,922,092 | 14,666,899 | 27,884,033 | 65,473,024 | 990,794,334 | 6.6 |
| Kakamega | 25,335,467 | 17,045,243 | 15,986,757 | 58,367,467 | 952,571,849 | 6.1 |
| Kericho | 19,800,445 | 10,699,545 | 14,803,801 | 45,303,791 | 735,969,157 | 6.2 |
| Kiambu | 93,014,256 | 71,993,733 | 79,733,667 | 244,741,656 | 3,127,400,184 | 7.8 |
| Kilifi | 25,984,925 | 17,732,408 | 18,286,174 | 62,003,508 | 929,663,257 | 6.7 |

| County Title | First Quarter of FY 2017/18 Local Revenue Collection (Kshs.) | | | | Annual Local Revenue Target for FY 2017/18 (Kshs.) | % of Local Revenue Against Annual Local Revenue Target |
|----------------|--|-------------------------|-------------------------|-------------------------|--|--|
| | July-2017 | August-2017 | September-2017 | Total | | |
| Kirinyaga | 11, 528, 394 | 11, 596, 112 | 9, 524, 183 | 32, 648, 689 | 500, 000, 000 | 6.5 |
| Kisii | 6, 679, 000 | 16, 905, 000 | 12, 064, 000 | 35, 648, 000 | 850, 000, 000 | 4.2 |
| Kisumu | 43, 452, 556 | 41, 877, 318 | 38, 129, 279 | 123, 459, 153 | 1, 395, 256, 050 | 8.8 |
| Kitui | 24, 210, 454 | 16, 329, 323 | 17, 146, 369 | 57, 686, 146 | 702, 040, 500 | 8.2 |
| Kwale | 6, 981, 089 | 7, 034, 110 | 9, 536, 740 | 23, 551, 939 | 833, 369, 046 | 2.8 |
| Laikipia | 12, 439, 620 | 72, 211, 686 | 21, 495, 417 | 106, 146, 723 | 700, 000, 000 | 15.2 |
| Lamu | 2, 323, 490 | 1, 719, 164 | 1, 407, 037 | 5, 449, 691 | 90, 000, 000 | 6.1 |
| Machakos | 14, 364, 811 | 88, 382, 977 | 1, 151, 460 | 103, 899, 248 | 1, 557, 789, 503 | 6.7 |
| Makueni | 16, 525, 752 | 34, 188, 382 | 15, 554, 112 | 66, 268, 246 | 450, 000, 000 | 14.7 |
| Mandera | 2, 293, 730 | 2, 686, 785 | 3, 618, 374 | 8, 598, 889 | 231, 000, 000 | 3.7 |
| Marsabit | 5, 470, 000 | 4, 760, 000 | 5, 190, 000 | 15, 420, 000 | 130, 000, 000 | 11.9 |
| Meru | 21, 258, 589 | 15, 357, 866 | 16, 583, 856 | 53, 200, 311 | 801, 775, 812 | 6.6 |
| Migori | - | - | 27, 744, 883 | 27, 744, 883 | 450, 000, 000 | 6.2 |
| Mombasa | 128, 974, 779 | 79, 974, 633 | 98, 958, 707 | 307, 908, 119 | 3, 500, 000, 000 | 8.8 |
| Murang'a | 18, 471, 979 | 16, 778, 421 | 17, 559, 655 | 52, 810, 055 | 1, 100, 988, 857 | 4.8 |
| Nairobi City | - | - | 1, 487, 988, 548 | 1, 487, 988, 548 | 20, 178, 000, 000 | 7.4 |
| Nakuru | 100, 490, 802 | 73, 453, 573 | 97, 528, 520 | 271, 472, 895 | 2, 500, 000, 000 | 10.9 |
| Nandi | 6, 490, 215 | 5, 125, 745 | 8, 490, 098 | 20, 106, 058 | 419, 783, 588 | 4.8 |
| Narok | 142, 301, 407 | 237, 038, 410 | 313, 035, 529 | 692, 375, 346 | 4, 014, 367, 463 | 17.2 |
| Nyamira | 5, 020, 792 | 6, 021, 007 | 3, 817, 817 | 14, 859, 616 | 272, 456, 992 | 5.5 |
| Nyandarua | 14, 944, 203 | 11, 991, 960 | 11, 267, 157 | 38, 203, 320 | 371, 000, 000 | 10.3 |
| Nyeri | 42, 199, 564 | 49, 674, 950 | 45, 484, 558 | 137, 359, 072 | 1, 000, 000, 000 | 13.7 |
| Samburu | 18, 963, 045 | 25, 974, 402 | 20, 571, 005 | 65, 508, 452 | 301, 230, 000 | 21.7 |
| Siaya | 7, 361, 484 | 5, 317, 419 | 6, 728, 584 | 19, 407, 487 | 270, 000, 000 | 7.2 |
| Taita/Taveta | - | - | 15, 762, 643 | 15, 762, 643 | 338, 465, 509 | 4.7 |
| Tana River | 849, 300 | 2, 009, 895 | 1, 091, 000 | 3, 950, 195 | 60, 000, 000 | 6.6 |
| Tharaka -Nithi | 3, 129, 014 | 2, 501, 500 | 508, 760 | 6, 139, 274 | 179, 915, 283 | 3.4 |
| Trans Nzoia | 6, 364, 258 | 4, 187, 047 | 5, 079, 096 | 15, 630, 401 | 600, 000, 000 | 2.6 |
| Turkana | 12, 709, 654 | 7, 190, 148 | 13, 571, 620 | 33, 471, 422 | 200, 000, 000 | 16.7 |
| Uasin Gishu | 33, 964, 007 | 22, 458, 399 | 33, 079, 299 | 89, 501, 705 | 1, 000, 000, 000 | 9.0 |
| Vihiga | 7, 077, 648 | 5,742,397 | - | 12,820,045 | 220, 000, 000 | 5.8 |
| Wajir | - | - | 21, 573, 075 | 21, 573, 075 | 200, 000, 000 | 10.8 |
| West Pokot | 4, 202, 246 | 3, 306, 010 | 5, 814, 355 | 13, 322, 611 | 105, 320, 164 | 12.6 |
| Total | 1, 062, 136, 186 | 1, 105, 085, 666 | 2, 657, 193, 190 | 4, 824, 415, 041 | 55, 924, 080, 104 | 8.6 |

Source: County Treasuries

During the period under review, the Nairobi City County generated the highest amount of local revenue at Kshs.1.49 billion, followed by Narok and Mombasa at Kshs.692.38 million and Kshs.307.91 million respectively. The Counties that generated the lowest amount were Tharaka Nithi, Lamu and Tana River at Kshs.6.14 million, Kshs.5.45 million and Kshs.3.95 million respectively.

Analysis of local revenue as a proportion of the annual revenue target indicates that Samburu and Baringo and Isiolo Counties recorded the highest proportion at 21.7 per cent, 20.5 per cent and 18.3

per cent respectively. Conversely, counties that recorded the lowest proportion of local revenue against annual targets were Tharaka Nithi at 3.4 per cent, Kwale at 2.8 per cent and Trans Nzoia at 2.6 per cent.

2.5 Funds Released to the Counties

2.5.1 Funds released to counties from the Consolidated Fund

In the first three months of FY 2017/18, the Controller of Budget (COB) approved transfer of Kshs.20.43 billion from the Consolidated Fund to the various County Revenue Funds (CRFs) as equitable share of revenue, in accordance with Article 206 (4) of the Constitution.

During the same period, Counties received Kshs.4.94 billion from the Road Maintenance Fuel Levy Fund as a conditional grant from the National Government. This was a direct disbursement to the County Revenue Fund Accounts.

2.5.2 Funds Released to the County Operational Accounts

The COB authorised withdrawals of Kshs.37.82 billion from the County Revenue Funds to County Operational Accounts of the County Government in the reporting period. The transfers comprised of Kshs.37.28 billion (98.6 per cent) for recurrent expenditure and Kshs.530.64 million (1.4 per cent) for development expenditure. The authorised withdrawal was a decline by 50.1 per cent from Kshs.75.69 billion released in a similar period of FY 2016/17.

From the Kshs.37.28 billion released for recurrent activities, Kshs.5.17 billion was for the County Assemblies while Kshs.32.09 billion was for the County Executives. The entire development expenditure was incurred by the County Executives.

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

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

| Exchequer Releases from CRF to County Operations Accounts, First Quarter of FY 2017/18 (Kshs.million) | | | | | | | | | |
|---|-----------------|------------|--------|------------------|------------|--------|---------------------------|------------|--------|
| County | COUNTY ASSEMBLY | | | COUNTY EXECUTIVE | | | COMBINED EXCHEQUER ISSUES | | |
| | Rec (Kshs) | Dev (Kshs) | Total | Rec (Kshs) | Dev (Kshs) | Total | Rec (Kshs) | Dev (Kshs) | Total |
| | A | B | C=A+B | D | E | F=D+E | G=A+D | H=B+E | I=G+H |
| Baringo | 88.44 | - | 88.44 | 763.43 | - | 763.43 | 851.87 | - | 851.87 |
| Bomet | 85.65 | - | 85.65 | 691.73 | - | 691.73 | 771.38 | - | 771.38 |
| Bungoma | 58.28 | - | 58.28 | 789.89 | - | 789.89 | 848.16 | - | 848.16 |
| Busia | 100.10 | - | 100.10 | 896.50 | - | 896.50 | 996.60 | - | 996.60 |
| Elgeyo/ Marakwet | 67.87 | - | 67.87 | 478.74 | - | 478.74 | 546.61 | - | 546.61 |
| Embu | 99.06 | - | 99.06 | 680.83 | - | 680.83 | 779.89 | - | 779.89 |
| Garissa | 63.36 | - | 63.36 | 633.35 | - | 633.35 | 696.71 | - | 696.71 |
| Homa Bay | 170.00 | - | 170.00 | 727.50 | - | 727.50 | 897.50 | - | 897.50 |
| Isiolo | 94.00 | - | 94.00 | 393.00 | - | 393.00 | 487.00 | - | 487.00 |
| Kajiado | 70.72 | - | 70.72 | 737.92 | - | 737.92 | 808.64 | - | 808.64 |

| Exchequer Releases from CRF to County Operations Accounts, First Quarter of FY 2017/18 (Kshs.million) | | | | | | | | | |
|---|-----------------|------------|----------------|------------------|---------------|------------------|---------------------------|---------------|------------------|
| County | COUNTY ASSEMBLY | | | COUNTY EXECUTIVE | | | COMBINED EXCHEQUER ISSUES | | |
| | Rec (Kshs) | Dev (Kshs) | Total | Rec (Kshs) | Dev (Kshs) | Total | Rec (Kshs) | Dev (Kshs) | Total |
| | A | B | C=A+B | D | E | F=D+E | G=A+D | H=B+E | I=G+H |
| Kakamega | 127.24 | - | 127.24 | 910.82 | - | 910.82 | 1,038.07 | - | 1,038.07 |
| Kericho | 57.91 | - | 57.91 | 598.03 | - | 598.03 | 655.94 | - | 655.94 |
| Kiambu | 133.00 | - | 133.00 | 1,420.95 | 149.64 | 1,570.58 | 1,553.95 | 149.64 | 1,703.58 |
| Kilifi | 126.22 | - | 126.22 | 721.48 | 56.33 | 777.81 | 847.70 | 56.33 | 904.03 |
| Kirinyaga | 101.34 | - | 101.34 | 637.15 | - | 637.15 | 738.49 | - | 738.49 |
| Kisii | 102.40 | - | 102.40 | 1,218.87 | - | 1,218.87 | 1,321.27 | - | 1,321.27 |
| Kisumu | 36.90 | - | 36.90 | 605.00 | - | 605.00 | 641.90 | - | 641.90 |
| Kitui | 82.32 | - | 82.32 | 602.32 | - | 602.32 | 684.64 | - | 684.64 |
| Kwale | 81.5 | - | 81.5 | 773.64 | - | 773.64 | 855.15 | - | 855.15 |
| Laikipia | 32.57 | - | 32.57 | 660.41 | 38.67 | 699.08 | 692.98 | 38.67 | 731.65 |
| Lamu | 62.09 | - | 62.09 | 306.04 | - | 306.04 | 368.12 | - | 368.12 |
| Machakos | 70 | - | 70 | 1,006.84 | - | 1,006.84 | 1,076.84 | - | 1,076.84 |
| Makueni | 52.05 | - | 52.05 | 815.66 | - | 815.66 | 867.7 | - | 867.7 |
| Mandera | 143.81 | - | 143.81 | 879.46 | - | 879.46 | 1,023.26 | - | 1,023.26 |
| Marsabit | - | - | - | - | - | - | - | - | - |
| Meru | 91 | - | 91 | 875.26 | - | 875.26 | 966.26 | - | 966.26 |
| Migori | 61 | - | 61 | 520 | - | 520 | 581 | - | 581 |
| Mombasa | 1,028.31 | - | 1,028.31 | 24 | - | 24 | 1,052.31 | - | 1,052.31 |
| Murang'a | 76 | - | 76 | 757 | 212 | 969 | 833 | 212 | 1,045 |
| Nairobi City | 250 | - | 250 | 4,078.91 | - | 4,078.91 | 4,328.91 | - | 4,328.91 |
| Nakuru | 758.48 | - | 758.48 | 89.63 | - | 89.63 | 848.12 | - | 848.12 |
| Nandi | 74.84 | - | 74.84 | 600.12 | - | 600.12 | 674.96 | - | 674.96 |
| Narok | 80 | - | 80 | 1,184.7 | 74 | 1,258.70 | 1,264.7 | 74 | 1,338.7 |
| Nyamira | 53.03 | - | 53.03 | 411.92 | - | 411.92 | 464.95 | - | 464.95 |
| Nyandarua | 61.44 | - | 61.44 | 450.05 | - | 450.05 | 511.49 | - | 511.49 |
| Nyeri | 36.93 | - | 36.93 | 442.82 | - | 442.82 | 479.75 | - | 479.75 |
| Samburu | 58.10 | - | 58.10 | 580.22 | - | 580.22 | 638.32 | - | 638.32 |
| Siaya | 41.00 | - | 41.00 | 321 | - | 321 | 362 | - | 362 |
| Taita/Taveta | 48.27 | - | 48.27 | 599.58 | - | 599.58 | 647.85 | - | 647.85 |
| Tana River | - | - | - | - | - | - | - | - | - |
| Tharaka – Nithi | 30 | - | 30 | 429 | - | 429.00 | 459 | - | 459.00 |
| Trans Nzoia | 58.33 | - | 58.33 | 392.11 | - | 392.11 | 450.44 | - | 450.44 |
| Turkana | 100 | - | 100 | 940 | - | 940 | 1,040 | - | 1,040 |
| Uasin Gishu | 27.56 | - | 27.56 | 459.04 | - | 459.04 | 486.6 | - | 486.6 |
| Vihiga | 88.96 | - | 88.96 | 635.52 | - | 635.52 | 724.48 | - | 724.48 |
| Wajir | - | - | - | - | - | - | - | - | - |
| West Pokot | 40 | - | 40 | 375 | - | 375 | 415 | - | 415 |
| Total | 5,170.1 | - | 5,170.1 | 32,115.42 | 530.64 | 32,646.06 | 37,285.52 | 530.64 | 37,816.16 |

Source: County Treasuries and OCOB

Nairobi City County received the highest amount from its CRF account to the operational accounts at Kshs.4.33 billion followed by Kiambu and Narok at Kshs.1.7 billion and Kshs.1.34 billion respectively. Three Counties, Marsabit, Tana River and Wajir did not receive any funds for operations during the period due to delays in approval of their FY 2017/18 Budgets.

2.6 Expenditure Analysis

The total expenditure by County governments was Kshs.35.43 billion representing an absorption rate of 9.5 per cent of the total annual County Governments' Budgets. This was a decrease from an absorption rate of 14.5 per cent attained in a similar period of FY 2016/17 where total expenditure was Kshs.56.55 billion.

Recurrent expenditure was Kshs.34.27 billion, representing 14.3 per cent of the annual recurrent budget, and a decline from 19.2 per cent reported in a similar period of FY 2016/17. Development expenditure amounted to Kshs.1.15 billion, representing an absorption rate of 0.9 per cent, and a decrease from 8.3 per cent attained in the first quarter of FY 2016/17 where total development expenditure was Kshs.13.96 billion. The analysis of expenditure by economic classification in the first quarter of FY 2017/18 is provided in Table 2.3.

Table 2.3: Expenditure by Economic Classification in the First Quarter of FY 2017/18

| County Title | Personnel Emoluments (Kshs.) | Operations & Maintenance (Kshs.) | Development Expenditure (Kshs.) | Total Expenditure (Kshs.) |
|-----------------|------------------------------|----------------------------------|---------------------------------|---------------------------|
| | A | B | C | D=A+B+C |
| Baringo | 470, 891, 186 | 85, 521, 476 | - | 556, 412, 662 |
| Bomet | 559, 520, 000 | 199, 260, 000 | - | 758, 780, 000 |
| Bungoma | 849, 335, 780 | 50, 907, 040 | - | 900, 242, 820 |
| Busia | 561, 148, 259 | 144, 336, 200 | - | 705, 484, 459 |
| Elgeyo/Marakwet | 520, 970, 000 | 37, 710, 000 | - | 558, 680, 000 |
| Embu | 594, 306, 231 | 42, 049, 683 | - | 636, 355, 914 |
| Garissa | 660, 962, 757 | 35, 750, 000 | - | 696, 712, 757 |
| Homa Bay | 663, 145, 960 | 223, 966, 100 | - | 887, 112, 060 |
| Isiolo | 383, 473, 177 | 80, 162, 394 | - | 463, 635, 571 |
| Kajiado | 545, 426, 264 | 99, 395, 476 | - | 644, 821, 740 |
| Kakamega | 1, 065, 816, 135 | 218, 094, 063 | - | 1, 283, 910, 198 |
| Kericho | 438, 683, 825 | 51, 355, 541 | - | 490, 039, 366 |
| Kiambu | 1, 274, 996, 833 | 282, 138, 483 | 145, 623, 922 | 1, 702, 759, 238 |
| Kilifi | 274, 379, 410 | 314, 990, 193 | 131, 495, 737 | 720, 865, 341 |
| Kirinyaga | 568, 705, 691 | 140, 928, 271 | - | 709, 633, 962 |
| Kisii | 1, 127, 845, 708 | 58, 534, 514 | - | 1, 186, 380, 222 |
| Kisumu | 414, 068, 155 | 73, 036, 072 | - | 487, 104, 227 |
| Kitui | 540, 171, 839 | 34, 240, 672 | 23, 660, 358 | 598, 072, 869 |
| Kwale | 387, 431, 516 | 253, 461, 828 | - | 640, 893, 344 |
| Laikipia | 491, 705, 034 | 71, 704, 830 | 131, 778, 948 | 695, 188, 812 |
| Lamu | 229, 895, 725 | 42, 643, 808 | - | 272, 539, 533 |
| Machakos | 632, 910, 000 | 177, 940, 000 | 35, 490, 000 | 846, 340, 000 |
| Makueni | 691, 111, 965 | 180, 679, 944 | - | 871, 791, 909 |
| Mandera | 525, 126, 497 | 265, 418, 297 | - | 790, 544, 794 |
| Marsabit | - | - | - | - |

| County Title | Personnel Emoluments (Kshs.) | Operations & Maintenance (Kshs.) | Development Expenditure (Kshs.) | Total Expenditure (Kshs.) |
|----------------|------------------------------|----------------------------------|---------------------------------|---------------------------|
| | A | B | C | D=A+B+C |
| Meru | 733, 632, 294 | 55, 256, 961 | - | 788, 889, 255 |
| Migori | 461, 580, 000 | 132, 140, 000 | - | 593, 720, 000 |
| Mombasa | 716, 620, 634 | 201, 962, 778 | 29, 097, 969 | 947, 681, 381 |
| Murang'a | 634, 949, 388 | 153, 409, 889 | 179, 901, 677 | 968, 260, 954 |
| Nairobi City | 3, 387, 700, 204 | 1, 145, 946, 225 | 24, 521, 622 | 4, 558, 168, 051 |
| Nakuru | 789, 512, 711 | 36, 426, 083 | - | 825, 938, 794 |
| Nandi | 461, 450, 000 | 174, 860, 000 | - | 636, 310, 000 |
| Narok | 627, 202, 258 | 632, 722, 841 | 74, 000, 000 | 1, 333, 925, 099 |
| Nyamira | 570, 218, 135 | 55, 823, 892 | - | 626, 042, 027 |
| Nyandarua | 457, 112, 909 | 59, 752, 954 | - | 516, 865, 863 |
| Nyeri | 516, 417, 767 | 51, 584, 955 | - | 568, 002, 722 |
| Samburu | 645, 675, 990 | 124, 492, 093 | - | 770, 168, 083 |
| Siaya | 528, 650, 000 | 36, 320, 000 | - | 564, 970, 000 |
| Taita/Taveta | 510, 055, 454 | 107, 288, 734 | - | 617, 344, 188 |
| Tana River | - | - | - | - |
| Tharaka -Nithi | 412, 432, 858 | 23, 187, 535 | - | 435, 620, 393 |
| Trans Nzoia | 412, 614, 321 | 140, 721, 208 | - | 553, 335, 529 |
| Turkana | 442, 514, 476 | 98, 982, 940 | 377, 300, 000 | 918, 797, 416 |
| Uasin Gishu | 460, 118, 265 | 36, 361, 093 | - | 496, 479, 358 |
| Vihiga | 212, 490, 000 | 29, 400, 000 | - | 241, 890, 000 |
| Wajir | - | - | - | - |
| West Pokot | 299, 723, 936 | 59, 586, 940 | - | 359, 310, 876 |
| Total | 27, 752, 699, 549 | 6, 520, 452, 005 | 1, 152, 870, 233 | 35, 426, 021, 787 |

Source: OCOB and County Treasuries

The Counties that attained the highest total expenditure in absolute terms were; Nairobi City at Kshs.4.56 billion, Kiambu at Kshs.1.7 billion, and Narok at Kshs.1.33 billion. Three Counties namely; Marsabit, Tana River, and Wajir did not report any expenditure during the period.

Review of cumulative expenditure by economic classification showed that Kshs.27.75 billion (78.3 per cent) was incurred on personnel emoluments, Kshs.6.52 billion (18.4 per cent) on operations and maintenance, and Kshs.1.15 billion (3.3 per cent) on development activities.

2.7 Development Expenditure

County governments incurred Kshs.1.15 billion on development activities, representing an absorption rate of 0.9 per cent of the annual development budget, which is a decrease from 8.3 per cent, reported in a similar period of FY 2016/17 when development expenditure was Kshs.13.96 billion.

The low expenditure on development activities was due to delay in disbursement of funds by the National Treasury which was occasioned by delay in approval of the CARA, 2017 and error in the Cash disbursement Scheduled.

Analysis of county budgets and expenditure in the first quarter of FY 2017/18 is provided in Table 2.4.

Table 2.4: County Budget Allocation, Expenditure and Absorption Rate in the First Quarter of FY 2017/18

| County Title | Budget Estimates (Kshs.Million) | | | Expenditure (Kshs.Million) | | | Recurrent Absorption Rate (%) | Development Absorption Rate (%) | Overall Absorption Rate |
|-----------------|---------------------------------|-----------|------------|----------------------------|--------|-----------|-------------------------------|---------------------------------|-------------------------|
| | Rec | Dev | Total | Rec | Dev | Total | | | |
| | A | B | C=A+B | D | E | F=D+E | G=D/A*100 | H=E/B*100 | I=F/C*100 |
| Baringo | 3, 982.98 | 2, 659.28 | 6, 642.26 | 556.41 | - | 556.41 | 14.0 | - | 8.4 |
| Bomet | 4, 083.28 | 1, 812.64 | 5, 895.92 | 758.78 | - | 758.78 | 18.6 | - | 12.9 |
| Bungoma | 6, 530.86 | 3, 497.29 | 10, 028.15 | 900.24 | - | 900.24 | 13.8 | - | 9.0 |
| Busia | 4, 992.35 | 1, 986.96 | 6, 979.31 | 705.48 | - | 705.48 | 14.1 | - | 10.1 |
| Elgeyo/Marakwet | 2, 635.78 | 1, 361.26 | 3, 997.04 | 558.68 | - | 558.68 | 21.2 | - | 14.0 |
| Embu | 3, 822.74 | 1, 895.45 | 5, 718.19 | 636.36 | - | 636.36 | 16.6 | - | 11.1 |
| Garissa | 5, 387.05 | 2, 464.05 | 7, 851.10 | 696.71 | - | 696.71 | 12.9 | - | 8.9 |
| Homa Bay | 4, 980.16 | 2, 211.00 | 7, 191.15 | 887.11 | - | 887.11 | 17.8 | - | 12.3 |
| Isiolo | 2, 721.38 | 1, 561.34 | 4, 282.72 | 463.64 | - | 463.64 | 17.0 | - | 10.8 |
| Kajiado | 4, 363.04 | 1, 871.12 | 6, 234.16 | 644.82 | - | 644.82 | 14.8 | - | 10.3 |
| Kakamega | 6, 844.19 | 6, 325.77 | 13, 169.96 | 1, 283.91 | - | 1, 283.91 | 18.8 | - | 9.7 |
| Kericho | 4, 452.18 | 1, 828.12 | 6, 280.30 | 490.04 | - | 490.04 | 11.0 | - | 7.8 |
| Kiambu | 9, 417.66 | 3, 996.58 | 13, 414.24 | 1, 557.14 | 145.62 | 1, 702.76 | 16.5 | 3.6 | 12.7 |
| Kilifi | 7, 971.82 | 3, 923.36 | 11, 895.17 | 589.37 | 131.50 | 720.87 | 7.4 | 3.4 | 6.1 |
| Kirinyaga | 3, 339.44 | 1, 431.19 | 4, 770.63 | 709.63 | - | 709.63 | 21.3 | - | 14.9 |
| Kisii | 6, 619.78 | 3, 408.90 | 10, 028.67 | 1, 186.38 | - | 1, 186.38 | 17.9 | - | 11.8 |
| Kisumu | 6, 621.01 | 3, 037.10 | 9, 658.11 | 487.10 | - | 487.10 | 7.4 | - | 5.0 |
| Kitui | 6, 250.40 | 3, 623.01 | 9, 873.41 | 574.41 | 23.66 | 598.07 | 9.2 | 0.7 | 6.1 |
| Kwale | 4, 921.33 | 4, 789.37 | 9, 710.70 | 640.89 | - | 640.89 | 13.0 | - | 6.6 |
| Laikipia | 3, 471.79 | 2, 079.66 | 5, 551.45 | 563.41 | 131.78 | 695.19 | 16.2 | 6.3 | 12.5 |
| Lamu | 1, 879.96 | 819.10 | 2, 699.05 | 272.54 | - | 272.54 | 14.5 | - | 10.1 |
| Machakos | 7, 001.93 | 2, 988.25 | 9, 990.18 | 810.85 | 35.49 | 846.34 | 11.6 | 1.2 | 8.5 |
| Makueni | 5, 203.80 | 2, 689.84 | 7, 893.64 | 871.79 | - | 871.79 | 16.8 | - | 11.0 |
| Mandera | 6, 120.07 | 6, 459.75 | 12, 579.82 | 790.54 | - | 790.54 | 12.9 | - | 6.3 |
| Marsabit | 4, 079.39 | 3, 549.94 | 7, 629.33 | - | - | - | - | - | - |
| Meru | 6, 807.16 | 2, 922.13 | 9, 729.30 | 788.89 | - | 788.89 | 11.6 | - | 8.1 |
| Migori | 4, 904.44 | 2, 876.18 | 7, 780.62 | 593.72 | - | 593.72 | 12.1 | - | 7.6 |
| Mombasa | 8, 571.88 | 3, 962.57 | 12, 534.45 | 918.58 | 29.10 | 947.68 | 10.7 | 0.7 | 7.6 |
| Murang'a | 5, 382.31 | 3, 234.87 | 8, 617.18 | 788.36 | 179.90 | 968.26 | 14.6 | 5.6 | 11.2 |
| Nairobi City | 12, 060.02 | 5, 893.66 | 17, 953.68 | 4, 533.65 | 24.52 | 4, 558.17 | 37.6 | 0.4 | 25.4 |
| Nakuru | 9, 765.68 | 5, 898.68 | 15, 664.36 | 825.94 | - | 825.94 | 8.5 | - | 5.3 |
| Nandi | 4, 505.99 | 2, 535.24 | 7, 041.22 | 636.31 | - | 636.31 | 14.1 | - | 9.0 |
| Narok | 6, 118.65 | 4, 837.35 | 10, 955.99 | 1, 259.93 | 74.00 | 1, 333.93 | 20.6 | 1.5 | 12.2 |
| Nyamira | 4, 155.17 | 1, 718.91 | 5, 874.09 | 626.04 | - | 626.04 | 15.1 | - | 10.7 |
| Nyandarua | 3, 841.60 | 1, 846.18 | 5, 687.77 | 516.87 | - | 516.87 | 13.5 | - | 9.1 |
| Nyeri | 4, 610.36 | 2, 222.36 | 6, 832.72 | 568.00 | - | 568.00 | 12.3 | - | 8.3 |
| Samburu | 3, 062.23 | 1, 463.16 | 4, 525.38 | 770.17 | - | 770.17 | 25.2 | - | 17.0 |
| Siaya | 4, 618.91 | 1, 979.53 | 6, 598.45 | 564.97 | - | 564.97 | 12.2 | - | 8.6 |
| Taita/Taveta | 1, 399.96 | 3, 247.49 | 4, 647.45 | 617.34 | - | 617.34 | 44.1 | - | 13.3 |
| Tana River | 3, 336.71 | 2, 458.32 | 5, 795.03 | - | - | - | - | - | - |

| County Title | Budget Estimates (Kshs.Million) | | | Expenditure (Kshs.Million) | | | Recurrent Absorption Rate (%) | Development Absorption Rate (%) | Overall Absorption Rate |
|----------------|---------------------------------|--------------------|--------------------|----------------------------|------------------|-------------------|-------------------------------|---------------------------------|-------------------------|
| | Rec | Dev | Total | Rec | Dev | Total | | | |
| | A | B | C=A+B | D | E | F=D+E | G=D/A*100 | H=E/B*100 | I=F/C*100 |
| Tharaka -Nithi | 3, 024.66 | 1, 481.48 | 4, 506.14 | 435.62 | - | 435.62 | 14.4 | - | 9.7 |
| Trans Nzoia | 4, 429.65 | 2, 393.48 | 6, 823.13 | 553.34 | - | 553.34 | 12.5 | - | 8.1 |
| Turkana | 7, 232.46 | 3, 975.67 | 11, 208.13 | 541.50 | 377.30 | 918.80 | 7.5 | 9.5 | 8.2 |
| Uasin Gishu | 5, 041.72 | 2, 384.17 | 7, 425.88 | 496.48 | - | 496.48 | 9.8 | - | 6.7 |
| Vihiga | 3, 346.29 | 1, 444.58 | 4, 790.88 | 241.89 | - | 241.89 | 7.2 | - | 5.0 |
| Wajir | 2, 525.35 | 2, 095.61 | 4, 620.97 | - | - | - | - | - | - |
| West Pokot | 3, 468.59 | 1, 638.87 | 5, 107.46 | 359.31 | - | 359.31 | 10.4 | - | 7.0 |
| Total | 239, 904.15 | 134, 780.81 | 374, 684.96 | 34, 273.15 | 1, 152.87 | 35, 426.02 | 14.3 | 0.9 | 9.5 |

Source: OCOB and County Treasuries

Turkana County recorded the highest expenditure on development activities in absolute terms at Kshs.377.3 million, followed by Murang'a County and Kiambu County at Kshs.179.9 million and Kshs.145.62 million respectively. Detailed analysis of development projects undertaken by counties is provided in chapter three.

2.8 Recurrent Expenditure

The Counties incurred an aggregate of Kshs.34.27 billion or 96.7 per cent of the total expenditure on recurrent activities. This expenditure represents 14.3 per cent of the annual county governments' budget for recurrent activities, and a decline from 19.2 per cent recorded in a similar period of FY 2016/17 when expenditure stood at Kshs.42.6 billion.

Analysis of expenditure in absolute terms shows that Nairobi City County attained the highest expenditure on recurrent activities at Kshs.4.53 billion, followed by Kiambu and Kakamega Counties at Kshs.1.56 billion and Kshs.1.28 billion respectively

2.9 Personnel Emoluments

During the first quarter of FY 2017/18, the County Governments incurred Kshs.27.75 billion on personnel emoluments, representing 81 per cent of the total recurrent expenditure and 78.3 per cent of total expenditure. This was a marginal decrease from Kshs.29.6 billion incurred in the first quarter of FY 2016/17 when personnel expenditure translated to 52.3 per cent of the total expenditure.

Nairobi City County reported the highest expenditure on personnel emoluments at Kshs.3.39 billion, followed by Kiambu and Kisii Counties at Kshs.1.27 billion and Kshs.1.13 billion respectively. Analysis of personnel emoluments as a percentage of total expenditure by county shows that Nakuru, Kisii, and Garissa recorded the highest percentage at 95.6 per cent, 95.1 per cent and 94.9 per cent respectively.

2.10 Operations and Maintenance Expenditure

A total of Kshs.6.52 billion was incurred on operations and maintenance during the reporting period, which translated to 18.4 per cent of the total expenditure. Counties that reported the highest

expenditure on operations and maintenance in absolute terms were Nairobi City at Kshs.1.15 billion, Narok at Kshs.632.72 million and Kilifi at Kshs.314.99 million. Analysis of expenditure on operations and maintenance as a proportion of the total expenditure by county indicated that Narok attained the highest proportion at 47.4 per cent, followed by Kilifi and Kwale Counties at 43.7per cent and 39.5 per cent respectively.

2.11 Review of MCAs Committee Sitting Allowances

During the reporting period, the County Assemblies incurred Kshs.152.39 million on MCAs committee sitting allowances against an approved budget allocation of Kshs.3.03 billion. This expenditure translates to 5.0 per cent of the approved MCAs committee sitting allowance budget, and a decline from 19.1 per cent attained in FY 2015/16 when Kshs.638.32 million was incurred.

Table 2.5 shows the County budgetary allocation and expenditure on MCAs committee sitting allowances in the first three months of FY 2017/18.

Table 2.5: Budget Allocation, Expenditure and Absorption Rate of MCAs Committee Sitting Allowance in the First Quarter of FY 2017/18

| County | MCAs Committee Sitting Allowances | | | | |
|-----------------|-----------------------------------|--------------------|--------------|-------------|--|
| | Budgetary Allocation (Kshs) | Expenditure (Kshs) | Absorption % | No. of MCAs | Average monthly sitting allowance Per MCA (Kshs) |
| | A | B | C=B/A*100 | D | E=B/D/3 |
| Baringo | 51, 712, 325 | 5, 759, 050 | 11.1 | 46 | 41, 732 |
| Bomet | 30, 180, 000 | 1, 543, 490 | 5.1 | 36 | 14, 292 |
| Bungoma | 116, 396,800 | 20,585,941 | 17.7 | 61 | 112,491 |
| Busia | 118, 798, 028 | 386, 400 | 0.3 | 54 | 2, 385 |
| Elgeyo/Marakwet | 34, 777, 600 | 3, 316, 755 | 9.5 | 34 | 32, 517 |
| Embu | 28, 811, 995 | 2, 024, 300 | 7.0 | 34 | 19, 846 |
| Garissa | 86, 860, 800 | - | - | 49 | - |
| Homa Bay | 111, 036, 800 | 1, 371, 604 | 1.2 | 62 | 7, 374 |
| Isiolo | 39, 040, 000 | 942, 180 | 2.4 | 17 | 18, 474 |
| Kajiado | 64, 985, 909 | - | - | 42 | - |
| Kakamega | 233, 465, 733 | 18, 750, 996 | 8.0 | 88 | 71, 027 |
| Kericho | 128, 470, 876 | 2, 045, 399 | 1.6 | 47 | 14, 506 |
| Kiambu | 105, 000, 000 | 21, 462, 511 | 20.4 | 94 | 76, 108 |
| Kilifi | 86, 492, 284 | 3, 514, 000 | 4.1 | 56 | 20, 917 |
| Kirinyaga | 62, 000, 000 | - | - | 33 | - |
| Kisii | 108, 227, 840 | - | - | 70 | - |
| Kisumu | 63, 501, 400 | 6, 409, 200 | 10.1 | 49 | 43, 600 |
| Kitui | 69, 638, 400 | - | 0.0 | 54 | - |
| Kwale | 26, 234, 544 | 5, 133, 676 | 19.6 | 34 | 50, 330 |
| Laikipia | 34, 006, 178 | - | - | 24 | - |
| Lamu | 35, 376, 000 | 749, 000 | 2.1 | 19 | 13, 140 |
| Machakos | 82, 914, 903 | 530, 000 | 0.6 | 60 | 2, 944 |
| Makueni | 40, 000, 000 | - | - | 48 | - |
| Mandera | 50, 199, 306 | 3, 072, 900 | 6.1 | 49 | 20, 904 |

| County | MCAs Committee Sitting Allowances | | | | |
|----------------|-----------------------------------|--------------------|--------------|-------------|--|
| | Budgetary Allocation (Kshs) | Expenditure (Kshs) | Absorption % | No. of MCAs | Average monthly sitting allowance Per MCA (Kshs) |
| | A | B | C=B/A*100 | D | E=B/D/3 |
| Marsabit | - | - | - | 31 | - |
| Meru | 131, 991, 600 | - | - | 69 | - |
| Migori | - | - | - | 40 | - |
| Mombasa | 8, 500, 000 | - | - | 43 | - |
| Murang'a | 87, 609, 600 | 887, 005 | 1.0 | 50 | 5, 913 |
| Nairobi City | 65, 823, 550 | 17, 719, 800 | 26.9 | 128 | 46, 145 |
| Nakuru | 90, 000, 000 | 7, 248, 220 | 8.1 | 75 | 32, 214 |
| Nandi | 67, 686, 663 | 4, 901, 000 | 7.2 | 49 | 33, 340 |
| Narok | 61, 975, 680 | - | 0.0 | 48 | - |
| Nyamira | 69, 811, 200 | 2, 432, 577 | 3.5 | 36 | 22, 524 |
| Nyandarua | 44, 913, 250 | 998, 030 | 2.2 | 40 | 8, 317 |
| Nyeri | 74, 048, 000 | 2, 466, 100 | 3.3 | 45 | 18, 267 |
| Samburu | 42, 504, 000 | 5, 066, 447 | 11.9 | 28 | 60, 315 |
| Siaya | 65, 504, 000 | 474, 000 | 0.7 | 44 | 3, 591 |
| Taita/Taveta | 65, 436, 800 | 9, 950, 100 | 15.2 | 36 | 92, 131 |
| Tana River | 47, 122, 400 | - | - | 23 | - |
| Tharaka –Nithi | 36, 000, 000 | 220, 000 | 0.6 | 21 | 3, 492 |
| Trans Nzoia | 69, 297, 600 | - | - | 40 | - |
| Turkana | 38, 438, 400 | - | - | 48 | - |
| Uasin Gishu | 61, 560, 000 | 681, 200 | 1.1 | 46 | 4, 936 |
| Vihiga | 12, 396, 000 | 970, 000 | 7.8 | 39 | 8, 291 |
| Wajir | 35, 180, 600 | - | 0.0 | 46 | - |
| West Pokot | 46, 288, 628 | 782, 000 | 1.7 | 34 | 7, 667 |
| Total | 3,030,215,692 | 152,393,881 | 5.0 | 2219 | 22,892 |

Source: OCOB and County Treasuries

County Assemblies that reported higher expenditure on committee sitting allowance than the SRC's recommended monthly maximum of Kshs.80,000 were: Bungoma at Kshs.112,491 and Taita Taveta at Kshs.92,131.

2.12 Review of Expenditure on Domestic and Foreign Travels

The County Governments incurred Kshs.1.02 billion on domestic and foreign travel against an approved annual budget allocation of Kshs.9.69 billion. This expenditure represented 10.6 per cent of the total budget allocation towards domestic and foreign travel, and a decrease from 22.9 per cent attained in a similar period of FY 2016/17 when Kshs.2.78 billion was incurred.

The expenditure on domestic and foreign travels by both the County Assembly and the County Executive in the first quarter of 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 the First Quarter of FY 2017/18 (Kshs.million)

| County | County Assembly | | | County Executive | | | Total Expenditure | | |
|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | Budget | Expendi- ture | Perfor- mance | Budget | Expendi- ture | Perfor- mance | Budget | Expendi- ture | Perfor- mance |
| | A | B | C=B/A*100 | D | E | F=E/D*100 | G=A+D | H=B+E | I=H/G*100 |
| Baringo | 14.50 | - | - | 13.03 | 0.63 | 4.82 | 27.53 | 0.63 | 2.3 |
| Bomet | 60.26 | 22.17 | 36.8 | 57.00 | 10.08 | 17.5 | 117.26 | 32.25 | 27.5 |
| Bungoma | 23.50 | 0.77 | 3.3 | 211.75 | 0.87 | 0.4 | 235.25 | 1.64 | 0.7 |
| Busia | 43.00 | 9.47 | 22.0 | 220.97 | 17.23 | 7.8 | 263.97 | 26.71 | 10.1 |
| Elgeyo/Marakwet | 44.50 | 7.27 | 16.3 | 29.78 | 2.27 | 7.6 | 74.28 | 9.53 | 12.8 |
| Embu | 82.32 | 17.92 | 21.8 | 133.58 | 2.05 | 1.5 | 215.9 | 19.97 | 9.3 |
| Garissa | 88.69 | 3.2 | 3.6 | 111.59 | 5.33 | 4.8 | 200.28 | 8.53 | 4.3 |
| Homa Bay | 84.13 | 19.97 | 23.7 | 84.76 | 33.90 | 40.0 | 168.88 | 53.87 | 31.9 |
| Isiolo | 46.65 | 20.30 | 43.5 | 97.77 | 7.13 | 7.3 | 144.42 | 27.44 | 19.0 |
| Kajiado | 46.59 | 8.52 | 18.3 | 53.85 | 22.35 | 41.5 | 100.44 | 30.87 | 30.7 |
| Kakamega | 153.00 | 28.60 | 18.7 | 218.37 | 7.77 | 3.6 | 371.37 | 36.37 | 9.8 |
| Kericho | 31.70 | 5.03 | 15.9 | 145.81 | 4.20 | 2.9 | 177.51 | 9.23 | 5.2 |
| Kiambu | 47.38 | 26.76 | 56.5 | 64.77 | 29.36 | 45.3 | 112.15 | 56.13 | 50.0 |
| Kilifi | 70.58 | 17.55 | 24.9 | 206.67 | 19.15 | 9.3 | 277.25 | 36.69 | 13.2 |
| Kirinyaga | 83.00 | 12.97 | 15.6 | 71.39 | 9.62 | 13.5 | 154.39 | 22.59 | 14.6 |
| Kisii | 84.88 | 12.59 | 14.8 | 333.21 | 34.34 | 10.3 | 418.09 | 46.93 | 11.2 |
| Kisumu | 75.85 | 5.35 | 7.1 | 261.02 | 7.42 | 2.8 | 336.87 | 12.77 | 3.8 |
| Kitui | 124.90 | 9.91 | 7.9 | 345.05 | 10.08 | 2.9 | 469.95 | 19.99 | 4.3 |
| Kwale | 74.37 | 23.85 | 32.1 | 87.30 | 8.35 | 9.6 | 161.67 | 32.20 | 19.9 |
| Laikipia | 112.50 | 11.20 | 10.0 | 127.71 | 13.92 | 10.9 | 240.21 | 25.12 | 10.5 |
| Lamu | 71.70 | 2.48 | 3.5 | 72.35 | 10.23 | 14.1 | 144.05 | 12.71 | 8.8 |
| Machakos | 158.50 | 23.42 | 14.8 | 142.35 | 11.61 | 8.2 | 300.85 | 35.03 | 11.6 |
| Makueni | 52.70 | 8.65 | 16.4 | 147.37 | 0.07 | 0.0 | 200.07 | 8.72 | 4.4 |
| Mandera | 114.91 | - | - | 130.54 | 3.3 | 2.5 | 245.45 | 3.30 | 1.3 |
| Marsabit | - | - | - | - | - | - | - | - | - |
| Meru | 111.52 | 10.39 | 9.3 | 84.06 | - | - | 195.58 | 10.39 | 5.3 |
| Migori | 49.53 | - | - | - | - | - | 49.53 | - | - |
| Mombasa | 3.18 | - | - | 3.68 | - | - | 6.86 | - | - |
| Murang'a | 111.00 | 12.79 | 11.5 | 108.95 | 24.33 | 22.3 | 219.95 | 37.12 | 16.9 |
| Nairobi City | 147.96 | 40.83 | 27.6 | 269.17 | 10.56 | 3.9 | 417.13 | 51.39 | 12.3 |
| Nakuru | 30.00 | 1.48 | 4.9 | 73.11 | - | - | 103.11 | 1.48 | 1.4 |
| Nandi | 50.05 | 4.60 | 9.2 | 206.3 | 19.64 | 9.5 | 256.35 | 24.24 | 9.5 |
| Narok | 112.7 | 14.53 | 12.9 | 319.51 | 77.77 | 24.3 | 432.22 | 92.31 | 21.4 |
| Nyamira | 92.28 | 16.34 | 17.7 | 203.32 | 19.58 | 9.6 | 295.60 | 35.92 | 12.2 |
| Nyandarua | 47.99 | 9.66 | 20.1 | 145.2 | 10.43 | 7.2 | 193.18 | 20.09 | 10.4 |
| Nyeri | 65.00 | 6.21 | 9.5 | 101.33 | 2.11 | 2.1 | 166.33 | 8.32 | 5 |
| Samburu | 62.79 | 5.95 | 9.5 | - | - | - | 62.79 | 5.95 | 9.5 |
| Siaya | 76.14 | 19.04 | 25.0 | 193.6 | 19.63 | 10.1 | 269.74 | 38.66 | 14.3 |
| Taita/Taveta | 104.09 | 24.92 | 23.9 | 210.75 | 27.01 | 12.8 | 314.84 | 51.93 | 16.5 |
| Tana River | - | - | - | - | - | - | - | - | - |
| Tharaka –Nithi | 58.50 | 4.04 | 6.9 | 141.32 | 3.28 | 2.3 | 199.82 | 7.32 | 3.7 |

| County | County Assembly | | | County Executive | | | Total Expenditure | | |
|--------------|-----------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | Budget | Expendi- ture | Perfor- mance | Budget | Expendi- ture | Perfor- mance | Budget | Expendi- ture | Perfor- mance |
| | A | B | C=B/A*100 | D | E | F=E/D*100 | G=A+D | H=B+E | I=H/G*100 |
| Trans Nzoia | 94.62 | 12.03 | 12.7 | 24 | 2.36 | 9.8 | 118.62 | 14.40 | 12.1 |
| Turkana | 38.52 | 2.33 | 6 | 120.31 | 9.38 | 7.8 | 158.83 | 11.71 | 7.4 |
| Uasin Gishu | 63.9 | 10.16 | 15.9 | 66.76 | 2 | 3 | 130.66 | 12.16 | 9.3 |
| Vihiga | 85 | 11.54 | 13.6 | 160.71 | 6.38 | 4 | 245.71 | 17.92 | 7.3 |
| Wajir | 48.32 | - | - | 171.63 | - | - | 219.95 | - | - |
| West Pokot | 104.49 | 3.42 | 3.3 | 366.84 | 8.99 | 2.4 | 471.33 | 12.41 | 2.6 |
| Total | 3,347.66 | 508.2 | 15.1 | 6,338.59 | 514.71 | 8.1 | 9,686.25 | 1,022.9 | 10.6 |

Source: OCOB and County Treasuries

In absolute terms, Narok County incurred the highest expenditure of domestic and foreign travel at Kshs.92.31 million, followed by Kiambu and Homabay at Kshs.56.13 million and Kshs.53.87 million respectively. Analysis of expenditure on domestic and foreign travel as a proportion of budgetary allocation indicated that Kiambu, Homa Bay and Kajiado Counties had the highest proportion at 50 per cent, 31.9 per cent and 30.7 per cent respectively.

3 INDIVIDUAL COUNTY BUDGET PERFORMANCE

This chapter provides individual County budget performance for the first quarter of FY 2017/17. The 47 counties are presented in alphabetical order.

3.1 Baringo County

3.1.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.6.64 billion, comprising of Kshs.3.98 billion (60 per cent) and Kshs.2.66 billion (40 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.83 billion (72.7 per cent) as equitable share of revenue raised nationally, Kshs.409.25 million (6.2 per cent) as total conditional grants, and generate Kshs.450 million (6.8 per cent) from local revenue sources, and Kshs.950.14 million (14.3 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.633.2 million comprise of Kshs.189.20 million (29.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.19 million (2.1 per cent) as Compensation for User Fee Foregone, Kshs.12.82 million (2 per cent) from DANIDA, Kshs.94.21 million (14.9 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.40.84 million (6.4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.35.24 million (5.6 per cent) for Development of Youth Polytechnics, Kshs.54.24 million (8.6 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.66 million (10.4 per cent) as European Union (EU) Grant, and Kshs.31.71 million (5 per cent) from Other Loans and Grants.

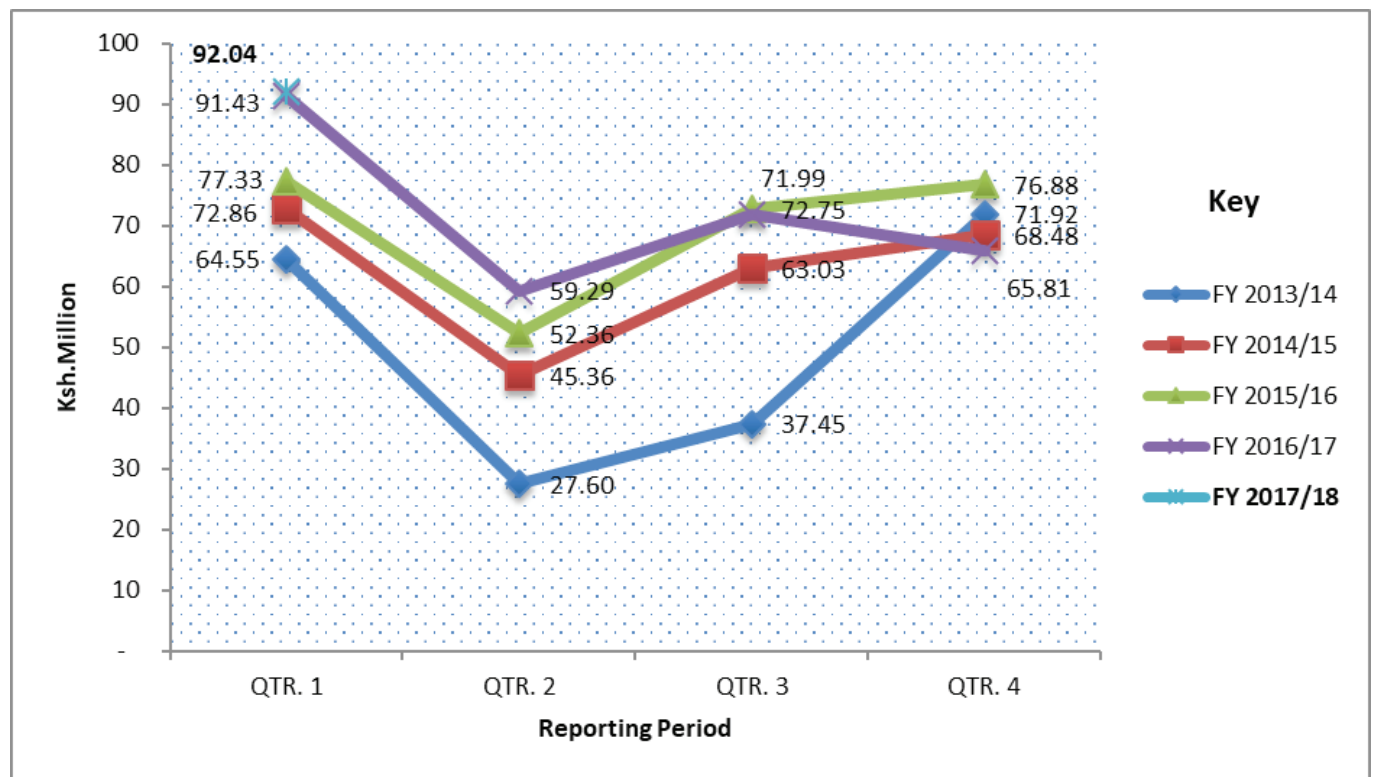
The County budgeted to receive Kshs.27.05 million for Capacity and Performance Programme, which is not contained in the CARA, 2017.

3.1.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.88.24 million as total conditional allocations, raised Kshs.92.04 million from local revenue sources, and had a cash balance of Kshs.950.14 million from FY 2016/17. The available funds amounted to Kshs.1.13 billion.

The County did not receive any equitable share of the revenue raised nationally. Figure 3.1 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2017/18.

Figure 3.1: Baringo County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Baringo County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.92.04 million, representing an increase of 0.6 per cent compared to Kshs.91.43 million generated in a similar period of FY 2016/17 and represented 20.5 per cent of the annual local revenue target.

3.1.3 Conditional Grants

Table 3.1 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.1: Baringo County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|------|--|--|------------------------------------|--|---|
| A | Grants Contained in the CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 189, 199, 286 | 130, 725, 000 | 88, 238, 059 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | 95, 744, 681 | - | - |
| 3 | World Bank loan to supplement financing of County Health facilities | 94, 210, 000 | 122, 617, 447 | - | - |
| 4 | Kenya Devolution Support Programme (KDSP) | 40, 839, 509 | - | - | - |
| 5 | Compensation for User Fee Foregone | 13, 191, 000 | 13, 191, 000 | - | - |
| 6 | DANIDA Grant | 12, 820, 885 | - | - | - |
| 7 | Development of Youth Polytechnics | 35, 239, 276 | 19, 920, 000 | - | - |
| 8 | Other Loans & Grants | 31, 707, 536 | - | - | - |
| 9 | World Bank Loan for Transforming Health System for Universal Care System | 54, 243, 300 | - | - | - |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|--------------------|---|--|------------------------------------|--|---|
| 10 | EU Grant | 66, 000, 000 | - | - | - |
| Sub Total | | 633, 195, 473 | 382, 198, 128 | 88, 238, 059 | 13.9 |
| B | Other Grants Not Contained in the CARA, 2017 | | | | |
| 11 | Capacity and Performance Grant | - | 27, 052, 470 | - | - |
| Sub Total | | - | 27, 052, 470 | - | - |
| Grand Total | | 633, 195, 473 | 409, 250, 598 | 88, 238, 059 | 13.9 |

Source: Baringo County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund received Kshs.88.24 million during the period representing 46.6 per cent of annual allocation. The County did not receive funds from any other grant category.

3.1.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.851.87 million from the CRF account, which was 12.8 per cent of the Approved Budget. This amount represented an increase of 12.5 per cent from Kshs.782.31 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

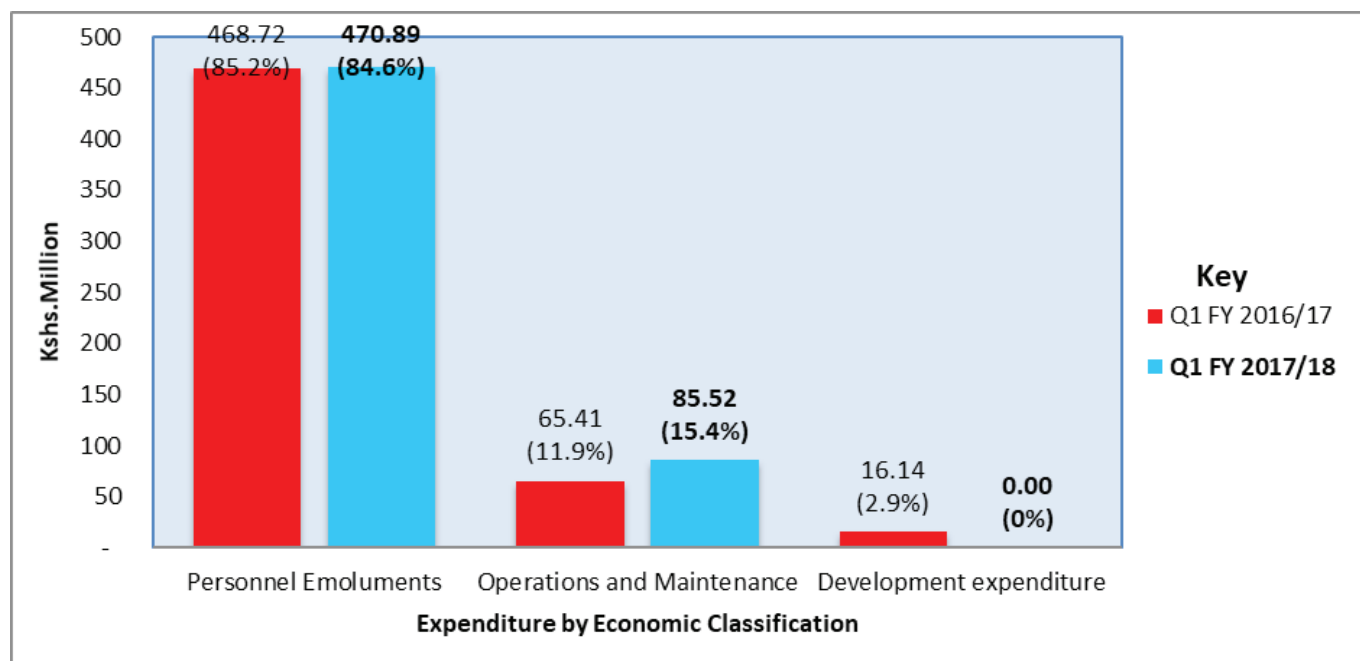
3.1.5 Overall Expenditure Review

The County incurred Kshs.556.41 million, which was 65.3 per cent of the total funds released for operations. This was an increase of 1.1 per cent from Kshs.550.27 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.556.41 million was incurred on recurrent activities and represented 65.3 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.109.32 million for development and Kshs.10.45 million for recurrent expenditure.

The recurrent expenditure represented 14 per cent of the annual recurrent budget, an increase from 13.6 per cent incurred in a similar period of FY 2016/17. Figure 3.2 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.2: Baringo County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



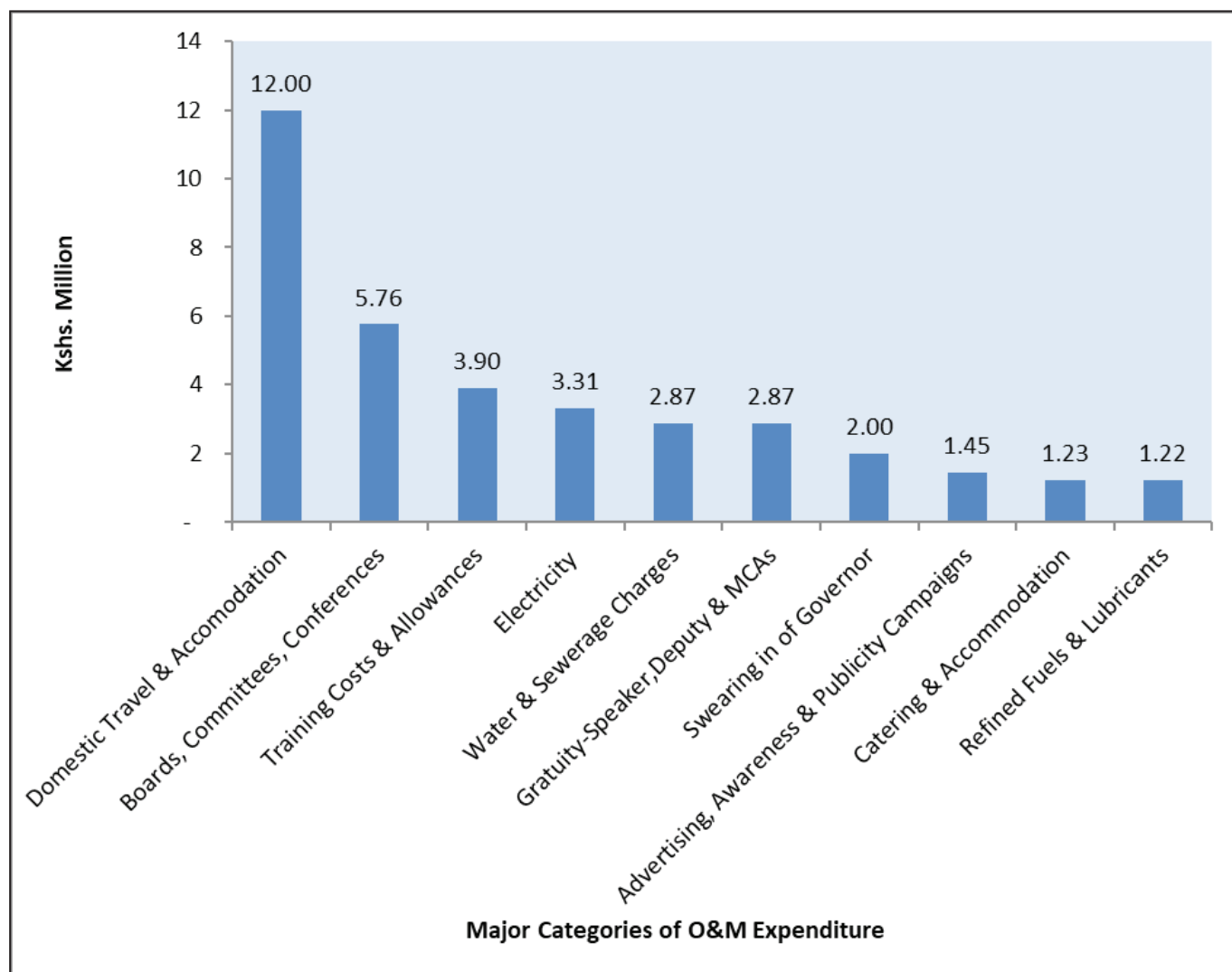
Source: Baringo County Treasury

3.1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.556.41 million consisted of Kshs.470.89 million (84.6 per cent) incurred on personnel emoluments and Kshs.85.52 million (15.4 per cent) on operations and maintenance as shown in Figure 3.2.

Expenditure on personnel emoluments represented an increase of 0.5 per cent compared to Kshs.468.22 million incurred in the first quarter of FY 2016/17, and was 84.6 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.3 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.3: Baringo County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Baringo County Treasury

The County incurred Kshs.5.76 million on sitting allowances to the 46 MCAs against the annual budget allocation of Kshs.51.7 million. This was a decrease of 61.5 per cent compared to Kshs.14.98 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.41, 732 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.0.63 million and was incurred by the County Executive. It represented 2.3 per cent of total recurrent expenditure and was a decrease of 4.2 per cent compared to Kshs.23.11 million incurred in the first quarter of FY 2016/17.

3.1.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.1.8 Budget and Budget Performance Analysis by Department

Table 3.2 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.2: Baringo County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure to Exchequer Issues (%) First Quarter FY 2017/18 | | Absorption rate (%) First Quarter FY 2017/18 | |
|---|-------------------------------------|--------------|--|----------|--|----------|---|----------|--|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 574.05 | 60.75 | 88.44 | - | 75.27 | - | 85.1 | - | 13.1 | - |
| Governor/County Executive services | 366.89 | 128.84 | 123.32 | - | 34.56 | - | 28 | - | 9.4 | - |
| County Treasury Services | 266.75 | 60.23 | 65.37 | - | 32.54 | - | 49.8 | - | 12.2 | - |
| Transport and Infrastructure | 63.37 | 565.97 | 13.2 | - | 4.23 | - | 32.1 | - | 6.7 | - |
| Industrialization, Commerce and Tourism | 73.89 | 91.65 | 18.46 | - | 5.24 | - | 28.4 | - | 7.1 | - |
| Education, Sports, Culture & Art | 293.21 | 304.54 | 62.13 | - | 47.15 | - | 75.9 | - | 16.1 | - |
| Health | 1,852.34 | 351.52 | 368.02 | - | 248.82 | - | 67.6 | - | 13.4 | - |
| Housing & Urban Development | 78.28 | 159.71 | 20.89 | - | 3.13 | - | 15 | - | 4 | - |
| Agriculture, Livestock, Fisheries & Marketing | 232.24 | 190.38 | 52.1 | - | 88.99 | - | 170.8 | - | 38.3 | - |
| Youth, Gender & Social Security Services | 36.17 | 117.1 | 6.26 | - | 3.36 | - | 53.7 | - | 9.3 | - |
| Water & Irrigation | 113.22 | 570.05 | 26.33 | - | 10.43 | - | 39.6 | - | 9.2 | - |
| Environment & Natural Resources | 32.56 | 58.54 | 7.35 | - | 2.7 | - | 36.7 | - | 8.3 | - |
| TOTAL | 3,983 | 2,659 | 851.87 | - | 556.41 | - | 65.3 | - | 14 | - |

Source: Baringo County Treasury

Analysis of budget performance by department shows that the Department of Agriculture, Livestock, Fisheries and Marketing had the highest percentage of recurrent expenditure to recurrent budget at 38.3 per cent while the Department of Lands Housing and Urban development had the lowest at 4 per cent.

3.1.9 Observations and Recommendations

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

- Improvement in the application of IFMIS and the Internet Banking (IB) platform to process financial transactions.
- Timely preparation and approval of the County budget documents such as the Annual Development Plan (ADP), County Fiscal Strategy Paper (CFSP), Budget Estimates, and the Appropriation Bills.

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

- Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.
- Slow implementation of development activities during the first quarter of FY 2017/18 due to challenges with transfer of funds from the National Treasury.
- Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are transferred in line with the CARA, 2017 Disbursement Schedule.*
3. *The County should prepare a supplementary budget to align conditional grants to the CARA, 2017.*

3.2 Bomet County

3.2.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.5.89 billion, comprising of Kshs.4.08 billion (69.3 per cent) and Kshs.1.81 billion (30.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs5.42 billion (92 per cent) as equitable share of revenue raised nationally, Kshs.247.5 million (4 per cent) as total conditional grants and generate Kshs.228 million (4 per cent) from local revenue sources.

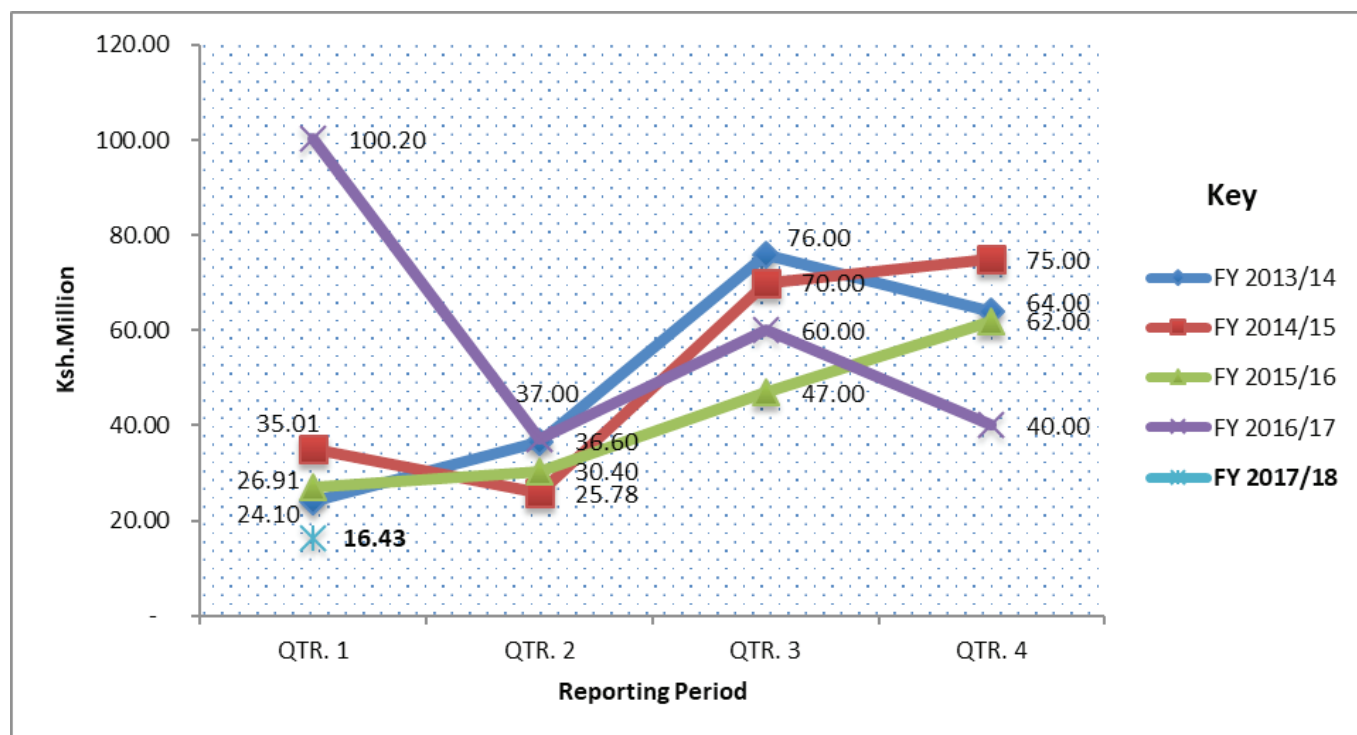
The conditional grants contained in the CARA, 2017 of Kshs.507.53 million comprise of Kshs.96 million (19 per cent) for Leasing of Medical Equipment, Kshs.42 million (8 per cent) from Kenya Devolution Support Programme (KDSP), Kshs.201 million (40 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.17 million (3.3 per cent) as Compensation for User Fee Foregone, Kshs.14 million (2.7 per cent) from DANIDA, Kshs.45 million (8.9 per cent) for Development of Youth Polytechnics and Kshs.59 million (11.6 per cent) as World Bank Loan for Transforming Health System for Universal Care System.

3.2.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.641million as equitable share of the revenue raised nationally, Kshs.93.53 million as total conditional allocations, raised Kshs.16.43 million from local revenue sources, and had a cash balance of Kshs.7 million from FY 2016/17. The available funds amounted to Kshs.759 million.

Figure 3.4 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.4: Bomet County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Bomet County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.16.43 million, representing a decrease of 83 per cent compared to Kshs.100.2 million generated in a similar period of FY 2016/17, and represented 7.5 per cent of the annual local revenue target.

3.2.3 Conditional Grants

Table 3.3 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.3: Bomet County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|--|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 200, 550, 000 | 142, 540, 000 | 93, 530, 000 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 740, 000 | - | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 41, 920, 000 | - | - | - |
| 4 | Compensation for User Fee Foregone | 16, 710, 000 | 16, 880, 000 | - | - |
| 5 | DANIDA Grant | 13, 590, 000 | 29, 600, 000 | - | - |
| 6 | Development of Youth Polytechnics | 45, 150, 000 | - | - | - |
| 7 | Other Loans & Grants | 34, 470, 000 | 58, 450, 000 | - | - |
| 8 | World Bank Loan for Transforming Health System for Universal Care System | 59, 400, 000 | - | - | - |
| Total | | 507, 530, 000 | 247, 470, 000 | 93, 530, 000 | 18 |

Source: Bomet County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded receipts at 46.6 per cent of annual allocation. No funds were received from all the other categories.

3.2.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.771.38 million from the CRF account, which was 12.8 per cent of the Approved Budget. This amount represented an increase of 42.6 per cent from Kshs.558 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

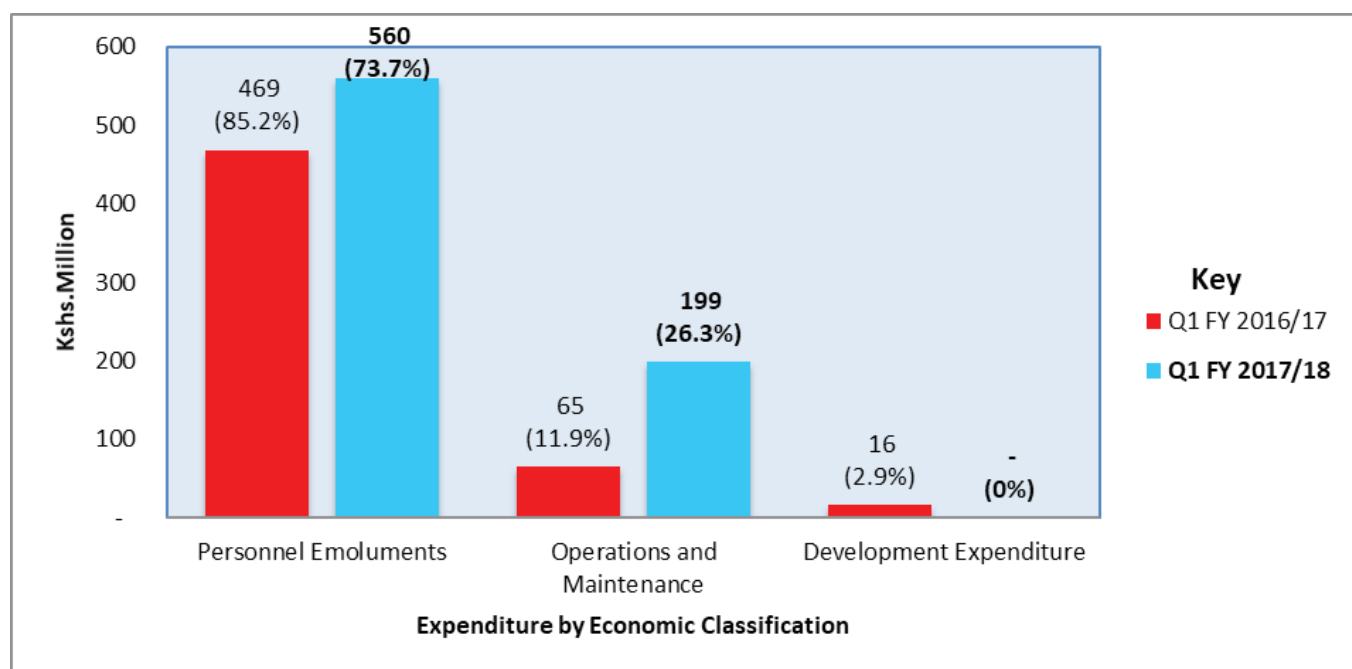
3.2.5 Overall Expenditure Review

The County incurred Kshs.758.78 million, which was 100.9 per cent of the total funds released for operations. This was a decrease of 28.4 per cent from Kshs.1.06 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.758.78 million was incurred on recurrent activities and represented 100.9 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.99.35 million for development expenditure.

The recurrent expenditure represented 18.6 per cent of the annual recurrent budget, a marginal increase from 18.5 per cent incurred in a similar period of FY 2016/17. Figure 3.5 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.5: Bomet County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



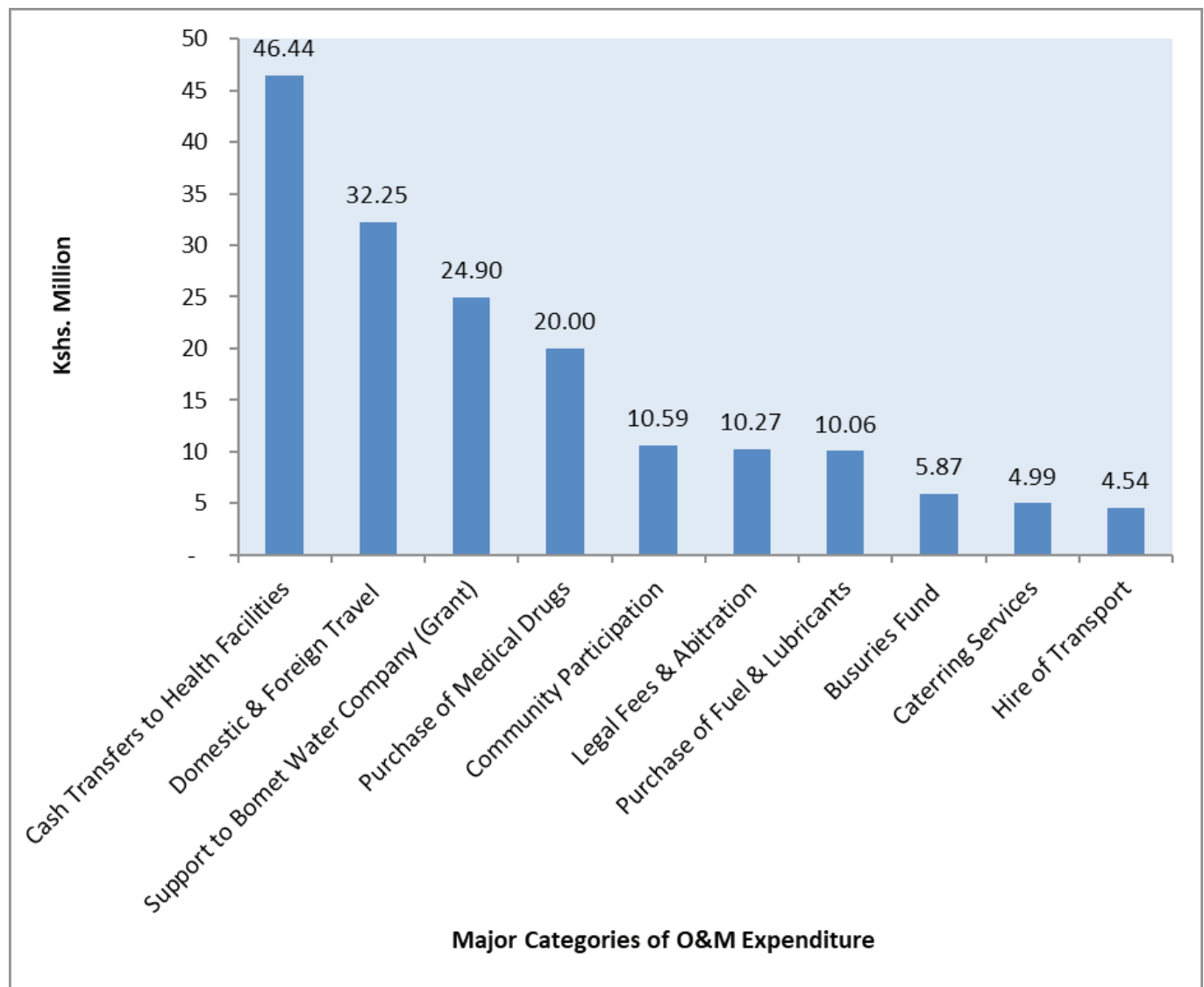
Source: Bomet County Treasury

3.2.6 Analysis of Recurrent Expenditure

The total recurrent expenditure was Kshs.758.78 million and consisted of Kshs.560 million (73.8 per cent) incurred on personnel emoluments and Kshs.199 million (26.2 per cent) on operations and maintenance as shown in Figure 3.5.

Expenditure on personnel emoluments represented an increase of 11.5 per cent compared to Kshs.469 million incurred in the first quarter of FY 2016/17, and was 73.8 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.6 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.6: Bomet County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Bomet County Treasury

The County incurred Kshs.1.54 million on sitting allowances to the 36 MCAs against the annual budget allocation of Kshs.30.18 million. This was a decrease of 83.6 per cent compared to Kshs.9.4 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.14, 292 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.32.25 million and consisted of Kshs.22.17 million incurred by the County Assembly and Kshs.10.08 million by the County Executive. It represented 4.24 per cent of total recurrent expenditure and was a decrease of 44.8 per cent compared to Kshs.58.42 million incurred in the first quarter of FY 2016/17.

3.2.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.2.8 Budget and Budget Performance Analysis by Department

Table 3.2 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.4: Bomet County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs.Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|-------------------------------------|------------------|---|----------|--|----------|---|----------|--|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Executives | 468.41 | - | 96.23 | - | 66.31 | - | 85.9 | - | 14.2 | - |
| Public Service Board | 50.3 | - | 6.97 | - | 4.99 | - | 71.6 | - | 9.9 | - |
| Administration | 470.3 | 68.57 | 121.07 | - | 135.23 | - | 111.7 | - | 28.8 | - |
| Finance | 280.80 | 16.70 | 51.55 | - | 46.45 | - | 90.1 | - | 16.5 | - |
| Lands, Public Health and Environment | 218.30 | 113.89 | 43.83 | - | 44.84 | - | 102.3 | - | 20.5 | - |
| Social Services | 155.90 | 74.00 | 8.88 | - | 13.81 | - | 155.5 | - | 8.9 | - |
| Medical Services | 926.60 | 64.42 | 208.74 | - | 222.82 | - | 106.7 | - | 24 | - |
| Economic Planning and De- velopment | 67.00 | - | 7.28 | - | 3.96 | - | 54.4 | - | 5.9 | - |
| Agri-Business, Cooperatives& Marketing | 210.40 | 198.70 | 33.26 | - | 31.49 | - | 94.7 | - | 15 | - |
| Water Services | 78.60 | 340.91 | 20.50 | - | 37.40 | - | 182.4 | - | 47.6 | - |
| Education and Vocational Trainings | 263.30 | 215.29 | 49.64 | - | 46.64 | - | 94 | - | 17.7 | - |
| Roads, Transport and Public Works | 134.15 | 446.16 | 23.61 | - | 12.83 | - | 54.3 | - | 9.6 | - |
| ICT, Training and Industry | 109.46 | 74.00 | 14.17 | - | 6.98 | - | 49.3 | - | 6.4 | - |
| County Assembly | 649.76 | 200.00 | 85.65 | - | 85.03 | - | 99.3 | - | 13.1 | - |
| TOTAL | 4, 083.28 | 1, 812.64 | 771.38 | - | 758.78 | - | 100.9 | - | 18.6 | - |

Source: Bomet County Treasury

Analysis of budget performance by department shows that the Water Services Department attained the highest recurrent expenditure to recurrent budget at 47.6 per cent while the Economic Planning and Development Department had the lowest at 5.9 per cent

1.1.1 Observations and Recommendations

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

- i. Timely submission of financial reports by the County Treasury to the Controller of Budget in line with Section 166 of the PFM Act, 2012.
- ii. Establishment of a County Budget and Economic Forum as per Section 137 of the PFM Act, 2012.

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

1. The County's wage bill has remained high, having increased by 11.5 per cent from Kshs.469 million during the first quarter of FY 2016/17 to Kshs.560 million in the period under review.
2. Failure to budget for all conditional grants as per CARA, 2017.
3. Under-performance in local revenue collection which declined by 83 per cent from Kshs.100.2 million in the first quarter of FY 2016/17 to Kshs.16.43 million during the reporting period.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
2. *The County should prepare a supplementary budget to align conditional grants to the CARA, 2017.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3.3 Bungoma County

3.3.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.10.03 billion, comprising of Kshs.6.53 billion (65.1 per cent) and Kshs.3.5 billion (34.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.76 billion (87.3 per cent) as equitable share of revenue raised nationally, Kshs.457.48 million (4.6 per cent) as total conditional grants, and generate Kshs.731.9 million (7.3 per cent) from local revenue sources.

The conditional grants contained in the CARA, 2017 of Kshs.734.96 million comprise of Kshs.327.03 million (39.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.32.84 million (3.9 per cent) as Compensation for User Fee Foregone, Kshs.22.16 million (2.6 per cent) from DANIDA, Kshs.54.47 million (6.5 per cent) for the World Bank Kenya Devolution Support Program, Kshs.76.28 million (9.1

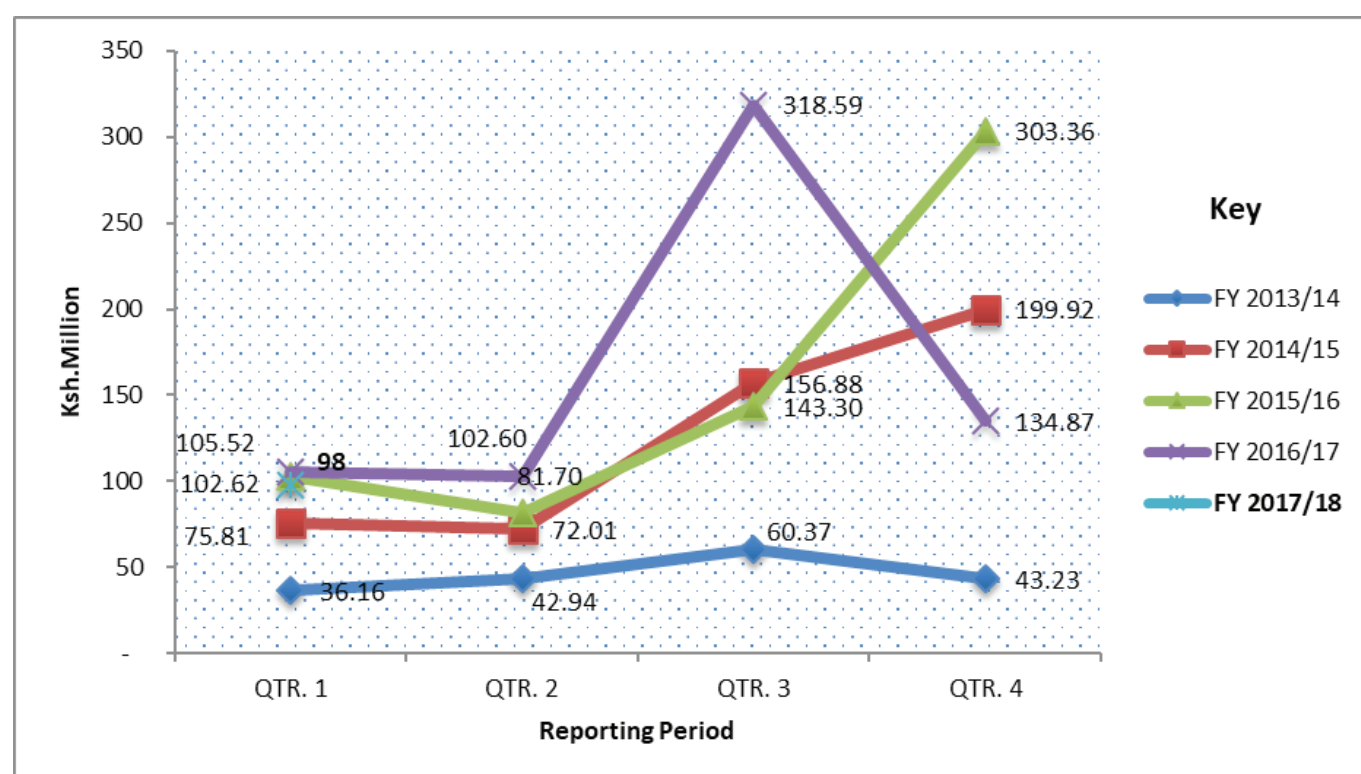
per cent) for Development of Youth Polytechnics, Kshs.110 million (13.2 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (6 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project and Kshs.62 million (7.5 per cent) as Other Loans and Grants and Kshs.95.74 million (11.5 per cent) for Leasing of Medical Equipment.

3.3.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.848.16 million as equitable share of the revenue raised nationally, and raised Kshs.98.04 million from local revenue sources. The available funds amounted to Kshs.946.2 million.

Figure 3.7 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.7: Bungoma County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Bungoma County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.98.04 million, representing a decrease of 7 per cent compared to Kshs.105.52 million generated in a similar period of FY 2016/17, and represented 13.4 per cent of the annual local revenue target.

3.3.3 Conditional Grants

Table 3.5 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.5: Bungoma County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|--------------|--|--|------------------------------------|--|---|
| A | Grants Contained in the CARA, 2017 | | | | |
| 1 | Other Loans & Grants | 62, 188, 798 | 318, 602, 394 | - | - |
| 2 | Kenya Devolution Support Programme (KDSP) | 54, 474, 504 | - | - | - |
| 3 | Compensation for User Fee Foregone | 32, 837, 307 | - | - | - |
| 4 | Road Maintenance Fuel Levy Fund | 327, 025, 699 | 127, 250, 840 | - | - |
| 5 | Development of Youth Polytechnics | 76, 276, 265 | - | - | - |
| 6 | DANIDA Grant | 22, 161, 451 | 11, 626, 542 | - | - |
| 7 | World Bank Loan for Transforming Health System for Universal Care System | 110, 000, 000 | - | - | - |
| 8 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | - | - | - |
| 9 | Leasing of Medical Equipment | 95, 744, 681 | - | - | - |
| Total | | 734, 964, 024 | 457, 479, 776 | - | - |

Source: Bungoma County Treasur

Analysis of the conditional grants indicates that, there were no releases during the reporting period.

3.3.4 Exchequer Issues

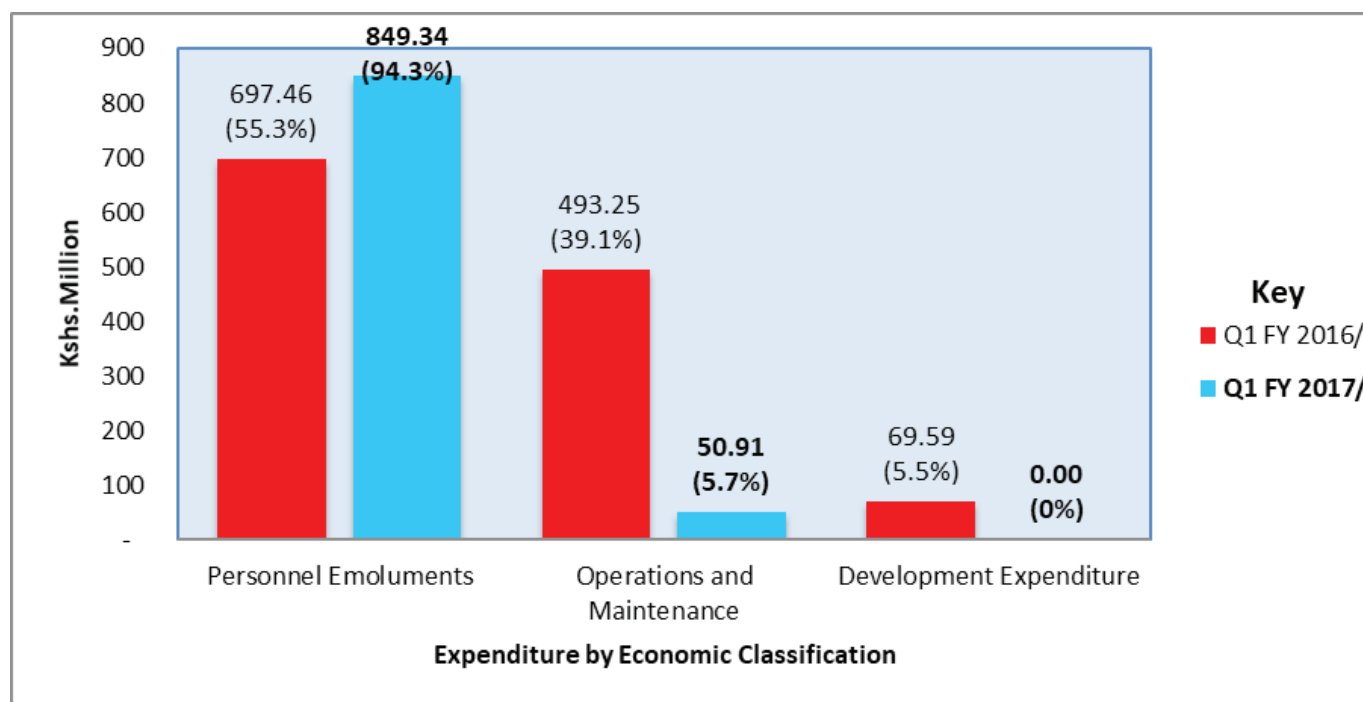
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.848.16 million from the CRF account, which was 8.5 per cent of the Approved Budget. This amount represented an increase of 52.9 per cent from Kshs.1.80 billion authorized in a similar period of FY 2016/17, and was incurred on recurrent expenditure.

3.3.5 Overall Expenditure Review

The County incurred Kshs.900.24 million, which was 106.1 per cent of the total funds released for operations. This was a decrease of 28.6 per cent from Kshs.1.26 billion incurred in the first quarter of FY 2016/17.

The expenditure of Kshs.900.24 million was incurred on recurrent activities and represented 13.8 per cent of the annual recurrent budget, a decrease from 20.1 per cent incurred in a similar period of FY 2016/17. Figure 3.8 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.8: Bungoma County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



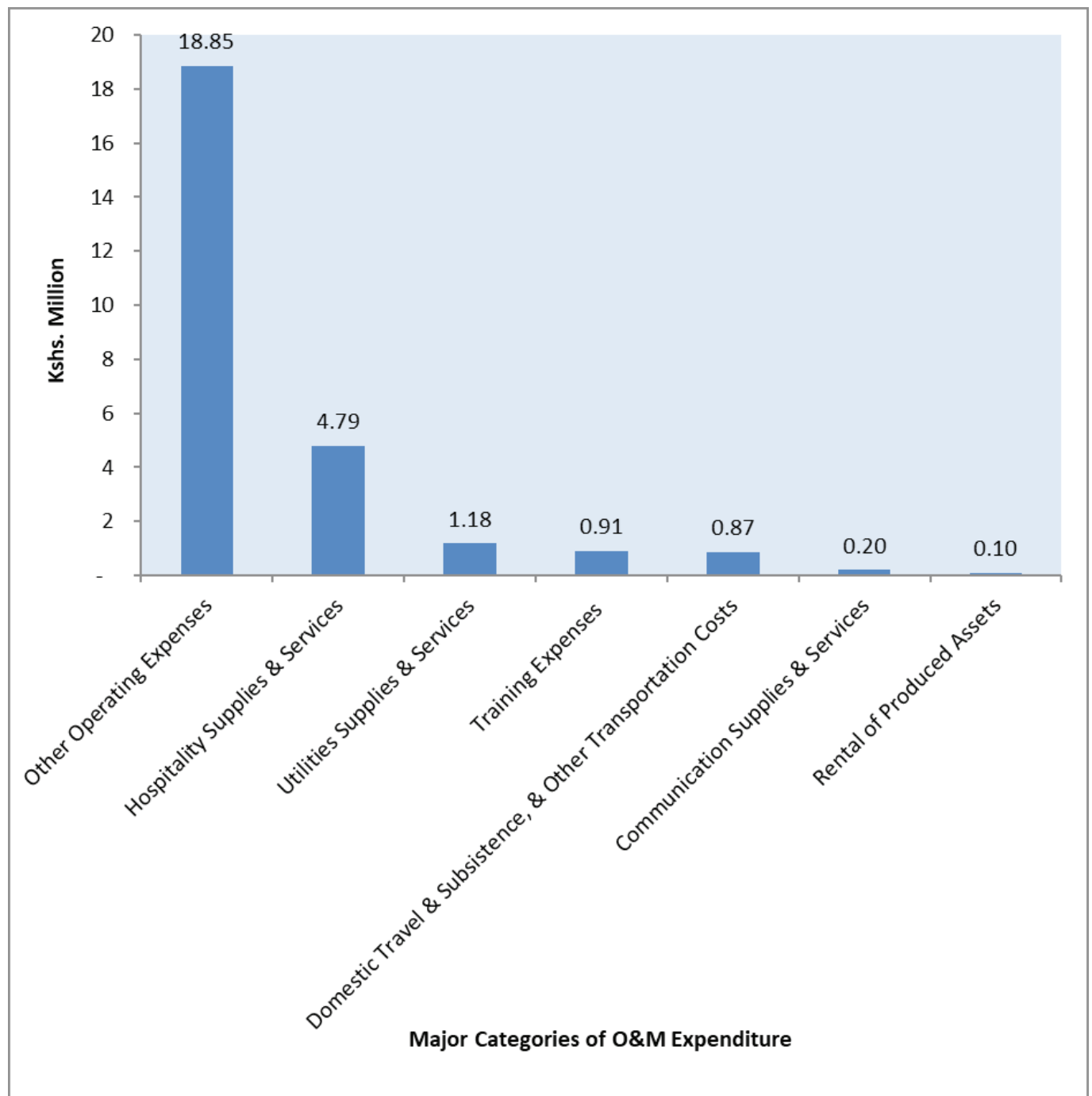
Source: Bungoma County Treasurer

1.1.2 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.900.24 million consisted of Kshs.849.34 million (94.3 per cent) incurred on personnel emoluments and Kshs.50.91 million (5.7 per cent) on operations and maintenance as shown in Figure 3.8.

Expenditure on personnel emoluments represented an increase of 21.8 per cent compared to Kshs.697.46 million incurred in the first quarter of FY 2016/17, and was 94.3 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.9 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.9: Bungoma County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Bungoma County Treasurer

The County incurred Kshs.20.59 million on sitting allowances to the 61 MCAs against the annual budget allocation of Kshs.116.4 million. This was an increase of 13 per cent compared to Kshs.18.21 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.112,491 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.1.64 million and consisted of Kshs.0.77 million incurred by the County Assembly and Kshs.0.87 million by the County Executive. It represented 0.2 per cent of total recurrent expenditure and was a decrease of 98.4 per cent compared to Kshs.103.8 million incurred in the first quarter of FY 2016/17.

3.3.6 Development Expenditure Analysis

The County did not report any expenditure on development activities.

3.3.7 Budget and Budget Performance Analysis by Department

Table 3.6 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.6: Bungoma County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in the first quarter of FY 2017/18 (Kshs. Million) | | Expenditure in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure to Exchequer Issues (%) First Quarter FY 2017/18 | | Absorption rate (%) First Quarter FY 2017/18 | |
|--|----------------------------------|------------------|---|----------|---|----------|--|----------|--|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, Livestock, Fisheries and Co-operative Development | 434.41 | 375.42 | 63.79 | - | 63.77 | - | 100 | - | 14.7 | - |
| Tourism, Forestry, Environment, Water | 99.30 | 346.33 | 10.84 | - | 10.94 | - | 100.9 | - | 11 | - |
| Roads and Public Works | 119.76 | 765.13 | 18.54 | - | 18.53 | - | 100 | - | 15.5 | - |
| Education, Sports and Youth Affairs | 618.66 | 38.02 | 96.18 | - | 96.18 | - | 100 | - | 15.5 | - |
| Health | 2, 113.82 | 129.02 | 355.07 | - | 345.72 | - | 97.4 | - | 16.4 | - |
| Trade, Energy and Industrialization | 57.2 | 143.15 | 4.14 | - | 4.15 | - | 100.1 | - | 7.3 | - |
| Land, Urban and Physical Planning | 91.63 | 201.04 | 7.55 | - | 7.53 | - | 99.7 | - | 8.2 | - |
| Gender and Culture | 83.03 | 80.37 | 9.87 | - | 9.9 | - | 100.3 | - | 11.9 | - |
| Finance and Planning | 1, 000.3 | 1, 005.39 | 108.50 | - | 123.04 | - | 113.4 | - | 12.3 | - |
| County Public Service Board | 71.82 | - | 2.34 | - | 2.34 | - | 100 | - | 3.3 | - |
| Governors & Governor's Office | 429.36 | 7.1 | 62.54 | - | 64.44 | - | 103 | - | 15 | - |
| Public Administration & County Secretary | 504.94 | 87.01 | 47.77 | - | 47.75 | - | 100 | - | 9.5 | - |
| Housing and Sanitation | 33.25 | 66.22 | 2.75 | - | 2.75 | - | 100 | - | 8.3 | - |
| County Assembly | 873.39 | 253.09 | 58.28 | - | 103.21 | - | 177.1 | - | 11.8 | - |
| TOTAL | 6, 530.86 | 3, 497.29 | 848.16 | - | 900.24 | - | 106.1 | - | 13.8 | - |

Source: Bungoma County Treasurer

Analysis of budget performance by department shows that the Department of Health had the highest percentage of recurrent expenditure to recurrent budget at 16.4 per cent while the County Public Service Board had the lowest at 3.3 per cent.

1.1.3 Observations and Recommendations

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

- The County has fully adopted IFMIS in processing of financial transactions.
- Formation of Internal Audit Committee in line with section 155 of the PFM Act, 2012.

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

1. Failure by the Trade Loan Fund Administrator to submit quarterly expenditure reports on the Trade Loan Funds contrary to Section 168 of the PFM Act, 2012.
2. Under-performance in local revenue collection. The local revenue collection declined by 7 per cent from Kshs.105.52 million in a similar period of FY2016/17 to Kshs.98.04 million in the reporting period.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The Fund Administrators should ensure timely submission of expenditure reports on the Established Funds in line with Section 168 of the PFM Act, 2012.*
2. *The County Treasury should formulate strategies to enhance local revenue collection.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.4 Busia County

3.4.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.6.98 billion, comprising of Kshs.4.99 billion (71.5 per cent) and Kshs.1.99 billion (28.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.83 billion (83.6per cent) as equitable share of revenue raised nationally, Kshs.426 million (6.1 per cent) as total conditional grants, and generate Kshs.612.15 million (8.8 per cent) from local revenue sources, and Kshs.108 million (1.5 per cent) as Appropriation in Aid from the County Assembly Revolving Fund. The opening cash balance of Kshs.679.84 million from FY 2016/17 was not appropriated in the approved budget.

The conditional grants contained in the CARA, 2017 of Kshs.467.66 million comprise of Kshs.231.79 million (49.6 per cent) for Road Maintenance Fuel Levy Fund, Kshs.63.71 million (13.6 per cent) for Development of Youth Polytechnics, Kshs.59.55 million (12.7 per cent) as World Bank Loan for Transforming of Health Systems for Universal Care, Kshs.44.26 million (9.5 per cent) for the World Bank Kenya Devolution Support Program, Kshs.35.71 million (7.6 per cent) as Other Loans and Grants, Kshs.16.93 million (3.6 per cent) as Compensation for User Fee Foregone, and Kshs.15.71 million (3.4 per cent) from DANIDA for Universal Health Care.

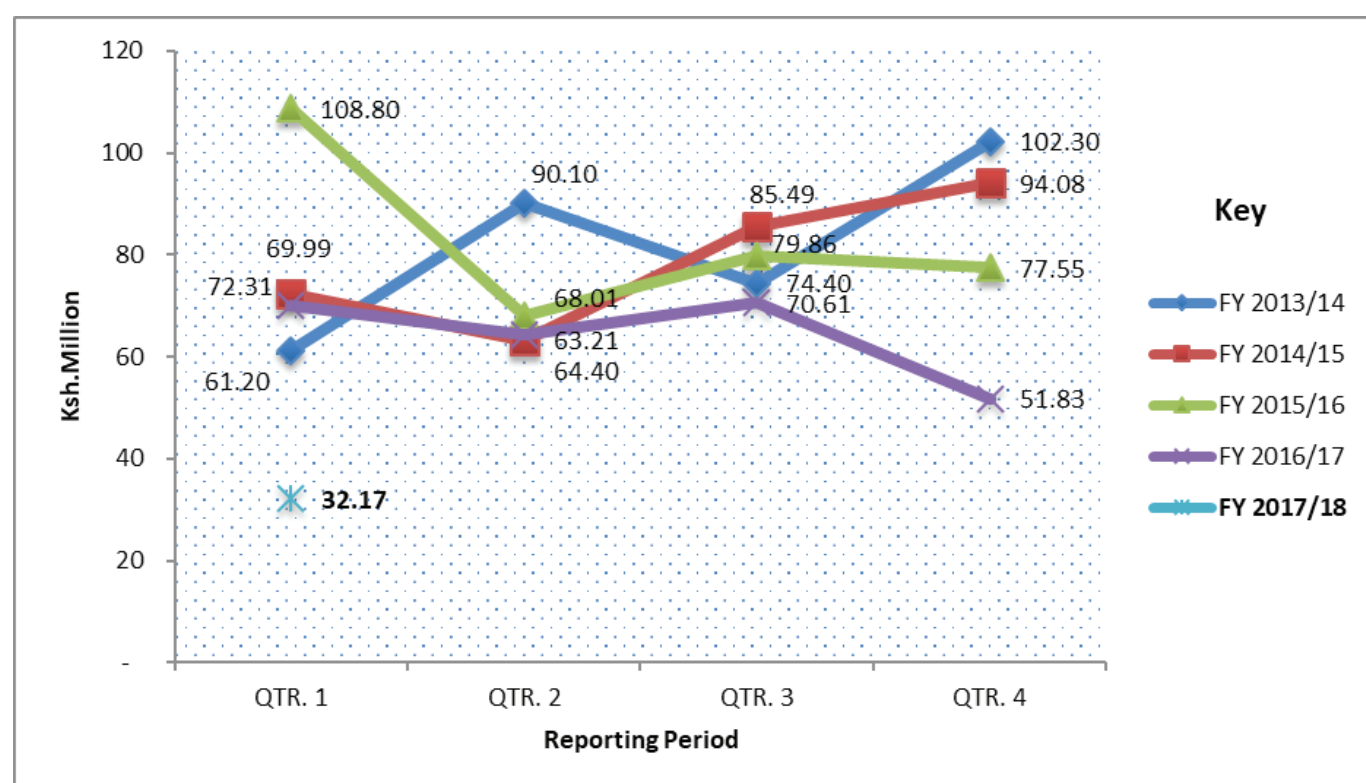
The County budgeted to receive Kshs.165.39 million for Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

3.4.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.408 million as equitable share of the revenue raised nationally, Kshs.108.1 million as total conditional allocations, raised Kshs.32.17 million from local revenue sources, and had a cash balance of Kshs.679.84 million from FY 2016/17. The available funds amounted to Kshs.1.23 billion.

Figure 3.10 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.10: Busia County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Busia County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.32.17 million, representing a decrease of 54 per cent compared to Kshs.69.99 million generated in a similar period of FY 2016/17, and was 5.3 per cent of the annual local revenue target.

3.4.3 Conditional Grants

Table 3.7 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.7: Busia County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation |
|------|----------------------------------|--|------------------------------------|--|---|
| 1 | Roads Maintenance Fuel Levy Fund | 231, 792, 232 | 153, 562, 500 | 108, 102, 399 | 46.6 |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation |
|------|--|--|------------------------------------|--|---|
| 2 | Development of Youth Polytechnics | 63, 706, 036 | - | - | - |
| 3 | Transforming of Health Systems for Universal Health Care | 59, 552, 830 | - | - | - |
| 4 | Kenya Devolution Support Programme (KDSP) | 44, 261, 335 | 59, 529, 054 | - | - |
| 5 | Other Loans and Grants | 35, 708, 401 | 30, 582, 447 | - | - |
| 6 | Compensation for User Fee Foregone | 16, 934, 085 | 16, 934, 085 | - | - |
| 7 | DANIDA Grant for Universal Health Care | 15, 707, 150 | - | - | - |
| 8 | Free Maternal Healthcare | - | 165, 389, 285 | - | - |
| | Total | 467, 662, 069 | 425, 997, 371 | 108, 102, 399 | 23 |

Source: Busia County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded receipts of 46.6 per cent of annual target. The County did not receive funds from the other conditional grants.

1.1.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.996.6 million from the CRF account, which was 14.3 per cent of the Approved Budget. This amount was a decrease of 44.2 per cent from Kshs.1.78 billion authorized in a similar period of FY 2016/17. This amount was incurred on expenditure activities.

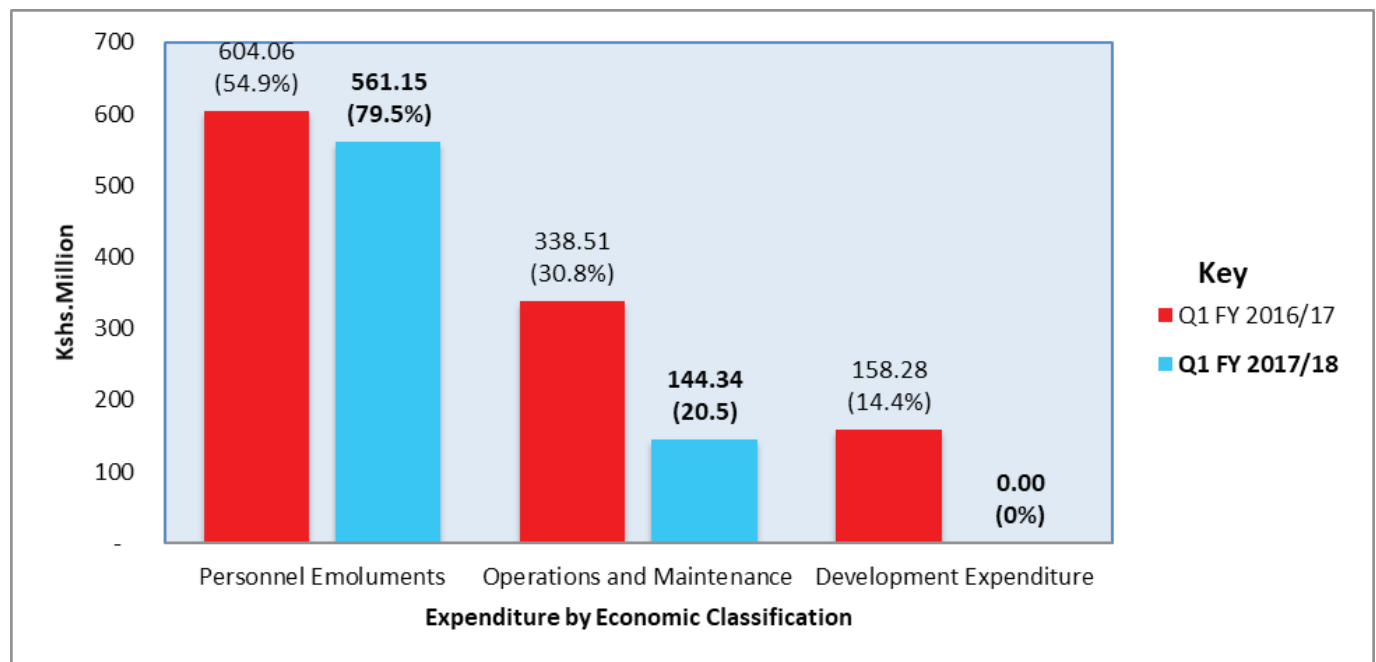
1.1.5 Overall Expenditure Review

The County incurred Kshs.705.48 million, which was 70.8 per cent of the total funds released for operations. This was a decrease of 35.9 per cent from Kshs.1.10 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.705.48 million was incurred on recurrent activities and was 70.8 per cent of the funds released for recurrent activities.

The recurrent expenditure represented 14.1 per cent of the annual recurrent budget, a decrease from 20.3 per cent incurred in a similar period of FY 2016/17. Figure 3.11 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.11: Busia County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



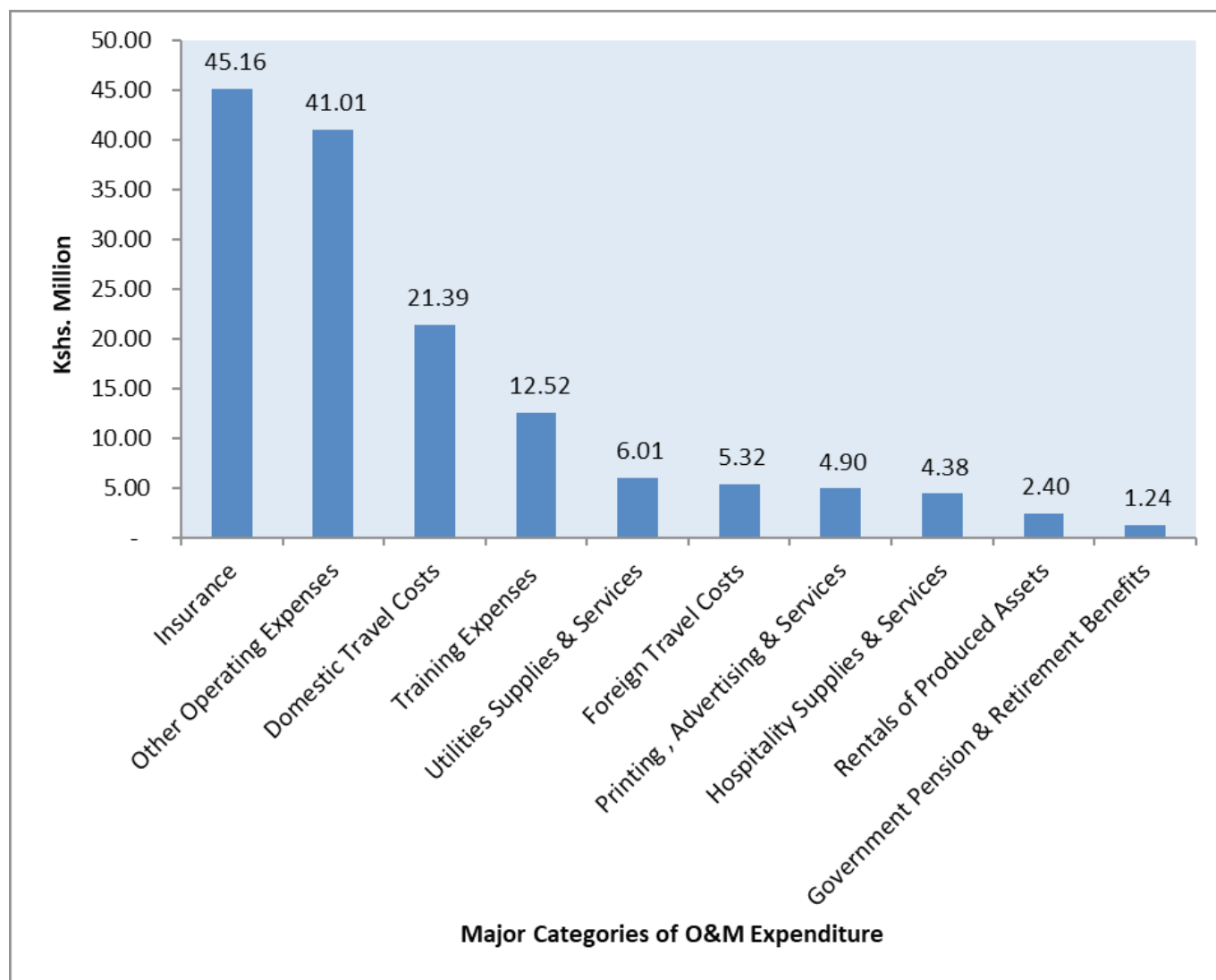
Source: Busia County Treasury

3.4.4 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.705.48 million consisted of Kshs.561.15 million (79.5 per cent) incurred on personnel emoluments and Kshs.144.34 million (20.5 per cent) on operations and maintenance as shown in Figure 3.11.

Expenditure on personnel emoluments represented a decrease of 7.1 per cent compared to Kshs.604.06 million incurred in the first quarter of FY 2016/17, and was 79.5 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.12 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.12: Busia County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Busia County Treasury

The County incurred Kshs.0.38 million on sitting allowances to the 54 MCAs against the annual budget allocation of Kshs.118.8 million. This was a decrease of 98.3 per cent compared to Kshs.22.02 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.2,385 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.26.71 million and consisted of Kshs.9.48 million incurred by the County Assembly and Kshs.17.23 million by the County Executive. It represented 3.8 per cent of total recurrent expenditure and was a decrease of 28.2 per cent compared to Kshs.37.2 million incurred in the first quarter of FY 2016/17.

3.4.5 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.4.6 Budget and Budget Performance Analysis by Department

Table 3.8 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.8: Busia County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure to Exchequer Issues (%) First Quarter FY 2017/18 | | Absorption rate (%) First Quarter FY 2017/18 | |
|---|-----------------------------------|-----------------|--|----------|---|----------|--|----------|--|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture and Animal Resources | 246.18 | 168.84 | 51.64 | - | 27.19 | - | 52.7 | - | 11.0 | - |
| Economic Planning, Trade, Co-operatives and Industrialization | 74.54 | 73.90 | 14.54 | - | 9.11 | - | 62.7 | - | 12.2 | - |
| Education and Vocational Training | 292.94 | 150 | 44.21 | - | 9.10 | - | 20.6 | - | 3.1 | - |
| Finance and ICT | 951.29 | 64.60 | 233.13 | - | 219.23 | - | 94.0 | - | 23.0 | - |
| Culture, Sports and Social Services | 108.67 | 41.74 | 19.61 | - | 0.78 | - | 4.0 | - | 0.7 | - |
| Public Works, Roads, Transport and Energy | 114.09 | 678.03 | 22.75 | - | 0.78 | - | 3.4 | - | 0.7 | - |
| Public Service Management | 70.57 | - | 14.01 | - | 1.07 | - | 7.6 | - | 1.5 | - |
| Land, Housing and Urban Development | 112.53 | 163.66 | 18.64 | - | 0.02 | - | 0.1 | - | - | - |
| Water, Environment and Natural Resources | 103.45 | 169.63 | 20.79 | - | 4.41 | - | 21.2 | - | 4.3 | - |
| Health and Sanitation | 1,603.75 | 316.86 | 344.42 | - | 313.07 | - | 90.9 | - | 19.5 | - |
| County Public Service Board | 75.41 | - | 13.72 | - | 0.51 | - | 3.7 | - | 0.7 | - |
| The Governorship | 504.27 | 39.80 | 99.04 | - | 41.71 | - | 42.1 | - | 8.3 | - |
| County Assembly | 734.63 | 119.89 | 100.10 | - | 78.50 | - | 78.4 | - | 10.7 | - |
| TOTAL | 4,992.32 | 1,986.95 | 996.60 | - | 705.48 | - | 70.8 | - | 14.1 | - |

Source: Busia County Treasury

Analysis of budget performance by department shows that the Department of Finance and ICT attained the highest percentage of recurrent expenditure to recurrent budget at 23 per cent, followed by the Department of Health and Sanitation at 19.5 per cent.

3.4.7 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

- Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
- The development expenditure allocation in FY 2017/18 of Kshs.1.99 billion, translates to 28.5 per cent of the County budget and does not meet the minimum threshold established by Section

107(2) (b) of the PFM Act, 2012 of 30 per cent of the County Budget.

3. Under-performance in local revenue collection. Local revenue collection declined by 54 per cent from Kshs.69.99 million in the first quarter of FY 2016/17 to Kshs.32.17 million in the first quarter of FY 2017/18.
4. Delay by the Fund Administrators of the County Assembly Revolving Scheme, Agriculture Development Fund and the County Bursary Scheme to submit financial returns contrary to Section 168 of the PFM Act, 2012.
5. High personal emoluments which accounted for 79.5 per cent of total expenditure during the reporting period. The increase in wage bill may affect implementation of development projects.
6. Failure to budget for all conditional grants as per CARA, 2017.

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 that budget allocation to development expenditure is at least 30 per cent of the county budget in line with Section 107(2)(b) of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *All Fund Administrators should ensure timely submission of financial returns in line with Section 166 of PFM Act, 2012.*
5. *The County Public Service Board should develop an optimal staffing structure to address the escalating wage bill.*
6. *The County should prepare a supplementary budget to align conditional grants to the CARA, 2017.*

3.5 Elgeyo Marakwet County

3.5.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.4 billion, comprising of Kshs.2.64 billion (65.9 per cent) and Kshs.1.36 billion (34.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.62 billion (90.6 per cent) as equitable share of revenue raised nationally, Kshs.216.49 million (5.4 per cent) as total conditional grants, and generate Kshs.160.29 million (4 per cent) from local revenue sources

The conditional grants contained in the CARA, 2017 of Kshs.424.19 million comprise of Kshs.139.34 million (64.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (44.2 per

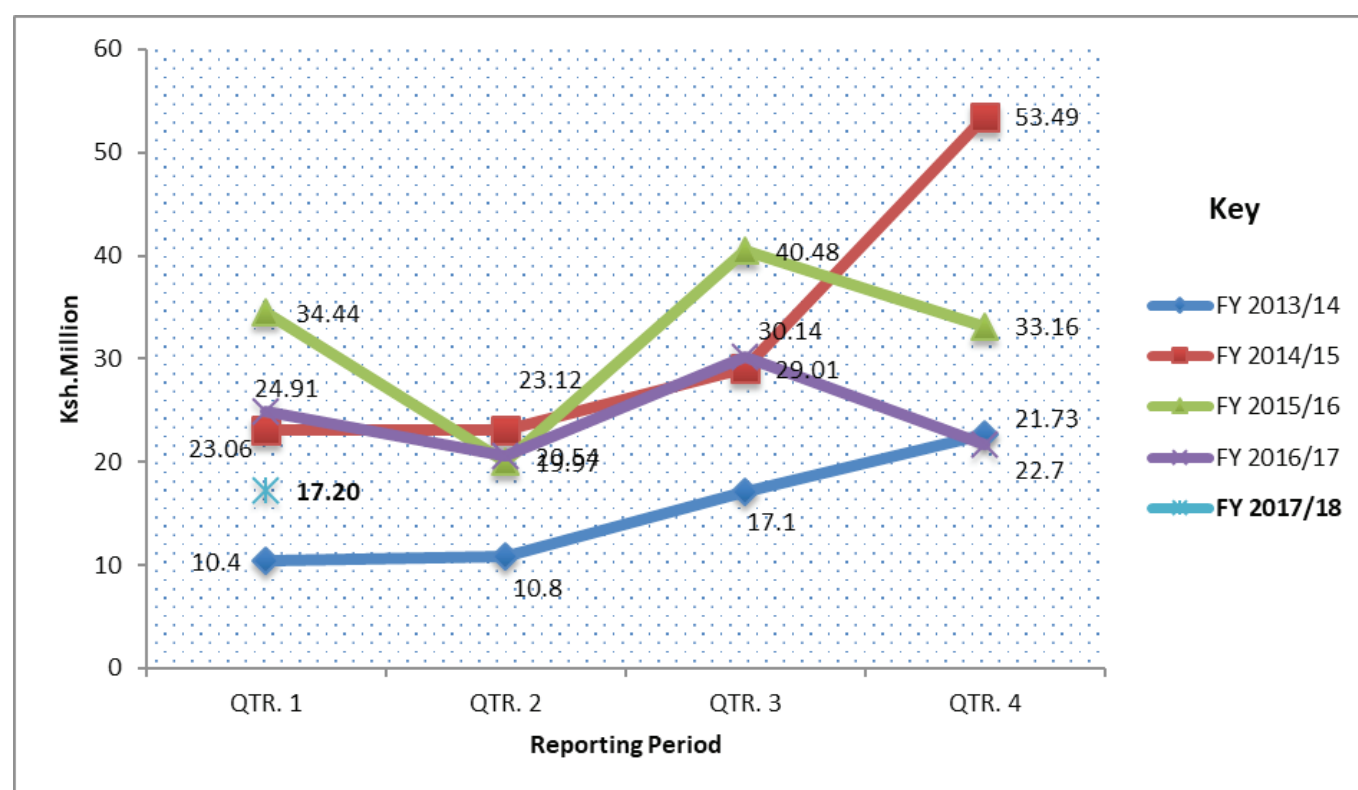
cent) for Leasing of Medical Equipment, Kshs.8.79 million (4.1 per cent) as Compensation for User Fee Foregone, Kshs.9.44 million (4.4 per cent) from DANIDA, Kshs.48 million (22.2 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.36.01 million (16.6 per cent) for the World Bank Kenya Devolution Support Program, Kshs.37.64 million (17.4 per cent) for Development of Youth Polytechnics, Kshs.30.28 million (14 per cent) as World Bank Loan for Transforming Health System for Universal Care System, and Kshs.18.96 million (8.8 per cent) from Other Loans and Grants.

3.5.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.121.92 million as total conditional allocations, raised Kshs.17.2 million from local revenue sources, and had a cash balance of Kshs.735.74 million from FY 2016/17. The available funds amounted to Kshs.874.81 million.

Figure 3.13 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.13: Elgeyo Marakwet County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Elgeyo Marakwet County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.17.2 million, representing a decrease of 31 per cent compared to Kshs.24.91 million generated in a similar period of FY 2016/17, and represented 10.7 per cent of the annual local revenue target.

3.5.3 Conditional Grants

Table 3.9 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.9: Elgeyo Marakwet County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|--------------|--|--|------------------------------------|--|---|
| A | Grants Contained in the CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 139, 343, 420 | 95, 287, 500 | 64, 986, 466 | 46.646 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | - | - | - |
| 3 | World Bank loan to supplement financing of County Health Facilities | 47, 990, 000 | 121, 205, 169 | 56, 932, 570 | 118.6 |
| 4 | Development of Youth Polytechnics | 37, 641, 245 | - | - | - |
| 5 | Kenya Devolution Support Programme (KDSP) | 36, 005, 074 | - | - | - |
| 6 | World Bank Loan for Transforming Health System for Universal Care System | 30, 279, 354 | - | - | - |
| 7 | Other Loans & Grants | 18, 956, 694 | - | - | - |
| 8 | DANIDA Grant | 9, 442, 456 | - | - | - |
| 9 | User Fee Foregone | 8, 788, 919 | - | - | - |
| Total | | 424, 191, 843 | 216, 492, 669 | 121, 919, 036 | 27.7 |

Source: Elgeyo Marakwet 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 recorded the highest receipts at 118.6 per cent of annual allocation. This was as a result of the previous year's balance, which was released in the period under review. The Road Maintenance Fuel Levy Fund at 46.6 per cent of the annual target.

3.5.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.546.61 million from the CRF account, which was 13.7 per cent of the Approved Budget. This amount was a decrease of 35.9 per cent from Kshs.852.58 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

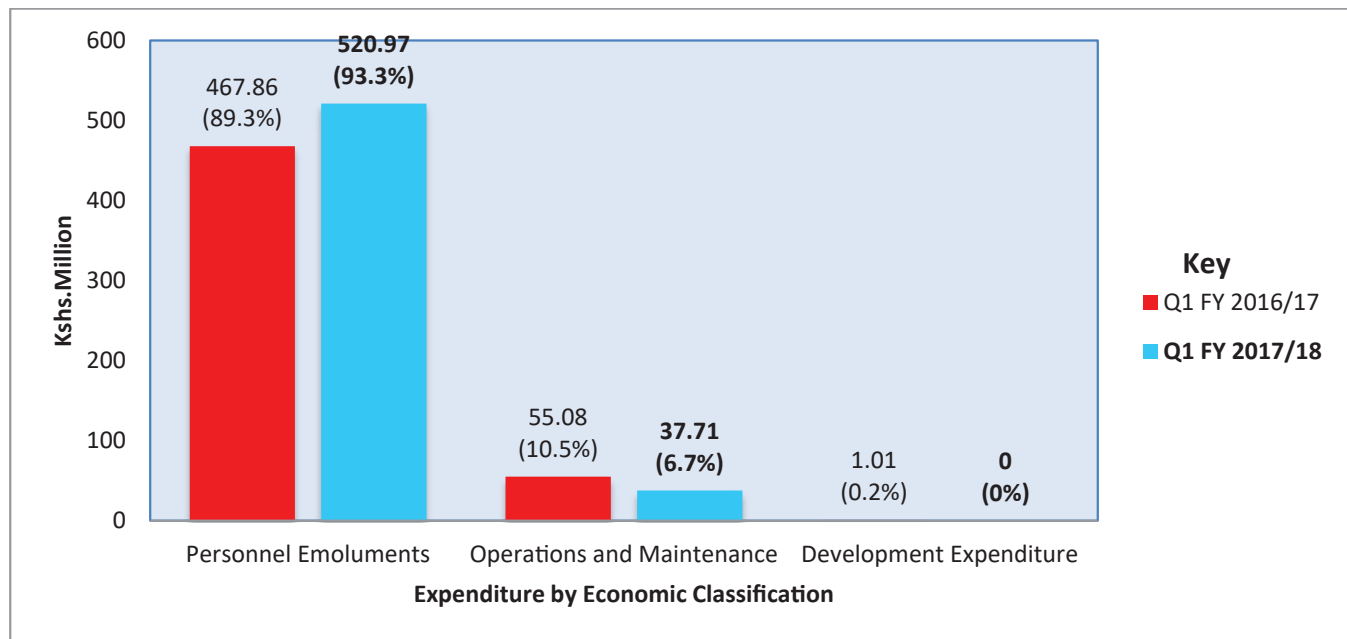
3.5.5 Overall Expenditure Review

The County incurred Kshs.558.68 million, which was 102.2 per cent of the total funds released for operations. This was an increase of 6.6 per cent from Kshs.523.94 million incurred in the first quarter of FY 2017/18.

The total expenditure of Kshs.558.68 million was incurred on recurrent activities and was 102.2 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.4.22 million for recurrent expenditure.

The recurrent expenditure represented 21.2 per cent of the annual recurrent budget, an increase from 18.1 per cent incurred in a similar period of FY 2016/17. Figure 3.14 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.14: Elgeyo Marakwet County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



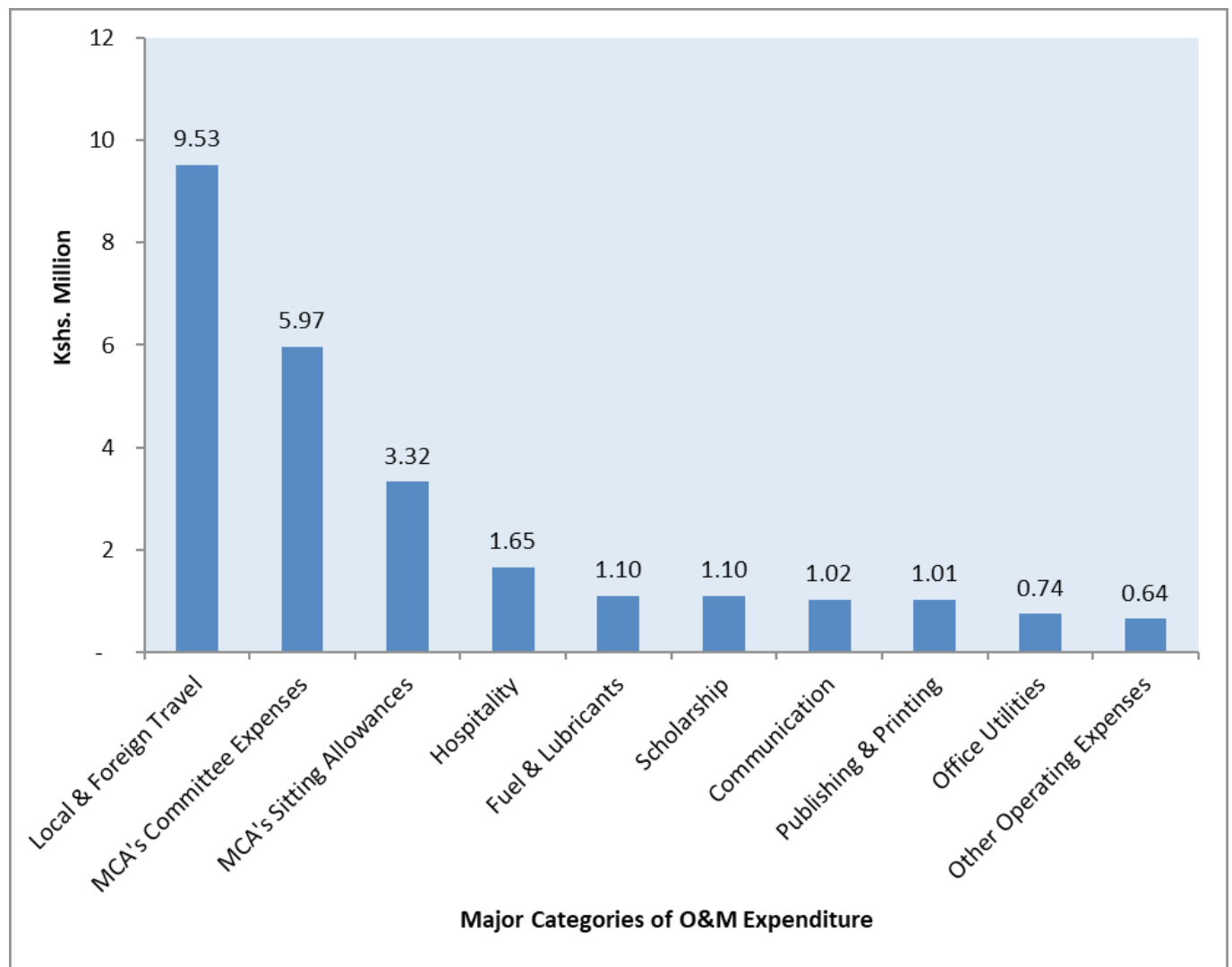
Source: Elgeyo Marakwet County Treasury

3.5.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.558.68 million consisted of Kshs.520.97 million (93.3 per cent) incurred on personnel emoluments and Kshs.37.71 million (6.7 per cent) on operations and maintenance as shown in Figure 3.14.

Expenditure on personnel emoluments represented an increase of 11.4 per cent compared to Kshs.467.86 million incurred in the first quarter of FY 2016/17, and was 93.3 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.15 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.15: Elgeyo Marakwet County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Elgeyo Marakwet County Treasury

The County incurred Kshs.3.32 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.34.78 million. This was a decrease of 57.4 per cent compared to Kshs.7.80 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.32, 517 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.9.53 million and consisted of Kshs.7.27 million incurred by the County Assembly and Kshs.2.27 million by the County Executive. It represented 1.7 per cent of total recurrent expenditure and was a decrease of 58.7 per cent compared to Kshs.23.09 million incurred in the first quarter of FY 2016/17.

3.5.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.5.8 Budget and Budget Performance Analysis by Department

Table 3.10 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.10: Elgeyo Marakwet County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs. Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|----------------------------------|---------------|---|----------|--|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 467 | - | 68 | - | 63 | - | 92.7 | - | 13.5 | - |
| Office of the Governor | 90 | - | 24 | - | 18 | - | 72.8 | - | 19.6 | - |
| Finance & Economic Planning | 196 | - | 45 | - | 42 | - | 93.2 | - | 21.3 | - |
| Agriculture, Livestock and Fisheries | 198 | 98 | 46 | - | 46 | - | 99.2 | - | 23.2 | - |
| Education and Technical Training | 198 | 187 | 40 | - | 42 | - | 106 | - | 21.2 | - |
| Health Services | 1, 110 | 389 | 285 | - | 271 | - | 95.3 | - | 24.5 | - |
| Water, Lands, Housing and Physical Planning | 71 | 235 | 17 | - | 16 | - | 92.2 | - | 22.5 | - |
| Roads, Public Works and Transport | 61 | 272 | 13 | - | 13 | - | 104.4 | - | 21.9 | - |
| Trade, Tourism, Cooperatives and Wildlife | 55 | 54 | 9 | - | 9 | - | 107.8 | - | 17 | - |
| Youth Affairs, Culture, Children and Gender | 30 | 92 | 7 | - | 5 | - | 76.1 | - | 16.9 | - |
| ICT and Public Service | 86 | 36 | 21 | - | 18 | - | 86.7 | - | 20.9 | - |
| County Public Service Board | 43 | - | 9 | - | 9 | - | 101 | - | 21.4 | - |
| Administration | 31 | - | 10 | - | 6 | - | 60.2 | - | 20.1 | - |
| TOTAL | 2, 636 | 1, 361 | 546.61 | - | 558.68 | - | 98.2 | - | 21.2 | - |

Source: Elgeyo Marakwet County Treasury

Analysis of budget performance by department shows that the Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 24.5 per cent while the County Assembly had the lowest at 13.5 per cent.

3.5.9 Observations and Recommendations

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

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

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

1. Failure by the County to appropriate the unspent balance of Kshs.733.05 million from FY2016/17.

2. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should appropriate unspent funds from the previous financial year through a Supplementary Budget.*
2. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.6 Embu County

3.6.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.5.72 billion, comprising of Kshs.3.82 billion (66.9 per cent) and Kshs.1.90 billion (33.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.1 billion (71.8 per cent) as equitable share of revenue raised nationally, Kshs.749.03 million (13.1 per cent) as total conditional grants, and generate Kshs.839.78 million (14.7 per cent) from local revenue sources, and Kshs.22.18 million (0.4 per cent) cash balance from FY 2016/17.

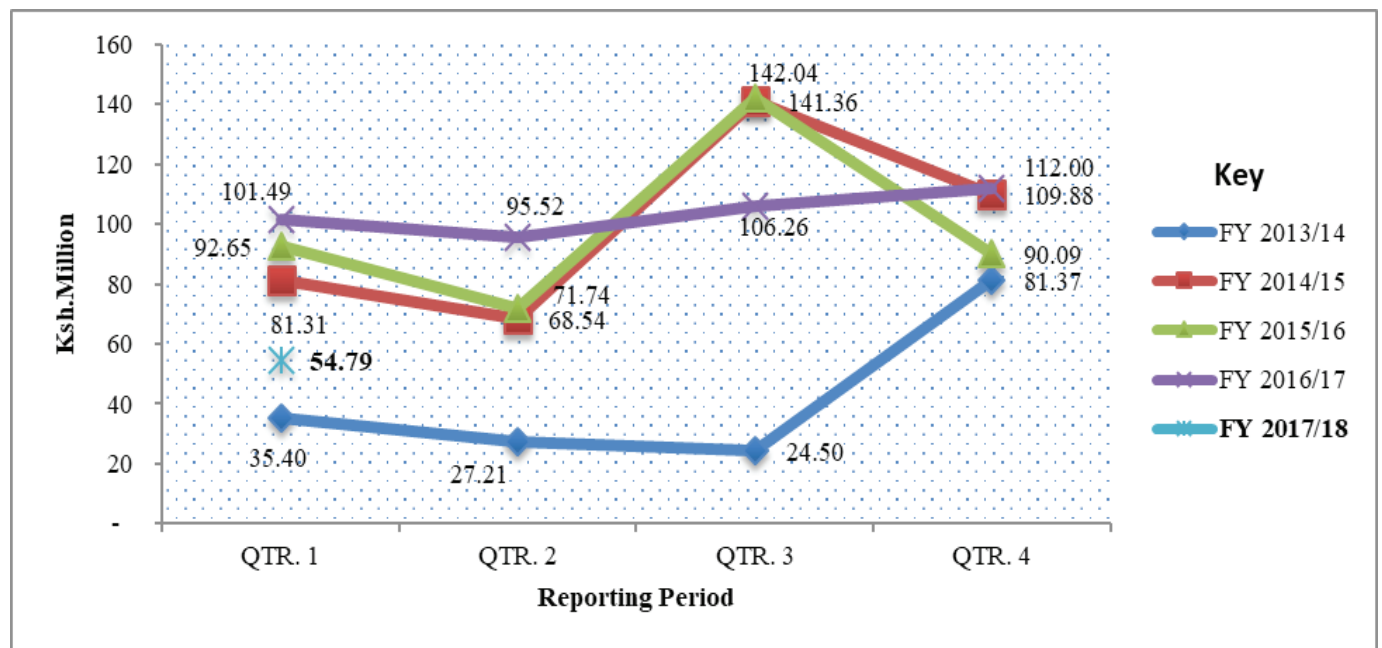
The conditional grants contained in the CARA, 2017 of Kshs.749.03 million, comprise of Kshs.163.52 million (21.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.10.72 million (1.4 per cent) as Compensation for User Fee Foregone, Kshs.11.08 million (1.5 per cent) from DANIDA, Kshs.301.04 million (40.2 per cent) for Level 5 Hospital, Kshs.95.74 million (12.8 per cent) for Leasing of Medical Equipment, Kshs.37.91 million (5.1 per cent) for the World Bank Kenya Devolution Support Program, Kshs.40.91 million (5.5 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, Kshs.50 million (6.7 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, and Kshs.16.09 million (2.1 per cent) from Other Loans and Grants.

3.6.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.308.57 million as equitable share of the revenue raised nationally, Kshs.76.26 million as total conditional allocations, raised Kshs.54.78 million from local revenue sources, and had a cash balance of Kshs.475 million from FY 2016/17. The available funds amounted to Kshs.914.61 million.

Figure 3.16 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.16: Embu County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Embu County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.54.78 million, representing a decrease of 46 per cent compared to Kshs.101.49 million generated in a similar period of FY 2016/17, and represented 6.5 per cent of the annual local revenue target.

3.6.3 Conditional Grants

Table 3.11 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.11: Embu County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|----------|--|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 163, 522, 813 | 163, 522, 813 | 76, 263, 161 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | 95, 744, 681 | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 37, 912, 879 | 37, 912, 879 | - | - |
| 4 | Compensation for User Fee Foregone | 10, 724, 225 | 10, 724, 225 | - | - |
| 5 | DANIDA Grant | 11, 080, 946 | 11, 080, 946 | - | - |
| 6 | Level-5 Hospitals | 301, 040, 462 | 301, 040, 462 | - | - |
| 7 | Development of Youth Polytechnics | 40, 907, 922 | 40, 907, 922 | - | - |
| 8 | Other Loans & Grants | 16, 094, 521 | 16, 094, 521 | - | - |
| 9 | World Bank Loan for Transforming Health System for Universal Care System | 22, 000, 000 | 22, 000, 000 | - | - |
| 10 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | 50, 000, 000 | - | - |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allo- cation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|-----------------------------|---|---|---|---|
| A | Grants Contained CARA, 2017 | | | | |
| Total | | 749, 028, 449 | 749, 028, 449 | 76, 263, 161 | 10 |

Source: Embu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund grant recorded a receipt of Kshs.76.26 million which translated to a performance of 46.6 per cent of annual allocation. The County did not receive funds from all the other conditional grants.

3.6.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.779.89 million from the CRF account, which was 13.6 per cent of the Approved Budget. This amount was a decrease of 29 per cent from Kshs.1.09 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

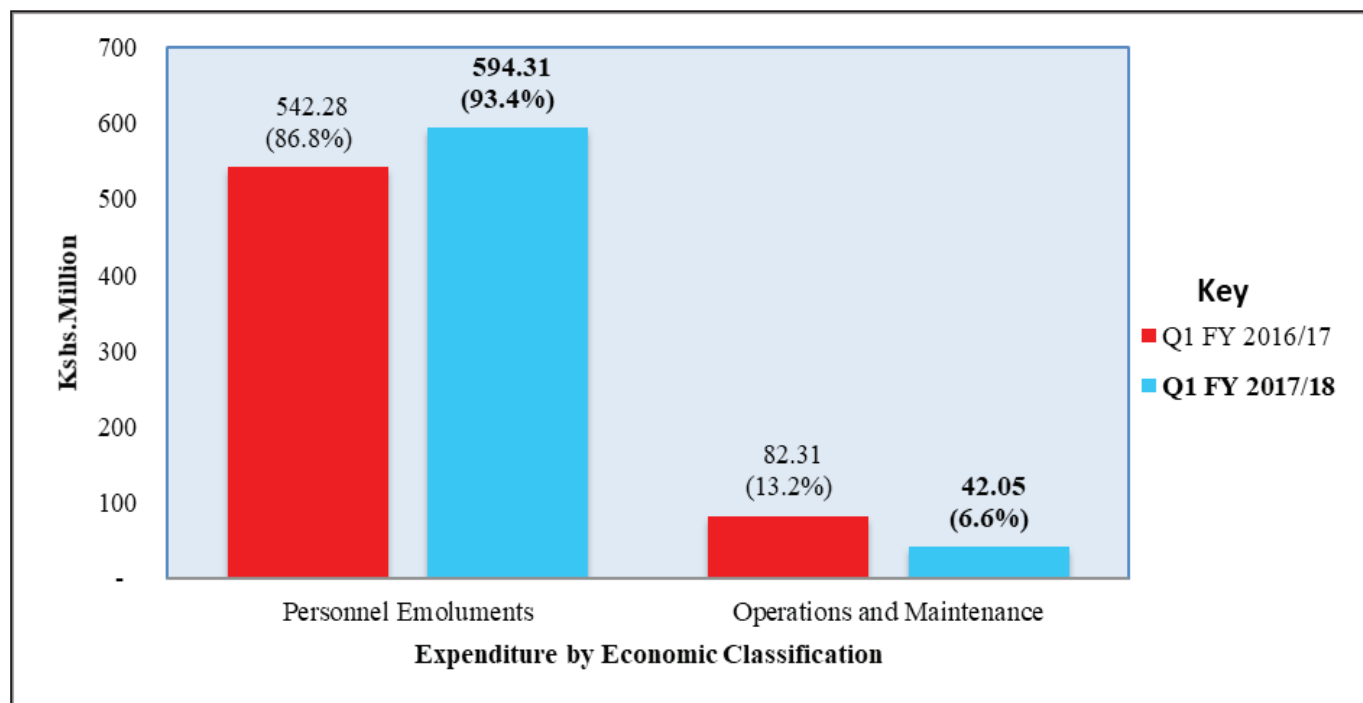
3.6.5 Overall Expenditure Review

The County incurred Kshs.636.35 million, which was 125.7 per cent of the total funds released for operations. This was an increase of 1.9 per cent from Kshs.624.59 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.636.36 million was incurred on recurrent activities and represented 81.6 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.82.90 million for recurrent expenditure.

The recurrent expenditure represented 16.6 per cent of the annual recurrent budget, and was similar to the performance reported in a similar period of FY 2016/17. Figure 3.17 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.17: Embu County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



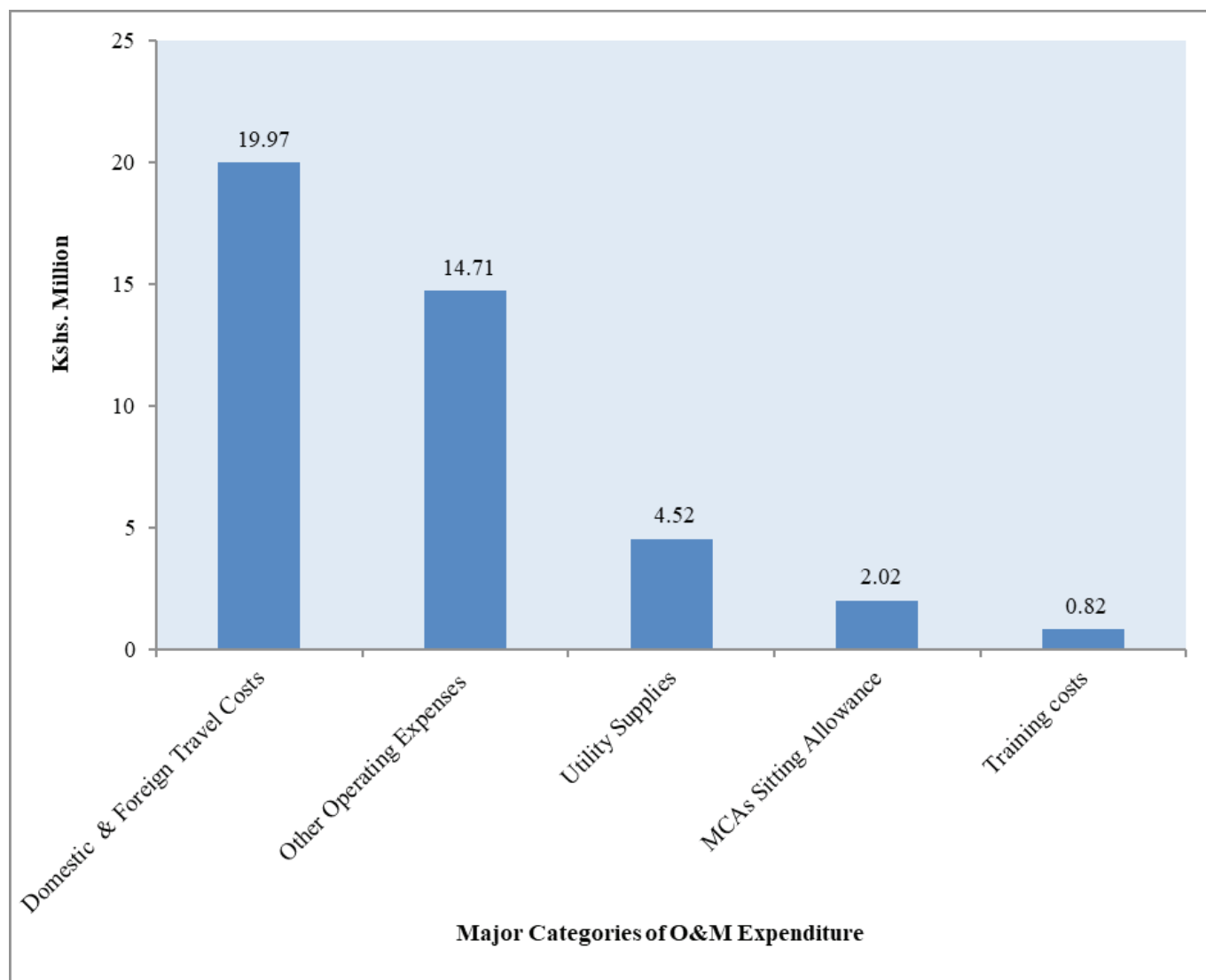
Source: Embu County Treasury

3.6.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.636.36 million consisted of Kshs.594.3 million (93.4 per cent) incurred on personnel emoluments and Kshs.42.05 million (6.6 per cent) on operations and maintenance as shown in Figure 3.17.

Expenditure on personnel emoluments represented an increase of 9.6 per cent compared to Kshs.542.28 million incurred in the first quarter of FY 2016/17. Figure 3.18 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.18: Embu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Embu County Treasury

The County incurred Kshs.2.02 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.28.81 million. This was a decrease of 81.7 per cent compared to Kshs.11.04 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.19, 846 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.19.97 million and consisted of Kshs.17.92 million incurred by the County Assembly and Kshs.2.05 million by the County Executive. It represented 3.1 per cent of total recurrent expenditure and was a decrease of 55.1 per cent compared to Kshs.44.52 million incurred in the first quarter of FY 2016/17.

3.6.7 Development Expenditure

The County did not report any expenditure on development activities during the reporting period.

3.6.8 Budget and Budget Performance Analysis by Department

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

Table 3.12: Embu County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in the first quarter of FY 2017/18 (Kshs. Million) | | Expenditure in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure to Exchequer Issues (%) First Quarter FY 2017/18 | | Absorption rate (%) First Quarter FY 2017/18 | |
|--|----------------------------------|----------------|---|----------|---|----------|--|----------|--|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 301.11 | - | 61.82 | - | 58.14 | - | 94.1 | - | 19.3 | - |
| Finance and Economic Planning | 109.53 | 10 | 4.21 | - | 4.08 | - | 96.9 | - | 3.7 | - |
| Health Services | 1582.12 | 237.86 | 357.81 | - | 315.7 | - | 88.2 | - | 20 | - |
| County Public Service Board | 37.26 | - | 7.59 | - | 7 | - | 92.3 | - | 18.8 | - |
| Education, Science & Technology | 339.67 | 111.39 | 49.43 | - | 27.58 | - | 55.8 | - | 8.1 | - |
| Youth Empowerment & Sports | 17.97 | 80.26 | 1.91 | - | 1.39 | - | 72.8 | - | 7.7 | - |
| Infrastructure, Public Works, Housing & Energy | 59.11 | 805.38 | 11.82 | - | 8.42 | - | 71.2 | - | 14.2 | - |
| Trade, Tourism & Industrialization | 24.67 | 98.67 | 3.13 | - | 2.57 | - | 82.3 | - | 10.4 | - |
| Gender Empowerment, Culture & Social Services | 18.15 | 60.64 | 2.3 | - | 0.97 | - | 42 | - | 5.3 | - |
| Lands, Water, Environment & Natural Resources | 80.14 | 164.82 | 16.33 | - | 13.4 | - | 82 | - | 16.7 | - |
| Agriculture, Livestock & Coop Development | 251.88 | 113.84 | 60.86 | - | 59.51 | - | 97.8 | - | 23.6 | - |
| Level 5 Hospital | 223.19 | 148.6 | 38.23 | - | 9.43 | - | 24.7 | - | 4.2 | - |
| Public Service & Administration | 269.81 | 14 | 65.39 | - | 64.79 | - | 99.1 | - | 24 | - |
| County Assembly | 508.12 | 50 | 99.06 | - | 63.38 | - | 64.0 | - | 12.5 | - |
| TOTAL | 3, 822.74 | 1895.45 | 779.89 | - | 636.36 | - | 81.6 | - | 16.6 | - |

Source: Embu County Treasury

Analysis of budget performance by department shows that the Department of Public Service and Administration had the highest percentage of recurrent expenditure to recurrent budget at 24 per cent while the Department of Finance and Economic Planning had the lowest at 3.7 per cent.

3.6.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Improvement in staff capacity on application of IFMIS.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.

2. Delay by Fund Administrators to submit expenditure reports of the County Assembly Members Car Loan and Mortgage Fund, Youth Trust Fund and Bursary Fund contrary to Section 168 of the PFM Act, 2012.
3. Under-performance in local revenue collection, which declined by 46 per cent from Kshs.101.49 million in the first quarter of FY 2016/17 to Kshs.54.78 million in the first quarter of FY 2017/18.
4. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The Funds Administrators should provide quarterly financial statements for all County Funds in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The County Treasury should liaise with the IFMIS Directorate to address the frequent connectivity challenges.*
5. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.7 Garissa County

3.7.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.85 billion, comprising of Kshs.5.39 billion (68.6 per cent) and Kshs.2.46 billion (31.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.66 billion (84.8 per cent) as equitable share of revenue raised nationally, Kshs.882 billion (11.2 per cent) as total conditional grants, and generate Kshs.250 million (3.2 per cent) from local revenue sources, and Kshs.60 million (0.8 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.874.07 million comprise of Kshs.245.91 million (27.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.96 million (1.5 per cent) as Compensation for User Fee Foregone, Kshs.16.66 million (1.9 per cent) from DANIDA, Kshs.344.74 million (39.1 per cent) for Level 5 Hospital, Kshs.38.65 million (4.4 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.44.6 million (5.1 per cent) for the World Bank Kenya Devolution Support Program, Kshs.27.91 million (3.2 per cent) for Development of

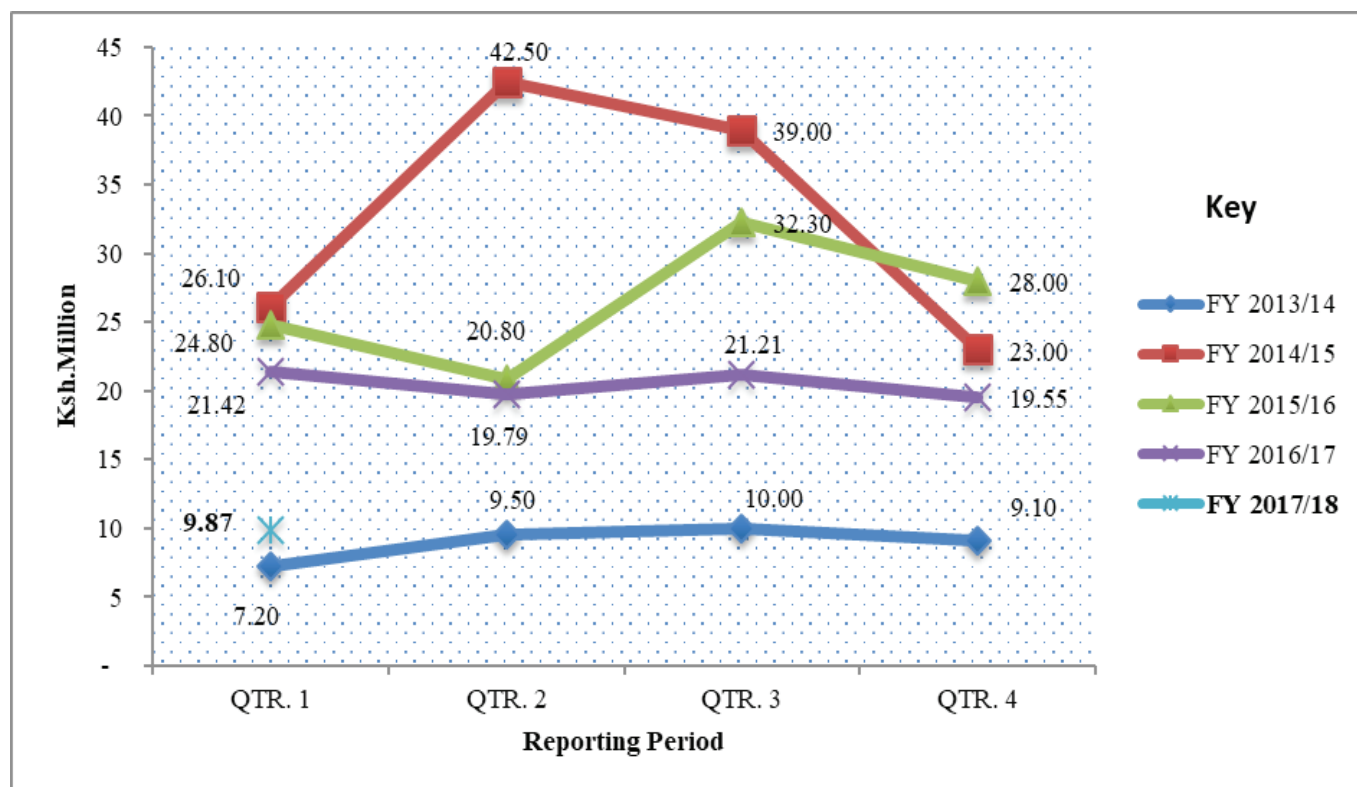
Youth Polytechnics, Kshs.91.76 million (10.4 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50.87 million (5.8 per cent) as Other Loans and Grants and Kshs.95.74 million Leasing of Medical Equipment.

3.7.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.626.84 million as equitable share of the revenue raised nationally, Kshs.114.6 million as total conditional allocations, raised Kshs.9.87 million from local revenue sources, and had a cash balance of Kshs.60 million from FY 2016/17. The available funds amounted to Kshs.810.7 million.

Figure 3.19 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.19: Garissa County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Garissa County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.9.87 million, representing a decrease of 53.9 per cent compared to Kshs.21.42 million generated in a similar period of FY 2016/17, and represented 3.9 per cent of the annual local revenue target.

3.7.3 Conditional Grants

Table 3.13 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.13: Garissa County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|--|--|------------------------------------|---|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 245, 913, 933 | 245, 913, 933 | 114, 595, 892 | 46.6 |
| 2 | World Bank loan to supplement financing of County Health facilities | 38, 645, 000 | - | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 44, 599, 720 | 44, 599, 720 | - | - |
| 4 | Compensation for User Fee Foregone | 12, 964, 636 | 12, 964, 636 | - | - |
| 5 | DANIDA Grant | 16, 664, 092 | 26, 662, 546 | - | - |
| 6 | Level-5 Hospitals | 344, 739, 884 | 344, 739, 884 | - | - |
| 7 | Development of Youth Polytechnics | 27, 909, 841 | 27, 909, 841 | - | - |
| 8 | World Bank Loan for Transforming Health System for Universal Care System | 91, 760, 862 | 41, 709, 483 | - | - |
| 9 | World Bank Loan for National Agricultural & Rural Inclusive Project | - | 41, 758, 690 | - | - |
| 10 | Leasing of Medical Equipment | 95, 744, 681 | 95, 744, 681 | - | - |
| Total | | 874, 072, 701 | 786, 258, 733 | 114, 595, 892 | 13.2 |

Source: Garissa County Treasury

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund received Kshs.114.6 million which represented 46.6 per cent of the annual allocation. The other conditional grants did not record any receipt.

3.7.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.696.71 million from the CRF account, which was 8.9 per cent of the Approved Budget. This amount was a decrease of 27.3 per cent from Kshs.958.5 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

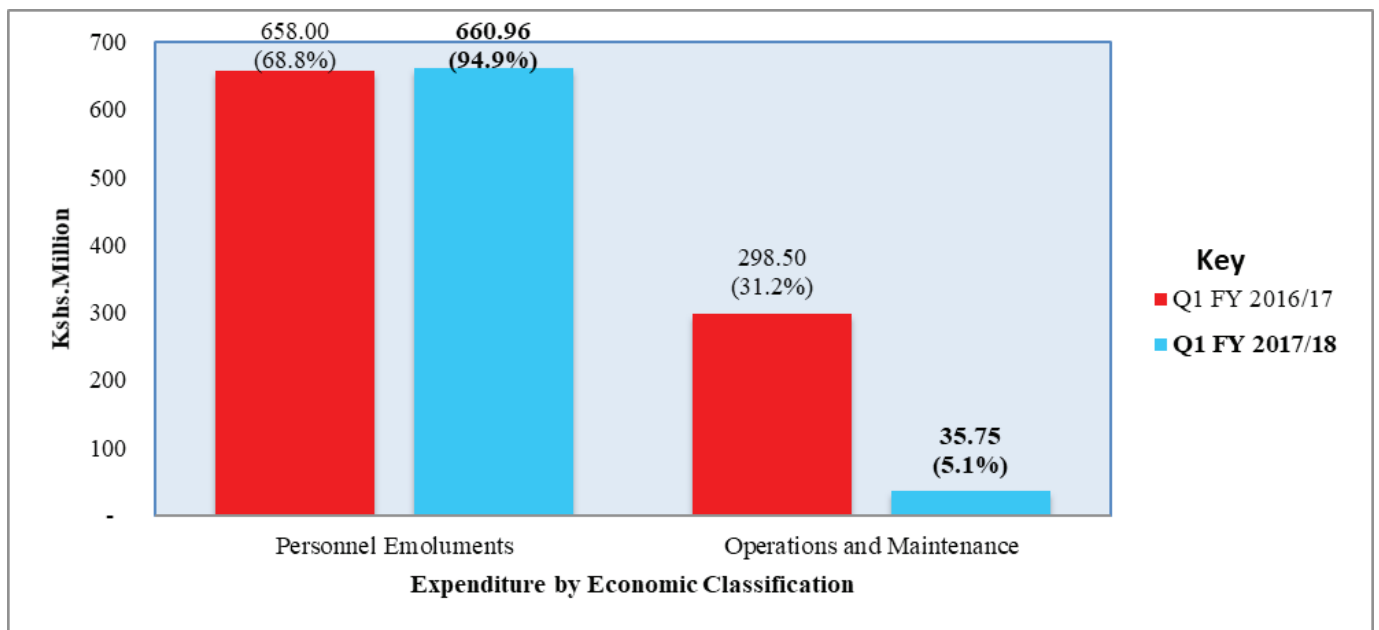
3.7.5 Overall Expenditure Review

The County incurred Kshs.696.71 million, which was 100 per cent of the total funds released for operations. This was a decrease of 27.2 per cent from Kshs.958.5 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.696.71 million was incurred on recurrent activities and represented 100 per cent of the funds released for recurrent activities.

The recurrent expenditure represented 12.9 per cent of the annual recurrent budget, a decrease from 24.4 per cent incurred in a similar period of FY 2016/17. Figure 3.20 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.20: Garissa County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



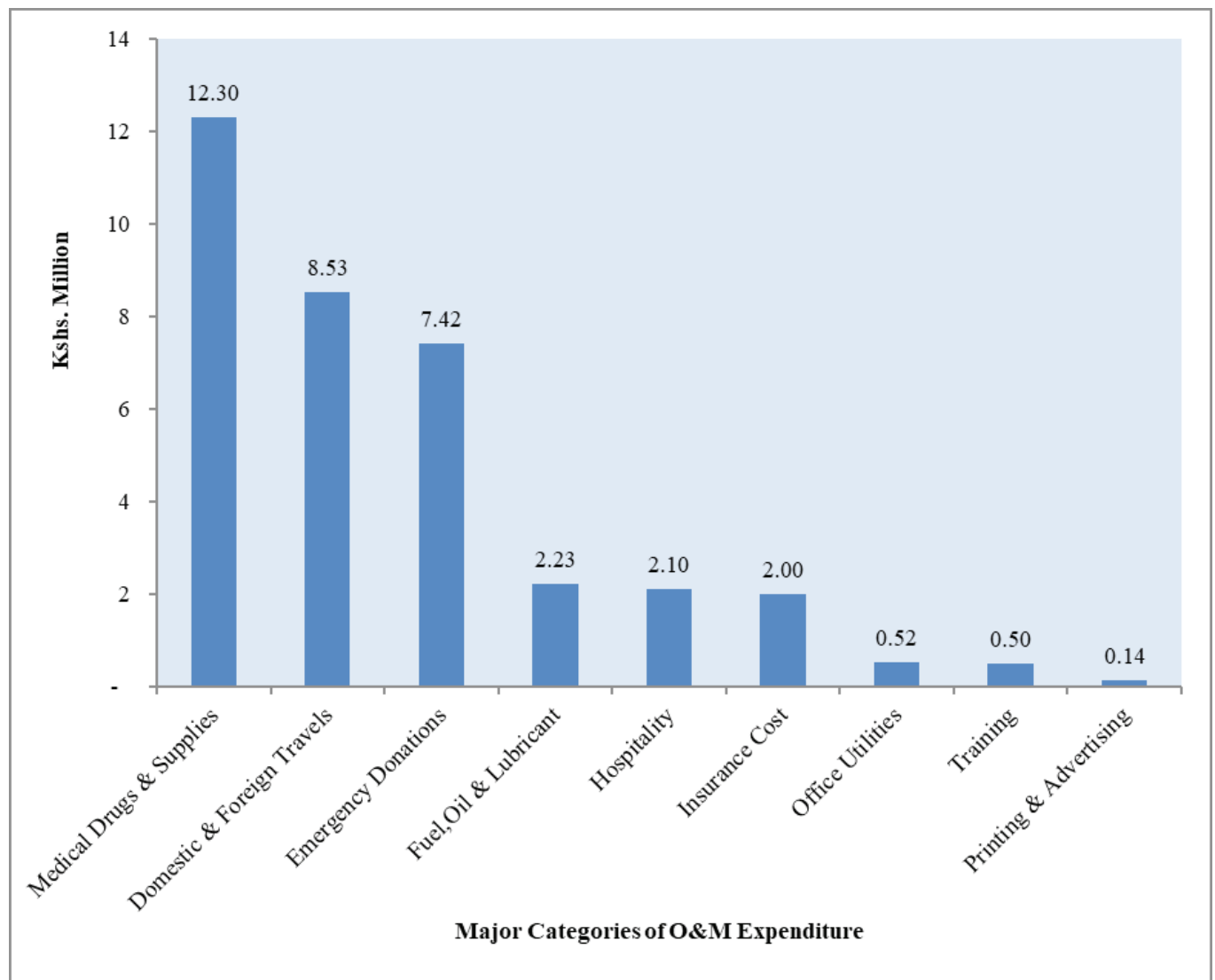
Source: Garissa County Treasury

3.7.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.696.71 million consisted of Kshs.660.96 million (94.9 per cent) incurred on personnel emoluments and Kshs.35.75 million (5.1 per cent) on operations and maintenance as shown in Figure 3.20.

Expenditure on personnel emoluments represented an increase of 0.5 per cent compared to Kshs.658 million incurred in the first quarter of FY 2016/17, and was 94.9 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.21 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.21: Garissa County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Garissa County Treasury

The County Assembly did not incur any expenditure on committee sitting allowances to the 49 MCAs. Expenditure on domestic and foreign travel amounted to Kshs.8.53 million and consisted of Kshs.3.2 million incurred by the County Assembly and Kshs.5.33 million by the County Executive. It represented 1.2 per cent of total recurrent expenditure and was a decrease of 24.5 per cent compared to Kshs.11.3 million incurred in the first quarter of FY 2016/17.

3.7.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.7.8 Budget and Budget Performance Analysis by Department

Table 3.14 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/8.

Table 3.14: Garissa County, Budget Performance by Department in the First quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|----------------------------------|--------------|---|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Transport, Infrastructure and Lands | 97.3 | 723.6 | 27.9 | - | 27.9 | - | 100 | - | 28.7 | - |
| Water Services | 173 | 450 | 28.2 | - | 28.2 | - | 100 | - | 16.3 | - |
| Finance and Economic planning | 1009.6 | 210 | 133.8 | - | 133.8 | - | 100 | - | 13.3 | - |
| Health and Sanitation | 1952.9 | 325 | 186.7 | - | 186.7 | - | 100 | - | 9.6 | - |
| Education | 434.7 | 107 | 66.5 | - | 66.5 | - | 100 | - | 15.3 | - |
| Trade, Cooperative and Youth | 82.8 | 33 | 33.7 | - | 33.7 | - | 100 | - | 40.7 | - |
| Environment, Energy and Natural Resources | 43.5 | 83 | 8.5 | - | 8.5 | - | 100 | - | 19.5 | - |
| Livestock and Pastoral Economy | 105.4 | 179 | 21.5 | - | 21.5 | - | 100 | - | 20.4 | - |
| Agriculture | 160.8 | 128 | 30.9 | - | 30.9 | - | 100 | - | 19.2 | - |
| Culture, Social, Gender and Children | 45 | 29.8 | 11 | - | 11 | - | 100 | - | 24.4 | - |
| Urban Services | 267.4 | 44 | 39.9 | - | 39.9 | - | 100 | - | 14.9 | - |
| Executive Services | 254.1 | 120 | 44.8 | - | 44.8 | - | 100 | - | 17.6 | - |
| County Assembly | 760.3 | 30 | 63.3 | - | 63.3 | - | 100 | - | 8.3 | - |
| TOTAL | 5,387 | 2,462 | 696.71 | - | 696.71 | - | 100 | - | 12.9 | - |

Source: Garissa County Treasury

Analysis of budget performance by department shows that the Trade, Cooperative and Youth Department attained the highest recurrent expenditure to recurrent budget at 40.7 per cent while the County Assembly had the lowest at 8.3 per cent. There was no development expenditure in the period under review.

3.7.9 Observations and Recommendations

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

- Timely preparation and approval of the County budget documents.
- Establishment of the County Budget and Economic Forum as per Section 137 of the PFM Act, 2012.

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

- 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.
- Under-performance in local revenue collection. Local revenue collection declined by 53.9 per cent from Kshs.21.42 million in the first quarter of FY 2016/17 to Kshs.9.87 million in the reporting period.

3. Failure to designate Fund Administrators for the Scholarship and Emergency Funds contrary to Section 116 of the PFM Act, 2012.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
- 2. The County Treasury should formulate and implement strategies to enhance local revenue collection.*
- 3. The County Treasury should designate Administrators for all established County Funds in line with Section 116 of PFM Act, 2012.*
- 4. The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
- 5. The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.8 Homabay County

3.8.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.19 billion, comprising of Kshs.4.98 billion (69.3 per cent) and Kshs.2.21 billion (30.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.52 billion (90.7 per cent) as equitable share of revenue raised nationally, Kshs.458.51 million (6.4 per cent) as total conditional grants and generate Kshs.209.46 million (2.9 per cent) from local revenue sources.

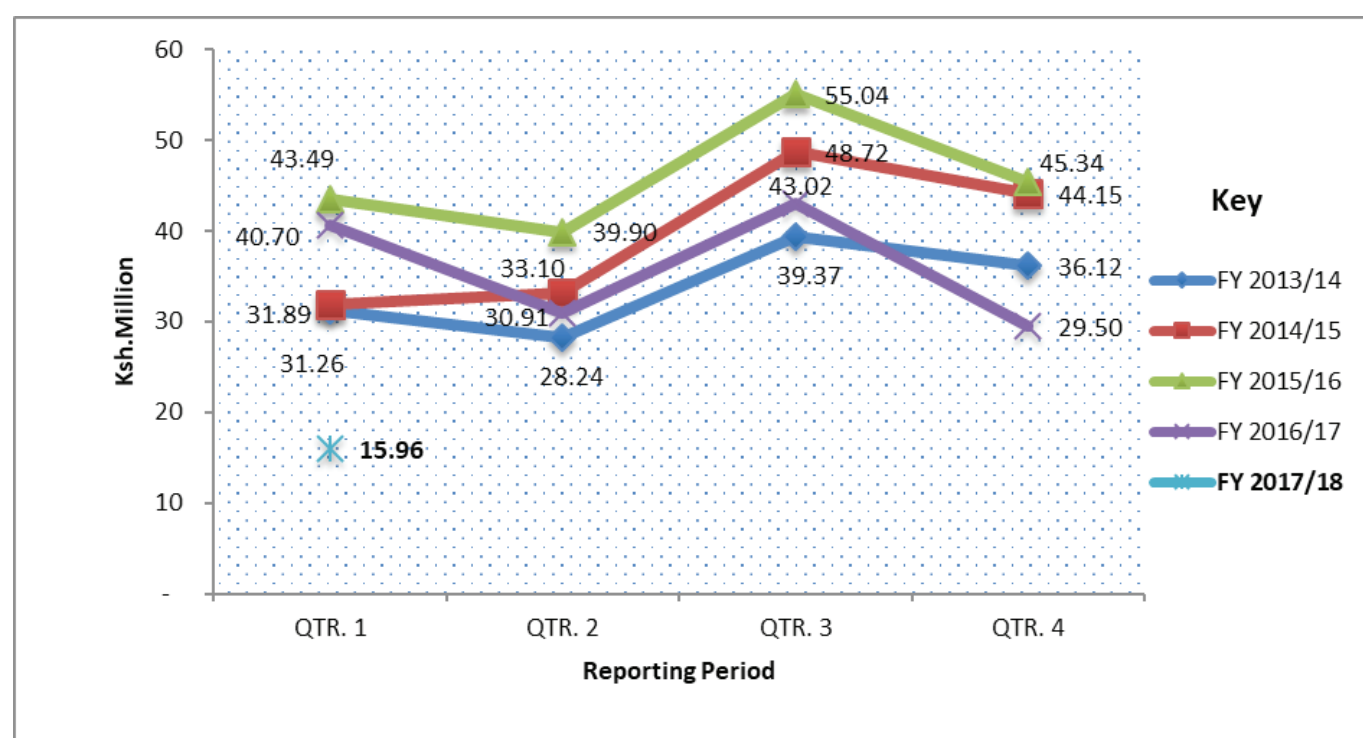
The conditional grants contained in the CARA, 2017 of Kshs.630 million comprise of Kshs.240.09 million (52.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.19 million (4.8 per cent) as Compensation for User Fee Foregone, Kshs.16.27 million (3.5 per cent) from DANIDA, Kshs.143.27 million (31.2 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.46.23 million (10.1 per cent) for the World Bank Kenya Devolution Support Program, Kshs.52.96 million (11.6 per cent) for Development of Youth Polytechnics, Kshs.59 million (12.9 per cent) as World Bank Loan for Transforming Health System for Universal Care System and Kshs.50 million (10.9 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project.

3.8.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.913.24 million as equitable share of the revenue raised nationally, Kshs.111.88 million as total conditional allocations, raised Kshs.15.96 million from local revenue sources, and had a cash balance of Kshs.187.66 million from FY 2016/17. The available funds amounted to Kshs.1.21 billion.

Figure 3.22 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.22: Homabay County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Homabay County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.15.96 million, representing a decrease of 60.8 per cent compared to Kshs.40.7 million generated in a similar period of FY 2016/17, and represented 7.6 per cent of the annual local revenue target.

3.8.3 Conditional Grants

Table 3.15 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.15: Homabay County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|----------|------------------------------------|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 240, 088, 313 | 240, 088, 313 | 111, 881, 153 | 46.6 |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|--|--|------------------------------------|--|--|
| 2 | World Bank loan to supplement financing of County Health facilities | 143, 273, 008 | 143, 273, 008 | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 46, 229, 187 | - | - | - |
| 4 | Compensation for User Fee Foregone | 22, 185, 346 | 22, 185, 313 | - | - |
| 5 | DANIDA Grant | 16, 269, 325 | - | - | - |
| 6 | Development of Youth Polytechnics | 52, 958, 942 | 52, 958, 942 | - | - |
| 7 | World Bank Loan for Transforming Health System for Universal Care System | 59, 001, 485 | - | - | - |
| 8 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | - | - | - |
| Total | | 630, 005, 606 | 458, 505, 576 | 111, 881, 153 | 24.4 |

Source: Homabay County Treasury

Analysis of the conditional grants released during the period under review indicates that, only Road Maintenance Fuel Levy Fund received Kshs.111.97 million which represented 46.6 per cent of annual allocation.

3.8.4 Exchequer Issues

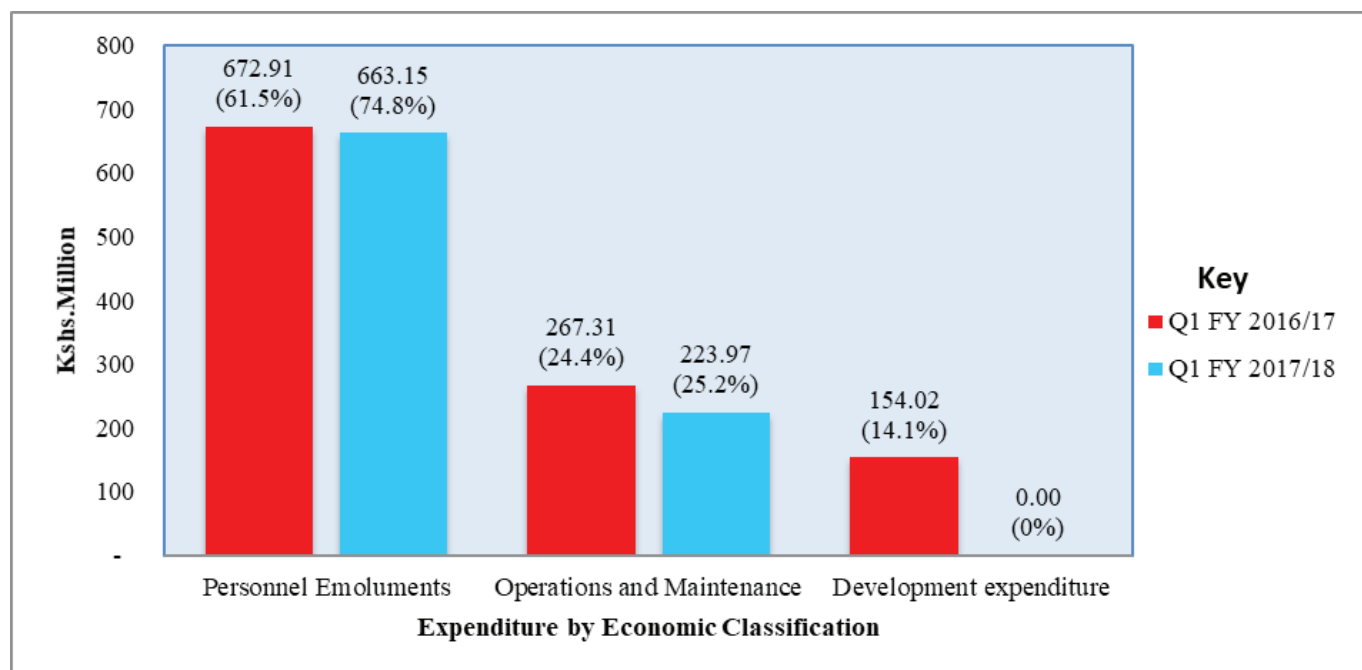
During the reporting period, the Controller of Budget authorized withdrawal of Ksh.897.5 million from the CRF account, which was 12.5 per cent of the Approved Budget. This amount was a decrease of 16.9 per cent from Kshs.1.08 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

3.8.5 Overall Expenditure Review

The County incurred Kshs.887.11 million, which was 98.8 per cent of the total funds released for operations. This was a decrease of 18.9 per cent from Kshs.1.09 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.887.11 million was incurred on recurrent activities and represented 98.8 per cent of the funds released for recurrent activities. The recurrent expenditure represented 17.8 per cent of the annual recurrent budget, a decrease from 22.2 per cent incurred in a similar period of FY 2016/17. Figure 3.23 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.23: Homabay County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



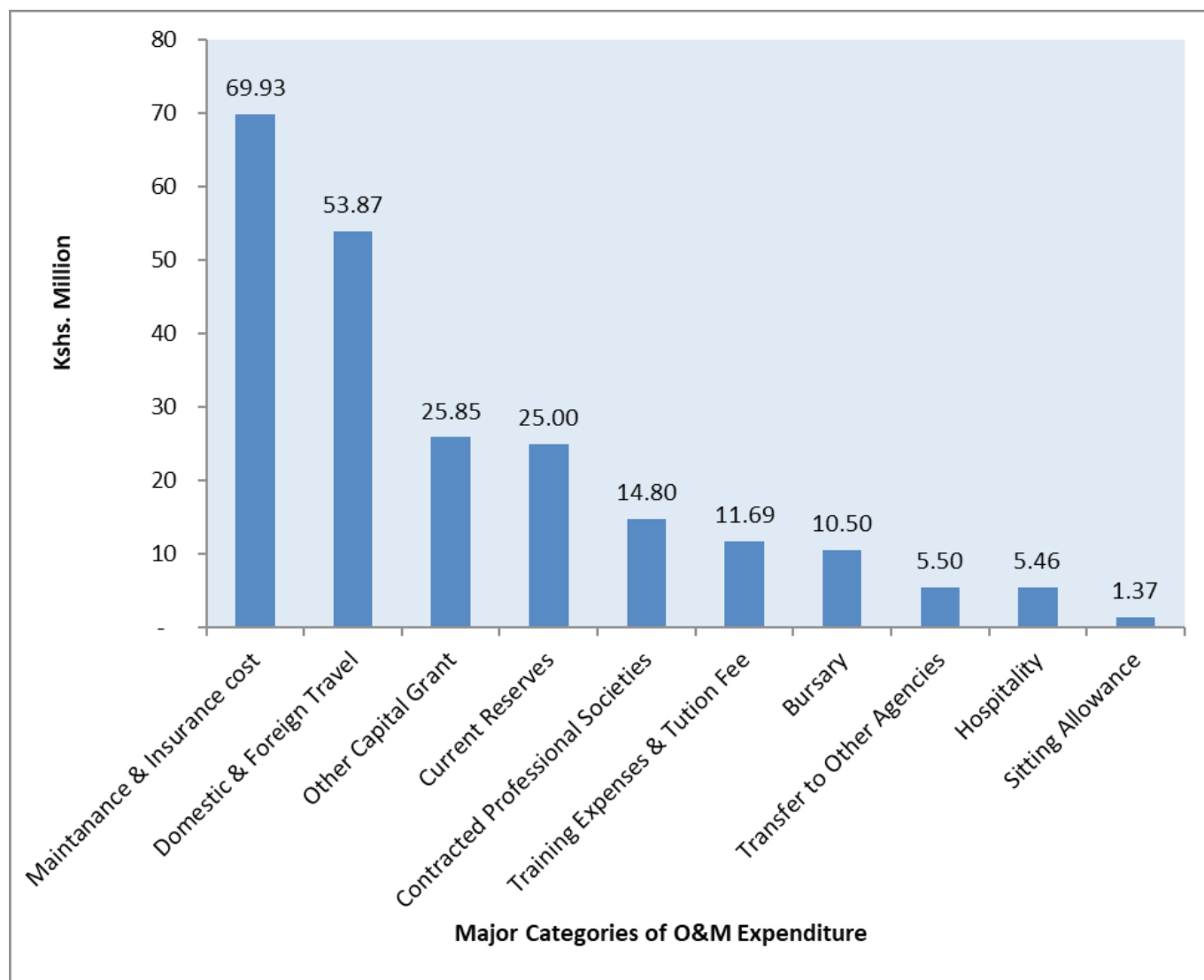
Source: Homabay County Treasury

3.8.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.887.11 million consisted of Kshs.663.15 million (74.8 per cent) incurred on personnel emoluments and Kshs.223.97 million (25.2 per cent) on operations and maintenance as shown in Figure 3.23.

Expenditure on personnel emoluments represented a decrease of 1.5 per cent compared to Kshs.672.91 million incurred in the first quarter of FY 2016/17, and was 74.8 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.24 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.24: Homabay County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Homabay County Treasury

The County incurred Kshs.1.37 million on sitting allowances to the 60 MCAs against the annual budget allocation of Kshs.111.04 million. This was a decrease of 95.5 per cent compared to Kshs.30.55 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.7,374 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.53.87 million and consisted of Kshs.19.97 million incurred by the County Assembly and Kshs.33.9 million by the County Executive. It represented 6.1 per cent of total recurrent expenditure and was a decrease of 25.2 per cent compared to Kshs.71.99 million incurred in the first quarter of FY 2016/17.

3.8.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.8.8 Budget and Budget Performance Analysis by Department

Table 3.16 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.16: Homabay County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|--------------------------------------|----------------------------------|---------------|---|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, Livestock and Fisheries | 191.61 | 202 | 35 | - | 33.33 | - | 95.2 | - | 17.4 | - |
| Tourism, Culture and Sports | 83.2 | 66 | 16 | - | 7.16 | - | 44.8 | - | 8.6 | - |
| Transport and Infrastructure | 73.59 | 614.06 | 26 | - | 10.99 | - | 42.3 | - | 14.9 | - |
| Energy and Natural Resources | 33.99 | 90 | 7.2 | - | 4.4 | - | 61.1 | - | 12.9 | - |
| Education and ICT | 467.2 | 102 | 107.3 | - | 92.75 | - | 86.4 | - | 19.9 | - |
| Health | 1, 854.74 | 300 | 332.8 | - | 358.47 | - | 107.7 | - | 19.3 | - |
| Land, Housing and Physical Planning | 57.27 | 82 | 15.1 | - | 7.27 | - | 48.2 | - | 12.7 | - |
| Trade, Industry and Investment | 182.18 | 116 | 42.9 | - | 23.20 | - | 54.1 | - | 12.7 | - |
| Water and Environment | 122.77 | 437 | 38.2 | - | 27.83 | - | 72.8 | - | 22.7 | - |
| Finance and Economic Planning | 289.01 | 88.94 | 39 | - | 84.73 | - | 217.3 | - | 29.3 | - |
| Office Of The Governor | 514.7 | 88 | 57.3 | - | 119.46 | - | 208.5 | - | 23.2 | - |
| County Public Service Board | 105.9 | 12 | 10.7 | - | 12.50 | - | 116.8 | - | 11.8 | - |
| County Assembly Service Board | 1, 003.97 | 13 | 170 | - | 105.02 | - | 61.8 | - | 10.5 | - |
| TOTAL | 4, 980.13 | 2, 211 | 897.5 | - | 887.11 | - | 98.8 | - | 17.8 | - |

Source: Homabay County Treasury

Analysis of budget performance by department shows that the Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 29.3 per cent while the Department of Tourism, Culture and Sports had the lowest at 8.6 per cent.

3.8.9 Observations and Recommendations

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

- Improvement in human capacity through recruitment of key staff and continuous training.
- Development and commissioning of an automated revenue collection system which is expected to enhance local revenue collection.
- Timely preparation and approval of the County budget documents such as the Annual Development Plan (ADP) and County Fiscal Strategy Paper (CFSP) and Budget Estimates.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.913.24 million had been disbursed against expected disbursement of Kshs.1.37 billion.
2. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, Emergency Fund, Bursary Fund, and the Aswekra Fund contrary to Section 168 of the PFM Act, 2012.
3. Under-performance in local revenue collection, which declined by 60.8 per cent from Kshs.40.70 million in the first quarter of FY 2016/17 to Kshs.15.96 million in the reporting period.
4. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement schedule.*
2. *All Fund Administrators should ensure timely submission of expenditure reports on the established Funds in line with Section 168 of the PFM Act, 2012.*
3. *The CECM-F should fully operationalize the local revenue automation system so as to improve its collection.*
4. *The County should liaise with IFMIS Directorate for support in the use of IFMIS and the E-procurement module.*
5. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.9 Isiolo County

3.9.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.4.28 billion, comprising of Kshs.2.72 billion (63.5 per cent) and Kshs.1.56 billion (36.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.78 billion (88.1 per cent) as equitable share of revenue raised nationally, Kshs.383.95 million (7.6 per cent) as total conditional grants and generate Kshs.182.86 million (4.3 per cent) from local revenue sources. The County did not budget for cash balance of Kshs.5.64 million from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.383.95 million comprise of Kshs.130.25 million (33.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.3.47 million (0.9 per cent) as Compensation for User Fee Foregone, Kshs.121 million (31.5 per cent) for Construction

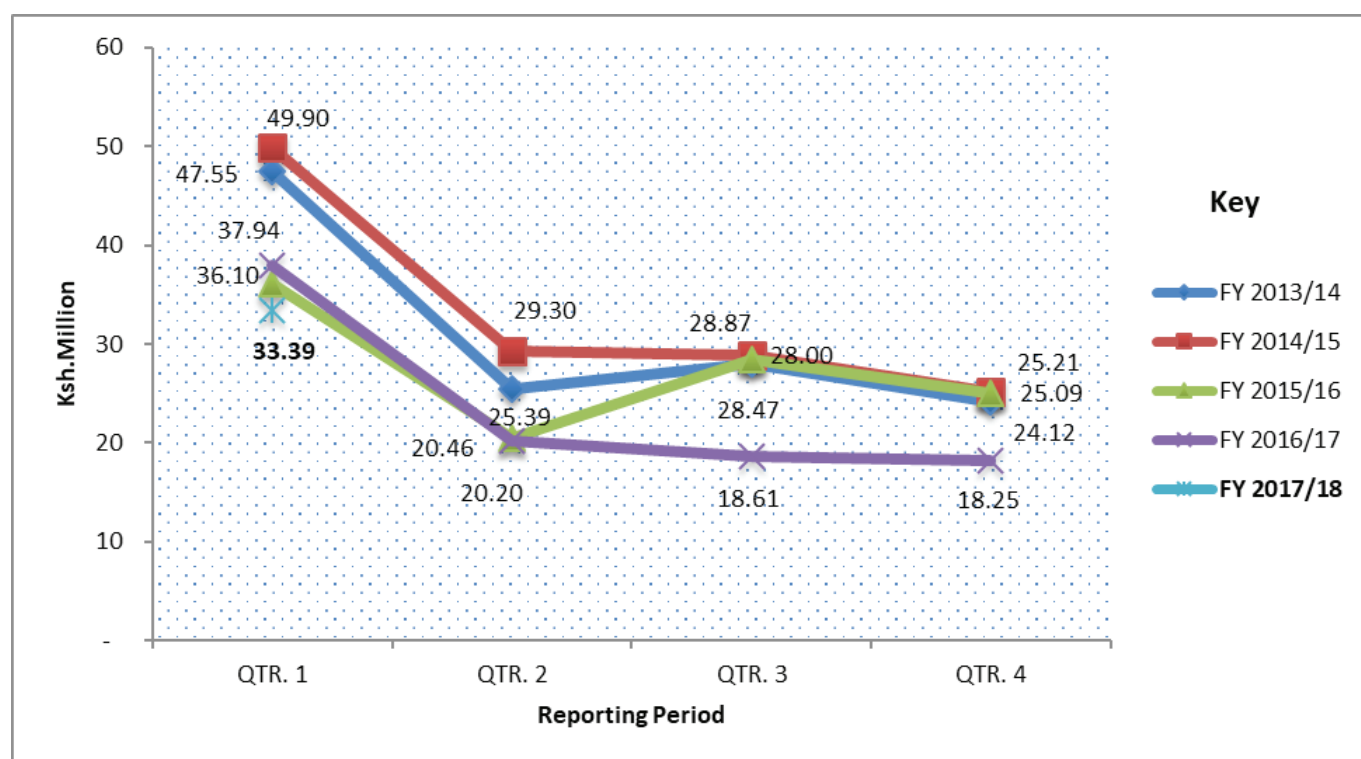
of County Headquarters, Kshs.36.11 million (9.4 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.26.17 million (6.8 per cent) for Development of Youth Polytechnics, Kshs.45.53 million (11.9 per cent) World Bank loan for Transforming Health Systems for Universal Care, Kshs.12.61 million (3.3 per cent) as World Bank loan to supplement financing of County Health facilities, and Kshs.8.48 million (2.3 per cent) from Other Loans and Grants.

3.9.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.528.5 million as equitable share of the revenue raised nationally, Kshs.60.74 million as total conditional allocations, raised Kshs.33.39 million from local revenue sources, and had a cash balance of Kshs.5.64 million from FY 2016/17. The available funds amounted to Kshs.628.26 million.

Figure 3.25 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.25: Isiolo County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Isiolo County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.33.39 million, representing a decrease of 12 per cent compared to Kshs.37.94 million generated in a similar period of FY 2016/17, and represented 18.3 per cent of the annual local revenue target.

3.9.3 Conditional Grants

Table 3.17 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.17: Isiolo County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|------------------|--|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 130, 230, 858 | 130, 230, 858 | 60, 736, 583 | 46.6 |
| 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 | - | - |
| 4 | World Bank loan to supplement financing of County Health facilities | 12, 607, 500 | 25, 215, 000 | - | - |
| 5 | Other Loans & Grants | 8, 824, 953 | 8, 824, 953 | - | - |
| 6 | Compensation for User Fee Foregone | 3, 472, 461 | 3, 472, 461 | - | - |
| 7 | Development of Youth Polytechnics | 26, 166, 698 | - | - | - |
| 8 | World Bank Loan for Transforming Health System for Universal Care System | 45, 533, 088 | - | - | - |
| Sub Total | | 383, 948, 879 | 324, 856, 593 | 60, 736, 583 | 15.8 |

Source: Isiolo County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received Kshs.60.74 million from the Road Maintenance Fuel Levy Fund, which was 46.6 per cent of the annual allocation. The County did not receive funds from the other conditional allocations.

3.9.4 Exchequer Issues

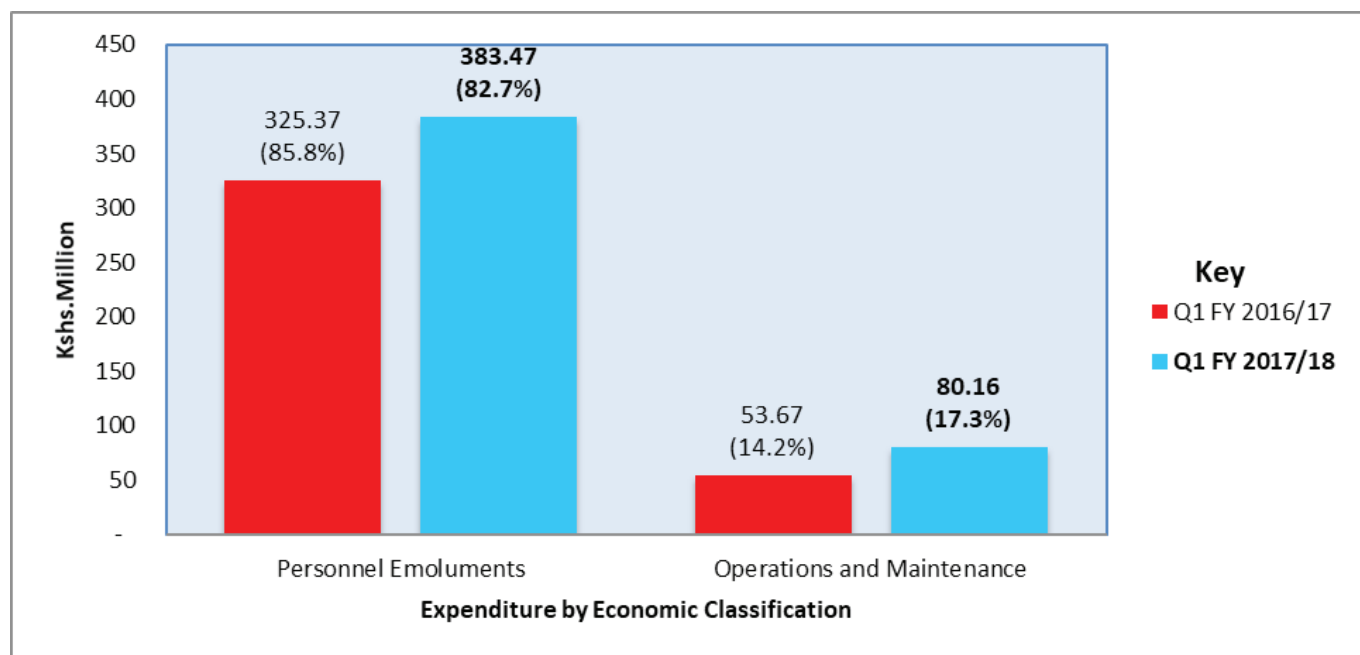
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.487 million from the CRF account, which was 11.4 per cent of the Approved Budget. This amount was a decrease of 0.4 per cent from Kshs.588.73 million authorized in a similar period of FY 2016/17. This amount was entirely for recurrent expenditures.

3.9.5 Overall Expenditure Review

The County incurred Kshs.463.64 million, which was 95.2 per cent of the total funds released for operations. This was an increase of 22.3 per cent from Kshs.379.04 million incurred in the first quarter of FY 2016/17.

The recurrent expenditure was 95.2 per cent of the funds released for recurrent activities while there was no development expenditure during the period under review. The recurrent expenditure represented 17 per cent of the annual recurrent budget, a slight increase from 16.8 per cent incurred in a similar period of FY 2016/17. Figure 3.26 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.26: Isiolo County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



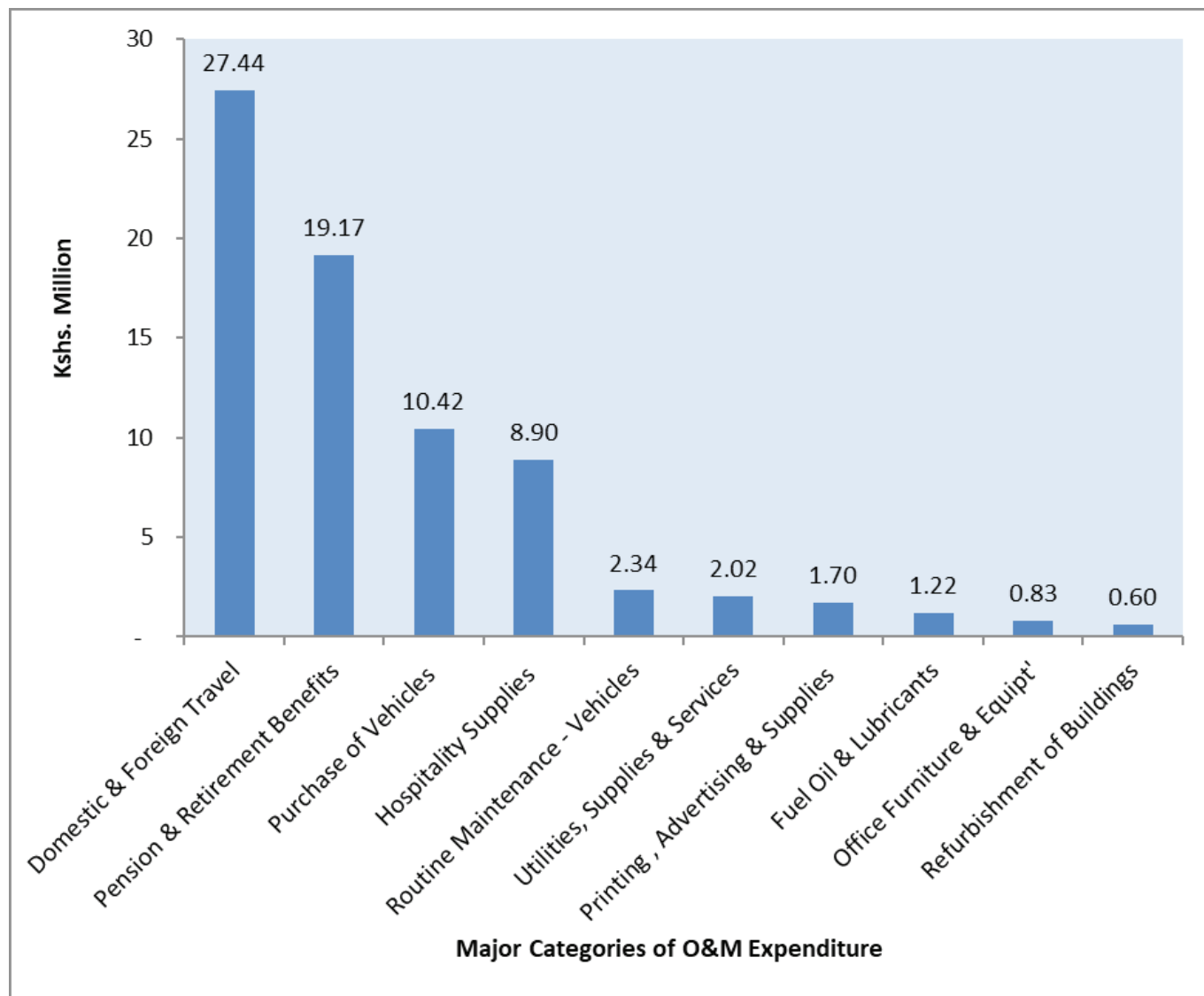
Source: Isiolo County Treasury

3.9.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.463.64 million consisted of Kshs.383.47 million (82.7 per cent) incurred on personnel emoluments and Kshs.80.16 million (17.3 per cent) on operations and maintenance as shown in Figure 3.26.

Expenditure on personnel emoluments represented an increase of 17.9 per cent compared to Kshs.325.37 million incurred in the first quarter of FY 2016/17, and was 82.7 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.27 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.27: Isiolo County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Isiolo County Treasury

The County incurred Kshs.942,180 on committee sitting allowances to the 17 MCAs against the annual budget allocation of Kshs.39.04 million. This was a decrease of 67.3 per cent compared to Kshs.2.88 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.18,474 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.27.44 million and consisted of Kshs.20.3 million incurred by the County Assembly and Kshs.7.13 million by the County Executive. It represented 5.9 per cent of total recurrent expenditure and was a decrease of 12.2 per cent compared to Kshs.31.24 million incurred in the first quarter of FY 2016/17.

3.9.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.9.8 Budget and Budget Performance Analysis by Department

Table 3.2 Table 3.18 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.18: Isiolo County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|--|----------------------------------|------------------|---|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 423.97 | 252 | 94 | - | 73.9 | | 78.6 | - | 17.4 | - |
| Office of the Governor | 240.2 | 114 | 48.14 | - | 43.65 | | 90.7 | - | 18.2 | - |
| County Public Service Board | 82 | - | 9.5 | - | 9.74 | | 102.5 | - | 11.9 | - |
| Office of the County Secretary | 20 | - | 1 | - | 1.67 | | 167.1 | - | 8.4 | - |
| County treasury and Planning | 347.21 | 240 | 66.39 | - | 59.54 | | 89.7 | - | 17.1 | - |
| Lands Development | 40 | 40 | 3.18 | - | 4.99 | | 157.0 | - | 12.5 | - |
| Roads, Housing and Works | 30 | 155 | 5.59 | - | 4.59 | | 82.1 | - | 15.3 | - |
| Agriculture | 70 | 50 | 12.59 | - | 12.26 | | 97.3 | - | 17.5 | - |
| Livestock and Fisheries | 95 | 100 | 18.54 | - | 17.97 | | 96.9 | - | 18.9 | - |
| Cohesion and Intergovernmental relations | 20 | 10 | 0.54 | - | 4.11 | | 767.3 | - | 20.5 | - |
| Education and Vocational training | 165 | 97.34 | 27.9 | - | 27.37 | | 98.1 | - | 16.6 | - |
| Sports, Youth and Culture | 15 | 30 | 2.12 | - | 1.44 | | 67.8 | - | 9.6 | - |
| Tourism, culture and Social services | 110 | 60 | 20.2 | - | 21.83 | | 108.1 | - | 19.8 | |
| Public Service Management and ICT | 85 | 20 | 6.83 | - | 3.50 | | 51.3 | - | 4.1 | - |
| Water and Irrigation | 66.36 | 130 | 11.25 | - | 6.76 | | 60.1 | - | 10.2 | - |
| Environment and Natural Resources | 40 | 30 | 4.08 | - | 7.09 | | 173.8 | - | 17.7 | - |
| Medical Services | 450 | 70 | 82.85 | - | 89.18 | | 107.6 | - | 19.8 | - |
| Public Health | 381.24 | 113 | 70.65 | - | 69.05 | | 97.7 | - | 18.1 | - |
| Trade, Industrialization | 30.63 | 30 | 1.24 | - | 3.45 | | 277.6 | - | 11.3 | - |
| Town Administration | 9.77 | 20 | 0.42 | - | 1.55 | | 370.6 | - | 15.9 | - |
| TOTAL | 2, 721.38 | 1, 561.34 | 487 | - | 463.64 | - | 95.2 | - | 17 | - |

Source: Isiolo County Treasury

Analysis of budget performance by department shows that the Department of Cohesion and Intergovernmental Relations had the highest percentage of recurrent expenditure to recurrent budget at 20.5 per cent while the Department of Public Service Management and ICT had the lowest at 4.1 per cent.

3.9.9 Observations and Recommendations

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

- Timely preparation and approval of budget documents such as the County Fiscal Strategy Paper (CFSP) and Budget Estimates for FY 2017/18.
- Improvement in the use of IFMIS and Internet Banking systems in processing of financial

transactions.

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

1. Failure to pay suppliers in time which resulted in litigation. A total of Kshs.2.99 million was recovered directly from the County Collection Account through court orders.
2. Inadequate technical staff such as Engineers and Architects. The County relies on Kenya Rural Roads Authority (KERRA) staff for technical support, hence causing delays in the implementation of development budget
3. 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.
4. Late submission of financial reports by the County Treasury, which affected timely preparation of Budget Implementation Review Report by the Controller of Budget.
5. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of PFM Act 2012
6. Under-performance in local revenue collection, which declined by 12 per cent from Kshs.37.94 million in the first quarter of FY 2016/17 to Kshs.33.39 million in the reporting period.
7. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should ensure timely payment to suppliers to avoid litigation and associated legal costs.*
2. *The County Public Service Board should recruit the required technical staff in order to enhance supervision and quality of projects undertaken by the County.*
3. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 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 should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
6. The County Treasury should develop and implement strategies to improve local revenue collection.
7. The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.

3.10 Kajiado County

3.10.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.6.23 billion, comprising of Kshs.4.36 billion (70 per cent) and Kshs.1.87 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.01 billion (80.4 per cent) as equitable share of revenue raised nationally, Kshs.231.92 million (3.7 per cent) as total conditional grants and generate Kshs.990.79 million (15.9 per cent) from local revenue sources.

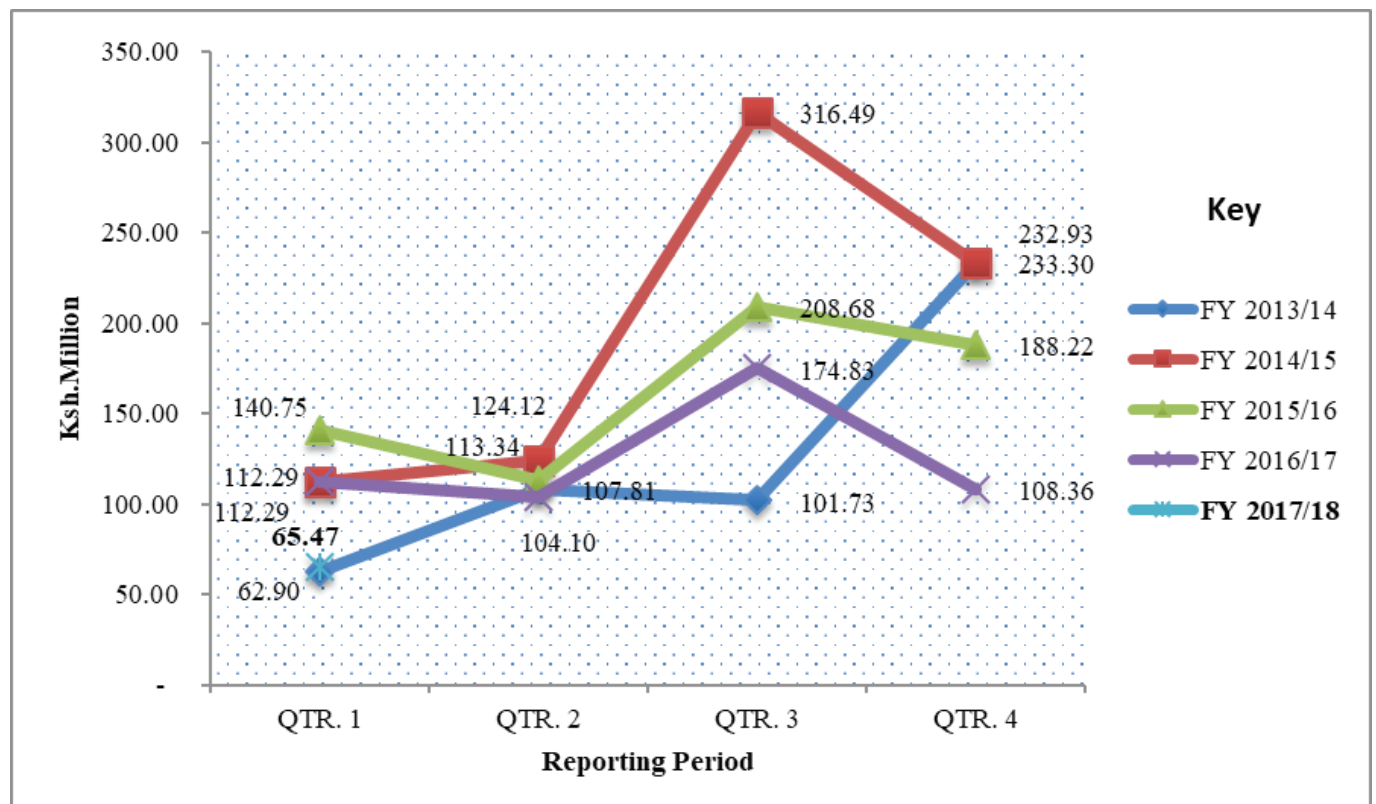
The conditional grants contained in the CARA, 2017 of Kshs.510.52 million comprise of Kshs.188.01 million (81.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.96 million (7.3 per cent) as Compensation for User Fee Foregone, Kshs.25.72 million (11.1 per cent) from DANIDA, Kshs.37.65 million (16.2 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.95.74 million (41.3 per cent) Grant for Leasing of Medical Equipment, Kshs.42.83 million (18.5 per cent) for the World Bank Kenya Devolution Support Program, Kshs.26.99 million (11.6 per cent) for Development of Youth Polytechnics, Kshs.42.95 million (18.5 per cent) as World Bank Loan for Transforming Health System for Universal Care System, and Kshs.33.67 million (14.5 per cent) from Other Loans and Grants.

3.10.2 Revenue Analysis

During the first quarter of FY 2017/18, the County raised Kshs.65.47 million from local revenue sources, received Kshs.87.61 million as conditional grants and had Kshs.799.14 million as cash balance from FY 2016/17. The County did not receive any funds from the equitable share of the revenue raised nationally. The available funds amounted to Kshs.864.61 million.

Figure 3.28 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.28: Kajiado County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kajiado County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.65.47 million, representing a decrease of 41.7 per cent compared to Kshs.112.29 million generated in a similar period of FY 2016/17, and represented 6.6 per cent of the annual local revenue target.

3.10.3 Conditional Grants

Table 3.19 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.19: Kajiado County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|----------|---|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 188, 008, 411 | 133, 875, 000 | 87, 611, 920 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | - | - | - |
| 3 | World Bank loan to supplement financing of County Health facilities | 37, 645, 000 | 54, 758, 022 | - | - |
| 4 | Kenya Devolution Support Programme (KDSP) | 42, 829, 648 | 26, 973, 910 | - | - |
| 5 | Compensation for User Fee Foregone | 16, 955, 365 | 16, 311, 160 | - | - |
| 6 | DANIDA Grant | 25, 719, 948 | - | - | - |
| 7 | Development of Youth Polytechnics | 26, 990, 230 | - | - | - |
| 8 | Other Loans & Grants | 33, 670, 568 | - | - | - |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|--|--|------------------------------------|--|--|
| 9 | World Bank Loan for Transforming Health System for Universal Care System | 42, 954, 113 | - | - | - |
| Total | | 510, 517, 964 | 231, 918, 092 | 87, 611, 920 | 17.2 |

Source: Kajiado County Treasury

Analysis of the conditional grants released during the period shows that the County received Kshs.87.61 million from the Road Maintenance Fuel Levy Fund while the other conditional grants did not record any receipt in the period under review.

3.10.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.808.64 million from the CRF account, which was 6.6 per cent of the Approved Budget. This amount was a decrease of 66 per cent from Kshs.1.22 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

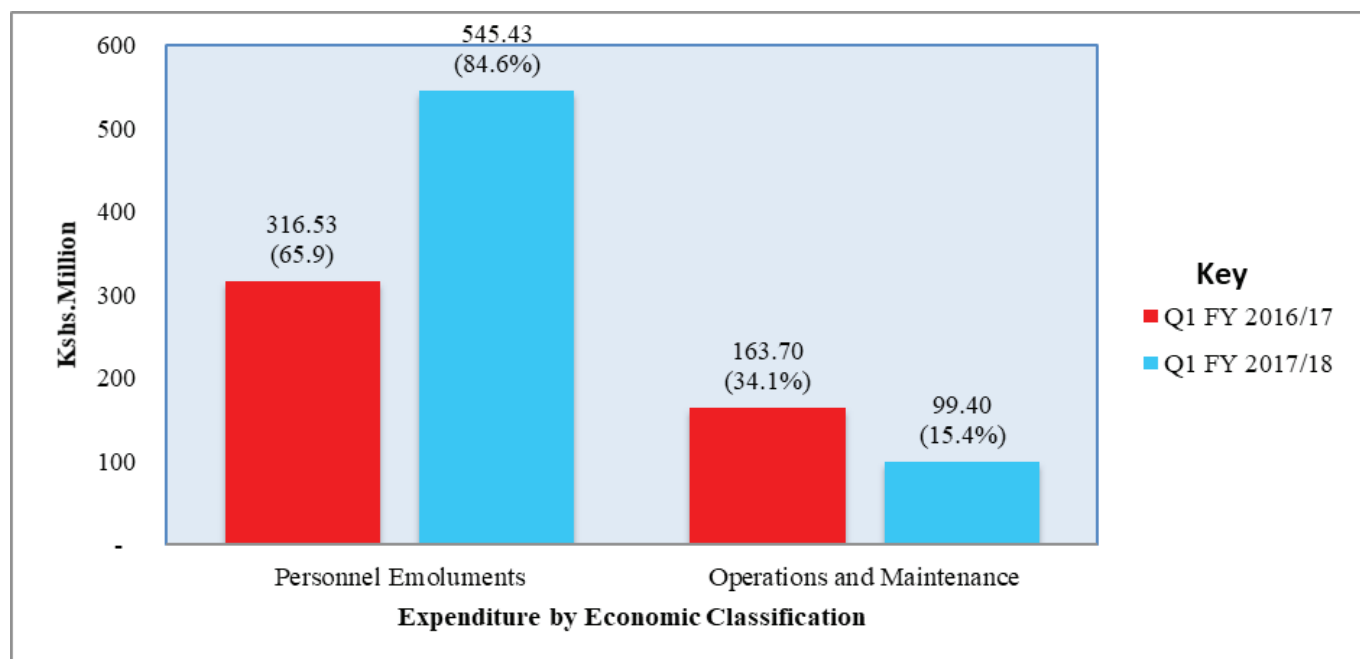
3.10.5 Overall Expenditure Review

The County incurred Kshs.644.82 million, which was 79.7 per cent of the total funds released for operations. This was an increase of 34.3 per cent from Kshs.480.23 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.644.82 million was incurred on recurrent activities and represented 79.7 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.90.24 million for recurrent expenditure.

The recurrent expenditure represented 14.8 per cent of the annual recurrent budget, a decrease from 39.4 per cent incurred in a similar period of FY 2016/17. Figure 3.29 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.29: Kajiado County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



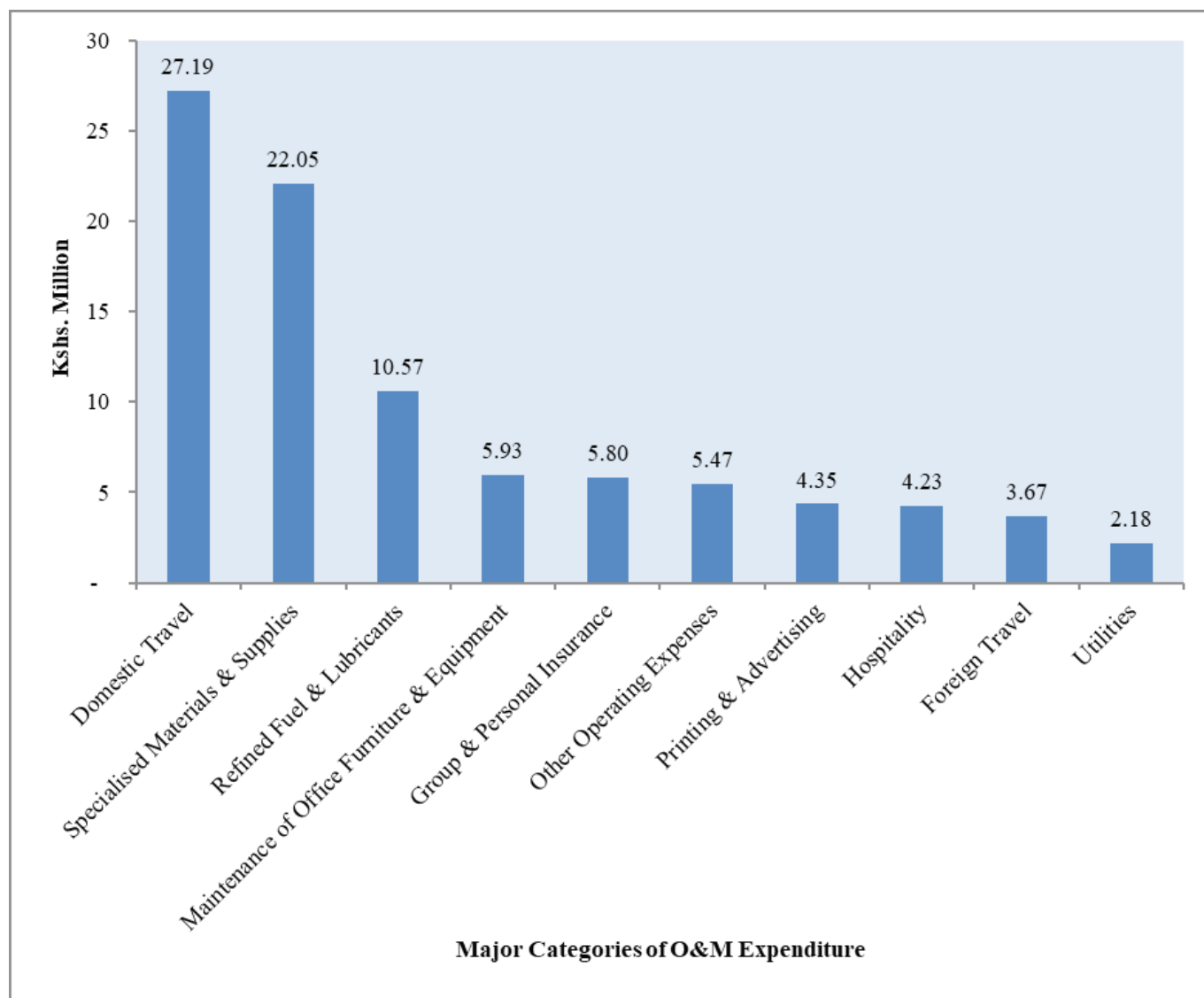
Source: Kajiado County Treasury

3.10.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.644.82 million consisted of Kshs.545.43 million (84.6 per cent) incurred on personnel emoluments and Kshs.99.4 million (15.4 per cent) on operations and maintenance as shown in Figure 3.29.

Expenditure on personnel emoluments represented an increase of 72.3 per cent compared to Kshs.316.53 million incurred in the first quarter of FY 2016/17, and was 84.6 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.30 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.30: Kajiado County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kajiado County Treasury

The County Assembly did not incur any costs on committee sitting allowance to the MCAs. Expenditure on domestic and foreign travel amounted to Kshs.30.87 million and consisted of Kshs.8.52 million incurred by the County Assembly and Kshs.22.35 million by the County Executive. It represented 4.8 per cent of total recurrent expenditure and was a decrease of 46.3 per cent compared to Kshs.57.43 million incurred in the first quarter of FY 2016/17.

3.10.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.10.8 Budget and Budget Performance Analysis by Department

Table 3.20 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.20: Kajiado County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs.Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|----------------------------------|------------------|--|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor and the Deputy Governor | 133.37 | - | 32.43 | - | 24.27 | - | 74.8 | - | 18.2 | - |
| County Public Service Board | 82.48 | - | 13.89 | - | 13.32 | - | 95.9 | - | 16.1 | - |
| Education, Youth, Sports and Culture | 325.8 | 248.1 | 48.01 | - | 47.37 | - | 98.7 | - | 14.5 | - |
| Health Services | 1, 739.31 | 325.34 | 384.3 | - | 312.61 | - | 81.3 | - | 18 | - |
| ICT, Gender and Social Services | 63.36 | 53.2 | 11.16 | - | 6.97 | - | 62.4 | - | 11 | - |
| Agriculture, Livestock and Fisheries | 254.89 | 52.6 | 50.37 | - | 50.53 | - | 100 | - | 19.8 | - |
| Water and Irrigation | 75.28 | 230.8 | 16 | - | 13.46 | - | 84.1 | - | 17.9 | - |
| Public Works, Roads, Energy and Transport | 112.29 | 385.88 | 23.68 | - | 19 | - | 80.3 | - | 16.9 | - |
| Public Service, Administration and Citizen Participation | 350.95 | - | 43.33 | - | 36.65 | - | 84.6 | - | 10.4 | - |
| Finance and Economic Planning | 370.68 | 376.8 | 67.53 | - | 43.82 | - | 64.9 | - | 11.8 | - |
| Industrialization & Enterprise Development | 86.57 | 66.42 | 18.03 | - | 10.40 | - | 57.7 | - | 12 | - |
| Lands, Physical Planning, Environment, Wildlife and Natural Resources | 164.27 | 31.98 | 29.19 | - | 28.98 | - | 99.3 | - | 17.6 | - |
| County Assembly | 603.79 | 100 | 70.72 | - | 37.45 | - | 53 | - | 6.2 | - |
| TOTAL | 4, 363.04 | 1, 871.12 | 808.64 | - | 644.82 | - | 79.7 | - | 14.8 | - |

Source: Kajiado County Treasury

Analysis of budget performance by department shows that the Agriculture, Livestock and Fisheries Department attained the highest percent of recurrent expenditure to recurrent budget at 19.8 per cent while the County Assembly attained the lowest percentage at 6.2 per cent. There was no expenditure on development budget during the period under review.

3.10.9 Observations and Recommendations

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

- Timely preparation and approval of the County budget documents such as the Annual Development Plan (ADP), County Fiscal Strategy Paper (CFSP), and Budget Estimates.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury which led to low absorption of the budget.
- Delay by Fund Administrators to submit expenditure reports of the County established Funds contrary to Section 168 of the PFM Act, 2012.
- Under-performance in local revenue collection, which declined by 41.7 per cent from Kshs.112.29 million in the first quarter of FY 2016/17 to Kshs.65.47 million in the reporting period.

4. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.11 Kakamega County

3.11.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.13.17 billion, comprising of Kshs.6.84 billion (52 per cent) and Kshs.6.33 billion (48 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.94 billion (75.4 per cent) as equitable share of revenue raised nationally, Kshs.822.55 million (6.2 per cent) as total conditional grants, and generate Kshs.952.57 million (7.2 per cent) from local revenue sources, and Kshs.1.28 billion (9.7 per cent) cash balance from FY 2016/17.

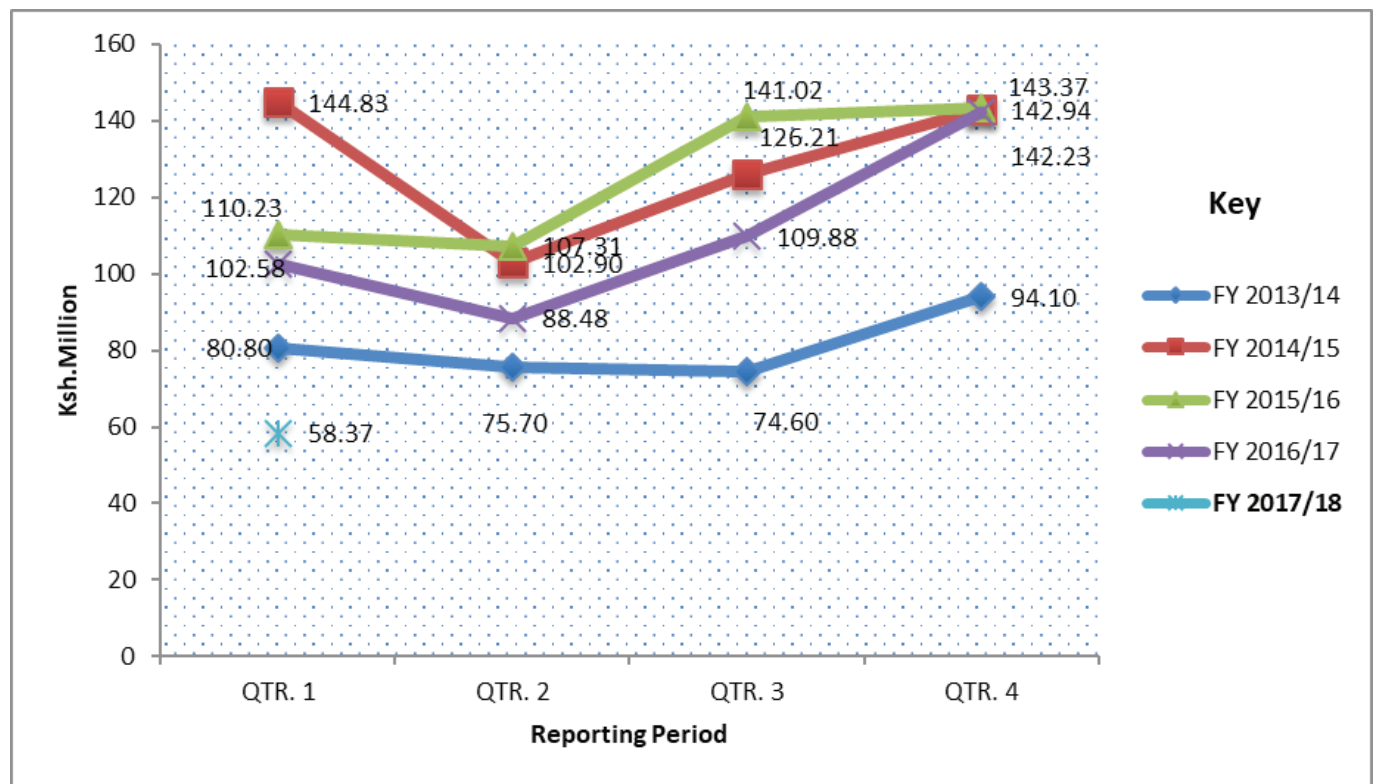
The conditional grants contained in the CARA, 2017 of Kshs.1.23 billion comprise of Kshs.95.74 million (11.6 per cent) for World Bank Loan to supplement financing of County Health facilities, Kshs.379.55 million (46.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.37.79 million (4.6 per cent) as Compensation for User Fee Foregone, Kshs.25.72 million (3.1 per cent) from DANIDA, Kshs.427.28 million (51.9 per cent) for Level-5 Hospital, Kshs.59.31 million (7.2 per cent) from Kenya Devolution Support Programme (KDSP) level 1 grant, Kshs.110 million (13.4 per cent) as World Bank loan Transforming Health System for Universal Care System, Kshs.28.06 million (3.4 per cent) for Development of Youth Polytechnics and Kshs.64.14 million (7.8 per cent) from Other Loans and Grants.

3.11.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.383.6 million as equitable share of the revenue raised nationally, Kshs.177.01 million as total conditional allocations, raised Kshs.58.37 million from local revenue sources, and had a cash balance of Kshs.1.73 billion brought forward from FY 2016/17. The available funds amounted to Kshs.2.35 billion.

Figure 3.31 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.31: Kakamega County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kakamega County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.58.37 million, representing a decrease of 43.1 per cent compared to Kshs.102.58 million generated in a similar period of FY 2016/17, and represented 6.1 per cent of the annual local revenue target.

3.11.3 Conditional Grants

Table 3.21 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.21: Kakamega County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|----------|---|--|------------------------------------|---|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 379, 552, 256 | 266, 175, 000 | 177, 014, 169 | 46.6 |
| 2 | World Bank loan to supplement financing of County Health facilities | 95, 744, 681 | - | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 59, 311, 725 | 41, 307, 447 | - | - |
| 4 | Compensation for User Fee Foregone | 37, 789, 290 | 37, 789, 290 | - | - |
| 5 | DANIDA Grant | 25, 719, 948 | - | - | - |
| 6 | Level-5 Hospitals | 427, 283, 237 | 427, 283, 237 | - | - |
| 7 | Development of Youth Polytechnics | 28, 060, 821 | - | - | - |
| 8 | Other Loans & Grants | 64, 145, 971 | - | - | - |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|--|--|------------------------------------|---|--|
| 9 | World Bank Loan for Transforming Health System for Universal Care System | 110, 000, 000 | 50, 000, 000 | - | - |
| Total | | 1, 227, 607, 929 | 822, 554, 974 | 177, 014, 169 | 14 |

Source: Kakamega County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund received Kshs.177.01 million representing a performance of 46.6 per cent of annual allocation. The other grants did not record any receipts during the reporting period.

3.11.4 Exchequer Issues

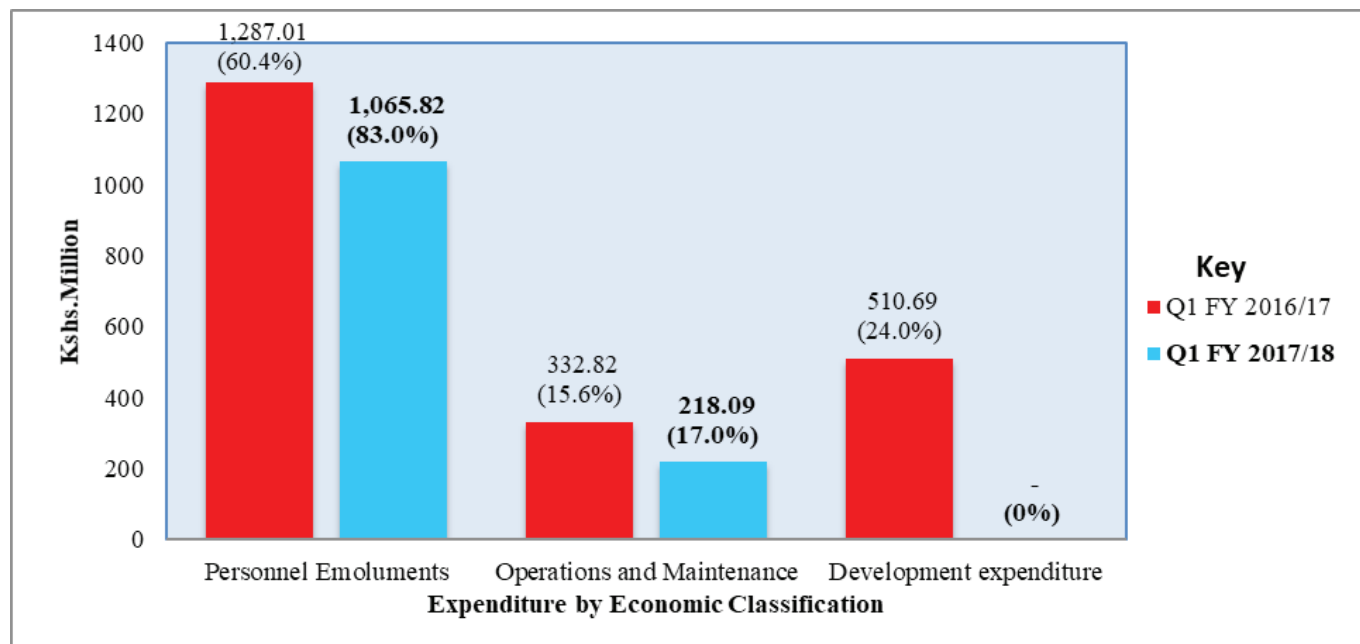
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.04 billion from the CRF account, which was 7.9 per cent of the Approved Budget. This amount was a decrease of 59.2 per cent from Kshs.2.55 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

3.11.5 Overall Expenditure Review

The County incurred Kshs.1.28 billion, which was 123.7 per cent of the total funds released for operations and a decrease of 39.7 per cent from Kshs.2.13 billion incurred in the first quarter of FY 2016/17. The entire amount was incurred on recurrent activities, and excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.15.92 million for recurrent expenditure.

The recurrent expenditure represented 18.8 per cent of the annual recurrent budget, a decrease from 25 per cent incurred in a similar period of FY 2016/17. Figure 3.32 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.32: Kakamega County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



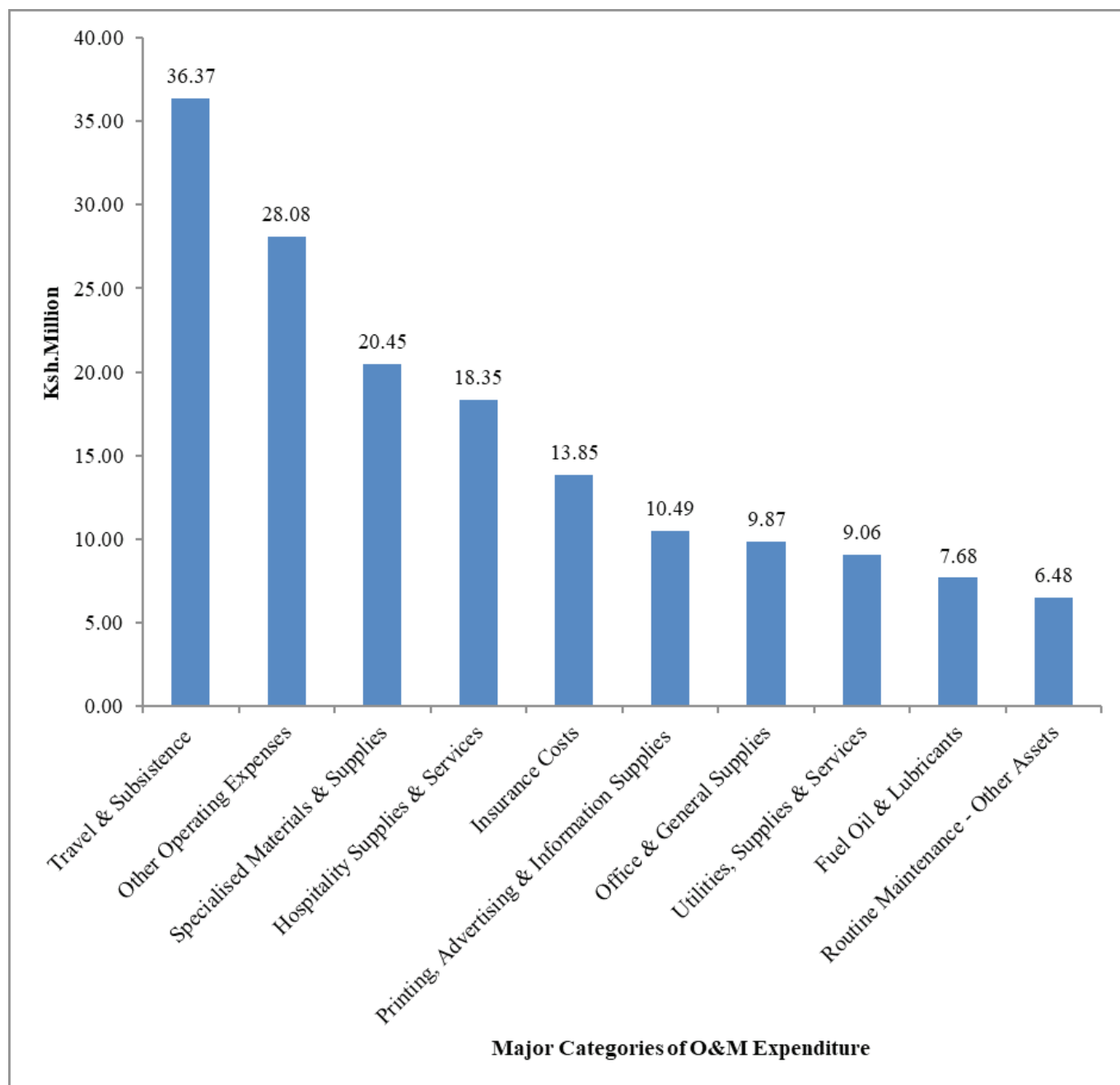
Source: Kakamega County Treasury

1.1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.28 billion consisted of Kshs.1.07 billion (83 per cent) incurred on personnel emoluments and Kshs.218.09 million (17 per cent) on operations and maintenance as shown in Figure 3.32.

Expenditure on personnel emoluments represented a decrease of 17.2 per cent compared to Kshs.1.29 billion incurred in the first quarter of FY 2016/17. Figure 3.33 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.33: Kakamega County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kakamega County Treasury

The County incurred Kshs.18.75 million on sitting allowances to the 88 MCAs against the annual budget allocation of Kshs.233.47 million. This was a decrease of 45.6 per cent compared to Kshs.29.58 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.71,027 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.36.37 million and consisted of Kshs.28.6 million incurred by the County Assembly and Kshs.7.77 million by the County Executive. It represented 2.8 per cent of total recurrent expenditure and was a decrease of 45.6 per cent compared to Kshs.66.87 million incurred in the first quarter of FY 2016/17.

3.11.6 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.11.7 Budget and Budget Performance Analysis by Department

Table 3.2 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.22: Kakamega County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs. Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|--|----------------------------------|--------------|---|----------|--|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 883.46 | 200 | 127.24 | - | 123.76 | - | 97.3 | - | 14 | - |
| Agriculture, Livestock, Fisheries & Cooperatives | 88.25 | 518 | 7.35 | - | 0.63 | - | 8.6 | - | 0.7 | - |
| Health Services | 556.49 | 1,600 | 79.92 | - | 60.33 | - | 75.5 | - | 10.8 | - |
| Education, Science & Technology | 34.42 | 382 | 2.87 | - | 0.43 | - | 15 | - | 1.2 | - |
| Transport, Infrastructure, Public Works & Energy | 18.92 | 1,900 | 1.58 | - | 0.25 | - | 15.8 | - | 1.3 | - |
| Lands, Housing, Urban Areas & Physical Planning | 96.39 | 229 | 8.01 | - | 7.08 | - | 88.4 | - | 7.3 | - |
| Social Services, Youth & Sports | 36.63 | 302.5 | 3.05 | - | 0.69 | - | 22.6 | - | 1.9 | - |
| Trade, Industrialization, & Tourism | 39.59 | 326 | 3.3 | - | 0.95 | - | 28.8 | - | 2.4 | - |
| Water, Environment, Forestry & Natural Resources | 41.34 | 219.2 | 3.45 | - | 0.85 | - | 24.6 | - | 2.1 | - |
| Public Service & Administration | 4,603.33 | 188.31 | 767.11 | - | 1,026.5 | - | 133.8 | - | 22.3 | - |
| Office of the Governor | 242.43 | 308.76 | 20.2 | - | 9.97 | - | 49.4 | - | 4.1 | - |
| County Treasury | 157.58 | 152 | 10.21 | - | 3.53 | - | 34.6 | - | 2.2 | - |
| County Public Service Board | 45.35 | - | 3.78 | - | - | - | - | - | - | - |
| TOTAL | 6,844 | 6,326 | 1,038 | - | 1283.91 | - | 123.7 | - | 18.8 | - |

Source: Kakamega County Treasury

Analysis of budget performance by department shows that the Public Service and Administration Department attained the highest percentage of recurrent expenditure to recurrent budget at 22.3 per cent while the County Public Service Board did not incur any recurrent expenditure.

1.1.7 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Timely submission of quarterly financial reports to the Controller of Budget in line with Section

166 of the PFM Act, 2012.

iii. Improved internet connectivity which enhanced the use of IFMIS.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Under-performance in local revenue collection, which declined by 43.1 per cent to Kshs.58.37 million compared to Kshs.102.58 million generated in a similar period of FY 2016/17.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure timely disbursement of funds in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.12 Kericho County

3.12.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.6.28 billion, comprising of Kshs.4.45 billion (70.9 per cent) and Kshs.1.83 billion (29.1per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.22 billion (83.2 per cent) as equitable share of revenue raised nationally, Kshs.319.73 million (5.1 per cent) as total conditional grants, and generate Kshs.735.67million (11.7 per cent) from local revenue sources. The County had a Kshs.424.32 million cash balance from FY 2016/17 which was not included in the budget.

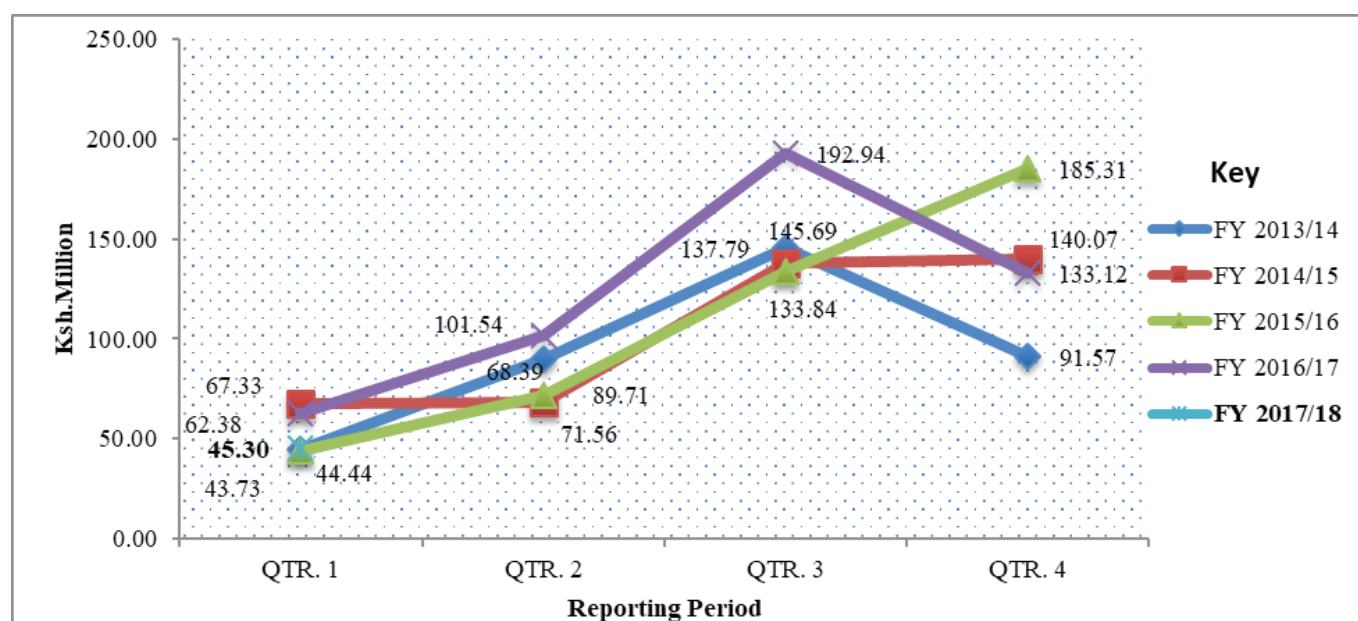
The conditional grants contained in the CARA, 2017 of Kshs.369 million comprise of Kshs.191.95 million (60 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.05 million (5.6 per cent) as Compensation for User Fee Foregone, Kshs.41.59 million (13 per cent) for the World Bank Kenya Devolution Support Program, Kshs.35.75million (11.2 per cent) for Development of Youth Polytechnics, and Kshs.81.67 million (6 per cent) as World Bank Loan for Transforming Health System for Universal Care System. The County budgeted to receive Kshs.13.17 million (4.1 per cent) from Agricultural Development Support Fund from Agriculture and Food Authority, although this grant is not contained in the CARA, 2017.

3.12.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.365.72 million as equitable share of the revenue raised nationally, Kshs.89.52 million as total conditional allocations, raised Kshs.45.3 million from local revenue sources, and had a cash balance of Kshs.424.32 million from FY 2016/17. The available funds amounted to Kshs.924.87 million.

Figure 3.34 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.34: Kericho County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kericho County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.45.3 million, representing a decrease of 27.4 per cent compared to Kshs.62.38 million generated in a similar period of FY 2016/17, and represented 6.2 per cent of the annual local revenue target.

3.12.3 Conditional Grants

Table 3.23 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.23: Kericho County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation(%) |
|---|--|--|------------------------------------|--|--|
| A Grants Contained in the CARA, 2017 | | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 191, 946, 921 | 191, 946, 921 | 89, 519, 491 | 46.6 |
| 2 | World Bank Loan for Transforming Health System for Universal Care System | 81, 668, 940 | 19, 221, 242 | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 41, 594, 940 | 41, 594, 940 | - | - |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation(%) |
|--------------------|---|--|------------------------------------|--|--|
| 4 | Development of Youth Polytechnics | 35,747,121 | 35,747,121 | - | - |
| 5 | Compensation for User Fee Foregone | 18,048,789 | 18,048,789 | - | - |
| Sub Total | | 369,006,711 | 306,559,013 | 89,519,491 | 24.3 |
| B | Other Grants Not Contained in the CARA, 2017 | | | | |
| 6 | Agricultural Development Fund (ADF) | - | 13,171,092 | - | - |
| GRAND TOTAL | | 369,006,711 | 319,730,105 | 89,519,491 | 24.3 |

Source: Kericho County Treasury

Analysis of the conditional grants released during the period under review indicates that; the Road Maintenance Fuel Levy Fund recorded the highest receipt at 46.6 per cent of annual allocation.

3.12.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.655.94 million from the CRF account, which was 10.4 per cent of the Approved Budget. This amount was a decrease of 54.7 per cent from Kshs.1.45 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

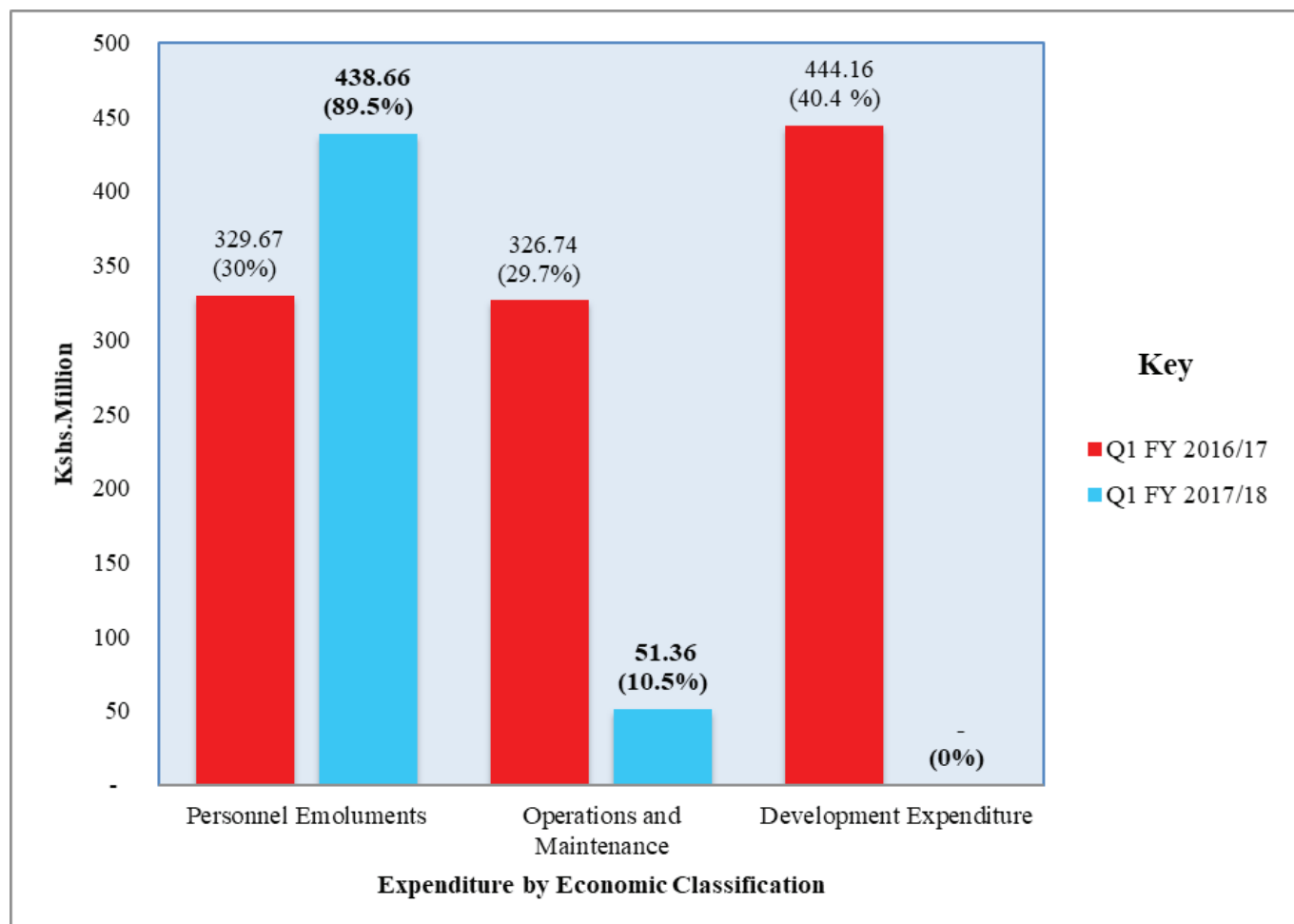
3.12.5 Overall Expenditure Review

The County incurred Kshs.490.04 million, which was 74.7 per cent of the total funds released for operations. This was a significant decrease of 55.5 per cent from Kshs.1.10 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.490.04 million was incurred on recurrent activities and was 74.7 per cent of the funds released for recurrent activities. There was no expenditure on development activities during the reporting period.

The recurrent expenditure represented 11 per cent of the annual recurrent budget, a decrease from 17 per cent incurred in a similar period of FY 2016/17. Figure 3.35 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.35: Kericho County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



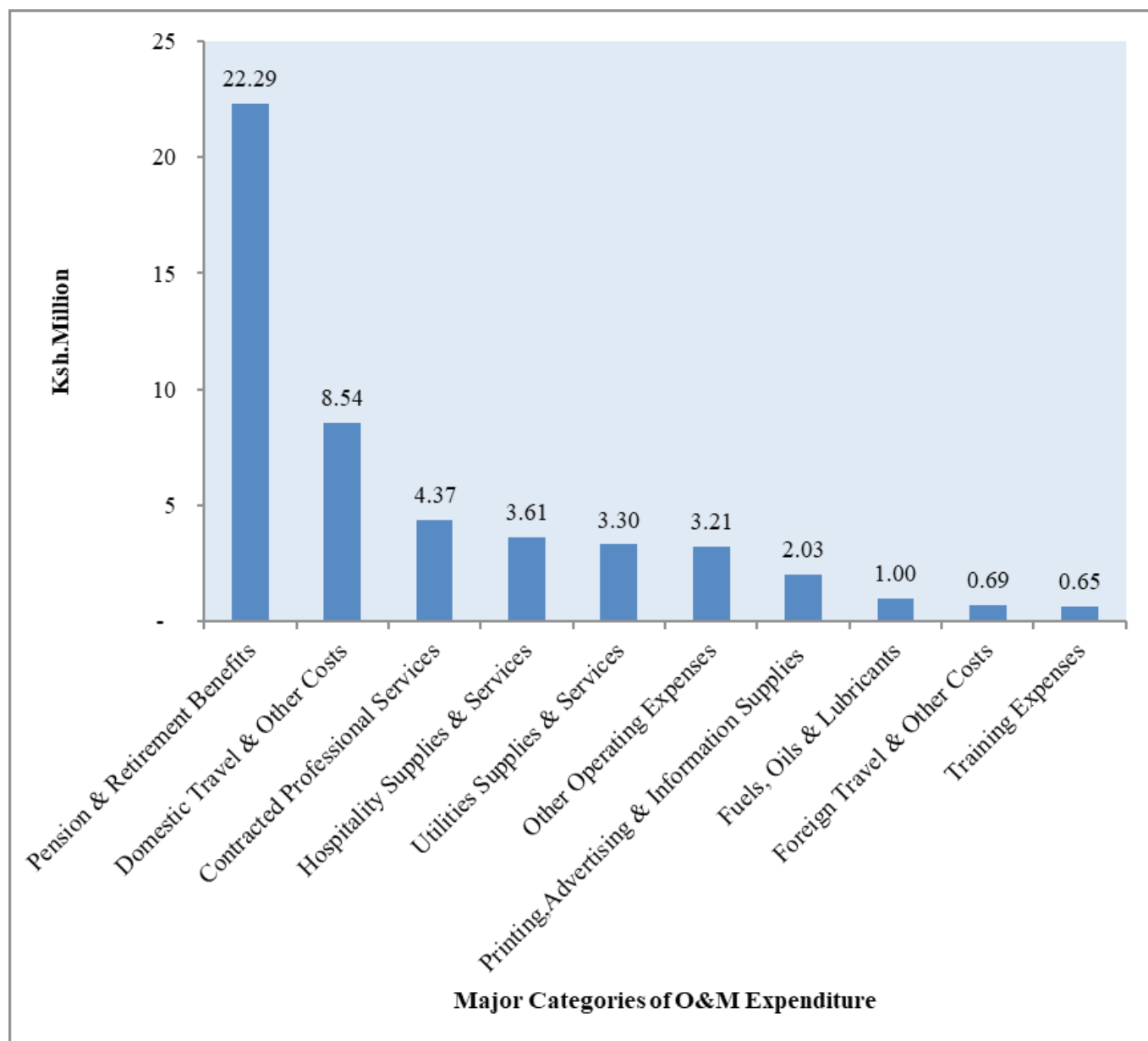
Source: Kericho County Treasury

3.12.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.490.04 million consisted of Kshs.438.66 million (89.5 per cent) incurred on personnel emoluments and Kshs.51.36 million (10.5 per cent) on operations and maintenance as shown in Figure 3.35.

Expenditure on personnel emoluments represented an increase of 33.1 per cent compared to Kshs.329.67 million incurred in the first quarter of FY 2016/17, and was 89.5 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.36 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.36: Kericho County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kericho County Treasury

The County incurred Kshs.2.05 million on sitting allowances to the 47 MCAs against the annual budget allocation of Kshs.128.47 million. This was a decrease of 84.4 per cent compared to Kshs.13.18 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.14,506 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.9.23 million and consisted of Kshs.5.03 million incurred by the County Assembly and Kshs.4.2 million by the County Executive. It represented 1.9 per cent of total recurrent expenditure and was a decrease of 85.9 per cent compared to Kshs.65.34 million incurred in the first quarter of FY 2016/17.

3.12.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.12.8 Budget and Budget Performance Analysis by Department

Table 3.2 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.24: Kericho County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure in the first quarter of FY 2017/18 | | Expenditure to Exchequer Issues (%) First Quarter FY 2017/18 | | Absorption rate (%) First Quarter FY 2017/18 | |
|---|----------------------------------|-----------------|--|----------|--|----------|--|----------|--|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly Services | 608.08 | - | 57.91 | - | 57.11 | - | 98.6 | - | 9.4 | - |
| Public Service and Administration | 276.54 | 15.92 | 60.07 | - | 39.44 | - | 65.7 | - | 14.3 | - |
| Office of the Governor & Deputy Governor | 142.07 | - | 41.01 | - | 29.17 | - | 71.1 | - | 20.5 | - |
| County Public Service Board | 64.1 | - | 13.3 | - | 7.68 | - | 57.7 | - | 12 | - |
| Finance & Economic Planning | 324.94 | 57.89 | 71.81 | - | 55.31 | - | 77 | - | 17 | - |
| Agriculture, Livestock & Fisheries | 212.87 | 176.99 | 34.78 | - | 23.14 | - | 66.5 | - | 10.9 | - |
| Environment, Water, Energy & Natural Resources | 103.2 | 238.19 | 16.43 | - | 10.81 | - | 65.8 | - | 10.5 | - |
| Education, Youth, Culture & Social services | 561.08 | 141.93 | 50.27 | - | 30.69 | - | 61.0 | - | 5.5 | - |
| Health Services | 1,930.28 | 243.82 | 277.71 | - | 214.23 | - | 77.1 | - | 11.1 | - |
| Land, Housing & Physical Planning | 47.19 | 118.41 | 7.35 | - | 4.83 | - | 65.7 | - | 10.2 | - |
| Public Works, Roads & Transport | 62.09 | 747.48 | 11.38 | - | 7.92 | - | 69.5 | - | 12.8 | - |
| ICT & E-Government | 45.26 | 34.98 | 3.27 | - | 2.09 | - | 64.0 | - | 4.6 | - |
| Trade, Industrialization, Tourism, Wildlife & Cooperative Development | 74.49 | 52.51 | 10.64 | - | 7.62 | - | 71.6 | - | 10.2 | - |
| TOTAL | 4,452.18 | 1,828.12 | 655.94 | - | 490.04 | - | 74.7 | - | 11 | - |

Source: Kericho County Treasury

Analysis of budget performance by department shows that the Office of the Governor and Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 20.5 per cent while the ICT and E-Government Department had the lowest percentage at 4.6 per cent.

1.1.8 Observations and Recommendations

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

- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Enhanced staff capacity and staffing through continuous training and recruitment of personnel.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.365.72 million was disbursed against expected

quarterly disbursements of Kshs.1.09 billion.

2. Under-performance in local revenue collection, which declined by 27.4 per cent from Kshs.62.38 million in the first quarter of FY 2016/17 to Kshs.45.3 million in the reporting period, and accounted for 6.2 per cent of the annual local revenue target.
3. IFMIS connectivity challenges, which slowed down approval of procurement requests through E-procurement module and delayed payments.
4. Failure to adhere to the stipulated timelines in payment of statutory deductions and payroll taxes which led to direct recovery of Kshs.33.18 million from the County Recurrent Operational Account held at Central Bank of Kenya by the Kenya Revenue Authority (KRA).
5. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County Treasury should liaise with the IFMIS Directorate for technical support in application and usage of IFMIS and in order to address the connectivity challenge.*
4. *The County Treasury should remit statutory deductions such as VAT and PAYE in time to avoid penalties by KRA.*
5. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.13 Kiambu County

3.13.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.13.41 billion, comprising of Kshs.9.42 billion (70.2 per cent) and Kshs.3.99 billion (29.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.3 billion (69 per cent) as equitable share of revenue raised nationally, Kshs.823.68 million (7 per cent) as total conditional grants and generate Kshs.3.1 billion (23 per cent) from local revenue sources. The County had Kshs.40.05 million (1 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.975.49 million comprise of Kshs.318 million (32.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.34.67 million (3.6 per cent) as Compensation for User Fee Foregone, Kshs.21.55 million (2.2 per cent) from DANIDA, Kshs.412.72 million (42.3 per cent) for Level 5 Hospital, Kshs.56.46 million (5.8 per cent) for the

World Bank Kenya Devolution Support Program, Kshs.60.1 million (6.2 per cent) for Development of Youth Polytechnics, Kshs.22 million (2.3 per cent) as World Bank Loan for Transforming Health System for Universal Care System and Kshs.50 million (5.1 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project.

The County budgeted to receive Kshs.62.4 million for Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

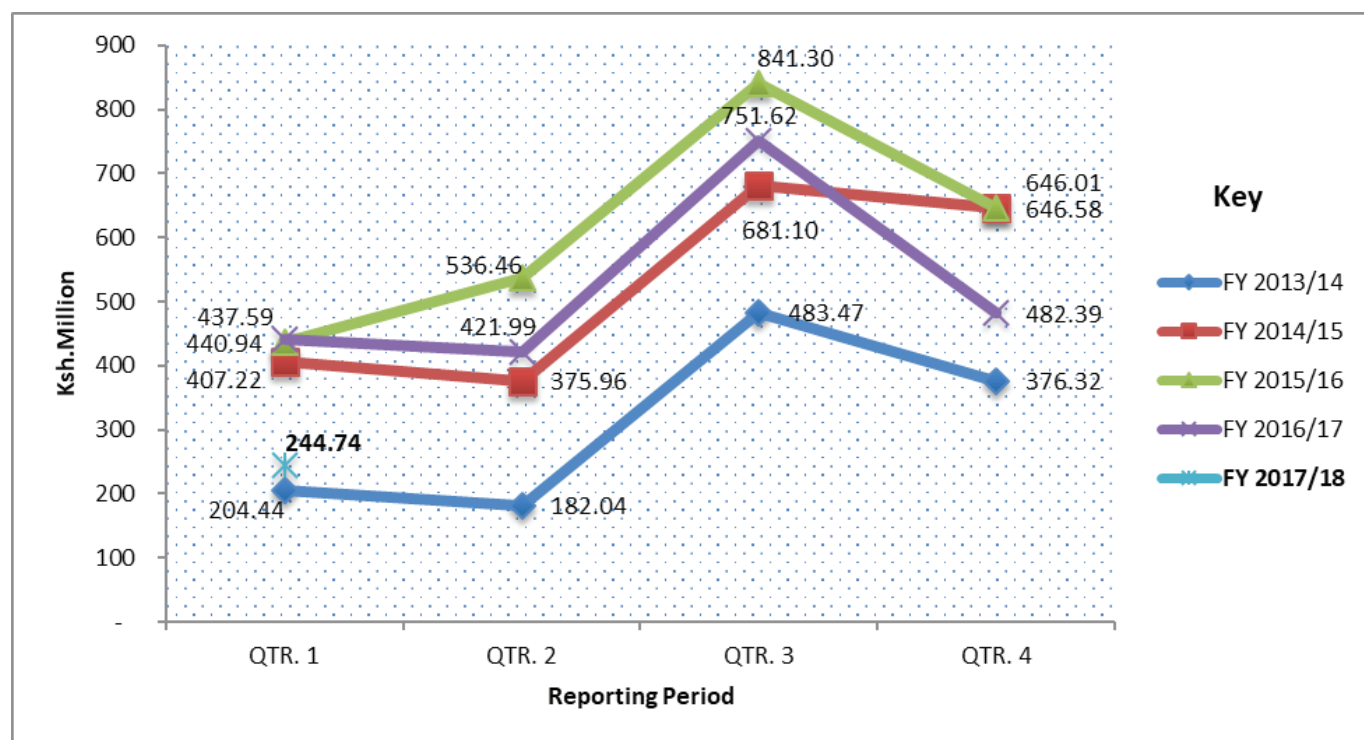
3.13.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.1.4 billion as equitable share of the revenue raised nationally, Kshs.210.38 million as total conditional allocations, raised Kshs.244.74 million from local revenue sources, and had a cash balance of Kshs.40.05 million from FY 2016/17.

The available funds amounted to Kshs.2.03 billion.

Figure 3.37 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.37: Kiambu County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kiambu County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.244.74 million, representing a decrease of 44.5 per cent compared to Kshs.440.94 million generated in a similar period of FY 2016/17, and represented 7.8 per cent of the annual local revenue target.

3.13.3 Conditional Grants

Table 3.25 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.25: Kiambu County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants Contained CARA, 2017 | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|------------------|--|--|------------------------------------|--|--|
| 1 | Level-5 Hospitals | 412, 716, 763 | 413, 930, 000 | 62, 083, 334 | 15 |
| 2 | Road Maintenance Fuel Levy Fund | 317, 998, 559 | 239, 573, 250 | 148, 306, 985 | 46.6 |
| 3 | Development of Youth Polytechnics | 60, 096, 220 | - | - | - |
| 4 | Kenya Devolution Support Programme (KDSP) | 56, 459, 859 | 74, 737, 414 | - | - |
| 5 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | - | - | - |
| 6 | Compensation for User Fee Foregone | 34, 671, 542 | 40, 108, 965 | - | - |
| 7 | World Bank Loan for Transforming Health System for Universal Care System | 22, 000, 000 | 23, 320, 000 | - | - |
| 8 | DANIDA Grant | 21, 548, 828 | - | - | - |
| 9 | Other Loans & Grants | - | 32, 000, 000 | - | - |
| Sub Total | | 975, 491, 771 | 823, 669, 629 | 210, 390, 319 | 21.6 |
| B | Other Grants | | | | |
| 10 | Free Maternal Healthcare (Unincurred balance from FY 2016/17) | - | 62, 420, 000 | - | - |
| Sub Total | | - | 62, 420, 000 | - | - |
| Total | | 975, 491, 771 | 886, 089, 629 | 210, 390, 319 | 21.6 |

Source: Kiambu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and Thika Level 5 Hospital received 46.6 per cent and 15 per cent respectively of the annual target. The County did not receive funds from the other conditional grants.

3.13.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.7 billion from the CRF account, which was 13 per cent of the Approved Budget. This amount was a decrease of 33 per cent from Kshs.2.55 billion authorized in a similar period of FY 2016/17 and consisted of Kshs.1.55 billion (91.2 per cent) for recurrent expenditure and Kshs.149.6 billion (8.8 per cent) for development activities.

3.13.5 Overall Expenditure Review

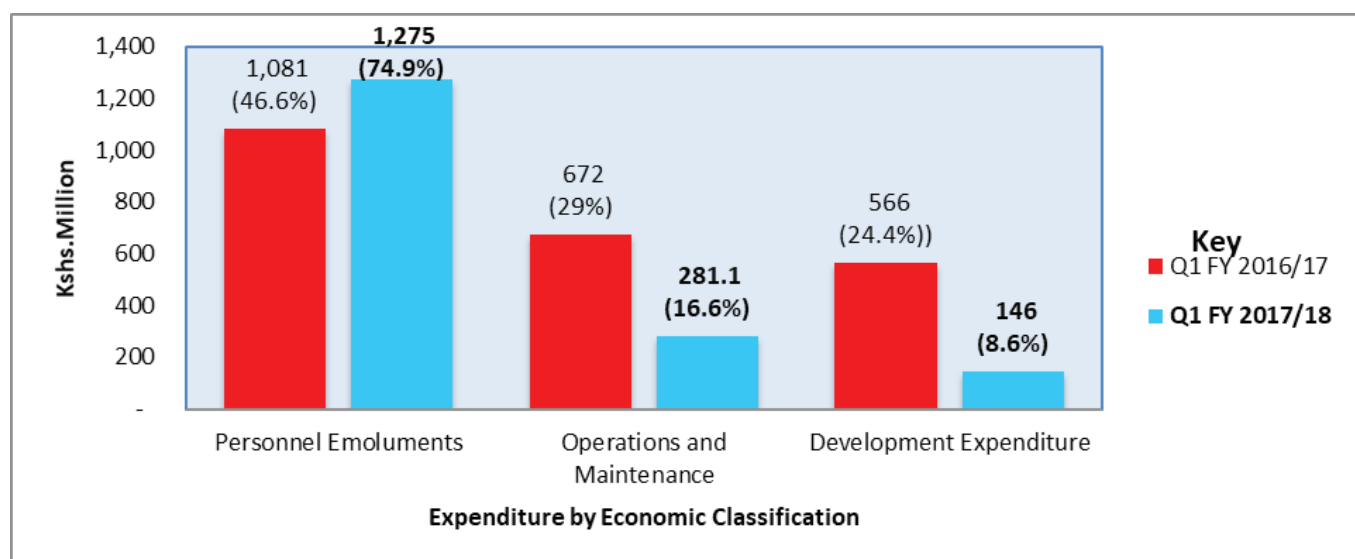
The County incurred Kshs.1.7 billion, which was 100 per cent of the total funds released for operations. This was a decrease of 26 per cent from Kshs.2.31 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.1.56 billion was incurred on recurrent activities, while Kshs.145.62 billion was on development activities. The recurrent expenditure was 100 per cent of the funds released for recurrent activities while development expenditure accounted for 97 per cent of the funds released

for development activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.76 million for development and Kshs.199.88 million for recurrent expenditure.

The recurrent expenditure represented 16.5 per cent of the annual recurrent budget, a decrease from 19.9 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 3.6 per cent, which was a decrease from 14.5 per cent attained in the first quarter of FY 2016/17. Figure 3.38 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.38: Kiambu County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



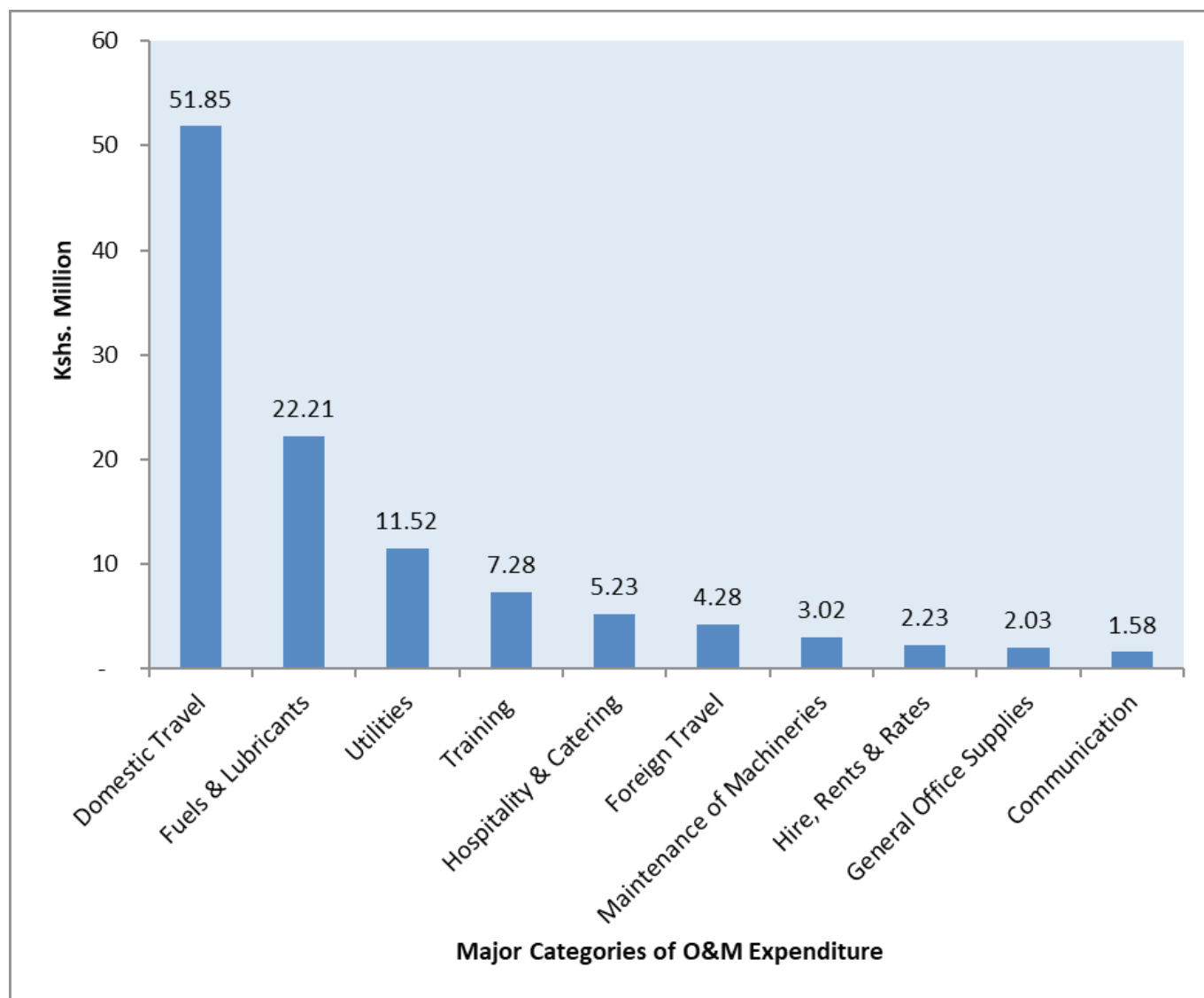
Source: Kiambu County Treasury

3.13.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.56 billion consisted of Kshs.1.28 billion (75 per cent) incurred on personnel emoluments and Kshs.282.1 million (16.6 per cent) on operations and maintenance as shown in Figure 3.38.

Expenditure on personnel emoluments represented an increase of 18 per cent compared to Kshs.1.08 billion incurred in the first quarter of FY 2016/17, and was 75 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.39 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.39: Kiambu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kiambu County Treasury

The County incurred Kshs.21.45 million on sitting allowances to the 93 MCAs against the annual budget allocation of Kshs.105 million. This was a decrease of 8 per cent compared to Kshs.23.29 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.76, 108 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.56.12 million and consisted of Kshs.26.76 million incurred by the County Assembly and Kshs.29.36 million by the County Executive. It represented 3.6 per cent of total recurrent expenditure and was a decrease of 36.9 per cent compared to Kshs.88.86 million incurred in the first quarter of FY 2016/17.

3.13.7 Development Expenditure Analysis

The total development expenditure of Kshs.145.6 million represented 3.6 per cent of the annual development budget of Kshs.3.99 billion.

Table 3.26 provides a summary of development projects with the highest expenditure in the first quarter of FY 2017/18.

Table 3.26: Kiambu County, List of Development Projects with the Highest Expenditure in the First Quarter of FY 2017/18

| S/No. | Project name | Project location | Project budget (Kshs.) | Q1 FY2017/18 Project Expenditure (Kshs.) | Absorption rate (%) |
|-------|--|------------------|------------------------|--|---------------------|
| 1 | Rehabilitation of Githunguri town roads | Githunguri | 102, 670, 232 | 19, 492, 507 | 19 |
| 2 | Rehabilitation & construction of Ruiru stadium (astra tuff) | Biashara ward | 15, 946, 575 | 15, 946, 575 | 100 |
| 3 | Rehabilitation & construction of Gikambura stadium (astra tuff) | Karai ward | 15, 946, 575 | 15, 946, 575 | 100 |
| 4 | Rehabilitation & improvement of C64-C65 road | Githunguri | 145, 346, 515 | 14, 346, 515 | 9.9 |
| 5 | Being first payment on proposed construction of market at Kamwangi | Chania ward | 28, 157, 525 | 11, 587, 112 | 41.2 |
| 6 | Being payment on proposed construction of Kamwangi market | Chania ward | 28, 157, 525 | 9, 204, 537 | 32.7 |
| 7 | Being payment on proposed construction of Githunguri market | Town ship ward | 47, 969, 840 | 7, 402, 785 | 15.4 |
| 8 | Being 3rd payment of the proposed market re-roofing & storm drain unclogging at Wangige | Kabete ward | 28, 965, 750 | 6, 497, 033 | 22.4 |
| 9 | Being first payment of the proposed market re-roofing and storm drain unclogging at Wangige Market | Kabete ward | 28, 965, 750 | 4, 263, 135 | 14.7 |
| 10 | Construction & rehabilitation of Kinoo Chief Office access road in Kinoo Ward Kikuyu Sub-County | Kikuyu ward | 3, 941, 800 | 3, 941, 800 | 100.0 |

Source: Kiambu County Treasury

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.19.5 million was incurred on rehabilitation of Githunguri town roads followed by Kshs.15.9 million each for construction and rehabilitation of Gikambura and Ruiru stadiums.

3.13.8 Budget and Budget Performance Analysis by Department

Table 3.27 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.27: Kiambu County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|----------------------------------|---------------|---|---------------|---|---------------|---|-------------|---|------------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Administration and Public Service | 606.63 | 119.51 | 80 | 1 | 107 | - | 134.3 | - | 17.6 | - |
| Agriculture, Livestock and Fisheries | 432.65 | 292.51 | 84 | - | 93 | 9 | 111.4 | - | 21.5 | 3 |
| County Assembly | 1, 239.75 | - | 207 | - | 91 | - | 44.1 | - | 7.4 | - |
| County Executive | 377.52 | 7.55 | 61 | - | 45 | 1 | 74 | - | 12 | 12.5 |
| County Public Service Board | 68.21 | - | 13 | - | 8 | - | 58.4 | - | 11 | - |
| Education, Culture, ICT and Social Services | 914.64 | 314.91 | 62 | - | 151 | - | 243 | - | 16.6 | - |
| Finance and Economic Planning | 1, 159.19 | 48 | 127 | - | 167 | - | 131.9 | - | 14.4 | - |
| Health Services | 3, 586 | 941.54 | 796 | 75 | 753 | 65 | 94.6 | 86.7 | 21 | 6.9 |
| Lands, Physical Planning and Housing | 187.51 | 185.13 | 24 | - | 26 | - | 110.8 | - | 14 | - |
| Roads, Transport and Public Works | 348.98 | 1, 140.76 | 74 | 8 | 54 | 41 | 73.4 | 480.6 | 15.5 | 3.6 |
| Trade, Tourism, Industry and Co-operative | 148.77 | 286.12 | 20 | 31 | 19 | 14 | 98.5 | 44.9 | 13.0 | 4.9 |
| Water, Environment and Natural Resources | 266.66 | 342.18 | 50 | 2 | 36 | - | 71.5 | - | 13.4 | - |
| Youth and Sports | 81.16 | 318.37 | 14 | 32 | 6 | 16 | 42.8 | 50 | 7.6 | 5 |
| TOTAL | 9, 417.66 | 3, 997 | 1, 610 | 149.64 | 1, 557 | 145.62 | 96.7 | 97.3 | 16.5 | 3.6 |

Source: Kiambu County Treasury

Analysis of budget performance by department shows that the Agriculture, Livestock and Fisheries department attained the highest recurrent expenditure to recurrent budget at 21.5 per cent followed by the Health Services Department at 21 per cent.

3.13.9 Observations and Recommendations

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

- Timely preparation and approval of the County budget documents such as the Annual Development Plan (ADP), County Fiscal Strategy Paper (CFSP), and the Budget Estimates.
- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.

2. Under-performance in local revenue collection, which declined by 44.5 per cent from Kshs.440.94 million in first quarter of FY 2016/17 to Kshs.244.74 million in the reporting period.
3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. National Treasury to fast-track disbursement of the equitable share of revenue in line with the CARA, 2017 Disbursement Schedule.*
- 2. The County should develop and implement strategies to enhance revenue collection.*
- 3. The County should liaise with the National Treasury to address the frequent IFMIS connectivity challenges.*
- 4. The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.14 Kilifi County

3.14.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.11.9 billion, comprising of Kshs.7.97 billion (67 per cent) and Kshs.3.92 billion (33 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.96 billion (83.7 per cent) as equitable share of revenue raised nationally, Kshs.759.13 million (6.4 per cent) as total conditional grants, generate Kshs.929.66 million (7.8 per cent) from local revenue sources, and Kshs.245.14 million (2.1 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.900.16 million comprise of Kshs.317.05 million (41.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.25.97million (3.4 per cent) as Compensation for User Fee Foregone, Kshs.21.48 million (2.8 per cent) from DANIDA, Kshs.96.84 million (12.3 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 Program, Kshs.67.91 million (8.9 per cent) for Development of Youth Polytechnics, Kshs.93.67million (12.3 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (6.6 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project and Kshs.74.39 million (9.8 per cent) from Other Loans and Grants.

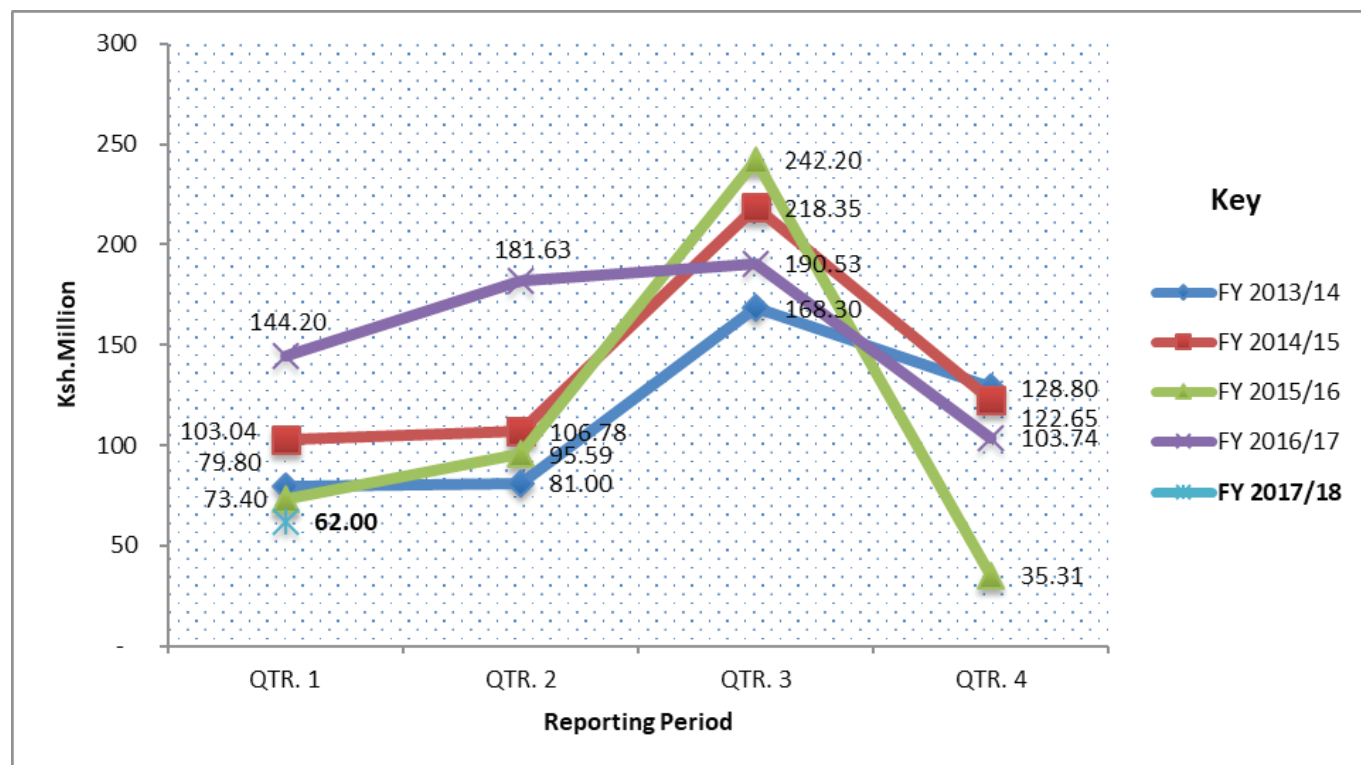
The County budgeted to receive Kshs.124.46 million for Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

3.14.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.696.56 million as equitable share of national revenue, Kshs.147.86 million as total conditional allocations, raised Kshs.62 million from local revenue sources, and had a cash balance of Kshs.77.21 million from FY 2016/17.

Figure 3.40 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.40: Kilifi County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kilifi County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.62 million, representing a decrease of 57 per cent compared to Kshs.144.2 million generated in a similar period of FY 2016/17, and represented 6.7 per cent of the annual local revenue target.

3.14.3 Conditional Grants

Table 3.28 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.28: Kilifi County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|------|---|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 317, 047, 351 | 262, 237, 500 | 56, 334, 089 | 17.8 |
| 2 | World Bank loan to supplement financing of County Health facilities | 96, 840, 000 | 157, 772, 447 | - | - |

| | | | | | |
|------------------|--|----------------------|----------------------|---------------------|----------|
| 3 | Leasing of Medical Equipment | 95, 744, 681 | 95, 744, 681 | - | - |
| 4 | World Bank Loan for Transforming Health System for Universal Care System | 93, 668, 256 | - | - | - |
| 5 | Other Loans & Grants | 74, 392, 884 | - | - | - |
| 6 | Development of Youth Polytechnics | 67, 906, 049 | - | - | - |
| 7 | Kenya Devolution Support Programme (KDSP) | 57, 107, 014 | 70, 387, 014 | - | - |
| 8 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | - | - | - |
| 9 | Compensation for User Fee Foregone | 25, 969, 864 | 25, 969, 864 | - | - |
| 10 | DANIDA Grant | 21, 484, 371 | 22, 558, 589 | - | - |
| Sub Total | | 900, 160, 470 | 634, 670, 095 | 56, 334, 089 | 6 |
| B | Other Grants | | | | |
| 11 | Free Maternal Care Helathcare | - | 124, 461, 343 | - | - |
| Sub Total | | - | 124, 461, 343 | - | - |
| Total | | 900, 160, 470 | 759, 131, 438 | 56, 334, 089 | 6 |

Source: Kilifi County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund received Kshs.56.33 million which was 17.8 per cent of annual target. The County did not receive funds from other conditional grants.

3.14.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.904.03 million from the CRF account, which was 7.6 per cent of the Approved Budget. This amount was a decrease of 23.1 per cent from Kshs.1.102 billion authorized in a similar period of FY 2016/17, and consisted of Kshs.847.7 million (93.8 per cent) for recurrent expenditure and Kshs.56.33 million (6.2 per cent) for development activities.

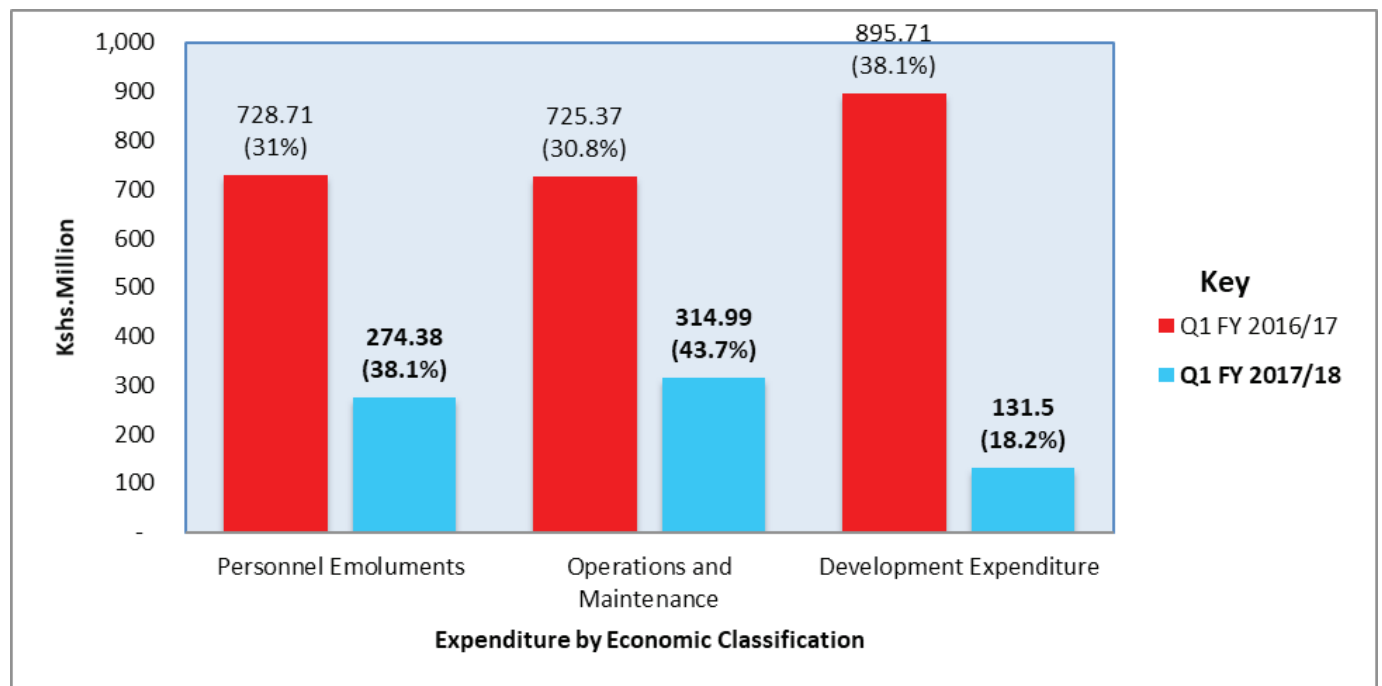
3.14.5 Overall Expenditure Review

The County incurred Kshs.720.87 million, which was 79.7 per cent of the total funds released for operations. This was a decrease of 69.3 per cent from Kshs.2.35 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.589.37 million was incurred on recurrent activities, while Kshs.131.5 million was on development activities. The recurrent expenditure was 69.5 per cent of the funds released for recurrent activities while development expenditure accounted for 23.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.379.72 million for development and Kshs.77.44 million for recurrent expenditure.

The recurrent expenditure represented 7.4 per cent of the annual recurrent budget, a decrease from 23.9 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 3.4 per cent, which was a decrease from 12.9 per cent attained in the first quarter of FY 2016/17. Figure 3.41 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.41: Kilifi County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



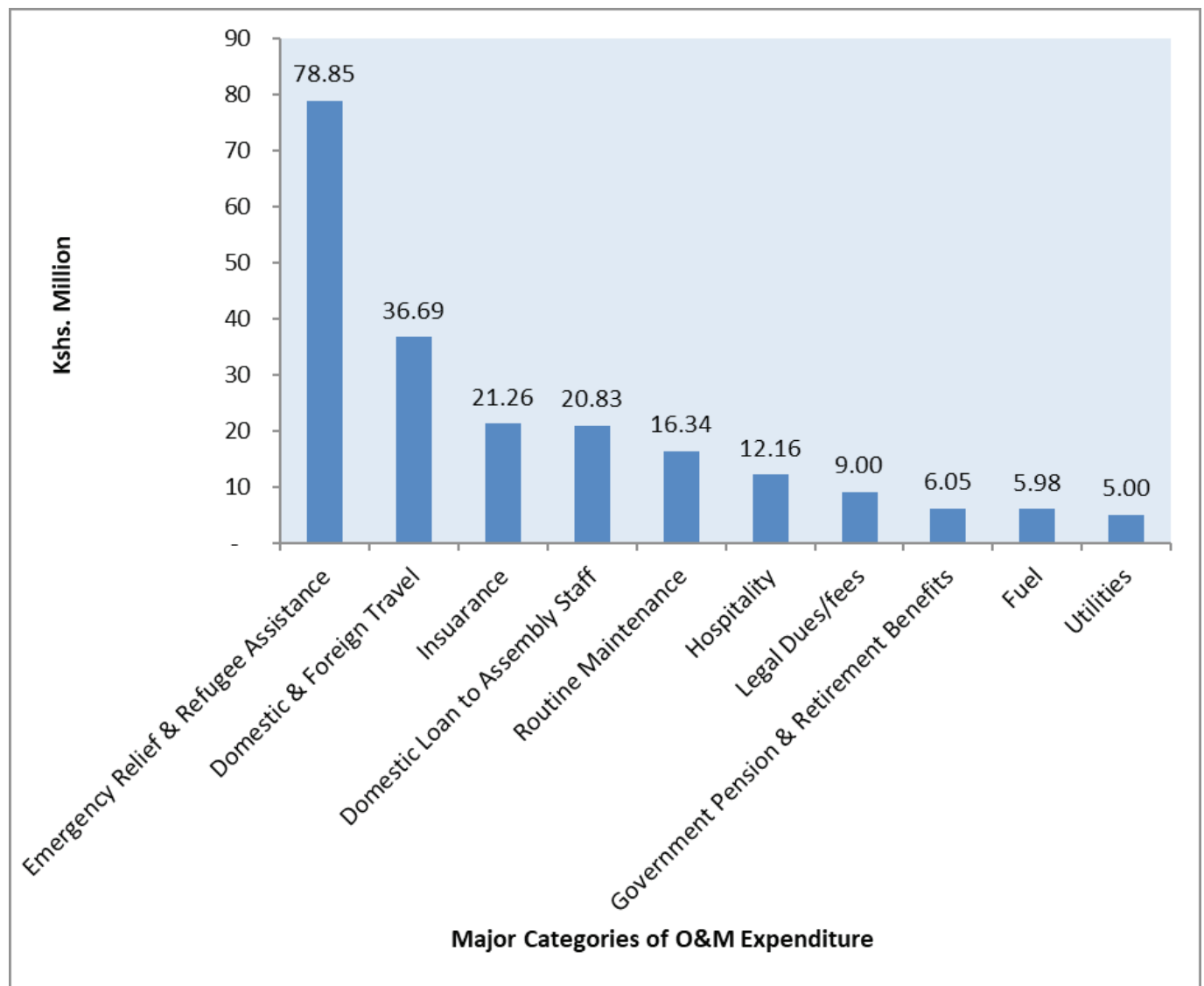
Source: Kilifi County Treasury

3.14.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.589.37 million consisted of Kshs.274.38 million (46.6 per cent) incurred on personnel emoluments and Kshs.314.99 million (53.4 per cent) on operations and maintenance as shown in Figure 3.41.

Expenditure on personnel emoluments represented a decrease of 62.3 per cent compared to Kshs.728.71 million incurred in the first quarter of FY 2016/17, and was 38.1 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.42 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.42: Kilifi County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kilifi County Treasury

The County incurred Kshs.3.51 million on sitting allowances to the 56 MCAs against the annual budget allocation of Kshs.86.49 million. This was a decrease of 75.9 per cent compared to Kshs.14.59 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.20,917 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.36.69 million and consisted of Kshs.17.55 million incurred by the County Assembly and Kshs.19.15 million by the County Executive. It represented 6.2 per cent of total recurrent expenditure and was a decrease of 40.7 per cent compared to Kshs.61.93 million incurred in the first quarter of FY 2016/17.

3.14.7 Development Expenditure Analysis

The total development expenditure of Kshs.131.5 million represented 3.4 per cent of the annual development budget of Kshs.3.92 billion.

Table 3.29 provides a summary of development projects with the highest expenditure in the first quarter of FY 2017/18.

Table 3.29: Kilifi County, List of Development Projects with the Highest Expenditure in the First Quarter of FY 2017/18

| S/No. | Project name | Project location | Project budget (Kshs.) | Q1 FY2017/18 Project Expenditure (Kshs.) | Absorption rate (%) |
|-------|---|------------------|------------------------|--|---------------------|
| 1 | Grading, Gravelling of Bamba-Vitengeni Road | Bamba | 17, 000, 000 | 9, 789, 820 | 57.6 |
| 2 | Gotani-Kibaokiche-Mkapuni (Grading, gravelling and drainage works) | Mkapuni | 20, 000, 000 | 7, 976, 519 | 41.8 |
| 3 | Grading, Graveling and Drainage Works of Bamba to Gotani road. | Bamba | 19, 000, 000 | 7, 945, 502 | 39.9 |
| 4 | Grading, Gravelling and Drainage Works of kivunga madzimbani road | | 15, 000, 000 | 5, 092, 982 | 34 |
| 5 | Grading, Gravelling and Drainage Works of Kijiwetanga-Jacaranda Junction | Malindi | 15, 000, 000 | 4, 988, 789 | 33.3 |
| 6 | C111-Makobeni via Ribe girls to king'ung'una junction road (grading, gravelling and drainage works) | Ribe | 10, 000, 000 | 3, 968, 012 | 39.7 |
| 7 | Grading, Graveling and Drainage Works Maryango Mwakwala Kabatheni Road. | Kabatheni | 10, 000, 000 | 3, 949, 220 | 39.5 |
| 8 | Grading, Gravelling and Drainage Works of Mwarakaya- kaloleni road. | Mwarakaya | 10, 000, 000 | 3, 913, 828 | 39.1 |
| 9 | Grading, Grading and Drainage Works-A7-Junction-Ngomoni road | Ngomni | 20, 000, 000 | 3, 895, 860 | 19.5 |
| 10 | Grading, Gravelling and Drainage Works of Ganze-Vitengeni Road | Ganze | 10, 000, 000 | 2, 503, 048 | 25 |

Source: Kilifi County Treasury

Analysis of the development expenditure by project show that; the highest expenditure of Kshs.9.78 million was incurred on Grading, Gravelling of Bamba-Vitengeni Road, followed by Kshs.7.98 million on Grading and Graveling and Drainage Works of Gotani-Kibaokiche-Mkapuni road. These projects are under the Department of Roads, Transport and Public Works. Other departments did not submit their lists of development projects undertaken during the reporting period.

3.14.8 Budget and Budget Performance Analysis by Department

Table 3.30 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.30: Kilifi County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs. Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|--|----------------------------------|--------|---|-----|--|-------|---|-----|---|-----|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 911.22 | 384.14 | 100 | - | 108.8 | - | 108 | - | 11.9 | - |
| County Executive | 468.47 | - | 35.08 | - | 36.22 | - | 103.3 | - | 7.7 | - |
| Finance and Economic Planning | 1, 385.87 | 35 | 45.37 | - | 47.96 | - | 105.7 | - | 3.5 | - |
| Agriculture, Livestock and Fisheries | 372.49 | 290 | 57.12 | - | 4.20 | - | 7.3 | - | 1.1 | - |
| Water, Environment, Natural Resources and Solid Waste Management | 184.65 | 744.83 | 24.37 | - | 17.62 | 33.37 | 72.3 | - | 9.5 | 4.5 |
| Education, Sports and Youth Affairs | 854.88 | 551.58 | 55.1 | - | 142.61 | - | 258.8 | - | 16.7 | - |
| County Health Services | 2, 325.61 | 463.92 | 378.2 | - | 54.13 | 26.05 | 14.3 | - | 2.3 | 5.6 |

| | | | | | | | | | | |
|---|-----------------|-----------------|--------------|--------------|---------------|--------------|-------------|--------------|------------|------------|
| Roads, Transport and Public Works | 291.1 | 976.34 | 67.39 | 56.33 | 38.95 | 59.01 | 57.8 | 104.8 | 13.4 | 6 |
| Land, Housing, Physical Planning & Energy | 171.96 | 80.25 | 12.8 | - | 10.56 | - | 82.5 | - | 6.1 | - |
| ICT, E-Government, Culture and Social Services | 98.99 | 158.44 | 10.64 | - | 3.81 | 0.85 | 35.8 | - | 3.8 | 0.5 |
| Trade Industrialization, Cooperatives, Tourism and Wildlife | 104.13 | 198.28 | 11.01 | - | 8.29 | 12.21 | 75.3 | - | 8 | 6.2 |
| County Public Service Board | 90.43 | - | 9.76 | - | 3.27 | - | 33.5 | - | 3.6 | - |
| Devolution, Public Service & Disaster | 712.01 | 40.57 | 40.87 | - | 112.95 | - | 276.4 | - | 15.9 | - |
| TOTAL | 7,971.82 | 3,923.36 | 847.7 | 56.33 | 589.37 | 131.5 | 69.5 | 233.4 | 7.4 | 3.4 |

Source: Kilifi County Treasury

Analysis of budget performance by department shows that the Trade Industrialization, Cooperatives, Tourism and Wildlife Department attained the highest absorption rate of development budget at 6.2 per cent. On the other hand, the Department of Education, Sports and Youth Affairs had the highest percentage of recurrent expenditure to recurrent budget at 16.7 per cent while the Department of Agriculture, Livestock and Fisheries had the lowest at 1.1 per cent.

3.14.9 Observations and Recommendations

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

- i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- ii. Improvement in the use of IFMIS and Internet Banking to process financial transactions.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
3. Delay in submission of quarterly financial reports by the County Treasury, which affected timely preparation of Budget Implementation Review Report by the Controller of Budget.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with National Treasury to ensure disbursement of the equitable share of revenue raised nationally is released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should liaise with the IFMIS Directorate for support in use of IFMIS and to address the connectivity challenges.*

3. *The County Treasury should ensure timely submission of accurate financial reports in line with Section 166 of the PFM Act, 2012.*
4. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.15 Kirinyaga County

3.15.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.4.77 billion, comprising of Kshs.3.34 billion (70 per cent) and Kshs.1.43 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.07 billion (85.4 per cent) as equitable share of revenue raised nationally, Kshs.196.3 million (4.1 per cent) as total conditional grants and generate Kshs.500 million (10.5 per cent) from local revenue sources.

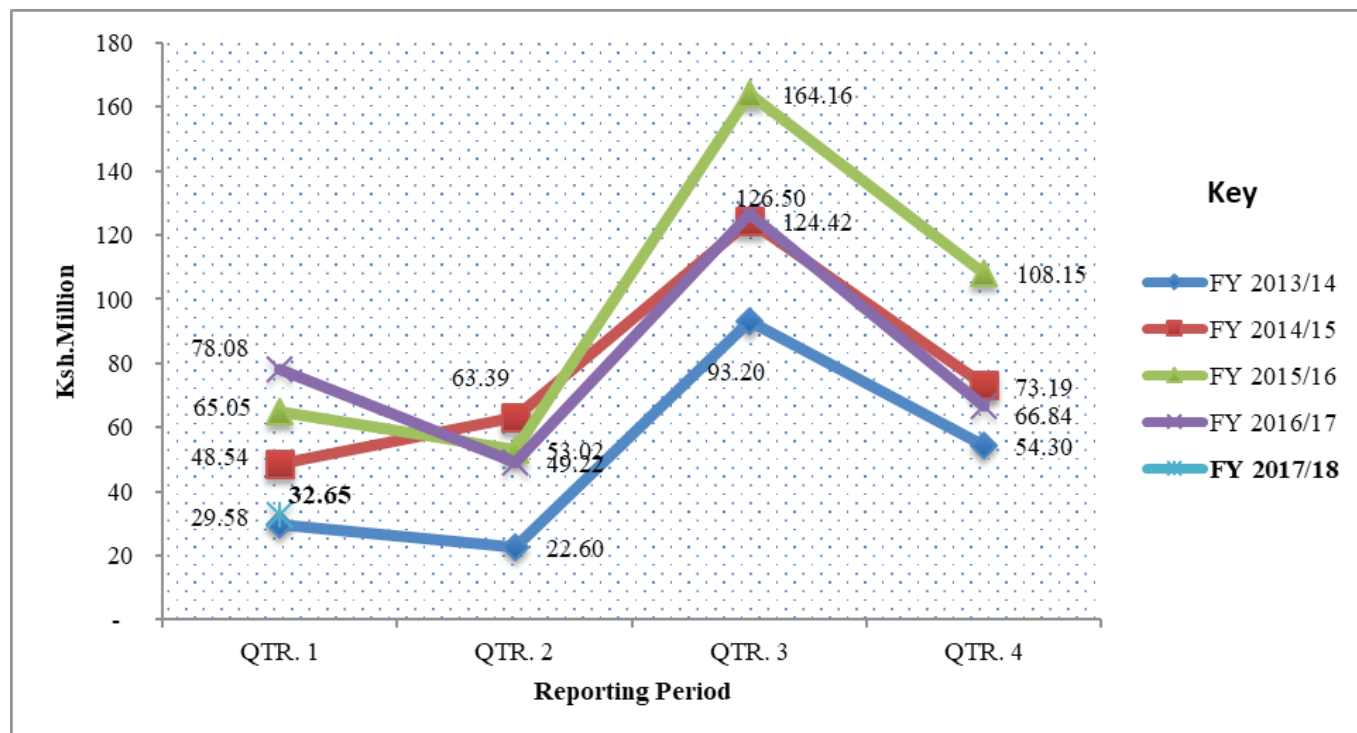
The conditional grants contained in the CARA, 2017 of Kshs.335.57 million comprise of Kshs.150.75 million (44.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.11.28 million (3.4 per cent) as Compensation for User Fee Foregone, Kshs.10.22 million (3 per cent) from DANIDA, Kshs.38.36 million (11.4 per cent) for Level-1 Kenya Devolution Support Programme (KDSP) grant, Kshs.37.34 million (11.1 per cent) for Development of Youth Polytechnics, Kshs.22 million (6.6 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (14.9 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, and Kshs.15.62 million (4.7 per cent) from Other Loans and Grants. The County budgeted to receive Kshs.26.17 million as other Loans and Grants, and Kshs.50.72 million as Free Maternal Healthcare, although these grants are not contained in the CARA, 2017.

3.15.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.308.64 million as equitable share of the revenue raised nationally, Kshs.70.31 million as total conditional allocations, raised Kshs.32.65 million from local revenue sources, and had a cash balance of Kshs.365.24 million from FY 2016/17. The available funds amounted to Kshs.744.14 million.

Figure 3.43 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.43: Kirinyaga County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kirinyaga County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.32.65 million, representing a decrease of 58.2 per cent compared to Kshs.78.08 million generated in a similar period of FY 2016/17, and represented 6.5 per cent of the annual local revenue target.

3.15.3 Conditional Grants

Table 3.31 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.31: Kirinyaga County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) |
|------------------|--|--|------------------------------------|--|
| A | Grants Contained CARA, 2017 | | | |
| 1 | Road Maintenance Fuel Levy Fund | 150, 752, 571 | 107, 100, 000 | 70, 307, 423 |
| 2 | Free Maternal Care | - | 50, 716, 400 | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 38, 364, 055 | - | - |
| 4 | Compensation for User Fee Foregone | 11, 282, 570 | 12, 308, 920 | - |
| 5 | DANIDA Grant | 10, 215, 585 | - | - |
| 6 | Development of Youth Polytechnics | 37, 339, 283 | | |
| 7 | Other Loans & Grants | 15, 618, 572 | - | - |
| 8 | World Bank Loan for Transforming Health System for Universal Care System | 22, 000, 000 | - | - |
| 9 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | - | - |
| Sub Total | | 335, 572, 636 | 170, 125, 320 | 70, 307, 423 |
| B | Other Grants | | | |
| 10 | Others | - | 26, 171, 582 | - |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) |
|-------------|--------|--|--|---|
| Grand Total | | 335, 572, 636 | 196, 296, 902 | 70, 307, 423 |

Source: Kirinyaga County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.70.31 million which was a performance of 46.6 per cent of annual allocation. The County did not receive funds from other conditional grants.

3.15.4 Exchequer Issues

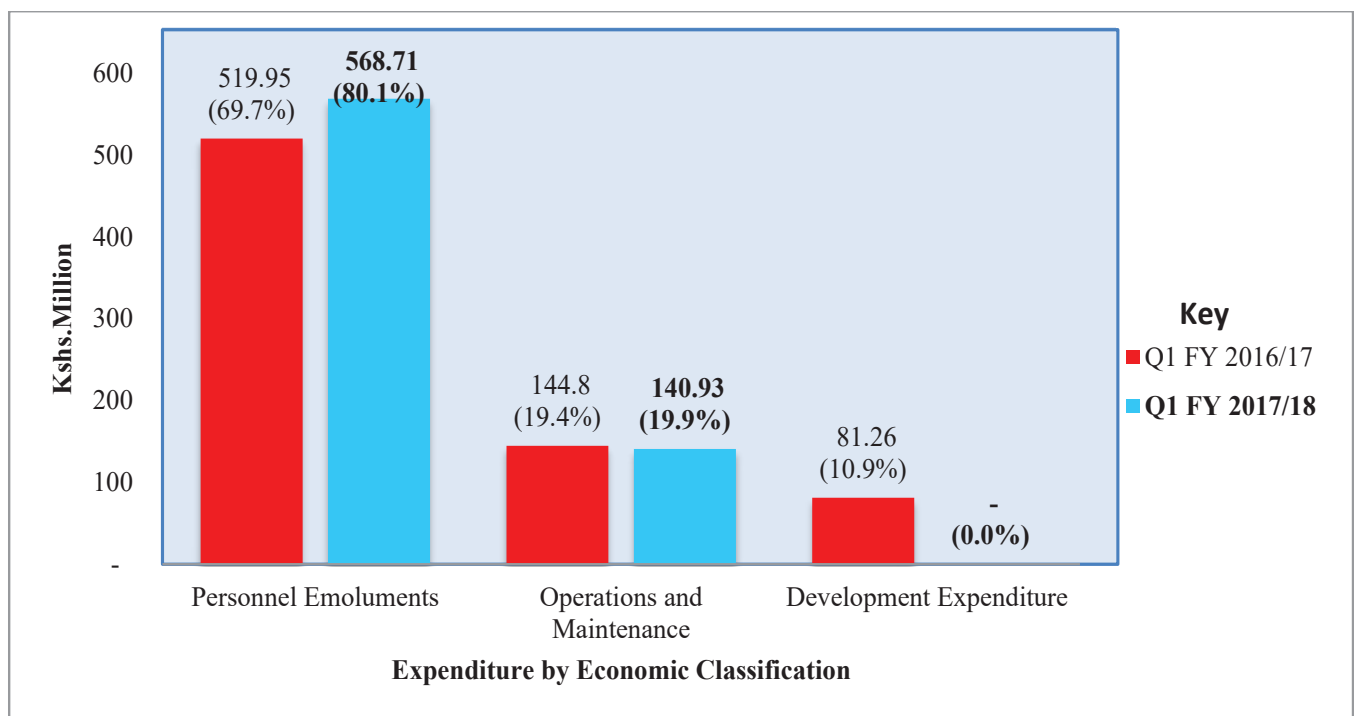
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.738.49 million from the CRF account, which was 15.5 per cent of the Approved Budget. This amount was a decrease of 34.5 per cent from Kshs.1.13 billion authorized in a similar period of FY 2016/17, and was entirely for recurrent expenditure.

3.15.5 Overall Expenditure Review

The County incurred Kshs.709.63 million, which was 96.1 per cent of the total funds released for operations. This was a decrease of 4.9 per cent from Kshs.746.01 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.709.63 million was incurred on recurrent activities and was 96.1 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.6.04 million for recurrent expenditure. The recurrent expenditure represented 21.3 per cent of the annual recurrent budget, a decrease from 22.1 per cent incurred in a similar period of FY 2016/17. Figure 3.44 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.44: Kirinyaga County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



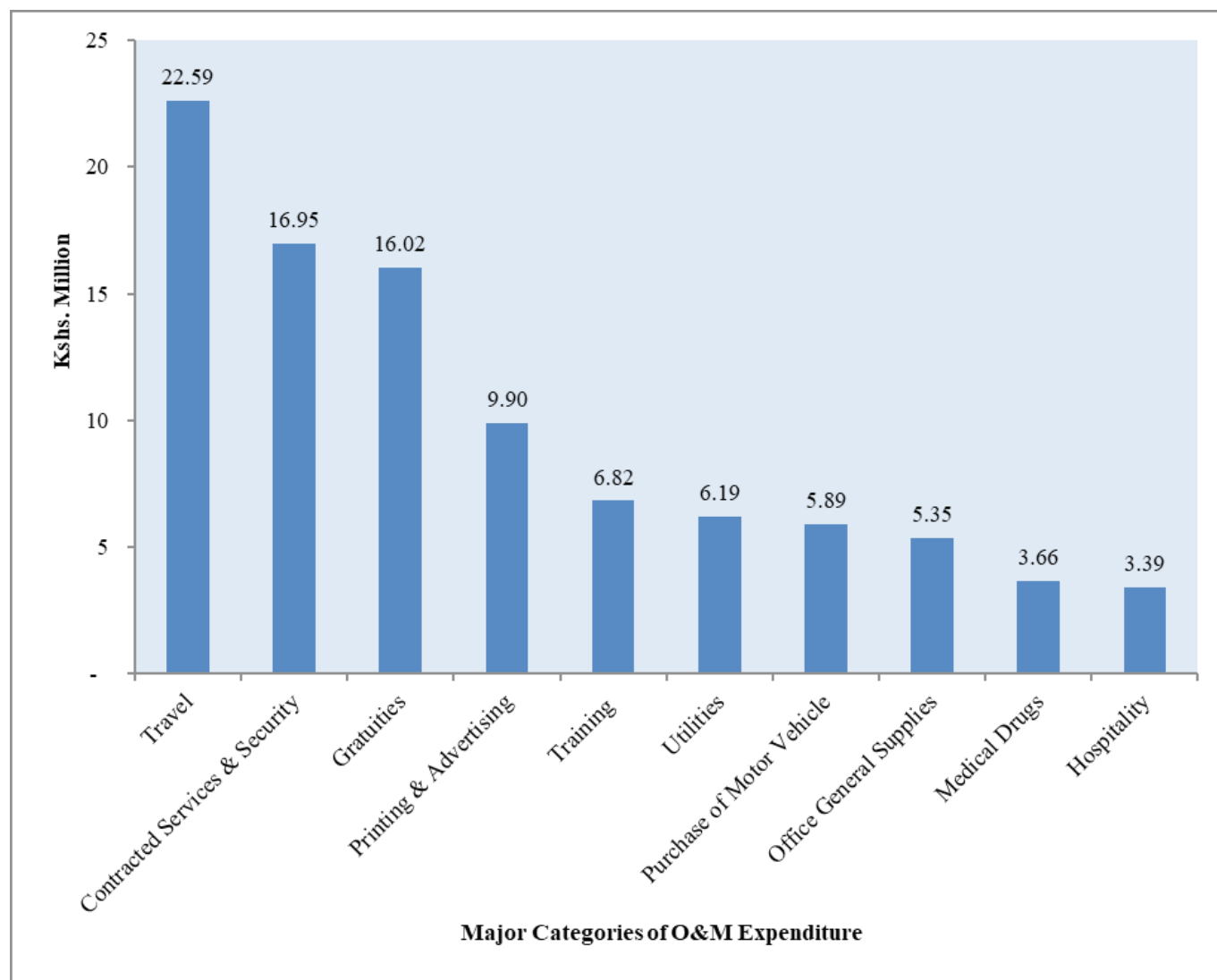
Source: Kirinyaga County Treasury

3.15.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.709.63 million consisted of Kshs.568.71 million (80.1 per cent) incurred on personnel emoluments and Kshs.140.93 million (19.9 per cent) on operations and maintenance as shown in Figure 3.44.

Expenditure on personnel emoluments represented an increase of 9.4 per cent compared to Kshs.519.95 million incurred in the first quarter of FY 2016/17, and was 80.1 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.45 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.45: Kirinyaga County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kirinyaga County Treasury

The County Assembly did not incur any expenditure on MCA committee sitting allowance during the reporting period. Expenditure on domestic and foreign travel amounted to Kshs.22.59 million and consisted of Kshs.12.97 million incurred by the County Assembly and Kshs.9.62 million by the County Executive. It represented 3.2 per cent of total recurrent expenditure and was a decrease of 49.3 per cent compared to Kshs.44.52 million incurred in the first quarter of FY 2016/17.

3.15.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.15.8 Budget and Budget Performance Analysis by Department

Table 3.32 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.32: Kirinyaga County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure to Exchequer Issues (%) First Quarter FY 2017/18 | | Absorption rate (%) First Quarter FY 2017/18 | |
|-----------------------------------|----------------------------------|------------------|--|-----|---|-----|--|-----|--|-----|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 536.12 | 140 | 101.34 | - | 101.34 | - | 100 | - | 18.9 | - |
| County Executive Services | 356.81 | 230.19 | 86.2 | - | 78.81 | - | 91.4 | - | 22.1 | - |
| Finance and Economic Planning | 494.95 | 24.2 | 74.37 | - | 87.88 | - | 118.2 | - | 17.8 | - |
| Medical Services | 1, 275.84 | 144.8 | 344.42 | - | 312.74 | - | 90.8 | - | 24.5 | - |
| Education | 195.18 | 83.65 | 24.83 | - | 25.2 | - | 101.1 | - | 12.9 | - |
| Agriculture | 205.64 | 107.30 | 51.13 | - | 50.34 | - | 98.5 | - | 24.5 | - |
| Gender/Culture & Social Services | 51.99 | 51.45 | 6.35 | - | 7.44 | - | 117.1 | - | 14.3 | - |
| Trade & Co-operative Development | 33.97 | 71.8 | 5.58 | - | 5.38 | - | 96.4 | - | 15.8 | - |
| Environment and Natural Resources | 87.45 | 168.9 | 27.138 | - | 23.86 | - | 88 | - | 27.3 | - |
| Physical Planning and Housing | 26.35 | 52.10 | 4.19 | - | 2.3 | - | 54.9 | - | 8.7 | - |
| Transport and Infrastructure | 75.12 | 356.80 | 12.96 | - | 14.45 | - | 111.5 | - | 19.2 | - |
| TOTAL | 3, 339.44 | 1, 431.19 | 738.49 | - | 709.63 | - | 96.1 | - | 21.3 | - |

Source: Kirinyaga County Treasury

Analysis of budget performance by department shows that the Department of Environment and Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 27.3 per cent, followed by the Department of Medical Services and Agriculture each at 24.5 per cent, while the Department of Physical Planning and Housing had the lowest at 8.7 per cent.

3.15.9 Observations and Recommendations

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

- i. Establishment of an Internal Audit Committee by the County Assembly in compliance with Section 155 (5) of the PFM Act, 2012.
- ii. Adoption of IFMIS and Internet Banking by the County Assembly.
- iii. Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at end of the first quarter of FY2017/18, Kshs.308.64 million had been disbursed against an expected disbursement of Kshs.1.01 billion based on the CARA, 2017 Disbursement Schedule.
2. High wage bill which accounted for 80.1 per cent of the total recurrent expenditure during the reporting period, thus constraining funding of other programmes.

3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
4. Under-performance in local revenue collection. The Local revenue collection declined by 58.2 per cent from Kshs.78.08 million in the first quarter of FY 2016/17 to Kshs.32.65 million in the reporting period.
5. Failure by the County Executive to establish an Internal Audit Committee in compliance to Section 155 (5) of the PFM Act, 2012.
6. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Public Service Board should develop an optimal staffing structure to address the escalating wage bill.*
3. *The County Treasury should liaise with the IFMIS Directorate for support in the use of IFMIS and to address the connectivity challenges.*
4. *The County Treasury should develop and implement strategies to enhance local revenue collection.*
5. *The County Executive should establish an Internal Audit Committee in compliance with Section 155 (5) of the PFM Act, 2012.*
6. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.16 Kisii County

3.16.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.10.03 billion, comprising of Kshs.6.62 billion (66 per cent) and Kshs.3.41 billion (34 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.45 billion (74.3 per cent) as equitable share of revenue raised nationally, Kshs.977.19 million (9.7 per cent) as total conditional grants, and generate Kshs.850 million (8.5 per cent) from local revenue sources, and Kshs.752.99 million (7.5 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.1.14 billion comprise of Kshs.302.23 million (30.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.14 million (2.7 per cent) as Compensation for User Fee Foregone, Kshs.20.48 million (2.1 per cent) from DANIDA, Kshs.417.57 million (42.7 per cent) for Level 5 Hospital, Kshs.50.37 million (5.2 per cent) for the

World Bank Kenya Devolution Support Program, Kshs.29.82 million (3.1 per cent) for Development of Youth Polytechnics, Kshs.50.98 million (5.2 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (5.1 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, Kshs.66 million (6.8 per cent) as European Union (EU) Grant, Kshs.95.74 million (9.8 per cent) as grant for Leasing of Medical Equipment and Kshs.34.44 million (3.5 per cent) from Other Loans and Grants.

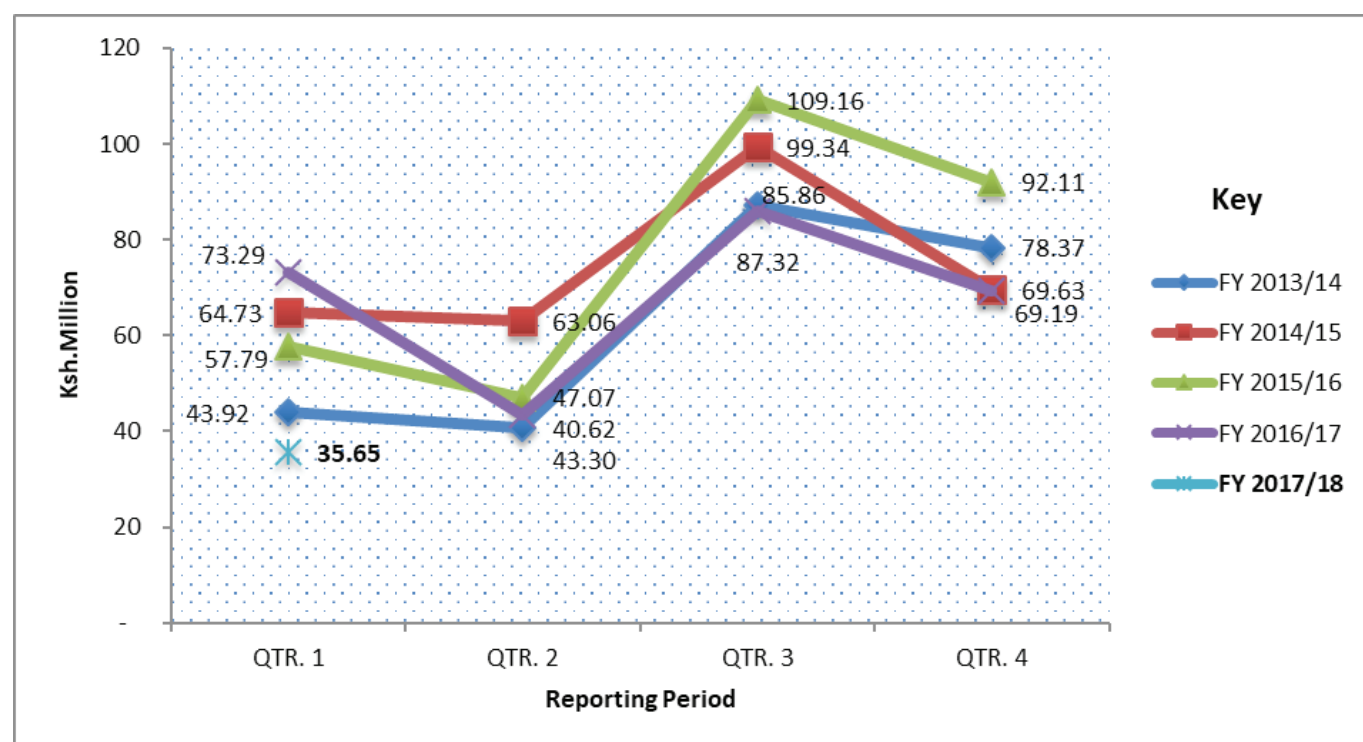
The County budgeted for Kshs.141.01 million for Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

3.16.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.140.95 million as total conditional allocations, raised Kshs.35.65 million from local revenue sources, and had a cash balance of Kshs.1.53 billion brought forward from FY 2016/17. The available funds amounted to Kshs.1.71 billion.

Figure 3.46 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.46: Kisii County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kisii County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.35.65 million, representing a decrease of 51.4 per cent compared to Kshs.73.29 million generated in a similar period of FY 2016/17, and represented 4.2 per cent of the annual local revenue target.

3.16.3 Conditional Grants

Table 3.33 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.33: Kisii County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|------------------|--|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 302, 237, 646 | 196, 087, 500 | 140, 956, 469 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | 95, 744, 681 | - | - |
| 3 | Kenya Development Support Programme (KDSP) | 50, 373, 489 | - | - | - |
| 4 | Compensation for User Fee Foregone | 26, 138, 997 | 26, 138, 997 | - | - |
| 5 | DANIDA Grant | 20, 480, 807 | 34, 632, 447 | - | - |
| 6 | Level-5 Hospitals | 417, 572, 254 | 417, 572, 254 | - | - |
| 7 | Development of Youth Polytechnics | 29, 817, 690 | - | - | - |
| 8 | Other Loans & Grants | 34, 439, 292 | - | - | - |
| 9 | World Bank Loan for Transforming Health System for Universal Care System | 50, 984, 665 | - | - | - |
| 10 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | - | - | - |
| 11 | EU Grant | 66, 000, 000 | 66, 000, 000 | - | - |
| Sub Total | | 1, 143, 789, 521 | 836, 175, 879 | 140, 956, 469 | 12 |
| B | Other Grants | | | | |
| 12 | Conditional allocation for Free Maternal Health Care | | 141, 013, 965 | - | - |
| Sub Total | | - | 141, 013, 965 | - | - |
| Total | | 1, 143, 789, 521 | 977, 189, 844 | 140, 956, 469 | 12 |

Source: Kisii County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.140.96 million which was 46.6 per cent of annual allocation. The County did not receive funds from the other grants.

3.16.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.32 billion from the CRF account, which was 13.2 per cent of the Approved Budget. This amount was a decrease of 36.4 per cent from Kshs.2.08 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

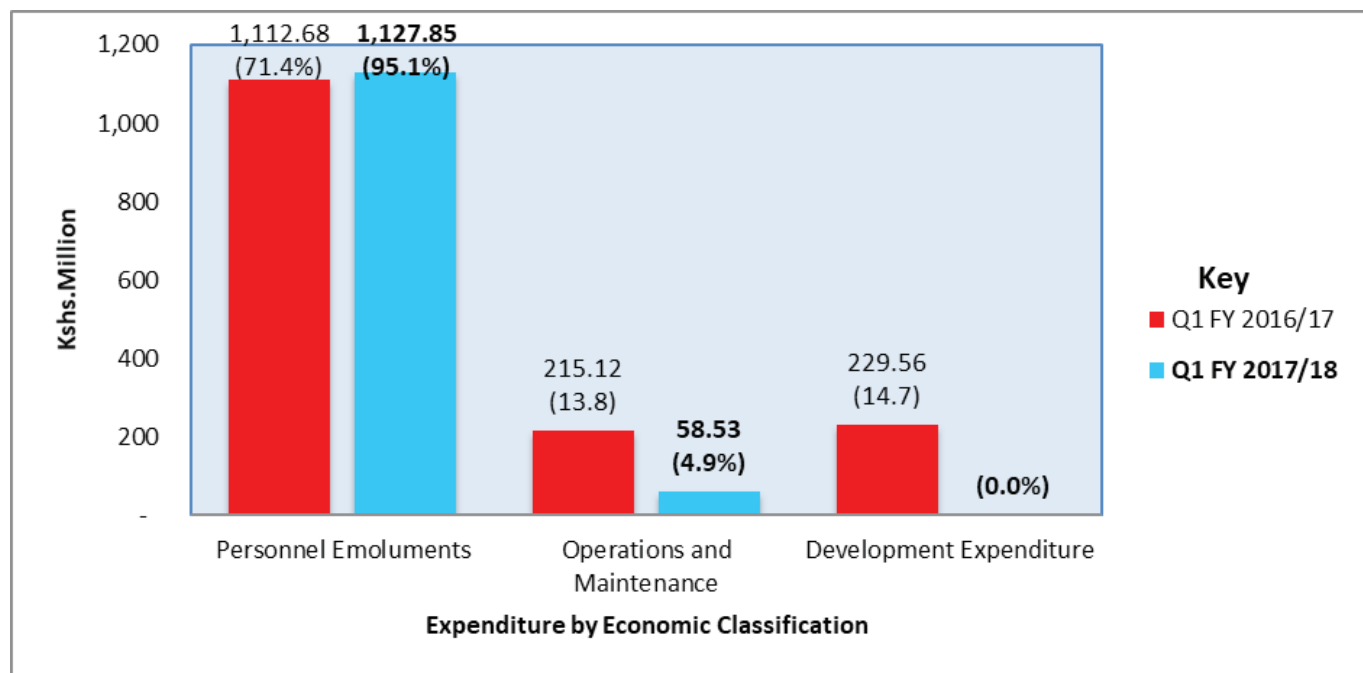
3.16.5 Overall Expenditure Review

The County incurred Kshs.1.19 billion, which was 89.8 per cent of the total funds released for operations. This was a decrease of 23.7 per cent from Kshs.1.56 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.1.19 billion was incurred on recurrent activities and represented 89.8 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.39.32 million for recurrent expenditure.

The recurrent expenditure represented 17.9 per cent of the annual recurrent budget, a decrease from 21.8 per cent incurred in a similar period of FY 2016/17. Figure 3.47 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.47: Kisii County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



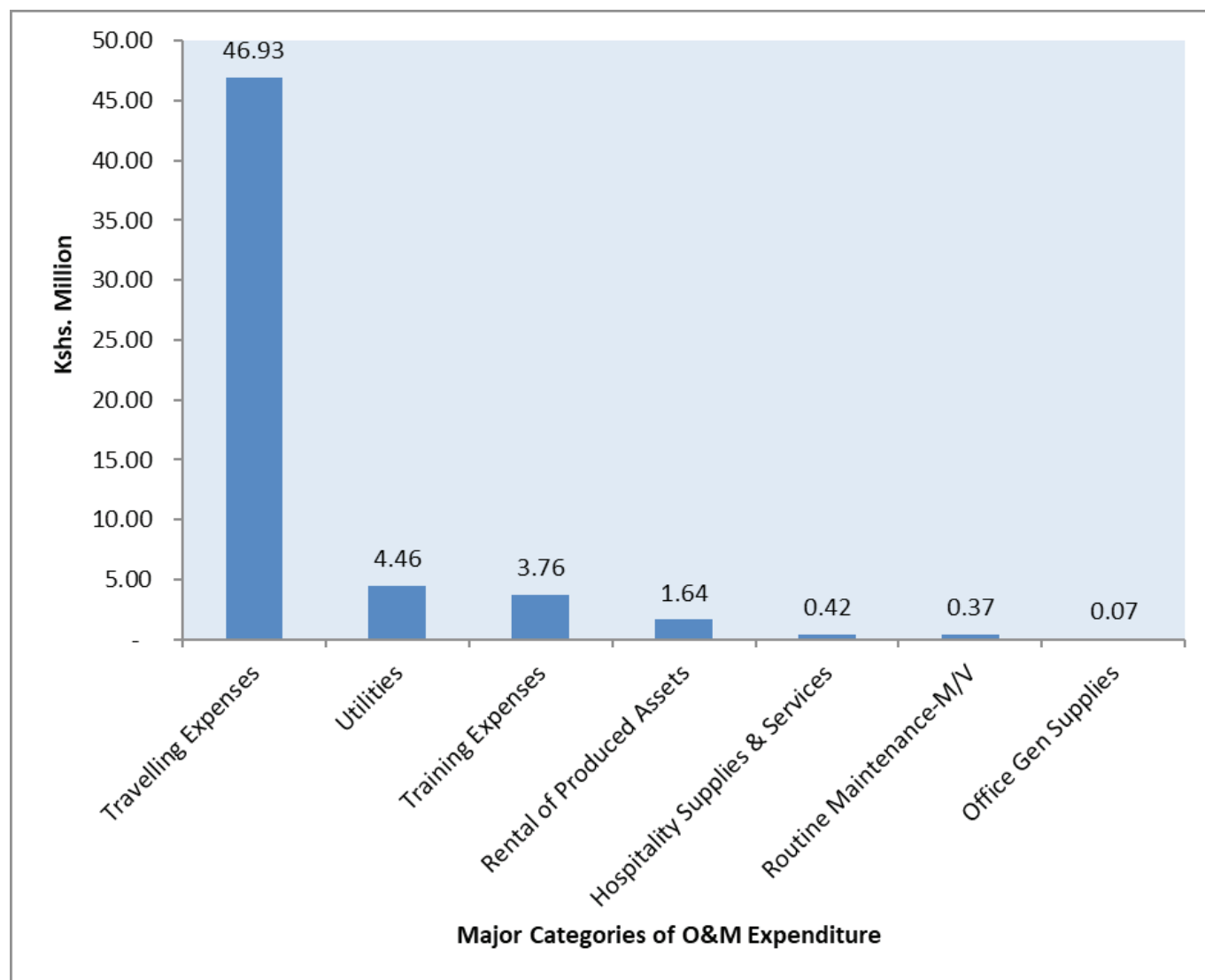
Source: Kisii County Treasury

3.16.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.19 billion consisted of Kshs1.13 billion (95.1 per cent) incurred on personnel emoluments and Kshs.58.53 million (4.9 per cent) on operations and maintenance as shown in Figure 3.47.

Expenditure on personnel emoluments represented an increase of 1.35 per cent compared to Kshs.1.11 billion incurred in the first quarter of FY 2016/17, and was 95.1 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.48 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.48: Kisii County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kisii County Treasury

The County Assembly did not incur any expenditure on committee sitting allowances for the 69 MCAs. Expenditure on domestic and foreign travel amounted to Kshs.46.93 million and consisted of Kshs.12.59 million incurred by the County Assembly and Kshs.34.34 million by the County Executive. It represented 4 per cent of total recurrent expenditure and was a decrease of 3.4 per cent compared to Kshs.48.56 million incurred in the first quarter of FY 2016/17.

3.16.7 Budget and Budget Performance Analysis by Department

Table 3.34 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.34: Kisii County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs. Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|--|----------------------------------|------------------|---|-----|--|-----|---|-----|---|-----|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 1, 137.57 | 110.78 | 102.40 | - | 70.03 | - | 68.4 | - | 6.2 | - |
| County Executive | 444.19 | 20 | 94.34 | - | 67.16 | - | 71.2 | - | 15.1 | - |
| Finance and Economic Planning | 736.98 | 142.20 | 145.49 | - | 92.05 | - | 63.3 | - | 12.5 | - |
| Agriculture | 283.81 | 243.90 | 58.67 | - | 53.61 | - | 91.4 | - | 18.9 | - |
| Water Development, Environment & Natural Resources | 144.47 | 304.10 | 21.12 | - | 40.82 | - | 193.3 | - | 28.3 | - |
| Education, Youth Affairs and Social Development | 541.81 | 232.70 | 88.63 | - | 86.79 | - | 97.9 | - | 16 | - |
| County Health Services | 2, 399.80 | 717.23 | 634.63 | - | 591.48 | - | 93.2 | - | 24.6 | - |
| Land, Physical Planning and Urban Development | 87.86 | 281 | 15.17 | - | 13.48 | - | 88.9 | - | 15.3 | - |
| Roads, Public Works and Transport | 133.88 | 933.09 | 21.30 | - | 20.63 | - | 96.8 | - | 15.4 | - |
| Trade Development and Regulations | 83.54 | 152.50 | 12.27 | - | 15.12 | - | 123.2 | - | 18.1 | - |
| Culture and Social Services | 77.75 | 139.40 | 10.07 | - | 15.77 | - | 156.7 | - | 20.3 | - |
| Kisii Town Urban Area | 75.82 | 18 | 13.22 | - | 22.81 | - | 172.6 | - | 30.1 | - |
| Administration and Stakeholder Management | 472.28 | 114 | 103.96 | - | 96.62 | - | 92.9 | - | 20.5 | - |
| TOTAL | 6, 619.76 | 3, 408.90 | 1, 321.27 | | 1, 186.38 | - | 89.8 | - | 17.9 | - |

Source: Kisii County Treasury

Analysis of budget performance by department shows that the Kisii Town Urban Area Department had the highest percentage of recurrent expenditure to recurrent budget at 30.1 per cent while the County Assembly had the lowest at 6.2 per cent.

3.16.8 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Establishment of an Internal Audit Committee in line with Section 155 (5) of the PFM Act, 2012.
- Compliance with the requirement to use IFMIS and Internet Banking by the County Assembly.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, the County had not received the equitable share of revenue.

2. Under-performance in local revenue collection, which declined by 51.4 per cent from Kshs.73.29 million in the first quarter of FY 2016/17 to Kshs.35.65 million in the reporting period.
3. Failure by the County to budget for all the conditional grants as contained in the CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County Treasury should prepare a Supplementary Budget and capture all the Conditional Grants in the CARA, 2017.*

3.17 Kisumu County

3.17.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.9.66 billion, comprising of Kshs.6.62 billion (68.6 per cent) and Kshs.3.04 billion (31.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.55 billion (67.9 per cent) as equitable share of revenue raised nationally, Kshs.961.61 million (10 per cent) as total conditional grants, and generate Kshs.1.4 billion (14.4 per cent) from local revenue sources, and Kshs.747.84 million (7.7 per cent) cash balance from FY 2016/17.

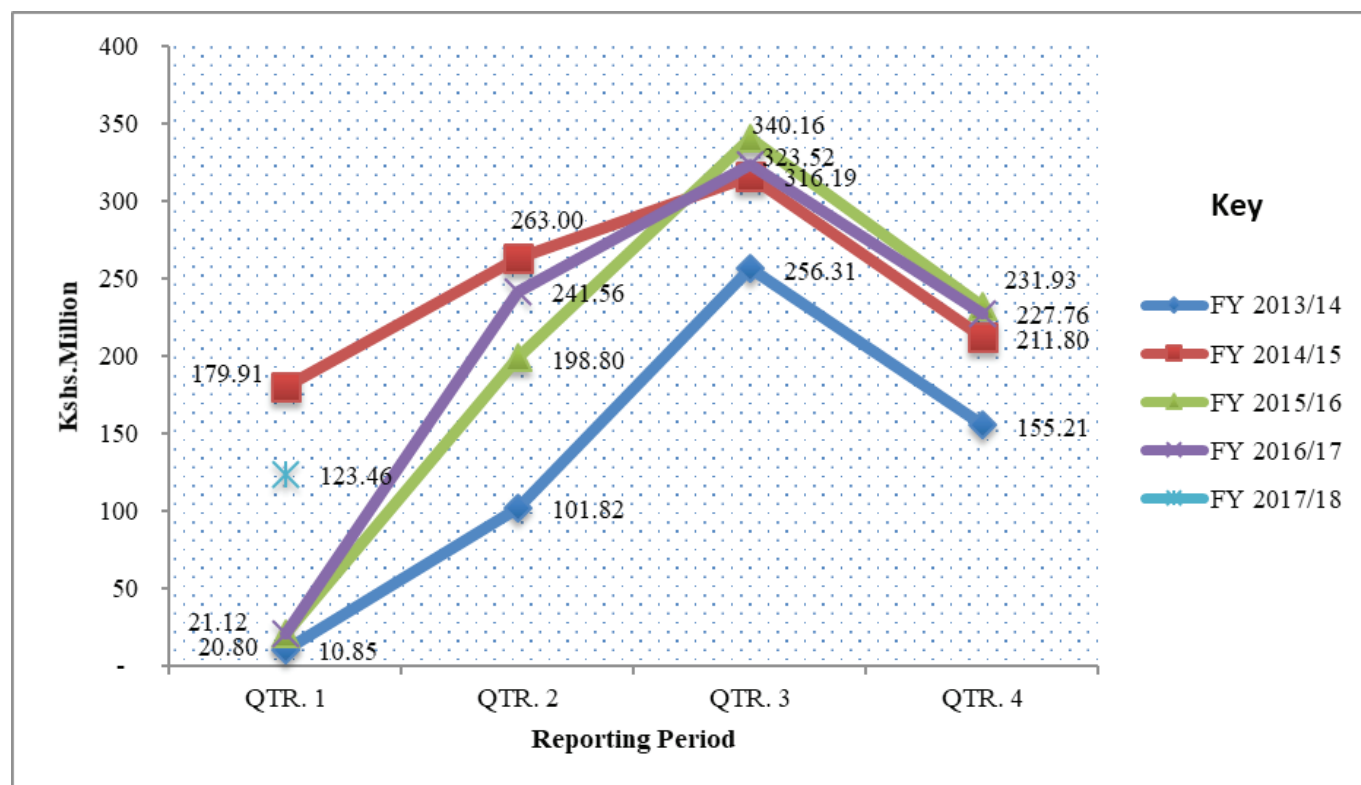
The conditional grants contained in the CARA, 2017 of Kshs.961.75 million comprise of Kshs.369.02 million (38.4 per cent) for Level 5 Hospital, Kshs.242.06 million (25.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (10 per cent) for Leasing of Medical Equipment, Kshs.66 million (6.9 per cent) as European Union (EU) Grant, Kshs.46.36 million (4.8 per cent) from the World Bank for Kenya Devolution Support Program, Kshs.46.31 million (4.8 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.30.07 million (3.1 per cent) as Other Loans and Grants, Kshs.28.47 million (3 per cent) for Development of Youth Polytechnics, Kshs.21.30 million (2.2 per cent) as Compensation for User Fee Foregone and Kshs.16.4 million (1.7 per cent) from DANIDA.

3.17.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.112.89 million as total conditional allocations, raised Kshs.123.46 million from local revenue sources, and had a cash balance of Kshs.550.89 million from FY 2016/17. The County did not receive the equitable share of revenue raised nationally in the period under review. The available funds amounted to Kshs.787.24 million.

Figure 3.49 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.49: Kisumu County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kisumu County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.123.46 million, representing a decrease of 41.5 per cent compared to Kshs.211.21 million generated in a similar period of FY 2016/17, and represented 8.8 per cent of the annual local revenue target.

3.17.3 Conditional Grants

Table 3.35 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.35: Kisumu County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|----------|---|--|------------------------------------|---|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 242, 061, 249 | 242, 061, 249 | 112, 891, 625 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | 95, 744, 681 | - | - |
| 3 | Kenya Devolution Support Program (KDSP) | 46, 361, 941 | 46, 361, 941 | - | - |
| 4 | Compensation for User Fee Foregone | 21, 299, 489 | 21, 165, 550 | - | - |
| 5 | DANIDA Grant | 16, 403, 019 | 16, 403, 019 | - | - |
| 6 | Conditional Grants to Level-5 Hospitals | 369, 017, 341 | 369, 017, 341 | - | - |
| 7 | Conditional Grant for Development of Youth Polytechnics | 28, 472, 587 | 28, 472, 587 | - | - |
| 8 | Other Loans & Grants | 30, 073, 021 | 30, 073, 021 | - | - |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|--|--|------------------------------------|---|--|
| 9 | World Bank Loan for Transforming Health System for Universal Care System | 46,312,993 | 46,312,993 | - | - |
| 10 | European Union (EU) Grant | 66,000,000 | 66,000,000 | - | - |
| Total | | 961,746,321 | 961,612,382 | 112,891,625 | 11.7 |

Source: Kisumu County Treasury

Analysis of the conditional grants released during the period under review indicates that, only the Road Maintenance Fuel Levy Fund received Kshs.112.89 million which was 46.6 per cent of annual target. The County did not receive funds from the rest of the conditional grants.

3.17.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.641.9 million from the CRF account, which was 6.6 per cent of the Approved Budget. This amount was a decrease of 56.6 per cent from Kshs.1.49 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

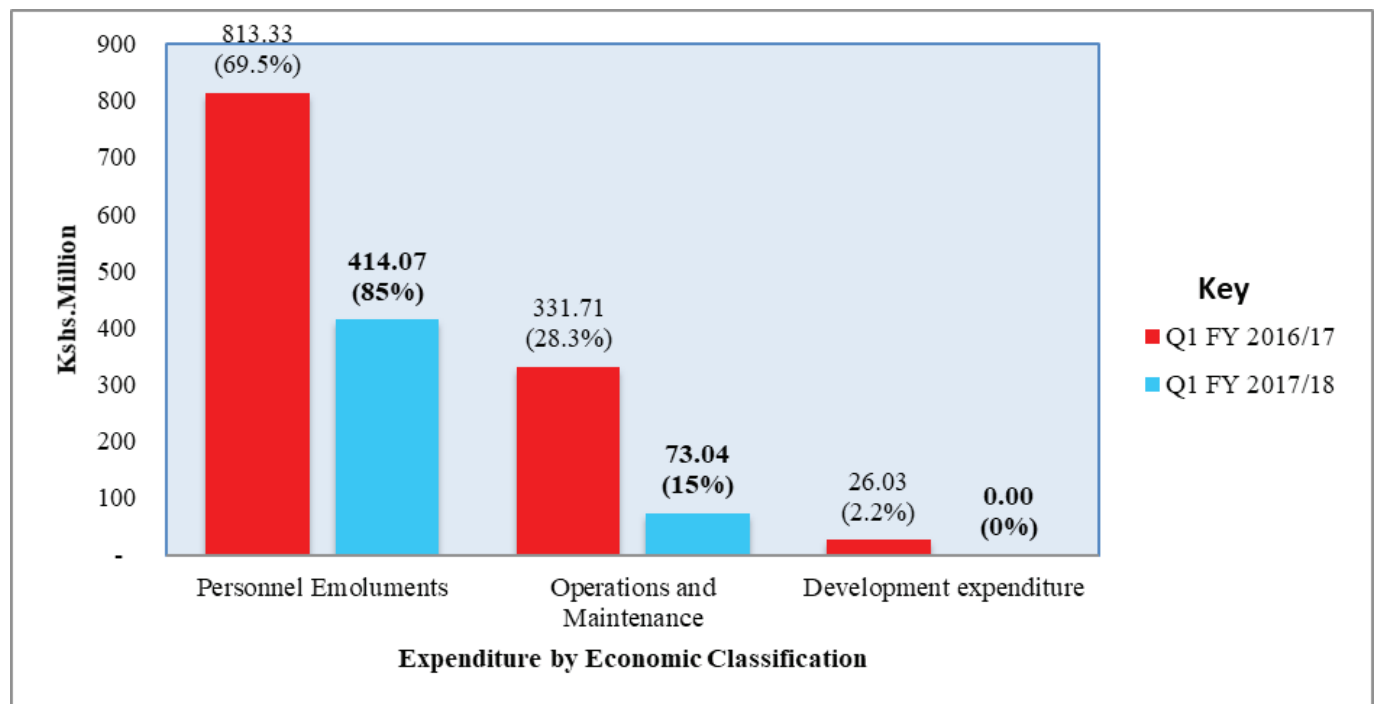
3.17.5 Overall Expenditure Review

The County incurred Kshs.487.1 million, which was 75.9 per cent of the total funds released for operations. This was a decrease of 58.4 per cent from Kshs.1.41 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.487.1 million was incurred on recurrent activities and represented 75.9 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.1.69 billion for development and Kshs.664.95 million for recurrent expenditure.

The recurrent expenditure represented 7.3 per cent of the annual recurrent budget, a decrease from 19.3 per cent incurred in a similar period of FY 2016/17. Figure 3.50 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.50: Kisumu County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



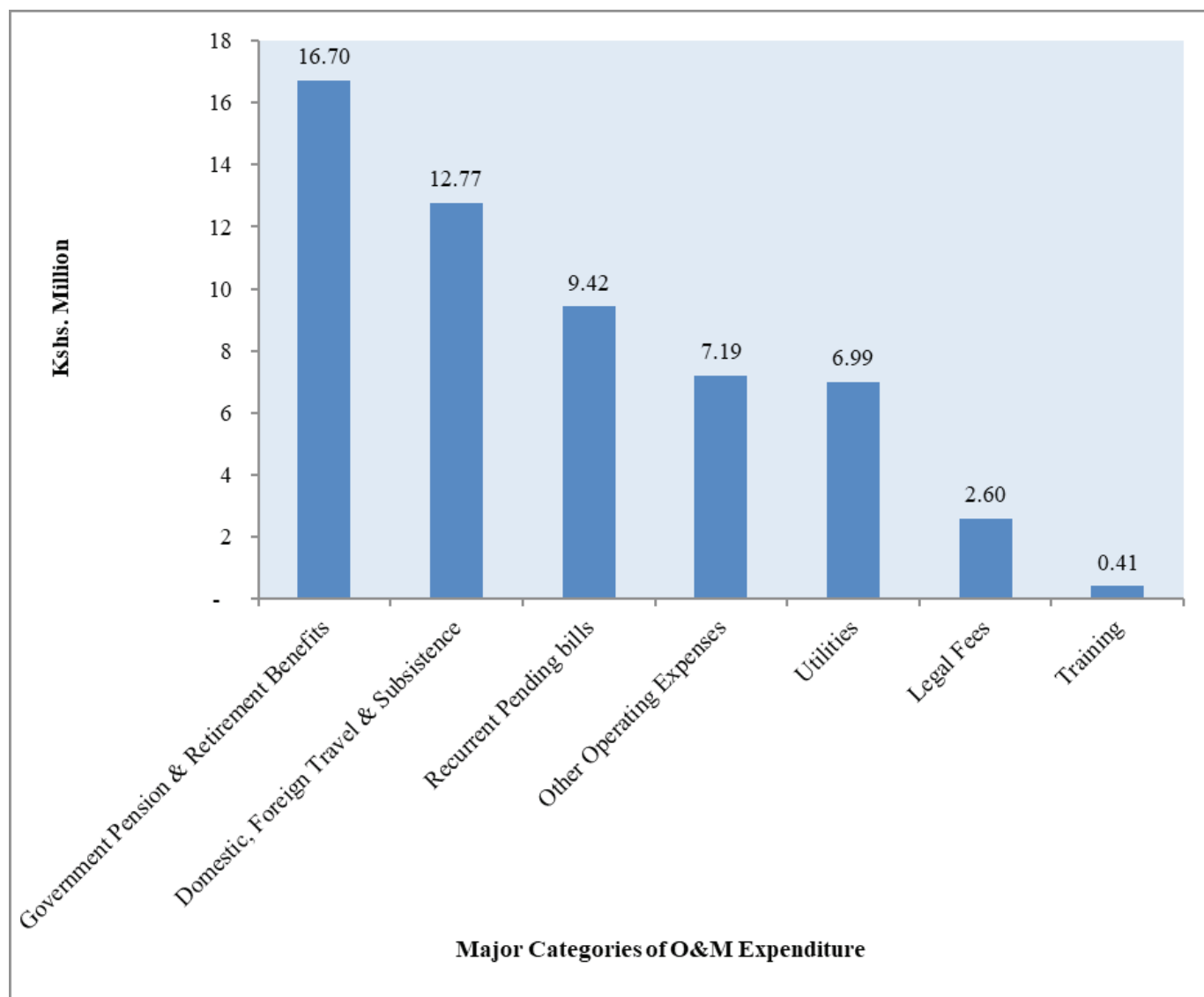
Source: Kisumu County Treasury

3.17.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.487.1 million consisted of Kshs.414.07 million (85 per cent) incurred on personnel emoluments and Kshs.73.04 million (15 per cent) on operations and maintenance as shown in Figure 3.50.

Expenditure on personnel emoluments represented a decrease of 49.1 per cent compared to Kshs.813.33 million incurred in the first quarter of FY 2016/17, and was 85 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.51 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.51: Kisumu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kisumu County Treasury

The County incurred Kshs.6.41 million on sitting allowances to the 48 MCAs against the annual budget allocation of Kshs.63.5 million. This was a decrease of 10.1 per cent compared to Kshs.14.25 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.43,600 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.12.77 million and consisted of Kshs.5.35 million incurred by the County Assembly and Kshs.7.42 million by the County Executive. It represented 2.6 per cent of total recurrent expenditure and was a decrease of 69.6 per cent compared to Kshs.42 million incurred in the first quarter of FY 2016/17.

3.17.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.17.8 Budget and Budget Performance Analysis by Department

Table 3.36 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.36: Kisumu County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|--|----------------------------------|-----------------|---|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor and County Administration | 449.71 | 113.04 | 33.16 | - | 15.64 | - | 47.2 | - | 3.5 | - |
| Finance and Planning | 918.64 | 1, 161.46 | 69.49 | - | 20.49 | - | 29.5 | - | 2.2 | - |
| Agriculture, Livestock and Fisheries | 265.77 | 178.74 | 33.51 | - | 32.01 | - | 95.5 | - | 12 | - |
| Education, Youth, Culture and Social Services | 385.14 | 145.66 | 18.63 | - | 9.46 | - | 50.8 | - | 2.5 | - |
| Tourism, Trade and Heritage | 52.35 | 160.93 | 3.99 | - | 0.35 | - | 8.8 | - | 0.7 | - |
| Lands, Housing and Physical Planning | 29.86 | 159.34 | 2.52 | - | 5.6 | - | 222.4 | - | 18.8 | - |
| Roads, Transport and Public Works | 221.87 | 189.79 | 10 | - | 6.03 | - | 60.3 | - | 2.7 | - |
| Health Services | 2, 449.61 | 164.13 | 291.57 | - | 230.55 | - | 79.1 | - | 9.4 | - |
| Water, Environment and Natural Resources | 177.7 | 164.16 | 12.11 | - | 12.45 | - | 102.9 | - | 7 | - |
| Industrialization, Enterprise Development, Energy and Mining | 151.29 | 330.22 | 13.8 | - | 16.49 | - | 119.5 | - | 10.9 | - |
| Communication, Information and Technology | 84.52 | 145.67 | 4.28 | - | 6.35 | - | 148.4 | - | 7.5 | - |
| County Assembly | 656.62 | - | 36.90 | - | 37.05 | - | 100.4 | - | 5.6 | - |
| City of Kisumu | 672.19 | 119.96 | 104.89 | - | 83.31 | - | 79.4 | - | 12.4 | - |
| County Public Service Board | 105.74 | 4 | 7.05 | - | 11.33 | - | 160.7 | - | 10.7 | - |
| Total | 6, 621.01 | 3, 037.1 | 641.9 | - | 487.11 | - | 75.9 | - | 7.3 | - |

Source: Kisumu County Treasury

Analysis of budget performance by department shows the Department of Lands, Housing and Physical Planning had the highest percentage of recurrent expenditure to recurrent budget at 18.8 per cent while the Tourism, Trade and Heritage Department had the lowest at 0.7 per cent.

3.17.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

1. Failure by the National Treasury to disburse the equitable share of revenue raised nationally during the first quarter of FY 2017/18.
2. Under-performance in local revenue collection, which declined by 41.5 per cent from Kshs.211.21 million in the first quarter of FY 2016/17 to Kshs.123.46 million in the reporting period.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are disbursed in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should formulate and implement strategies to enhance local revenue collection.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.18 Kitui County

3.18.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.9.87 billion, comprising of Kshs.6.25 billion (63.3 per cent) and Kshs.3.62 billion (36.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.37 billion (84.8 per cent) as equitable share of revenue raised nationally, Kshs.576.94 million (5.8 per cent) as total conditional grants, and generate Kshs.702.04 million (7.1 per cent) from local revenue sources, and Kshs.226 million (2.3 per cent) cash balance from FY 2016/17.

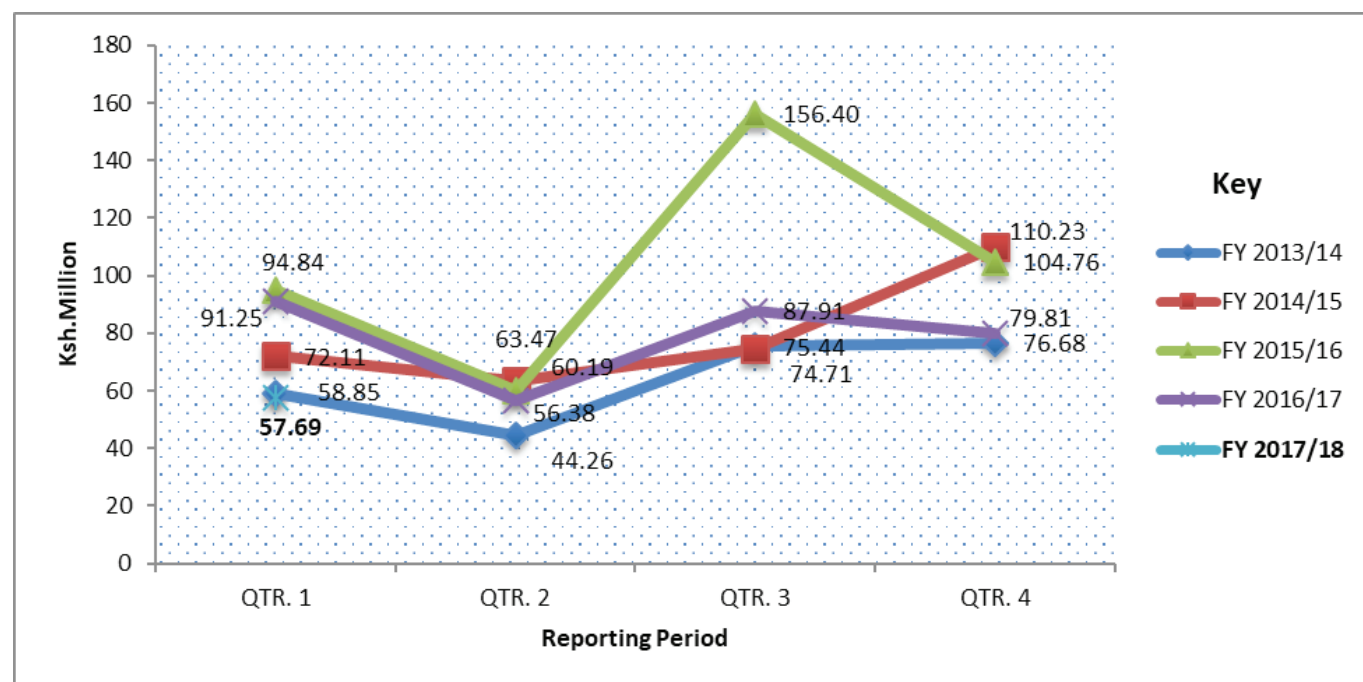
The conditional grants contained in the CARA, 2017 of Kshs.840.3 million comprise of Kshs.95.74 million (11.4 per cent) for Leasing of Medical Equipment, Kshs.309.64 million (36.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.5 million (2.7 per cent) as Compensation for User Fee Foregone, Kshs.20.98 million (2.5 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 Program, Kshs.67.58 million (8 per cent) for Development of Youth Polytechnics, Kshs.103.43 million (12.3 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (6 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, and Kshs.58.55 million (7 per cent) from Other Loans and Grants.

3.18.2 Revenue Analysis

During the first quarter of FY 2017/18, the County did not receive its equitable share of revenue raised nationally. The County received Kshs.144.41 million as total conditional allocations, raised Kshs.57.69 million from local revenue sources, and had a cash balance of Kshs.1.32 billion brought forward from FY 2016/17. The available funds amounted to Kshs.1.52 billion.

Figure 3.52 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.52: Kitui County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kitui County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.57.69 million, representing a decrease of 36.8 per cent compared to Kshs.91.25 million generated in a similar period of FY 2016/17, and represented 8.2 per cent of the annual local revenue target.

3.18.3 Conditional Grants

Table 3.37 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.37: Kitui County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation in Kshs. | Actual receipts in First Quarter of FY 2017/18 in Kshs. | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|----------|--|--|-----------------------------------|---|---|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 309, 636, 150 | 220, 500, 000 | 144, 406, 956 | 46.6 |
| 2 | World Bank Loan for Transforming Health System for Universal Care System | 103, 430, 429 | - | - | - |
| 3 | Leasing of Medical Equipment | 95, 744, 681 | - | - | - |
| 4 | Development of Youth Polytechnics | 67, 576, 636 | - | - | - |
| 5 | Other Loans & Grants | 58, 554, 018 | - | - | - |
| 6 | World Bank loan to supplement financing of County Health facilities | 58, 210, 000 | - | - | - |
| 7 | World Bank Kenya Devolution Support Program | 53, 665, 066 | 269, 220, 781 | - | - |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation in Kshs. | Actual receipts in First Quarter of FY 2017/18 in Kshs. | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|--------------|---|--|-----------------------------------|---|---|
| 8 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50,000,000 | - | - | - |
| 9 | Compensation for User Fee Foregone | 22,499,906 | 87,216,611 | - | - |
| 10 | DANIDA Grant | 20,982,159 | - | - | - |
| Total | | 840,299,045 | 576,937,392 | 144,406,956 | 17.2 |

Source: Kitui County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received Kshs.144.41 million from the Road Maintenance Fuel Levy Fund. This amount represented 46.6 per cent of the annual target.

3.18.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.684.64 million from the CRF account, which was 6.9 per cent of the Approved Budget. This amount was a decrease of 66.8 per cent from Kshs.2.06 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

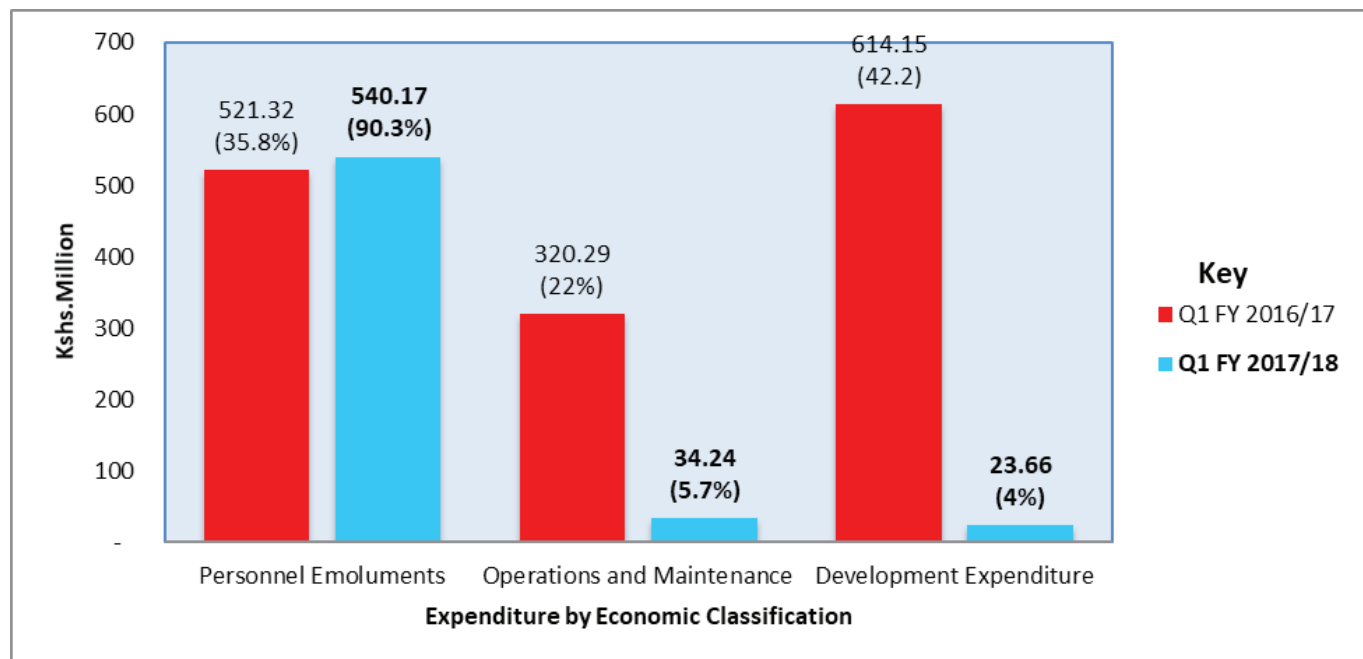
3.18.5 Overall Expenditure Review

The County incurred Kshs.598.07 million, which was 87.4 per cent of the total funds released for operations. This was a decrease of 58.9 per cent from Kshs.1.46 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.574.41 million was incurred on recurrent activities, while Kshs.23.66 million was on development expenditure. The recurrent expenditure was 83.9 per cent of the funds released for recurrent activities while the development expenditure was incurred despite there being no exchequer approval for development activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.3.35 million for development and Kshs.17.97 million for recurrent expenditure.

The recurrent expenditure represented 9.2 per cent of the annual recurrent budget, a decrease from 15 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 0.7 per cent, which was a decrease from 12.6 per cent attained in the first quarter of FY 2016/17. Figure 3.53 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.53: Kitui County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



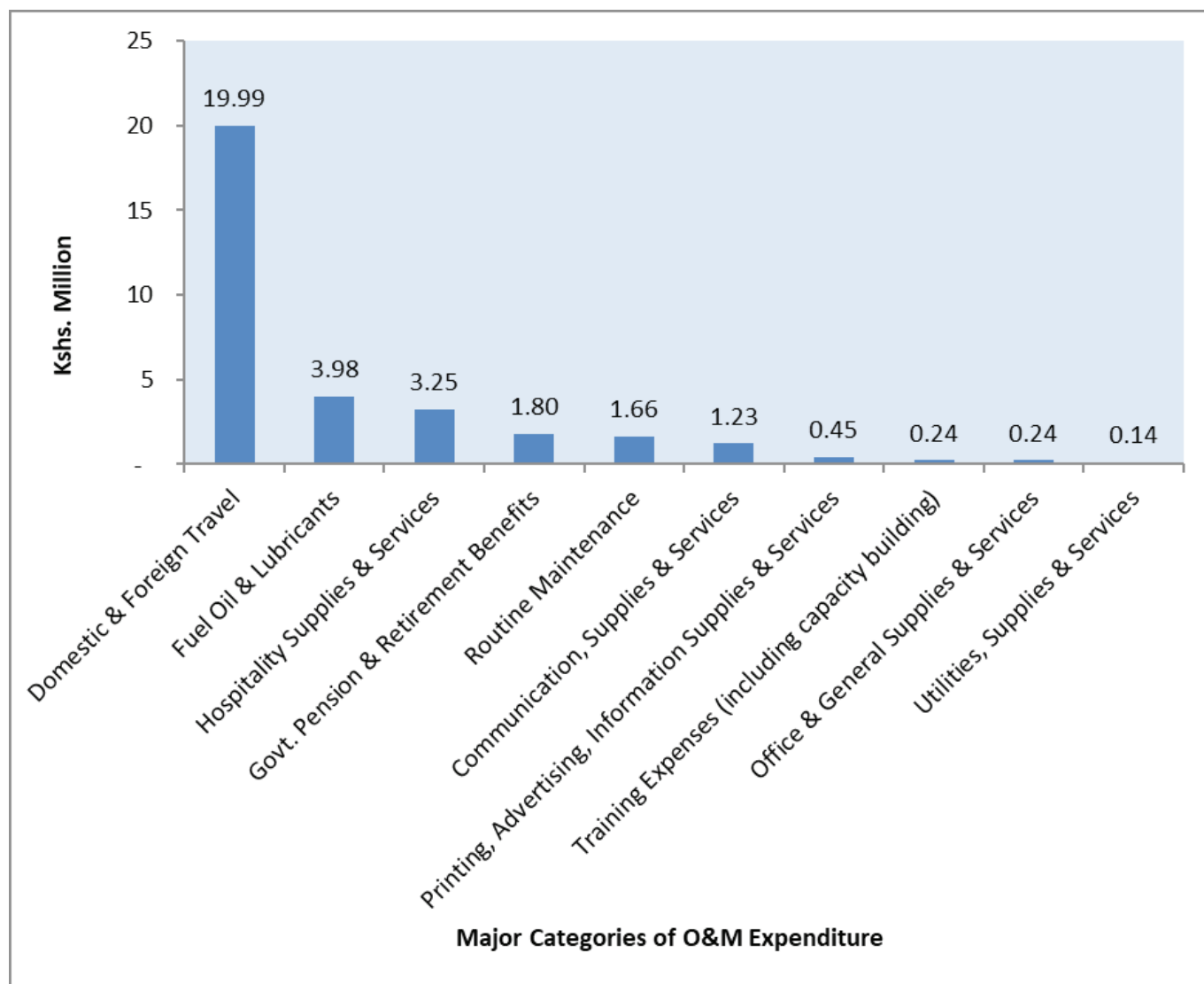
Source: Kitui County Treasury

3.18.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.574.41 million consisted of Kshs.540.17 million (94 per cent) incurred on personnel emoluments and Kshs.34.24 million (6 per cent) on operations and maintenance as shown in Figure 3.53.

Expenditure on personnel emoluments represented an increase of 3.6 per cent compared to Kshs.521.32 million incurred in the first quarter of FY 2016/17, and was 90.3 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.54 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.54: Kitui County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kitui County Treasury

During the period under review, the County Assembly did not incur any expenditure on committee sitting allowances to the 54 MCAs. Expenditure on domestic and foreign travel amounted to Kshs.19.99 million and consisted of Kshs.9.91 million incurred by the County Assembly and Kshs.10.08 million by the County Executive. It represented 3.5 per cent of total recurrent expenditure and was a decrease of 67.3 per cent compared to Kshs.61.17 million incurred in the first quarter of FY 2016/17.

3.18.7 Development Expenditure Analysis

The total development expenditure of Kshs.23.66 million represented 0.7 per cent of the annual development budget of Kshs.3.62 billion. The major development expenditure was a capital transfer to the Pro-Poor Programme of Kshs.20 million.

3.18.8 Budget and Budget Performance Analysis by Department

Table 3.38 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.38: Kitui County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs. Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|----------------------------------|-----------------|---|----------|--|--------------|---|----------|---|------------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 585.93 | 580 | 44.12 | - | 5.55 | 20 | 12.6 | - | 0.9 | 3.4 |
| Administration & Coordination of County Affairs | 506.52 | 64.66 | 55.71 | - | 77.15 | - | 138.5 | - | 15.2 | - |
| Agriculture, Water & Irrigation | 459.68 | 699.23 | 63.8 | - | 32.1 | 4.15 | 50.3 | - | 7 | 0.6 |
| Basic Education, Training & Skills Development | 512.78 | 144.6 | 59.61 | - | 44.2 | - | 74.1 | - | 8.6 | - |
| Land, Infrastructure & Urban Development | 290.79 | 749.65 | 35.47 | - | 0.92 | - | 2.6 | - | 0.3 | - |
| Health & Sanitation | 1,870.77 | 505.41 | 240.83 | - | 309.71 | - | 128.6 | - | 16.6 | - |
| Trade, Industry, IT & Cooperatives | 80.49 | 141.21 | 9.34 | - | 0.37 | - | 3.9 | - | 0.5 | - |
| Culture, Youth, Sports & Social Services | 76.36 | 156.92 | 7.57 | - | 0.09 | - | 1.2 | - | 0.1 | - |
| Environment, Energy & Minerals Investment Development | 48.61 | 167.47 | 5.86 | - | 0.55 | - | 9.4 | - | 1.1 | - |
| Tourism & Natural Resources | 62.26 | 103.19 | 8.32 | - | 0.6 | - | 7.2 | - | 1 | - |
| Finance & Economic Planning | 661.93 | 72.57 | 45.92 | - | 38.39 | (0.49) | 83.6 | - | 5.8 | -0.7 |
| County Public Service Board | 69.72 | 17.86 | 7.08 | - | 1.6 | - | 22.6 | - | 2.3 | - |
| County Assembly | 866.62 | 30 | 82.32 | - | 58.06 | - | 70.5 | - | 6.7 | - |
| Kitui Town Administration | 94.17 | 138.95 | 11.64 | - | 3.93 | - | 33.7 | - | 4.2 | - |
| Mwingi Town Administration | 63.78 | 51.27 | 7.06 | - | 1.2 | - | 17 | - | 1.9 | - |
| TOTAL | 6,250.40 | 3,623.01 | 684.64 | - | 574.41 | 23.66 | 83.9 | - | 9.2 | 0.7 |

Source: Kitui County Treasury

Analysis of budget performance by department shows that the Office of the Governor attained the highest absorption rate of development budget at 3.4 per cent followed by the Agriculture, Water and Irrigation Department at 0.6 per cent. The other departments did not incur any development expenditure. On the other hand, the Health and Sanitation Department had the highest percentage of recurrent expenditure to recurrent budget at 16.6 per cent while the Department of Culture, Youth, Sports and Social Services had the lowest at 0.1 per cent.

3.18.9 Observations and Recommendations

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

- Reduction of domestic and foreign travel expenditure from Kshs.61.17 million in the first quarter of FY 2016/17 to Kshs.19.99 million in the reporting period.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury during the first quarter of FY 2017/18.

2. Under-performance in local revenue collection, which declined by 36.8 per cent from Kshs.91.25 million in the first quarter of FY 2016/17 to Kshs.57.69 million in the reporting period.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.19 Kwale County

3.19.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.9.71 billion, comprising of Kshs.4.92 billion (50.7 per cent) and Kshs.4.79 billion (49.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.04 billion (72.5 per cent) as equitable share of revenue raised nationally, Kshs.428.35 million (4.4 per cent) as total conditional allocations, and generate Kshs.833.37 million (8.6 per cent) from local revenue sources, and Kshs.1.84 billion (18.9 per cent) cash balance from FY 2016/17.

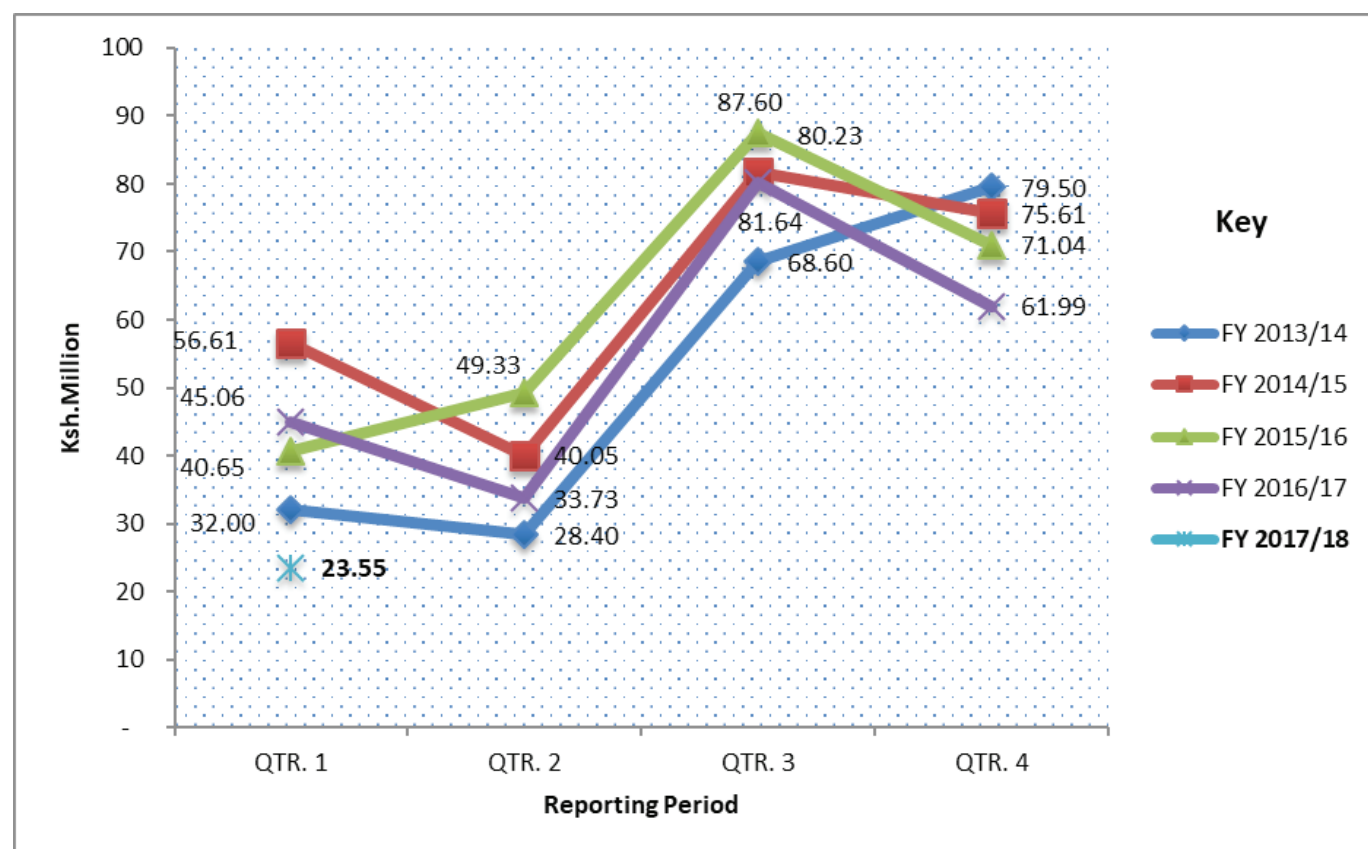
The conditional grants contained in the CARA, 2017 of Kshs.300.11 million comprise of Kshs.43.76 million (6.3 per cent) for Youth Polytechnics, Kshs.218.39 million (31.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.21 million (2.2 per cent) as Compensation for User Fee Foregone, Kshs.95.74 million (13.8 per cent) for Leasing of Medical Equipment, Kshs.37.08 million (5.3 per cent), as World Bank (WB) Loan to supplement financing of Health Facilities, transforming Health Systems Kshs.67.49 million (9.7 per cent) and Kshs.50 million (7.2 per cent) as World Bank (WB) Loan to supplement financing of Health Facilities, transforming Health Systems and for National Agricultural and Rural inclusive growth projects respectively; Kshs.47.39 million (6.8 per cent) as Kenya Devolution Support Programme (KDSP) level loan, Kshs.66 million (9.5 per cent) as EU grant for Instrument for devolution advice and support, Kshs.14.80 million (2.1 per cent) as DANIDA Grant for Universal Health Care and Kshs.38.82 million (5.6 per cent) as other Conditional Loans and Grants for the devolved systems programs.

3.19.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.558.37 million as total conditional grants generated Kshs.23.55 million from local revenue sources, and had a cash balance of Kshs.1.07 billion from FY 2016/17. The available funds amounted to Kshs.1.65 billion.

Figure 3.55 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.55: Kwale County, Trend in Local Revenue Collection by Quarter from the first Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kwale County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.23.55 million, representing a decrease of 47.7 per cent compared to Kshs.45.06 million generated in a similar period of FY 2016/17, and represented 2.8 per cent of the annual local revenue target.

3.19.3 Conditional Grants

Table 3.39 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.39: Kwale County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation in Kshs) | Annual Budget Allocation in Kshs) | Actual receipts in First Quarter of FY 2017/18 in Kshs. | Actual Receipts as Percentage of Annual Allocation (%) |
|------------------------------------|---|---------------------------------------|-----------------------------------|---|--|
| Grants Contained CARA, 2017 | | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 84, 979, 062 | 84, 979, 062 | 190, 575, 000 | 224 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | 95, 744, 681 | 95, 744, 681 | - |
| 3 | World Bank loan to supplement financing of County Health facilities | - | 82, 166, 289 | 71, 182, 447 | - |
| 4 | Compensation for User Fee Foregone | - | 15, 397, 611 | 15, 209, 593 | - |
| 5 | Conditional Allocation - Other Loans & Grants | 119, 385, 662 | 119, 385, 662 | 47, 394, 016 | 40 |

| | | | | | |
|--------------|--|----------------------|----------------------|----------------------|------------|
| 6 | World Bank Loan for Transforming Health System for universal Care System | - | 30, 679, 771 | 138, 263, 309 | - |
| Total | | 300, 109, 405 | 428, 353, 076 | 558, 369, 046 | 186 |

Source: Kwale County Treasury

Analysis of the conditional grants released during the period under review indicates that only the Roads Maintenance Levy Fund received Kshs.101.85 million which was 46.6 per cent of annual Allocation.

3.19.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.855.15 million from the CRF account, which was 8.8 per cent of the Approved Budget. This amount was a decrease of 53.5 per cent from Kshs.1.84 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

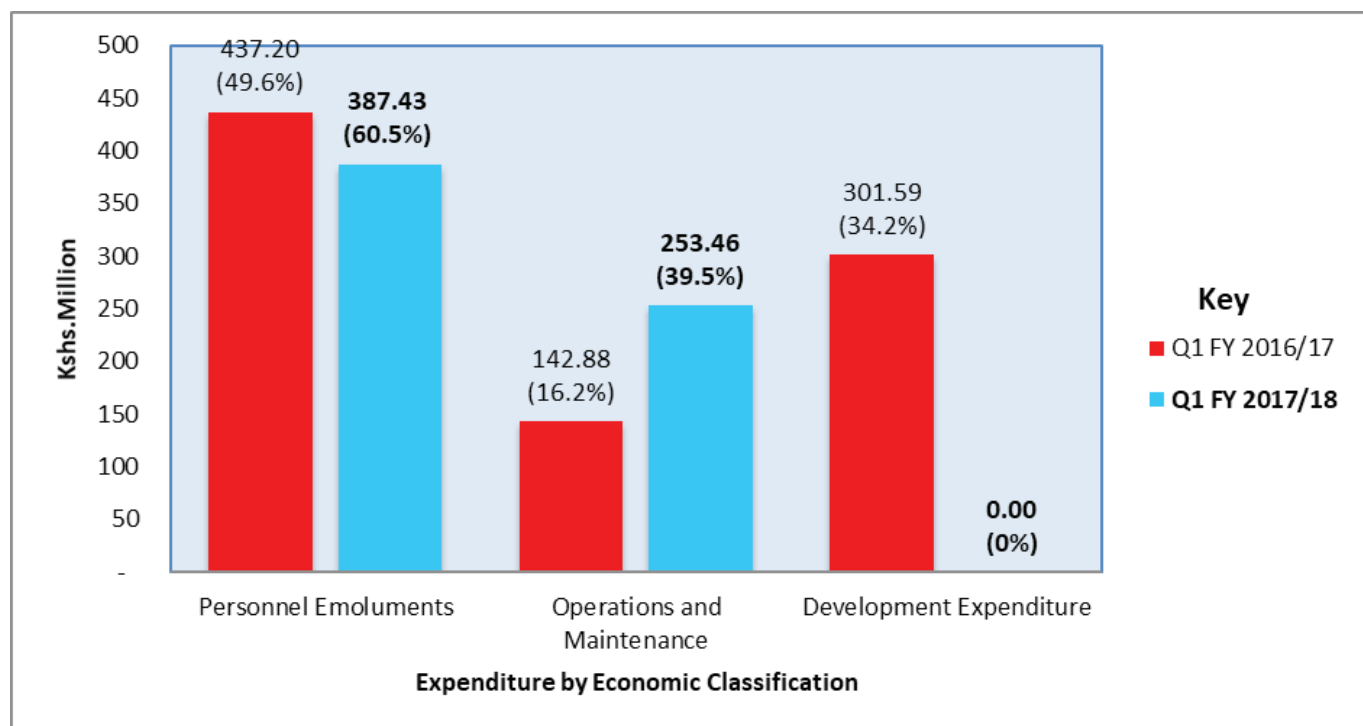
3.19.5 Overall Expenditure Review

The County incurred Kshs.640.89 million, which was 74.9 per cent of the total funds released for operations. This was a decrease of 27.3 per cent from Kshs.881.67 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.640.89 million was incurred on recurrent activities and represented 74.9 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.69.57 million for development expenditure and Kshs.17.47 million for recurrent expenditure.

The recurrent expenditure represented 13 per cent of the annual recurrent budget, a decrease from 19.1 per cent incurred in a similar period of FY 2016/17. Figure 3.56 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.56: Kwale County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



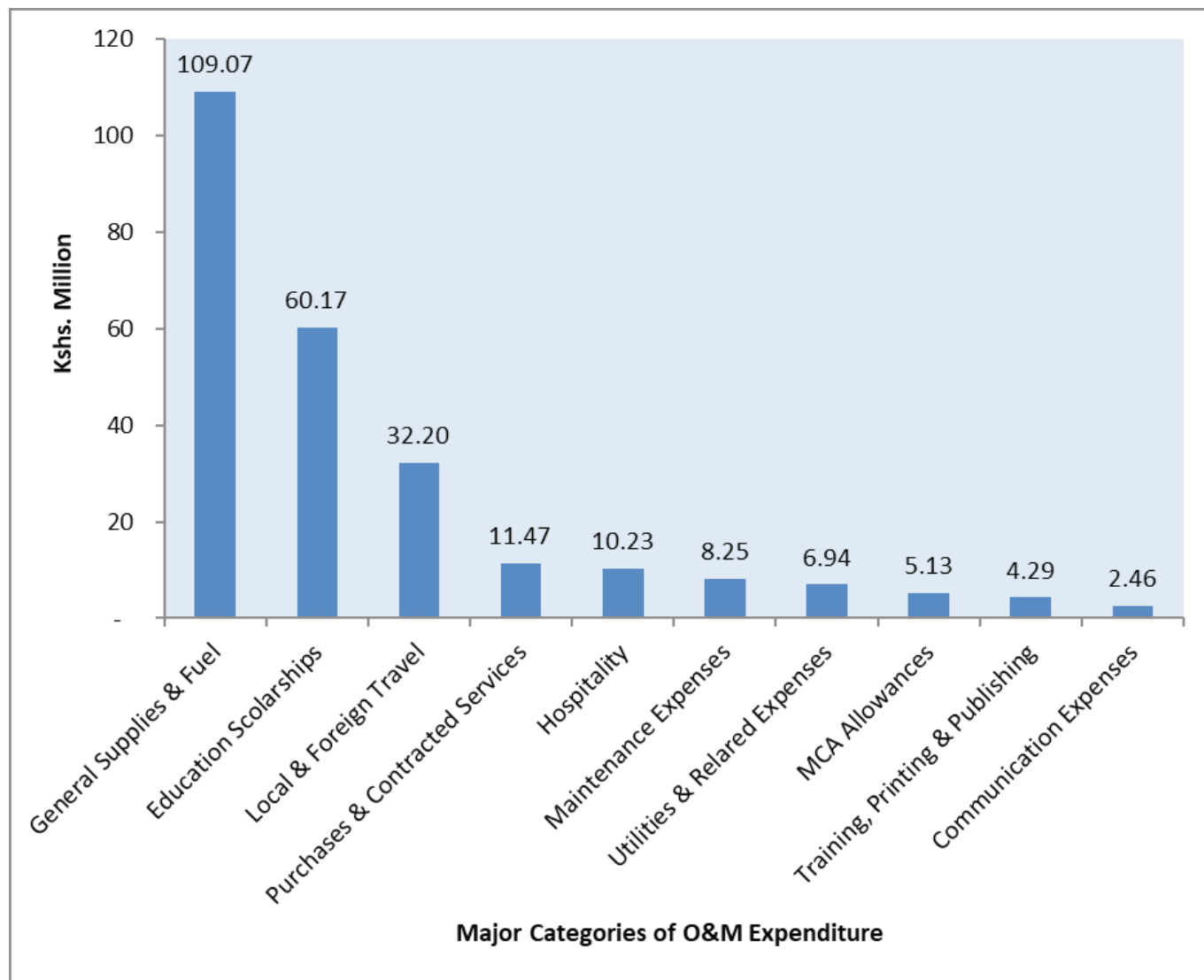
Source: Kwale County Treasury

3.19.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.640.89 million consisted of Kshs.387.43 million (60.5 per cent) incurred on personnel emoluments and Kshs.253.46 million (39.5 per cent) on operations and maintenance as shown in Figure 3.56.

Expenditure on personnel emoluments represented a decrease of 11.4 per cent compared to Kshs.437.20 million incurred in the first quarter of FY 2016/17, and was 60.5 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.57 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.57: Kwale County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kwale County Treasury

The County incurred Kshs.5.13 million on sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.26.23 million. This was a decrease of 47.5 per cent compared to Kshs.9.77 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.50,330 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.32.2 million and consisted of Kshs.23.85 million incurred by the County Assembly and Kshs.8.35 million by the County Executive. It represented 5 per cent of total recurrent expenditure and was a decrease of 37.3 per cent compared to Kshs.51.33 million incurred in the first quarter of FY 2016/17.

3.19.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.19.8 Budget and Budget Performance Analysis by Department

Table 3.40 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.40: Kwale County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs. Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|--|-----------------------------------|---------------|---|----------|--|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Executive Services | 183 | 81 | 31 | - | 36 | - | 116.4 | - | 19.4 | - |
| Public Service and Administration | 344 | 73 | 108 | - | 112 | - | 103.8 | - | 32.7 | - |
| Finance and Economic Planning | 421 | 96 | 201 | - | 55 | - | 27.5 | - | 13.2 | - |
| Agriculture, Livestock and Fisheries | 178 | 175 | 30 | - | 33 | - | 112.4 | - | 18.7 | - |
| Education, Research and HR Development | 755 | 993 | 56 | - | 106 | - | 189.9 | - | 14.1 | - |
| Medical and Health Services | 1, 811 | 916 | 244 | - | 169 | - | 69.3 | - | 9.3 | - |
| Trade and Cooperative Development | 62 | 210 | 10 | - | 8 | - | 73.4 | - | 12.2 | - |
| Community Development, Culture & Talent Management | 187 | 205 | 31 | - | 10 | - | 32.7 | - | 5.5 | - |
| Infrastructure and Public Works | 187 | 653 | 30 | - | 29 | - | 95.7 | - | 15.3 | - |
| Tourism, Investment and ICT | 65 | 133 | 11 | - | 5 | - | 48.4 | - | 8 | - |
| Land, Physical Planning and Natural Resources | 55 | 96 | 9 | - | 6 | - | 61.3 | - | 10.2 | - |
| Water Services | 75 | 996 | 12 | - | 8 | - | 66.8 | - | 11.1 | - |
| County Assembly | 598 | 162 | 82 | - | 63 | - | 77.7 | - | 10.6 | - |
| Total | 4, 921 | 4, 789 | 855 | - | 641 | - | 74.9 | - | 13 | - |
| TOTAL | 9, 843 | 9, 579 | 1, 710 | - | 1, 282 | - | 74.9 | - | 13 | - |

Source: Kwale County Treasurer

Analysis of budget performance by department shows that the Department of Public Service and Administration had the highest percentage of recurrent expenditure to recurrent budget at 32.7 per cent while the Department of Community Development, Culture and Talent Management had the lowest at 5.5 per cent.

3.19.9 Observations and Recommendations

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

- Operationalization of Internal Audit Committee in compliance with Section 155 (5) of the PFM Act, 2012.
- Timely submission of quarterly reports to the Controller of Budget in line with Section 166 of the PFM Act, 2012.
- Improvement in the application of IFMIS in processing financial transactions.

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

1. Failure by the National Treasury to disburse the equitable share to the County. This affected smooth budget execution.
2. Frequent IFMIS downtime was experienced during the reporting period.
3. Failure by the County to budget for all the conditional grants as contained in the CARA, 2017.

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

1. *The National Treasury should ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury to liaise with IFMIS Directorate for intervention measures to address the frequent system downtime.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.20 Laikipia County

3.20.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.5.55 billion, comprising of Kshs.3.47 billion (62.5 per cent) and Kshs.2.08 billion (37.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.97 billion (72.3 per cent) as equitable share of revenue raised nationally, Kshs.823.47 million (15 per cent) as total conditional grants, and generate Kshs.700 million (12.7 per cent) from local revenue sources, and Kshs.0.21 million cash (0.4 per cent) balance from FY 2016/17.

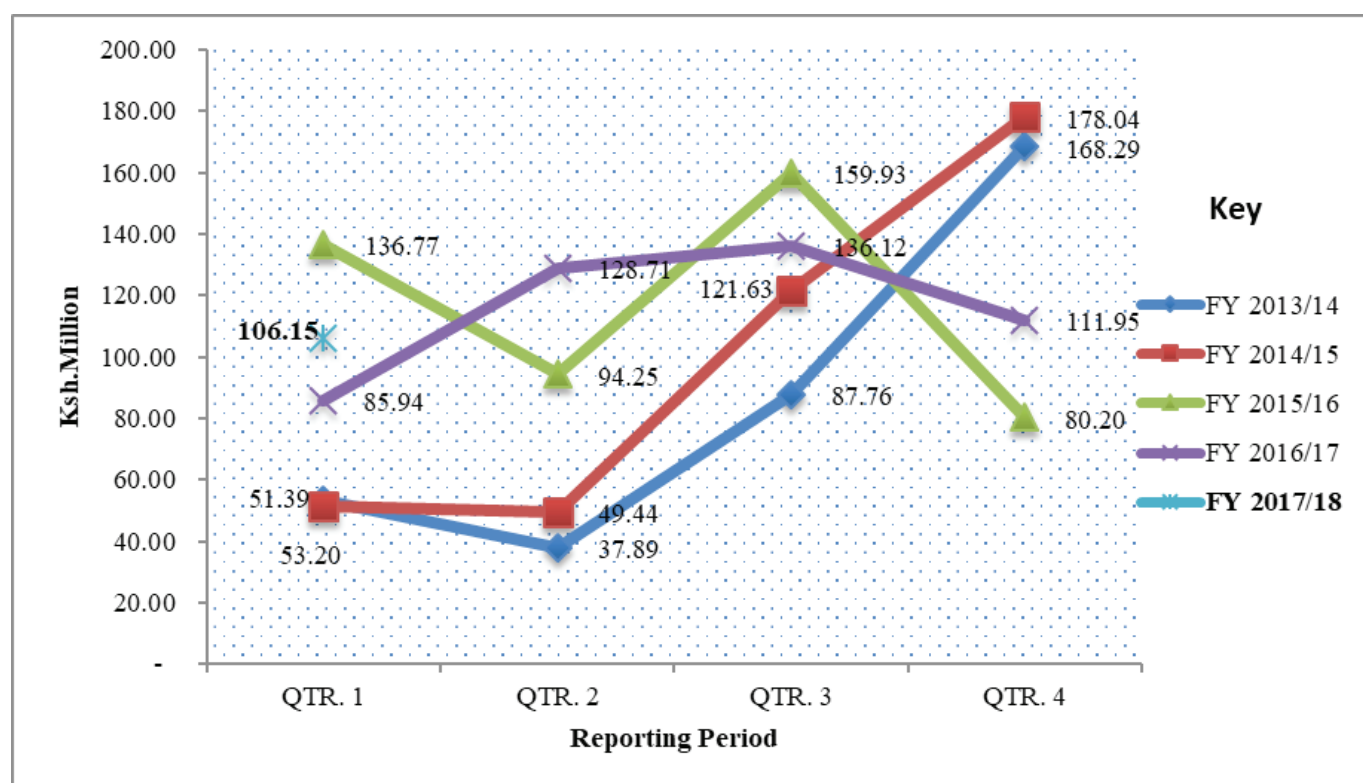
The conditional grants contained in the CARA, 2017 of Kshs.448.59 million comprise of Kshs.146.97 million (32.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.9.97 million (2.2 per cent) as Compensation for User Fee Foregone, Kshs.9.96 million (2.2 per cent) from DANIDA, Kshs.25.26 million (5.6 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.38.4 million (8.6 per cent) for the World Bank Kenya Devolution Support Program, Kshs.33.36 million (7.4 per cent) for Development of Youth Polytechnics, Kshs.46.12 million (10.3 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.26.44 million (5.9 per cent) as Other Loans and Grants, and Kshs.66 million (14.7 per cent) as European Union (EU) Grant. The conditional grants from other sources and not contained in the CARA, 2017 comprise of Kshs.104.44 million for Free Maternal Healthcare and Kshs.200 million as Facility Improvement Fund.

3.20.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.629.97 million as equitable share of the revenue raised nationally, Kshs.68.55 million as total conditional allocations, raised Kshs.106.15 million from local revenue sources, and had a cash balance of Kshs.210, 630 brought forward from FY 2016/17. The available funds amounted to Kshs.804.88 million.

Figure 3.58 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.58: Laikipia County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Laikipia County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.106.15 million, representing an increase of 23.5 per cent compared to Kshs.85.94 million generated in a similar period of FY 2016/17, and represented 15.2 per cent of the annual local revenue target.

3.20.3 Conditional Grants

Table 3.41 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.41: Laikipia County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|--------------------|--|--|------------------------------------|---|---|
| A | Grants Contained in the CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 146, 974, 666 | 155, 132, 500 | 68, 545, 498 | 46.6 |
| 2 | World Bank Loan for Transforming Health System for Universal Care System | 46, 115, 937 | 20, 000, 000 | - | - |
| 3 | Kenya Devolution Support Project (KDSP) | 38, 403, 464 | 48, 722, 640 | - | - |
| 4 | Development of Youth Polytechnics | 33, 358, 875 | - | - | - |
| 5 | Other Loans & Grants | 26, 439, 559 | 175, 868, 372 | - | - |
| 6 | World Bank loan to supplement financing of County Health facilities | 25, 255, 000 | 20, 000, 000 | - | - |
| 7 | Compensation for User Fee Foregone | 9, 968, 208 | 9, 305, 967 | - | - |
| 8 | DANIDA Grant | 9, 959, 579 | - | - | - |
| 9 | World Bank Loan for Transforming Health System for Universal Care System | 46, 115, 937 | 20, 000, 000 | - | - |
| 10 | EU Grant | 66, 000, 000 | 70, 000, 000 | - | - |
| Sub Total | | 448, 591, 225 | 519, 029, 479 | 68, 545, 498 | 15.3 |
| B | Other Grants Not Contained in the CARA, 2017 | | | | |
| 11 | Facility Improvement Fund, including health sector support | - | 200, 000, 000 | - | - |
| 12 | Free Maternal Healthcare | - | 104, 441, 400 | - | - |
| Sub Total | | - | 304, 441, 400 | - | - |
| Grand Total | | 448, 591, 225 | 823, 470, 879 | 68, 545, 498 | 15.3 |

Source: Laikipia County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the receipt of Ksh.68.55 million which represented 46.6 per cent of annual allocation. The County did not receive funds from the other conditional grants.

3.20.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.731.65 million from the CRF account, which was 13.2 per cent of the Approved Budget. This amount was a decrease of 29.7 per cent from Kshs.1.04 billion authorized in a similar period of FY 2016/17 and consisted of Kshs.692.98 million (94.7 per cent) for recurrent expenditure and Kshs.38.67 million (5.3 per cent) for development activities.

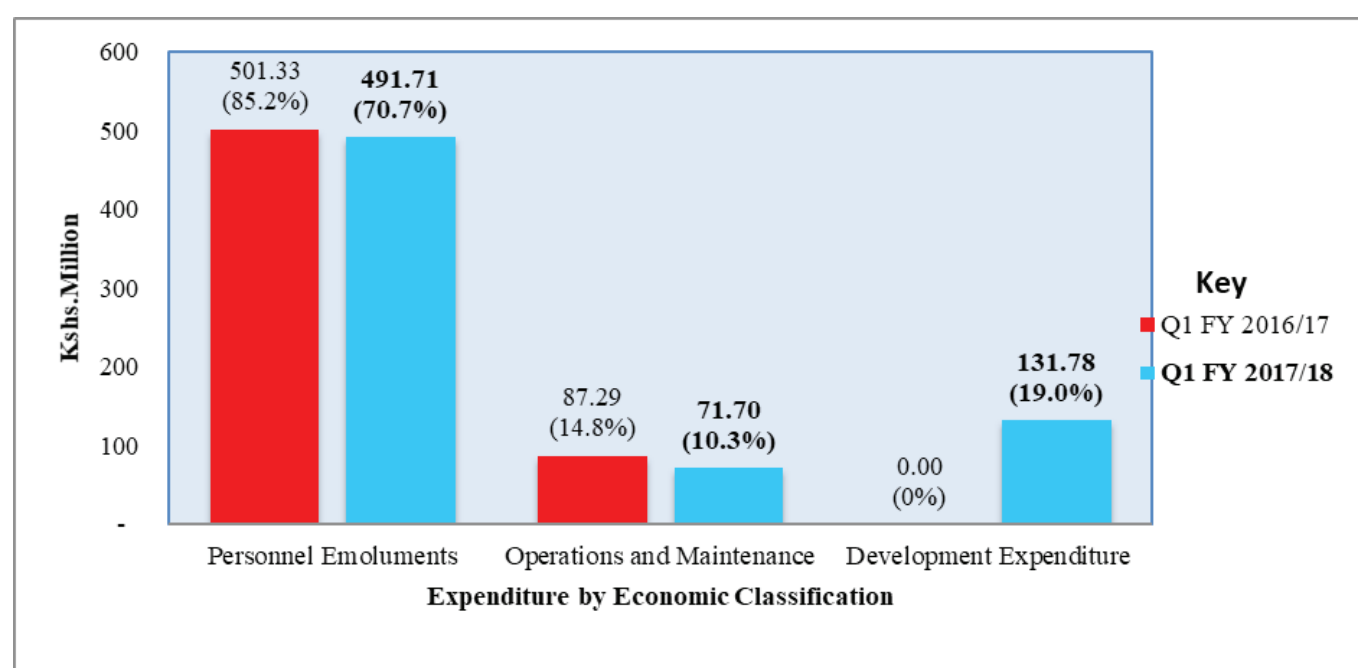
3.20.5 Overall Expenditure Review

The County incurred Kshs.695.19 million, which was 95 per cent of the total funds released for operations. This was an increase of 18.1 per cent from Kshs.658.04 million incurred in the first quarter of FY 2016/17.

A total of Kshs.563.41 million was incurred on recurrent activities, while Kshs.131.78 million was on development activities. The recurrent expenditure was 81.3 per cent of the funds released for recurrent activities while development expenditure accounted for 340.8 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.875.5 million for development and Kshs.148.91 million for recurrent expenditure.

The recurrent expenditure represented 16.2 per cent of the annual recurrent budget, an increase from 17.26 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 6.3 per cent, which was an increase from 0.22 per cent attained in the first quarter of FY 2016/17. Figure 3.59 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.59: Laikipia County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



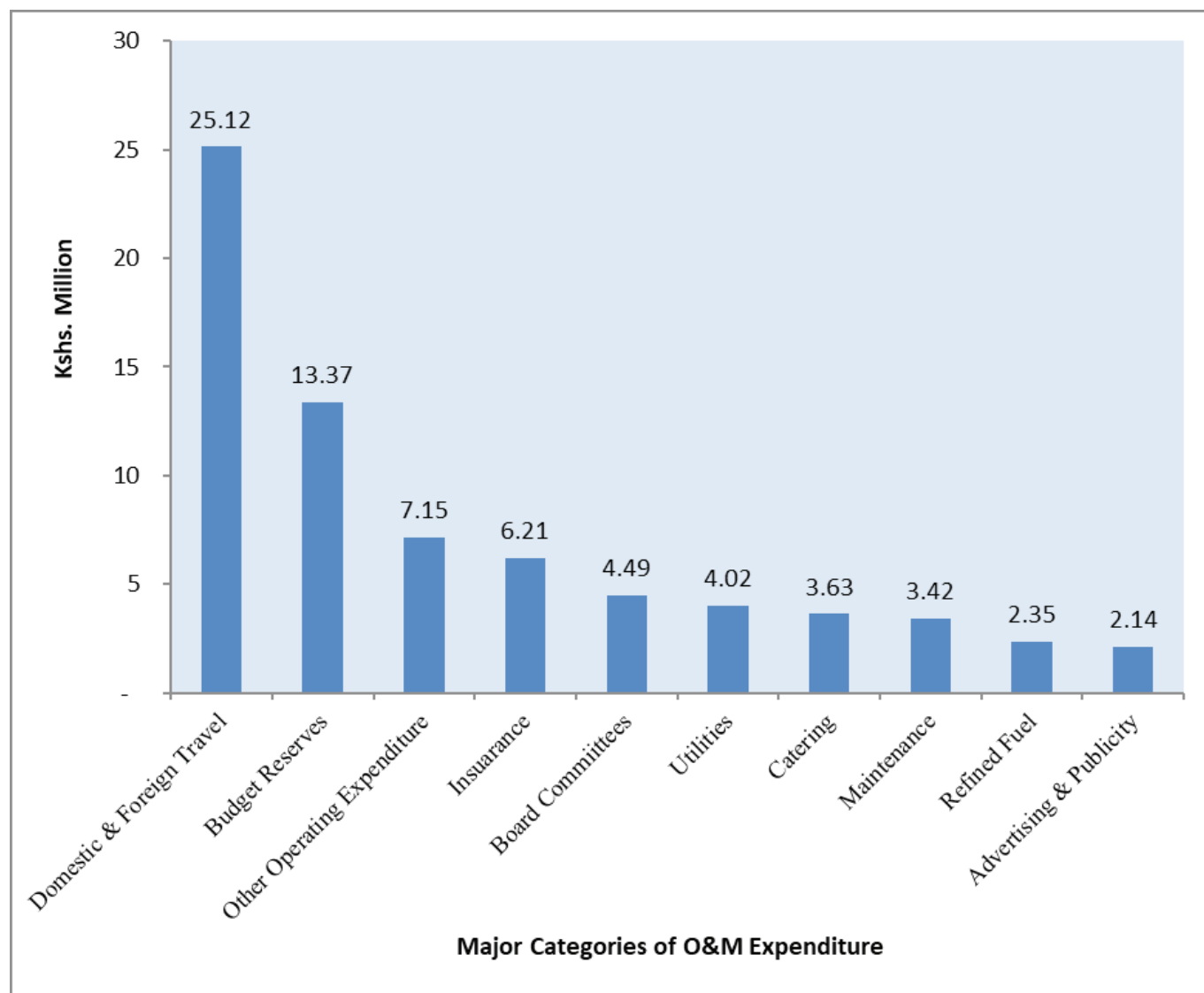
Source: Laikipia County Treasury

3.20.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.563.41 million consisted of Kshs.491.71 million (87.3 per cent) incurred on personnel emoluments and Kshs.71.7 million (12.7 per cent) on operations and maintenance as shown in Figure 3.59.

Expenditure on personnel emoluments represented a decrease of 1.9 per cent compared to Kshs.501.33 million incurred in the first quarter of FY 2016/17, and was 70.7 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.60 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.60: Laikipia County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Laikipia County Treasury

The County Assembly did not spend on MCA's committee sitting allowances during the reporting period. Expenditure on domestic and foreign travel amounted to Kshs.25.12 million and consisted of Kshs.11.2 million incurred by the County Assembly and Kshs.13.92 million by the County Executive. It represented 4.5 per cent of total recurrent expenditure and was an increase of 44 per cent compared to Kshs.17.45 million incurred in the first quarter of FY 2016/17.

3.20.7 Development Expenditure Analysis

The development expenditure of Kshs.131.78 million represented 6.3 per cent of the annual development budget of Kshs.2.08 billion. This amount was spent on capital transfers to county health facilities, and included; Nanyuki Hospital (Kshs.18.33 million), Nyahururu Hospital (Kshs.17.35 million), and Rumuruti Hospital (2.63 million).

3.20.8 Budget and Budget Performance Analysis by Department

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

Table 3.42: Laikipia County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---------------------------|----------------------------------|---------------|---|--------------|---|------------|---|--------------|---|------------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Administration | 2, 584.77 | 66.18 | 634.86 | - | 475.47 | - | 74.9 | - | 18.4 | - |
| Finance and Planning | 200.21 | 497.03 | 8.24 | - | 24.05 | 90.27 | 291.9 | - | 12 | 18.2 |
| Health | 81.58 | 625.13 | 4.27 | 38.67 | 4.47 | 38.78 | 104.5 | - | 5.5 | 6.2 |
| Agriculture | 25 | 166.42 | 1.8 | - | 3.42 | 0.45 | 189.8 | - | 13.7 | 0.3 |
| Infrastructure | 31.05 | 392.76 | 1.8 | - | 2.25 | - | 125.4 | - | 7.3 | - |
| Education | 47.53 | 107.13 | 3.89 | - | 3.89 | 0.9 | 100 | - | 8.2 | 0.8 |
| Trade & Industrialization | 24.05 | 96 | 1.53 | - | 2.77 | - | 181.2 | - | 11.5 | - |
| Water | 34.03 | 119 | 4.01 | - | 3.96 | 1.37 | 98.7 | - | 11.6 | 1.2 |
| County Assembly | 443.59 | 10 | 32.57 | - | 43.13 | - | 132.4 | - | 9.7 | - |
| TOTAL | 3, 472 | 2, 080 | 692.98 | 38.67 | 692.98 | 132 | 81.3 | 340.8 | 16.2 | 6.3 |

Source: Laikipia County Treasury

Analysis of budget performance by department shows that the Finance and Planning Department attained the highest absorption rate of development budget at 18.2 per cent while the County Administration, Infrastructure, County assembly and Trade and Industrialization Departments did not incur any development expenditure. On the other hand, the Department of County Administration had the highest percentage of recurrent expenditure to recurrent budget at 18.4 per cent while the Department of Health had the lowest at 5.5 per cent.

3.20.9 Observations and Recommendations

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

- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Improvement in local revenue collection by 23.5 per cent from Kshs.85.94 million in the first quarter of FY 2016/17 to Kshs.106.15 million in the reporting period.

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

- Delay by Fund Administrators to submit expenditure reports of the County Assembly Members Car Loan and Mortgage Fund, and the Biashara Mashinani Fund contrary to Section 168 of the PFM Act, 2012.
- 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. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *All Fund Administrators should submit quarterly financial returns in line with Section 168 of the PFM Act, 2012.*
2. *The County Treasury should liaise with the IFMIS Directorate to resolve the connectivity challenges experienced in the reporting period.*
3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
4. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.21 Lamu County

3.21.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.2.7 billion, comprising of Kshs.1.88 billion (69.7 per cent) and Kshs.819.10 million (30.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.2.45 billion (90.9 per cent) as equitable share of revenue raised nationally, Kshs.137.32 million (5.1 per cent) as total conditional grants, and generate Kshs.90 million (3.3 per cent) from local revenue sources, and Kshs.10 million (0.4 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.432.51 million comprise of, Kshs.87.42 million (63.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.2.45 million (1.8 per cent) as Compensation for User Fee Foregone, Kshs.5.92 million (4.3 per cent) from DANIDA, Kshs.121 million (88.1 per cent) for Construction of County Headquarters, Kshs.11.79 million (8.6 per cent) as World Bank loan to supplement financing of County Health Facilities, Kshs.31.78 million (23.1 per cent) for Development of Youth Polytechnics, Kshs.28.59 million (20.5 per cent) as World Bank Loan for Transforming Health System for Universal Care System, and Kshs.16.25 million (11.8 per cent) from Other Loans and Grants.

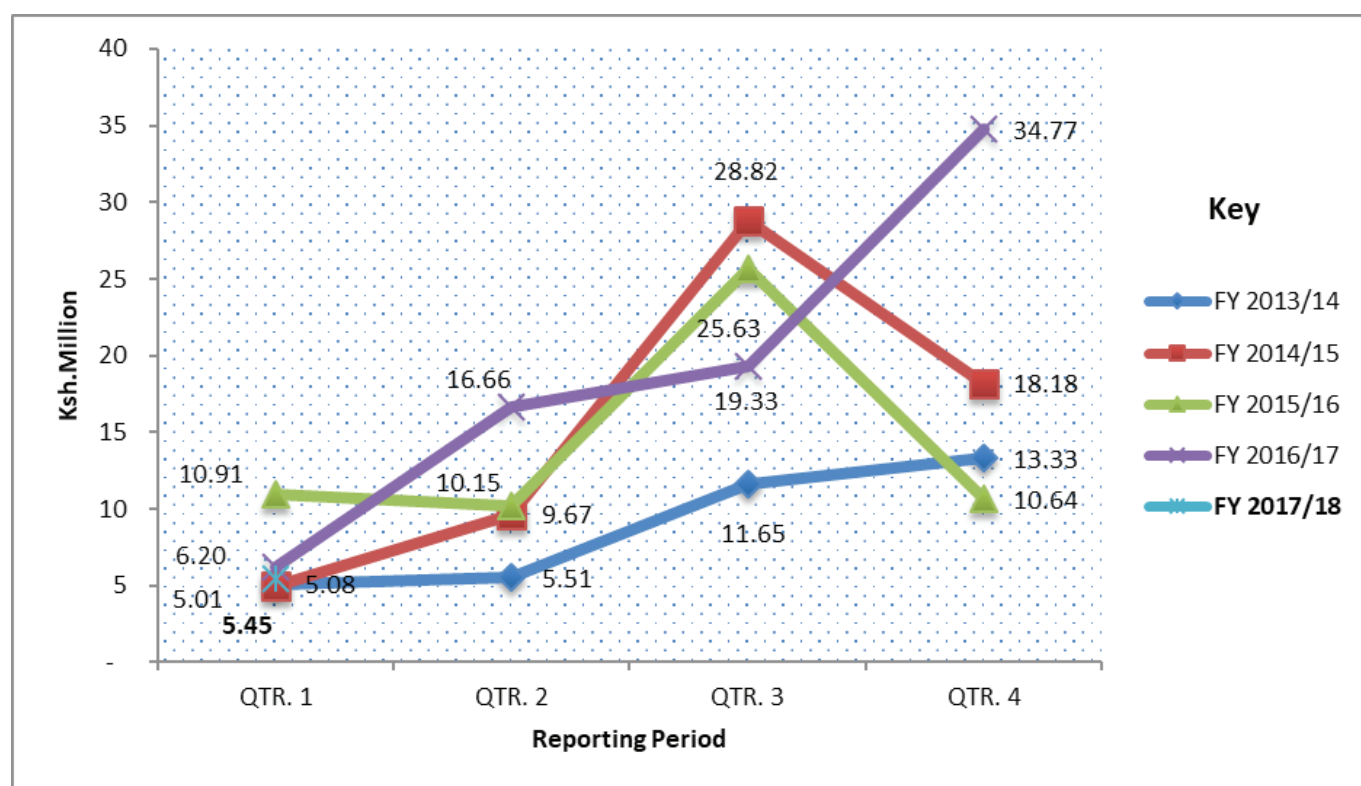
The County budgeted to receive Ksh.13.4 million as World Bank loan for the National Agricultural and Rural Inclusive Projects, which, was not contained in the CARA, 2017.

3.21.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.346.7 million as equitable share of the revenue raised nationally, Kshs.40.77 million as total conditional allocations, raised Kshs.5.45 million from local revenue sources, and had a cash balance of Kshs.10 million from FY 2016/17. The available funds amounted to Kshs.402.92 million.

Figure 3.61 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.61: Lamu County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Lamu County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.5.45 million, representing a decrease of 12.1 per cent compared to Kshs.6.2 million generated in a similar period of FY 2016/17, and represented 6.1per cent of the annual local revenue target.

3.21.3 Conditional Grants

Table 3.43 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.43: Lamu County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation(in Kshs) | Actual re-ceipts in First Quarter of FY 2017/18 (in Kshs.) | Actual Receipts as Percentage of Annual Allo-cation (%) |
|------|---------------------------------|--|-----------------------------------|--|---|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 87, 424, 448 | 87, 575, 000 | 40, 772, 689 | 46.6 |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation(in Kshs) | Actual re-ceipts in First Quarter of FY 2017/18 (in Kshs.) | Actual Receipts as Percentage of Annual Allo-cation (%) |
|--------------|--|--|-----------------------------------|--|---|
| 2 | Leasing of Medical Equipment | 95, 744, 681 | - | - | - |
| 3 | World Bank loan to supplement financing of County Health facilities | 11, 785, 000 | 33, 892, 447 | - | - |
| 4 | Kenya Devolution Support Programme (KDSP) | 31, 560, 246 | - | - | - |
| 5 | Compensation for User Fee Foregone | 2, 451, 034 | 2, 451, 034 | - | - |
| 6 | DANIDA Grant | 5, 924, 224 | - | - | - |
| 7 | Supplement for Construction of County Headquarters | 121, 000, 000 | - | - | - |
| 8 | Development of Youth Polytechnics | 31, 780, 441 | - | - | - |
| 9 | Other Loans & Grants | 16, 251, 730 | - | - | - |
| 10 | World Bank Loan for Transforming Health System for universal Care System | 28, 585, 496 | - | - | - |
| 11 | World Bank Loan for National Agricultural & Rural Inclusive Project | - | 13, 400, 000 | - | - |
| Total | | 432, 507, 300 | 137, 318, 481 | 40, 772, 689 | 9 |

Source: Lamu County Treasury

Analysis of the conditional grants indicates that the County only received funds from the Road Maintenance Fuel Levy Fund amounting to Ksh.40.77 million which was 46.6 per cent of annual allocation.

3.21.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.368.12 million from the CRF account, which was 13.6 per cent of the Approved Budget. This amount was a decrease of 59.5 per cent from Kshs.907.87 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

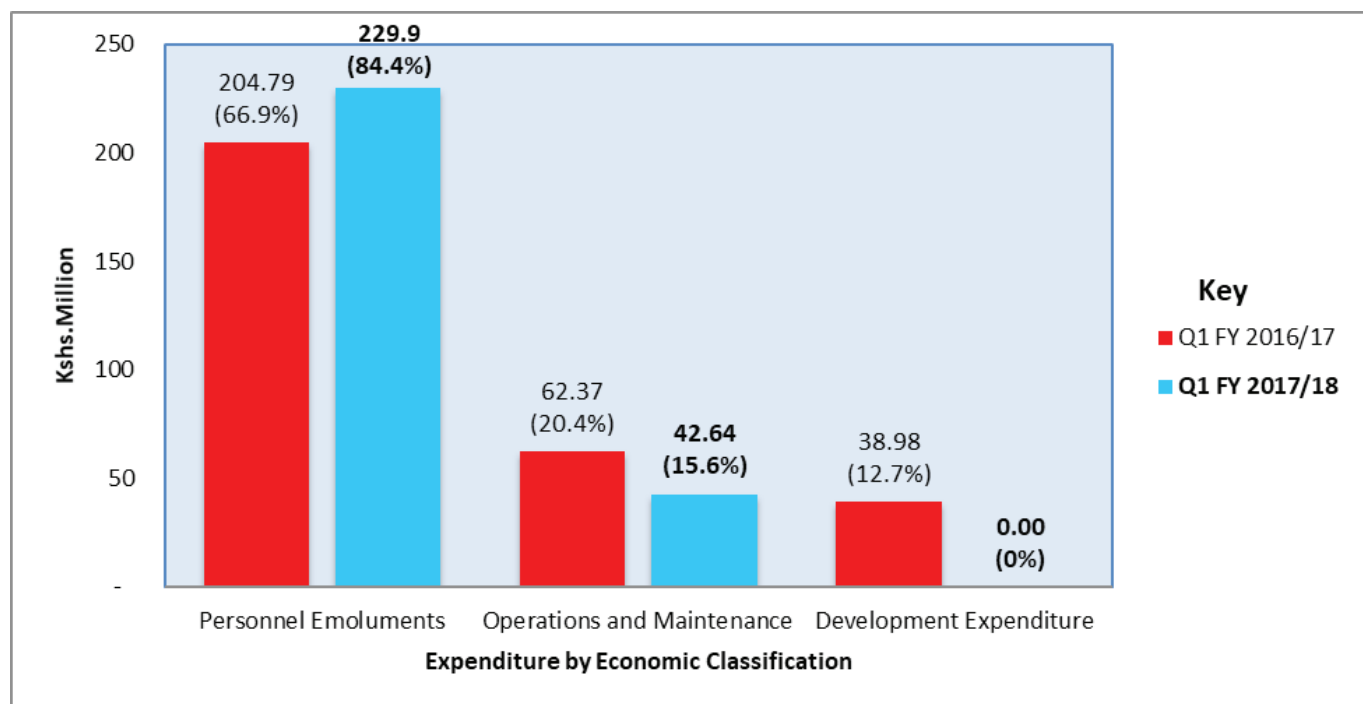
3.21.5 Overall Expenditure Review

The County incurred Kshs.272.54 million, which was 71.9 per cent of the total funds released for operations. This was a decrease of 11 per cent from Kshs.306.14 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.272.54 million was incurred on recurrent activities and represented 71.9 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.4.93 million for recurrent expenditure.

The recurrent expenditure represented 14.5 per cent of the annual recurrent budget, a slight decrease from 14.8 per cent incurred in a similar period of FY 2016/17. Figure 3.62 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.62: Lamu County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



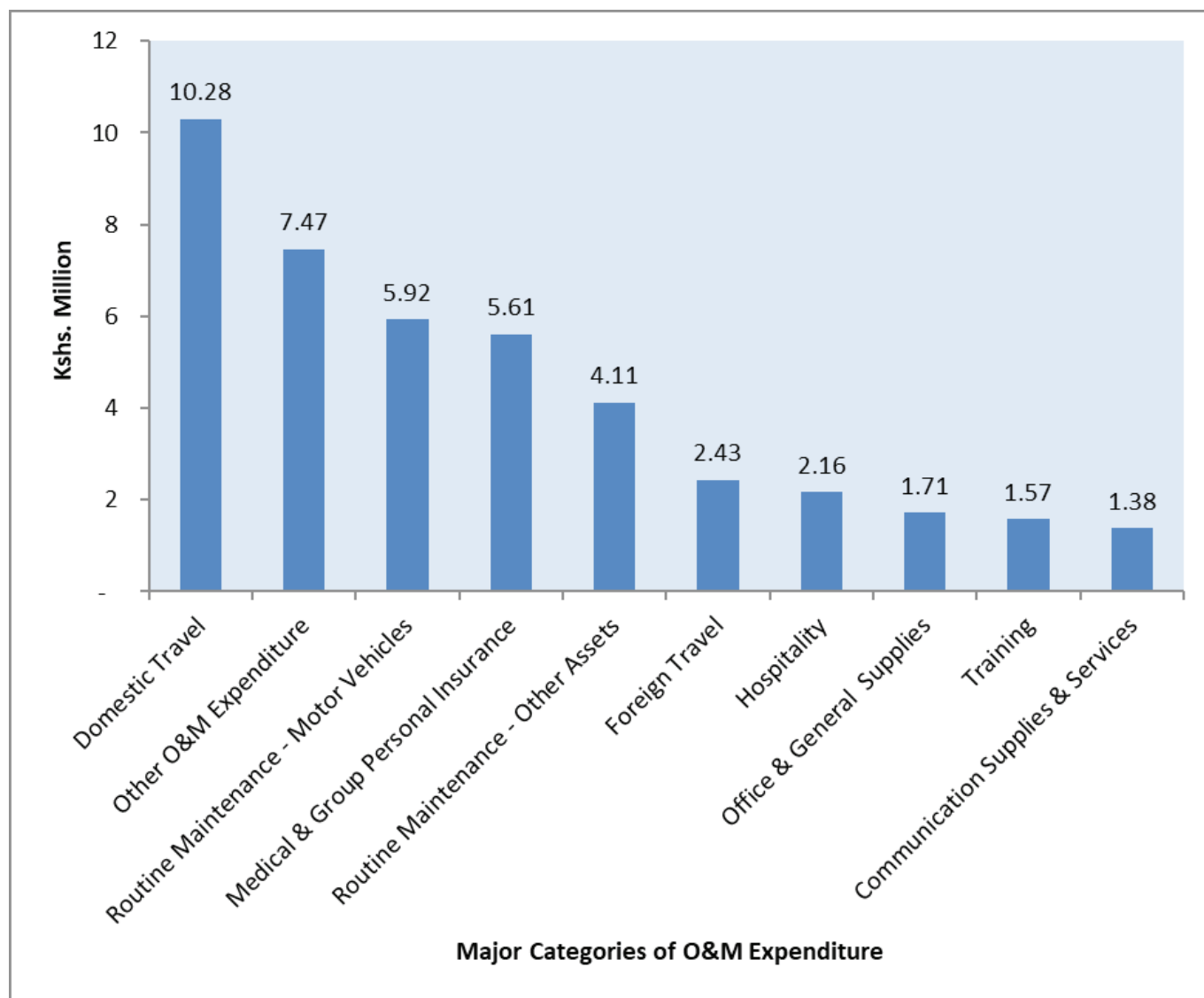
Source: Lamu County Treasury

3.21.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.272.54 million consisted of Kshs.229.9 million (84.4 per cent) incurred on personnel emoluments and Kshs.42.64 million (15.6 per cent) on operations and maintenance as shown in Figure 3.62.

Expenditure on personnel emoluments represented an increase of 12.3 per cent compared to Kshs.204.79 million incurred in the first quarter of FY 2016/17, and was 84.4 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.63 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.63: Lamu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Lamu County Treasury

The County incurred Kshs.0.75 million on sitting allowances to the 19 MCAs and the Speaker against the annual budget allocation of Kshs.35.38 million. This was a decrease of 84.8 per cent compared to Kshs.4.92 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.13,140 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.12.71 million and consisted of Kshs.2.48 million incurred by the County Assembly and Kshs.10.23 million by the County Executive. It represented 4.7 per cent of total recurrent expenditure and was a decrease of 22.4 per cent compared to Kshs.16.37 million incurred in the first quarter of FY 2016/17.

3.21.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.21.8 Budget and Budgeted Performance Analysis by Department

Table 3.44 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.44: Lamu County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|----------------------------------|--------------|---|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 350 | 150 | 62.09 | - | 30.18 | - | 48.6 | - | 8.6 | - |
| County Executive and Public Service Management | 339.2 | 80 | 67.2 | - | 48.11 | - | 71.6 | - | 14.2 | - |
| Finance and Economic Planning | 93.67 | 13.5 | 24.19 | - | 17.86 | - | 73.8 | - | 19.1 | - |
| Agriculture and Irrigation | 72.13 | 70.9 | 16.99 | - | 9.7 | - | 57.1 | - | 13.5 | - |
| Land, Physical Planning, Infrastructure Water and Urban Development | 73.09 | 218.84 | 16.81 | - | 9.83 | - | 58.5 | - | 13.4 | - |
| Education, Gender, Youth Affairs, Sports and Social Services | 129.43 | 80 | 27.86 | - | 13.77 | - | 49.4 | - | 10.6 | - |
| Health, Environment and Sanitation | 631.92 | 99.16 | 112.24 | - | 117.94 | - | 105.1 | - | 18.7 | - |
| Trade, Investment, Tourism and Natural Resources | 28.28 | 32 | 5.47 | - | 1.75 | - | 32 | - | 6.2 | - |
| Information, Communication and Public Participation | 36.24 | 18 | 7.41 | - | 2.92 | - | 39.5 | - | 8.1 | - |
| Fisheries, Livestock, Veterinary Services and Co-operatives | 73.99 | 56.7 | 15.94 | - | 11.47 | - | 71.9 | - | 15.5 | - |
| County Public Service Board | 52 | - | 11.94 | - | 9.02 | - | 75.6 | - | 17.3 | - |
| TOTAL | 1,880 | 819.1 | 368.12 | - | 272.54 | - | 71.9 | - | 14.5 | - |

Source: Lamu County Treasury

Analysis of budget performance by department shows that the Finance and Economic Planning Department had the highest percentage of recurrent expenditure to recurrent budget at 19.1 per cent while the Department of Trade, Investment, Tourism and Natural Resources had the lowest at 6.2 per cent.

3.21.9 Observations and Recommendations

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

- Establishment of an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
- Improvement in the use of IFMIS and Internet Banking platform in processing financial transactions.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
- Under-performance in local revenue collection, which declined by 12.1 per cent from Kshs.6.2

million in the first quarter of FY 2016/17 to Kshs.5.45 million in the reporting period.

3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
4. Failure to constitute the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation in the budget process.
5. A high wage bill that increased by 12.3 per cent from Kshs.204.79 million in the first quarter of FY 2016/17 to Kshs.229.9 million during the period under review, representing 84.4 per cent of total expenditure.
6. Late submission of financial reports by the County Treasury, which affected timely preparation of Budget Implementation Review Report by the Controller of Budget, contrary to Section 166 of the PFM Act, 2012.
7. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County Treasury should liaise with the IFMIS Directorate for support in order to address the connectivity challenges.*
4. *The County should establish an effective CBEF in line with Section 137 of the PFM Act, 2012.*
5. *The County Public Service Board should establish and implement an optimal staffing structure in order to ensure a sustainable wage bill.*
6. *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.*
7. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.22 Machakos County

3.22.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.9.99 billion, comprising of Kshs.7 billion (70 per cent) and Kshs.2.99 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.4 billion (74.1 per cent) as equitable share of revenue raised nationally, Kshs.1.03 billion (10.3 per cent) as total conditional grants, and generate Kshs.1.56 billion (15.6 per cent) from local revenue sources, and Kshs.51.74 million cash balance from FY 2016/17.

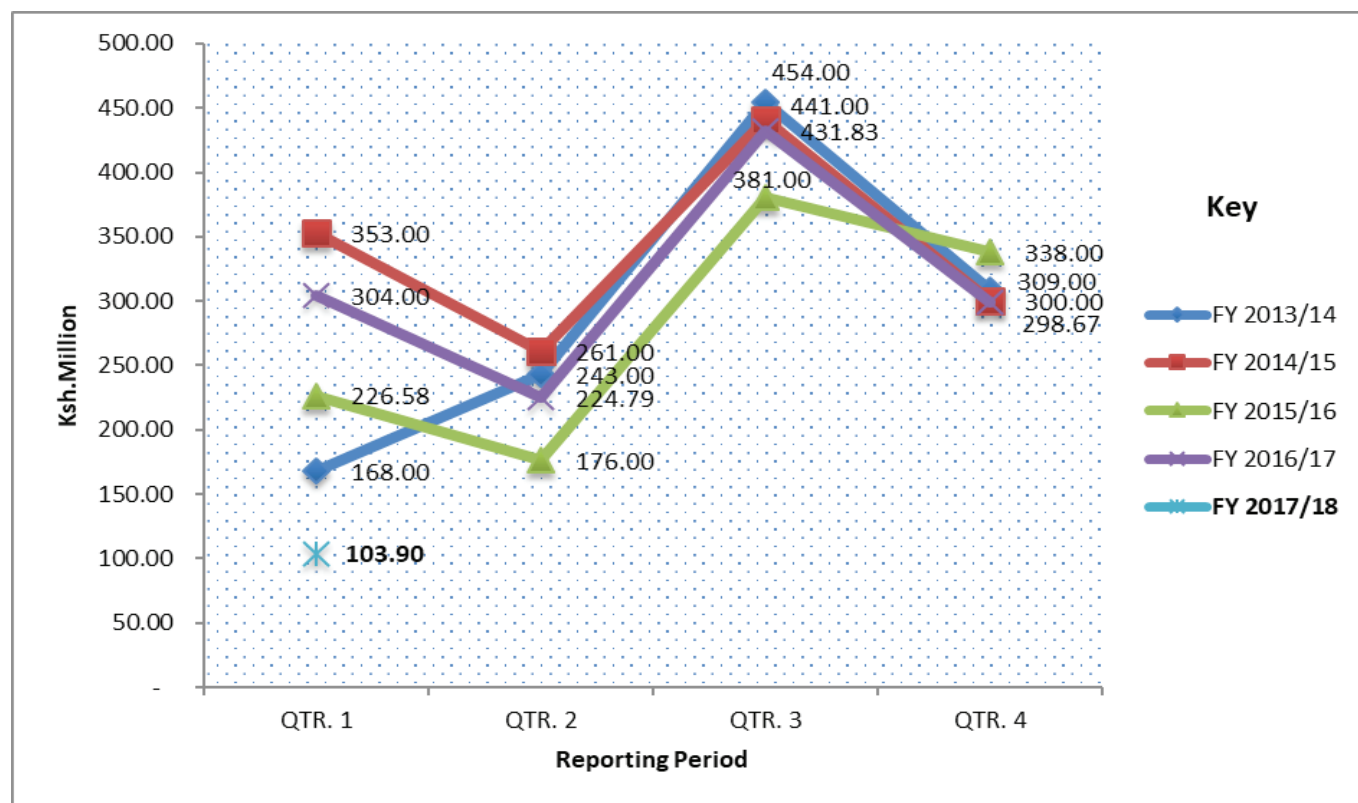
The conditional grants contained in the CARA, 2017 of Kshs.1.03 billion comprise of, Kshs.288.4 million (27.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.24.13 million (2.3 per cent) as Compensation for User Fee Foregone, Kshs.19.54 million (1.9 per cent) from DANIDA, Kshs.383.6 million (37.1 per cent) for Level 5 Hospital, Kshs.95.7 million (9.3 per cent) for Leasing of Medical Equipment, Kshs.49.9 million (4.8 per cent) for the World Bank Kenya Devolution Support Program, Kshs.65.96 million (6.3 per cent) for Development of Youth Polytechnics, Kshs.65.6 million (6.4 per cent) as World Bank Loan for Transforming Health System for universal Care System, and Kshs.40.56 million (3.9 per cent) from Other Loans and Grants.

3.22.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.1.09 billion as equitable share of the revenue raised nationally, Kshs.134.5 million as total conditional allocations, raised Kshs.103.9 million from local revenue sources, and had a cash balance of Kshs.51.74 million from FY 2016/17. The available funds amounted to Kshs.1.38 billion.

Figure 3.64 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.64: Machakos County, Trend in Local Revenue Collection by Quarter from the first Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Machakos County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.103.9 million, representing a decrease of 65.7 per cent compared to Kshs.304 million generated in a similar period of FY 2016/17, and represented 6.7 per cent of the annual local revenue target.

3.22.3 Conditional Grants

Table 3.45 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.45: Machakos County Analysis of Conditional Grants Released in First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|--|--|------------------------------------|--|--|
| | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 288,391,503 | - | 134,498,956 | 47 |
| 2 | Leasing of Medical Equipment | 95,744,681 | - | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 49,893,169 | - | - | - |
| 4 | Compensation for User Fee Foregone | 24,129,039 | - | - | - |
| 5 | DANIDA Grant | 19,542,539 | - | - | - |
| 6 | Level-5 Hospitals | 383,583,815 | - | - | - |
| 7 | Development of Youth Polytechnics | 65,957,023 | - | - | - |
| 8 | Other Loans & Grants | 40,561,482 | - | - | - |
| 9 | World Bank Loan for Transforming Health System for universal Care System | 65,588,789 | - | - | - |
| Total | | 1,033,392,040 | - | 134,498,956 | 13 |

Source: Machakos County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.134.5 million which was 46.6 per cent of annual allocation. The other grants did not receive funding during the reporting period.

3.22.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.08 billion from the CRF account, which was 10.8 per cent of the Approved Budget. This amount was a decrease of 55.6 per cent from Kshs.1.92 billion authorized in a similar period of FY 2016/17.

3.22.5 Overall Expenditure Review

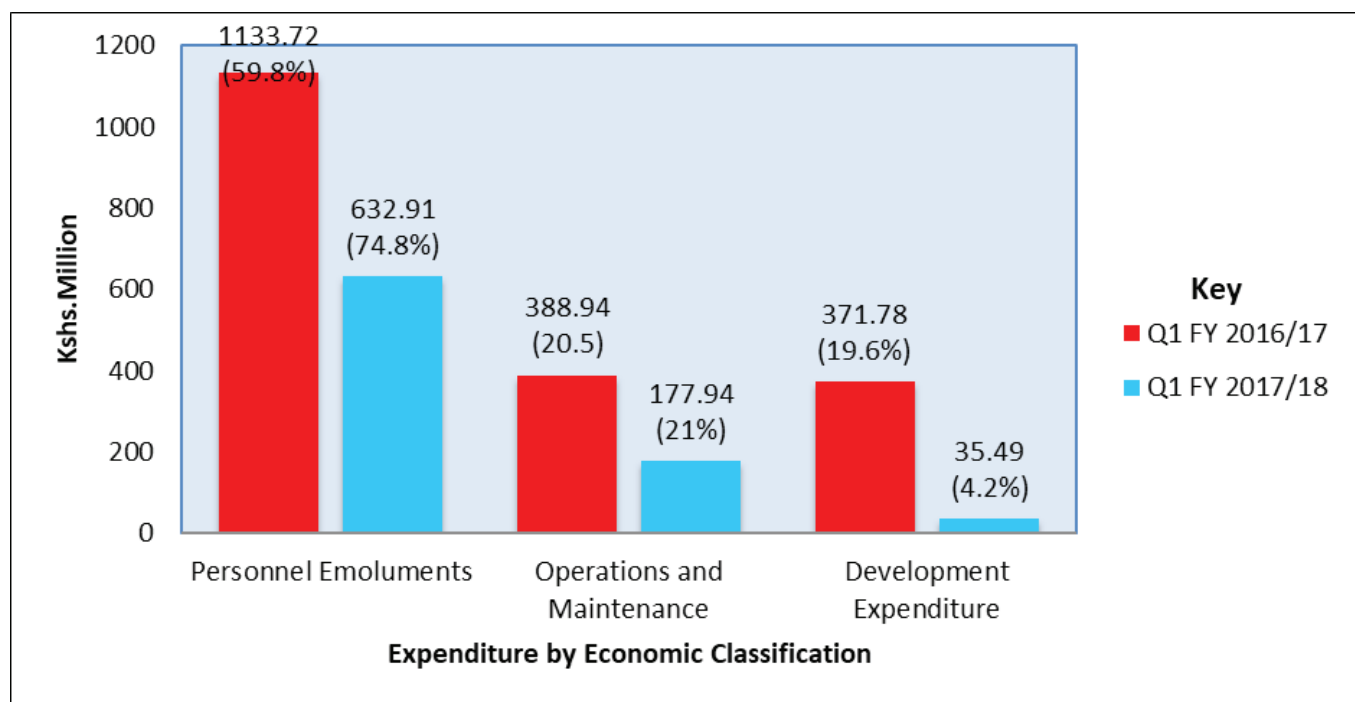
The County incurred Kshs.846.34 million, which was 78 per cent of the total funds released for operations. This was a decrease of 55.3 per cent from Kshs.1.89 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.810.85 million was incurred on recurrent activities, while Kshs.35.49 million was on development activities. The recurrent expenditure was 75.3 per cent of the funds released for recurrent.

The recurrent expenditure represented 11.6 per cent of the annual recurrent budget, a decrease from 20.2 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 1.2 per cent, which was a decrease from 11.1 per cent attained in the first quarter of FY 2016/17.

Figure 3.65 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and first quarter of FY 2017/18.

Figure 3.65: Machakos County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



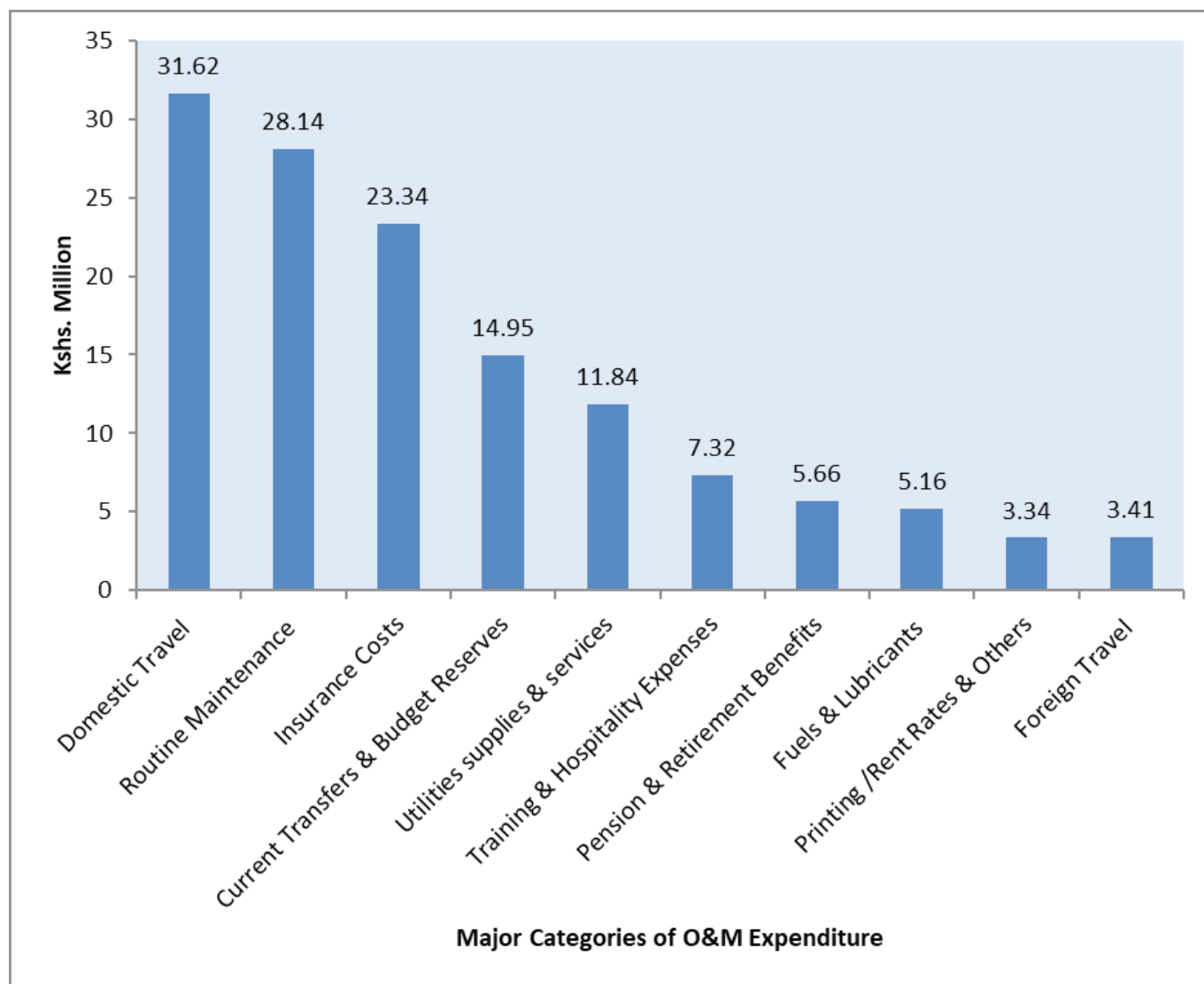
Source: Machakos County Treasury

3.22.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.810.85 million consisted of Kshs.632.91 million (74.8 per cent) incurred on personnel emoluments and Kshs.177.94 million (21 per cent) on operations and maintenance as shown in Figure 3.65.

Expenditure on personnel emoluments represented a decrease of 44.2 per cent compared to Kshs.1.13 billion incurred in the first quarter of FY 2016/17, and was 74.8 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.66 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.66: Machakos County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: IFMIS Reports

The County incurred Kshs.0.5 million on sitting allowances to the 60 MCAs and the Speaker against the annual budget allocation of Kshs.82.91 million. This was a decrease of 96.6 per cent compared to Kshs.15.37 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.2, 944 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.35.03 million and consisted of Kshs.23.42 million incurred by the County Assembly and Kshs.11.61 million by the County Executive. It represented 4.1 per cent of total recurrent expenditure, and was a decrease of 70.3 per cent compared to Kshs.113.58 million incurred in the first quarter of FY 2016/17.

3.22.7 Development Expenditure Analysis

The total development expenditure of Kshs.35.49 million represented 1.2 per cent of the annual development budget of Kshs.2.98 billion.

The development expenditure consisted of Kshs.32 million on capital transfers to the Health Sector and Kshs.2.06 million on wages to casual laborers engaged to undertake road and other infrastructure maintenance works.

3.22.8 Budget and Budget Performance Analysis by Department.

Table 3.2 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.46: Machakos County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|--|----------------------------------|--------------|---|----------|---|--------------|---|----------|---|------------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 585.93 | 22.50 | 53.02 | - | 74.13 | - | 139.8 | 22.50 | 12.7 | - |
| Public Service, Labour and ICT | 507.24 | 20.70 | 30.93 | - | 575.35 | - | 1860.2 | 20.70 | 113.4 | - |
| Trade, Investment, Economic Planning, Industrialization and Energy | 112.88 | 729.22 | 13.01 | - | 1.26 | - | 9.7 | 729.22 | 1.1 | - |
| Finance and Revenue Management | 352.14 | 22.50 | 47.94 | - | 6.74 | - | 14.1 | 22.50 | 1.9 | - |
| Decentralized Units, County Administration, Environment & Solid Waste mgt. | 482.27 | 39.71 | 66.05 | - | 4.00 | - | 6.1 | 39.71 | 0.8 | - |
| Agriculture, Livestock, Water & Irrigation Development | 454.39 | 227.19 | 76.22 | - | 0.09 | - | 0.1 | 227.19 | - | - |
| Health and Emergency Services | 2,920.12 | 609.60 | 647.26 | - | 12.17 | 32.00 | 1.9 | 609.60 | 0.4 | 5.2 |
| Transport, Roads, Public Works and Housing | 218.26 | 819.41 | 29.72 | - | - | 2.06 | - | 819.41 | - | 0.3 |
| Education, Youth and Social Welfare | 185.69 | 18.97 | 14.22 | - | 4.00 | - | 28.1 | 18.97 | 2.2 | - |
| Lands, Energy & Urban development | 90.99 | 206.06 | 12.73 | - | - | - | - | 206.06 | - | - |
| Tourism, Sports and Culture | 76.33 | 25.39 | 9.93 | - | - | - | - | 25.39 | - | - |
| County Public Service Board | 41.01 | 6.01 | 5.80 | - | 0.02 | - | 0.4 | 6.01 | 0.1 | - |
| County Assembly | 974.67 | 241.00 | 70.00 | - | 109.66 | 1.43 | 156.7 | 241.00 | 11.3 | 0.6 |
| TOTAL | 7,002 | 2,988 | 1,077 | - | 864.34 | 35.49 | 73.1 | - | 11.2 | 1.2 |
| <i>Source: IFMIS Reports</i> | | | | | | | | | | |

Analysis of budget performance by department shows that the Health and Emergency Services Department attained the highest absorption rate of development budget at 5.2 per cent while the Department of Public Service, ICT and Labour had the highest percentage of recurrent expenditure to recurrent budget at 113.4 per cent.

3.22.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Improvement in the use of IFMIS and Internet Banking to process financial transactions.

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

1. Failure to establish an Internal Audit Committee contrary to Section 155 of the PFM Act, 2012.
2. Delay by the Fund Administrators of both the County Assembly and the County Executive Car and Mortgage Funds to submit expenditure reports contrary to Section 168 of the PFM Act, 2012.
3. Under-performance of local revenue collection, which declined by 65.7 per cent from Kshs.304 million in the first quarter of FY 2017/18 to Kshs.103.9 million in the first quarter of FY 2017/18.
4. Delay by the County Treasury to submit quarterly financial reports in line with Section 166 of the PFM Act, 2012.
5. Failure to budget for all conditional grants as per CARA, 2017.

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 CECM-F should ensure the Fund Administrators prepare and submits expenditure reports in line with Section 168 of the PFM Act, 2012.*
- 3. The County Treasury should formulate and implement strategies to enhance local revenue collection.*
- 4. The County Treasury should ensure timely submission of quarterly financial reports to the Controller of Budget in line with Section 166 of the PFM Act, 2012.*
- 5. The County should prepare a Supplementary Budget to align revenue estimates with the CARA, 2017.*

3.23 Makueni County

3.23.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.89 billion, comprising of Kshs.5.2 billion (65.9 per cent) and Kshs.2.69 billion (34.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.83 billion (87.4 per cent) as equitable share of revenue raised nationally, Kshs.538.33 million (6.9 per cent) as total conditional grants and generate Kshs.450 million (5.8 per cent) from local revenue sources.^[P.F.] The conditional grants contained in the CARA, 2017 of Kshs.728.06 million comprise of Kshs.254.35 million (47.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.19.44 million (3.6 per cent) as Compensation for User Fee Foregone, Kshs.17.24 million (3.2 per cent) from DANIDA, Kshs.47.4 million (8.8 per cent) for the World Bank Kenya Devolution Support Program, Kshs.64.13 million (11.9 per cent) for Development of Youth Polytechnics, Kshs.71.7 million (13.3 per cent) as World Bank Loan for

Transforming Health System for Universal Care System, Kshs.50 million (9.3 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, Kshs.66 million (12.3 per cent) as European Union (EU) Grant, and Kshs.42.07 million (7.8 per cent) from Other Loans and Grants.

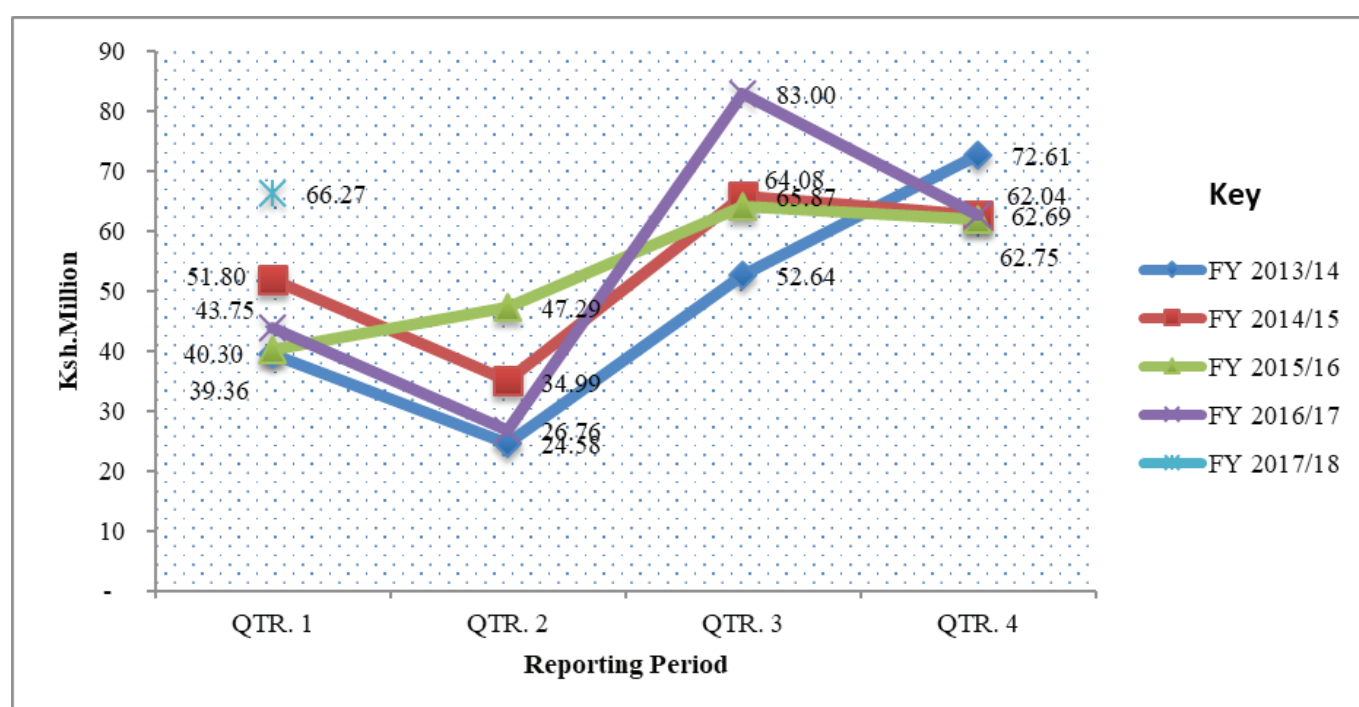
Some conditional grants from are not contained in the CARA, 2017. These comprise of Kshs.110 million from European Union support to Agriculture and Kshs.14.15 million Agricultural Sector Development Programme Funds.

3.23.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.118.62 million as total conditional allocations, raised Kshs.66.27 million from local revenue sources, and had a cash balance of Kshs.1.23 billion brought forward from FY 2016/17. The available funds amounted to Kshs.1.42 billion.

Figure 3.67 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.67: Makueni County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Makueni County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.66.27 million, representing an increase of 51.5 per cent compared to Kshs.43.74 million generated in a similar period of FY 2016/17, and represented 14.7 per cent of the annual local revenue target.

3.23.3 Conditional Grants

Table 3.47 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.47: Makueni County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|----------|--|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 254,349,334 | 179,550,000 | 118,622,496 | 46.6 |
| 2 | Leasing of Medical Equipment | 95,744,681 | 95,744,681 | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 47,396,651 | - | - | - |
| 4 | Compensation for User Fee Foregone | 19,435,760 | 19,435,760 | - | - |
| 5 | DANIDA Grant | 17,235,708 | 18,097,493 | - | - |
| 6 | Development of Youth Polytechnics | 64,131,527 | - | - | - |
| 7 | Other Loans & Grants | 42,068,488 | 33,057,447 | - | - |
| 8 | World Bank Loan for Transforming Health System for Universal Care System | 71,695,469 | - | - | - |
| 9 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50,000,000 | - | - | - |
| 10 | EU Grant | 66,000,000 | 68,298,825 | - | - |
| | Sub Total | 728,057,618 | 414,184,206 | 118,622,496 | 16.3 |
| B | Other Grants | | | | |
| 11 | EU Funds - Agriculture | - | 110,000,000 | - | - |
| 12 | Agricultural Sector Development Programme (ASDP) Funds | - | 14,150,515 | - | - |
| | Sub Total - | - | 124,150,515 | - | - |
| | Total | 728,057,618 | 538,334,721 | 118,622,496 | 16.3 |

Source: Makueni County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.118.62 million which represented 47 per cent of annual allocation. The County did not receive funds from all the other conditional grants.

3.23.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.867.7 million from the CRF account, which was 11 per cent of the Approved Budget. This amount was a decrease of 45.2 per cent from Kshs.2.52 billion authorized in a similar period of FY 2016/17.

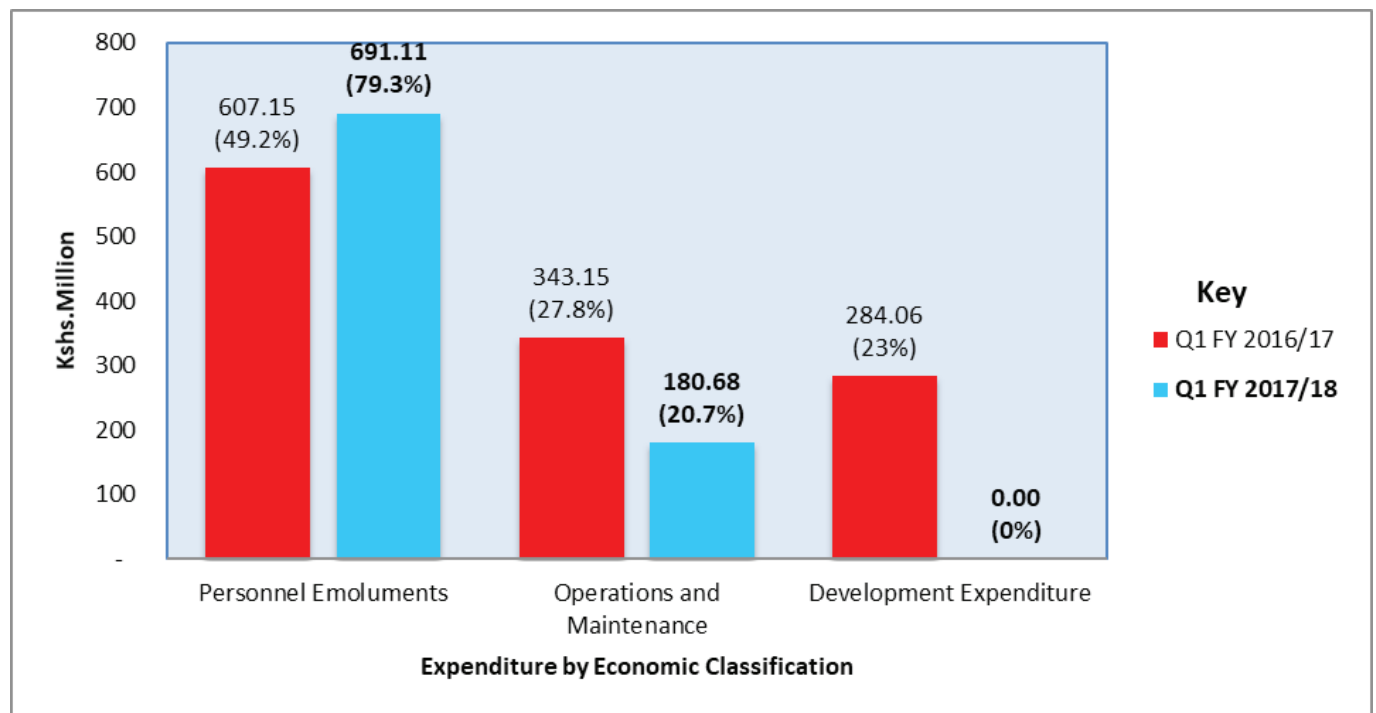
3.23.5 Overall Expenditure Review

The County incurred Kshs.871.79 million, which was 100.5 per cent of the total funds released for operations. This was a decrease of 29.4 per cent from Kshs.1.23 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.871.79 million was incurred on recurrent activities and was 100.5 per cent of the funds released for recurrent activities. This expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.11.88 million for development and Kshs.28.69 million for recurrent expenditure.

The recurrent expenditure represented 16.8 per cent of the annual recurrent budget, a decrease from 19.3 per cent incurred in a similar period of FY 2016/17. Figure 3.68 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.68: Makueni County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



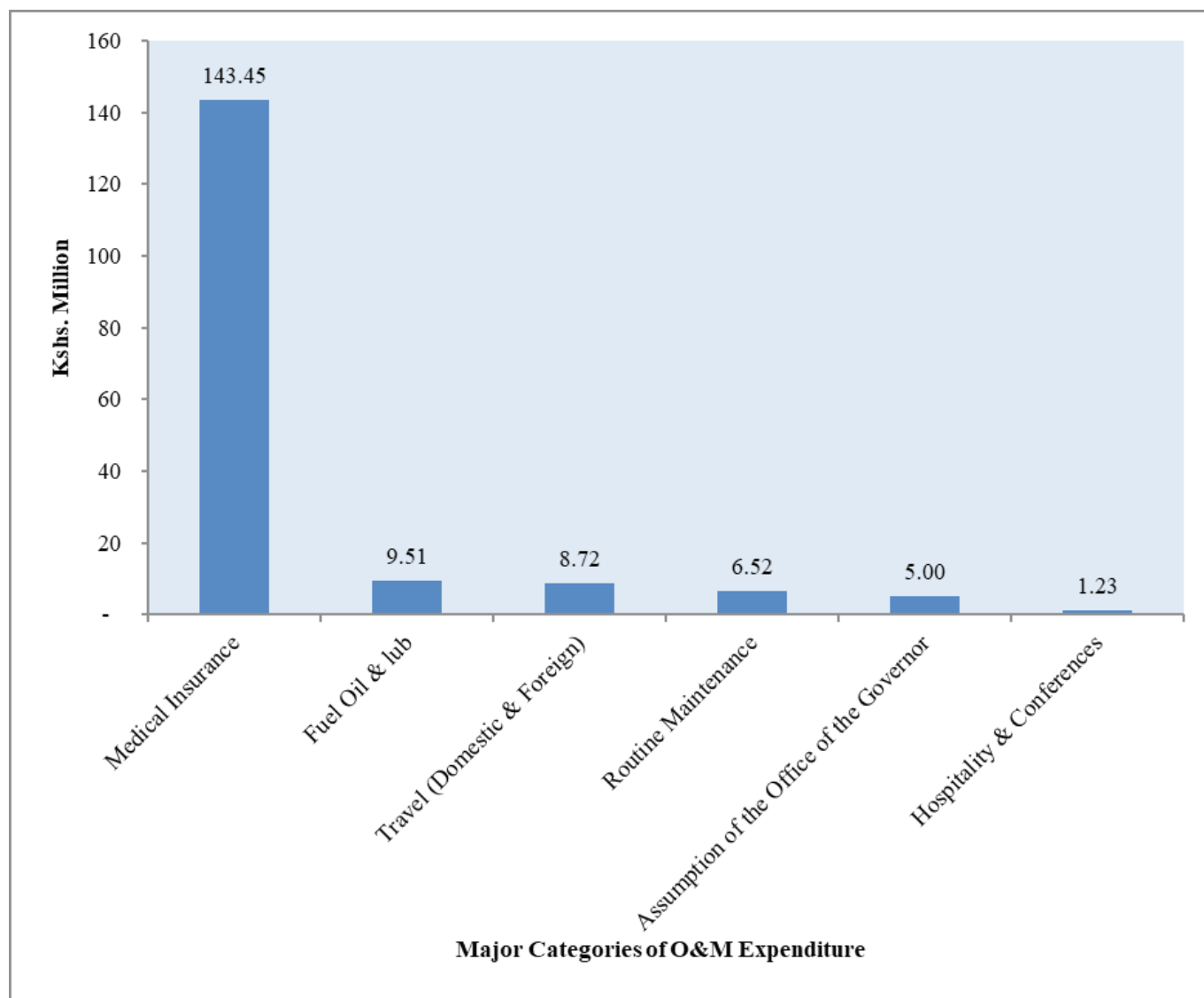
Source: Makueni County Treasury

3.23.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.871.79 million consisted of Kshs.691.11 million (79.3 per cent) incurred on personnel emoluments and Kshs.180.67 million (20.7 per cent) on operations and maintenance as shown in Figure 3.68.

Expenditure on personnel emoluments represented an increase of 13.8 per cent compared to Kshs.607.15 million incurred in the first quarter of FY 2016/17, and was 79.3 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.69 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.69: Makueni County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Makueni County Treasury

The County Assembly did not report any expenditure on committee sitting allowances to the 48 MCAs. Expenditure on domestic and foreign travel amounted to Kshs.8.72 million and consisted of Kshs.8.65 million incurred by the County Assembly and Kshs.70,000 by the County Executive. It represented 1 per cent of total recurrent expenditure and was a decrease of 57.2 per cent compared to Kshs.20.36 million incurred in the first quarter of FY 2016/17.

3.23.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.23.8 Budget and Budget Performance Analysis by Department

Table 3.48 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.48: Makueni County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs.Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|--|----------------------------------|------------------|--|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Attorney's Office | 41.38 | - | 2.16 | - | 1.96 | - | 91 | - | 4.7 | - |
| County Public Service Board | 70.23 | - | 8.98 | - | 8.94 | - | 99.6 | - | 12.7 | - |
| Lands, Physical Planning & Mining | 38.78 | 112 | 6.08 | - | 6.45 | - | 106 | - | 16.6 | - |
| Office of Governor | 223.37 | - | 15.79 | - | 18.46 | - | 116.9 | - | 8.3 | - |
| Trade, Tourism & Cooperatives | 73.53 | 67.37 | 10.37 | - | 10.25 | - | 98.8 | - | 13.9 | - |
| Youth, Gender, Sports & Social Services | 66.64 | 181.2 | 10.49 | - | 10.62 | - | 101.2 | - | 15.9 | - |
| County Secretary | 391.09 | - | 183.04 | - | 182.90 | - | 99.9 | - | 46.8 | - |
| Finance & Socio Economic Planning | 567.01 | - | 50.15 | - | 51.79 | - | 103.3 | - | 9.1 | - |
| Education & ICT | 364.73 | 82.32 | 52.53 | - | 52.70 | - | 100.3 | - | 14.4 | - |
| Transport & Infrastructure | 107.95 | 298.1 | 15.68 | - | 18.13 | - | 115.6 | - | 16.8 | - |
| Agriculture, Livestock & Fisheries Development | 247.79 | 315.24 | 52.59 | - | 53.42 | - | 101.6 | - | 21.6 | - |
| Water, Irrigation & Environment | 138.2 | 1, 023.98 | 17.86 | - | 19.53 | - | 109.3 | - | 14.1 | - |
| Health | 2, 000.94 | 537.63 | 354.58 | - | 356.05 | - | 100.4 | - | 17.8 | - |
| Devolution & Public Service | 249.06 | 30 | 35.35 | - | 34.93 | - | 98.8 | - | 14 | - |
| County Assembly | 623.1 | 42 | 52.05 | - | 45.67 | - | 87.7 | - | 7.3 | - |
| TOTAL | 5, 203.80 | 2, 689.84 | 867.7 | - | 871.79 | - | 100.5 | - | 16.8 | - |

Source: Makueni County Treasury

Analysis of budget performance by department shows that the Office of the County Secretary had the highest percentage of recurrent expenditure to recurrent budget at 46.8 per cent while the Department of County Attorneys had the lowest at 4.7 per cent.

3.23.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Improvement in local revenue collection by 51.5 per cent from Ksh.43.75 million in the first quarter of FY 2016/17 to Ksh.66.27 million in the reporting period.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.

2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
3. High wage bill that increased by 13.8 per cent from Kshs.607.15 million in the first quarter of FY 2016/17 to Kshs.691.11 million in the period under review.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should liaise with the IFMIS Directorate for intervention to address connectivity challenges.*
3. *The County Public Service Board should establish and implement an optimal staffing structure in order to manage the high wage bill.*
4. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.24 Mandera County

3.24.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.12.58 billion, comprising of Kshs.6.12 billion (48.6 per cent) and Kshs.6.46 billion (51.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.36 billion (82.4 per cent) as equitable share of revenue raised nationally, Kshs.602.2 million (4.8 per cent) as total conditional grants, and generate Kshs.231 million (1.8 per cent) from local revenue sources, and had Kshs.1.22 billion (9.7 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.815.81 million comprise of Kshs.381.57 million (63.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.25.47 million (4.2 per cent) as Compensation for User Fee Foregone, Kshs.25.86 million (4.3 per cent) from DANIDA, Kshs.28.31 million (4.78 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.54.8 million (9.1 per cent) for the World Bank Kenya Devolution Support Program, Kshs.29.83 million (5 per cent) for Development of Youth Polytechnics, Kshs.110 million (18 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.95.74 million (10.7 per cent) for Leasing of Medical Equipment, and Kshs.64.22 million (7.9 per cent) from Other Loans and Grants.

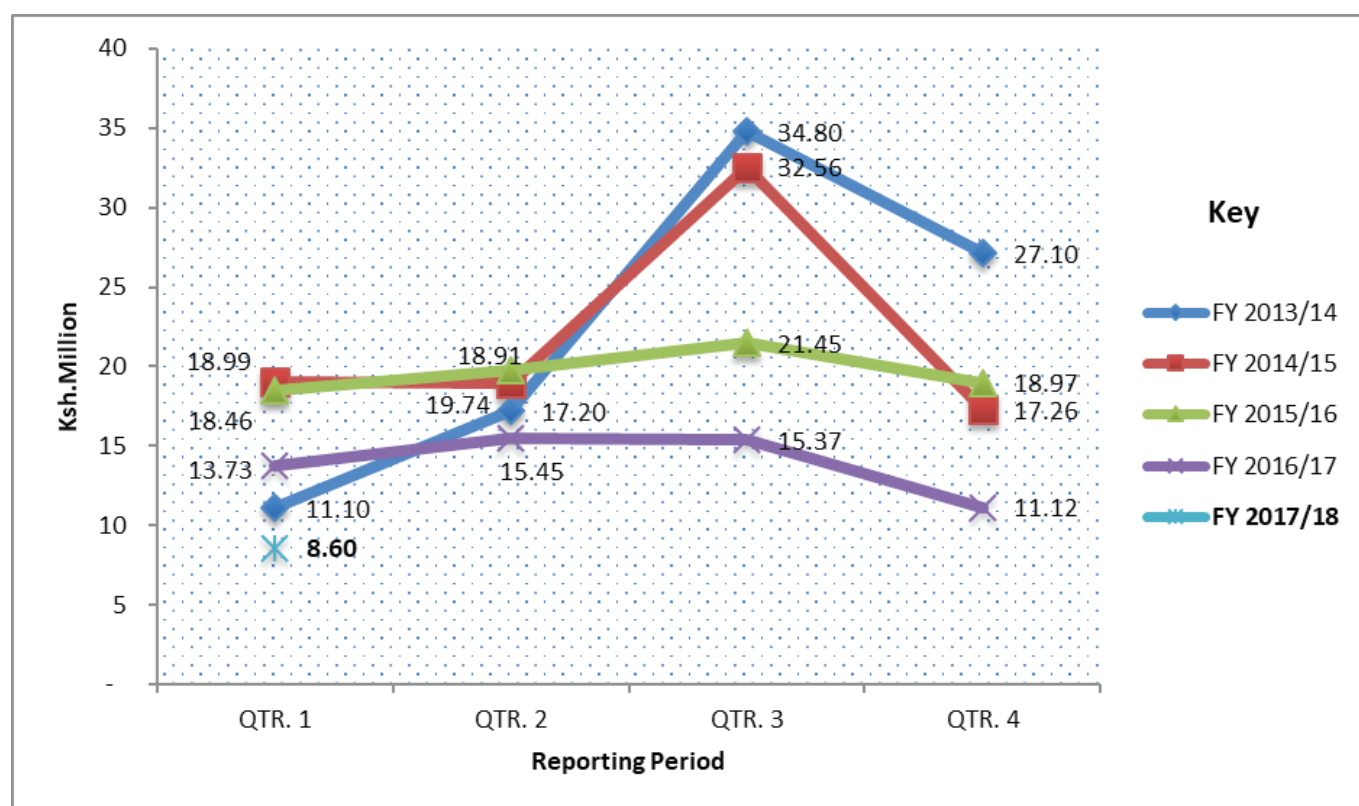
The County budgeted to receive Kshs.51.73 million for Free Maternal Healthcare and Kshs.92.48 million from the World Bank for Health Sector, although the grant is not contained in the CARA, 2017.

3.24.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.178 million as total conditional allocations, raised Kshs.8.6 million from local revenue sources, and had a cash balance of Kshs.1.65 billion from FY 2016/17. The County did not receive any disbursement from the National Equitable Share of Revenue during the reporting period. The available funds amounted to Kshs.1.83 billion.

Figure 3.70 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.70: Mandera County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Mandera County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.8.6 million, representing a decrease of 37.4 per cent compared to Kshs.13.73 million generated in a similar period of FY 2016/17, and represented 3.7 per cent of the annual local revenue target.

3.24.3 Conditional Grants

Table 3.49 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.49: Mandera County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation in Kshs) | Annual Budget Allocation in Kshs) | Actual receipts in First Quarter of FY 2017/18 in Kshs. | Actual Receipts as Percentage of Annual Allocation (%) |
|------------------|--|---------------------------------------|-----------------------------------|---|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 381, 574, 994 | 271, 489, 957 | 177, 957, 526 | 46.6 |
| 2 | World Bank Loan for Transforming Health System for universal Care System | 110, 000, 000 | 92, 477, 798 | - | - |
| 3 | Leasing of Medical Equipment | 95, 744, 681 | - | - | - |
| 4 | Other Loans & Grants | 64, 221, 359 | - | - | - |
| 5 | Kenya Devolution Support Programme (KDSP) | 54, 795, 936 | 39, 304, 000 | - | - |
| 6 | Development of Youth Polytechniques | 29, 831, 415 | - | - | - |
| 7 | World Bank loan to supplement financing of County Health facilities | 28, 305, 000 | - | - | - |
| 8 | DANIDA Grant | 25, 857, 016 | 29, 240, 000 | - | - |
| 9 | Compensation for User Fee Foregone | 25, 474, 920 | 25, 474, 920 | - | - |
| Sub Total | | 815, 805, 321 | 457, 986, 675 | 177, 957, 526 | 22 |
| B | Other Grants | | | | |
| 10 | Free Maternal Health Care | - | 51, 729, 085 | - | - |
| 11 | World Bank Health Funds (Health) | - | 92, 477, 798 | - | - |
| Sub Total | | - | 144, 206, 883 | - | - |
| Total | | 815, 805, 321.0 | 602, 193, 558.5 | 177, 957, 526.0 | 22 |

Source: Mandera County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received Kshs.178 million from Road Maintenance Fuel Levy Fund translating tot 46.6 per cent of the annual allocation. The County did not receive funds from the other conditional grants.

3.24.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.02 billion from the CRF account, which was 8.1 per cent of the Approved Budget. This amount was a decrease of 60.2 per cent from Kshs.2.57 billion authorized in a similar period of FY 2016/17.

3.24.5 Overall Expenditure Review

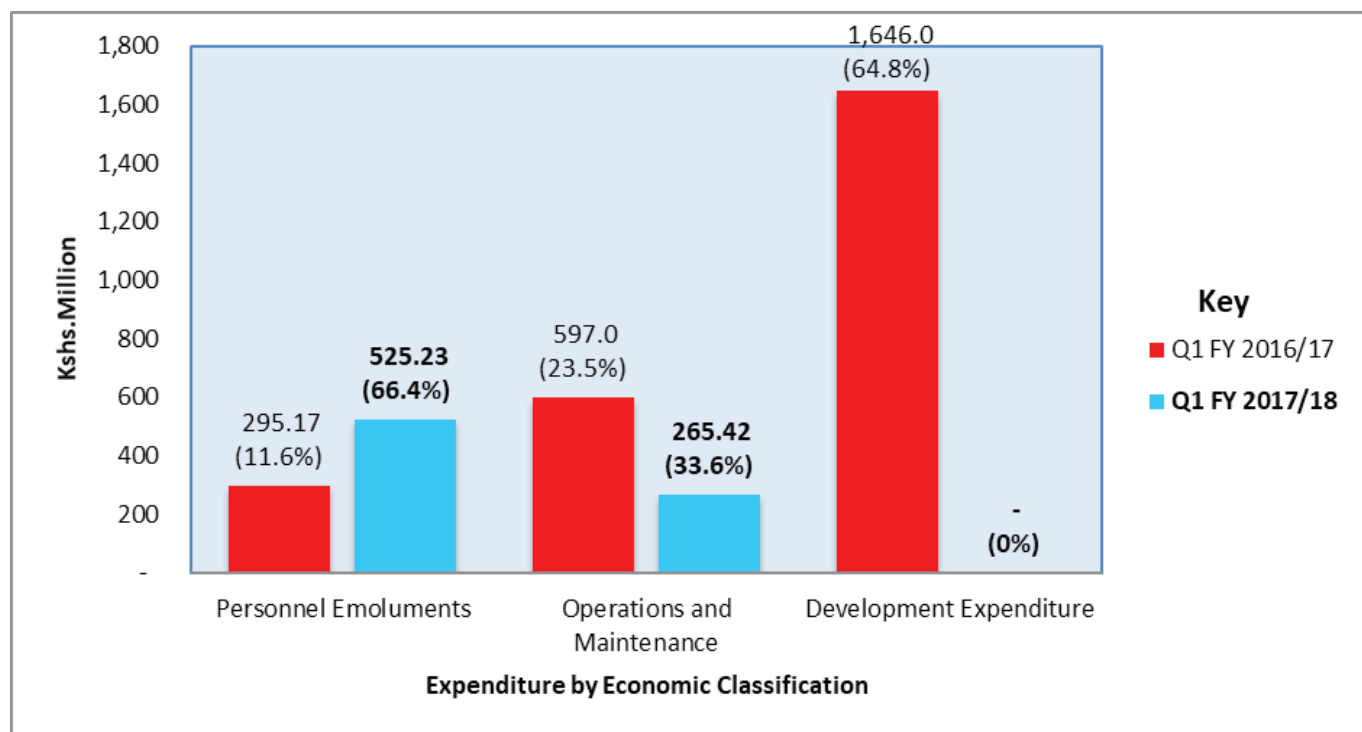
The County incurred Kshs.790.54 million, which was 77.3 per cent of the total funds released for operations. This was a decrease of 68.9 per cent from Kshs.2.54 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.790.54 million was incurred on recurrent activities, translating to 77.3 per cent of the funds released for recurrent activities. The County did not report incur development

expenditure during the period under review. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.752.3 million for development and Kshs.637.2 million for recurrent expenditure.

The recurrent expenditure represented 12.9 per cent of the annual recurrent budget, a decrease from 25.5 per cent incurred in a similar period of FY 2016/17. Figure 3.71 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.71: Mandera County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



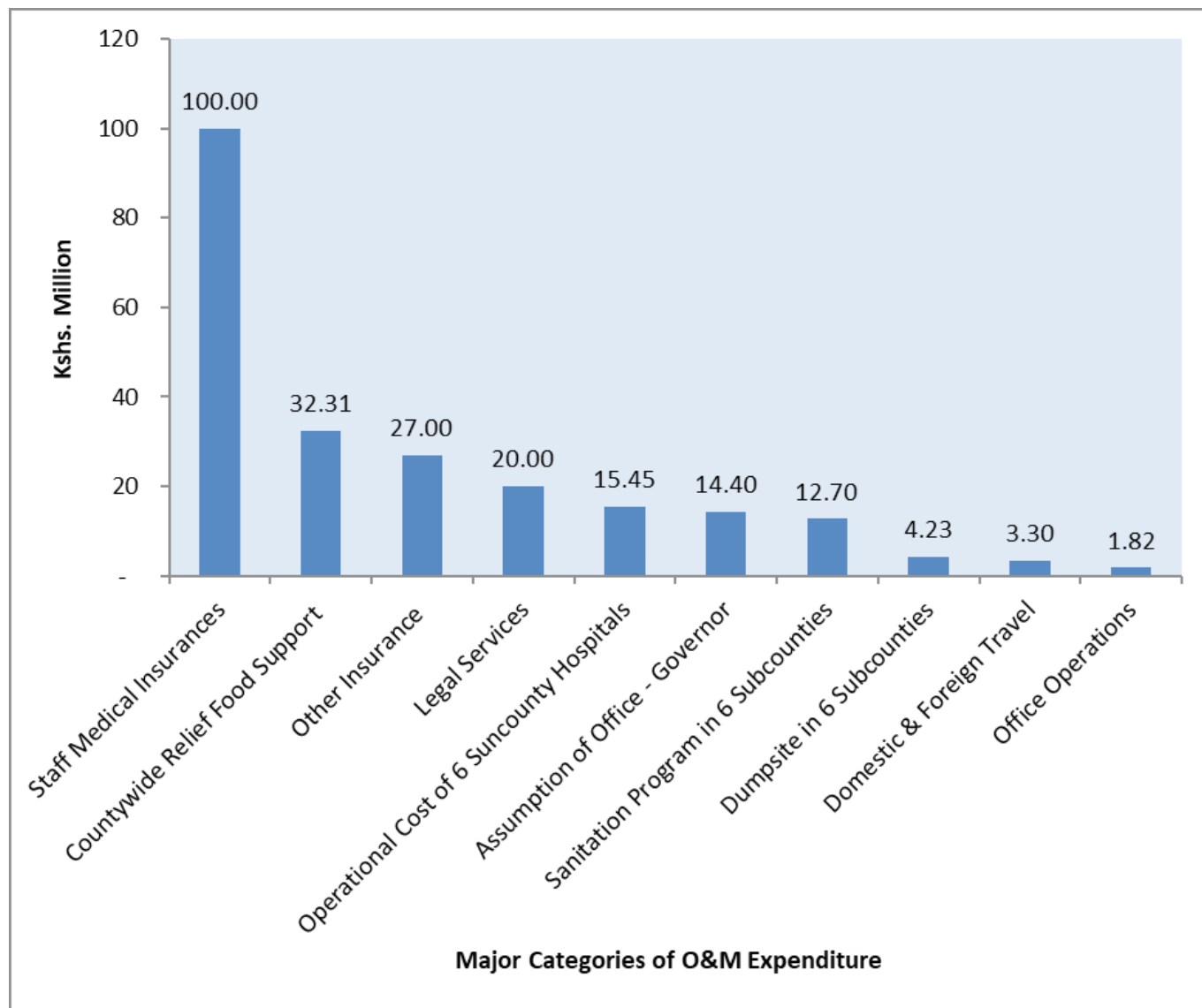
Source: Mandera County Treasury

3.24.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.790.54 million consisted of Kshs.525.23 million (66.4 per cent) incurred on personnel emoluments and Kshs.265.42 million (33.6 per cent) on operations and maintenance as shown in Figure 3.71.

Expenditure on personnel emoluments represented an increase of 77.9 per cent compared to Kshs.295.17 million incurred in the first quarter of FY 2016/17, and was 66.4 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.72 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.72: Mandera County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Mandera County Treasury

The County incurred Kshs.3.07 million on sitting allowances to the 49 MCAs and the Speaker against the annual budget allocation of Kshs.50.2 million. This was a decrease of 24.7 per cent compared to Kshs.4.05 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.20,904 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.3.3 million, and was incurred by the County Executive. It represented 0.4 per cent of total recurrent expenditure and was a decrease of 83.8 per cent compared to Kshs.20.39 million incurred in the first quarter of FY 2016/17

3.24.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.24.8 Budget and Budget Performance Analysis by Department

Table 3.50 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.50: Mandera County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|--|----------------------------------|---------------|---|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 853.30 | 96.67 | 143.81 | - | 61.17 | | 42.5 | - | 7.2 | - |
| Agriculture, Livestock and Fisheries | 214.83 | 709.18 | 36.52 | - | 26.04 | | 71.3 | - | 12.1 | - |
| Education, Culture and Sports | 538.92 | 287.8 | 62.29 | - | 56.13 | | 90.1 | - | 10.4 | - |
| Gender, Youth and Social Services | 98.59 | 58.2 | 6.46 | - | 2.88 | | 44.6 | - | 2.9 | - |
| Finance & Economic Planning and ICT | 730.15 | 355.92 | 104.63 | - | 88.63 | | 84.7 | - | 12.1 | - |
| Health Services | 1, 416.58 | 644.13 | 265.21 | - | 240.34 | | 90.6 | - | 17 | - |
| Trade, Investments, Industrialization, and Cooperative Development | 47.05 | 351.43 | 8.42 | - | 5.39 | | 64 | - | 11.5 | - |
| Lands, Housing Developments and Physical Planning | 78.70 | 304.73 | 14.96 | - | 8.23 | | 55 | - | 10.5 | - |
| Office of the Governor and Deputy Governor | 388.12 | - | 75.96 | - | 54.09 | | 71.2 | - | 13.9 | - |
| County Public Service Board | 57.16 | - | 11.71 | - | 8.26 | | 70.5 | - | 14.4 | - |
| Public Service Management and Devolved Units | 1, 061.96 | 255.50 | 238.49 | - | 210.32 | | 88.2 | - | 19.8 | - |
| Public Works Roads and Transport | 116.93 | 2, 124.32 | 16.07 | - | 12.72 | | 79.2 | - | 10.9 | - |
| Water, Energy, Environment, Natural Resources Tourism and Wildlife | 517.78 | 1, 271.85 | 38.72 | - | 16.34 | | 42.2 | - | 3.2 | - |
| TOTAL | 6, 120 | 6, 460 | 1, 023 | - | 791 | - | 77.3 | - | 12.9 | - |

Source: Mandera County Treasury

Analysis of budget performance by department shows that the Public Service Management and Devolved Units departments attained the highest recurrent expenditure to recurrent budget at 19.8 per cent while the department of Gender, Youth and Social Services reported the lowest absorption rate at 2.9 per cent of its annual recurrent budget.

3.24.9 Observations and Recommendations

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

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

- ii. Improvement in staff capacity, especially on the use of IFMIS.

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

1. Failure by the National Treasury to disburse the equitable share of revenue raised nationally During the reporting period, affected implementation of development programmes.
2. Under-performance in local revenue collection, which declined by 37.4 per cent from Kshs.13.73 million in the first quarter of FY 2016/17 to Kshs.8.6 million in the reporting period.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The National Treasury should expedite the release of equitable share of revenue raised nationally to enable the County implement its programmes.*
2. *The CECM-F should develop and implement measures to improve local revenue collection.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.25 Marsabit County

3.25.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.63 billion, comprising of Kshs.4.08 billion (53.5 per cent) and Kshs.3.55 billion (46.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.58 billion (86.3 per cent) as equitable share of revenue raised nationally, Kshs.363.83 million (4.8 per cent) as total conditional grants, and generate Kshs.130 million (1.7 per cent) from local revenue sources, and Kshs.551.9 million (7.2 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.573.09 million comprise of Kshs.221.11 million (62.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.6.64 million (1.8 per cent) as Compensation for User Fee Foregone, Kshs.14.96 million (4.1 per cent) from DANIDA, Kshs.36.8 million (10.4 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.45.75 million (12.6 per cent) for the World Bank Kenya Devolution Support Program, Kshs.29.59 million (8.3 per cent) for Development of Youth Polytechnics.

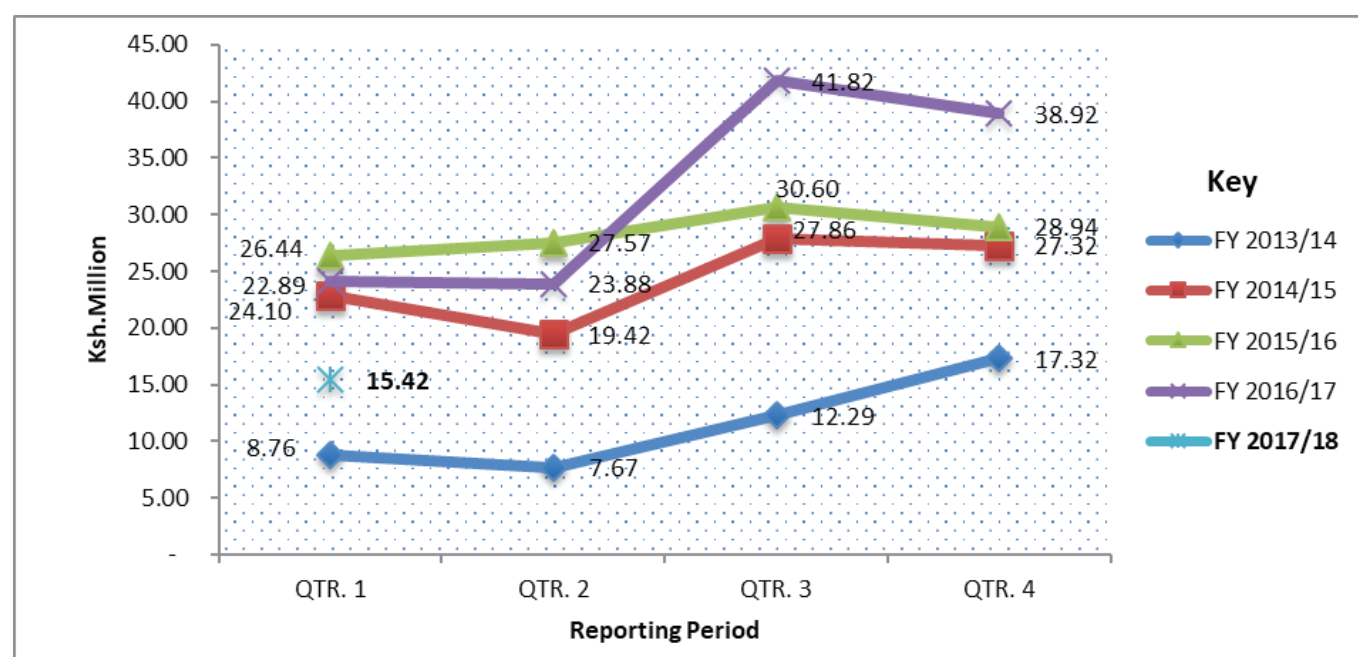
The DANIDA allocation captured in the Approved Budget was Kshs.23.93 million against CARA, 2017 allocation of Kshs.14.96 million. The conditional grants contained in the CARA, 2017 that were not included in the budget comprise of Kshs.101.89 million as World Bank loan for Transforming Health Systems for Universal Care and Kshs.54.54 million as Other Loans and Grants.

3.25.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.137.75 million as total conditional allocations, raised Kshs.15.42 million from local revenue sources, and had a cash balance of Kshs.551.9 million from FY 2016/17. The available funds amounted to Kshs.842.81 million.

Figure 3.73 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.73: Marsabit County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Marsabit County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.15.42 million, representing a decrease of 36 per cent compared to Kshs.24.1 million generated in a similar period of FY 2016/17, and represented 11.9 per cent of the annual local revenue target.

3.25.3 Conditional Grants

Table 3.51 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.51: Marsabit County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|--------------|--|--|------------------------------------|--|---|
| A | Grants Contained in the CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 221, 107, 010 | 221, 107, 010 | 103, 119, 065 | 46.6 |
| 2 | World Bank loan to supplement financing of County Health facilities | 36, 800, 000 | 36, 800, 000 | 34, 627, 134 | 94.1 |
| 3 | Kenya Devolution Support Programme (KDSP) | 45, 748, 545 | 45, 748, 545 | - | - |
| 4 | Compensation for User Fee Foregone | 6, 643, 714 | 6, 643, 714 | - | - |
| 5 | DANIDA Grant | 14, 958, 997 | 23, 934, 392 | - | - |
| 6 | Development of Youth Polytechnics | 29, 598, 081 | 29, 598, 081 | - | - |
| 7 | Other Loans & Grants | 54, 542, 188 | - | - | - |
| 8 | World Bank Loan for Transforming Health System for Universal Care System | 101, 892, 430 | - | - | - |
| 9 | EU Grant | 61, 800, 000 | - | - | - |
| Total | | 573, 090, 965 | 363, 831, 742 | 137, 746, 199 | 24 |

Source: Marsabit County Treasury

Analysis of the conditional grants released during the period under review indicates that the County received funds from two conditional allocations, namely; Fuel Levy Fund of Kshs.103.12 million and World Bank Loan to supplement financing of County Health Facilities amounting to Kshs.34.63 million. The latter related to unpaid allocation for FY 2016/17 which was deposited into the CRF during the reporting period.

3.25.4 Exchequer Issues

During the reporting period, the County did not request for withdrawal of funds from the Controller of Budget. This was due to delay in the approval of the FY 2017/18 Budget.

3.25.5 Overall Expenditure Review

The County Treasury did not report any expenditure during the first quarter of FY 2017/18.

3.25.6 Observations and Recommendations

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

- Improvement in the use of IFMIS in processing financial transactions.
- Improvement in human capacity through recruitment of additional key staff and continuous training.

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

- Delay in approval of the FY 2017/18 Budget which negatively affected budget implementation

during the period under review.

2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, the County had not received any disbursements from the National Treasury.
3. Under-performance in local revenue collection. The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.15.42 million, representing a decrease of 36 per cent from Kshs.24.1 million generated in a similar period of FY 2016/17.
4. Late submission of financial reports by the County Treasury which affected preparation of the County Budget Implementation Review Report by the Controller of Budget.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should observe the budget timelines as prescribed by the PFM Act, 2012 so as to facilitate smooth budget implementation.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
3. *The County Treasury should develop and implement a mechanism to mobilize local revenue collection.*
4. *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.*
5. *The County should properly budget for all revenue streams as contained in the CARA, 2017.*

3.26 Meru County

3.26.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.9.73 billion, comprising of Kshs.6.81 billion (70 per cent) and Kshs.2.92 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.31 billion (85.4 per cent) as equitable share of revenue raised nationally, Kshs.620.84 million (6.4 per cent) as total conditional grants, and generate Kshs.801.78 million (8.2 per cent) from local revenue sources, and Kshs.999.74 million (10.3 per cent) as cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.4.93 billion comprise of Kshs.276.67 million (5.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.31.65 million (0.6 per cent) as Compensation for User Fee Foregone, Kshs.18.75 million (0.4 per cent) from DANIDA, Kshs.373.87 million (7.6 per cent) for Level 5 Hospital, Kshs.50.38 million (1 per cent) for the World Bank Kenya

Devolution Support Program, Kshs.58.67 million (1.2 per cent) for Development of Youth Polytechnics, Kshs.29.52 million (0.6 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (1 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project and, Kshs.3.95 billion (80 per cent) from Other Loans and Grants.

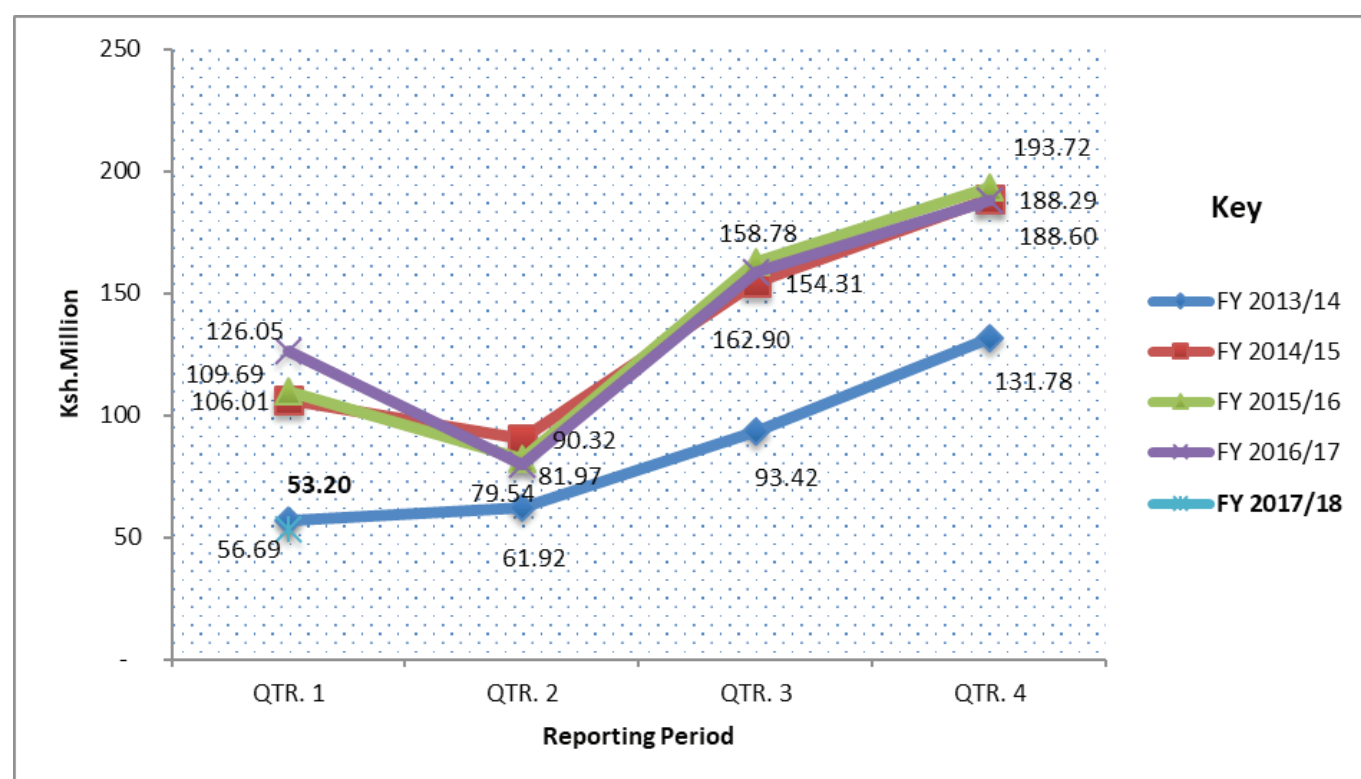
The County expects to receive a conditional grant of Kshs.114.7 million as Free Maternal Healthcare, which is not contained in the CARA, 2017.

3.26.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.818.9 million as equitable share of the revenue raised nationally, Kshs.129.03 million as total conditional allocations, raised Kshs.53.2 million from local revenue sources, and had a cash balance of Kshs.988.83 million from FY 2016/17. The available funds amounted to Kshs.1.99 billion.

Figure 3.74 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.74: Meru County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Meru County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.53.2 million, representing a decrease of 57.8 per cent compared to Kshs.126.05 million generated in a similar period of FY 2016/17, and represented 6.6 per cent of the annual local revenue target.

3.26.3 Conditional Grants

Table 3.52 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.52: Meru County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 in Kshs. | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|--|--|------------------------------------|---|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Other Loans & Grants | 3, 943, 731, 665 | - | - | - |
| 2 | Level-5 Hospitals | 373, 872, 832 | 356, 069, 364 | - | - |
| 3 | Road Maintenance Fuel Levy Fund | 276, 672, 439 | 107, 657, 595 | 129, 033, 463 | 46.6 |
| 4 | Leasing of Medical Equipment | 95, 744, 681 | - | - | - |
| 5 | Development of Youth Polytechnics | 58, 668, 764 | - | - | - |
| 6 | Kenya Devolution Support Programme (KDSP) | 50, 375, 116 | - | - | - |
| 7 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | - | - | - |
| 8 | Compensation for User Fee Foregone | 31, 648, 428 | 32, 096, 227 | - | - |
| 9 | World Bank Loan for Transforming Health System for Universal Care System | 29, 524, 087 | - | - | - |
| 10 | DANIDA Grant | 18, 748, 409 | 10, 311, 625 | - | - |
| Sub Total | | 4, 928, 986, 421 | 506, 134, 811 | 129, 033, 463 | 3 |
| B | Other Grants | | | | |
| 11 | Free Maternal Healthcare | - | 114, 704, 443 | - | - |
| Sub Total | | - | 114, 704, 443 | - | - |
| Total | | 4, 928, 986, 421 | 620, 839, 254 | 129, 033, 463 | 3 |

Source: Meru County Treasury

Analysis of the conditional grants released during the period under review indicates that, only the Road Maintenance Fuel Levy Fund received Kshs.129.03 million, with a performance of 46.6 per cent of annual allocation.

3.26.4 Exchequer Issues

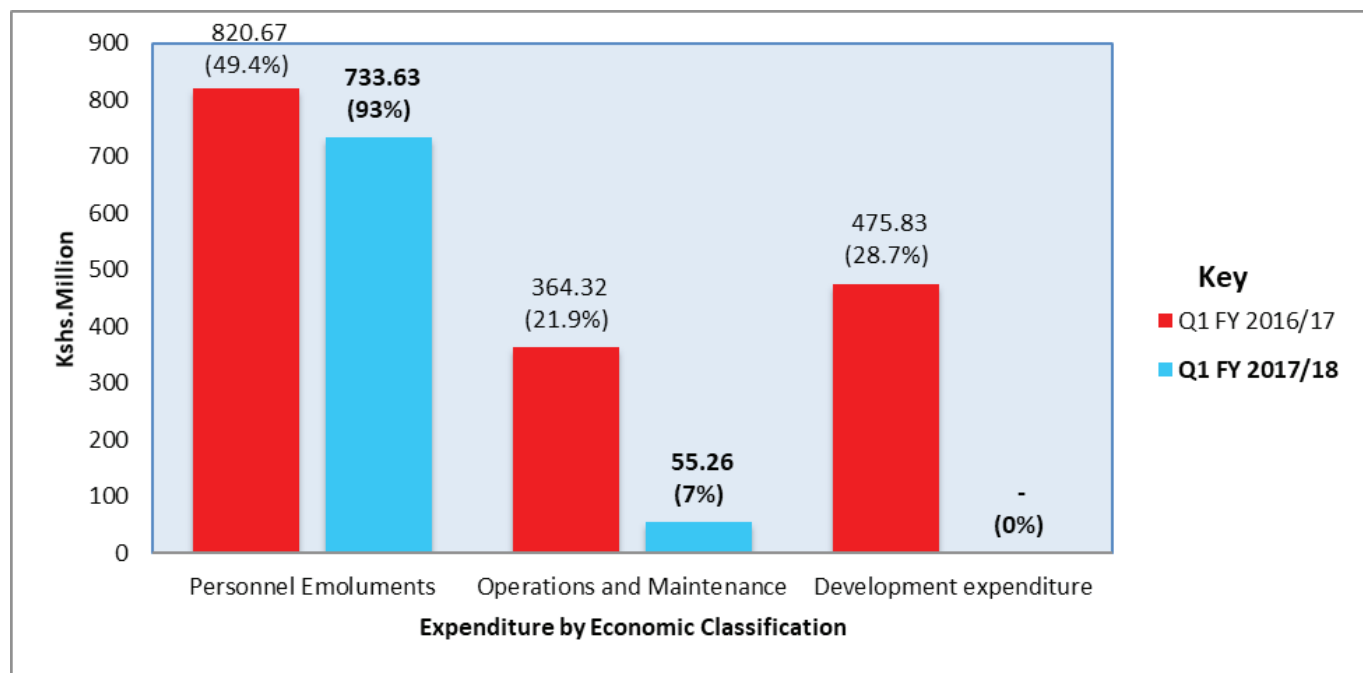
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.966.26 million from the CRF account, which was 9.9 per cent of the Approved Budget. This amount was a decrease of 164.4 per cent from Kshs.2.56 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

3.26.5 Overall Expenditure Review

The County incurred Kshs.788.89 million, which was 81.6 per cent of the total funds released for operations. This was a decrease of 52.5 per cent from Kshs.1.66 billion incurred in the first quarter of FY 2016/17. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.20.59 million for recurrent expenditure.

The recurrent expenditure represented 11.6 per cent of the annual recurrent budget, a decrease from 19.7 per cent incurred in a similar period of FY 2016/17. Figure 3.75 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.75: Meru County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



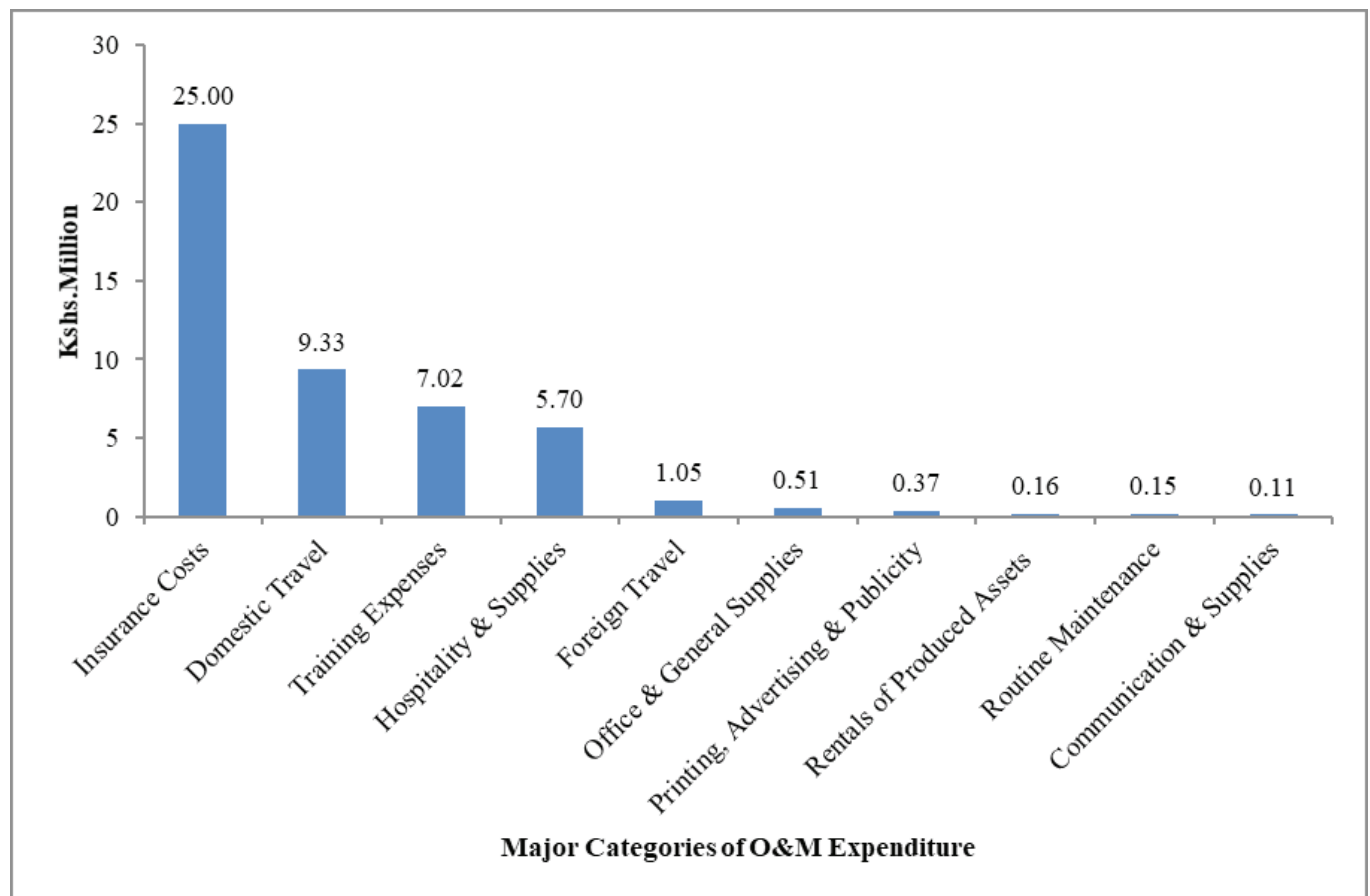
Source: Meru County Treasury

3.26.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.788.89 million consisted of Kshs.733.63 million (93 per cent) incurred on personnel emoluments and Kshs.55.26 million (7 per cent) on operations and maintenance as shown in Figure 3.75.

Expenditure on personnel emoluments represented a decrease of 10.6 per cent compared to Kshs.820.67 million incurred in the first quarter of FY 2016/17, and was 93 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.76 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.76: Meru County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Meru County Treasury

The County did not report any expenditure on committee sitting allowances for MCAs during the reporting period against the annual budget allocation of Kshs.131.99 million. Expenditure on domestic and foreign travel amounted to Kshs.10.39 million, and was entirely incurred by the County Assembly. It represented 1.3 per cent of total recurrent expenditure and was a decrease of 78.3 per cent compared to Kshs.47.94 million incurred in the first quarter of FY 2016/17.

3.26.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.26.8 Budget and Budget Performance Analysis by Department

Table 3.53 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.53: Meru County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure in the first quarter of FY 2017/18 | | Expenditure to Exchequer Issues (%) First Quarter FY 2017/18 | | Absorption rate (%) First Quarter FY 2017/18 | |
|--|----------------------------------|------------------|--|----------|--|----------|--|----------|--|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 1, 205.03 | - | 91 | - | 151.24 | - | 166.2 | - | 12.6 | - |
| Office of the Governor | 222.96 | - | 17.84 | - | 10.57 | - | 59.2 | - | 4.7 | - |
| County Treasury | 867.42 | 489.71 | 68.58 | - | 51.78 | - | 75.5 | - | 6 | - |
| Agriculture, Fisheries and Livestock | 310.75 | 326.58 | 59.77 | - | 51.15 | - | 85.6 | - | 16.5 | - |
| Water, Environment and Natural Resources | 116.03 | 309.75 | 22.51 | - | 12.53 | - | 55.7 | - | 10.8 | - |
| Education | 429.56 | 194 | 81.59 | - | 47.46 | - | 58.2 | - | 11 | - |
| Health | 2, 759.39 | 415.13 | 513.01 | - | 394.1 | - | 76.8 | - | 14.3 | - |
| Lands, Housing, Physical and Economic Planning | 80.72 | 169.16 | 10.1 | - | 3.72 | - | 36.8 | - | 4.6 | - |
| Public Service and Administration | 574.06 | 180 | 70.28 | - | 50.07 | - | 71.2 | - | 8.7 | - |
| Transport and Infrastructure | 73.54 | 387.07 | 12.52 | - | 4.42 | - | 35.3 | - | 6 | - |
| Co-operative, Tourism and Enterprise Development | 68.16 | 253.95 | 12.08 | - | 7.48 | - | 61.9 | - | 11 | - |
| Culture, Gender and Sports | 42.68 | 196.78 | 7.01 | - | 4.15 | - | 59.2 | - | 9.7 | - |
| County Public Service Board | 33.04 | - | - | - | 0.22 | - | - | - | 0.7 | - |
| Town Administration | 23.82 | - | - | - | - | - | - | - | - | - |
| Total | 6, 807.16 | 2, 922.13 | 966.26 | - | 788.89 | - | 81.6 | - | 11.6 | - |

Source: Meru County Treasury

Analysis of budget performance by department shows that the Department of Agriculture, Fisheries and Livestock had the highest percentage of recurrent expenditure to recurrent budget at 16.5 per cent while the Department of Town Administration had no expenditure.

3.26.9 Observations and Recommendations

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

- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Compliance with the requirement to use IFMIS and Internet Banking for processing financial transactions.

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

- Slow implementation of the development budget due to delays in disbursement of funds by National Treasury.
- Under-performance in local revenue collection, which declined by 57.8 per cent from Kshs.126.05 million in the first quarter of FY 2016/17 to Kshs.53.2 million in the reporting period.

3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.27 Migori County

3.27.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.78 billion, comprising of Kshs.4.9 billion (63 per cent) and Kshs.2.88 billion (37 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.72 billion (86.4 per cent) as equitable share of revenue raised nationally, Kshs.609 million (7.8 per cent) as total conditional grants, generate Kshs.450 million (5.8 per cent) from local revenue sources.

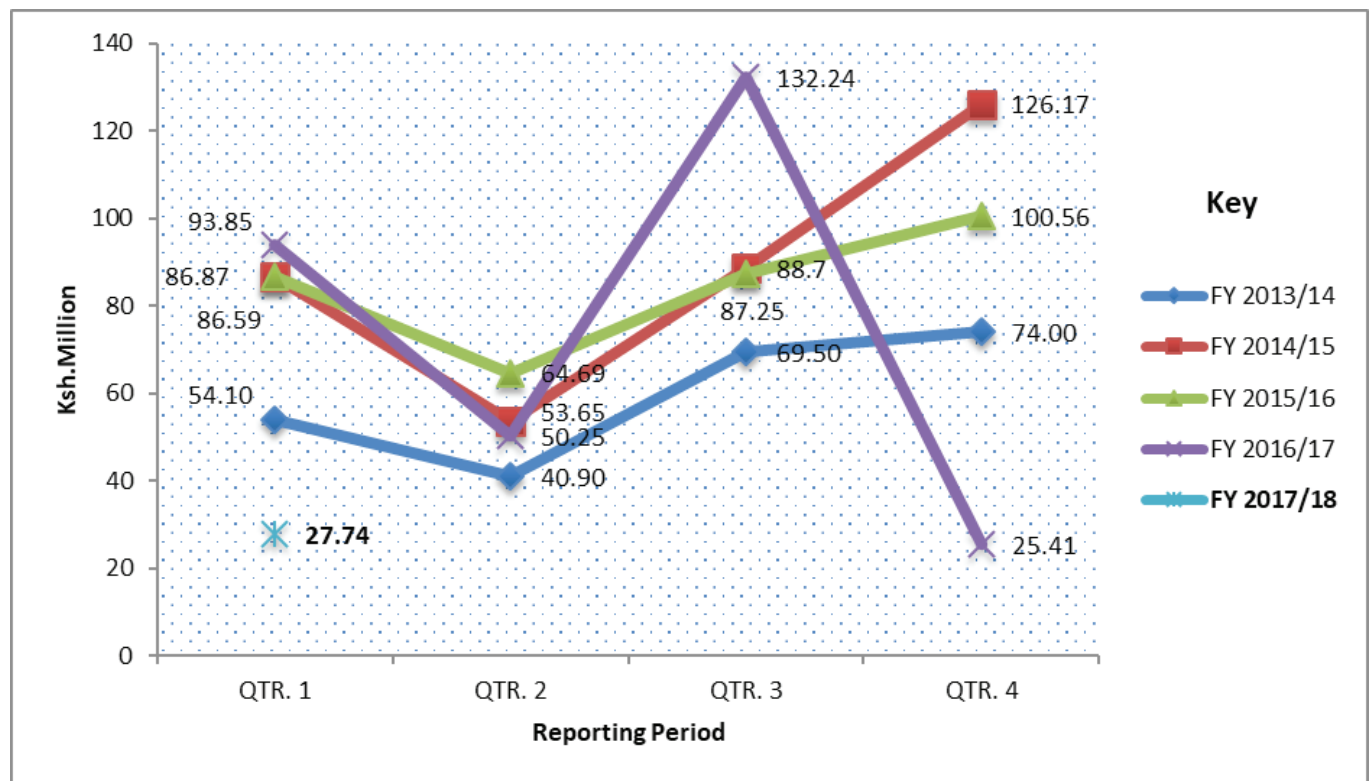
The conditional grants contained in the CARA, 2017 of Kshs.562.15 million comprise of Kshs.248.69 million (44.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.21.66 million (3.9 per cent) as Compensation for User Fee Foregone, Kshs.16.85 million (3 per cent) from DANIDA, Kshs.40.63 million (7.2 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.46.33 million (8.2 per cent) for the World Bank Kenya Devolution Support Program, Kshs.71.99 million (12.8 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (8.9 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, Kshs.66 million (11.7 per cent) as European Union (EU) Grant.

3.27.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.452.4 million as equitable share of the revenue raised nationally, Kshs.254.2 million as total conditional allocations and raised Kshs.27.74 million from local revenue sources.

Figure 3.77 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.77: Migori County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Migori County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.27.74 million, representing a decrease of 70.4 per cent compared to Kshs.93.85 million generated in a similar period of FY 2016/17, and represented 6.2 per cent of the annual local revenue target.

3.27.3 Conditional Grants

Table 3.54 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.54: Migori County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|----------|--|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 248, 690, 316 | 177, 187, 500 | 115, 983, 264 | 46.6 |
| 2 | World Bank loan to supplement financing of County Health facilities | 40, 625, 000 | - | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 46, 330, 994 | 150, 000, 000 | - | - |
| 4 | Compensation for User Fee Foregone | 21, 655, 884 | 21, 379, 200 | - | - |
| 5 | DANIDA Grant | 16, 852, 230 | - | - | - |
| 6 | Allocation for Leasing of Medical Equipment | - | 95, 744, 681 | - | - |
| 7 | World Bank Loan for Transforming Health System for Universal Care System | 71, 990, 710 | - | - | - |
| 8 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | - | - | - |
| 9 | EU Grant | 66, 000, 000 | - | - | - |

| | | | | | |
|-----------|--------------------|---------------|---------------|---------------|----|
| Sub Total | | 562, 145, 134 | 444, 311, 381 | 115, 983, 264 | 21 |
| B | Other Grants | | | | |
| 10 | Free Maternal Care | - | 165, 043, 200 | - | - |
| Sub Total | | - | 165, 043, 200 | 138, 220, 725 | 84 |
| Total | | 562, 145, 134 | 609, 354, 581 | 254, 203, 989 | 45 |

Source: Migori 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 47 per cent. The County did not receive funds from the other conditional grants.

3.27.4 Exchequer Issues

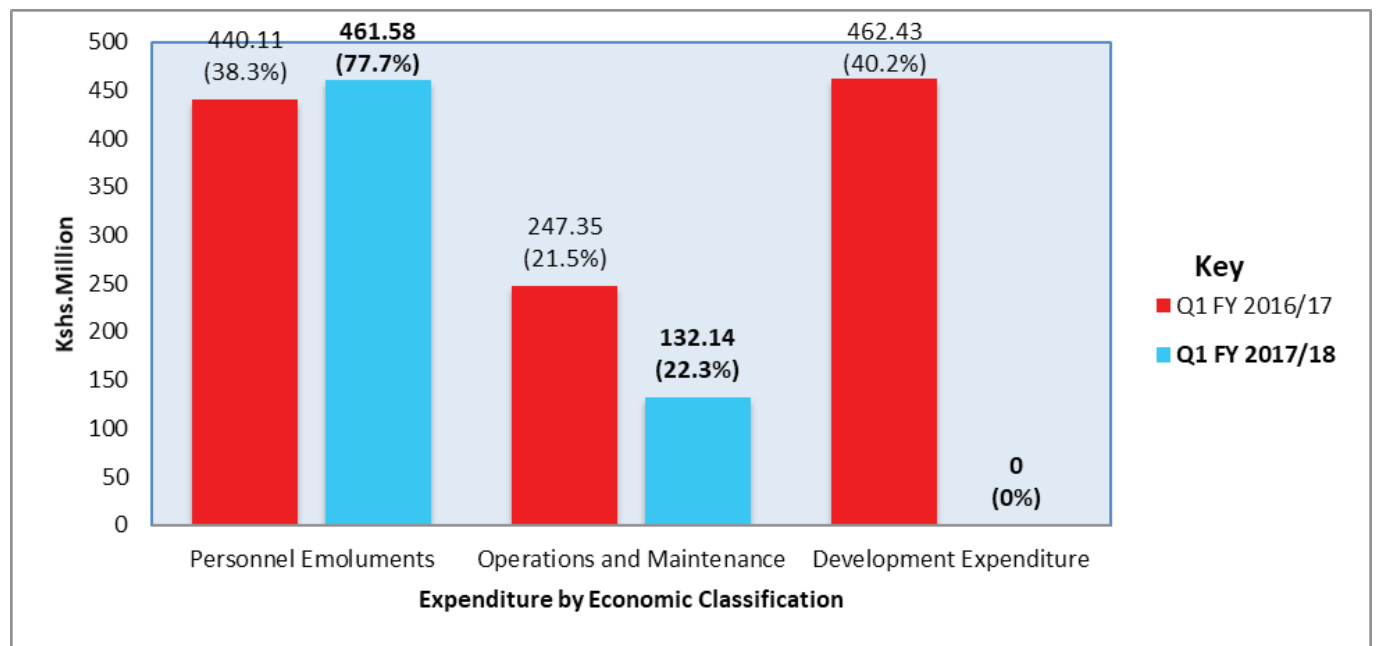
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.581 million from the CRF account, which was 7.5 per cent of the Approved Budget. This amount was a decrease of 66.8 per cent from Kshs.1.75 million authorized in a similar period of FY 2016/17 was entirely for recurrent expenditure.

3.27.5 Overall Expenditure Review

The County incurred Kshs.594 million, which was 102.2 per cent of the total funds released for operations. This was a decrease of 48.3 per cent from Kshs.1.15billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.594 million was incurred on recurrent activities and was 102.2 per cent of the funds released for recurrent activities. The recurrent expenditure represented 12.1 per cent of the annual recurrent budget, a decrease from 15.7 per cent incurred in a similar period of FY 2016/17. Figure 3.78 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.78: Migori County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



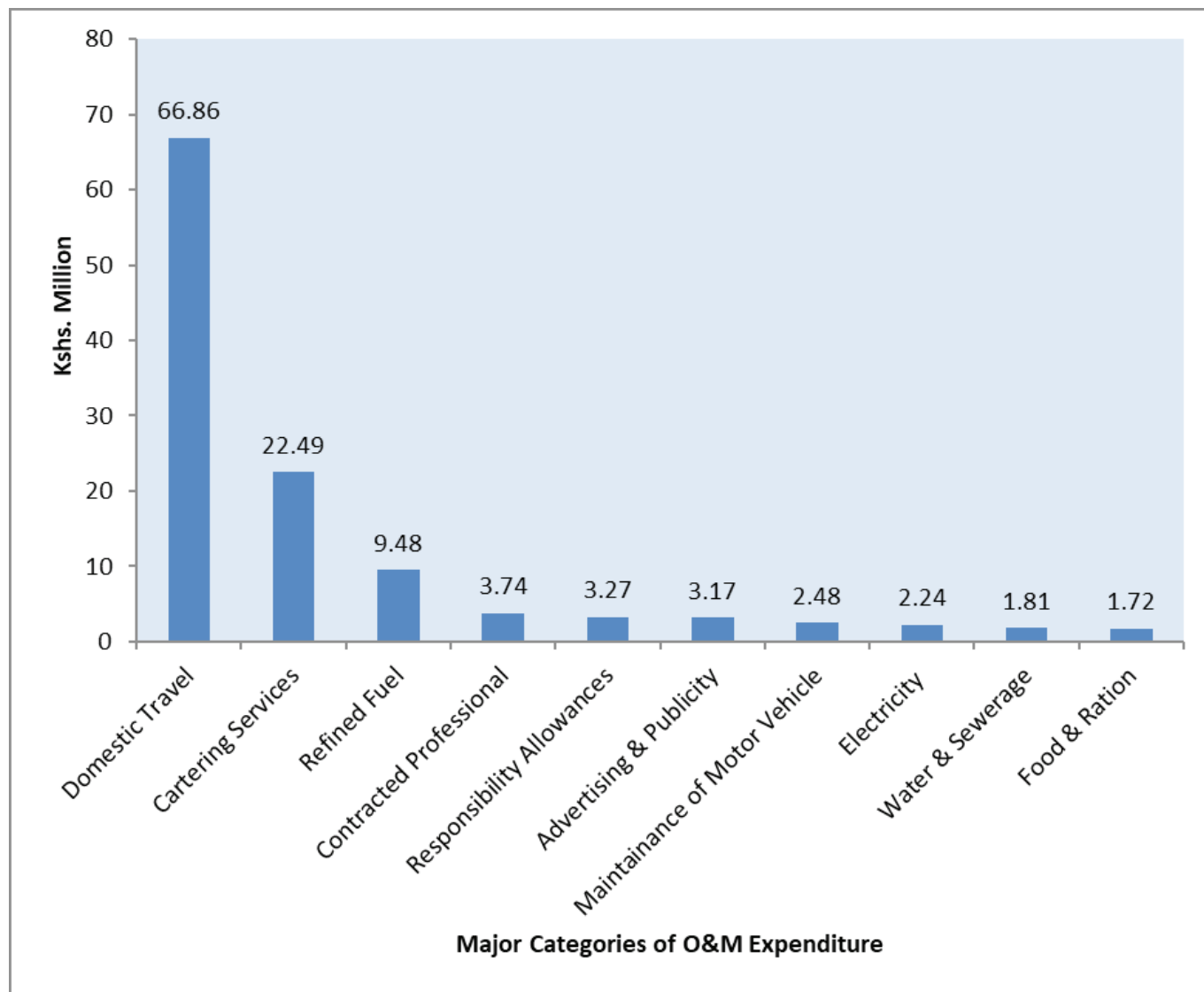
Source: Migori County Treasury

3.27.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.594 million consisted of Kshs.461.58 million (77.7 per cent) incurred on personnel emoluments and Kshs.132 million (22.2 per cent) on operations and maintenance as shown in Figure 3.78.

Expenditure on personnel emoluments represented an increase of 4.9 per cent compared to Kshs.440.11 million incurred in the first quarter of FY 2016/17, and was 77.7 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.79 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.79: Migori County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Migori County Treasury

The County did not incur on committee sitting allowances to the 40 MCAs and the Speaker during the reporting period.

3.27.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.27.8 Budget and Budget Performance Analysis by Department

Table 3.55 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.55: Migori County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|--|----------------------------------|------------------|---|----------|---|----------|---|-----|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 395.41 | 166.27 | 34.3 | - | 23.33 | - | 68 | - | 5.9 | - |
| Finance and Economic Planning | 550.27 | 18.5 | 78.71 | - | 93.40 | - | 118.7 | - | 17 | - |
| Roads, Public Works and Transport | 71.18 | 1, 084.37 | 14 | - | 12.57 | - | 89.8 | - | 17.7 | - |
| Health and Sanitation | 1, 652.11 | 208.43 | 186.72 | - | 216.09 | - | 115.7 | - | 13.1 | - |
| Education, Communication and ICT | 247.34 | 286.62 | 45.45 | - | 41.9 | - | 92.2 | - | 16.9 | - |
| Agriculture and Irrigation | 249.72 | 482.34 | 44.1 | - | 41.9 | - | 95 | - | 16.8 | - |
| Trade, Industry and Cooperatives | 103.71 | 97.9 | 16.13 | - | 13.32 | - | 82.6 | - | 12.8 | - |
| Land, Physical Planning and Urban Development | 83.37 | 104.37 | 12.78 | - | 8.35 | - | 65.3 | - | 10 | - |
| Water Development, Environment & Natural Resources | 59.49 | 65.7 | 11.6 | - | 12.71 | - | 109.6 | - | 21.4 | - |
| County Public Service Management | 755.06 | 361.78 | 76.15 | - | 69.97 | - | 91.9 | - | 9.3 | - |
| County Assembly | 736.79 | - | 61 | - | 60.16 | - | 98.6 | - | 8.2 | - |
| TOTAL | 4, 904.45 | 2, 876.28 | 580.94 | - | 594 | - | 102.2 | | 12.1 | - |

Source: Migori County Treasury

Analysis of budget performance by department shows that the Department of Water Development, Environment & Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 21.4 per cent while the Office of the Governor had the lowest at 5.9 per cent. The County did not incur any development expenditure.

3.27.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Improved staff capacity, especially on the use of IFMIS, E-procurement and Internet Banking modules.

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

- Under-performance in local revenue collection, which declined by 70.4 per cent to Kshs.27.74 million in the first quarter of FY 2017/18 from Kshs.93.85 million in the first quarter of FY 2016/17.
- 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.
- Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County Treasury should develop and implement strategies to improve revenue collection.*
- 2. The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of budget in line with Section 166 of PFM Act 2012.*
- 3. The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.28 Mombasa County

3.28.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.12.53 billion, comprising of Kshs.8.57 billion (68.4 per cent) and Kshs.3.96 billion (31.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.15 billion (65.1 per cent) as equitable share of revenue raised nationally, Kshs.834.38 million (6.7 per cent) as total conditional grants and generate Kshs3.5 billion (27.9 per cent) from local revenue sources.

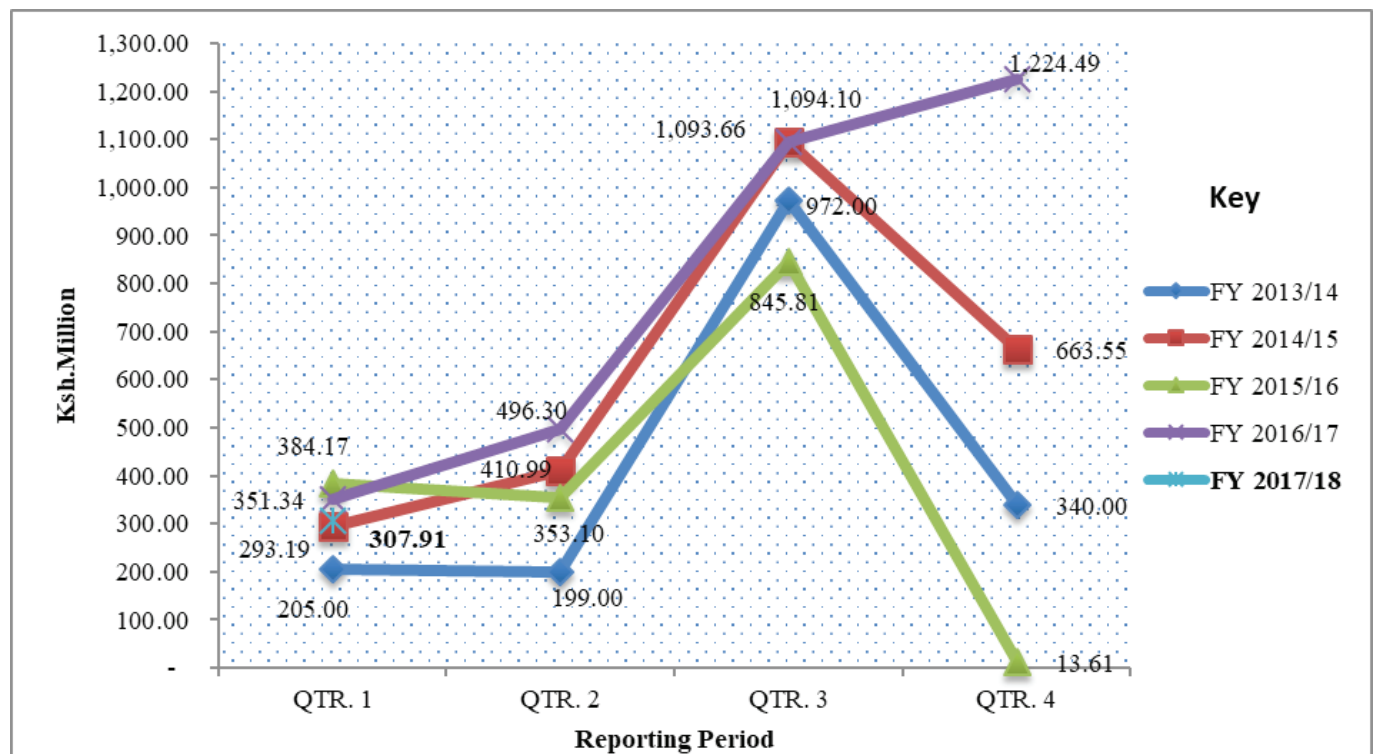
The conditional grants contained in the CARA, 2017 of Kshs.880.45 million comprise of Kshs.221.47 million (25.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.23.39 million (2.7 per cent) as Compensation for User Fee Foregone, Kshs.15 million (1.7 per cent) from DANIDA, Kshs.388.44 million (44.1 per cent) for Level 5 Hospital, Kshs.49.81 million (5.7 per cent) for the World Bank Kenya Devolution Support Program, Kshs.30.59 million (3.5 per cent) for Development of Youth Polytechnics and Kshs.23.62 million (2.7 per cent) as World Bank Loan for Transforming Health System for Universal Care System.

3.28.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.967.97 million as equitable share of the revenue raised nationally, Kshs.103.28 million as total conditional allocations, raised Kshs.307.91 million from local revenue sources.

Figure 3.80 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.80: Mombasa County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Mombasa County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.307.91 million, representing a decrease of 12.3 per cent compared to Kshs.351.34 million generated in a similar period of FY 2016/17, and represented 8.8 per cent of the annual local revenue target.

3.28.3 Conditional Grants

Table 3.56 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.56: Mombasa County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|----------|--|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 221, 466, 275 | 152, 206, 548 | 103, 286, 618 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | 95, 744, 681 | - | - |
| 3 | World Bank loan to supplement financing of County Health facilities | - | 125, 722, 505 | - | - |
| 4 | Kenya Devolution Support Program (KDSP) | 49, 809, 062 | - | - | - |
| 5 | Compensation for User Fee Foregone | 23, 385, 934 | 23, 514, 312 | - | - |
| 6 | DANIDA Grant | 15, 007, 422 | 11, 404, 082 | - | - |
| 7 | Level-5 Hospitals | 388, 439, 306 | 369, 942, 197 | - | - |
| 8 | Development of Youth Polytechnics | 30, 586, 320 | - | - | - |
| 9 | Other Loans & Grants | 32, 390, 114 | 55, 842, 144 | - | - |
| 10 | World Bank Loan for Transforming Health System for Universal Care System | 23, 619, 270 | - | - | - |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|-------|--------|--|--|---|--|
| Total | | 880, 448, 384 | 834, 376, 469 | 103, 286, 618 | 12 |

Source: Mombasa County Treasury

Analysis of the conditional grants released during the period under review indicates that, the conditional grant for Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.103.29 million which was a performance of 46.6 per cent of annual allocation.

3.28.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.05 billion from the CRF account, which was 8.2 per cent of the Approved Budget. This amount was a decrease of 45.6 per cent from Kshs.1.89 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

3.28.5 Overall Expenditure Review

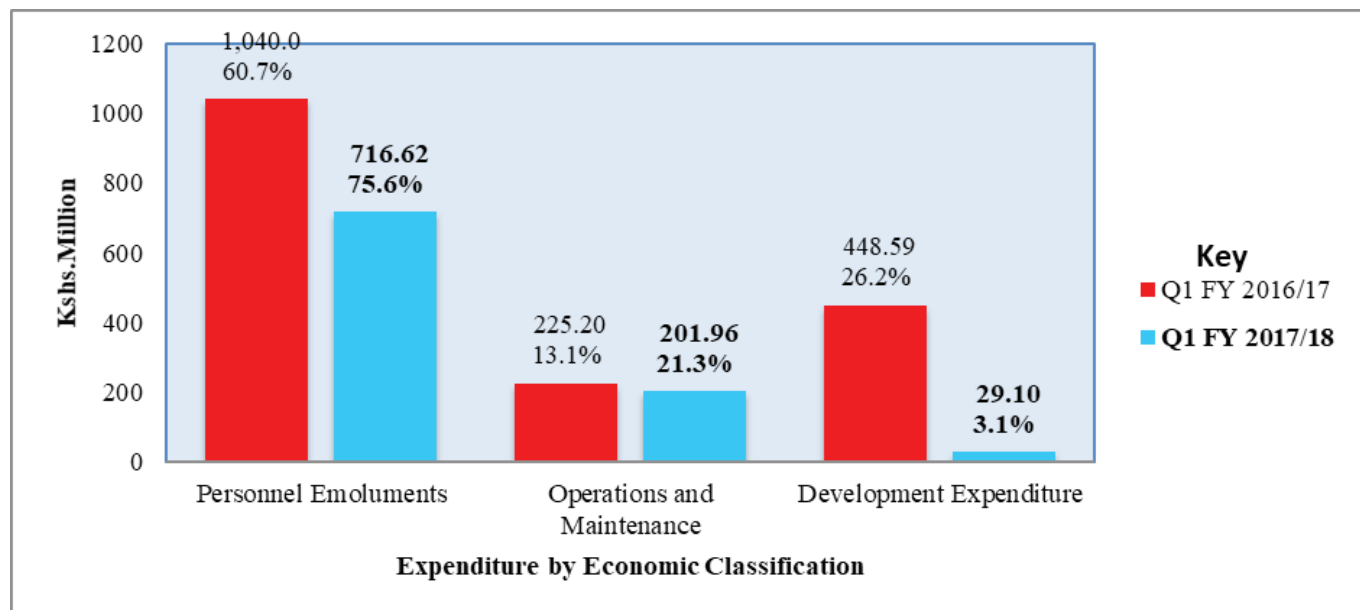
The County incurred Kshs.947.68 million, which was 92.2 per cent of the total funds released for operations. This was a decrease of 44.7 per cent from Kshs.1.29 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.918.58 million was incurred on recurrent activities, while Kshs.29.1 million was incurred on development activities. The recurrent expenditure was 89.3 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.29.52 million for development and Kshs.399.98 million for recurrent expenditure.

The recurrent expenditure represented 10.7 per cent of the annual recurrent budget, a decrease from 12.3 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 0.7 per cent, which was a decrease from 14.6 per cent attained in the first quarter of FY 2016/17.

Figure 3.81 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.81: Mombasa County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



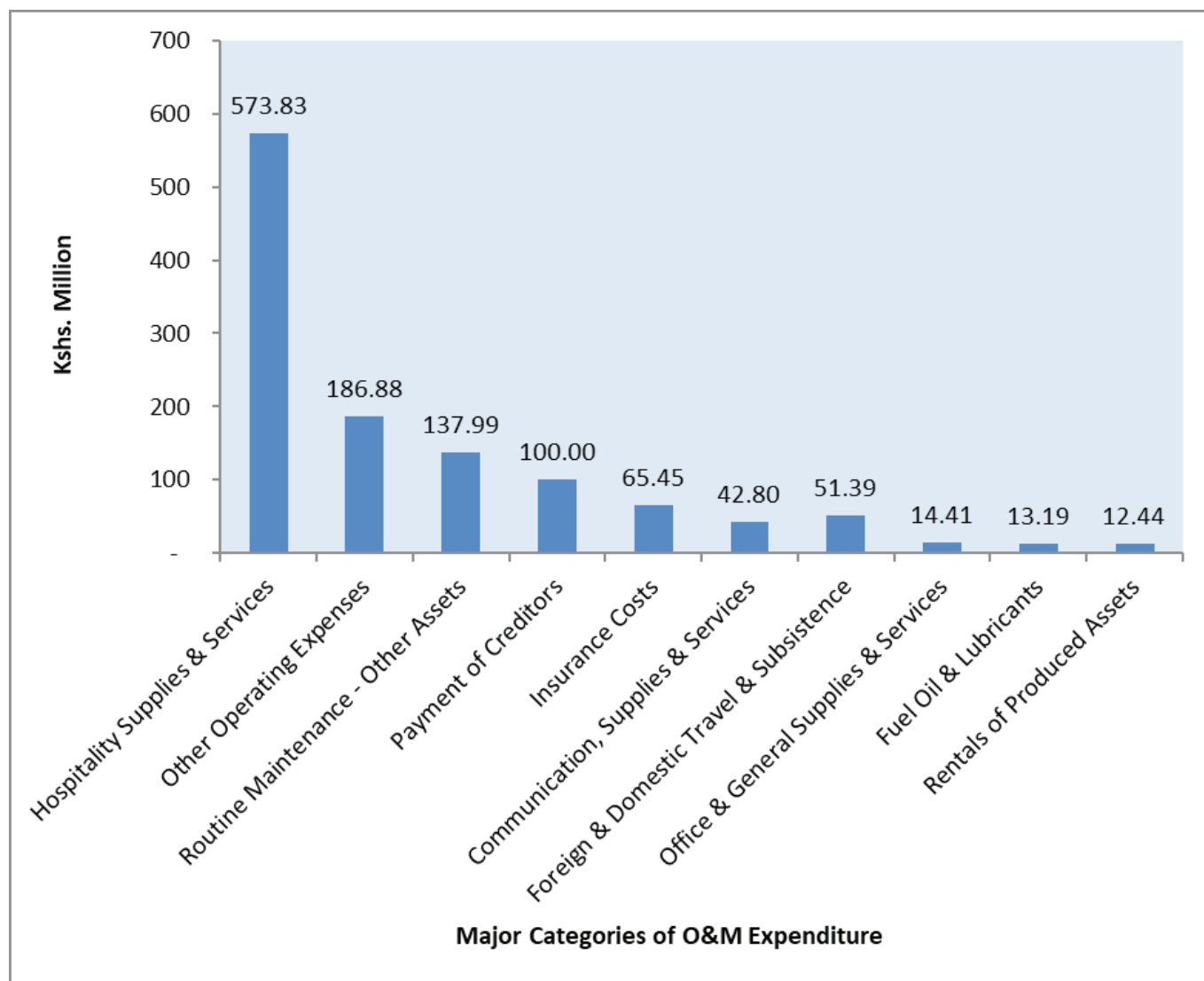
Source: Mombasa County Treasury

3.28.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.918.58 million consisted of Kshs.716.62 million (75.6 per cent) incurred on personnel emoluments and Kshs.201.96 million (21.3 per cent) on operations and maintenance as shown in Figure 3.81.

Expenditure on personnel emoluments represented a decrease of 31.1 per cent compared to Kshs.1.04 billion incurred in the first quarter of FY 2016/17. This expenditure was 75.6 per cent of total expenditure in the first quarter of FY 2017/18 and 78 per cent of total recurrent expenditure. Figure 3.82 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.82: Mombasa County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Mombasa County Treasury

The County Assembly did not report any expenditure on committee sitting allowances for the on 43 MCAs. Expenditure on domestic and foreign travel amounted to Kshs.6.86 million and consisted of Kshs.3.18 million incurred by the County Assembly and Kshs.3.68 million by the County Executive. It represented 0.7 per cent of total recurrent expenditure and was an increase of over 100 per cent compared to Kshs.2.01 million incurred in the first quarter of FY 2016/17.

3.28.7 Development Expenditure Analysis

The County incurred development expenditure of Kshs.29.1 million, which was mainly on withholding tax payments, and represented 0.7 per cent of the annual development budget of Kshs.3.96 billion.

3.28.8 Budget and Budget Performance Analysis by Department

Table 3.57 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.57: Mombasa County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs. Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|------------------------------------|----------------------------------|--------------|---|----------|--|--------------|---|----------|---|------------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 375.11 | 81.65 | 31.16 | - | 17.99 | - | 57.7 | - | 4.8 | - |
| County Assembly | 611.94 | 44.27 | 24 | - | 23.47 | - | 97.8 | - | 3.8 | - |
| Public Service Board | 136.12 | 20.92 | 14.7 | - | 7.77 | - | 52.9 | - | 5.7 | - |
| Finance and Economic Planning | 957.22 | 502.65 | 124.78 | - | 238.71 | 29.09 | 191.3 | - | 24.9 | 5.8 |
| Environment and Natural Resources | 457.99 | 56.45 | 94.34 | - | 18.28 | - | 19.4 | - | 4 | - |
| Education and ICT | 800.81 | 370.41 | 78.61 | - | 93.66 | - | 119.2 | - | 11.7 | - |
| Health | 2,520.44 | 531.58 | 333.57 | - | 317.5 | - | 95.2 | - | 12.6 | - |
| Water | 138.42 | 352.65 | 13.72 | - | 4.96 | - | 36.1 | - | 3.6 | - |
| Gender Youth and Sports | 366.82 | 284.17 | 19.36 | - | 12.09 | - | 62.4 | - | 3.3 | - |
| Trade and Cooperative Developments | 445.32 | 131.17 | 43.82 | - | 35.68 | - | 81.4 | - | 8 | - |
| Lands and Physical Planning | 220.18 | 438.29 | 30.39 | - | 17.41 | - | 57.3 | - | 7.9 | - |
| Transport Public Works | 500.81 | 691.21 | 86.21 | - | 57.31 | - | 66.5 | - | 11.4 | - |
| Agriculture | 207.31 | 252.02 | 44.32 | - | 16.6 | - | 37.5 | - | 8 | - |
| Devolution | 833.35 | 205.09 | 89.31 | - | 80.61 | - | 90.3 | - | 9.7 | - |
| TOTAL | 8,572 | 3,963 | 1,028 | - | 918.58 | 29.09 | 89.3 | - | 10.7 | 0.7 |

Source: Mombasa County Treasury

Analysis of budget performance by department shows that the Finance and Economic Planning Department attained an absorption rate of development budget at 5.8 per cent while all other departments did not incur any development expenditure. On the other hand, the Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 24.9 per cent, while the Department of Gender, Youth and Sports had the lowest at 3.3 per cent.

3.28.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treas-

sure. This led to low expenditure on development activities during the reporting period.

2. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, and the Biashara Mashinani Fund contrary to Section 168 of the PFM Act, 2012.
3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with National Treasury to ensure timely release of funds in line with the CARA 2017 Disbursement Schedule.*
2. *Fund Administrators should submit reports on the various funds in line with Section 168 of the PFM Act, 2012.*
3. *The CECM-F should liaise with the IFMIS Department for support to address the connectivity challenges.*
4. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.29 Murang'a County

3.29.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.8.62 billion, comprising of Kshs.5.38 billion (62.5 per cent) and Kshs.3.23 billion (37.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.19 billion (71.9 per cent) as equitable share of revenue raised nationally, Kshs.991.58 million (11.5 per cent) as total conditional grants, and generate Kshs.1.1 billion (12.8 per cent) from local revenue sources, and Kshs.328.46 million (3.8 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.603.2 million comprise of Kshs.95.74 million (9.7 per cent) for Leasing of Medical Equipment, Kshs.228.2 million (23 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.14 million (2 per cent) as Compensation for User Fee Foregone, Kshs.15.46 million (1.6 per cent) from DANIDA, Kshs.45.06 million (4.5 per cent) for the World Bank Kenya Devolution Support Program, Kshs.84.09 million (8.5 per cent) for Development of Youth Polytechnics, Kshs.22 million (2.2 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (5 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, and Kshs.42.51 million (4.3 per cent) from Other Loans and Grants.

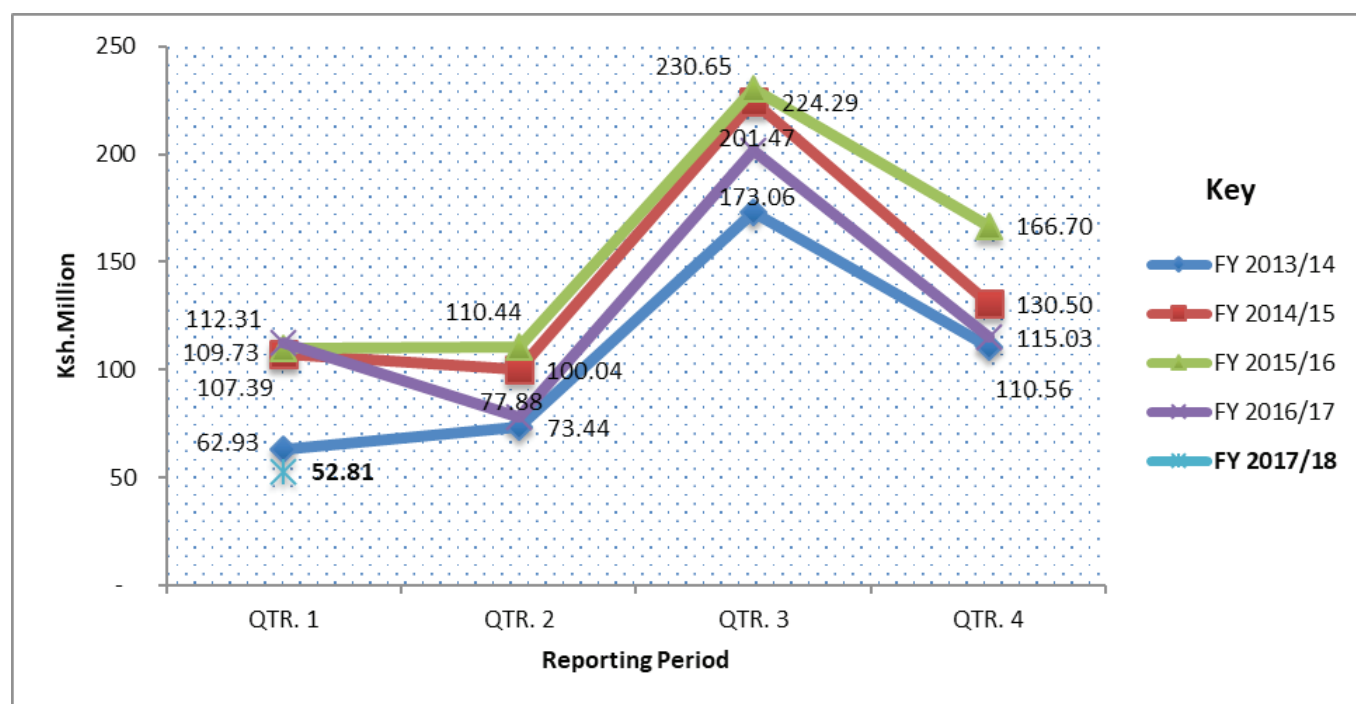
The County budget for some conditional grants which are not contained in the CARA, 2017 as follows; Kshs.380 million from Medics Allowance Grant, Kshs.64.79 million for the Free Maternal Health Care, Kshs.50 million for Grant Urban Development and Kshs.13.15 million as Agricultural Sector Development Support.

3.29.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.843.37 million as equitable share of the revenue raised nationally, raised Kshs.52.81 million from local revenue sources, and had a cash balance of Kshs.395.79 million from FY 2016/17. The available funds amounted to Kshs.1.29 billion.

Figure 3.83 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.83: Murang'a County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Murang'a County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.52.81 million, representing a decrease of 53 per cent compared to Kshs.112.31 million generated in a similar period of FY 2016/17, and represented 4.8 per cent of the annual local revenue target.

3.29.3 Conditional Grants

Table 3.58 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.58: Murang'a County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------------|--|--|------------------------------------|---|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Compensation for User Fee Foregone | 20, 138, 691 | 20, 138, 691 | 16, 616, 907 | 83 |
| 2 | Road Maintenance Fuel Levy Fund | 228, 202, 572 | 228, 202, 572 | 106, 428, 267 | 47 |
| 3 | Leasing of Medical Equipment | 95, 744, 681 | 95, 744, 681 | - | - |
| 4 | Kenya Devolution Support Programme (KDSP) | 45, 056, 255 | 59, 070, 646 | - | - |
| 5 | DANIDA Grant | 15, 463, 900 | 25, 000, 000 | - | - |
| 6 | Development of Youth Polytechnics | 84, 088, 455 | - | - | - |
| 7 | Conditional Allocation - Other Loans & Grants | 42, 505, 145 | 55, 482, 447 | - | - |
| 8 | World Bank Loan for Transforming Health System for universal Care System | 22, 000, 000 | - | - | - |
| 9 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | - | - | - |
| Sub Total | | 603, 199, 699 | 483, 639, 037 | 123, 045, 174 | - |
| B | Other Grants | | | | |
| 10 | Medics Allowance Grant - | - | 380, 000, 000 | - | - |
| 11 | Free Maternal Health Care | - | 64, 789, 738 | - | - |
| 12 | Grant Urban Development | - | 50, 000, 000 | - | - |
| 13 | Agricultural Sector Development Support | - | 13, 153, 855 | - | - |
| Sub Total | | - | 507, 943, 593 | - | - |
| Grand Total | | 603, 199, 699. | 991, 582, 630. | 123, 045, 174. | 20 |

Source: Murang'a County Treasury

Analysis of the conditional grants released during the period under review indicates that, Compensation for User Fees Foregone had the highest receipt against annual allocation at 83 per cent, followed by the Road Maintenance Fuel Levy Fund at 47 per cent. The County did not receive funds from any other conditional grant source.

3.29.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.05 billion from the CRF account, which was 12.1 per cent of the Approved Budget. This amount was a decrease of 45.2 per cent from Kshs.1.91 billion authorized in a similar period of FY 2016/17 and consisted of Kshs.833 million (79.7 per cent) for recurrent expenditure and Kshs.212 million (20.3 per cent) for development activities.

3.29.5 Overall Expenditure Review

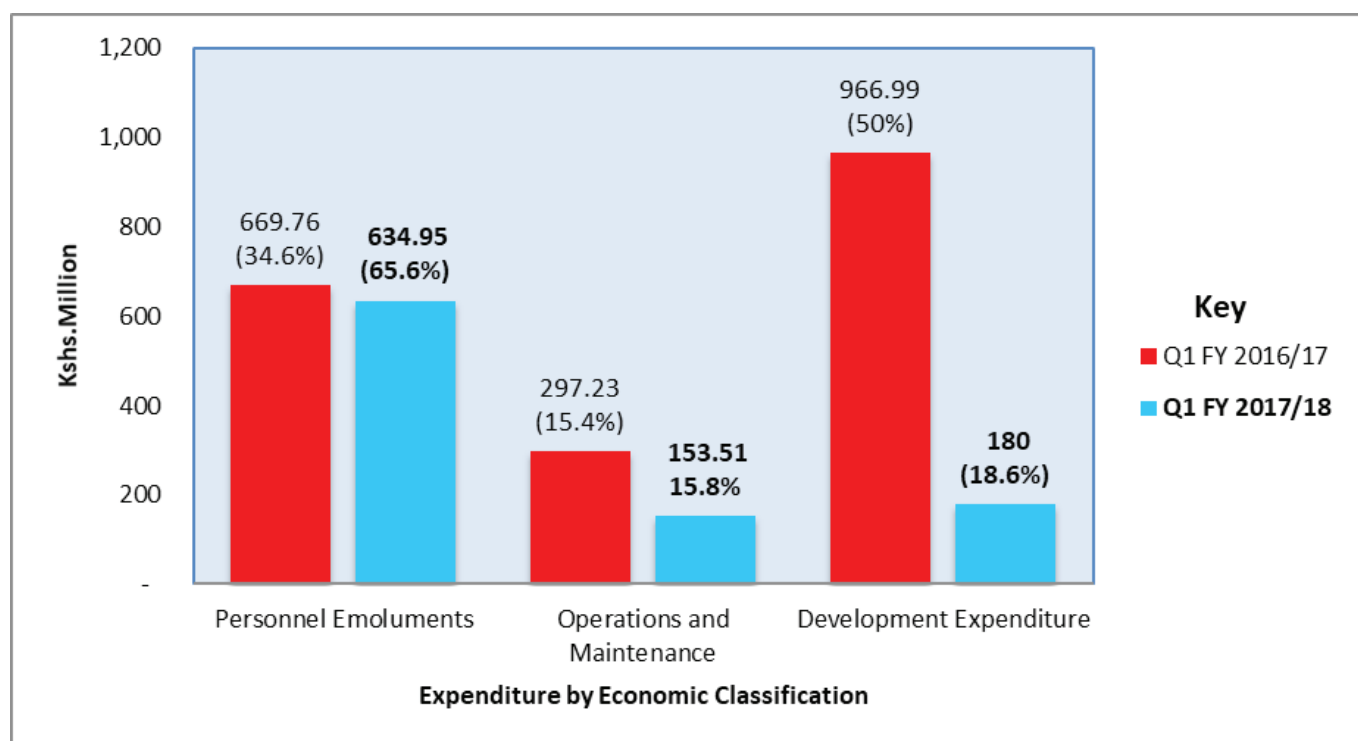
The County incurred Kshs.968.26 million, which was 92.7 per cent of the total funds released for operations. This was a decrease of 49.9 per cent from Kshs.1.93 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.788.36 million was incurred on recurrent activities, while Kshs.179.9 million was incurred on development activities. The recurrent expenditure was 94.6 per cent of the funds released for recurrent activities while development expenditure accounted for 84.9 per cent of the

funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2017 that amounted to Kshs.1.15 billion for development and Kshs.58.93 million for recurrent expenditure.

The recurrent expenditure represented 14.6 per cent of the annual recurrent budget, a decrease from 21.7 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 5.6 per cent, which was a decrease from 20.2 per cent attained in the first quarter of FY 2016/17. Figure 3.84 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.84: Murang'a County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



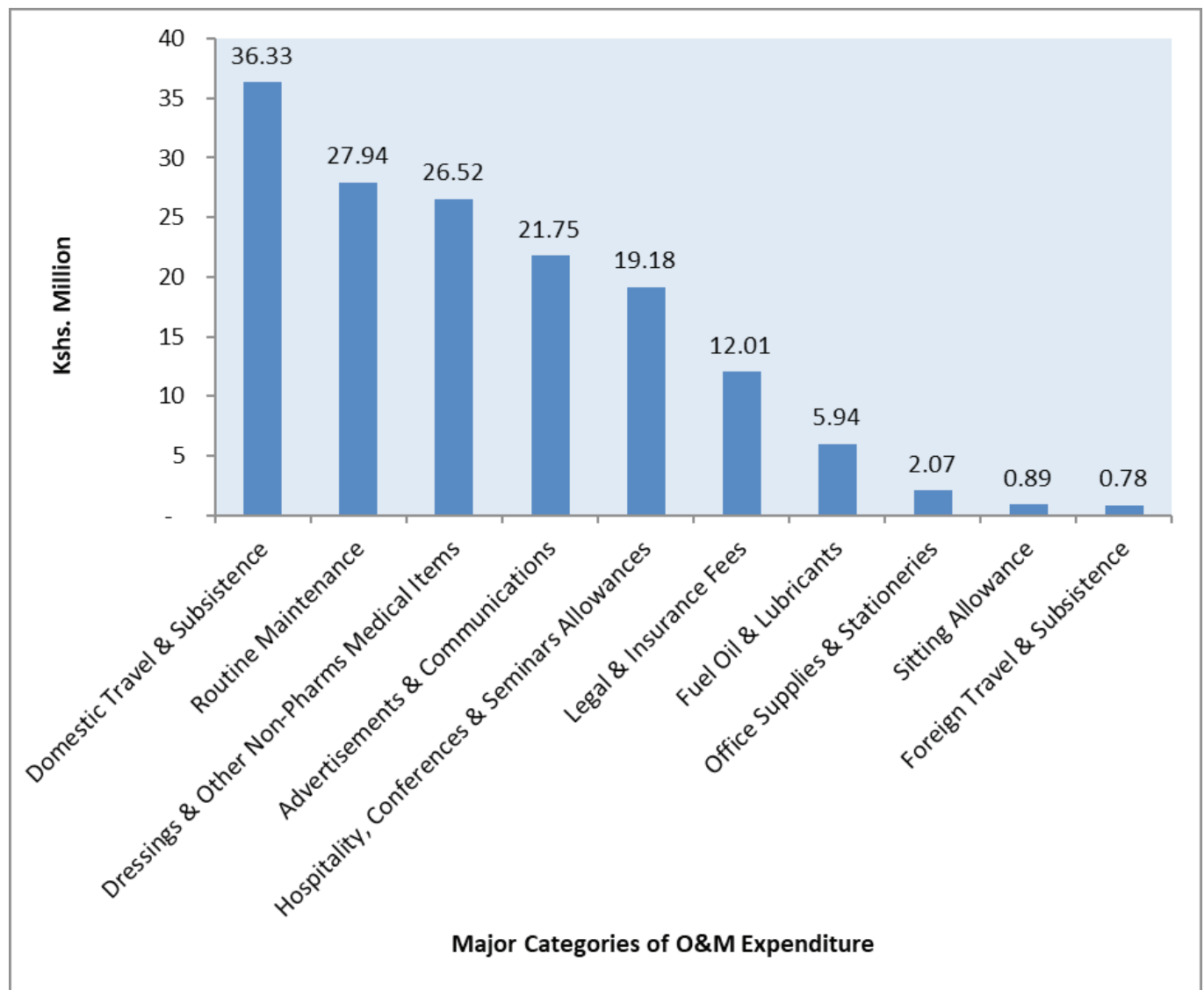
Source: Murang'a County Treasury

3.29.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.788.36 million consisted of Kshs.634.95 million (65.6 per cent) incurred on personnel emoluments and Kshs.153.41 million (15 per cent) on operations and maintenance as shown in Figure 3.84.

Expenditure on personnel emoluments represented a decrease of 5.2 per cent compared to Kshs.669.76 million incurred in the first quarter of FY 2016/17, and was 65.6 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.85 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.85: Murang'a County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Murang'a County Treasury

The County incurred Kshs.887,005 on committee sitting allowances to the 50 MCAs and the Speaker against the annual budget allocation of Kshs.87.61 million. This was a decrease of 94.4 per cent compared to Kshs.15.97 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.5,913 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.37.11 million and consisted of Kshs.12.78 million incurred by the County Assembly and Kshs.24.33 million by the County Executive. It represented 4.7 per cent of total recurrent expenditure and was a decrease of 54.6 per cent compared to Kshs.81.75 million incurred in the first quarter of FY 2016/17.

3.29.7 Development Expenditure Analysis

The total development expenditure of Kshs.179.9 million represented 5.6 per cent of the annual development budget of Kshs.3.24 billion.

Table 3.59 show Murang'a County, Development Projects with the Highest Expenditure in the First Quarter of FY 2017/18.

Table 3.59: Murang'a County, Development Projects with the Highest Expenditure in the First Quarter of FY 2017/18

| S/No. | Project name | Project location | Q1 FY2017/18 Project Expenditure (Kshs.) |
|-------|---|---|--|
| 1 | Supply Of Pharms, Non-Pharms | Murang'a County Referral Hospital | 21, 298, 000 |
| 2 | Laboratory Supplies | Kangema Sub-County Hospital | 7, 088, 800 |
| 3 | Supply of Maize Seeds | Murang'a Countywide | 15, 000, 000 |
| 4 | Fertilizer Supply, Launch and Distribution | Murang'a Countywide | 9, 233, 855 |
| 5 | School Milk Program Activities | Murang'a Countywide | 9, 410, 400 |
| 6 | ECDE Feeding Programme | Murang'a Countywide | 6, 931, 200 |
| 7 | Supply of Paving Block | Kangema Town | 5, 907, 787 |
| 8 | Construction of Open Market -Mukuyu | Mukuyu Market | 3, 524, 901 |
| 9 | Gravelling Works of Access Roads In Ichagaki Ward | Mugumoini-Gichugu-Ngoru Access Road, Pioneer Loop-Nichola Farm Access Roads | 3, 189, 081 |
| 10 | Construction of Service Duty County Creameries Site | Murang'a Creameries Site | 3, 108, 885 |

Source: Murang'a County Treasury

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.21.29 million was incurred on supply of pharmaceuticals, non-pharmaceuticals and laboratory supplies to Murang'a County Referral Hospital, followed by Kshs.7.09 million on supply of pharmaceuticals, non-pharmaceuticals and laboratory supplies at Kangema Sub-county hospital, and Kshs.15 million on supply of maize seeds to farmers.

3.29.8 Budget and Budget Performance Analysis by Department

Table 3.60 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.60: Murang'a County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs.Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|-----------------------------------|--------|--|-----|---|-----|---|-------|---|------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 863 | 73 | 76 | - | 59 | 9 | 77.6 | > 100 | 6.8 | 11.9 |
| Governorship, County Coordination & Admin | 272 | - | 55 | - | 34 | - | 60.7 | > 100 | 12.4 | - |
| Finance, ICT and Economic Planning | 208 | 10 | 19 | - | 28 | - | 152.8 | > 100 | 13.7 | - |
| Agriculture, Livestock & Fisheries | 278 | 312 | 53 | 25 | 9 | 25 | 17.4 | 99.8 | 3.3 | 7.9 |
| Energy, Transport and Infrastructure | 106 | 1, 159 | 21 | 82 | 1 | 78 | 2.7 | 95.3 | 0.5 | 6.7 |
| Commerce, Trade, Industry and Tourism | 24 | 82 | 1 | - | - | - | 30.5 | > 100 | 0.9 | - |
| Education and Technical Training | 312 | 412 | 73 | 45 | 35 | 27 | 47.6 | 60.7 | 11.2 | 6.7 |
| Health & Sanitation | 2, 296 | 867 | 388 | 60 | 616 | 39 | 158.8 | 64.2 | 26.8 | 4.5 |

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs. Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|-----------------------------------|--------------|---|------------|--|--------------|---|-------------|---|------------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Lands, Housing and Physical Planning | 31 | 67 | 1 | - | - | - | 93.9 | - | 1.5 | - |
| Public Service Administration | 804 | - | 128 | - | 1 | - | 0.7 | - | 0.1 | - |
| Youth, Culture, Gender, Social Services & Co-op | 149 | 251 | 14 | - | 5 | 2 | 36.8 | > 100 | 3.4 | 1 |
| Environment & Natural Resources | 16 | 2 | 1 | - | - | - | - | - | - | - |
| County Public Service Board | 24 | - | 5 | - | 1 | - | 11.9 | - | 2.3 | - |
| TOTAL | 5,382 | 3,235 | 833 | 212 | 788.36 | 179.9 | 94.6 | 84.9 | 14.6 | 5.6 |

Source: Murang'a County Treasury

Analysis of budget performance by department shows that the County Assembly attained the highest absorption rate of development budget at 11.9 per cent. On the other hand, the Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 26.8 per cent while the Department of Environment & Natural Resources did not incur any expenditure.

3.29.9 Observations and Recommendations

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

- Reduction in the expenditure on domestic and foreign travels by 54.6 per cent from Kshs.81.75 million in the first quarter of FY 2016/17 to Kshs.37.11 million in the reporting period.
- Reduction in personnel emoluments expenditure by 5.2 per cent compared to the first quarter of FY 2016/17 when the County incurred Kshs.669.76 million.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
- Delay in submission of quarterly financial reports to the Controller of Budget by the County Government entities contrary to Section 166 of the PFM Act, 2012.
- Under-performance in local revenue collection, which declined by 53 per cent from Kshs.112.31 million in the first quarter of FY 2016/17 to Kshs.52.81 million in the reporting period.
- Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
- The County did not budget for all the conditional grants as contained in the CARA, 2017. The conditional grants not budgeted for are: Development of Youth Polytechnics, World Bank Loan

for Transforming Health System for Universal Care System, World Bank Loan for National Agricultural & Rural Inclusive Project.

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

- 1. The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
- 2. The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
- 3. The County should devise and implement strategies of improving local revenue collection.*
- 4. The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
- 5. The County should correctly budget for all revenue streams as contained in the CARA, 2017.*

3.30 Nairobi County

3.30.1 Overview of the FY 2017/18 Budget

The County did not have an approved budget in the reporting period. During this period, the County was able to access 50 per cent of the FY 2017/18 Budget submitted to the County Assembly in line with Section 134 of the Public Finance Management Act, 2012 and Regulation 36(1) of the PFM (County Government) Regulations, 2015. The budget submitted to the County Assembly was for Kshs.35.91 billion and comprised of Kshs.24.12 billion (67.2 per cent) and Kshs.11.79 billion (32.8 per cent) for recurrent and development expenditure respectively.

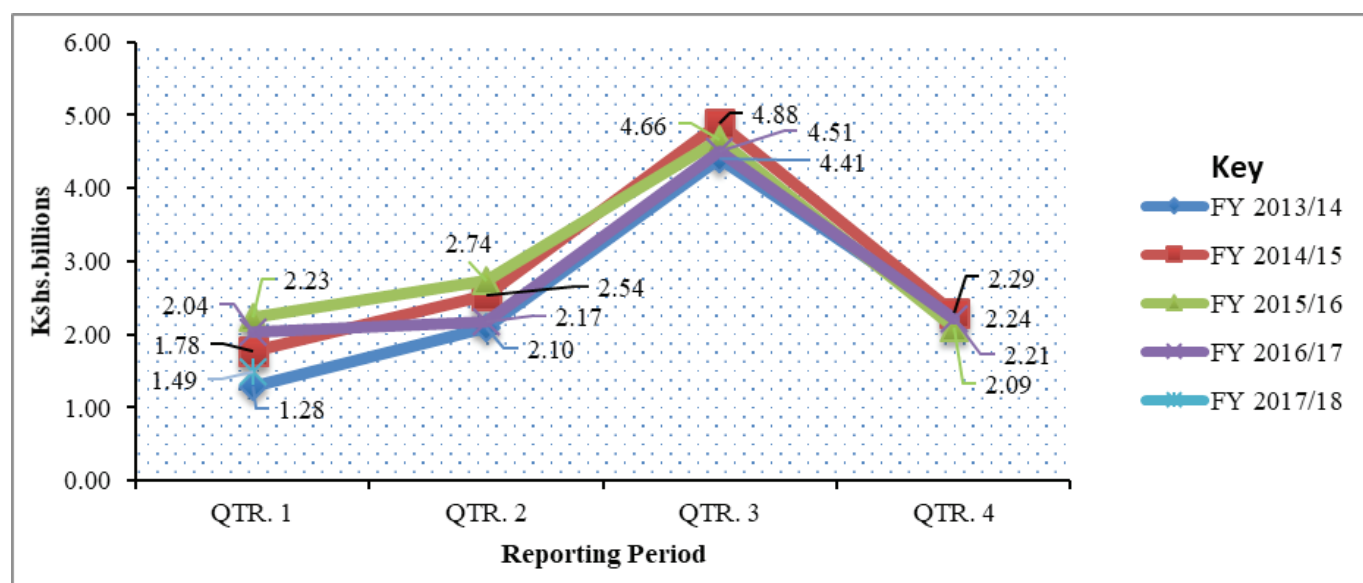
Conditional grants allocated to the County and contained in the CARA, 2017 amount to Kshs.3.05 billion and comprises of Kshs.553.75 million (18.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.79.42 million (2.6 per cent) as Compensation for User Fee Foregone, Kshs.37.52 million (1.2 per cent) from DANIDA, Kshs.95.74 million (3.1 per cent) for Leasing of Medical Equipment, Kshs.77.91 million (2.6 per cent) for the World Bank Kenya Devolution Support Program, Kshs.37.42 million (1.2 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.30.66 million (1.0 per cent) for Development of Youth Polytechnics, and Kshs.2.14 billion (70.1 per cent) as conditional allocation from Other Loans and Grants.

3.30.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.3.79 billion as equitable share of the revenue raised nationally, Kshs.258.25 million as total conditional allocations, and raised Kshs.1.49 billion from local revenue sources. The available funds amounted to Kshs.5.54 billion.

Figure 3.86 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to first quarter of FY 2017/18.

Figure 3.86: Nairobi City County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: Nairobi City County Treasury

The total local revenue in the first quarter of FY 2017/18 amounted to Kshs.1.49 billion, representing a decrease of 27 per cent compared to Kshs.2.04 billion generated in a similar period of FY 2016/17.

3.30.3 Conditional Grants

Table 3.61 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.61: Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|--|--|--|--|
| A | Grants Contained CARA, 2017 | | | |
| 1 | Road Maintenance Fuel Levy Fund | 553, 745, 527 | 258, 253, 779 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 77, 910, 897 | - | - |
| 4 | Compensation for User Fee Foregone | 79, 423, 251 | - | - |
| 5 | DANIDA Grant | 37, 523, 967 | - | - |
| 6 | Development of Youth Polytechnics | 30, 654, 947 | - | - |
| 7 | Other Loans & Grants | 2, 137, 647, 302 | - | - |
| 8 | World Bank Loan for Transforming Health System for Universal Care System | 37, 420, 064 | - | - |
| Total | | 3, 050, 070, 636 | 258, 253, 779 | 8 |

Source: Nairobi City County Treasury

Analysis of the conditional grants released during the period under review indicates that Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.258.25 million, which was 46.6 per cent of annual allocation. The County did not receive the other conditional grants during the reporting period.

3.30.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.4.33 billion from the CRF account, which was 24.1 per cent of per cent of the Approved Vote on Account. This amount represented an increase of 16.1 per cent from Kshs.3.73 billion authorized in a similar period of FY 2016/17 this amount was for recurrent expenditure.

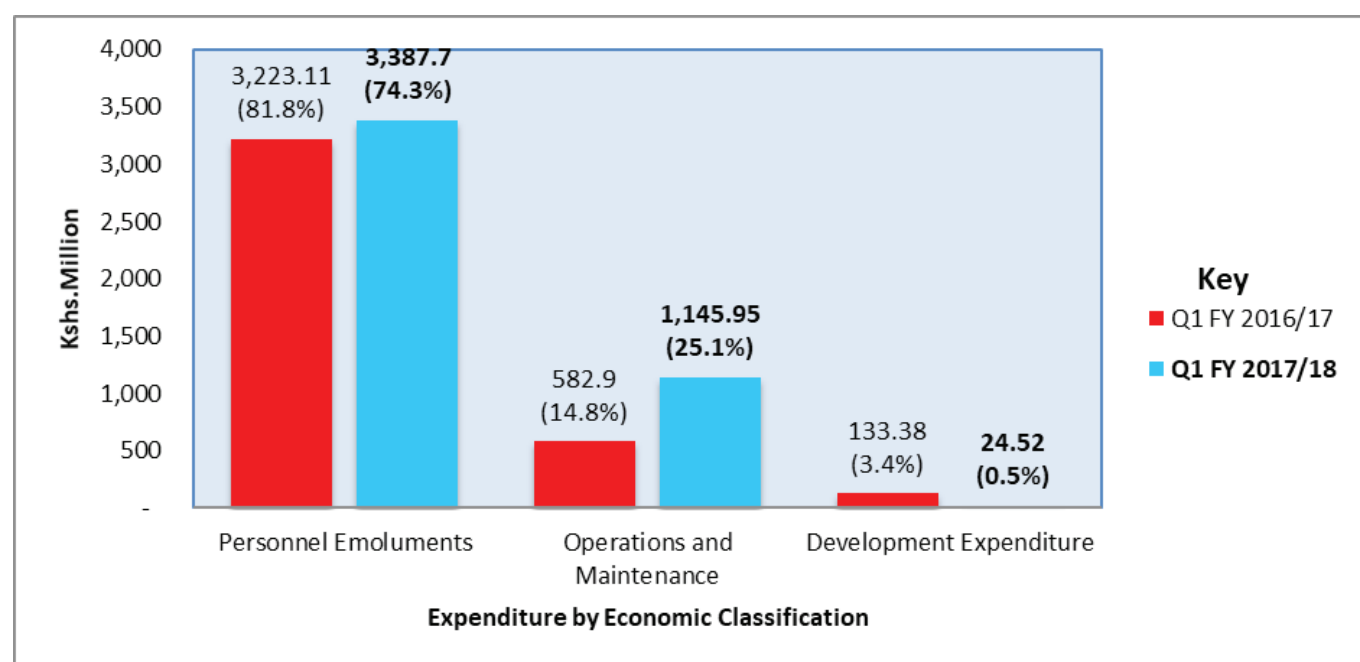
3.30.5 Overall Expenditure Review

The County incurred Kshs.4.56 billion, which was 105.3 per cent of the total funds released for operations. This was an increase of 15.7 per cent from Kshs.3.94 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.4.53 billion was incurred on recurrent activities, while Kshs.24.52 million was incurred on development activities. The recurrent expenditure was 104.7 per cent of the funds released for recurrent activities.

The recurrent expenditure represented 37.6 per cent of the recurrent Vote on Account while development expenditure recorded an absorption rate of 0.4 per cent of the development Vote on Account Figure 3.87 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and first quarter of FY 2017/18

Figure 3.87: Nairobi City County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



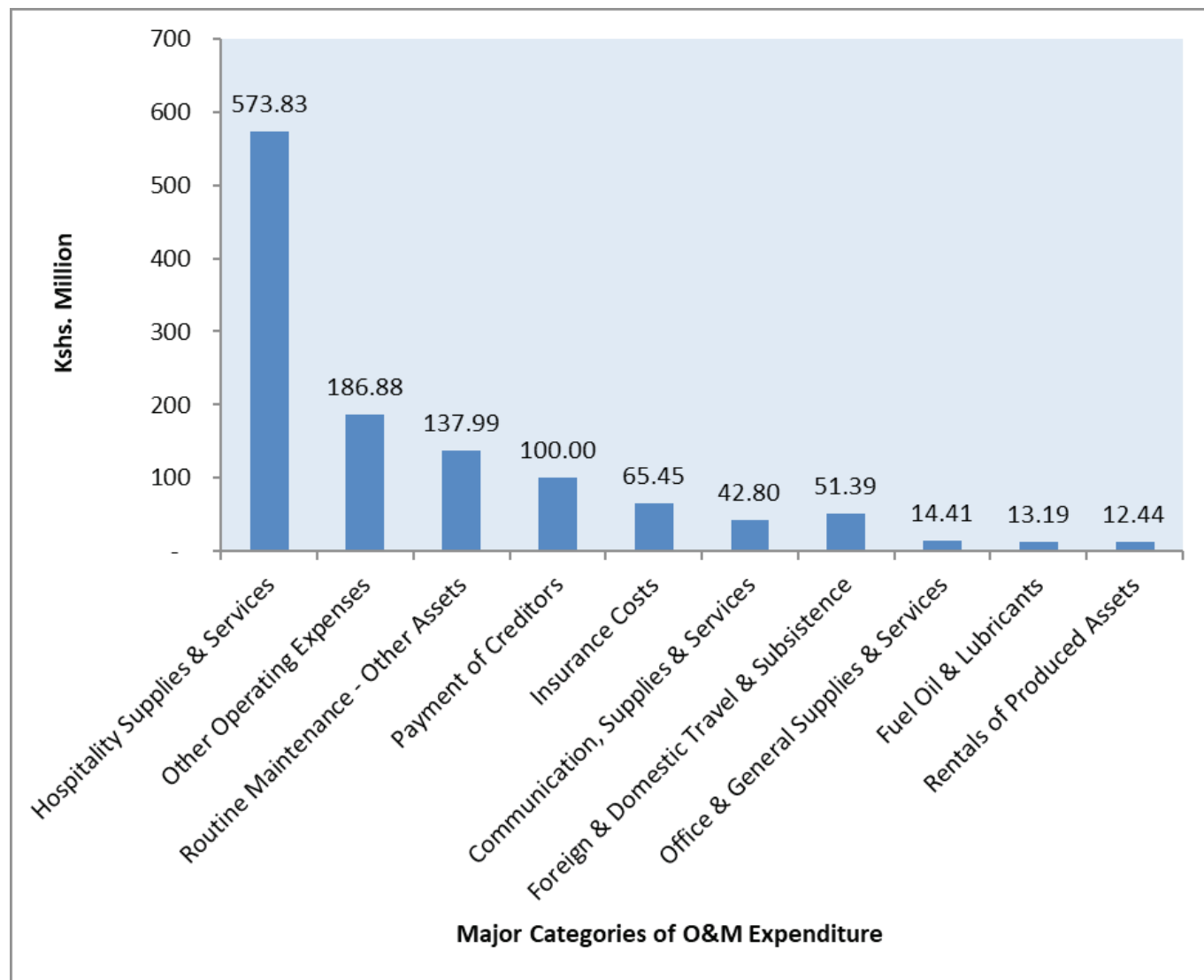
Source: Nairobi City County Treasury

3.30.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.53 billion consisted of Kshs.3.39 billion (74.7 per cent) incurred on personnel emoluments and Kshs.1.15 billion (25.3 per cent) on operations and maintenance as shown in Figure 3.87.

Expenditure on personnel emoluments represented an increase of 5.1 per cent compared to Kshs.3.22 billion incurred in the first quarter of FY 2016/17, and was 74.3 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.88 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.88: Nairobi City County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Nairobi City County Treasury

The County Assembly incurred Kshs.17.72 million on sitting allowances to the 128 against the approved vote on account for the budget item of Kshs.65.82 million. This was a decrease of 7 per cent compared to Kshs.24.73 million incurred in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.46, 145 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.51.39 million and consisted of Kshs.40.83 million incurred by the County Assembly and Kshs.10.56 million by County Executive. It represented 1.1 cent of total recurrent expenditure and was decrease of 62 per cent compared to Kshs.135.14 million incurred in the first quarter of FY 2016/17.

3.30.7 Development Expenditure Analysis

The total development expenditure of Kshs.24.52 million represented 0.4 per cent of the Approved Vote on Account of Kshs.5.89 billion for development expenditure. This amount was incurred by the County Assembly on refurbishment of the County Assembly Chambers and on firefighting equipment.

3.30.8 Budget and Budget Performance Analysis by Department

Table 3.62 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.62: Nairobi City County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in the first quarter of FY 2017/18 (Kshs. Million) | | Expenditure in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure to Exchequer Issues (%) First Quarter FY 2017/18 | | Absorption rate (%) First Quarter FY 2017/18 | |
|---|----------------------------------|------------------|---|----------|---|--------------|--|-----|--|------------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Public Service Board | 35.3 | 14.7 | 7.43 | - | 7.71 | - | 103.8 | - | 21.8 | - |
| Office of Governor & Deputy Governor | 2, 652.3 | 186.7 | 937.33 | - | 1, 110.87 | - | 118.5 | - | 41.9 | - |
| ICT, E-Government & Public Communications | 142.44 | 86.5 | 34.1 | - | 44.45 | - | 130.4 | - | 31.2 | - |
| Finance & Economic Planning | 1, 505 | 85 | 271.46 | - | 632.86 | - | 233.1 | - | 42.1 | - |
| Health | 3, 193.55 | 627 | 1, 547.07 | - | 1, 173.81 | - | 75.9 | - | 36.8 | - |
| Urban Planning & Lands | 189.51 | 222 | 63.5 | - | 89.69 | - | 141.2 | - | 47.3 | - |
| Public Works, Transport & Infrastructure | 584.5 | 2, 470.39 | 179.24 | - | 171.35 | - | 95.6 | - | 29.3 | - |
| Education, Youth Affairs, Sports, Culture & Social Services | 699 | 172.5 | 195.38 | - | 229.98 | - | 117.7 | - | 32.9 | - |
| Trade, Commerce, Tourism & Cooperatives | 309 | 280 | 74.97 | - | 72.63 | - | 96.9 | - | 23.5 | - |
| Public Service Management | 1, 125.5 | 58.5 | 468.88 | - | 374.81 | - | 79.9 | - | 33.3 | - |
| Agriculture, Livestock Development, Fisheries and Forestry | 187.5 | 77 | 62.88 | - | 56.69 | - | 90.2 | - | 30.2 | - |
| Environment, Water, Energy & Natural Resources | 692.72 | 450 | 222.18 | - | 307 | - | 138.2 | - | 44.3 | - |
| Urban Renewal and Housing | 70 | 90 | 14.5 | - | 15.51 | - | 107 | - | 22.2 | - |
| County Assembly | 646.71 | 160.38 | 250 | - | 246.29 | 24.52 | 98.5 | - | 38.1 | 15.3 |
| Ward Development Fund | 27 | 868 | - | - | - | - | - | - | - | - |
| Emergency Fund | - | 45 | - | - | - | - | - | - | - | - |
| TOTAL | 12, 060.02 | 5, 893.66 | 4, 328.91 | - | 4, 533.65 | 24.52 | 104.7 | | 37.6 | 0.4 |

Source: Nairobi City County Treasury

Analysis of budget performance by department shows that the County Assembly attained the highest absorption rate of its Approved Vote on Account at 15.3 per cent while the other departments did

not incur any development expenditure. On the other hand, the Department of Urban Planning and Lands had the highest percentage of recurrent expenditure to its Approved recurrent Vote on Account at 47.3 per cent.

3.30.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation, which include;

- i. Improvement in staff capacity through training and recruitment of technical staff.
- ii. Improvement in the use of IFMIS and Internet Banking to process financial transaction.

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

1. Under-performance in local revenue collection, which declined by 27 per cent from Kshs.2.04 billion collected in the first quarter of FY 2016/17 to Kshs.1.49 billion in the first quarter of FY 2017/18.
2. High personnel emoluments which accounted for 74.3 per cent of the total expenditure.
3. Failure by the County to approve the Appropriation Bill 2017 by 30th June, 2017 contrary to Section 129 (7) of the PFM Act, 2012.
4. IFMIS connectivity challenges, which slowed down approval of procurement requests and settlement of payments to suppliers.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County Treasury should formulate and implement strategies to enhance local revenue collection.*
- 2. The County Public Service Board should develop an optimal staffing structure address the wage bill.*
- 3. The County Treasury and the County Assembly should work together to ensure budget documents are prepared and approved within the timelines provided in law.*
- 4. The County Treasury should liaise with the IFMIS Directorate for intervention measures and adequate support to address the connectivity challenge.*
- 5. The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.31 Nakuru County

3.31.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.15.66 billion, comprising of Kshs.9.77 billion (62.3 per cent) and Kshs.5.9 billion (37.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.27 billion (59.2 per cent) as equitable share of revenue raised nationally, Kshs.958.51 million (6.1 per cent) as total conditional grants, and generate Kshs.2.5 billion (16 per cent) from local revenue sources, Kshs.26.5 million (0.2 per cent) from Symbiosis Program, Kshs.611.05 million (3.9 per cent) from Facility Improvement Fund, and Kshs.2.3 billion (14.7 per cent) cash balance from FY 2016/17.

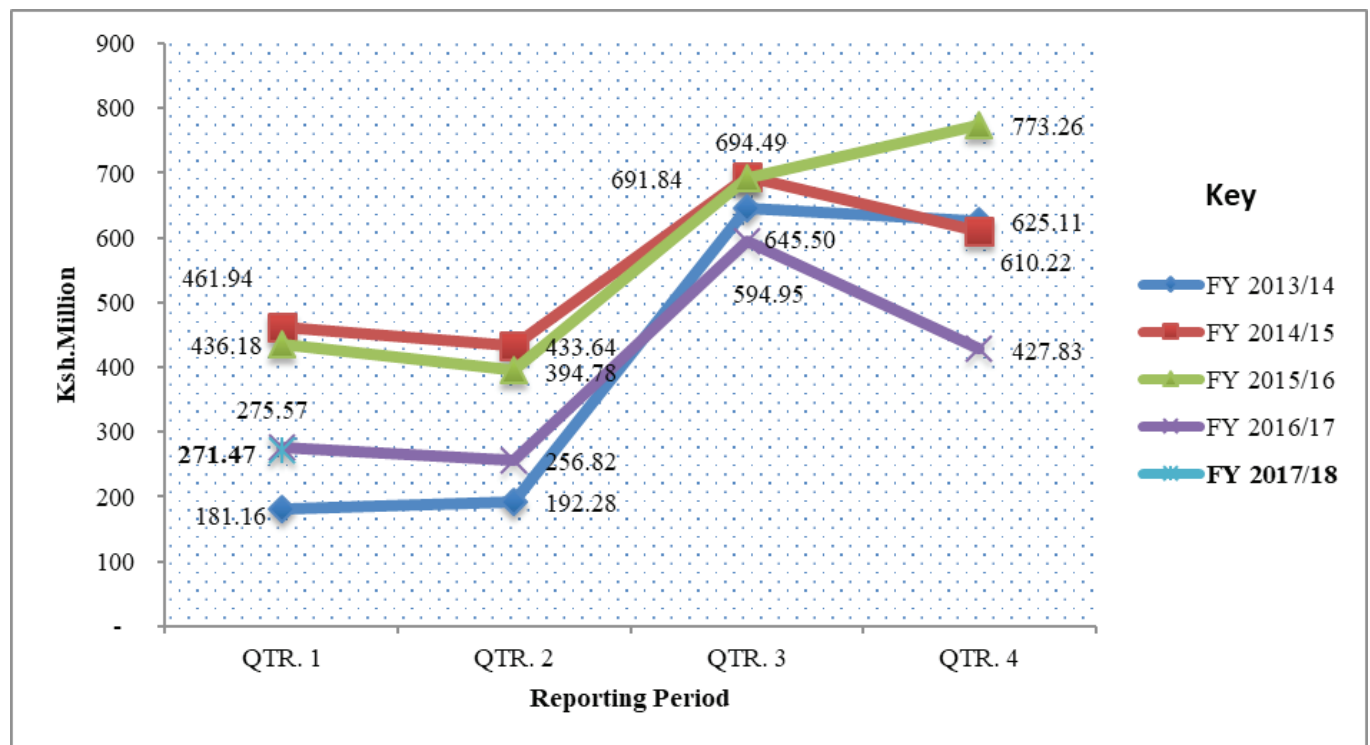
The conditional grants contained in the CARA, 2017 of Kshs.958.51 million comprise of Kshs.373.87 million (39 per cent) for Level-5 Hospitals, Kshs.345.81 million (36.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (10 per cent) for Leasing of Medical Equipment, Kshs.56.3 million (5.9 per cent) from Kenya Devolution Support Program, Kshs.38.72 million (4 per cent) for Compensation for User Fee Foregone, Kshs.35.43 million (3.7 per cent) for Development of Youth Polytechnics, and Kshs.12.63 million (1.3 per cent) from DANIDA.

3.31.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.161.28 million as total conditional allocations, raised Kshs.271.47 million from local revenue sources, and had a cash balance of Kshs.2.12 billion brought forward from FY 2016/17. The available funds amounted to Kshs.2.55 billion.

Figure 3.89 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.89: Nakuru County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Nakuru County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.271.47 million, representing a decrease of 1.5 per cent compared to Kshs.275.57 million generated in a similar period of FY 2016/17, and represented 10.9 per cent of the annual local revenue target.

3.31.3 Conditional Grants

Table 3.63 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.63: Nakuru County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|---|--|------------------------------------|---|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 345, 811, 895 | 345, 811, 895 | 161, 278, 465 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | 95, 744, 681 | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 56, 299, 041 | 56, 299, 041 | - | - |
| 4 | Compensation for User Fee Foregone | 38, 723, 265 | 38, 723, 265 | - | - |
| 5 | DANIDA Grant | 12, 630, 000 | 12, 630, 000 | - | - |
| 6 | Level-5 Hospitals | 373, 872, 832 | 373, 872, 832 | - | - |
| 7 | Development of Youth Polytechnics | 35, 431, 434 | 35, 431, 434 | - | - |
| Total | | 958, 513, 148 | 958, 513, 148 | 161, 278, 465 | 17 |

Source: Nakuru County Treasury

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.161.28 million representing 46.6 per cent of annual allocation. The other conditional grants did not record any receipt during the reporting period.

3.31.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.848.12 million from the CRF account, which was 5.4 per cent of the Approved Budget. This amount was a decrease of 72.5 per cent from Kshs.3.08 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

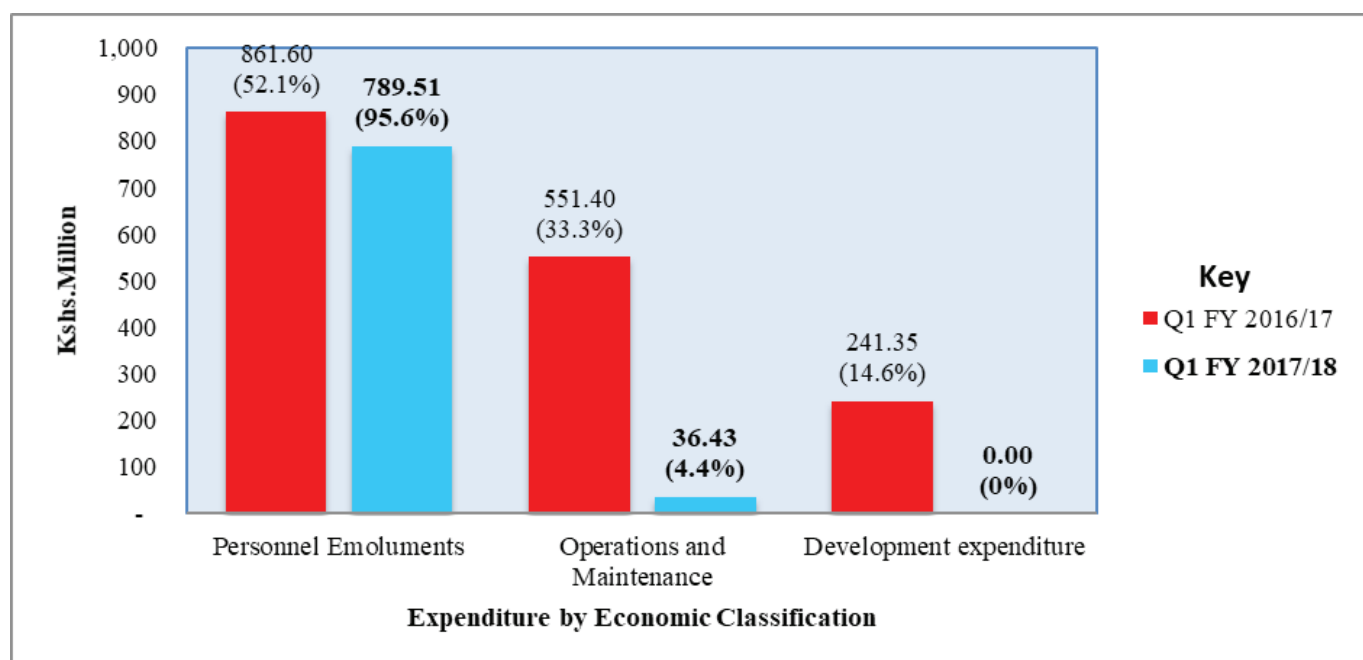
3.31.5 Overall Expenditure Review

The County incurred Kshs.825.94 million, which was 97.4 per cent of the total funds released for operations. This was a decrease of 50.1 per cent from Kshs.1.65 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.825.94 million was incurred on recurrent activities and represented 97.4 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.2.3 billion for development and Kshs.492.01 million for recurrent expenditure.

The recurrent expenditure represented 8.5 per cent of the annual recurrent budget, a decrease from 16 per cent incurred in a similar period of FY 2016/17. Figure 3.90 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.90: Nakuru County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



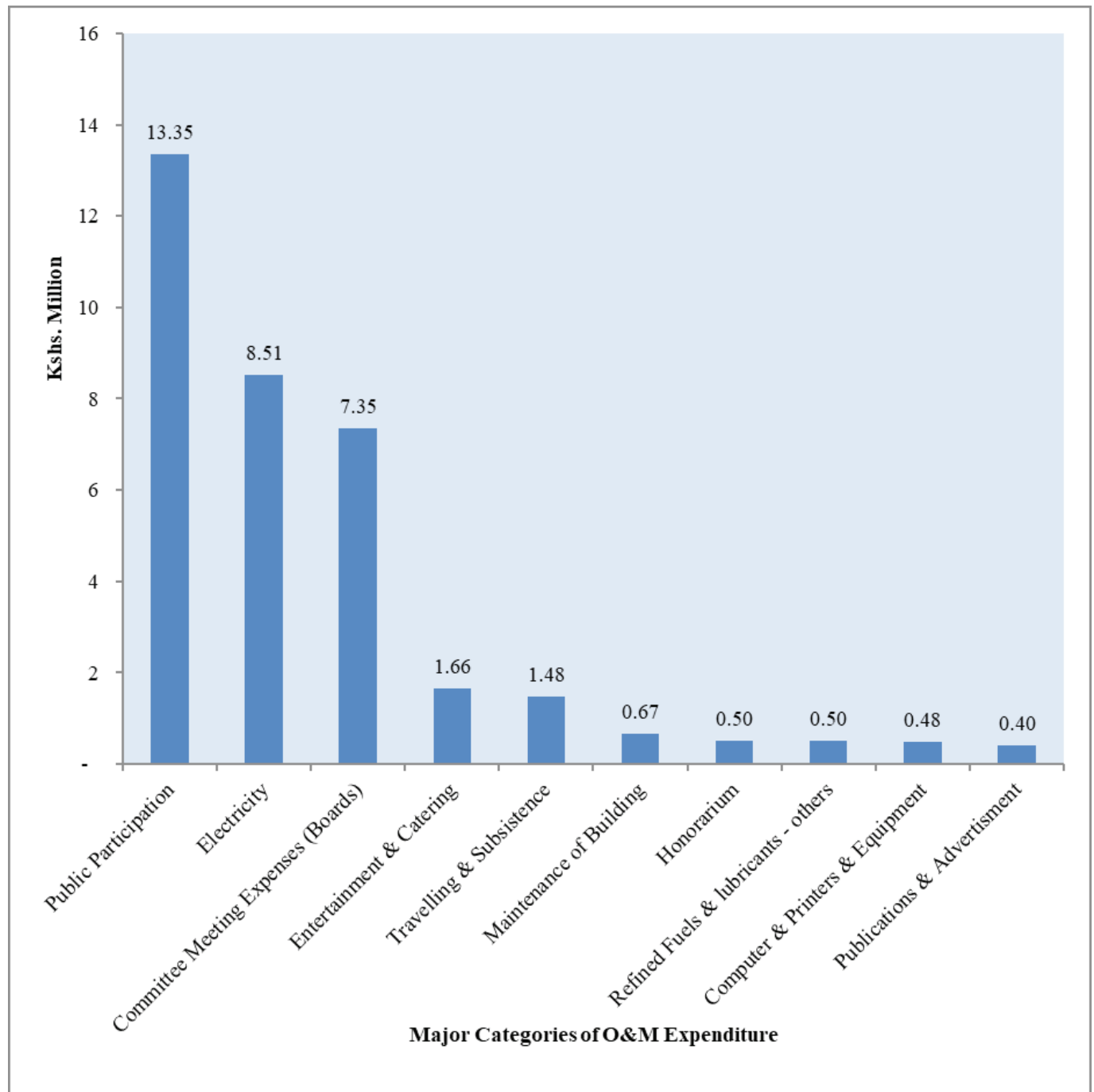
Source: Nakuru County Treasury

3.31.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.825.94 million consisted of Kshs.789.51 million (95.6 per cent) incurred on personnel emoluments and Kshs.36.43 million (4.4 per cent) on operations and maintenance as shown in Figure 3.90.

Expenditure on personnel emoluments represented a decrease of 8.4 per cent compared to Kshs.861.59 million incurred in the first quarter of FY 2016/17, and was 95.6 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.91 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.91: Nakuru County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Nakuru County Treasury

The County incurred Kshs.7.25 million on sitting allowances to the 75 MCAs against the annual budget allocation of Kshs.90 million. This was a decrease of 95 per cent compared to Kshs.14.15 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.32, 214 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.1.48 million which was incurred entirely by the County Assembly. It represented 0.2 per cent of total recurrent expenditure and was a decrease of 98.4 per cent compared to Kshs.95.18 million incurred in the first quarter of FY 2016/17.

3.31.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.31.8 Budget and Budget Performance Analysis by Department

Table 3.64 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.64: Nakuru County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|----------------------------------|---------------|---|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor and Deputy Governor | 170.55 | 60.81 | 11.33 | - | 10.5 | - | 92.6 | - | 6.2 | - |
| County Treasury | 959.52 | 175.52 | 78.79 | - | 69.46 | - | 88.2 | - | 7.2 | - |
| County Public Service Board | 47.29 | - | 3.89 | - | 35.40 | - | 909.8 | - | 74.9 | - |
| Public Service Management | 716.6 | 23.91 | 78.36 | - | 76.28 | - | 97.3 | - | 10.6 | - |
| Health | 4, 868.81 | 1, 092.52 | 414.52 | - | 413.27 | - | 99.7 | - | 8.5 | - |
| Trade, Industrialization and Tourism | 121.62 | 187.83 | 5.19 | - | 6.61 | - | 127.4 | - | 5.4 | - |
| Roads Public Works and Transport | 277.39 | 1, 915.9 | 33.24 | - | 28.86 | - | 86.8 | - | 10.4 | - |
| ICT and E-Government | 50.26 | 10.63 | 5.13 | - | 4.63 | - | 90.2 | - | 9.2 | - |
| Agriculture, Livestock and Fisheries | 490.76 | 143.19 | 57.2 | - | 51.12 | - | 89.4 | - | 10.4 | - |
| Lands, Physical Planning and Housing | 140.38 | 314.82 | 16.1 | - | 14.23 | - | 88.4 | - | 10.1 | - |
| Education, Sports, Youth and Social Services. | 505.95 | 879.11 | 23.95 | - | 23.2 | - | 96.9 | - | 4.6 | - |
| Environment, Water and Natural Resources | 356.71 | 770.37 | 30.78 | - | 29.75 | - | 96.7 | - | 8.3 | - |
| County Assembly | 1, 059.83 | 324.06 | 89.63 | - | 62.63 | - | 69.9 | - | 5.9 | - |
| TOTAL | 9, 766 | 5, 899 | 848.12 | - | 825.94 | - | 97.4 | - | 8.5 | - |

Source: Nakuru County Treasury

Analysis of budget performance by department shows that the County Public Service Board had the highest percentage of recurrent expenditure to recurrent budget at 74.9 per cent while the Education, Sports, Youth and Social Services Department had the lowest at 4.6 per cent.

3.31.9 Observations and Recommendations

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

- i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- ii. Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. The County did not receive the equitable share during the period.
2. Under-performance in local revenue collection, which declined by 1.5 per cent from Kshs.275.57 million in the first quarter of FY 2016/17 to Kshs.271.47 million in the reporting period.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should formulate and implement strategies to enhance local revenue collection.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.32 Nandi County

3.32.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.05 billion, comprising of Kshs.4.51 billion (64 per cent) and Kshs.2.54 billion (36 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.39 billion (76.5 per cent) as equitable share of revenue raised nationally, Kshs.434.26 million (6.2 per cent) as total conditional grants, and generate Kshs.419.78 million (6 per cent) from local revenue sources, and Kshs.625 million (8.9 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.555.83 million comprise of Kshs.202.6 million (44 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.09 million (3.9 per cent) as Compensation for User Fee Foregone, Kshs.13.73 million (3 per cent) from DANIDA, , Kshs.41.61 million (9 per cent) for the World Bank Kenya Devolution Support Program, Kshs.29.29 million (6.4 per cent) for Development of Youth Polytechnics, Kshs.66.85 million (14.5 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (10.9 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project and Kshs.37.94 million (8.2 per cent) from Other Loans and Grants.

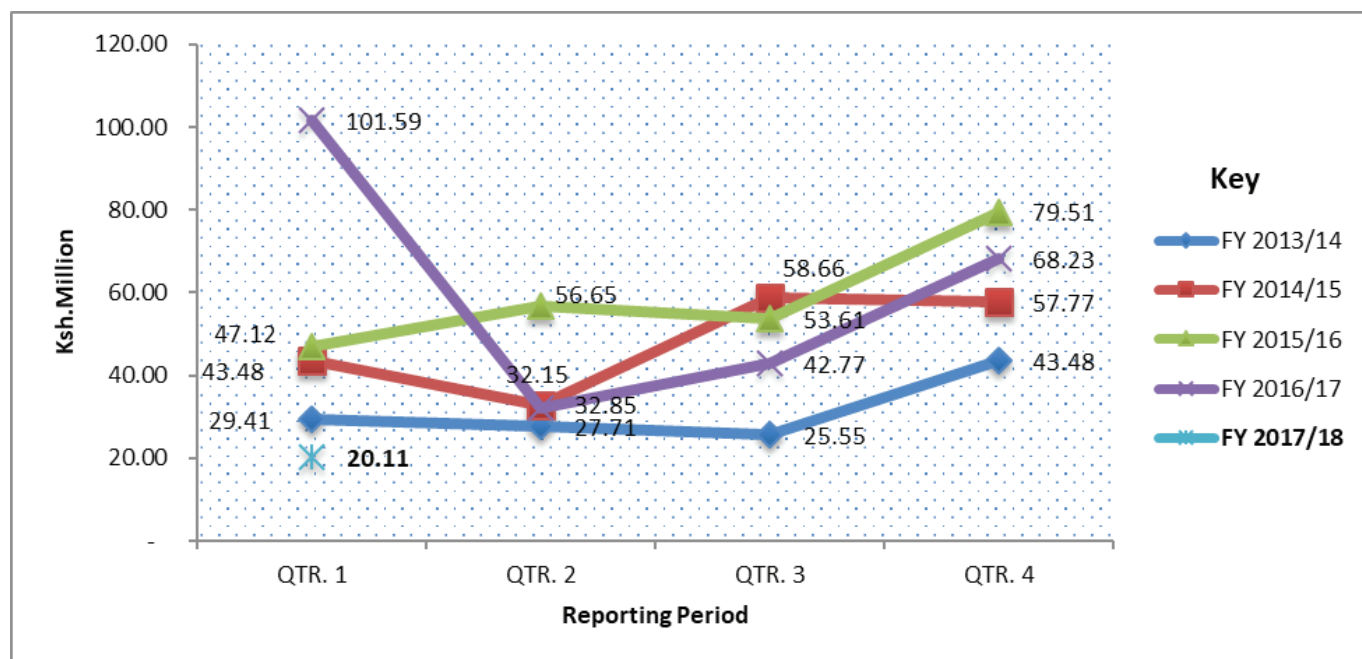
The County budgeted to receive Kshs.62.68 million from Water Services Trust Fund although this grant is not contained in the CARA, 2017.

3.32.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.94.45 million as total conditional allocations, raised Kshs.20.11 million from local revenue sources, and had a cash balance of Kshs.625 million from FY 2016/17. The available funds amounted to Kshs.739.6 million.

Figure 3.92 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.92: Nandi County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Nandi County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.20.11 million, representing a decrease of 80.2 per cent compared to Kshs.101.59 million generated in a similar period of FY 2016/17, and represented 4.8 per cent of the annual local revenue target.

3.32.3 Conditional Grants

Table 3.65 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.65: Nandi County, Analysis of Conditional Grants Released in First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------------|--|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 202, 600, 435 | 202, 600, 435 | 94, 488, 037 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | 100, 531, 915 | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 41, 606, 801 | 29, 299, 870 | - | - |
| 4 | Compensation for User Fee Foregone | 18, 086, 363 | 18, 958, 610 | - | - |
| 5 | DANIDA Grant | 13, 728, 991 | 20, 186, 775 | - | - |
| 6 | Development of Youth Polytechnics | 29, 282, 394 | - | - | - |
| 7 | Other Loans & Grants | 37, 935, 168 | - | - | - |
| 8 | World Bank Loan for Transforming Health System for Universal Care System | 66, 845, 279 | - | - | - |
| 9 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | - | - | - |
| Sub Total | | 555, 830, 112 | 371, 577, 605 | 94, 488, 037 | 17 |
| B | Other Grants | | | | |
| 10 | Water Services Trust Fund | - | 62, 683, 985 | - | - |
| Sub Total | | - | 62, 683, 985 | - | - |
| Grand Total | | 555, 830, 112 | 434, 261, 590 | 94, 488, 037 | 17 |

Source: Nandi County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund the highest receipt at 46.6 per cent of annual allocation. The County did not receive funds from the other conditional grants.

3.32.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.674.96 million from the CRF account, which was 9.6 per cent of the Approved Budget. This amount was a decrease of 33 per cent from Kshs.1.44 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

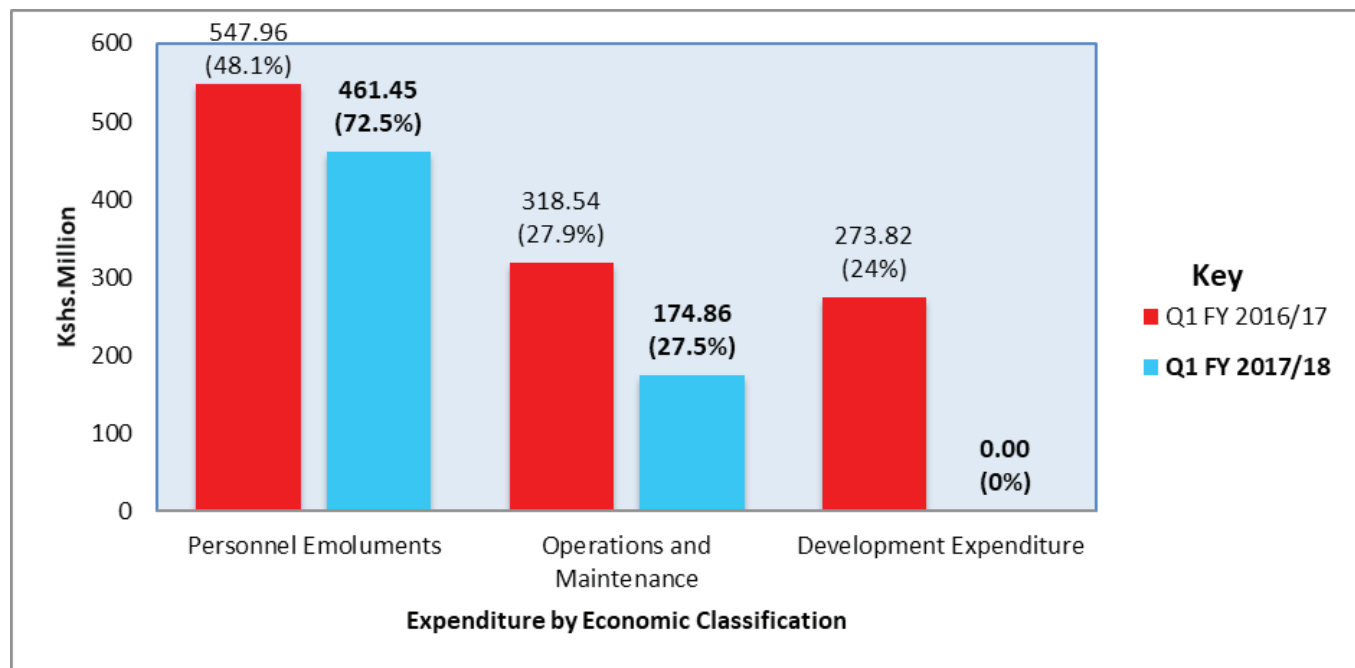
3.32.5 Overall Expenditure Review

The County incurred Kshs.636.31 million, which was 94.3 per cent of the total funds released for operations. This was a decrease of 44.2 per cent from Kshs.1.14 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.636.31 million was incurred on recurrent activities and represented 94.3 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.523.26 million for development and Kshs.247.66 million for recurrent expenditure.

The recurrent expenditure represented 14.1 per cent of the annual recurrent budget, a decrease from 19.8 per cent incurred in a similar period of FY 2016/17. Figure 3.93 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.93: Nandi County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



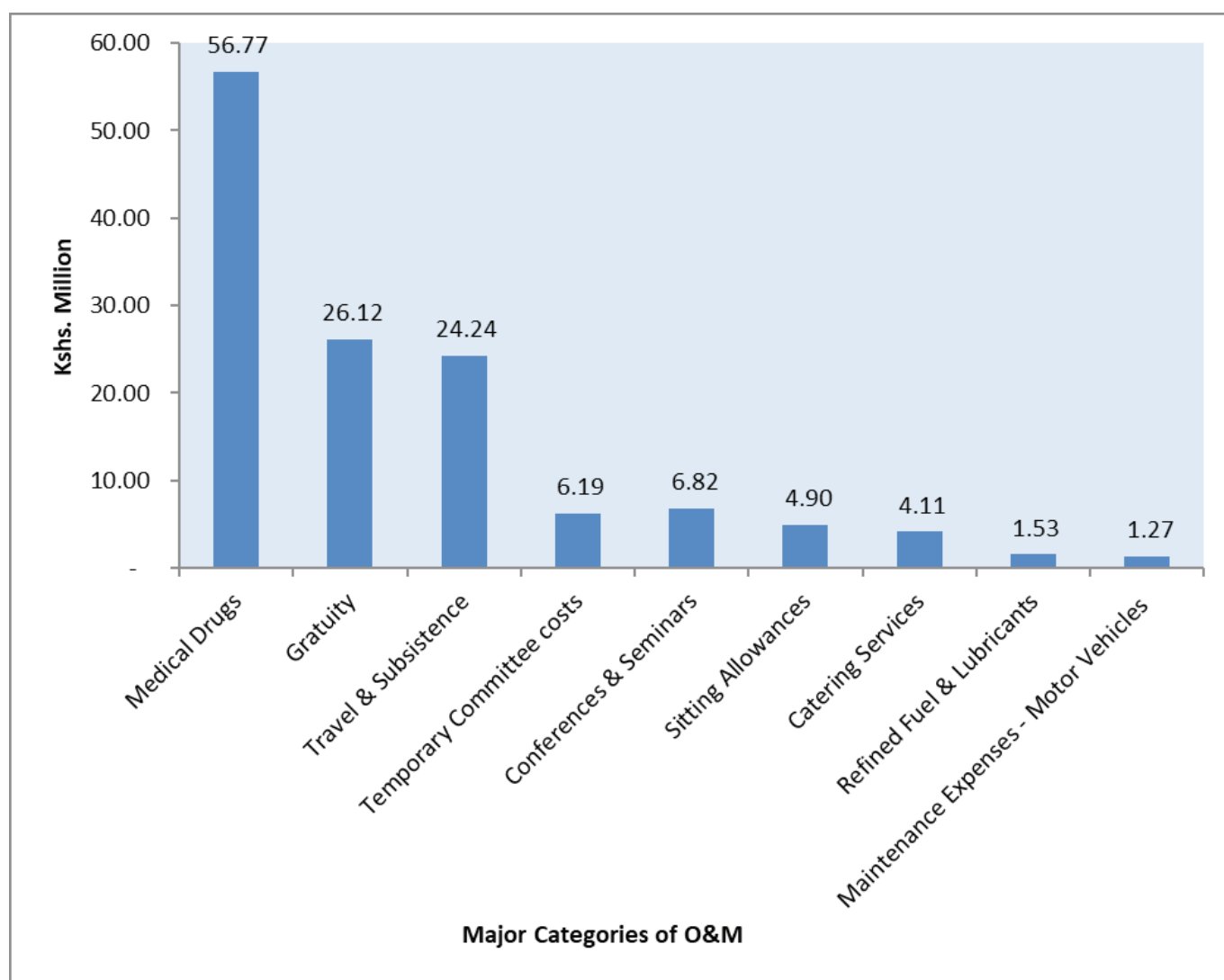
Source: Nandi County Treasury

3.32.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.636.31 million consisted of Kshs.461.45 million (72.5 per cent) incurred on personnel emoluments and Kshs.174.86 million (27.5 per cent) on operations and maintenance as shown in Figure 3.93.

Expenditure on personnel emoluments represented a decrease of 15.8 per cent compared to Kshs.547.96 million incurred in the first quarter of FY 2016/17, and was 9 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.94 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.94: Nandi County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Nandi County Treasury

The County incurred Kshs.4.90 million on sitting allowances to the 49 MCAs and the Speaker against the annual budget allocation of Kshs.67.69 million. This was a decrease of 71.5 per cent compared to Kshs.17.17 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.33,340 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.24.24 million and consisted of Kshs.4.6 million incurred by the County Assembly and Kshs.19.64 million by the County Executive. It represented 3.8 per cent of total recurrent expenditure and was a decrease of 75.1 per cent compared to Kshs.97.48 million incurred in the first quarter of FY 2016/17.

3.32.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.32.8 Budget and Budget Performance Analysis by Department

Table 3.66 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.66: Nandi County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs.Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|-----------------------------------|--------------|--|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor & Deputy Governor | 414.03 | 90.5 | 61.56 | - | 55.37 | - | 89.9 | - | 13.4 | - |
| Finance and Economic Planning | 761.63 | 106.56 | 114.34 | - | 99.59 | - | 87.1 | - | 13.1 | - |
| Health and Sanitation | 1,320.05 | 192.8 | 243.85 | - | 288.28 | - | 118.2 | - | 21.8 | - |
| Roads Transport and Public Works | 257.58 | 575 | 21.01 | - | 20.89 | - | 99.4 | - | 8.1 | - |
| Agriculture, Livestock and Fisheries | 201.87 | 166.63 | 73.02 | - | 39.98 | - | 54.8 | - | 19.8 | - |
| Education Research and Vocational Training | 358.94 | 192.8 | 45.5 | - | 38.74 | - | 85.1 | - | 10.8 | - |
| Lands, Environment and Natural Resources | 179.65 | 437.15 | 6.04 | - | 8.51 | - | 140.8 | - | 4.7 | - |
| Trade and Industrial Development | 38.92 | 20 | 5.9 | - | 6.37 | - | 108.0 | - | 16.4 | - |
| Public Service and Labour | 35.04 | - | 4.6 | - | 4.04 | - | 87.8 | - | 11.5 | - |
| Tourism, Culture and Co-operative Development | 55.45 | 76.35 | 3.01 | - | 2.25 | - | 74.8 | - | 4.1 | - |
| Devolved Units and Special Programmes | 87.87 | 244 | 18.28 | - | 13.17 | - | 72.1 | - | 15 | - |
| Youth, Gender and Social Services | 38.71 | 136.8 | 3.01 | - | 5.5 | - | 182.7 | - | 14.2 | - |
| County Assembly | 756.28 | 289.53 | 74.84 | - | 53.63 | - | 71.6 | - | 7.1 | - |
| TOTAL | 4,506 | 2,528 | 674.31 | - | 636.31 | - | 94.3 | - | 14.1 | - |

Source: Nandi County Treasury

Analysis of budget performance by department shows that the Health and Sanitation Department attained the highest recurrent expenditure to recurrent budget at 21.8 per cent while the Department of Tourism, Culture and Co-operative Development had the lowest at 4.1 per cent. The County did not incur any development expenditure.

3.32.9 Observations and Recommendations

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

- Adoption of IFMIS in processing of financial transactions.
- Improvement in human capacity through continuous training.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, the County had not received the equitable share of revenue.
2. Under-performance in local revenue collection. The Local revenue collection declined by 80.2 per cent from Kshs.101.59 million in the first quarter of FY 2016/17 to Kshs.20.11 million in the reporting period.
3. Failure to reconcile IFMIS payroll data to the IPPD data. While IFMIS reports indicate total expenditure on personnel emoluments as Kshs.461.45 million data from the IPPD indicated that Kshs.393.58 million was paid as the total payroll costs for the same period.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. The County did not budget for all the conditional grants as contained in the CARA, 2017. The conditional grants not budgeted for are: - Development of Youth Polytechnics, World Bank Loan for Transforming Health System for Universal Care System, and World Bank Loan for National Agricultural & Rural Inclusive Project.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County should reconcile the IFMIS & IPPD data on a monthly basis to enhance accuracy in reporting.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.33 Narok County

3.33.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.10.96 billion, comprising of Kshs.6.12 billion (55.8 per cent) and Kshs.4.84 billion (44.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.52 billion (59.5 per cent) as equitable share of revenue raised nationally, Kshs.476.79 million (4.4 per cent) as total conditional grants, and generate Kshs.4.01 billion (36.6 per cent) from local revenue sources, and Kshs.348.72 million (03 per cent) cash balance from FY 2016/17.

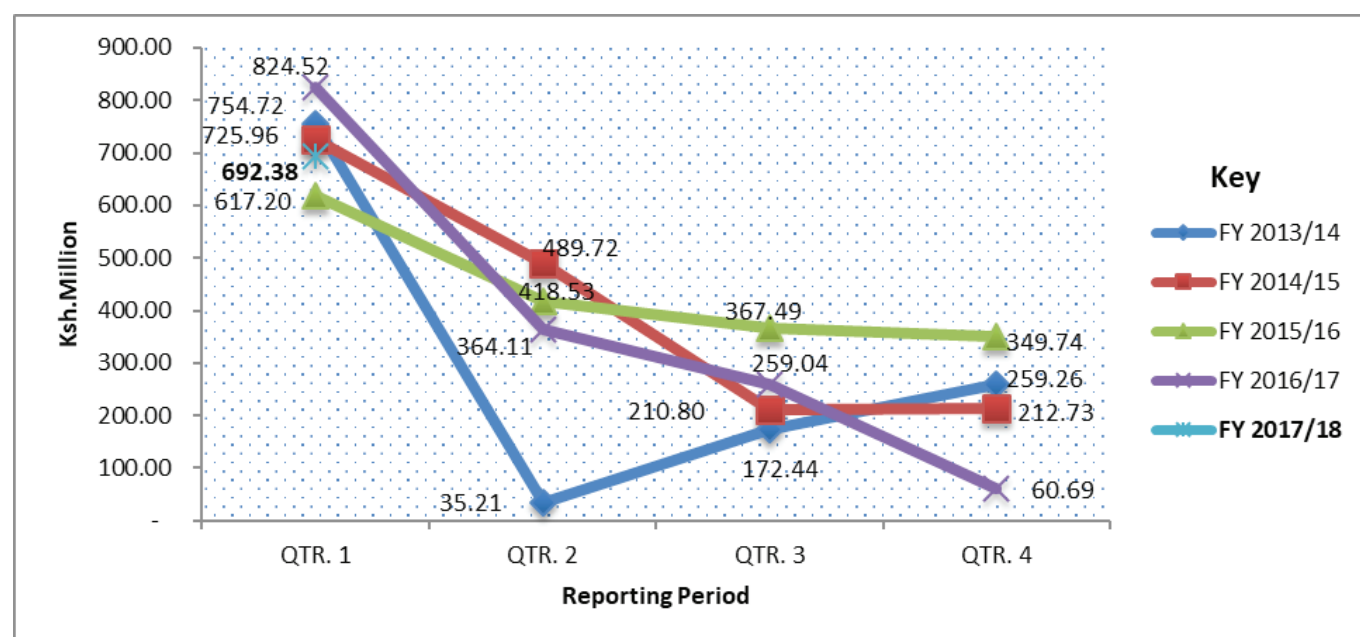
The conditional grants contained in the CARA, 2017 of Kshs.667.92 million comprise of Kshs.225.3 million (33.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.6 million (3.1 per cent) as Compensation for User Fee Foregone, Kshs.15.27 million (2.3 per cent) from DANIDA, Kshs.417.78 million (6.3 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.45.8 million (6.9 per cent) for the World Bank Kenya Devolution Support Program, Kshs.31.46 million (4.7 per cent) for Development of Youth Polytechnics, Kshs.83.62 million (12.5 per cent) as World Bank Loan for Transforming Health System for Universal Care System and Kshs.50 million (7.5 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project.

3.33.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.913.25 million as equitable share of the revenue raised nationally, Kshs.186.28 million as total conditional allocations, raised Kshs.692.38 million from local revenue sources, and had a cash balance of Kshs.123.4 million from FY 2016/17. The available funds amounted to Kshs.1.92 billion.

Figure 3.95 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.95: Narok County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Narok County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.692.38 million, representing a decrease of 16 per cent compared to Kshs.824.52 million generated in a similar period of FY 2016/17, and represented 17.3 per cent of the annual local revenue target.

3.33.3 Conditional Grants

Table 3.67 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.67: Narok County Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|------------------|--|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 225, 301, 202 | 171, 675, 000 | 105, 075, 136 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | 95, 744, 681 | - | - |
| 3 | World Bank Loan for Transforming Health System for Universal Care System | 83, 620, 453 | - | - | - |
| 4 | Other Loans & Grants | 58, 353, 558 | 58, 353, 558 | - | - |
| 5 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | - | - | - |
| 6 | Kenya Devolution Support Programme (KDSP) | 45, 796, 323 | 32, 307, 447 | | |
| 7 | World Bank loan to supplement financing of County Health facilities | 41, 780, 000 | - | - | - |
| 8 | Development of Youth Polytechnics | 31, 464, 754 | - | - | - |
| 9 | Compensation for User Fee Foregone | 20, 595, 297 | 20, 595, 297 | - | - |
| 10 | DANIDA Grant | 15, 267, 292 | 41, 780, 000 | 81, 201, 403 | 531.8 |
| Sub Total | | 667, 923, 560 | 420, 455, 983 | 186, 276, 539 | 27.9 |
| B | Other Grants | | | | |
| 11 | Free Maternal Healthcare | - | 56, 330, 000 | - | - |
| Sub Total | | - | 56, 330, 000 | - | - |
| Total | | 667, 923, 560 | 476, 785, 983 | 186, 276, 539 | 27.9 |

Source: Narok County Treasury

Analysis of the conditional grants released during the period under review indicates that the County received funds from the DANIDA Grant and the Road Maintenance Fuel Levy Fund at 194 per cent and 61 per cent of the annual allocation respectively.

3.33.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.34 billion from the CRF account, which was 12.2 per cent of the Approved Budget. This amount was a decrease of 19.5 per cent from Kshs.1.66 billion authorized in a similar period of FY 2016/17 and consisted of Kshs.1.24 billion (94.5 per cent) for recurrent expenditure and Kshs.74 million (5.5 per cent) for development activities.

3.33.5 Overall Expenditure Review

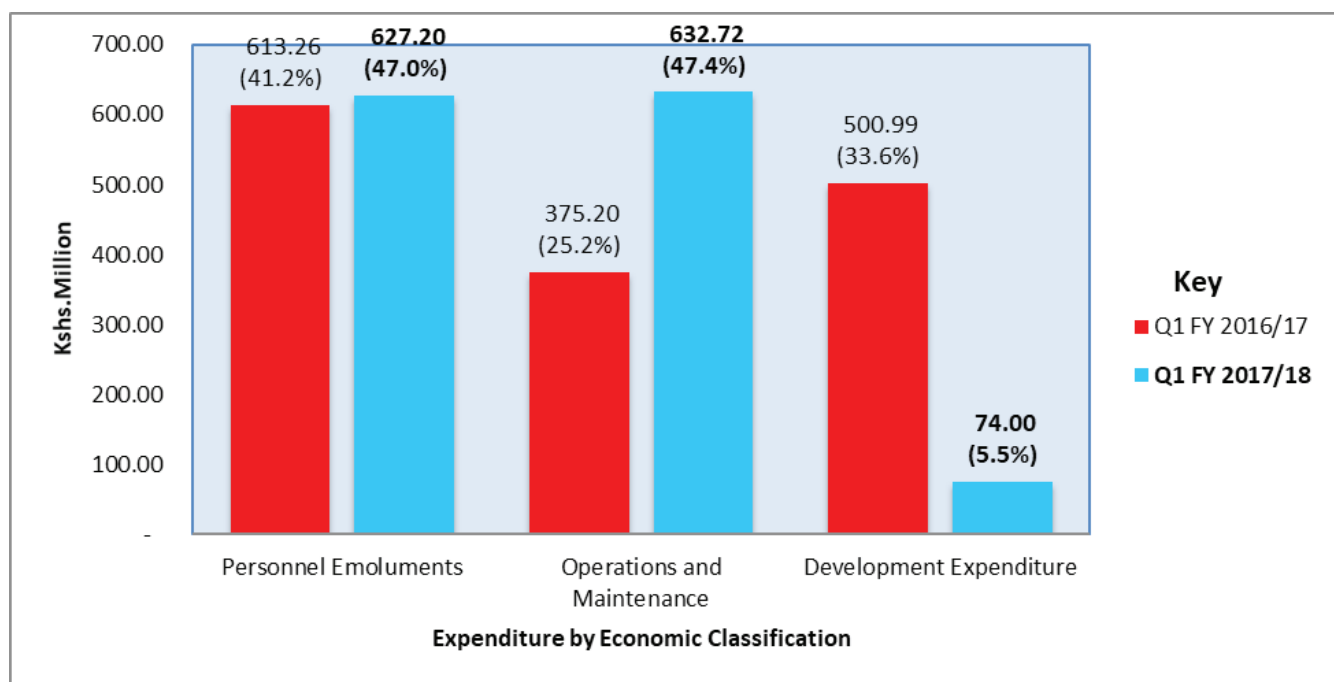
The County incurred Kshs.1.33 billion, which was 99.6 per cent of the total funds released for operations. This was a decrease of 10.4 per cent from Kshs.1.66 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.1.26 billion was incurred on recurrent activities, while Kshs.74 million was incurred on development activities. The recurrent expenditure was 99.6 per cent of the funds released for

recurrent activities while development expenditure accounted for 14.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2017 that amounted to Kshs.1.04 billion for development and Kshs.420 million for recurrent expenditure.

The recurrent expenditure represented 20.6 per cent of the annual recurrent budget, an increase from 17.8 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 1.5 per cent, which was a decrease from 11.7 per cent attained in the first quarter of FY 2016/17. Figure 3.96 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.96: Narok County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



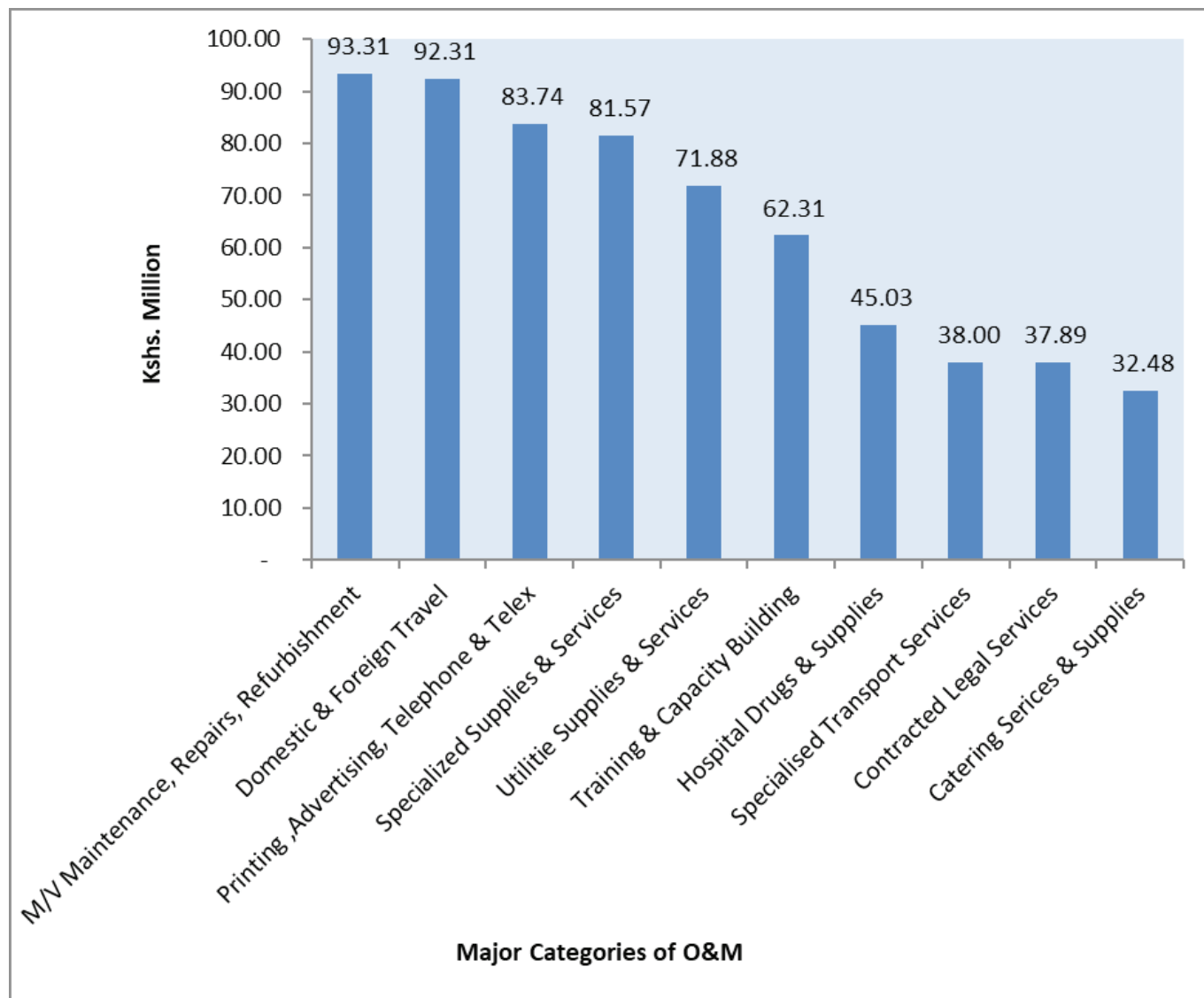
Source: Narok County Treasury

3.33.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.26 billion consisted of Kshs.627.2 million (49.8 per cent) incurred on personnel emoluments and Kshs.632.7 million (50.2 per cent) on operations and maintenance as shown in Figure 3.96.

Expenditure on personnel emoluments represented an increase of 2.3 per cent compared to Kshs.613.23 million incurred in the first quarter of FY 2016/17. This expenditure was 47 per cent of total expenditure in the first quarter of FY 2017/18 and 49.8 per cent of total recurrent expenditure. Figure 3.97 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.97: Narok County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Narok County Treasury

The County did not report expenditure on committee sitting allowances of MCAs and the Speaker whose annual budget allocation was Kshs.62 million. Expenditure on domestic and foreign travel amounted to Kshs.92.31 million and consisted of Kshs.14.5 million incurred by the County Assembly and Kshs.77.8 million by the County Executive. It represented 7.3 per cent of total recurrent expenditure and was an increase of 119.6 per cent compared to Kshs.42.04 million incurred in the first quarter of FY 2016/17.

3.33.7 Development Expenditure Analysis

The total development expenditure of Kshs.74 million represented 1.5 per cent of the annual development budget of Kshs.4.8 billion.

Table 3.68 provides a summary of the development projects implemented in the first quarter of FY 2017/18.

Table 3.68: Narok County, Development Projects Implemented in the First Quarter of FY 2017/18

| S/No. | Project name | Project location | Project budget (Kshs.) | Q1 FY2017/18 Project Expenditure (Kshs.) | Absorption rate (%) |
|-------|--|---|------------------------|--|---------------------|
| 1 | Schools infrastructure | Transmara West, Narok South, Narok West | 86, 400, 000 | 43, 000, 000 | 49.8 |
| 2 | Rehabilitation of roads infrastructure | Sub-County | 70, 070, 000 | 10, 000, 000 | 14.3 |
| 3 | Debt repayment (Road Machines & Equipment) | HQ | 29, 426, 100 | 16, 000, 000 | 54.4 |
| 4 | Referral Hospital Laundry | HQ | 41, 800, 000 | 5, 000, 000 | 12 |
| | Total | | 227, 696, 100 | 74, 000, 000 | 32 |

Source: Narok County Treasury

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.43 million was incurred on construction of Schools infrastructure, followed by Kshs.16 million on repayment of outstanding civil works' debts, and Kshs.10 million on construction and rehabilitation of Narok Township roads.

3.33.8 Budget and Budget Performance Analysis by Department

Table 3.69 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.69: Narok County, Budget Performance by Department for the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|----------------------------------|---------------|---|-----------|---|-----------|---|--------------|---|------------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 341.02 | - | 73.4 | - | 72.95 | - | 99.4 | - | 21.4 | - |
| Finance and Economic Planning | 713.85 | 569.24 | 166.98 | - | 165.86 | - | 99.3 | - | 23.2 | - |
| Roads, Public Works and Transport | 210.87 | 1, 467.26 | 45.2 | 40 | 44.86 | 40 | 99.3 | 100 | 21.3 | 2.7 |
| Education, Youth, Sports, Culture and Social Services | 849.20 | 796.81 | 106.53 | 34 | 106.21 | 34 | 99.7 | 100 | 12.5 | 4.3 |
| Environment protection, Energy, Water and Natural Resources | 92.13 | 158.89 | 21.02 | - | 20.85 | - | 99.2 | - | 22.6 | - |
| Public Service Board | 92.82 | - | 22.9 | - | 22.57 | - | 98.5 | - | 24.3 | - |
| Agriculture, Livestock, Fisheries and Veterinary Services | 364.42 | 381.3 | 109.68 | - | 109.32 | - | 99.7 | - | 30 | - |
| Health and Sanitation | 1, 490.97 | 663.3 | 353.63 | - | 353.4 | - | 99.9 | - | 23.7 | - |
| Land, Physical Planning and Urban Development | 94.74 | 162.47 | 22.16 | - | 22.05 | - | 99.5 | - | 23.3 | - |
| Tourism, wildlife Trade, Industry and Cooperative Development | 195.48 | 170.67 | 45.03 | - | 44.98 | - | 99.9 | - | 23 | - |
| County Administration and Public Service Management | 1, 071.45 | 15.73 | 218.17 | - | 217.2 | - | 99.6 | - | 20.3 | - |
| County Assembly | 601.71 | 451.68 | 80 | - | 79.67 | - | 99.6 | - | 13.2 | - |
| Total | 6, 119 | 4, 837 | 1, 265 | 74 | 1, 260 | 74 | 99.6 | 100.0 | 20.6 | 1.5 |

Source: Narok County Treasury

Analysis of budget performance by department shows that the Agriculture, Livestock, Fisheries and Veterinary Services Department achieved the highest percentage of recurrent expenditure to recurrent budget at 30 per cent followed by the Public Service Board at 24.3 per cent.

3.33.9 Observations and Recommendations

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

- i. Adoption of IFMIS and Internet Banking in processing of financial transactions.
- ii. Designation of Fund Administrators to the Maasai Mara Community Support Fund and the Bursary Fund in line with Section 116 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
3. Delay by the Masaai Mara Community Support Fund and the Bursary Fund Administrators to submit quarterly financial returns to the Controller of Budget in line with Section 168 of the PFM Act, 2012.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should liaise with the IFMIS Directorate for technical support to address the connectivity challenges.*
3. *All Fund Administrators should ensure timely submission of quarterly financial statement in line with Section 168 of the PFM Act, 2012.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.34 Nyamira County

3.34.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.5.87 billion, comprising of Kshs.4.16 billion (70.7 per cent) and Kshs.1.72 billion (29.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.62 billion (78.7 per cent) as equitable share of revenue raised nationally, Kshs.546.8 million (9.3 per cent) as total conditional grants, and generate Kshs.272.46 million (4.6 per cent) from local revenue sources, and Kshs.434.23 million (7.4 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.325.47 million comprise of Kshs.177.02 million (32.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12 million (20.1 per cent) from DANIDA, Kshs.83.7 million (15.3 per cent) for Development of Youth Polytechnics, Kshs.39.58 million (7.2 per cent) Grant from World Bank, and Kshs.13.18 million (2.4 per cent) compensation for User Fees Forgone.

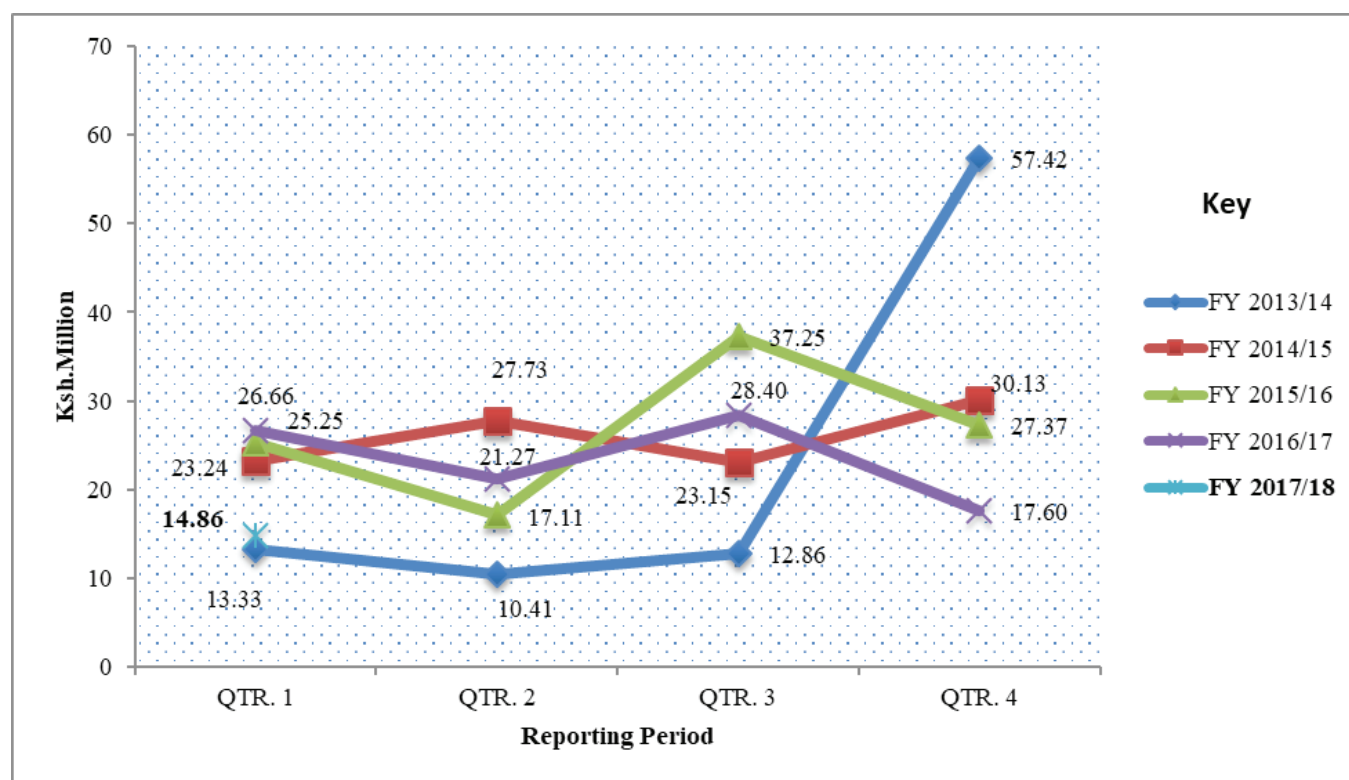
The County budgeted to receive Kshs.123.44 million as compensation to MCAs for 8 months, although this is not contained in the CARA, 2017.

3.34.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.82.55 million as total conditional allocations, raised Kshs.14.86 million from local revenue sources, and had a cash balance of Kshs.834.3 million from FY 2016/17. The County did not receive any equitable share of the revenue raised nationally. The available funds amounted to Kshs.931.72 million.

Figure 3.98 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.98: Nyamira County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Nyamira County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.14.86 million, representing a decrease of 44.3 per cent compared to Kshs.26.66 million generated in a similar period of FY 2016/17, and represented 5.5 per cent of the annual local revenue target.

3.34.3 Conditional Grants

Table 3.70 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.70: Nyamira County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs.) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|--|--|------------------------------------|---|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 177, 012, 086 | 177, 012, 086 | 82, 554, 238 | 46.6 |
| 2 | Kenya Devolution Support Programme (KDSP) | 39, 582, 751 | 39, 582, 751 | - | - |
| 3 | Compensation for User Fee Foregone | 13, 175, 221 | 13, 175, 221 | - | - |
| 4 | DANIDA Grant | 11, 995, 032 | 109, 978, 454 | - | - |
| 5 | Development of Youth Polytechnics | 83, 704, 140 | 83, 704, 140 | - | - |
| Sub Total | | 325, 469, 230 | 423, 452, 652 | 82, 554, 238 | 25 |
| B | Other Grants | | | | |
| 6 | Exchequer: Compensation to MCAs for 8 Months | - | 123, 344, 352 | - | - |
| Sub Total | | - | 123, 344, 352 | - | - |
| Total | | 325, 469, 230 | 546, 797, 004 | 82, 554, 238 | 25 |

Source: Nyamira County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.82.55 million which was a performance of 46.6 per cent of annual allocation. The County did not receive funds from other conditional allocations.

3.34.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.464.95 million from the CRF account, which was 7.9 per cent of the Approved Budget. This amount was a decrease of 51.6 per cent from Kshs.959.77 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

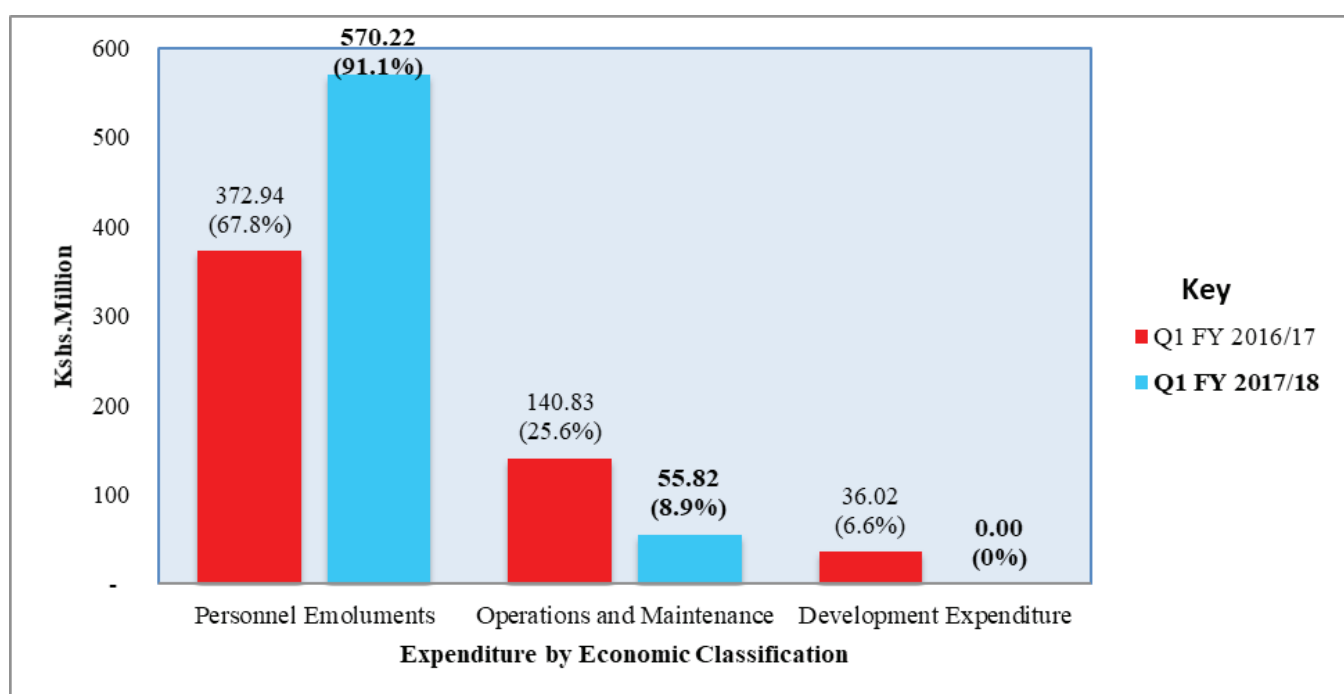
3.34.5 Overall Expenditure Review

The County incurred Kshs.626.04 million, which was 134.6 per cent of the total funds released for operations. This was an increase of 13.9 per cent from Kshs.549.78 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.626.04 million was incurred on recurrent activities and represented 134.6 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September, 30th 2017 that amounted to Kshs.102.49 million for development and Kshs.27.14 million for recurrent expenditure.

The recurrent expenditure represented 15.1 per cent of the annual recurrent budget, an increase from 12.6 per cent incurred in a similar period of FY 2016/17. Figure 3.99 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.99: Nyamira County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



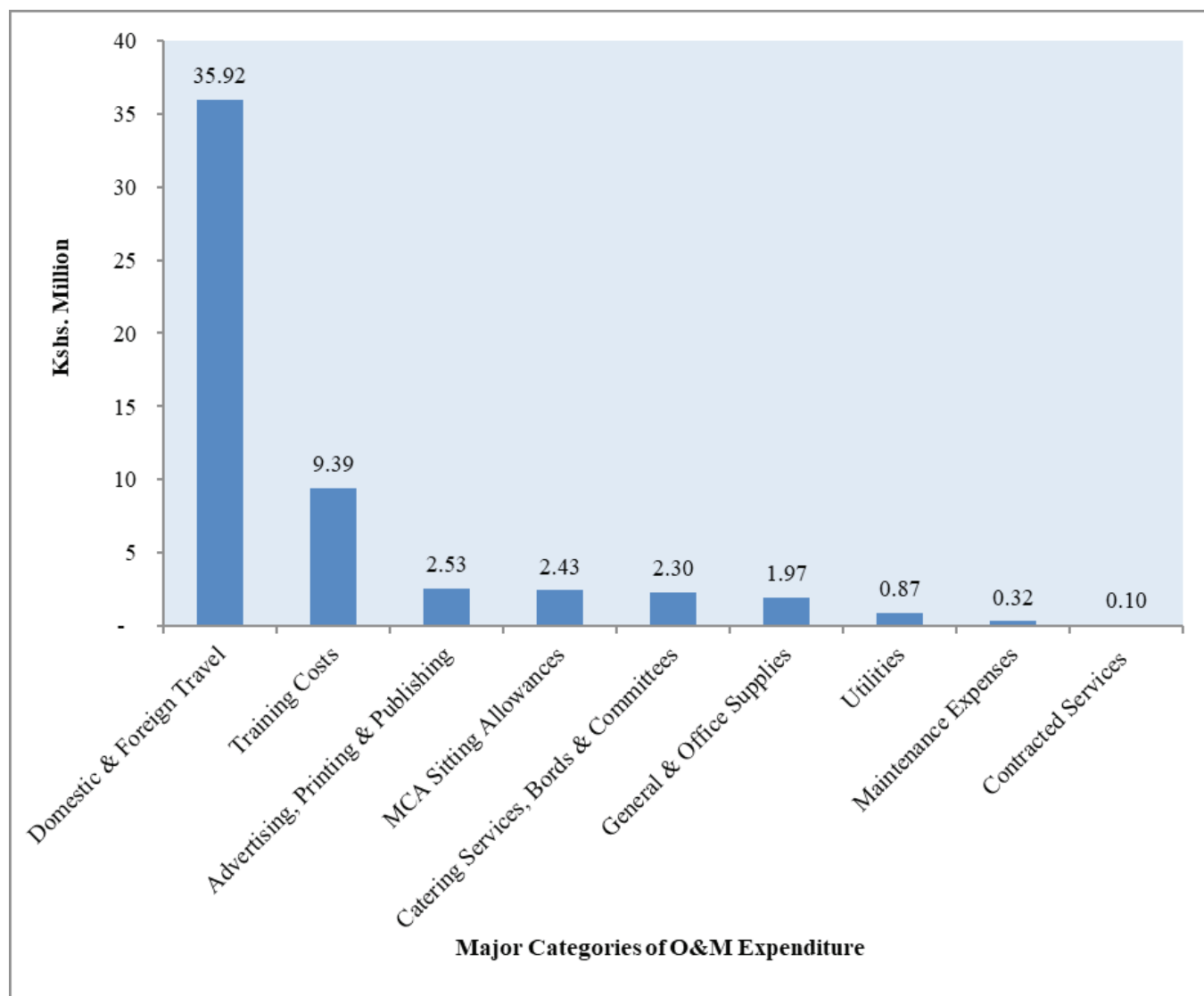
Source: Nyamira County Treasury

3.34.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.626.04 million consisted of Kshs.570.22 million (91.1 per cent) incurred on personnel emoluments and Kshs.55.82 million (8.9 per cent) on operations and maintenance as shown in Figure 3.99.

Expenditure on personnel emoluments represented an increase of 52.9 per cent compared to Kshs.372.94 million incurred in the first quarter of FY 2016/17, and was 91.1 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.100 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.100: Nyamira County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Nyamira County Treasury

The County incurred Kshs.2.43 million on sitting allowances to the 36 MCAs against the annual budget allocation of Kshs.69.81 million. This was a decrease of 73.02 per cent compared to Kshs.9.02 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.22,524 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.35.92 million and consisted of Kshs.16.34 million incurred by the County Assembly and Kshs.19.58 million by the County Executive. It represented 5.7 per cent of total recurrent expenditure and was a decrease of 51.8 per cent compared to Kshs.74.51 million incurred in the first quarter of FY 2016/17.

3.34.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.34.8 Budget and Budget Performance Analysis by Department

Table 3.71 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.71: Nyamira County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|----------------------------------|--------------|---|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 688.43 | 256 | 53.03 | - | 53.02 | - | 100 | - | 7.7 | - |
| Office of the Governor | 440.86 | - | 42.84 | - | 50.23 | - | 117.3 | - | 11.4 | - |
| Finance and Economic Planning | 341.78 | 13.21 | 29.02 | - | 42.78 | - | 147.4 | - | 12.5 | - |
| Agriculture and Livestock, Fisheries | 167.1 | 119.27 | 26.83 | - | 37.45 | - | 139.6 | - | 22.4 | - |
| Environment, Water, Energy, Mineral & Natural Resources | 142.83 | 182.78 | 20.97 | - | 20.76 | - | 99.0 | - | 14.5 | - |
| Education, Communication and ICT | 428.54 | 214.82 | 47.76 | - | 60.79 | - | 127.3 | - | 14.2 | - |
| Health and Sanitation | 1,346.13 | 367.9 | 159.25 | - | 261.75 | - | 164.4 | - | 19.4 | - |
| Land, Housing & Urban Development | 70.13 | 88.14 | 8.31 | - | 7.53 | - | 90.6 | - | 10.7 | - |
| Transport, Infrastructure and Public Works | 131.98 | 347.67 | 20.42 | - | 19.98 | - | 97.9 | - | 15.1 | - |
| Trade, Tourism, Industrialization and Cooperative Development | 56.27 | 27.98 | 6.02 | - | 6.12 | - | 101.7 | - | 10.9 | - |
| Gender, Culture, Sports, Youth & Social Services | 55.72 | 96.13 | 6.54 | - | 6.94 | - | 106 | - | 12.5 | - |
| County Public Service Board | 71.57 | - | 10.11 | - | 8.48 | - | 83.9 | - | 11.9 | - |
| Public Administration & Coordination of Devolved Unit | 213.84 | 5 | 33.85 | - | 50.22 | - | 148.4 | - | 23.5 | - |
| TOTAL | 4,155 | 1,719 | 464.95 | - | 626.04 | - | 134.6 | - | 15.1 | - |

Source: Nyamira County Treasury

Analysis of budget performance by department shows that the Department of Public Administration & Coordination of Devolved Unit had the highest percentage of recurrent expenditure to recurrent budget at 23.5 per cent while the County Assembly had the lowest at 7.7 per cent.

3.34.9 Observations and Recommendations

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

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

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

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

1. Delay in submission of financial reports by the County Treasury to the Controller of Budget contrary to Section 166 of the PFM Act, 2012.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury to the County.
3. Delay by Fund Administrators to submit expenditure reports of the County Executive Car Loan and Mortgage Fund, County Assembly Members Car Loan and Mortgage Fund, and the Bursary Fund contrary to Section 168 of the PFM Act, 2012.
4. Under-performance in local revenue collection, which declined by 44.3 per cent from Kshs.26.66 million in the first quarter of FY 2016/17 to Kshs.14.86 million in the reporting period.
5. The County's wage bill has remained high, having increased by 52.9 per cent from Kshs.372.94 million in the first quarter of FY 2016/17 to Kshs.570.22 million in the reporting period.
6. Failure to budget for all conditional grants as per CARA, 2017.

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 liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
3. *All Fund Administrators should ensure timely submission of expenditure reports on the established County Funds in line with Section 168 of the PFM Act, 2012.*
4. *The County should develop and implement a mechanism to mobilize local revenue collection.*
5. *The County should develop and implement an optimal staffing structure in order to ensure a sustainable wage bill.*
6. *The County should develop a Supplementary Budget to align conditional grants the CARA, 2017.*

3.35 Nyandarua County

3.35.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.5.69 billion, comprising of Kshs.3.84 billion (67.5 per cent) and Kshs.1.85 billion (32.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.96 billion (87.2 per cent) as equitable share of revenue raised nationally, Kshs.357.08 million (6.3 per cent) as total conditional grants and generate Kshs.371 million (6.5 per cent) from local revenue sources.

The conditional grants contained in the CARA, 2017 of Kshs.626.08 million 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.12.73 million (2 per cent) as Compensation for User Fee Foregone, Kshs.12.43 million (2 per cent) from DANIDA, Kshs.121 million (19.3 per cent) for Construction of County Headquarters, Kshs.40.22 million (6.4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.46.59 million (7.4 per cent) for Development of Youth Polytechnics, Kshs.22 million (3.5 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.66 million (10.5 per cent) as European Union (EU) Grant, and Kshs.25.83 million (4.1 per cent) from Other Loans and Grants.

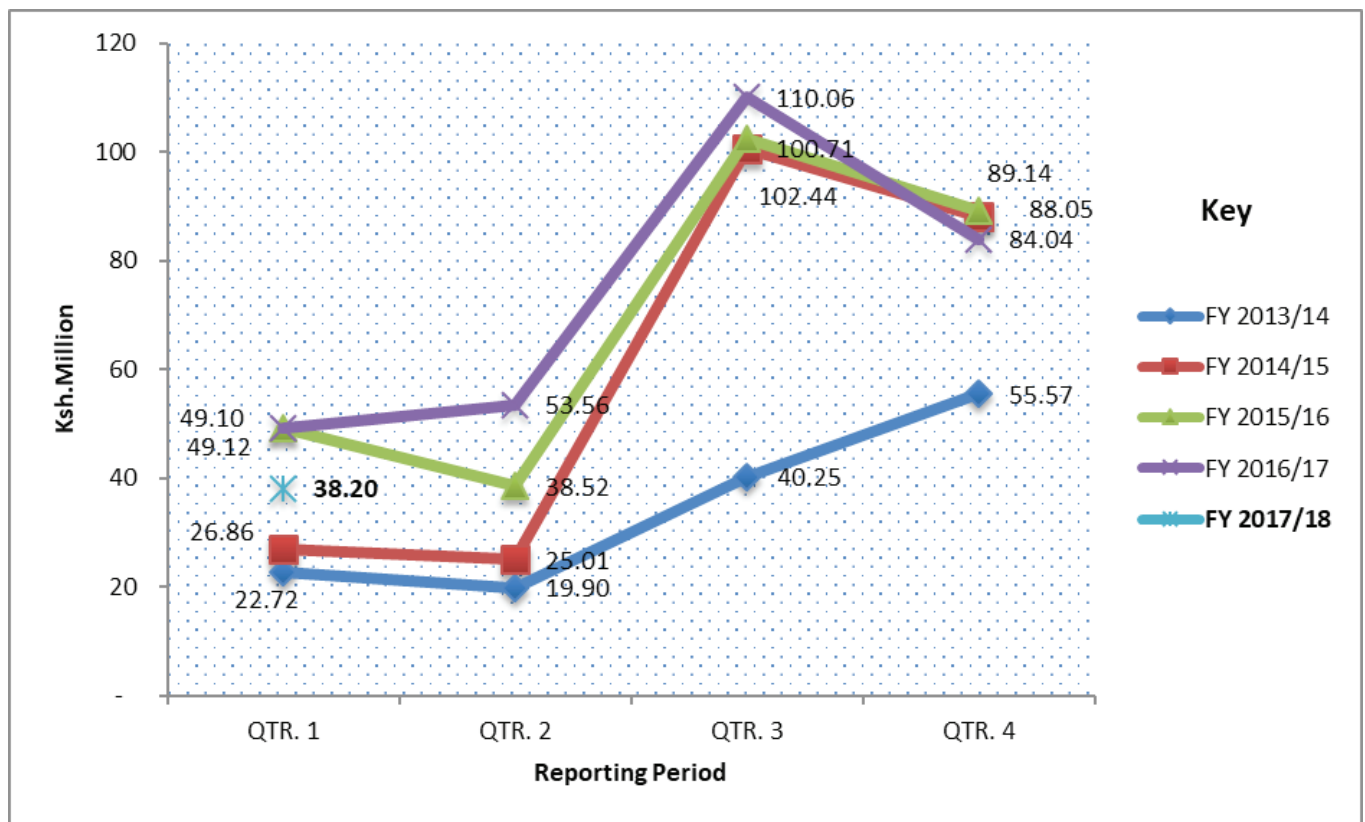
The County budgeted to receive Kshs.50.72 million for Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

3.35.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.334.01 million as equitable share of the revenue raised nationally, Kshs.85.58 million as total conditional allocations, raised Kshs.38.2 million from local revenue sources, and had a cash balance of Kshs.325.7 million from FY 2016/17. The available funds amounted to Kshs.745.3 million.

Figure 3.101 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.101: Nyandarua County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Nyandarua County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.38.2 million, representing a decrease of 22.2 per cent compared to Kshs.49.1 million generated in a similar period of FY 2016/17, and represented 10.3 per cent of the annual local revenue target.

3.35.3 Conditional Grants

Table 3.72 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.72: Nyandarua County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|----------|--|--|------------------------------------|--|---|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 183, 511, 039 | 130, 725, 000 | 85, 585, 196 | 46.6 |
| 2 | Supplement for Construction of County Headquarters | 121, 000, 000 | - | - | - |
| 3 | Leasing of Medical Equipment | 95, 744, 681 | 95, 744, 681 | - | - |
| 4 | EU Grant | 66, 000, 000 | 66, 000, 000 | - | - |
| 5 | Development of Youth Polytechnics | 46, 590, 293 | - | - | - |
| 6 | Kenya Devolution Support Programme (KDSP) | 40, 222, 996 | - | - | - |
| 7 | Other Loans & Grants | 25, 839, 485 | - | - | - |
| 8 | World Bank Loan for Transforming Health System for Universal Care System | 22, 000, 000 | - | - | - |
| 9 | Compensation for User Fee Foregone | 12, 735, 922 | 13, 898, 986 | - | - |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|------------------|--------------------------|--|------------------------------------|--|---|
| 10 | DANIDA Grant | 12, 435, 427 | - | - | - |
| Sub Total | | 626, 079, 843 | 306, 368, 667 | 85, 585, 196 | 13.7 |
| B | Other Grants | | | | |
| 11 | Free Maternal Healthcare | - | 50, 716, 400 | - | - |
| Total | | 626, 079, 843 | 357, 085, 067 | 85, 585, 196 | 13.7 |

Source: Nyandarua County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipt at 46.6 per cent of annual allocation. The County did not receive funds from all the other Conditional Grants.

3.35.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.511.49 million from the CRF account, which was 9 per cent of the Approved Budget. This amount represented an increase of 49.2 per cent from Kshs.16 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

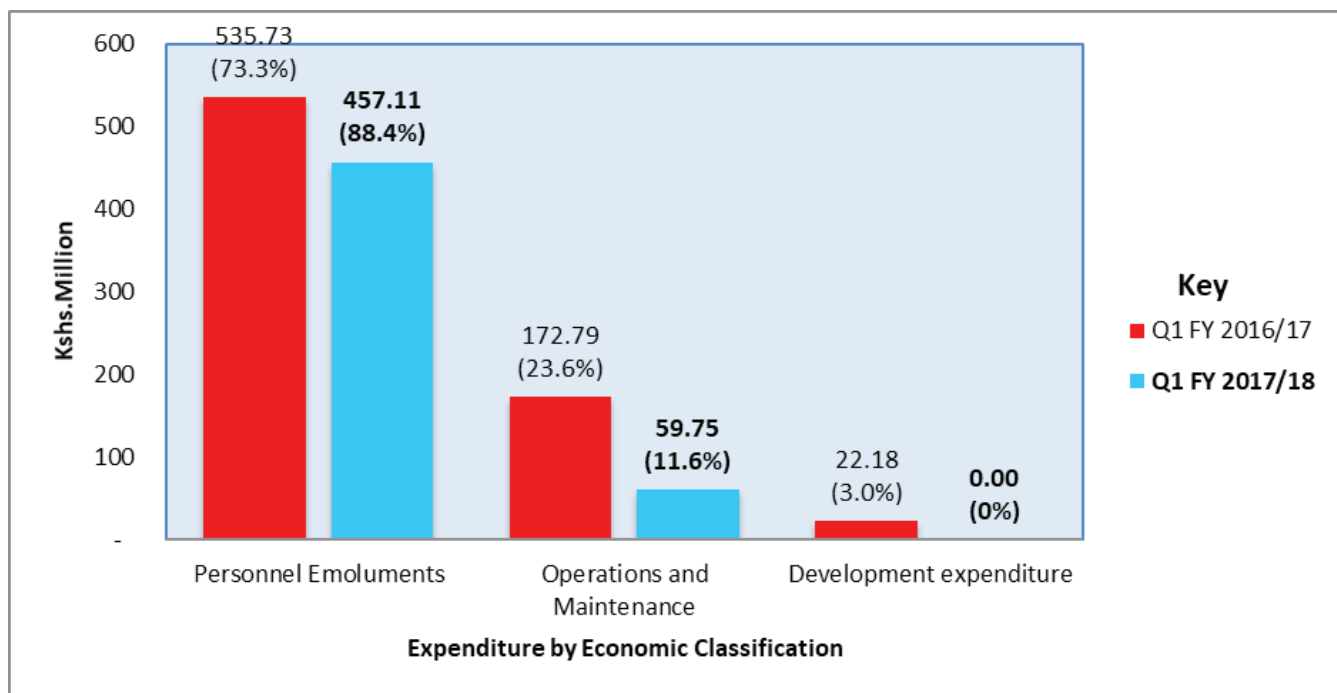
3.35.5 Overall Expenditure Review

The County incurred Kshs.516.86 million, which was 101.1 per cent of the total funds released for operations. This was a decrease of 29.3 per cent from Kshs.730.7 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.516.86 million was incurred on recurrent activities and was 101.1 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.452.83 million for development and Kshs.166.4 million for recurrent expenditure.

The recurrent expenditure represented 13.5 per cent of the annual recurrent budget, a decrease from 19.2 per cent incurred in a similar period of FY 2016/17. Figure 3.102 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.102: Nyandarua County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



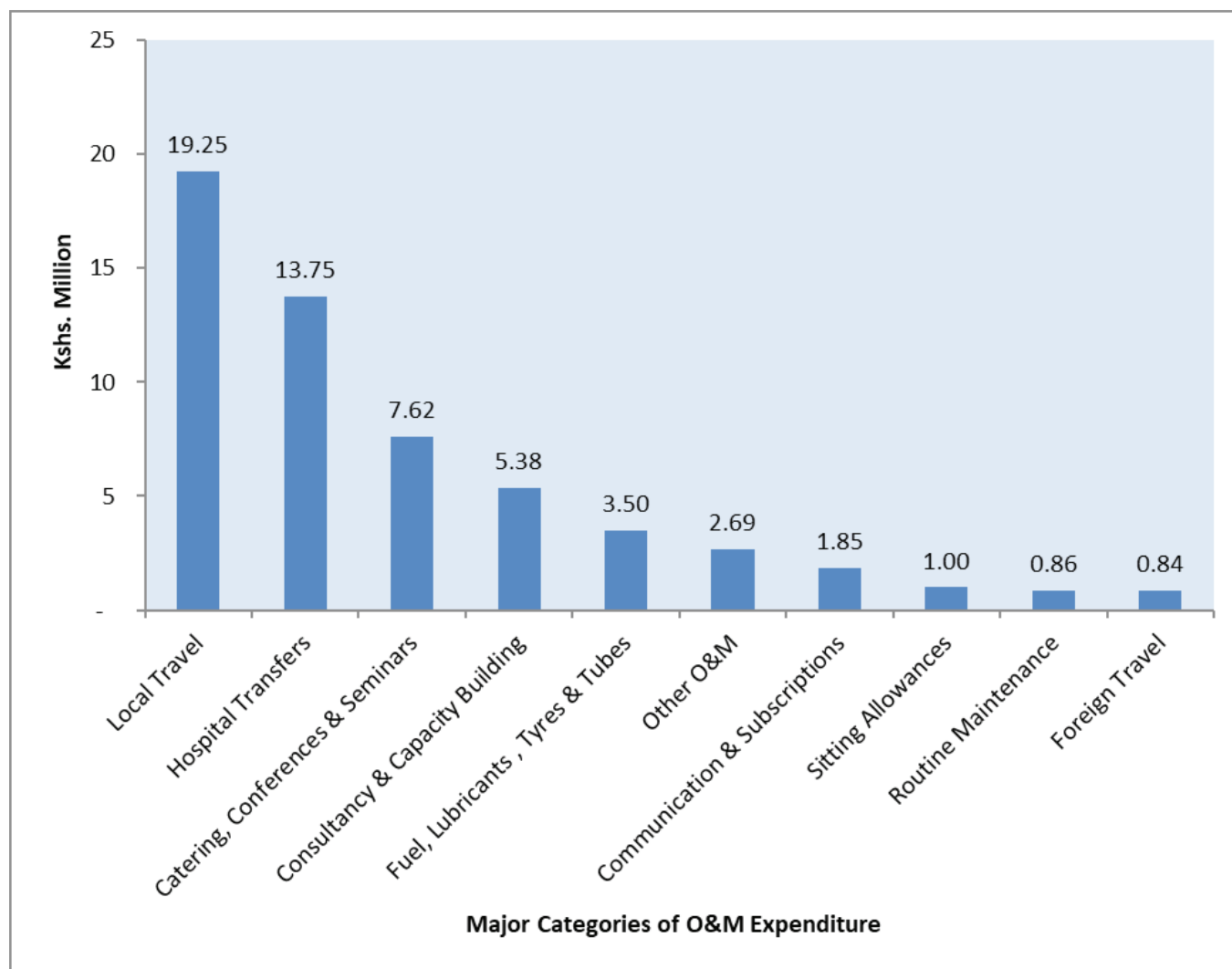
Source: Nyandarua County Treasury

3.35.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.516.86 million consisted of Kshs.457.11 million (88.4 per cent) incurred on personnel emoluments and Kshs.59.75 million (11.6 per cent) on operations and maintenance as shown in Figure 3.102.

Expenditure on personnel emoluments represented a decrease of 14.7 per cent compared to Kshs.535.73 million incurred in the first quarter of FY 2016/17, and was 88.4 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.103 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.103: Nyandarua County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Nyandarua County Treasury

The County incurred Kshs.998,030 on committee sitting allowances to the 40 MCAs against the annual budget allocation of Kshs.44.91 million. This was a decrease of 91.6 per cent compared to Kshs.11.94 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.8,317 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.20.09 million and consisted of Kshs.9.66 million incurred by the County Assembly and Kshs.10.43 million by the County Executive. It represented 3.9 per cent of total recurrent expenditure and was a decrease of 75 per cent compared to Kshs.94.58 million incurred in the first quarter of FY 2016/17.

3.35.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.35.8 Budget and Budget Performance Analysis by Department

Table 3.73 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.73: Nyandarua County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs.Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|--|----------------------------------|------------------|--|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, Livestock, Fisheries & Irrigation | 304.17 | 134.5 | 53.16 | - | 53.45 | - | 100.6 | - | 17.6 | - |
| County Assembly | 592.44 | 214.86 | 61.44 | - | 61.22 | - | 99.6 | - | 10.3 | - |
| County Attorney, E-Government & Intergovernmental Relations | 88.50 | 8.50 | 1.69 | - | 9.09 | - | 537.8 | - | 10.3 | - |
| County Public Service Board | 39.17 | - | 6.44 | - | 7.51 | - | 116.6 | - | 19.2 | - |
| County Secretary | 161.69 | - | 28.67 | - | 30.03 | - | 104.8 | - | 18.6 | - |
| Education, Youth, Children Affairs, Culture & Social Services | 207.49 | 123.65 | 35.29 | - | 34.58 | - | 98 | - | 16.7 | - |
| Finance and Economic Planning | 744.61 | 20.09 | 67.35 | - | 66.50 | - | 98.7 | - | 8.9 | - |
| Governor's Office | 125.36 | - | 22.11 | - | 16.75 | - | 75.8 | - | 13.4 | - |
| Health Services | 1, 185.68 | 134.19 | 188.68 | - | 192.12 | - | 101.8 | - | 16.2 | - |
| Industrialization, Cooperatives, Trade, Enterprise, Weights & Measures | 57.95 | 46.35 | 6.09 | - | 6.79 | - | 111.4 | - | 11.7 | - |
| Lands Housing and Physical Planning | 74.52 | 265.43 | 6.93 | - | 7.40 | - | 106.9 | - | 9.9 | - |
| Roads Public Works and Transport | 134.99 | 515.75 | 15.36 | - | 12.59 | - | 82 | - | 9.3 | - |
| Tourism Wildlife and Sports | 56.18 | 89.85 | 4.57 | - | 5.62 | - | 122.9 | - | 10 | - |
| Water, Environment & Natural Resources | 68.84 | 293 | 13.71 | - | 13.21 | - | 96.3 | - | 19.2 | - |
| TOTAL | 3, 841.60 | 1, 846.18 | 511.49 | - | 516.87 | - | 101.1 | - | 13.5 | - |

Source: Nyandarua County Treasury

Analysis of budget performance by department shows that the County Public Service Board and the Water Environment and Natural Resources Departments attained the highest expenditure to recurrent budget both at 19.2 per cent while the Finance and Economic Planning Department had the lowest at 8.9 per cent. There was no development expenditure across departments

3.35.9 Observations and Recommendations

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

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

- ii. Improvement in the use of IFMIS and Internet Banking in processing of financial transactions.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Under-performance in local revenue collection, which declined by 22.2 per cent from Kshs.49.1 million in the first quarter of FY 2016/17 to Kshs.38.2 million in the reporting period.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The National Treasury should ensure funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
- 2. The County should review its strategies on revenue collection to ensure it meets the set target.*
- 3. The County should realign the budget to agree as per the amounts allocated in the CARA, 2017*

3.36 Nyeri County

3.36.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.6.83 billion, comprising of Kshs.4.61 billion (67.5 per cent) and Kshs.2.22 billion (32.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.96 billion (72.7 per cent) as equitable share of revenue raised nationally, Kshs.620.56 million (9.1 per cent) as total conditional grants, and generate Kshs.1 billion (14.6 per cent) from local revenue sources, and Kshs.246.5 million (3.6 per cent) cash balance from FY 2016/17.

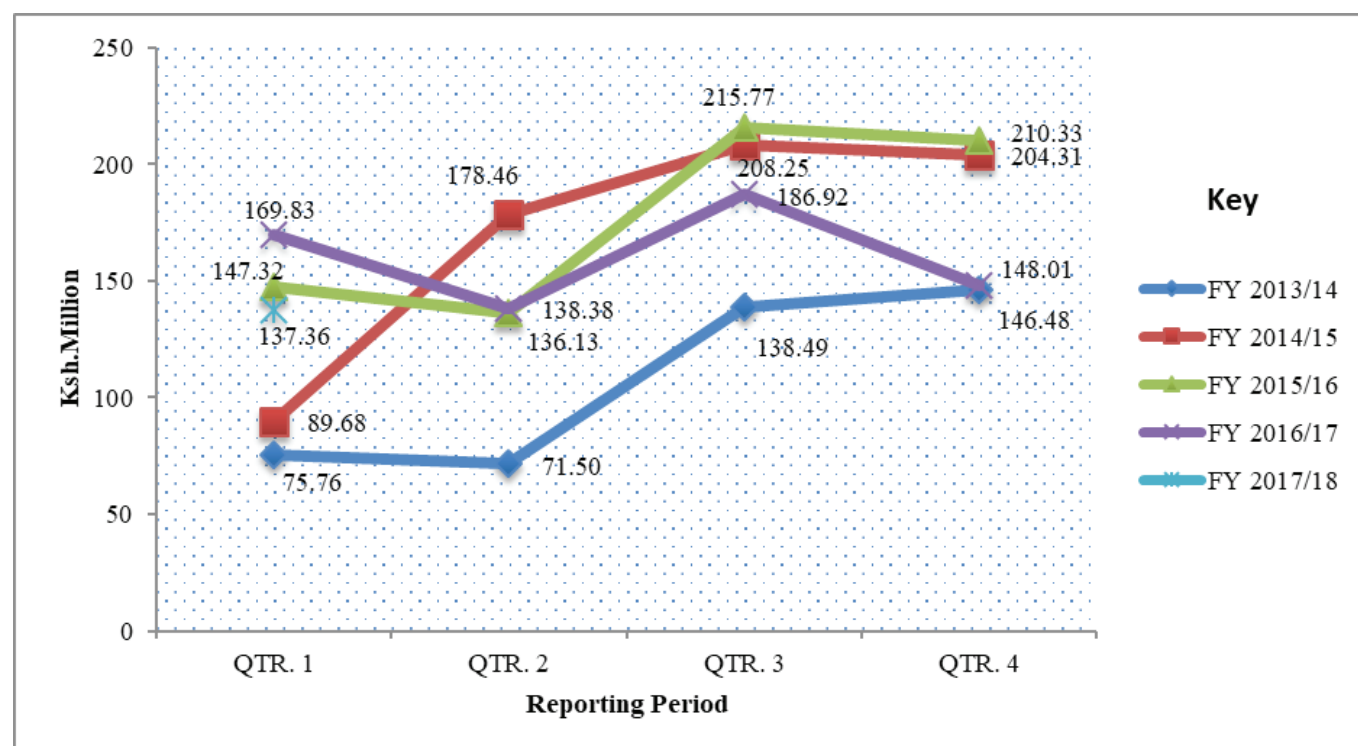
The conditional grants contained in the CARA, 2017 of Kshs.729.04 million comprise of Kshs.189.57 million (26 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.7 million (1.9 per cent) as Compensation for User Fee Foregone, Kshs.12.85 million (1.8 per cent) from DANIDA, Kshs.407.86 million (55.9 per cent) for Level 5 Hospital, Kshs.40.85 million (5.6 per cent) for the World Bank Kenya Devolution Support Program, Kshs.42.21 million (5.8 per cent) for Development of Youth Polytechnics, and Kshs.22 million (3 per cent) as World Bank Loan for Transforming Health System for Universal Care System.

3.36.2 Revenue Analysis

During the first quarter of FY 2017/18, the County did not receive its equitable share of revenue raised nationally. The County received Kshs.88.41 million as total conditional allocations, raised Kshs.137.36 million from local revenue sources, and had a cash balance of Kshs.1.28 billion brought forward from FY 2016/17. The available funds amounted to Kshs.1.51 billion.

Figure 3.104 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.104: Nyeri County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Nyeri County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.137.36 million, representing a decrease of 19.1 per cent compared to Kshs.169.83 million generated in a similar period of FY 2016/17, and represented 13.7 per cent of the annual local revenue target.

3.36.3 Conditional Grants

Table 3.74 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.74: Nyeri County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|-----------|--|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 189, 567, 564 | 130, 725, 000 | 88, 409, 815 | 46.6 |
| 2 | Kenya Devolution Support Programme (KDSP) | 40, 850, 289 | - | - | - |
| 3 | Compensation for User Fee Foregone | 13, 701, 379 | 13, 701, 375 | - | - |
| 4 | DANIDA Grant | 12, 845, 841 | 28, 407, 447 | - | - |
| 5 | Level-5 Hospitals | 407, 861, 272 | 407, 861, 272 | - | - |
| 6 | Development of Youth Polytechnics | 42, 211, 848 | - | - | - |
| 7 | World Bank Loan for Transforming Health System for Universal Care System | 22, 000, 000 | - | - | - |
| Sub Total | | 729, 038, 193 | 580, 695, 094 | 88, 409, 815 | 12 |
| B | Other Grants | | | | |
| 8 | Free Maternal Healthcare | - | 39, 866, 658 | - | - |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|-----------|--------|--|------------------------------------|--|--|
| Sub Total | | - | 39, 866, 658 | - | - |
| Total | | 729, 038, 193 | 620, 561, 752 | 88, 409, 815 | 12 |

Source: Nyeri County Treasury

Analysis of the conditional grants released during the period under review indicates that the County received Kshs.88.41 million from the Road Maintenance Fuel Levy Fund, representing 46.6 per cent of the annual allocation in the CARA, 2017. There were no receipts for the other conditional grants during the period under review.

3.36.4 Exchequer Issues

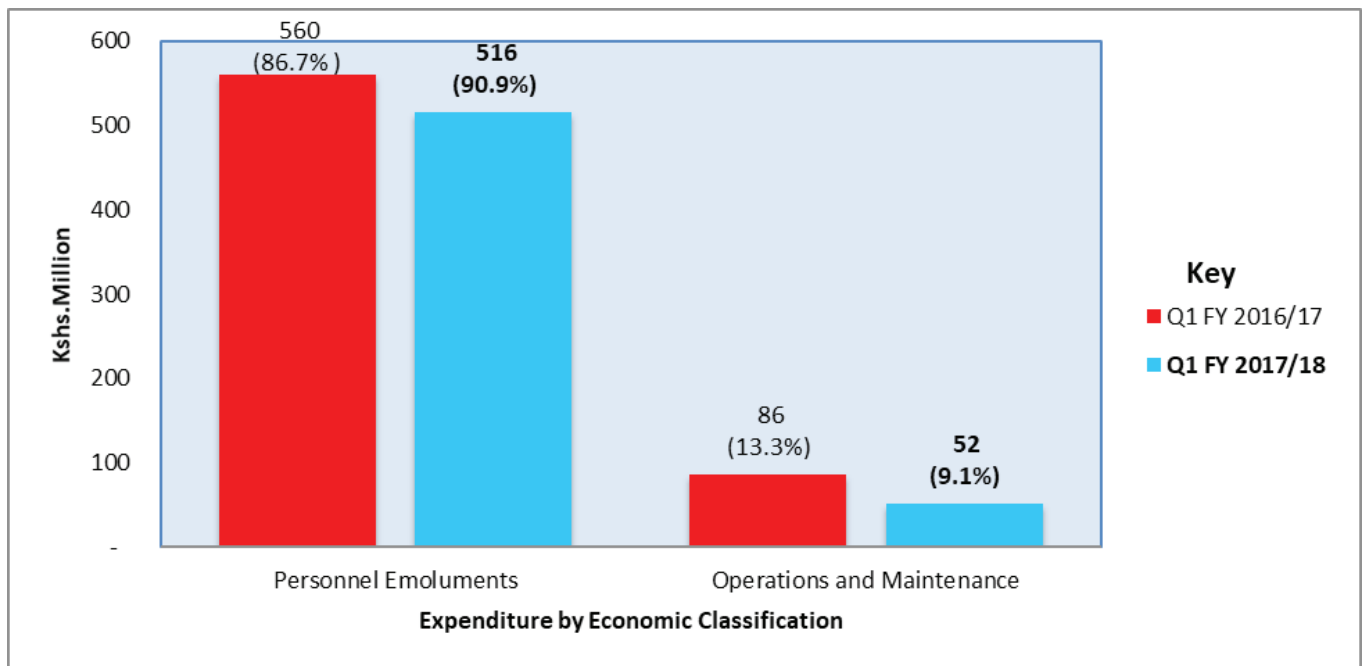
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.479.75 million from the CRF account, which was 7 per cent of the Approved Budget. This amount was a decrease of 60.1 per cent from Kshs.1.2 billion authorized in a similar period of FY 2016/17. The exchequer issues in the reporting period were for recurrent expenditure only.

3.36.5 Overall Expenditure Review

The County incurred Kshs.568 million, which was 118.4 per cent of the total funds released for operations. This was a decrease of 12.1 per cent from the Kshs.646.22 million incurred in the first quarter of FY 2016/17. The expenditure was entirely for recurrent activities and excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.9.4 million.

The recurrent expenditure represented 12.3 per cent of the annual recurrent budget, a decrease from 14.6 per cent incurred in a similar period of FY 2016/17. Figure 3.105 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.105: Nyeri County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



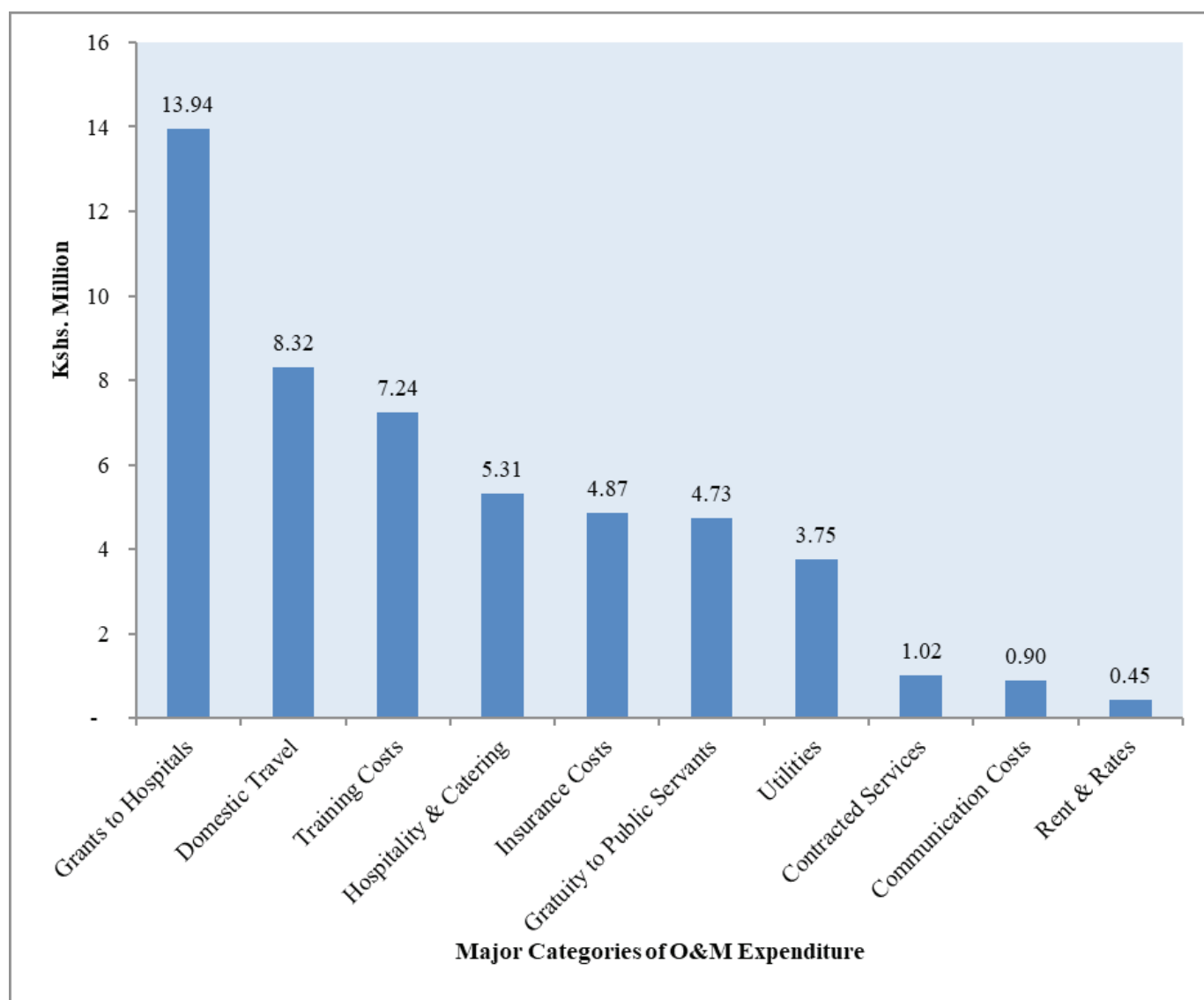
Source: Nyeri County Treasury

3.36.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.568 million consisted of Kshs.516.42 million (90.9 per cent) incurred on personnel emoluments and Kshs.51.58 million (9.1 per cent) on operations and maintenance as shown in Figure 3.105.

Expenditure on personnel emoluments represented a decrease of 7.9 per cent compared to Kshs.560.46 million incurred in the first quarter of FY 2016/17, and was 90.9 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.106 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.106: Nyeri County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Nyeri County Treasury

The County incurred Kshs.2.47 million on sitting allowances to the 44 MCAs against the annual budget allocation of Kshs.74.05 million. This was a decrease of 84.7 per cent compared to Kshs.16.12 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.18,267 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.8.32 million and consisted of Kshs.6.21 million incurred by the County Assembly and Kshs.2.11 million by the County Executive. It represented 1.5 per cent of total recurrent expenditure and was a decrease of 64.7 per cent compared to Kshs.23.58 million incurred in the first quarter of FY 2016/17.

3.36.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.36.8 Budget and Budget Performance Analysis by Department

Table 3.75 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.75: Nyeri County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|--|----------------------------------|--------------|---|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 103.32 | 52.52 | 9.98 | - | 9.95 | - | 99.6 | - | 9.6 | - |
| Office of the County Secretary | 210.33 | - | 3.76 | - | 1.15 | - | 30.6 | - | 0.5 | - |
| Finance and Economic Planning | 298.25 | 269.99 | 17.29 | - | 35.29 | - | 204.1 | - | 11.8 | - |
| Lands, Housing and Physical Planning | 52.59 | 101.75 | 5.09 | - | 5.85 | - | 114.9 | - | 11.1 | - |
| Health and Sanitation | 1,912.54 | 410.92 | 254.67 | - | 304.47 | - | 119.6 | - | 15.9 | - |
| Special Programmes | 111.61 | 119.75 | 8.02 | - | 1.64 | - | 20.4 | - | 1.5 | - |
| Public Administration, Information and Communication | 399.03 | 40.75 | 55.39 | - | 59 | - | 106.5 | - | 14.8 | - |
| Agriculture, Livestock and Fisheries | 299.80 | 109.80 | 42.92 | - | 62.15 | - | 144.8 | - | 20.7 | - |
| Tourism & Culture | 13.98 | 27.84 | 1.73 | - | 1.81 | - | 104.5 | - | 12.9 | - |
| Education, ICT, Trade & Industrialization | 272.20 | 197.77 | 13.45 | - | 14.48 | - | 107.6 | - | 5.3 | - |
| Water, Irrigation & Natural resources | 126.19 | 186.28 | 18.06 | - | 17.24 | - | 95.5 | - | 13.7 | - |
| County Assembly | 615.65 | 166.75 | 36.93 | - | 46.63 | - | 126.3 | - | 7.6 | - |
| County Public Service Board | 34.82 | 6.75 | 3.95 | - | 3.42 | - | 86.5 | - | 9.8 | - |
| Roads and Infrastructure Development | 102.10 | 447.75 | 4.97 | - | 4.74 | - | 95.4 | - | 4.6 | - |
| Energy | 57.96 | 83.73 | 3.53 | - | 0.17 | - | 4.9 | - | 0.3 | - |
| TOTAL | 4,610 | 2,222 | 480 | - | 568 | - | 118.4 | - | 12.3 | - |

Source: Nyeri County Treasury

Analysis of budget performance by department shows that the Department of Agriculture, Livestock and Fisheries attained the percentage of recurrent expenditure to recurrent budget 20.7 per cent, followed by the Department of Health and Sanitation at 15.9 per cent.

3.36.9 Observations and Recommendations

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

- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Compliance with requirements of Section 116 of the PFM Act, 2012 by ensuring that legislation establishing County Public Funds are in place before operationalization of the Funds.

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

1. Under-performance in local revenue collection, which declined by 19.1 per cent from Kshs.169.83 million in the first quarter of FY 2016/17 to Kshs.137.36 million in the reporting period.
2. Failure by the National Treasury to disburse the equitable share of revenue raised nationally during the first quarter of FY 2017/18. The County did not report any expenditure on development activities during the reporting period due to failure by the National Treasury to disburse funds.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should formulate and implement strategies to enhance the local revenue collection.*
2. *The County Treasury should liaise with the National Treasury to ensure that allocated funds are released in line with the approved Disbursement Schedule.*
3. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.37 Samburu County

3.37.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.4.53 billion, comprising of Kshs.3.06 billion (67.7 per cent) and Kshs.1.46 billion (32.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.09 billion (90.4 per cent) as equitable share of revenue raised nationally, Kshs.169.64 million (3.7 per cent) as total conditional grants, and generate Kshs.301.23 million (6.7 per cent) from local revenue sources, and Kshs.182.47 million (4 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.414.86 million comprise of Kshs.151.37 million (89.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.24 million (3.1 per cent) as Compensation for User Fee Foregone, Kshs.10.26 million (6 per cent) from DANIDA, Kshs.53.13 million (31.3 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.36.73 million (21.7 per cent) for the World Bank Kenya Devolution Support Program, Kshs.25.36 million (14.9 per cent) for Development of Youth Polytechnics, Kshs.66.79 million (39.4 per cent) as World Bank Loan for Transforming Health System for Universal Care System and Kshs.66 million (38.9 per cent) as European Union (EU) Grant.

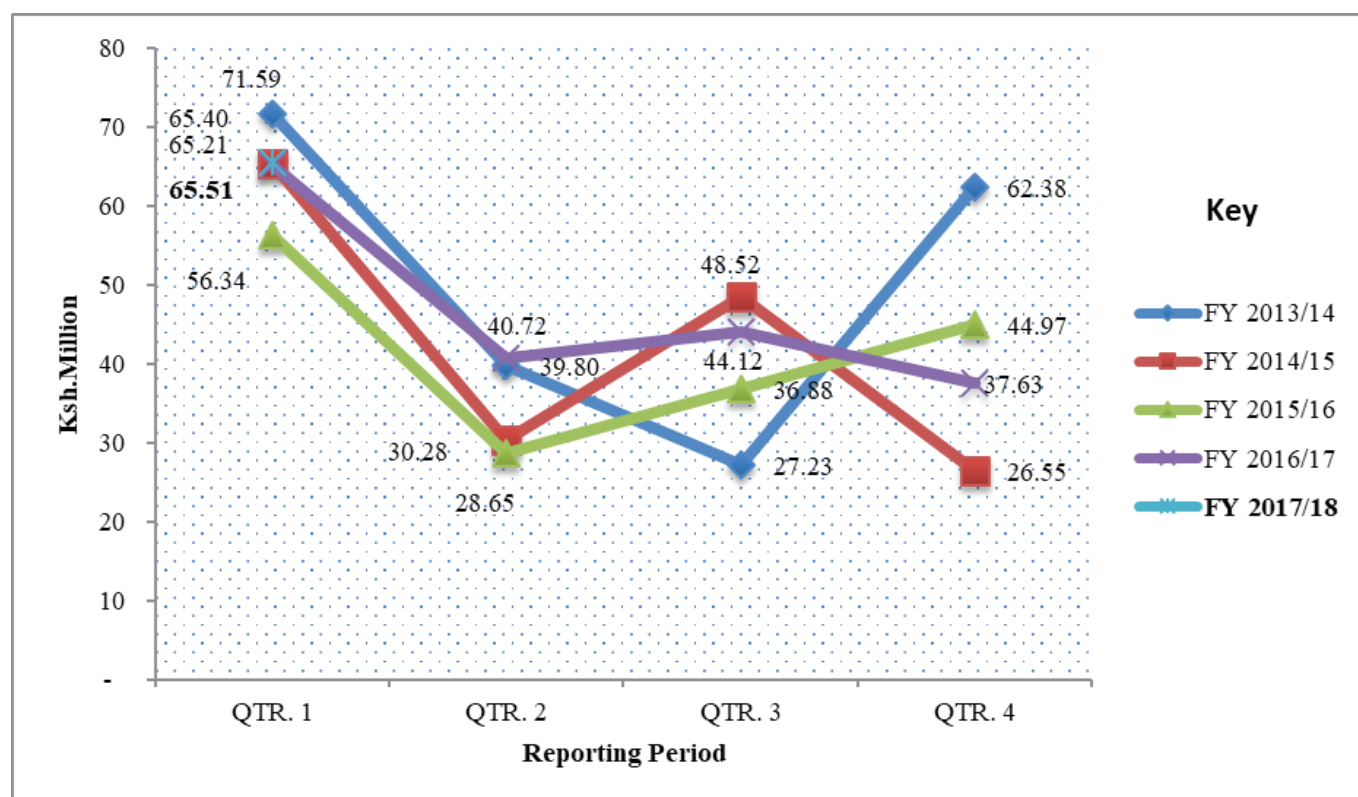
The County budgeted to receive Kshs.14.18 million as Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

3.37.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.603.32 million as equitable share of the revenue raised nationally, Kshs.71.14 million as total conditional allocations, raised Kshs.65.51 million from local revenue sources, and had a cash balance of Kshs.183.9 million from FY 2016/17. The available funds amounted to Kshs.923.87 million.

Figure 3.107 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.107: Samburu County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Samburu County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.65.51 million, representing an increase of 0.5 per cent compared to Kshs.65.21 million generated in a similar period of FY 2016/17 and represented 21.7 per cent of the annual local revenue target.

3.37.3 Conditional Grants

Table 3.76 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.76: Samburu County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|---|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 151, 365, 222 | 107, 887, 500 | 71, 141, 654 | 46.6 |
| 2 | World Bank loan to supplement financing of County Health facilities | 53, 125, 000 | - | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 36, 731, 000 | 24, 638, 639 | - | - |
| 4 | Compensation for User Fee Foregone | 5, 235, 578 | 5, 220, 197 | - | - |
| 5 | DANIDA Grant | 10, 256, 191 | - | - | - |
| 6 | Development of Youth Polytechnics | 25, 356, 891 | - | - | - |
| Sub Total | | 414, 856, 113 | 155, 453, 471 | 71, 141, 654 | 17 |
| B | Other Grants | | | | |
| 7 | Free Maternal Healthcare | - | 14, 183, 400 | - | - |
| Sub Total | | - | 14, 183, 400 | - | - |
| Total | | 414, 856, 113 | 169, 636, 871 | 71, 141, 654.3 | 17 |

Source: Samburu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund grant recorded a receipt of Kshs.71.14 million which represented 46.6 per cent of annual allocation. The County did not receive funds from all the other conditional grants.

3.37.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.638.32 million from the CRF account, which was 14.1 per cent of the Approved Budget. This amount was a decrease of 20.1 per cent from Kshs.798.95 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

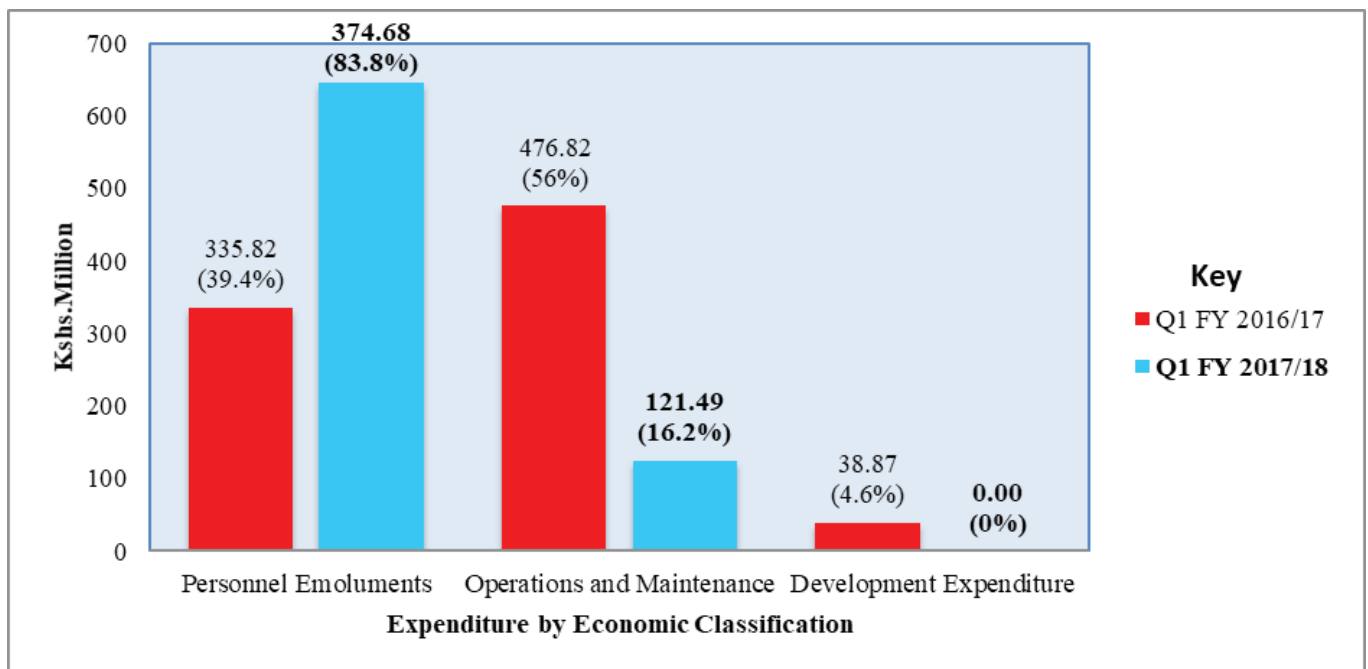
3.37.5 Overall Expenditure Review

The County incurred Kshs.770.17 million, which was over 100 per cent of the total funds released for operations. This was a decrease of 9.6 per cent from Kshs.812.64 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.770.17 million was incurred on recurrent activities and was 100 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.76.62 million for recurrent expenditure.

The recurrent expenditure represented 16.2 per cent of the annual recurrent budget, an increase from 22.5 per cent incurred in a similar period of FY 2016/17. Figure 3.108 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.108: Samburu County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



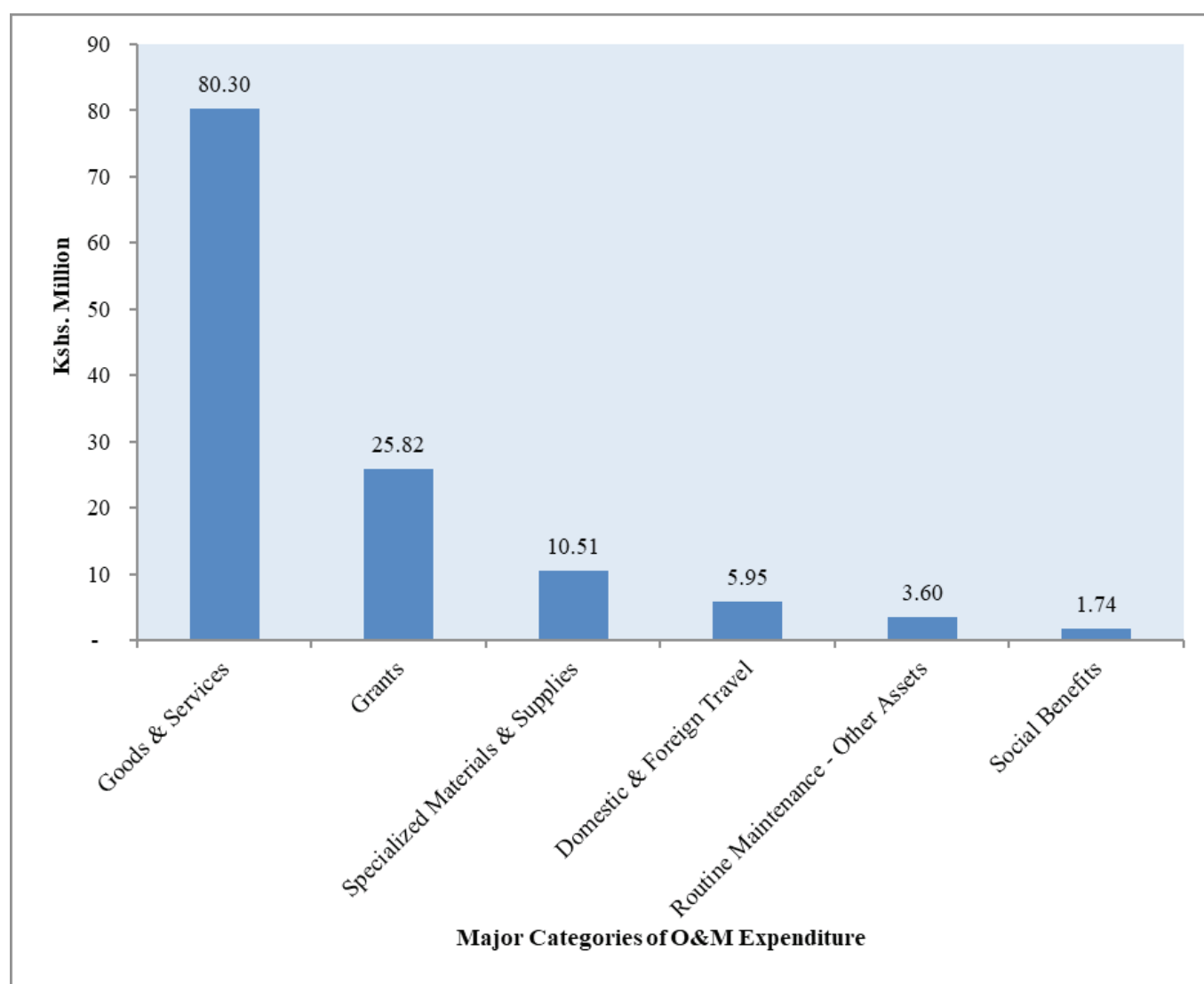
Source: Samburu County Treasury

3.37.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.770.17 million consisted of Kshs.645.68 million (83.8 per cent) incurred on personnel emoluments and Kshs.124.49 million (16.2 per cent) on operations and maintenance as shown in Figure 3.108.

Expenditure on personnel emoluments represented an increase of 11.6 per cent compared to Kshs.335.82 million incurred in the first quarter of FY 2016/17. Figure 3.109 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.109: Samburu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Samburu County Treasury

The County Assembly incurred Kshs.5.07 million on sitting allowances to the 28 MCAs against the annual budget allocation of Kshs.42.5 million. This was a decrease of 5.4 per cent compared to Kshs.5.36 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.60, 315 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.5.95 million, incurred entirely by the County Assembly. It represented 9.5 per cent of total recurrent expenditure and was a decrease of 90.9 per cent compared to Kshs.65.24 million incurred in the first quarter of FY 2016/17.

3.37.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.37.8 Budget and Budget Performance Analysis by Department

Table 3.77 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.77: Samburu County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|----------------------------------|---------------|---|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 439.04 | 90 | 58.10 | - | 49.01 | - | 84.4 | - | 11.2 | - |
| County Executive (Office of the Governor) | 401.80 | 28.56 | 93.17 | - | 56.06 | - | 60.2 | - | 14 | - |
| Finance & Economic Planning | 421.41 | 14.03 | 90.12 | - | 144.32 | - | 160.1 | - | 34.2 | - |
| Agriculture, Livestock & Fisheries | 166.15 | 144.74 | 35.40 | - | 25.37 | - | 160.1 | - | 86.9 | - |
| Environment & Natural Resources | 50.74 | 41.10 | 10.73 | - | 3.30 | - | 71.7 | - | 50 | - |
| Education, Youth Affairs & Sports | 363.48 | 151.86 | 79.52 | - | 50.88 | - | 30.8 | - | 0.9 | - |
| Health Services | 668.63 | 148.19 | 149.09 | - | 94.19 | - | 64 | - | 7.6 | - |
| Physical Planning Housing & Urban Development | 87.32 | 91.62 | 19.91 | - | 8.91 | - | 63.2 | - | 107.9 | - |
| Public Works, County Roads and Water | 217.95 | 569.06 | 47.92 | - | 31.96 | - | 44.8 | - | 4.1 | - |
| Trade, Tourism and Cooperative Development | 176.45 | 155.89 | 39.59 | - | 27.17 | - | 66.7 | - | 18.1 | - |
| Gender, Culture and Social Services | 69.25 | 28.11 | 14.76 | - | 4.22 | - | 68.6 | - | 39.2 | - |
| TOTAL | 3, 062 | 1, 463 | 638.32 | - | 770.17 | - | 77.6 | - | 16.2 | - |

Source: Samburu County Treasury

Analysis of budget performance by department shows that the Physical Planning Housing & Urban Development Department had the highest percentage of recurrent expenditure to recurrent budget at 107.9 per cent while the Department of Education, Youth Affairs & Sports had the lowest at 0.9 per cent.

3.37.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Adoption of IFMIS in processing financial transactions and reporting.

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

- Late submission of financial reports by the County Treasury which affected timely preparation of the budget implementation review report.
- Delay by Fund Administrators to submit expenditure reports on established County Funds contrary to Section 168 of the PFM Act, 2012.

3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of the PFM Act, 2012.*
2. *All Fund Administrators should ensure timely submission of expenditure reports on established County Funds in line with Section 168 of the PFM Act, 2012.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.38 Siaya County

3.38.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.6.6 billion, comprising of Kshs.4.62 billion (70 per cent) and Kshs.1.98 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.78 billion (87.6 per cent) as equitable share of revenue raised nationally, Kshs.591.73.57 million (9 per cent) as total conditional grants, and generate Kshs.270 million (4.1 per cent) from local revenue sources.

The conditional grants contained in the CARA, 2017 of Kshs.527.57 million comprise 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.18.19 million (3.4 per cent) as Compensation for User Fee Foregone, Kshs.39.02 million (7.4 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.14.42 million (2.7 per cent) from DANIDA, Kshs.40.65 million (7.7 per cent) for the Development of Youth Polytechnics and Kshs.63.67 million (12.1 per cent) from Other Loans and Grants.

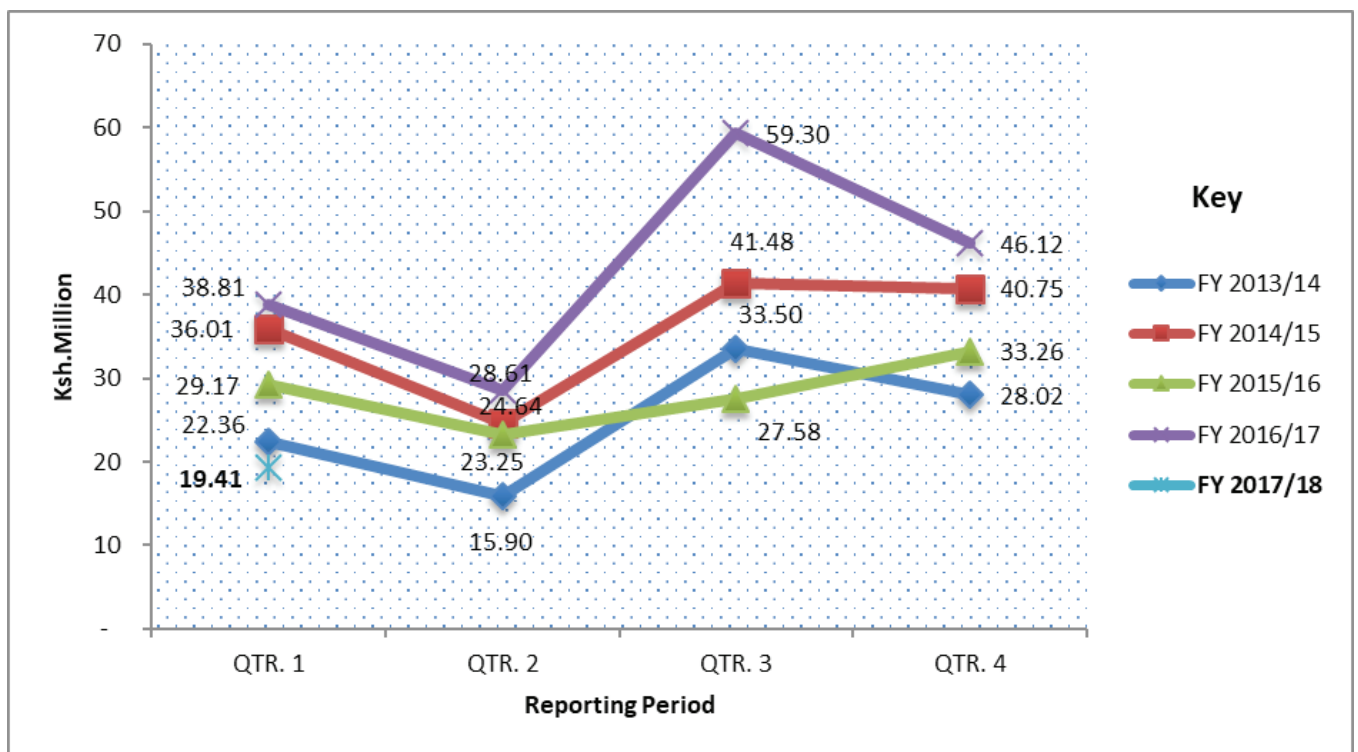
The conditional grants from other sources and not contained in the CARA, 2017 comprise of Kshs.128.08 million for the Free Maternal HealthCare, and Kshs. 13.4 Million for Agriculture Sector Development Programme.

3.38.2 Revenue Analysis

During the first quarter of FY 2017/18, the County did not receive any money as equitable share of the revenue raised nationally; it however received Kshs.99.26 million as total conditional allocations, raised Kshs.19.41 million from local revenue sources, and had a cash balance of Kshs.491.40 million from FY 2016/17. The available funds amounted to Kshs.610.07 million.

Figure 3.110 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.110: Siaya County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Siaya County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.19.41 million, representing a decrease of 50 per cent compared to Kshs.38.81 million generated in a similar period of FY 2016/17, and represented 7.2 per cent of the annual local revenue target.

3.38.3 Conditional Grants

Table 3.78 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.78: Siaya County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|--------------------|--|--|------------------------------------|--|---|
| A | Grants Contained in the CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 212, 834, 314 | 151, 200, 000 | 99, 260, 876 | 47 |
| 2 | Free Maternal HealthCare | - | 128, 080, 400 | - | - |
| 3 | Leasing of Medical Equipment | 95, 744, 681 | 95, 744, 681 | - | - |
| 4 | Kenya Devolution Support Programme (KDSP) | 43, 031, 378 | 57, 110, 204 | - | - |
| 5 | Other Loans & Grants | 63, 669, 291 | 52, 513, 031 | - | - |
| 6 | Compensation for User Fee Foregone | 18, 194, 808 | 19, 634, 077 | - | - |
| 7 | World Bank Loan for Transforming Health System for Universal Care System | 39, 021, 230 | 17, 736, 922 | - | - |
| 8 | DANIDA Grant | 14, 422, 487 | 15, 864, 736 | - | - |
| 9 | Agricultural Sector development Support Program | - | 13, 400, 000 | - | - |
| 10 | Development of Youth Polytechnics | 40, 647, 137 | - | - | - |
| Grand Total | | 527, 565, 326 | 551, 284, 051 | 99, 260, 876 | 19 |

Source: Siaya County Treasury

Analysis of the conditional grants released during the period under review indicates that only the Road Maintenance Fuel Levy Fund recorded a receipt of 47 per cent of annual allocation. The County did not receive funds from the other conditional Grants.

3.38.4 Exchequer Issues

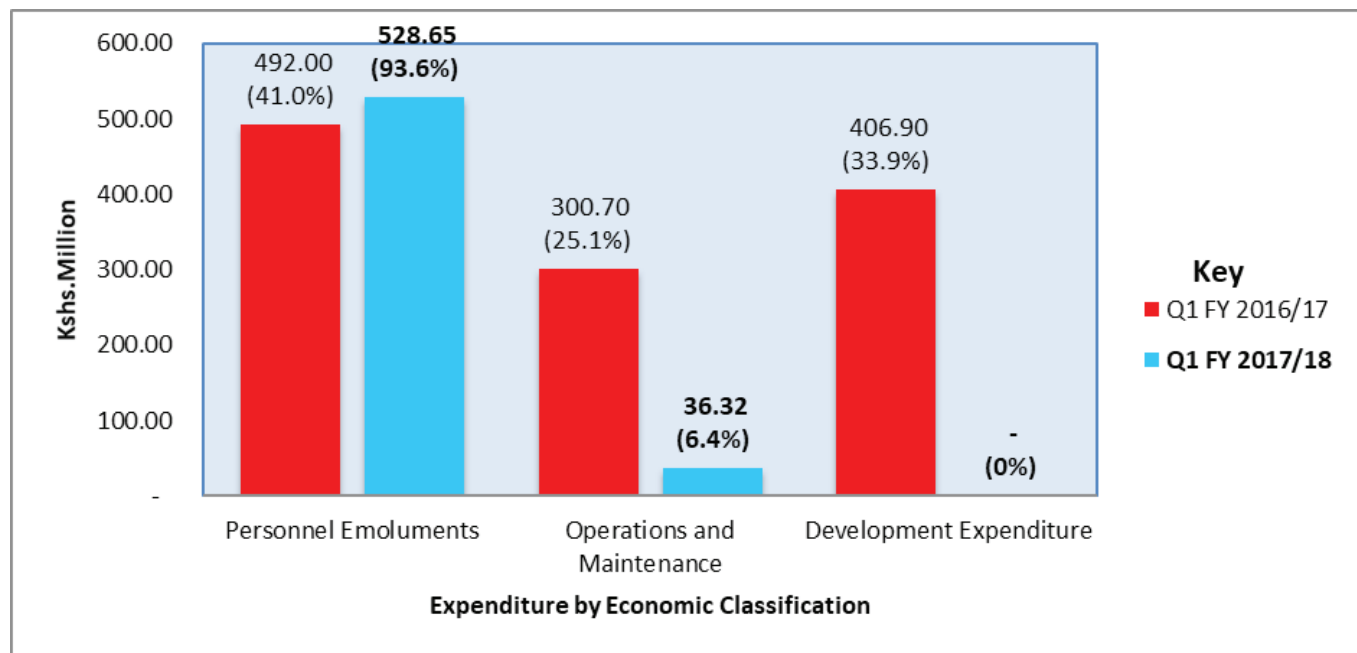
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.362 million from the CRF account, which was 5.5 per cent of the Approved Budget. This amount was a decrease of 74.9 per cent from Kshs.1.44 billion authorized in a similar period of FY 2016/17 and consisted of Kshs.362 million (100 per cent) for recurrent expenditure.

3.38.5 Overall Expenditure Review

The County incurred Kshs.564.97 million, which was 156.1 per cent of the total funds released for operations. This was a decrease of 52.9 per cent from Kshs.897.83 million incurred in the first quarter of FY 2016/17. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.35.50 million for recurrent expenditure.

The recurrent expenditure represented 12.2 per cent of the annual recurrent budget, a marginal decrease from 12.8 per cent incurred in a similar period of FY 2016/17. Figure 3.111 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.111: Siaya County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



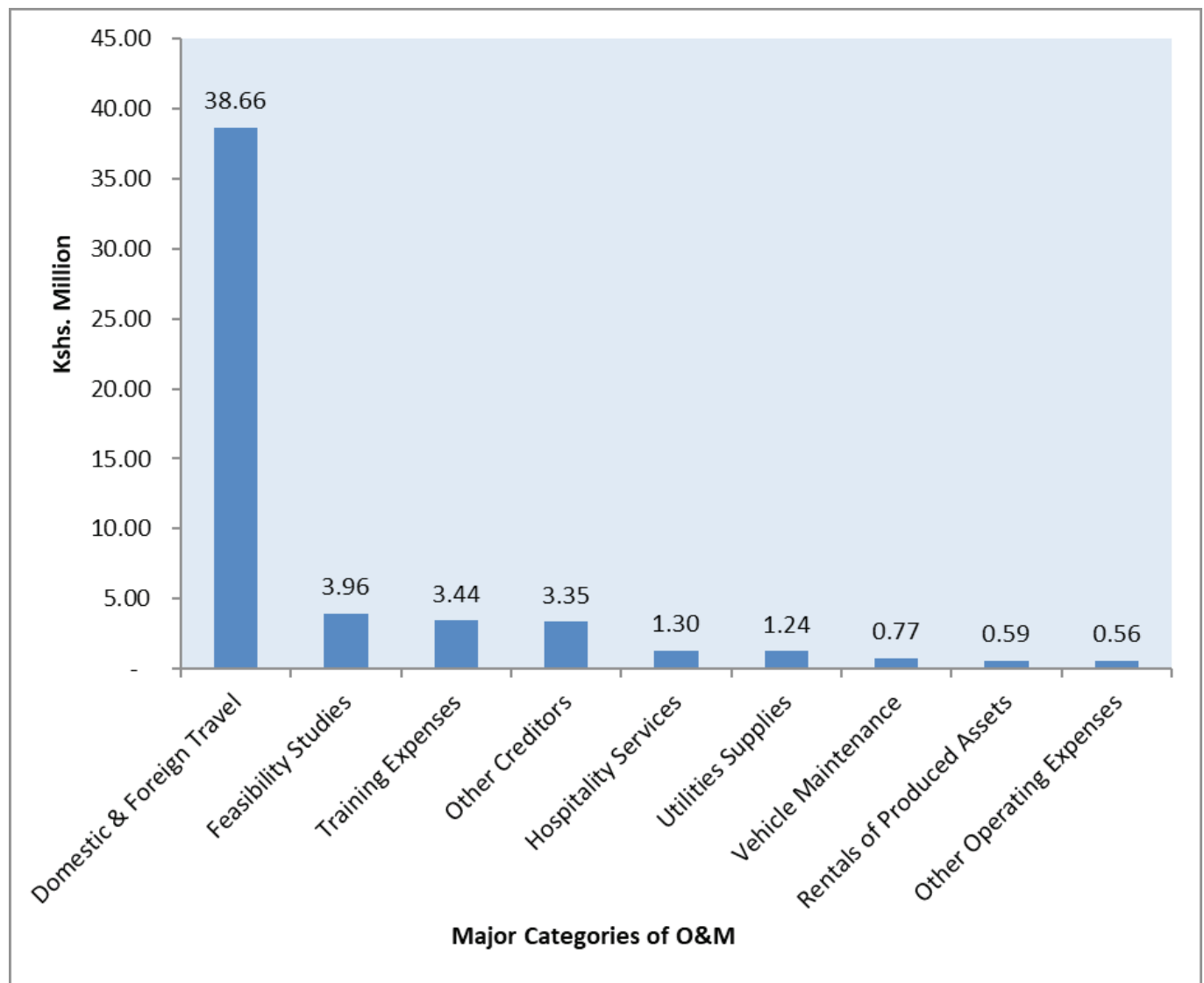
Source: Siaya County Treasury

3.38.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.564.97 million consisted of Kshs.528.65 million (93.6 per cent) incurred on personnel emoluments and Kshs.36.32 million (6.4 per cent) on operations and maintenance as shown in Figure 3.111.

Expenditure on personnel emoluments represented an increase of 7.4 per cent compared to Kshs.492 million incurred in the first quarter of FY 2016/17. This expenditure was 93.6 per cent of total expenditure in the first quarter of FY 2017/18 and 93.6 per cent of total recurrent expenditure. Figure 3.112 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.112: Siaya County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Siaya County Treasury

The County incurred Kshs.0.47 million on sitting allowances to the 44 MCAs and the Speaker against the annual budget allocation of Kshs.65.5 million. This was a decrease of 97.5 per cent compared to Kshs.19.03 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.3,591 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000. It should be noted that sitting allowances quoted in this paragraph were not generated by the MCAs but the sittings of the County Assembly Service Board. The MCAs did not sit in the quarter

Expenditure on domestic and foreign travel amounted to Kshs.38.66 million and consisted of Kshs.19.04 million incurred by the County Assembly and Kshs.19.63 million by the County Executive. It represented 6.8 per cent of total recurrent expenditure and was a decrease of 61.2 per cent compared to Kshs99.76 million incurred in the first quarter of FY 2016/17.

3.38.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.38.8 Budget and Budget Performance Analysis by Department

Table 3.79 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.79: Siaya County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs. Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|----------------------------------|------------------|---|----------|--|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 692.66 | 175.96 | 41 | - | 42.04 | - | 102.5 | - | 6.1 | - |
| County Executive | 552.1 | - | 55.99 | - | 76.79 | - | 137.1 | - | 13.9 | - |
| Finance, Economic Planning and Vision 2030 | 699.33 | 35 | 39.4 | - | 118.34 | - | 300.4 | - | 16.9 | - |
| Agriculture, Livestock and Fisheries | 282.45 | 115.17 | 18.1 | - | 41.84 | - | 231.2 | - | 14.8 | - |
| Water, Environment and Natural Resources | 104.61 | 185.7 | 0.38 | - | 1 | - | 263.2 | - | 1 | - |
| Education, Youth, Sports, Culture and Social Services | 333.26 | 249.34 | 13.5 | - | 36.14 | - | 267.7 | - | 10.8 | - |
| County Health Services | 1, 687.39 | 382.61 | 181.79 | - | 248.65 | - | 136.8 | - | 14.7 | - |
| Physical Planning, Survey and Housing | 60.13 | 38.84 | 3.01 | - | 0.03 | - | 1.0 | - | - | - |
| Roads and Transport | 95.81 | 671.96 | 3.32 | - | 0.14 | - | 4.2 | - | 0.1 | - |
| Trade and Cooperative Services | 51.82 | 58.96 | 2.93 | - | - | - | - | - | - | - |
| Tourism and ICT | 59.34 | 66 | 2.59 | - | - | - | - | - | - | - |
| TOTAL | 4, 618.90 | 1, 979.54 | 362.01 | - | 564.97 | - | 156.1 | - | 12.2 | - |

Source: Siaya County Treasury

Analysis of budget performance by department shows that Agriculture, Livestock and Fisheries Department attained the highest recurrent expenditure to recurrent budget at 16.9 per cent while two departments, Trade and Cooperative services and Tourism and ICT did not incur any recurrent expenditure.

3.38.9 Observations and Recommendations

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

- Improved adoption of IFMIS in processing of financial transaction. The County has trained its staff on use of IFMIS.
- Improved monitoring of development project implementation that provides timely status of project implementation.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. During the quarter, the County did not receive any disbursement of the equitable share of the national revenue.
2. Under-performance in local revenue collection, which declined by 50 per cent from Kshs.38.81 million in the first quarter of FY 2016/17 to Kshs.19.41 million in the first quarter of 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 contrary to Section 155 (5) of the PFM Act, 2012.
5. Failure to appropriate unspent balance from FY 2016/17 which amounted to Kshs.491.40 million.
6. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should undertake a review aimed at finding why there is a 50 per cent drop in local revenue despite digitization of revenue collection.*
3. *The County should liaise with the IFMIS Directorate to address the IFMIS connectivity issues.*
4. *County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *The County Treasury should prepare a Supplementary Budget and appropriate the unspent balance from FY 2016/17.*
6. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.39 Taita Taveta County

3.39.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.4.65 billion, comprising of Kshs.3.25 billion (69.9 per cent) and Kshs.1.4 billion (30.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.89 billion (83.7 per cent) as equitable share of revenue raised nationally, Kshs.297.21 million (6.4 per cent) as total conditional grants, and generate Kshs.338.47 million (7.3 per cent) from local revenue sources, and Kshs.123 million (2.6 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.488.7 million comprise of Kshs.141.01 million (47.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.3 million (1.8 per cent) as Compensation for User Fee Foregone, Kshs.9.56 million (3.2 per cent) from DANIDA, Kshs.95.74 million (32.2 per cent) for Level 5 Hospital Kshs.31.8 million (10.7 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.36.73 million (12.4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.49.75 million (16.7 per cent) for Development of Youth Polytechnics and Kshs.32.7 million (11.7 per cent) as World Bank Loan for Transforming Health System for Universal Care System.

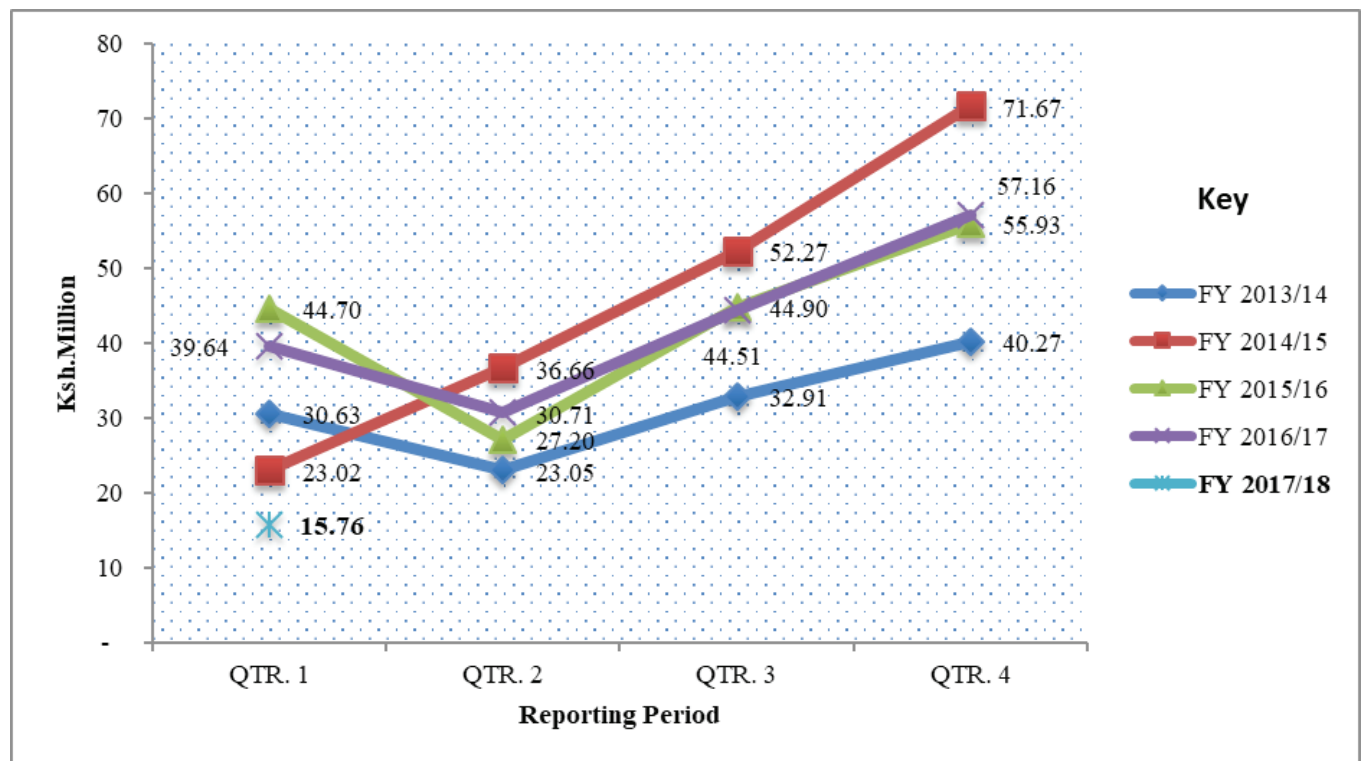
The County budgeted to receive Kshs.29.56 million for Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

3.39.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.642.86 million as equitable share of the revenue raised nationally, Kshs.101.8 million as total conditional allocations, raised Kshs.15.76 million from local revenue sources, and had a cash balance of Kshs.123 million from FY 2016/17. The available funds amounted to Kshs.888.41 million.

Figure 3.113 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.113: Taita Taveta County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Taita Taveta County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.15.76 million, representing a decrease of 60.2 per cent compared to Kshs.39.64 million generated in a similar period of FY 2016/17, and represented 5 per cent of the annual local revenue target.

3.39.3 Conditional Grants

Table 3.80 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.80: Taita Taveta County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No. | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation |
|-----------|--|--|------------------------------------|--|---|
| A. | Grants Contained in the CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy | 141, 010, 523 | 102, 375, 000 | 65, 763, 963 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | - | - | - |
| 3 | European Union Grant for Devolution programme and support advice | 66, 000, 000 | 112, 000, 000 | - | - |
| 4 | Conditional Allocation for Development of Youth Polytechnics | 49, 747, 167 | - | - | - |
| 5 | Kenya Development Support Programme (KDSP) | 36, 728, 875 | 47, 962, 202 | - | - |
| 6 | World Bank Loan for transforming health systems for Universal care project | 32, 699, 643 | - | - | - |
| 7 | World Bank loan to supplement financing of County health facilities | 31, 797, 500 | - | 36, 034, 216 | 113.3 |
| 8 | Other Loans & Grants | 20, 118, 958 | - | - | - |
| 9 | Grant from DANIDA | 9, 555, 425 | - | - | - |

| S/No. | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation |
|------------------|---|--|------------------------------------|--|---|
| 10 | Compensation for User Fees Forgone | 5, 296, 305 | 5, 296, 305 | - | - |
| Sub Total | | 488, 699, 077 | 267, 633, 507 | 101, 798, 179 | 20.8 |
| | | | | | |
| B. | Other Grants Not Contained in the CARA, 2017 | | | | |
| 11 | Free Maternal Healthcare | - | 29, 579, 040 | - | - |
| Sub Total | | | 29, 579, 040 | | |
| | Grand Total | 488, 699, 077 | 297, 212, 547 | 101, 798, 179 | 20.8 |

Source: Taita Taveta 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 recorded the highest receipt at 113.3 per cent of annual allocation followed by the Road Maintenance Fuel Levy at 46.6 per cent. The County did not receive funds from the other Grants in the budget.

3.39.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.647.85 million from the CRF account, which was 13.9 per cent of the Approved Budget. This amount was a decrease of 33.4 per cent from Kshs.972.21 million authorized in a similar period of FY 2016/17.

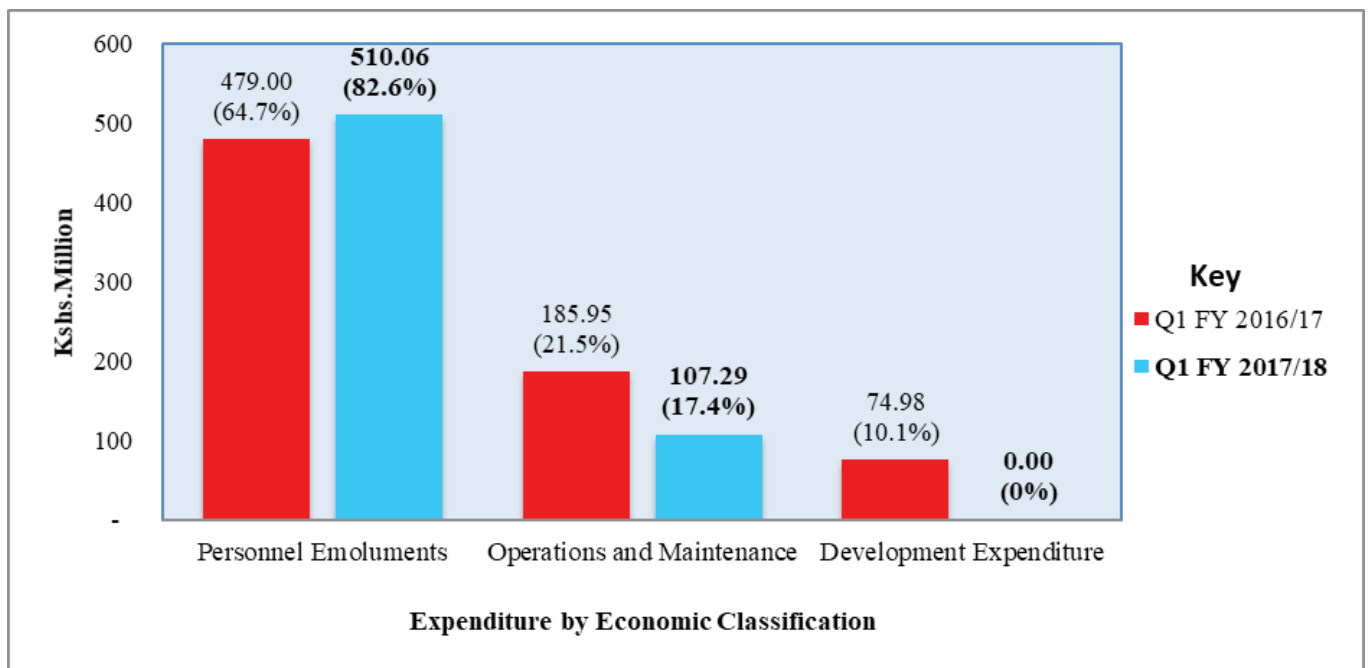
3.39.5 Overall Expenditure Review

The County incurred Kshs.617.34 million, which was 95.3 per cent of the total funds released for operations. This was a decrease of 16.5 per cent from Kshs.739 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.617.34 million was incurred on recurrent activities and represented 95.29 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.56.41 million for recurrent expenditure.

The recurrent expenditure represented 19 per cent of the annual recurrent budget, a decrease from 21.1 per cent incurred in a similar period of FY 2016/17. Figure 3.114 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.114: Taita Taveta County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



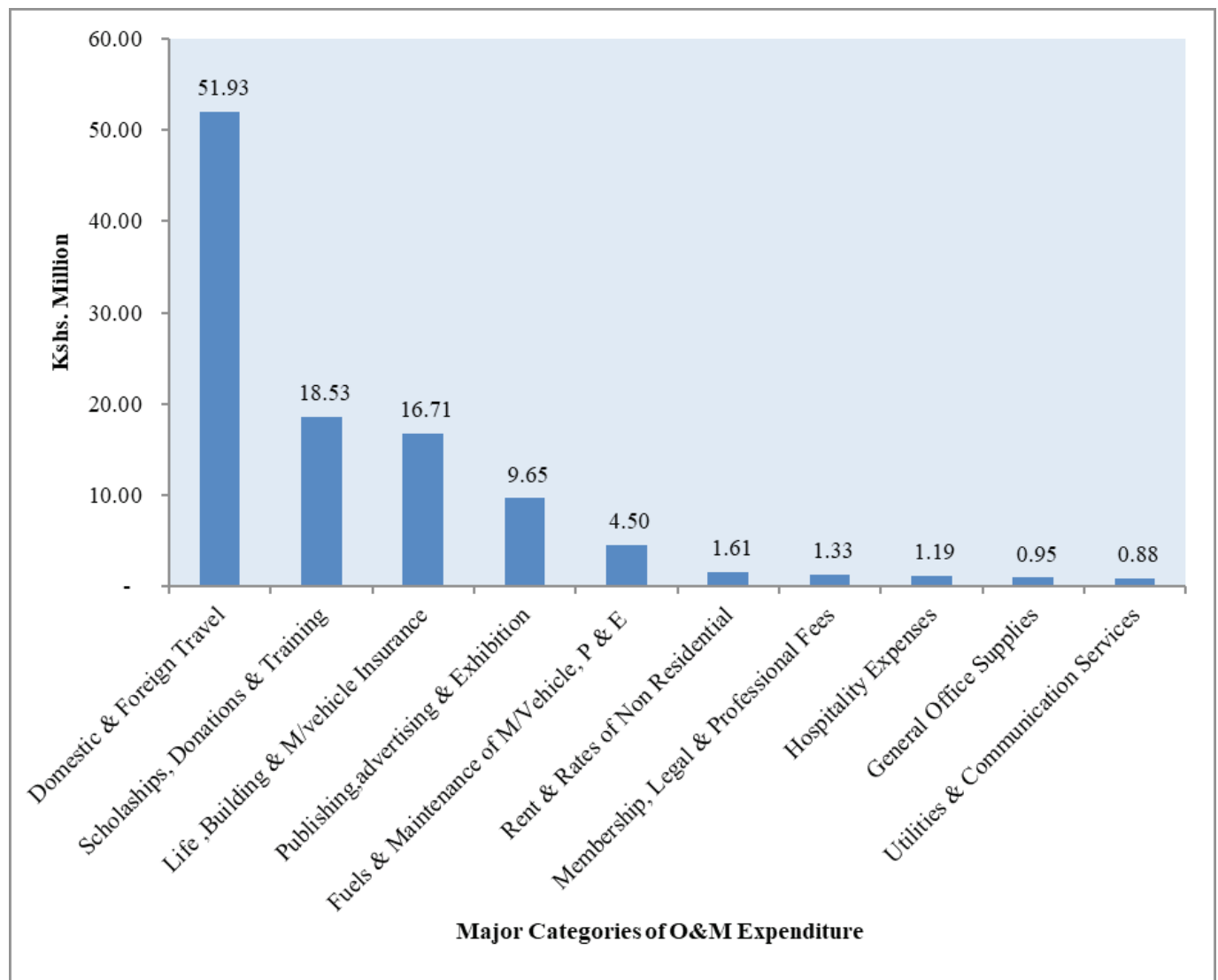
Source: Taita Taveta County Treasury

3.39.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.617.34 million consisted of Kshs.510.06 million (82.6 per cent) incurred on personnel emoluments and Kshs.107.29 million (17.4 per cent) on operations and maintenance as shown in Figure 3.114.

Expenditure on personnel emoluments represented an increase of 6.5 per cent compared to Kshs.479 million incurred in the first quarter of FY 2016/17. Figure 3.115 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.115: Taiata Taveta County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Taita Taveta County Treasury

The County incurred Kshs.9.95 million on sitting allowances to the 35 MCAs against the annual budget allocation of Kshs.65.44 million. This was an increase from Kshs.9.54 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.92, 131 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.51.93 million and consisted of Kshs.27.01 million incurred by the County Assembly and Kshs.27.01 million by the County Executive. It represented 8 per cent of total recurrent expenditure and was a decrease of 44 per cent compared to Kshs.94 million incurred in the first quarter of FY 2016/17.

3.39.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.39.8 Budget and Budget Performance Analysis by Department

Table 3.81 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.81: Taita Taveta County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure to Exchequer Issues (%) First Quarter FY 2017/18 | | Absorption rate (%) First Quarter FY 2017/18 | |
|---|----------------------------------|-----------------|--|----------|---|----------|--|----------|--|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 523.72 | 13.22 | 48.27 | - | 98.47 | - | 204 | - | 18.8 | - |
| Administration and Devolution | 1,697.73 | 14 | 549.4 | - | 443.58 | - | 80.74 | - | 26.13 | - |
| The Governor's And Deputy Governor's Office | 100.88 | - | 4.67 | - | 24.72 | - | 528.81 | - | 24.5 | - |
| Finance and Planning | 333.52 | 25 | 13.23 | - | 28.2 | - | 213.08 | - | 8.45 | - |
| Agriculture, Livestock and Fisheries | 23.62 | 151.97 | 1.09 | - | 2.39 | - | 218.59 | - | 10.13 | - |
| Industrialization, Energy, Research and ICT | 18.5 | 24.51 | 0.86 | - | 0.23 | - | 27.41 | - | 1.27 | - |
| Water and Irrigation | 15.93 | 334.77 | 0.74 | - | 0.86 | - | 116.79 | - | 5.41 | - |
| Education and Libraries | 151.79 | 161.39 | 7.03 | - | 10.9 | - | 154.9 | - | 7.18 | - |
| Health | 270.51 | 166.62 | 17.39 | - | 3.69 | - | 21.2 | - | 1.36 | - |
| Trade and Community Affairs | 34.04 | 178.24 | 1.58 | - | 0.83 | - | 52.58 | - | 2.44 | - |
| County Public Service Board | 15.42 | - | 0.71 | - | 2.96 | - | 414.59 | - | 19.21 | - |
| Infrastructure and Public Works | 18.79 | 286.52 | 0.87 | - | - | - | - | - | - | - |
| Lands and Mining | 29.75 | 20.5 | 1.38 | - | 0.32 | - | 23.52 | - | 1.09 | - |
| Tourism and Natural Resources | 13.29 | 23.22 | 0.62 | - | 0.18 | - | 29.9 | - | 1.39 | - |
| TOTAL | 3,247.49 | 1,399.96 | 647.85 | - | 617.34 | - | 95.3 | - | 19 | - |

Source: Taita Taveta County Treasury

Analysis of budget performance by department shows that the Administration and Devolution Department attained the highest recurrent expenditure to recurrent budget at 26.1 per cent while the Department of Infrastructure and Public Works did not incur any expenditure. The County did not incur any expenditure on development activities.

3.39.9 Observations and Recommendations

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

- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Improvement in human capacity through recruitment of additional key staff in the Procurement and Revenue Departments.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.642.86 million had been disbursed against an expected disbursement of Kshs.896 million in the first quarter of FY 2017/18.
2. Failure to refund unspent funds at the end of the financial year into the County Revenue Account maintained at the Central Bank of Kenya contrary to Section 136(2) of the PFM Act, 2012.
3. Under-performance of local revenue collection, which declined by 60.2 per cent from Kshs.39.64 million in the first quarter of FY 2016/17 to Kshs.15.76 million in the first quarter of FY 2017/18.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
- 2. The County Treasury should deposit all unspent balances at the end of the financial year into the County Revenue Fund Account in line with Section 136(2) of the PFM Act, 2012.*
- 3. The County should formulate and implement strategies to enhance local revenue collection.*
- 4. The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.40 Tana River County

3.40.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.5.8 billion, comprising of Kshs.3.34 billion (58 per cent) and Kshs.2.46 billion (42 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.35 billion (92.2 per cent) as equitable share of revenue raised nationally, Kshs.472.36 million (8.2 per cent) as total conditional grants, and generate Kshs.60 million (1 per cent) from local revenue sources, and Kshs.20.38 million (0.4 per cent) cash balance from FY 2016/17.

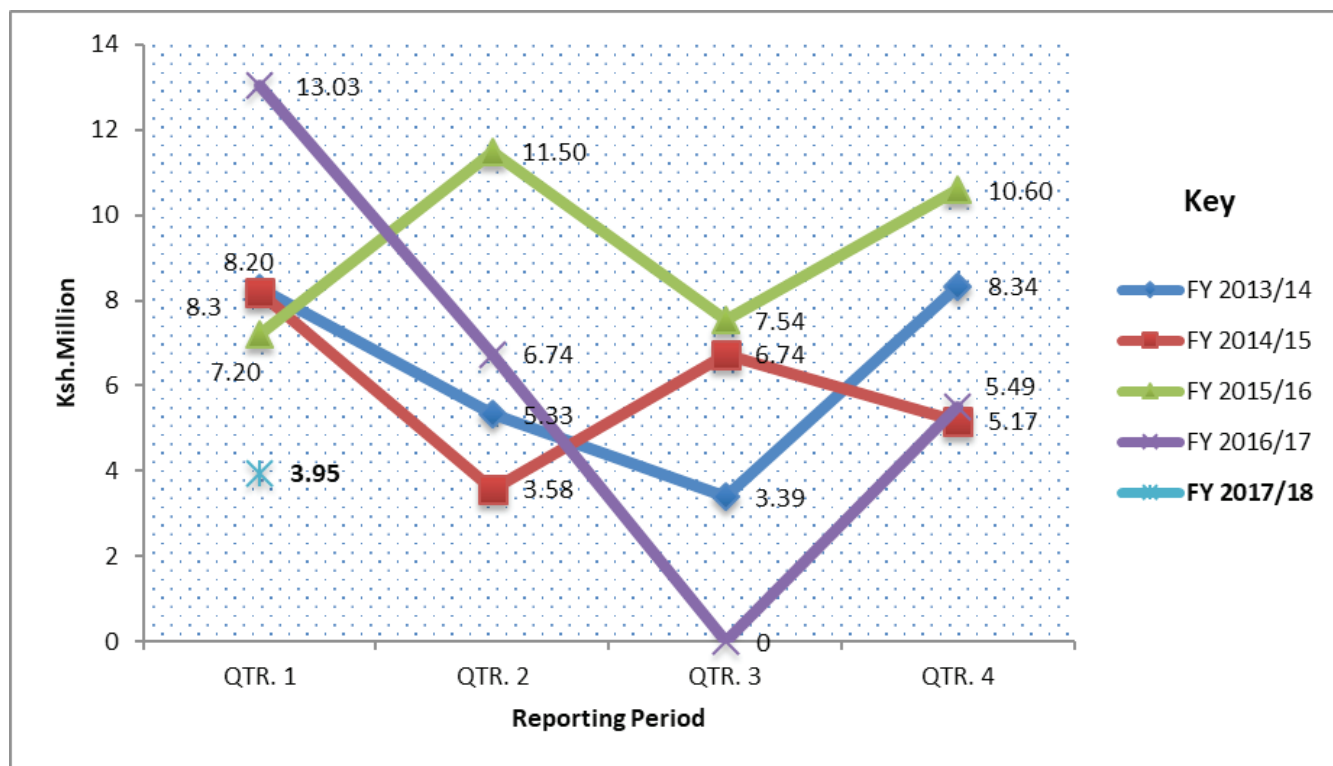
The conditional grants contained in the CARA, 2017 of Kshs.538.36 million comprise of Kshs.169.77 million (31.5 per cent) for Road Maintenance Fuel Levy, Kshs.121 million (22.5 per cent) as Supplement for Construction of County Headquarters, Kshs.71.22 million (13.2 per cent) as World Bank loan for Transforming Health System Universal Care System, Kshs.66 million (12.3 per cent) from the EU, Kshs.41.1 million (7.6 per cent) for the Kenya Devolution Support Programme, Kshs.27.36 million (5.1 per cent) for Development of Youth Polytechnics, Kshs.24.73 million (4.6 per cent) as World Bank Loan to Supplement Financing of County Health Facilities, Kshs.11.5 million (2.1 per cent) for DANIDA grant, Kshs.5.69 million (1.1 per cent) as conditional grant for Compensation for User Fee Foregone.

3.40.2 Revenue Analysis

During the first quarter, the County received Kshs.79.11 million as total conditional grants, generated Kshs.3.95 million from local revenue collection, and had Kshs.20.38 million cash balance from FY 2016/17.

Figure 3.116 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.116: Tana River County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Tana River County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.3.95 million, representing a decrease of 69.7 per cent compared to Kshs.13.03 million generated in a similar period of FY 2016/17, and represented 6.6 per cent of the annual local revenue target.

3.40.3 Conditional Grants

Table 3.82 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.82: Tana River County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|--------------------|--|--|------------------------------------|--|---|
| A | Grants Contained in the CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 169, 770, 271 | 169, 770, 389 | 79, 112, 946 | 46.6 |
| 2 | Supplement for Construction of County HQ | 121, 000, 000 | 121, 000, 000 | - | - |
| 3 | World Bank Loan for Transforming Health System for Universal Care System | 71, 224, 457 | - | - | - |
| 4 | EU Grant | 66, 000, 000 | - | - | - |
| 5 | Kenya Devolution Support Programme (KDSP) | 41, 095, 762 | 41, 095, 762 | - | - |
| 6 | Development of Youth Polytechnics | 27, 360, 819 | 27, 360, 819 | - | - |
| 7 | World Bank loan to Supplement Financing of County Health Facilities | 24, 725, 000 | 24, 725, 000 | - | - |
| 8 | DANIDA Grant | 11, 504, 299 | - | - | - |
| 9 | Compensation for User Fee Foregone | 5, 682, 537 | 5, 682, 537 | - | - |
| Grand Total | | 538, 363, 145 | 389, 634, 507 | 79, 112, 946 | 14.7 |

Source: Tana River County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund received Kshs.79.11 million, while all other grants did not report any receipts.

3.40.4 Exchequer Issues

During the reporting period, the County did not receive any exchequer approval from the Controller of Budget.

3.40.5 Overall Expenditure Review

The County Treasury did not report any expenditure during the first quarter of FY 2017/18.

3.40.6 Observations and Recommendations

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

- Improvement in the use of the Internet Banking payment system and the adoption of IFMIS to process financial transactions.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

- Failure by the County Assembly to either pass a Vote on Account or approve the FY 2017/18

Budget in time. The FY 2017/18 Budget was approved on 19th September, 2017. Therefore, the County had no adequate time to implement the budget in the first quarter of FY 2017/18.

2. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County Executive and the Assembly should ensure timely preparation and approval of budgets to avoid delays in budget execution.*
- 2. The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.41 Tharaka Nithi County

3.41.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.4.51 billion, comprising of Kshs.3.02 billion (67 per cent) and Kshs.1.48 billion (33 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.68 billion (81.8 per cent) as equitable share of revenue raised nationally, Kshs.347.06 million (7.7 per cent) as total conditional grants, and generate Kshs.179.92 million (4 per cent) from local revenue sources, and Kshs.240 million (5.3 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.497.57 million comprise of Kshs.133.68 million (38.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.22 million (2.4 per cent) as Compensation for User Fee Foregone, Kshs.9.06 million (2.6 per cent) from DANIDA, Kshs.121 million (34.9 per cent) for Construction of County Headquarters, Kshs.18.77 million (5.4 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.35.99 million (10.4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.38.12 million (11 per cent) for Development of Youth Polytechnics, Kshs.22 million (6.3 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.14.98 million (4.3 per cent) as conditional allocation loan grants and Kshs.14.98 million (4.3 per cent) from Other Loans and Grants.

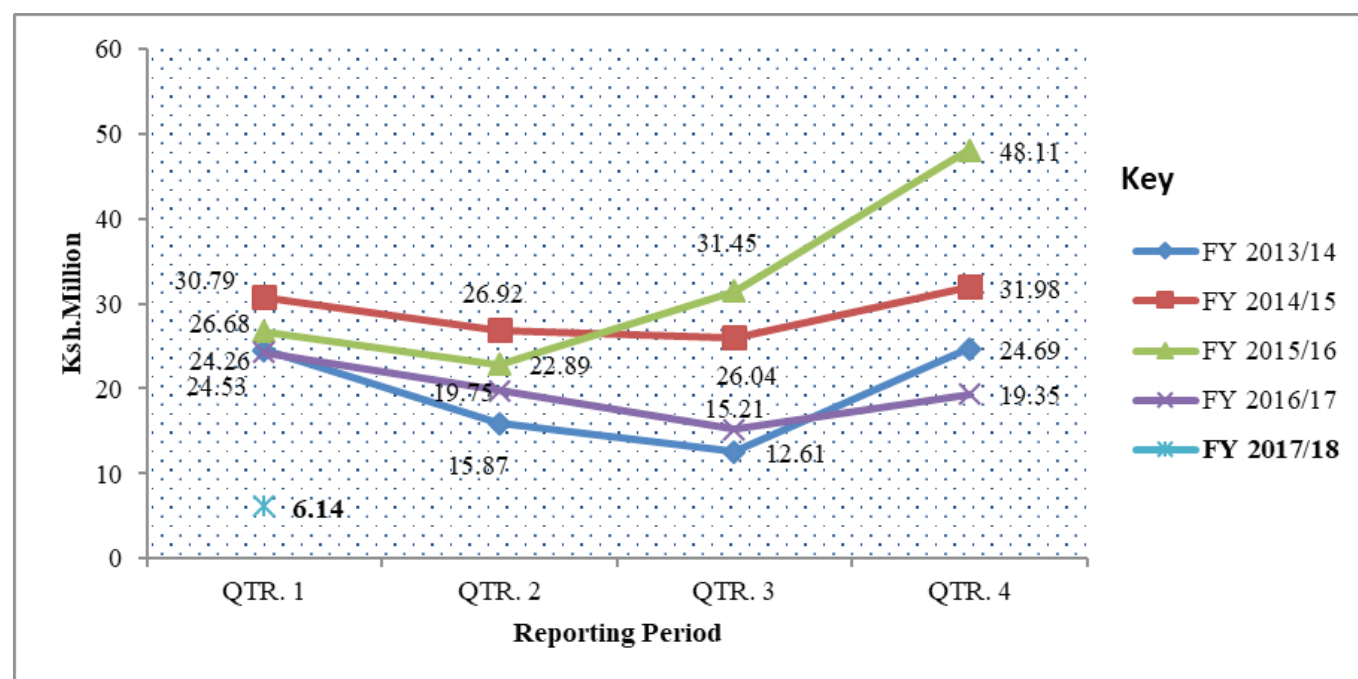
The County budgeted to receive Agricultural Sector Development Support Programme grant (Kshs.12.84 million) and World Bank Health Fund (Kshs.33.20 million) as additional conditional grants which were not contained in the CARA, 2017.

3.41.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.257.91 million as equitable share of the revenue raised nationally, Kshs.107 million as total conditional allocations, raised Kshs.6.14 million from local revenue sources, and had a cash balance of Kshs.287.54 million from FY 2016/17. The available funds amounted to Kshs.765.59 million.

Figure 3.117 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.117: Tharaka Nithi County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Tharaka Nithi County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.6.14 million, representing a decrease of 74.7 per cent compared to Kshs.24.26 million generated in a similar period of FY 2016/17, and represented 3.4 per cent of the annual local revenue target.

3.41.3 Conditional Grants

Table 3.83 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.83: Tharaka Nithi County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|-----------|---|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 133, 683, 063 | 133, 682, 063 | 62, 346, 143 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | - | - | - |
| 3 | World Bank loan to supplement financing of County Health facilities | 18, 767, 500 | - | 44, 654, 343 | 237.9 |
| 4 | Kenya Devolution Support Program (KDSP) | 35, 989, 349 | - | - | - |
| 5 | Compensation for User Fee Foregone | 8, 218, 119 | 8, 218, 119 | - | - |
| 6 | DANIDA Grant | 9, 058, 820 | - | - | - |
| 7 | Supplement for Construction of County Headquarters | 121, 000, 000 | 121, 000, 000 | - | - |
| 8 | Development of Youth Polytechnics | 38, 121, 678 | 38, 121, 678 | - | - |
| Sub Total | | 497, 565, 561 | 301, 021, 860 | 107, 000, 486 | 22 |

| B | Other Grants | | | | |
|------------------|---|---------------|---------------|---------------|-----------|
| 9 | Agricultural Sector Development Support Programme (ASD-SP) Grants | - | 12, 837, 611 | - | - |
| 10 | World Bank Health Fund | - | 33, 203, 560 | - | - |
| Sub Total | | - | 46, 041, 171 | - | - |
| Total | | 497, 565, 561 | 347, 063, 031 | 107, 000, 486 | 22 |

Source: Tharaka Nithi 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 and the Road Maintenance Fuel Levy Fund recorded the highest receipt at 237.9 per cent and 47 per cent of annual allocation respectively.

3.41.4 Exchequer Issues

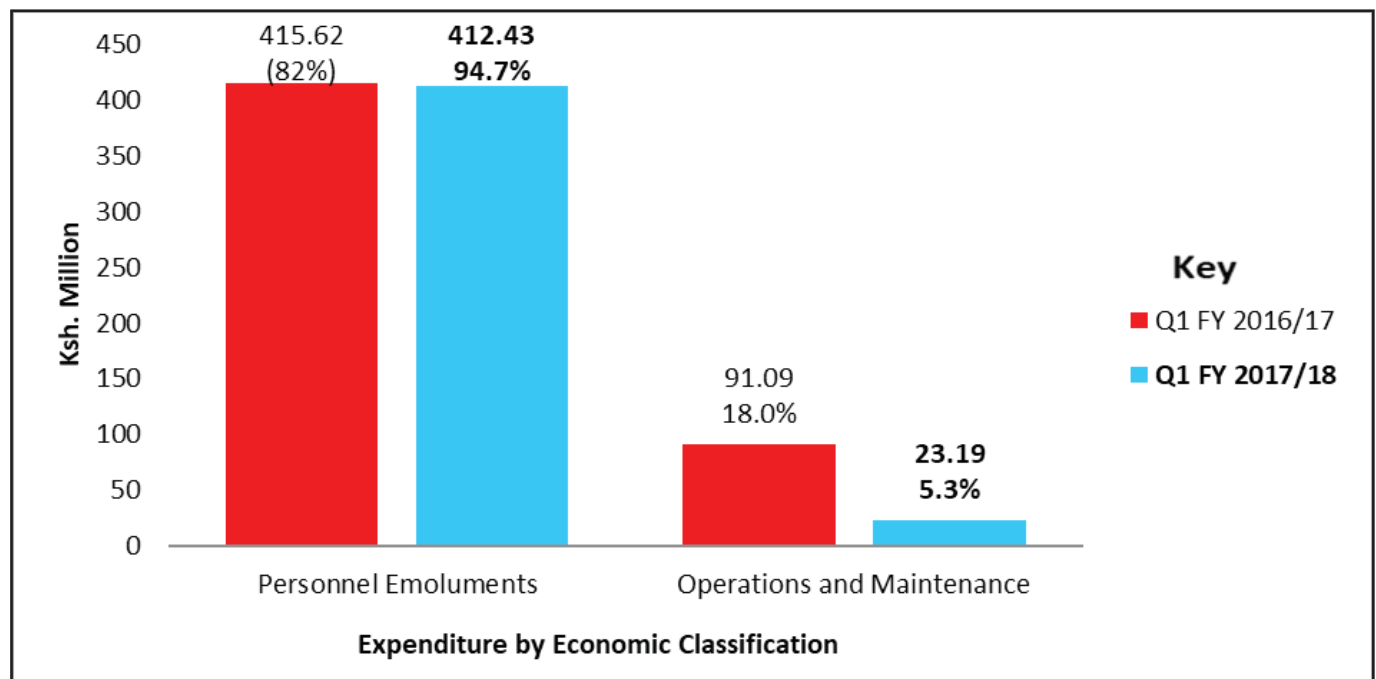
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.459 million from the CRF account, which was 10.2 per cent of the Approved Budget. This amount was a decrease of 42.4 per cent from Kshs.797.27 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

3.41.5 Overall Expenditure Review

The County incurred Kshs.435.62 million, which was 94.9 per cent of the total funds released for operations. This was a decrease of 14.1 per cent from Kshs.507 million incurred in the first quarter of FY 2016/17. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.2.32 million for recurrent expenditure.

The recurrent expenditure represented 14.6 per cent of the annual recurrent budget, a decrease from 16.2 per cent incurred in a similar period of FY 2016/17. Figure 3.118 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.118: Tharaka Nithi County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



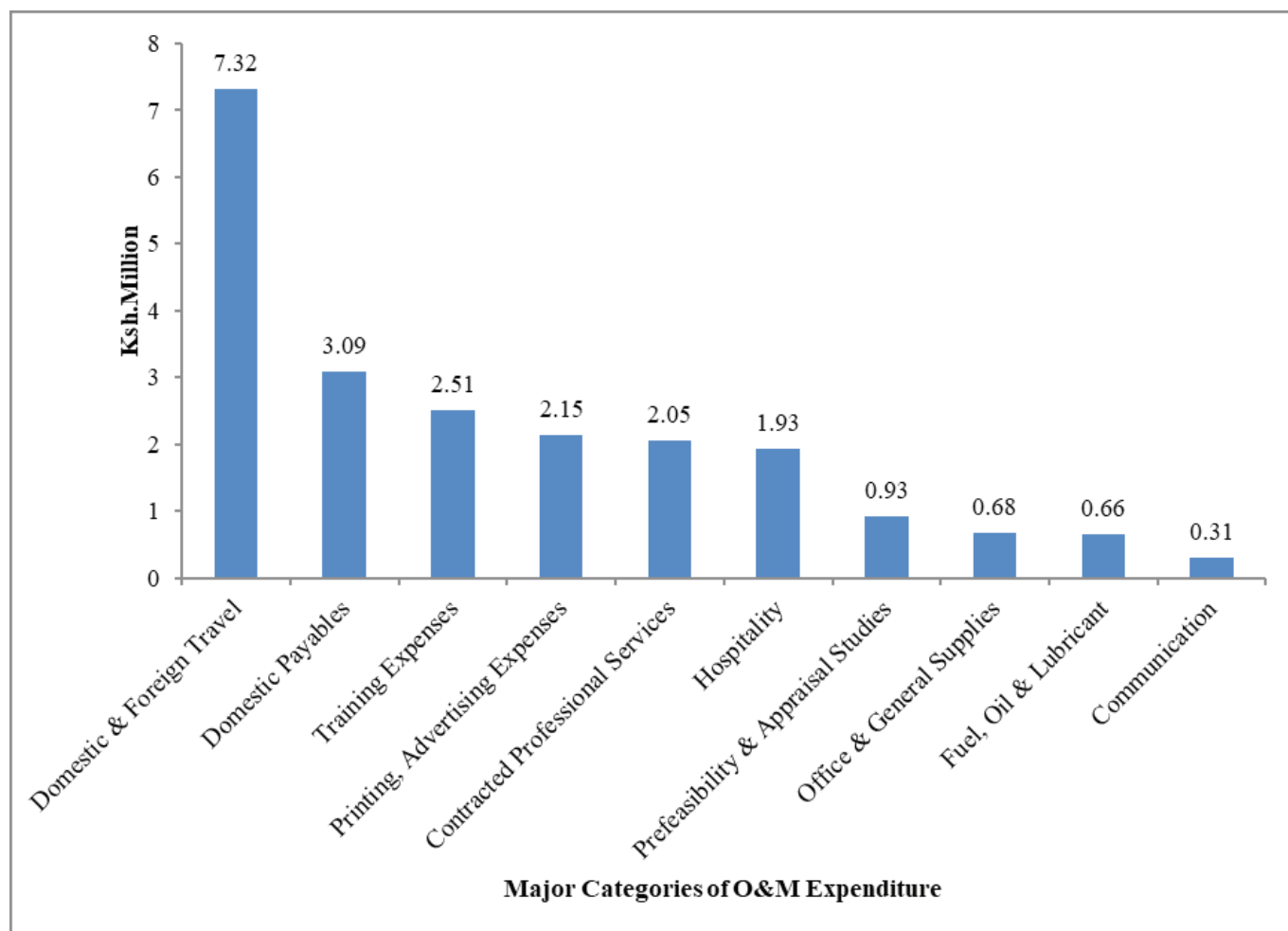
Source: Tharaka Nithi County Treasury

3.41.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.435.62 million consisted of Kshs.412.43 million (94.7 per cent) incurred on personnel emoluments and Kshs.23.19 million (5.3 per cent) on operations and maintenance as shown in Figure 3.118.

Expenditure on personnel emoluments represented a decrease of 8 per cent compared to Kshs.415.62 million incurred in the first quarter of FY 2016/17, and was 82 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.119 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.119: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Tharaka Nithi County Treasury

The County incurred Kshs.220,000 on committee sitting allowances to the 21 MCAs against the annual budget allocation of Kshs.36 million. This was a decrease of 94.8 per cent compared to Kshs.4.26 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.3,492 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.7.32 million and consisted of Kshs.4.04 million incurred by the County Assembly and Kshs.3.28 million by the County Executive. It represented 1.7 per cent of total recurrent expenditure and was a decrease of 48.6 per cent compared to Kshs.14.25 million incurred in the first quarter of FY 2016/17.

3.41.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.41.8 Budget and Budget Performance Analysis by Department

Table 3.84 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.84: Tharaka Nithi County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in the first quarter of FY 2017/18 (Kshs. Million) | | Expenditure in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure to Exchequer Issues (%) First Quarter FY 2017/18 | | Absorption rate (%) First Quarter FY 2017/18 | |
|--|----------------------------------|----------------|---|----------|---|----------|--|----------|--|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 466.39 | 100 | 30 | - | 29.57 | - | 98.6 | - | 6.3 | - |
| County Executive | 156.60 | - | 24.99 | - | 9.08 | - | 36.4 | - | 5.8 | - |
| Finance and Economic Planning | 420.18 | 195.6 | 57.5 | - | 23.59 | - | 41 | - | 5.6 | - |
| Agriculture, Livestock and Fisheries Development | 269.17 | 117.28 | 49.39 | - | 46.89 | - | 94.9 | - | 17.4 | - |
| Tourism, Environment and Natural Resources | 55.39 | 28.5 | 13.5 | - | 7.86 | - | 58.2 | - | 14.2 | - |
| Education, Youth, Gender, Cultural and Social Services | 200.9 | 90 | 30.6 | - | 35.6 | - | 116.3 | - | 17.7 | - |
| Health Services | 1, 045.98 | 116.75 | 180.72 | - | 261.15 | - | 144.5 | - | 25 | - |
| Physical Planning, Land, Energy and ICT | 50.84 | 29 | 10.1 | - | 2.15 | - | 21.3 | - | 4.2 | - |
| Road, Transport, Housing and Public Works | 76.10 | 428.4 | 15.5 | - | 2.87 | - | 18.5 | - | 3.8 | - |
| Public Services and Urban Development | 168.38 | 119.45 | 28.61 | - | 13.11 | - | 45.8 | - | 7.8 | - |
| Trade, Industry and Cooperative Development | 49.96 | 53 | 7.6 | - | 2.23 | - | 29.4 | - | 4.5 | - |
| Water Services and Irrigation | 29.32 | 203.5 | 2.5 | - | 0 | - | - | - | - | - |
| County Public Service Management | 35.44 | - | 8 | - | 1.51 | - | 18.9 | - | 4.3 | - |
| TOTAL | 3, 024.7 | 1,481.5 | 459 | - | 435.62 | - | 94.9 | - | 14.6 | - |

Source: Tharaka Nithi County Treasury

Analysis of budget performance by department shows that the Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 25 per cent while the Department of Water Services and Irrigation did not incur any recurrent expenditure.

3.41.9 Observations and Recommendations

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

- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

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

2. Delay by Fund Administrators to submit expenditure reports of the County Public Finance Management Bursary, Educational Development and Infrastructure Fund, Car Loan and Mortgage Fund, County Assembly Members Car Loan and Mortgage Fund and the Biashara Mashinani Funds contrary to Section 168 of the PFM Act, 2012.
3. Under-performance of local revenue collection which declined by 74.7 per cent from Kshs.24.26 million in the first quarter of FY 2016/17 to Kshs.6.14 million in the reporting period.
4. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
- 2. All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
- 3. The County Treasury should formulate and implement strategies to enhance local revenue collection.*
- 4. The County should liaise with the IFMIS Directorate to address the IFMIS connectivity issues.*
- 5. The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.42 Trans-Nzoia County

3.42.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.6.82 billion, comprising of Kshs.4.43 billion (64.9 per cent) and Kshs.2.39 billion (35.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.65 billion (82.8 per cent) as equitable share of revenue raised nationally, Kshs.575.73 million (8.4 per cent) as total conditional grants, and generate Kshs.600 million (8.8 per cent) from local revenue sources, and Kshs.36.89 million (0.5 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.507.84 million comprise of Kshs.217.28 million (37.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.21.3 million (3.7 per cent) as Compensation for User Fee Foregone, Kshs.14.72 million (2.6 per cent) from DANIDA, Kshs.43.39 million (7.5 per cent) for the World Bank Kenya Devolution Support Program, Kshs.39.11 million (6.8 per cent) for Development of Youth Polytechnics, Kshs.78.32 million (13.6 per cent) as World Bank

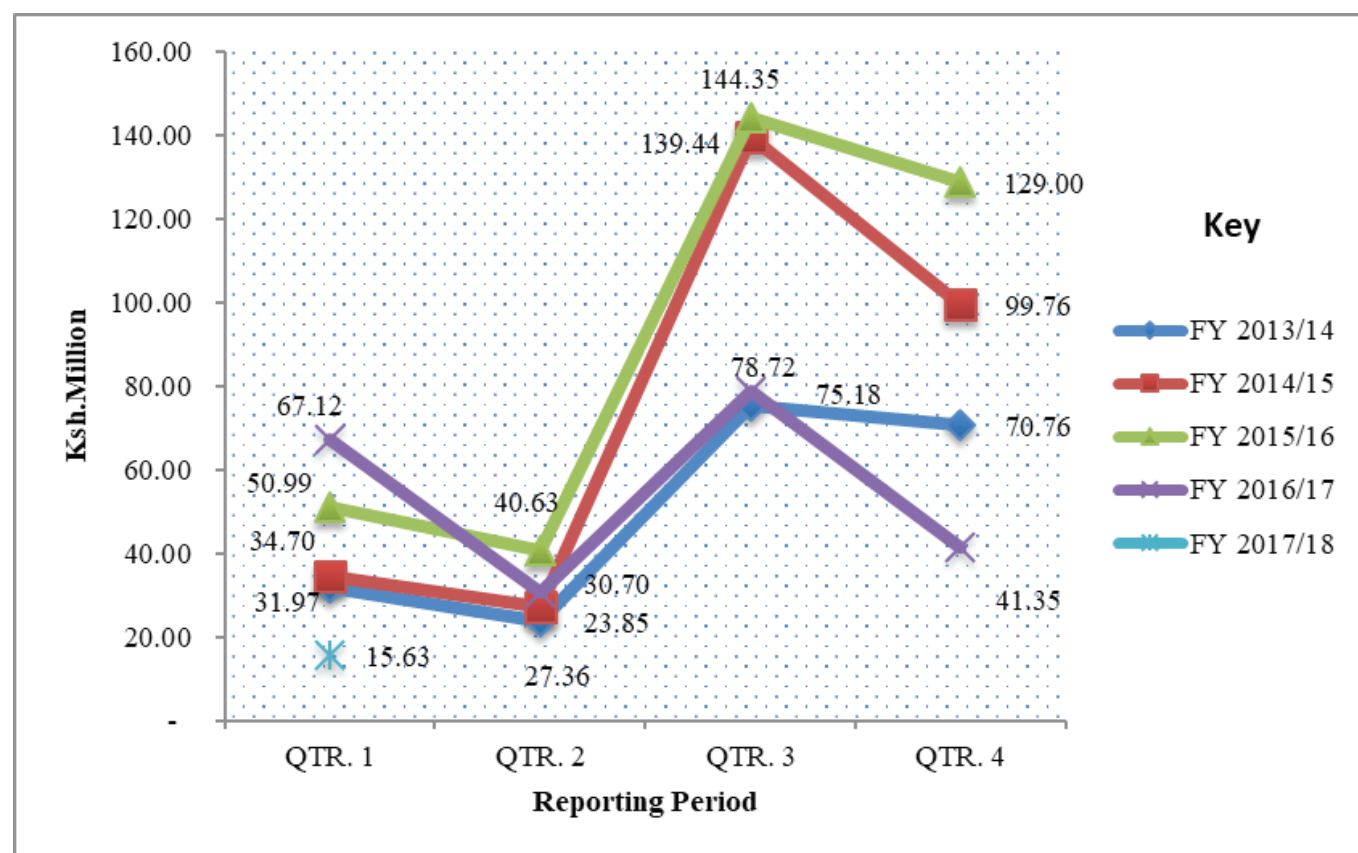
Loan for Transforming Health System for Universal Care System, Kshs.50 million (8.7 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, and Kshs.43.7 million (7.6 per cent) from Other Loans and Grants.

3.42.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.395.32 million as equitable share of the revenue raised nationally, Kshs.101.33 million as total conditional allocations, raised Kshs.15.63 million from local revenue sources, and had Kshs.36.89 million cash balance from FY 2016/17. The available funds amounted to Kshs.549.18 million.

Figure 3.120 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.120: Trans-Nzoia County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Trans-Nzoia County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.15.63 million, representing a significant decrease of 76.7 per cent compared to Kshs.67.12 million generated in a similar period of FY 2016/17, and represented 2.6 per cent of the annual local revenue target.

3.42.3 Conditional Grants

Table 3.85 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.85: Trans-Nzoia County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs.) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|--------------------|--|--|------------------------------------|---|---|
| A | Grants Contained in the CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 217, 278, 809 | 217, 278, 809 | 101, 333, 683 | 46.6 |
| 2 | World Bank Loan for Transforming Health System for Universal Care System | 78, 322, 596 | | - | - |
| 3 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | - | | |
| 4 | Other Loans & Grants | 43, 699, 195 | 186, 745, 455 | - | - |
| 5 | Kenya Development Support Programme (KDSP) | 43, 386, 482 | 43, 386, 482 | - | - |
| 6 | Development of Youth Polytechnics | 39, 109, 877 | 39, 109, 877 | - | - |
| 7 | Compensation for User Fee Foregone | 21, 304, 915 | 21, 304, 915 | - | - |
| 8 | DANIDA Grant | 14, 723, 664 | - | - | - |
| Sub Total | | 507, 825, 538 | 507, 825, 538 | 101, 333, 683 | 20 |
| B | Other Grants Not Contained in the CARA, 2017 | | | | |
| 9 | Free Maternal Healthcare | - | 67, 908, 400 | - | - |
| Sub Total | | - | 67, 908, 400 | - | - |
| Grand Total | | 507, 825, 538 | 575, 733, 938 | 101, 333, 683 | 20 |

Source: Trans-Nzoia County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received Kshs.101.33 million from Road Maintenance Fuel Levy Fund as the only conditional grant as contained in the CARA, 2017. This receipt accounted for 20 per cent of the total conditional grants received during the period under review.

3.42.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.450.44 million from the CRF account, which was 6.6 per cent of the Approved Budget. This amount represented a significant decrease of 63.1 per cent from Kshs.1, 220.83 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

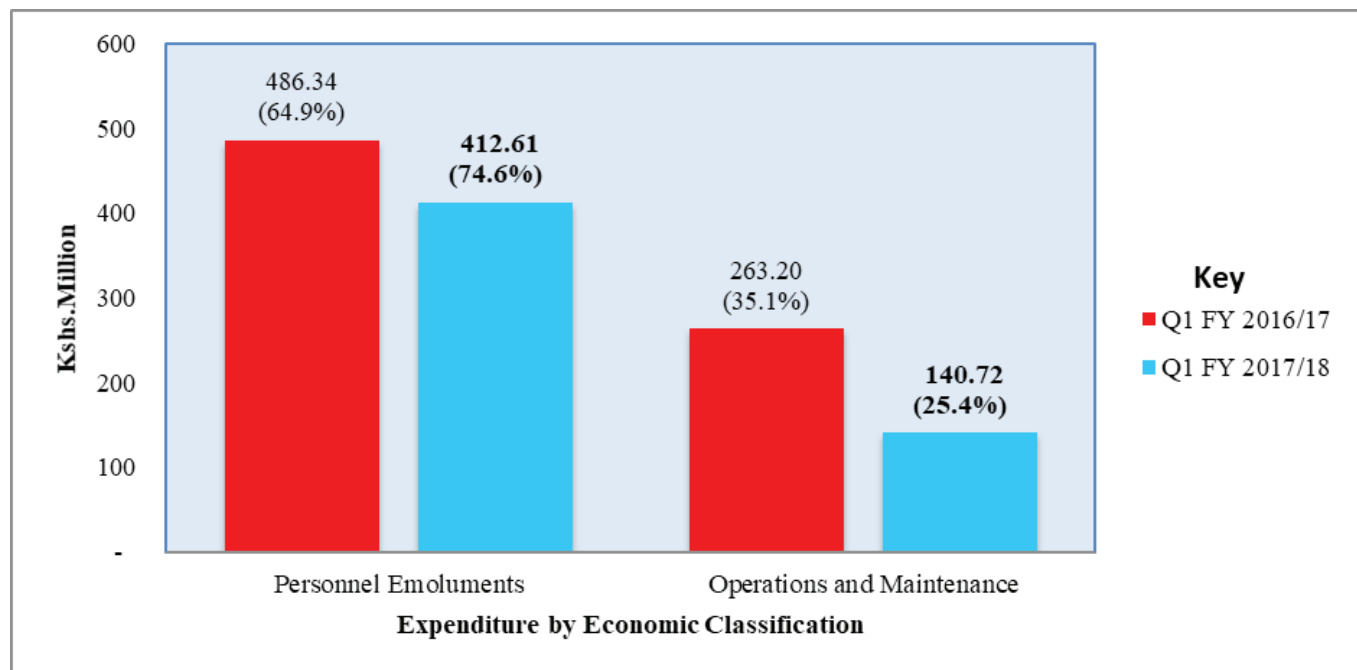
3.42.5 Overall Expenditure Review

The County incurred Kshs.553.34 million, which was 122.8 per cent of the total funds released for operations and was a decrease of 26.2 per cent from Kshs.1, 110.71 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.553.34 million was incurred on recurrent activities and represented 122.8 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.3.17 million for recurrent expenditure.

The recurrent expenditure represented 12.5 per cent of the annual recurrent budget, a decrease from 20.5 per cent incurred in a similar period of FY 2016/17. Figure 3.121 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.121: Trans-Nzoia County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



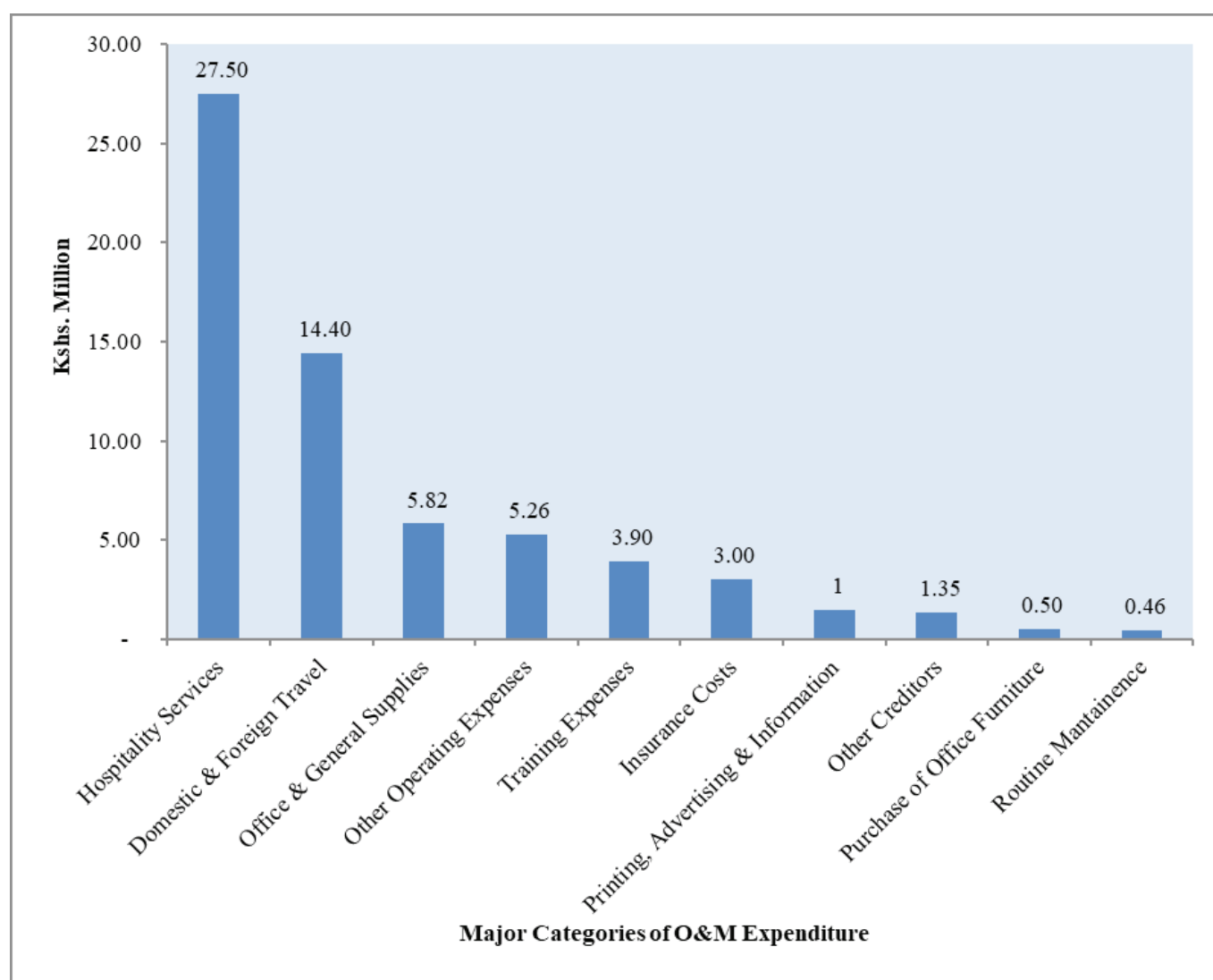
Source: Trans-Nzoia County Treasury

3.42.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.553.34 million consisted of Kshs.412.61 million (74.6 per cent) incurred on personnel emoluments and Kshs.140.72 million (25.4 per cent) on operations and maintenance as shown in Figure 3.121.

Expenditure on personnel emoluments represented a decrease of 15.2 per cent compared to Kshs.486.34 million incurred in the first quarter of FY 2016/17, and was 74.6 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.122 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.122: Trans-Nzoia County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Trans-Nzoia County Treasury

The County Assembly did not incur any expenditure on committee sitting allowances to the 46 MCAs. Expenditure on domestic and foreign travel amounted to Kshs.14.4 million and consisted of Kshs.12.03 million incurred by the County Assembly and Kshs.2.36 million by the County Executive. It represented 2.6 per cent of total recurrent expenditure and was a significant decrease of 79.7 per cent compared to Kshs.71.07 million incurred in the first quarter of FY 2016/17.

3.42.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.42.8 Budget and Budget Performance Analysis by Department.

Table 3.2 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.86: Trans-Nzoia County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure to Exchequer Issues (%) First Quarter FY 2017/18 | | Absorption rate (%) First Quarter FY 2017/18 | |
|--|----------------------------------|------------------|--|----------|---|----------|--|----------|--|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture, Livestock, Veterinary & Fisheries | 275.69 | 202.12 | 30.89 | - | 40.71 | - | 131.8 | - | 14.8 | - |
| Economic Planning, Commerce & Industry | 51.7 | 109.5 | 4.74 | - | 6.36 | - | 134.2 | - | 12.3 | - |
| Water, Environment & Natural Resources | 72.57 | 289.88 | 7.42 | - | 11.95 | - | 161.1 | - | 16.5 | - |
| Public Works, Transport & Infrastructure | 288.16 | 614.48 | 14.31 | - | 16.86 | - | 117.8 | - | 5.9 | - |
| Health Services | 1, 667.33 | 537 | 218.35 | - | 274.63 | - | 125.8 | - | 16.5 | - |
| Lands, Housing & Physical Planning | 82.95 | 86.5 | 4.23 | - | 5.76 | - | 136.2 | - | 6.9 | - |
| Gender, Youth, Sports, Culture & Tourism | 99.34 | 103 | 3.19 | - | 6.77 | - | 212.2 | - | 6.8 | - |
| Education, ECDE & Vocational Training | 357.29 | 244.01 | 39.89 | - | 50.43 | - | 126.4 | - | 14.1 | - |
| Governance & Public Service Management | 383.56 | 68 | 46.59 | - | 52.06 | - | 111.7 | - | 13.6 | - |
| County Public Service Board | 35 | 20 | 0.93 | - | - | - | - | - | - | - |
| Finance | 585.61 | 70 | 21.56 | - | 33.36 | - | 154.7 | - | 5.7 | - |
| County Assembly | 530.45 | 48.99 | 58.33 | - | 54.45 | - | 93.3 | - | 10.3 | - |
| TOTAL | 4, 429.65 | 2, 393.48 | 450.44 | - | 553.34 | - | 122.8 | - | 12.5 | - |

Source: Trans-Nzoia County Treasury

Analysis of budget performance by department shows that the Department of Health, and the Department of Water, Environment and Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 16.5 per cent each, followed by the Department of Agriculture, Livestock Veterinary and Fisheries at 14.8 per cent.

3.42.9 Observations and Recommendations

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

- Streamlining the management of the County established Funds through the establishment of Regulations and/or Acts, and appointment of Fund Administrators.
- Improvement in the use of IFMIS by the County Departments.

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

- Late submission of financial reports by the County Treasury, which affected timely preparation

of budget implementation report.

2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.395.32 million had been disbursed against expected disbursement of Kshs.1.38 billion.
3. Under-performance in local revenue collection. The Local revenue collection declined by 76.7 per cent from Kshs.67.12 million in the first quarter of FY 2016/17 to Kshs.15.63 million in the reporting period.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.43 Turkana County

3.43.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.11.21 billion, comprising of Kshs.7.23 billion (64.5 per cent) and Kshs.3.98 billion (35.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.07 billion (89.4 per cent) as equitable share of revenue raised nationally, Kshs.936.43 million (8.4 per cent) as total conditional grants, and generate Kshs.200 million (1.8 per cent) from local revenue sources.

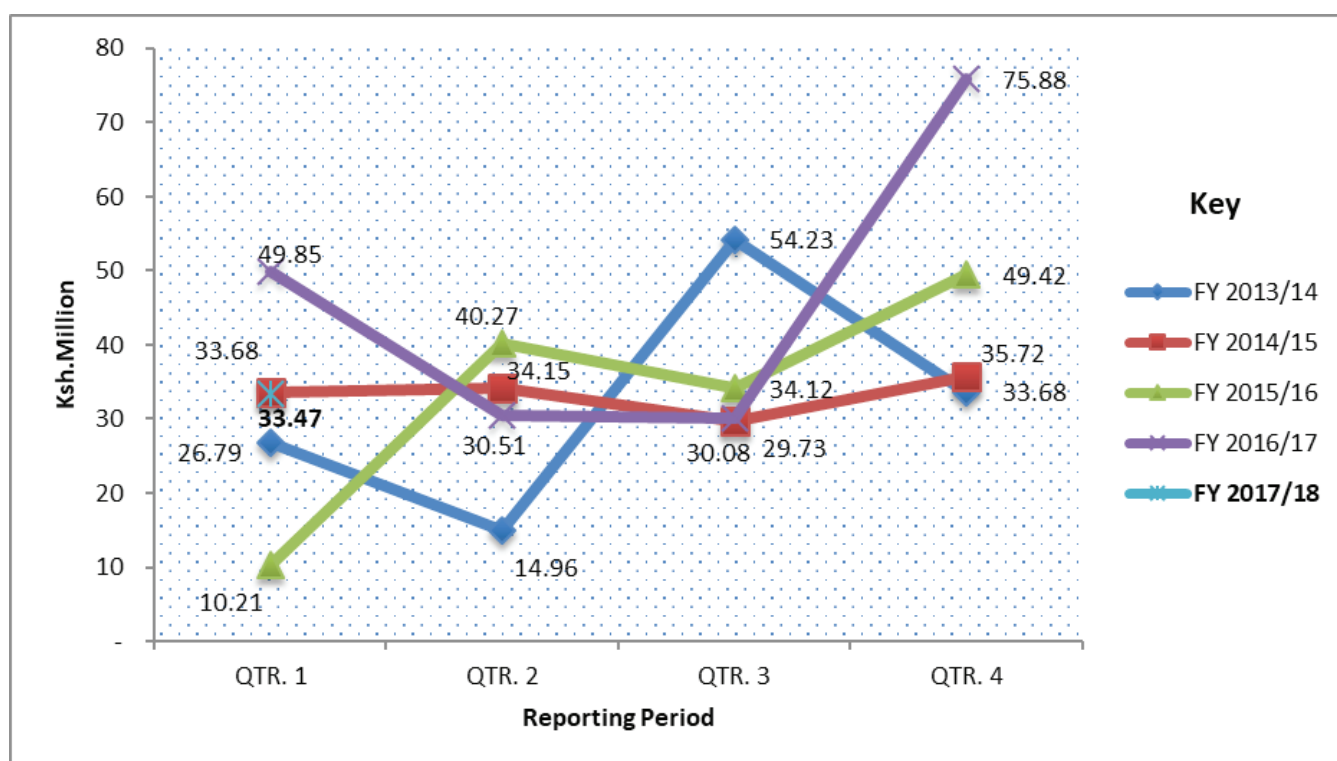
The conditional grants contained in the CARA, 2017 of Kshs.936.43 million comprise of Kshs.446.48 million (47.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.25.63 million (2.7 per cent) as Compensation for User Fee Foregone, Kshs.30.26 million (3.2 per cent) from DANIDA, Kshs.24.2 million (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 Program, Kshs.26.36 million (2.8 per cent) for Development of Youth Polytechnics, Kshs.110 million (11.7 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (5.3 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, Kshs.95.74 million (10.2 per cent) for Leasing of Medical Equipment Union Grant, and Kshs.66.64 million (7.1 per cent) from Other Loans and Grants.

3.43.2 Revenue Analysis

During the first quarter of FY 2017/18, the County did not receive equitable share of the revenue raised nationally, however, it received, Kshs.275.49 million as total conditional allocations, raised Kshs.33.47 million from local revenue sources, and had a cash balance of Kshs.904.56 million from FY 2016/17. The available funds amounted to Kshs.1.21 billion.

Figure 3.123 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.123: Turkana County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Turkana County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.33.47 million, representing a decrease of 32.9 per cent compared to Kshs.49.85 million generated in a similar period of FY 2016/17, and represented 16.7 per cent of the annual local revenue target.

3.43.3 Conditional Grants

Table 3.87 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.87: Turkana County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|--|--|------------------------------------|--|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 446, 479, 380 | 446, 479, 380 | 208, 227, 392 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | 95, 744, 681 | - | - |
| 3 | World Bank loan to supplement financing of County Health facilities | 24, 195, 000 | 24, 195, 000 | - | - |
| 4 | Kenya Devolution Support Programme (KDSP) | 61, 120, 888 | 61, 120, 888 | - | - |
| 5 | Compensation for User Fee Foregone | 25, 634, 941 | 25, 634, 941 | - | - |
| 6 | DANIDA Grant | 30, 255, 192 | - | - | - |
| 7 | Development of Youth Polytechnics | 26, 358, 855 | 26, 358, 855 | - | - |
| 8 | Other Loans & Grants | 66, 640, 356 | 256, 895, 548 | - | - |
| 9 | World Bank Loan for Transforming Health System for Universal Care System | 110, 000, 000 | - | 67, 258, 982 | 61.1 |
| 10 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | - | - | - |
| Total | | 936, 429, 293 | 936, 429, 293 | 275, 486, 374 | 29.4 |

Source: Turkana County Treasury

Analysis of the conditional grants released during the period under review indicates that the County received two conditional grants, namely; the World Bank Loan for Transforming Health System for Universal Care System and the Road Maintenance Fuel Levy Fund with a performance of 61.1 per cent and 46.6 per cent of annual allocation respectively

3.43.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.04 billion from the CRF account, which was 9.3 per cent of the Approved Budget. This amount was a decrease of 70.4 per cent from Kshs.3.51 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

3.43.5 Overall Expenditure Review

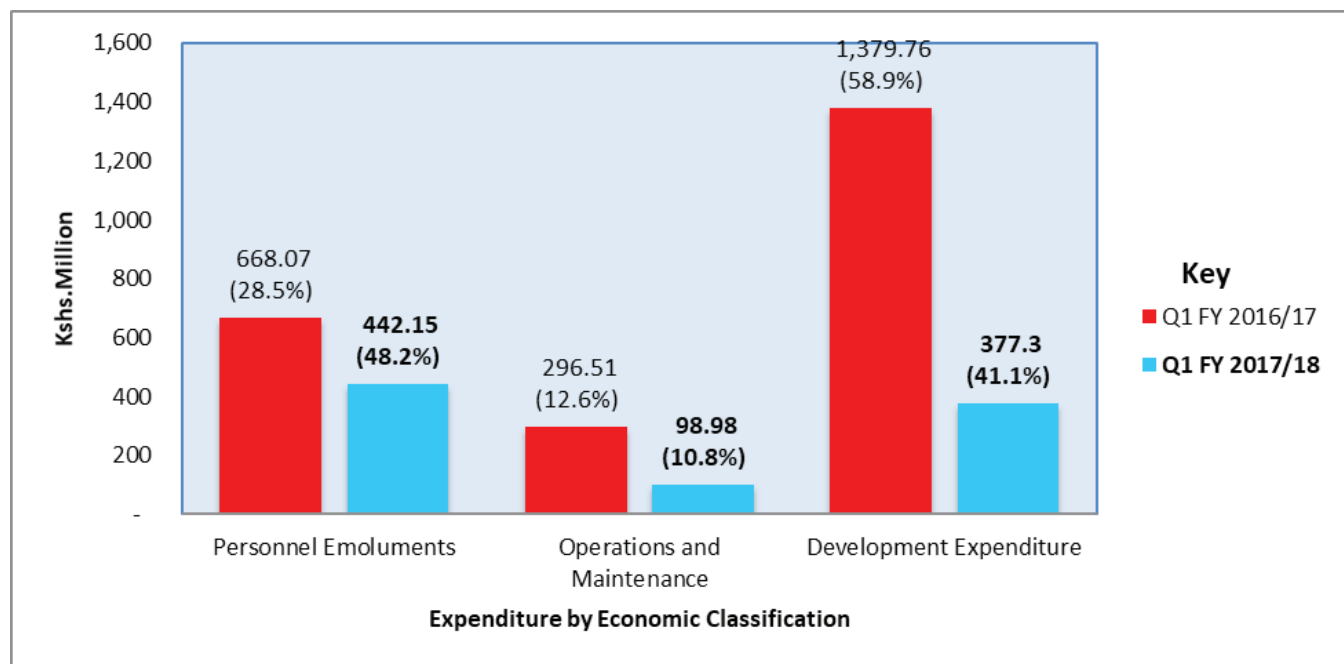
The County incurred Kshs.918.8 million, which was 88.3 per cent of the total funds released for operations. This was a decrease of 60.8 per cent from Kshs.2.34 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.541.5 million was incurred on recurrent activities, while Kshs.377.3 million was on development activities. The recurrent expenditure was 52.1 per cent of the funds released for recurrent activities.

The recurrent expenditure represented 7.5 per cent of the annual recurrent budget, a decrease from 22.9 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an

absorption rate of 9.5 per cent, which was a decrease from 12.8 per cent attained in the first quarter of FY 2016/17. Figure 3.124 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.124: Turkana County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



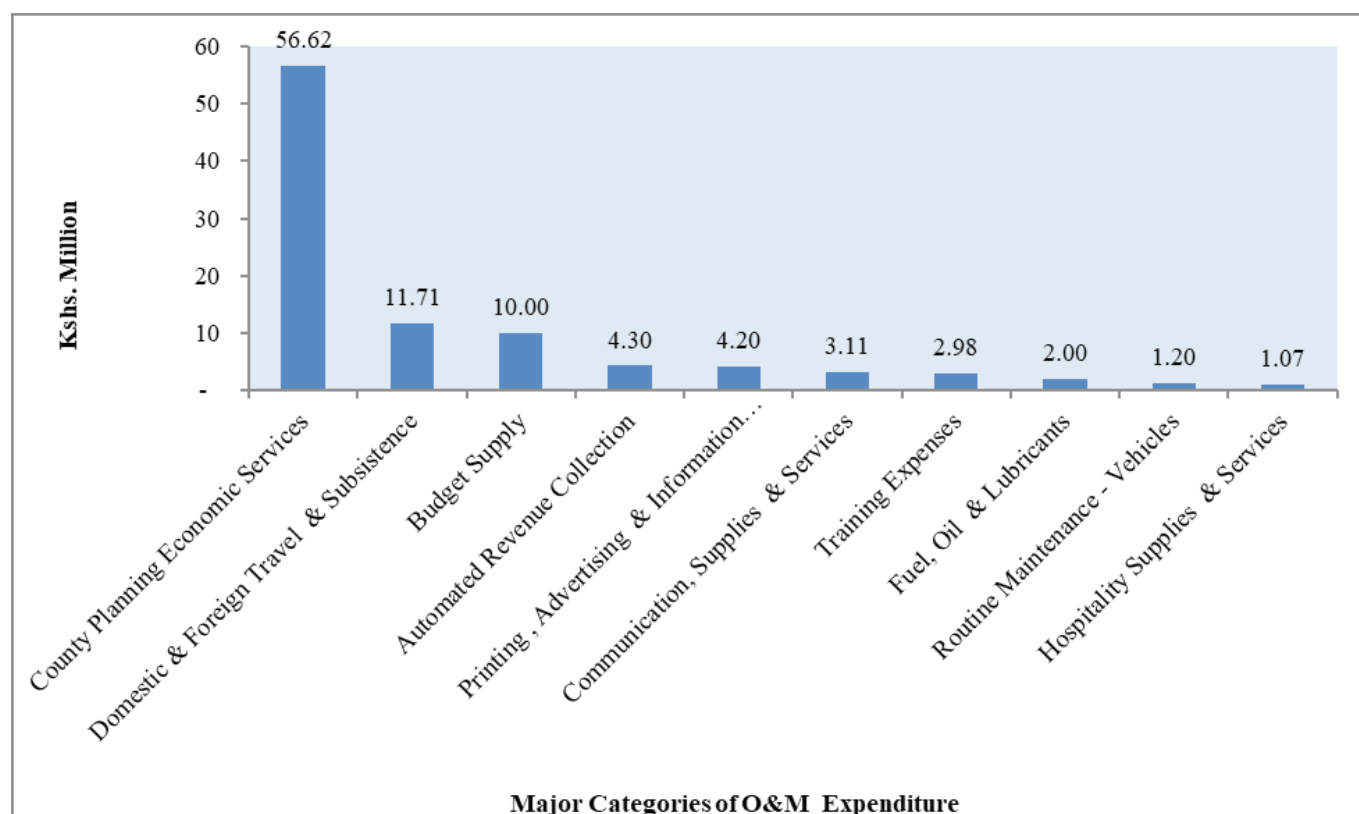
Source: Turkana County Treasury

3.43.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.541.5 million consisted of Kshs.442.51 million (81.7 per cent) incurred on personnel emoluments and Kshs.98.98 million (18.3 per cent) on operations and maintenance as shown in Figure 3.124.

Expenditure on personnel emoluments represented a decrease of 33.8 per cent compared to Kshs.668.07 million incurred in the first quarter of FY 2016/17. The personnel emoluments were 48.2 per cent of total expenditure in the first quarter of FY 2017/18 and 81.7 per cent of total recurrent expenditure. Figure 3.125 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.125: Turkana County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18.



Source: Turkana County Treasury

The County Assembly did not incur any expenditure on MCAs committee sitting allowances during the reporting period. Expenditure on domestic and foreign travel amounted to Kshs.11.71 million and consisted of Kshs.2.33 million incurred by the County Assembly and Kshs.9.38 million by the County Executive. It represented 2.2 per cent of total recurrent expenditure and was a decrease of 83.3 per cent compared to Kshs.70.08 million incurred in the first quarter of FY 2016/17.

3.43.7 Development Expenditure Analysis

The total development expenditure of Kshs.377.3 million represented 9.5 per cent of the annual development budget of Kshs.3.98 billion.

Table 3.88 provides a summary of development projects with the highest expenditure in the first quarter of FY 2017/18.

Table 3.88: Turkana County, List of Development Projects with the Highest Expenditure in the First Quarter of FY 2017/18

| S/No | Project Name | WARD(Location of the Project) | Estimated Budget (Kshs.) | Expenditure | Absorption Rate (%) |
|------|---|-------------------------------|--------------------------|--------------|---------------------|
| 1 | Construction of Mega Dams (>100, 000m3) | Kotome and Letea | 250, 200, 000 | 89, 000, 000 | 35.6 |
| 2 | County Headquarters Offices | Lodwar Town | 195, 000, 000 | 56, 700, 000 | 29.1 |
| 3 | Construction of a bridges (Kangalita) | Kangalita | 150, 000, 000 | 45, 900, 000 | 30.6 |

| | | | | | |
|----|---|---|---------------|--------------|------|
| 4 | Rehabilitation and Expansion of Existing Irrigation Schemes (Nangitony, Morulem, Lokubae, Nakamane, Kapelibok, Nakinomet, Elelea, Lomidat, Mala (Kangalita)). | Nangitony, Morulem, Lokubae, Nakamane, Kapelibok, Nakinomet, Elelea, Lomidat, Mala (Kangalita). | 130, 000, 000 | 58, 000, 000 | 44.6 |
| 5 | Construction of Model Drip Irrigation Systems for High Value Crops for Youth and Women (Lokipoto, Naotin, Kakong, Nakalei, Lobei and Showground in Lodwar) | Lokipoto, Naotin, Kakong, Nakalei, Lobei and Showground in Lodwar | 83, 000, 000 | 26, 700, 000 | 32.2 |
| 6 | Ongoing works at Lokirama Revenue Centre | Lokirama | 49, 000, 000 | 23, 000, 000 | 46.9 |
| 7 | Maintenance of rural roads | Entire County | 45, 000, 000 | 22, 800, 000 | 50.7 |
| 8 | Farmer inputs subsidy (Seeds, seedlings, cuttings, vines and Agrochemicals, tools and equipment) | Entire County | 25, 000, 000 | 19, 000, 000 | 76 |
| 9 | Completion of Ward Offices (Katilu, Lobei/Kotaruk, Kakuma, Nakalale, Kainuk, Kanamkemer) | Katilu, Lobei/Kotaruk, Kakuma, Nakalale, Kainuk, Kanamkemer) | 35, 000, 000 | 17, 800, 000 | 50.9 |
| 10 | Monitoring and Evaluation | Entire County | 25, 000, 000 | 11, 900, 000 | 47.6 |

Source: Turkana County Treasury

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.89 million was incurred on Construction of Mega Dams (>100, 000m³) in Kotome and Letea by the Department of Water services, Irrigation & Agriculture, followed by Kshs.56.7 million on construction of County Head Quarters at Lodwar Town and Kshs.45.9 million on construction of a bridge at Kangalita.

3.43.8 Budget and Budget Performance Analysis by Department

Table 3.89 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.89: Turkana County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs.Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs. Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|---|----------------------------------|---------------|--|----------|--|--------------|---|----------|---|------------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Governance (Office of the Governor and Liaison) | 319.5 | 80.28 | 24.08 | - | 7.08 | - | 29.4 | - | 2.2 | - |
| Office of the Deputy Governor | 21.14 | - | 2.71 | - | 0.7 | - | 25.8 | - | 3.3 | - |
| Finance and Planning | 316.57 | 391.54 | 24.89 | - | 73.33 | 98.1 | 294.6 | - | 23.2 | 25.1 |
| Water services, Irrigation & Agriculture | 88.09 | 932.65 | 12.41 | - | - | 192.7 | - | - | - | 20.7 |
| Health & Sanitation Services | 732.7 | 368.43 | 140.62 | - | - | - | - | - | - | - |
| Tourism, Trade & Industrialization | 102.81 | 245.7 | 4.73 | - | - | - | - | - | - | - |
| Education and Social Services | 535.52 | 382.08 | 320.19 | - | - | - | - | - | - | - |
| Public Services, Decentralized Admin. & Disaster Management | 3, 821.61 | 55 | 353.99 | - | 382.48 | 17.8 | 108.1 | - | 10 | 32.4 |
| Transport, Roads & Public Works | 41.16 | 843.6 | 6.2 | - | 2.3 | 68.7 | 37.1 | - | 5.6 | 8.1 |
| Pastoral Economy & Fisheries | 142.45 | 199.76 | 20.83 | - | - | - | - | - | - | - |
| Energy, Environment & Natural Resources | 30.28 | 194 | 4.49 | - | - | - | - | - | - | - |
| Lands, Physical Planning, Housing & Urban Areas Mgt. | 82.53 | 132.63 | 8.94 | - | - | - | - | - | - | - |
| County Public Service Board | 96.66 | - | 15.92 | - | - | - | - | - | - | - |
| County Assembly | 901.44 | 150 | 100 | - | 75.6 | - | 75.6 | - | 8.4 | - |
| TOTAL | 7, 232 | 3, 976 | 1, 040 | - | 549.5 | 377.3 | 52.1 | - | 7.5 | 9.5 |

Analysis of budget performance by department shows that the Public Services, Decentralized Administration and Disaster Management Department attained the highest absorption rate of development budget at 32.4 per cent, followed by the Finance and Planning Department at 25.1 per cent. On the other hand, the Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 23.2 per cent, followed by the Public Services, Decentralized Administration and Disaster Management Department at 10 per cent.

3.43.9 Observations and Recommendations

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

- i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- ii. Timely submission of financial reports by the County Treasury in line with Section 166 of the PFM Act, 2012.

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

1. Delay by the National Treasury to disburse the equitable share of revenue raised nationally. As at the end of the reporting period, the County had not received any equitable revenue.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
3. Delay by Fund Administrators to submit expenditure reports on the established County Funds. The pending expenditure returns included; Bursary Fund, Emergency Fund, Car & Mortgage Fund and Youth and Women Development Programme (Grants). This is contrary to Section 168 of the PFM Act, 2012.
4. Under-performance in local revenue collection which declined by 32.9 per cent from Kshs.49.85 million in the first quarter of FY 2016/17 to Kshs.33.47 million in the reporting period.
5. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
6. The County did not budget for Kshs.904.56 million unspent cash balance from FY 2016/17.
7. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should establish an Internal Audit Committee and also strengthen the internal*

audit function in line with Section 155 of the PFM Act, 2012.

- 3. The Fund Administrators of the Bursary Fund, Emergency Fund, Car & Mortgage Fund and Youth and Women Development Programme (Grants) should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
- 4. The County Treasury should formulate and implement strategies to enhance local revenue collection.*
- 5. The County Treasury should liaise with IFMIS Directorate to address the connectivity challenges.*
- 6. The County Treasury should develop a Supplementary Budget and appropriate the unspent cash balance from the previous financial year.*
- 7. The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.44 Uasin Gishu County

3.44.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.43 billion, comprising of Kshs.5.04 billion (67.9 per cent) and Kshs.2.38 billion (32.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.71 billion (76.9 per cent) as equitable share of revenue raised nationally, Kshs.326.62 million (4.4 per cent) as total conditional grants, and generate Kshs.1 billion (13.5 per cent) from local revenue sources, and Kshs.828.64 million (11.2 per cent) cash balance from FY 2016/17.

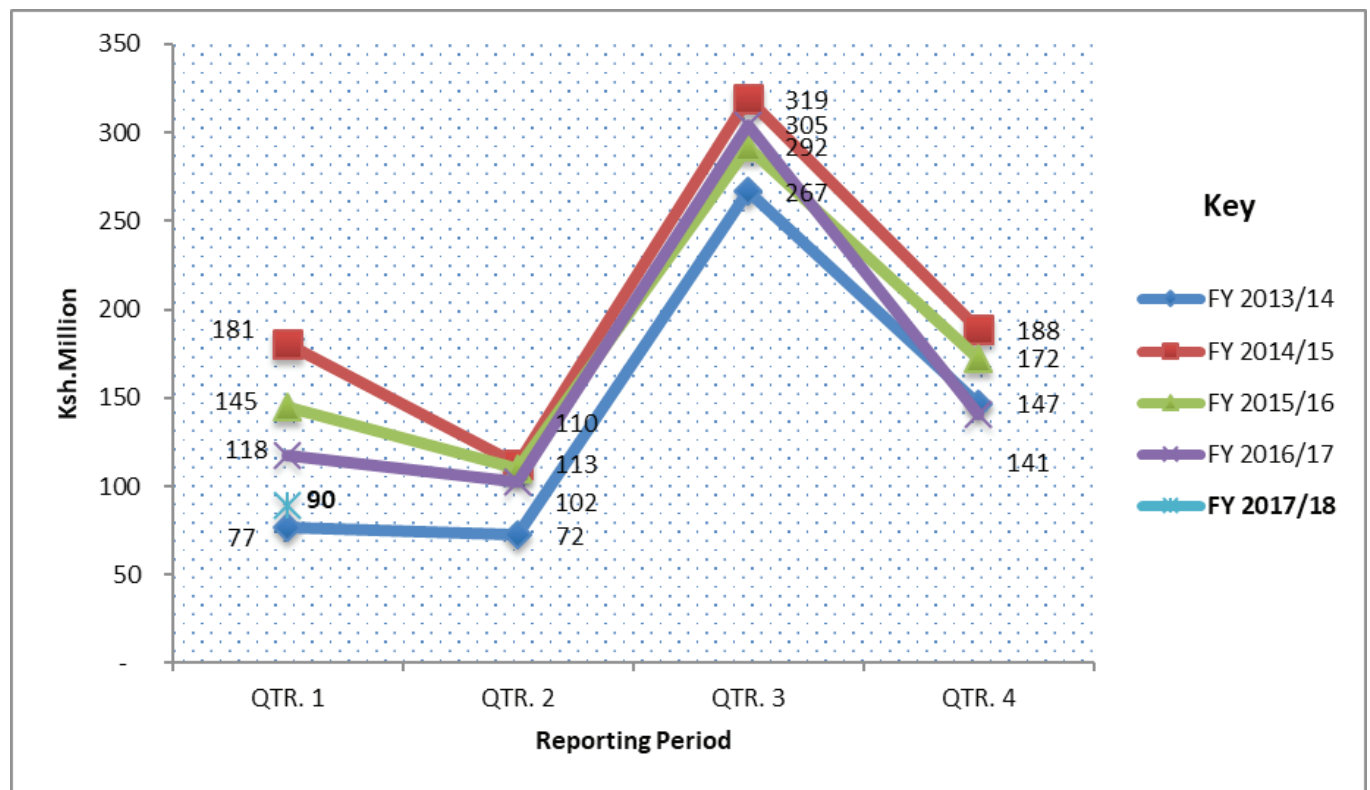
The conditional grants contained in the CARA, 2017 of Kshs.492.23 million comprise of Kshs.221.17 million (67.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.81 million (6.4 per cent) as Compensation for User Fee Foregone, Kshs.14.99 million (4.6 per cent) from DANIDA, Kshs.43.65 million (13.4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.35.47 million (10.9 per cent) for Development of Youth Polytechnics, Kshs.56.3 million (17.2 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.66 million (20.2 per cent) as European Union (EU) Grant and Kshs.33.83 million (10.4 per cent) from Other Loans and Grants.

3.44.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.399.55 million as equitable share of the revenue raised nationally, raised Kshs.89.5 million from local revenue sources, and had a cash balance of Kshs.828.64 million from FY 2016/17. The available funds amounted to Kshs.1.38 billion.

Figure 3.126 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.126: Uasin Gishu County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Uasin Gishu County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.89.5 million, representing a significant decrease of 23.9 per cent compared to Kshs.117.67 million generated in a similar period of FY 2016/17, and represented 9 per cent of the annual local revenue target.

3.44.3 Conditional Grants

Table 3.90 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.90: Uasin Gishu County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 in Kshs. | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|-----------|--|--|------------------------------------|---|---|
| A | Grants Contained in the CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 221, 167, 426 | 157, 500, 000 | - | - |
| 2 | EU Grant | 66, 000, 000 | - | - | - |
| 3 | World Bank Loan for Transforming Health System for Universal Care System | 56, 301, 747 | - | - | - |
| 4 | Kenya Devolution Support Programme (KDSP) | 43, 650, 314 | - | - | - |
| 5 | Development of Youth Polytechnics | 35, 472, 610 | - | - | - |
| 6 | Other Loans & Grants | 33, 834, 647 | 30, 945, 743 | - | - |
| 7 | Compensation for User Fee Foregone | 20, 813, 065 | 20, 843, 281 | - | - |
| 8 | DANIDA Grant | 14, 987, 172 | - | - | - |
| Sub Total | | 492, 226, 981 | 209, 289, 024 | - | - |

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 in Kshs. | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|--------------------|--|--|------------------------------------|---|---|
| B | Other Grants Not Contained in the CARA, 2017 | | | | |
| 9 | Free Maternal Healthcare | - | 117, 335, 400 | - | - |
| Sub Total | | - | 117, 335, 400 | - | - |
| Grand Total | | 492, 226, 981 | 326, 624, 424 | - | - |

Source: Uasin Gishu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County did not receive funds from any of the conditional grants.

3.44.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.486.6 million from the CRF account, which was 6.6 per cent of the Approved Budget. This amount represented a significant decrease of 63.5 per cent from Kshs.1.33 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

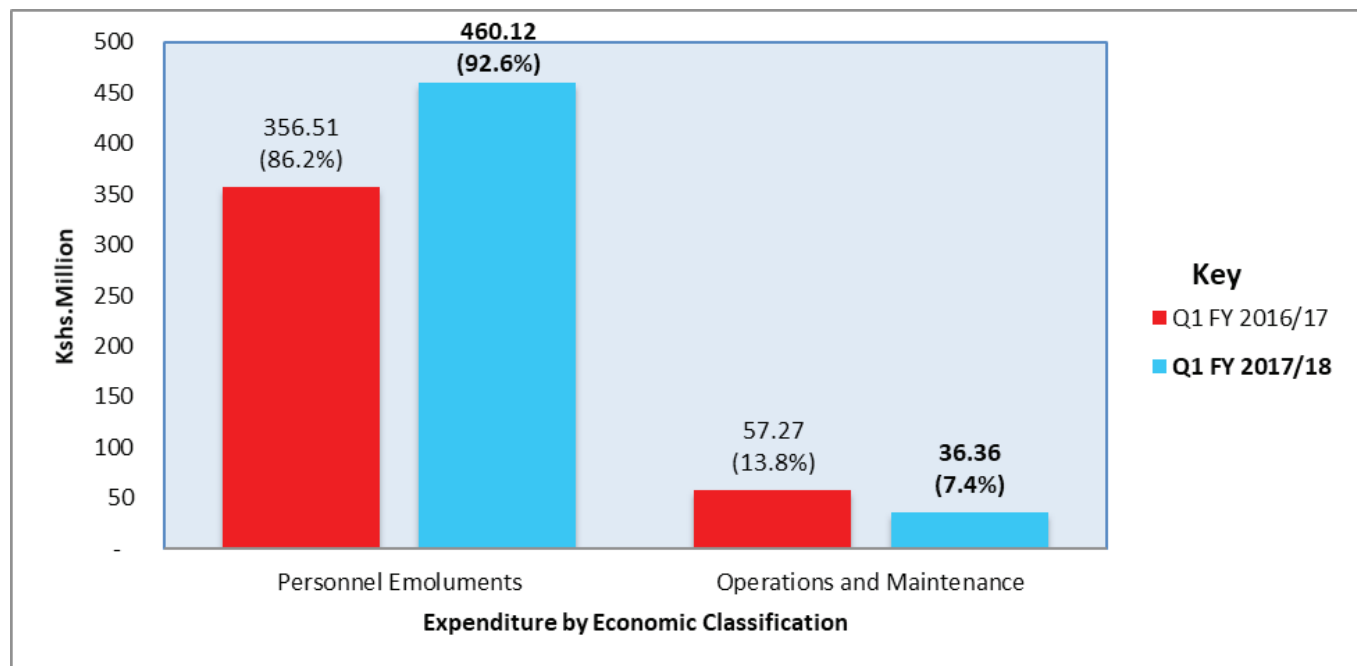
3.44.5 Overall Expenditure Review

The County incurred Kshs.496.48 million, which was 102 per cent of the total funds released for operations. This was an increase of 20 per cent from Kshs.413.78 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.496.48 million was incurred on recurrent activities and represented 102 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.78.12 million for recurrent expenditure.

The recurrent expenditure represented 9.8 per cent of the annual recurrent budget, a decrease from 9.1 per cent incurred in a similar period of FY 2016/17. Figure 3.127 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.127: Uasin Gishu County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



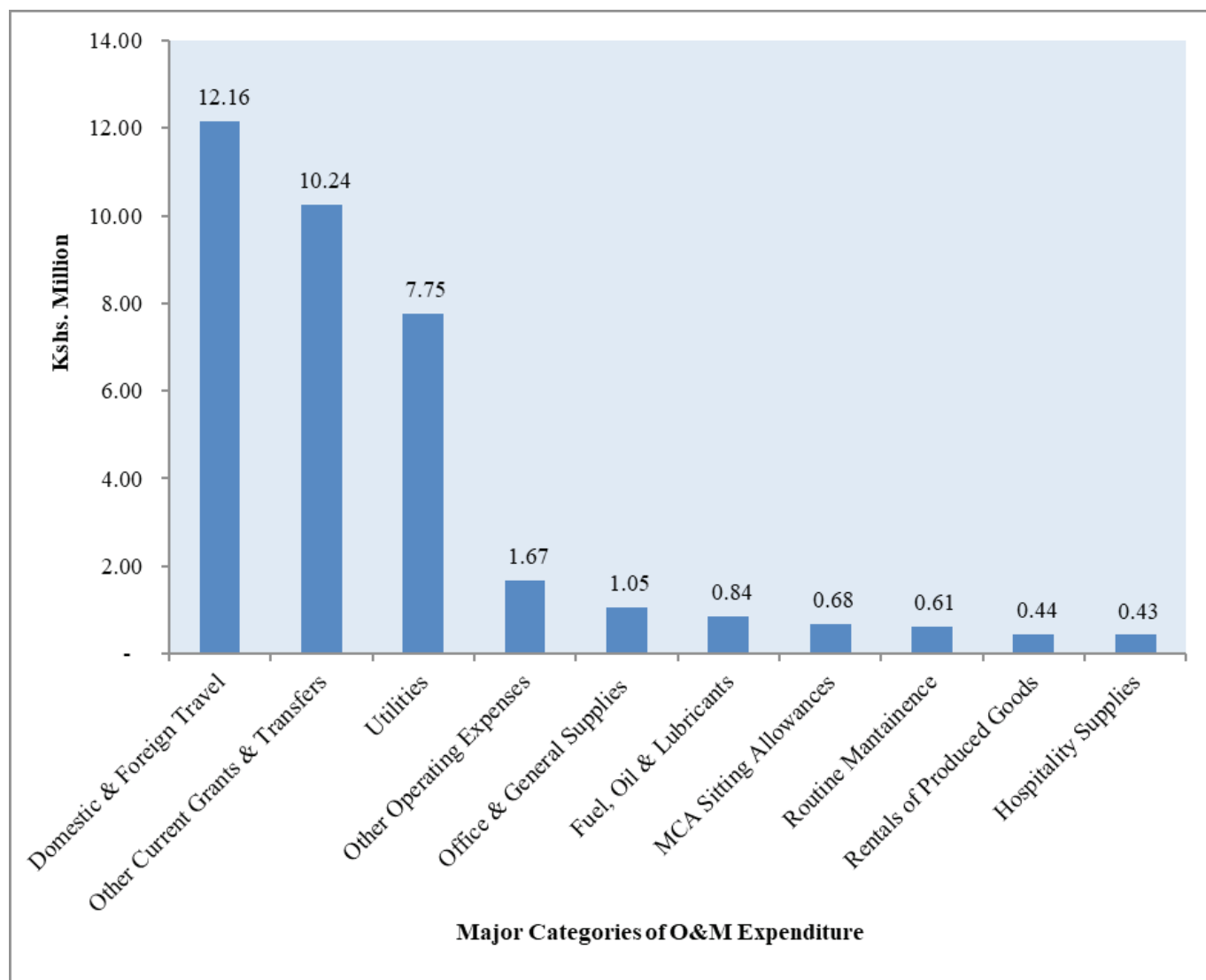
Source: Uasin Gishu County Treasur

3.44.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.496.48 million consisted of Kshs.460.12 million (92.6 per cent) incurred on personnel emoluments and Kshs.36.36 million (7.4 per cent) on operations and maintenance as shown in Figure 3.127.

Expenditure on personnel emoluments represented an increase of 29.1 per cent compared to Kshs.356.51 million incurred in the first quarter of FY 2016/17, and was 92.6 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.128 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.128: Uasin Gishu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Uasin Gishu County Treasur

The County Assembly incurred Kshs.0.68 million on sitting allowances to the 47 MCAs against the annual budget allocation of Kshs.61.56 million. This was a significant decrease of 91.6 per cent compared to Kshs.8.08 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.4, 936 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.12.16 million and consisted of Kshs.10.16 million incurred by the County Assembly and Kshs.2 million by the County Executive. It represented 2.4 per cent of total recurrent expenditure and was a significant decrease of 48.3 per cent compared to Kshs.23.5 million incurred in the first quarter of FY 2016/17.

3.44.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.44.8 Budget and Budget Performance Analysis by Department.

Table 3.2 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.91: Uasin Gishu County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in the first quarter of FY 2017/18 (Kshs. Million) | | Expenditure in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure to Exchequer Issues (%) First Quarter FY 2017/18 | | Absorption rate (%) First Quarter FY 2017/18 | |
|--|----------------------------------|------------------|---|-----------|---|----------|--|----------|--|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 143.54 | - | 8.74 | - | 6.73 | - | 77 | - | 4.7 | - |
| Finance | 450.08 | - | 23.23 | - | 20.95 | - | 90.2 | - | 4.7 | - |
| Budget and Economic Planning | 103.5 | - | 5.49 | - | 0.8 | - | 14.6 | - | 0.8 | - |
| Agriculture, Livestock and Fisheries | 258.36 | 410.97 | 35.26 | - | 29.20 | - | 82.8 | - | 11.3 | - |
| Health Services | 1, 569.07 | 205.48 | 224.02 | - | 265.53 | - | 118.5 | - | 16.9 | - |
| Environment, Natural Resources and Wildlife | 132.94 | 300.08 | - | - | 17.18 | - | - | - | 12.9 | - |
| Trade, Tourism, Industry and Cooperative Development | 116.5 | 183.85 | 12.36 | - | 4.58 | - | 37.1 | - | 3.9 | - |
| Roads, Public Works, Infrastructure and Transport | 440.94 | 474.24 | 37.09 | - | 34.31 | - | 92.5 | - | 7.8 | - |
| Education, Culture and Social Services | 390.01 | 118.96 | 40.55 | - | 24.54 | - | 60.5 | - | 6.3 | - |
| Lands, Housing and Physical Planning | 105.40 | 173.04 | 8.4 | - | 7.48 | - | 89 | - | 7.1 | - |
| Public Service Management | 312.38 | 32.44 | 27.37 | - | 32.69 | - | 119.4 | - | 10.5 | - |
| Information Communication and e-Government | 54.28 | 38.93 | 4.09 | - | 3.66 | - | 89.5 | - | 6.7 | - |
| County Public Service Board | 67.43 | - | 3.51 | - | 2.76 | - | 78.6 | - | 4.1 | - |
| Public Administration and Coordination | 182.63 | 139.22 | 23.5 | - | 1.14 | - | 4.9 | - | 0.6 | - |
| Youth and Sports Development | 142.69 | 206.93 | 5.43 | - | 2.83 | - | 52.1 | - | 2 | - |
| County Assembly | 572.0 | 100 | 27.56 | - | 42.09 | - | 152.7 | - | 7.4 | - |
| TOTAL | 5, 041.72 | 2, 384.17 | 486.60 | -- | 496.48 | - | 102.2 | - | 9.8 | - |

Source: Uasin Gishu County Treasury

Analysis of budget performance by department shows that the Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 16.9 per cent, followed by the Department of Environment, Natural resources and Wildlife had 12.9 per cent while the Department of Public Administration and Coordination had the lowest at 0.6 per cent.

3.44.9 Observations and Recommendations

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

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

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

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. The County did not spend on development projects during the reporting period.
3. Under-performance in local revenue collection. The Local revenue collection declined by 23.9 per cent from Kshs.117.67 million in the first quarter of FY 2016/17 to Kshs.89.5 million in the reporting period.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
- 2. The County should identify and address issues that cause delay in implementation of development projects.*
- 3. The County Treasury should formulate and implement strategies to enhance local revenue collection.*
- 4. The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.45 Vihiga County

3.45.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.4.79 billion, comprising of Kshs.3.35 billion (69.9 per cent) and Kshs.1.44 billion (30.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.39 billion (91.6 per cent) as equitable share of revenue raised nationally, Kshs.184.71 million (3.9 per cent) as total conditional grants and generate Kshs.220 million (4.6 per cent) from local revenue sources.

The conditional grants contained in the CARA, 2017 of Kshs.425.13 million comprise of Kshs.164.95 million (39.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.66 million (3.1 per cent) as Compensation for User Fee Foregone, Kshs.11.18 million (2.7 per cent) from DANIDA, Kshs.38.85 million (9.4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.50.89 million (12.3 per cent) for Development of Youth Polytechnics, Kshs.50.85 million (12.3 per cent) as World

Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (12.1 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project and Kshs.45.76 million (11.1per cent) from Other Loans and Grants.

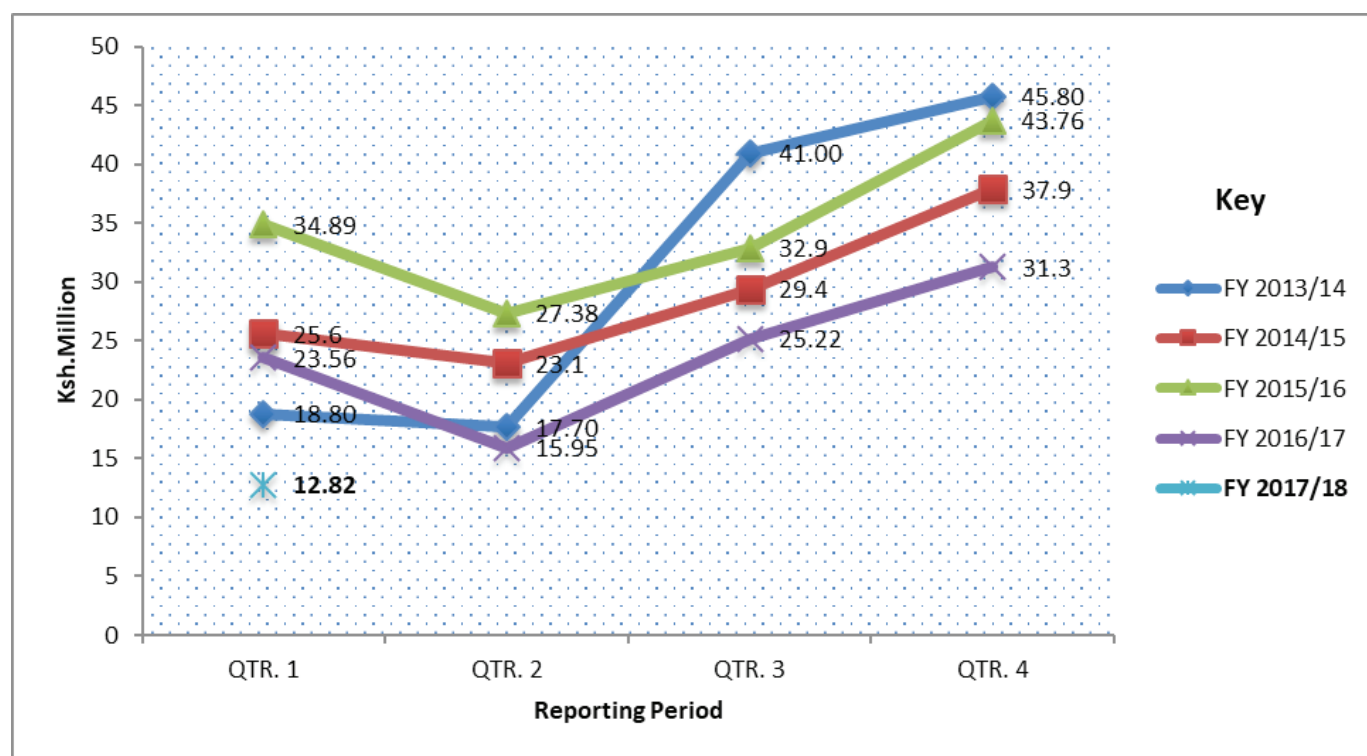
The County budgeted to receive Kshs.69.79 million for Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

3.45.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.308.64 Million as equitable share of the revenue raised nationally, Kshs.76.93 million as total conditional allocations, raised Kshs.12.82 million from local revenue sources, and had a cash balance of Kshs.496.94 million from FY 2016/17. The available funds amounted to Kshs.882.51million.

Figure 3.129 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.129: Vihiga County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Vihiga County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.12.82 million, representing a decrease of 45.6 per cent compared to Kshs.23.56 million generated in a similar period of FY 2016/17, and represented 5.8 per cent of the annual local revenue target.

3.45.3 Conditional Grants

Table 3.92 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.92: Vihiga County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation in Kshs) | Annual Budget Allocation in Kshs) | Actual receipts in First Quarter of FY 2017/18 in Kshs. | Actual Receipts as Percentage of Annual Allocation (%) |
|--------------|--|---------------------------------------|-----------------------------------|---|--|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 164, 948, 954 | 67, 393, 443 | 76, 928, 280 | 46.6 |
| 2 | Kenya Devolution Support Programme (KDSP) | 38, 854, 627 | 26, 782, 785 | - | - |
| 3 | Compensation for User Fee Foregone | 12, 657, 201 | 13, 652, 898 | - | - |
| 4 | DANIDA Grant | 11, 177, 587 | 7, 085, 000 | - | - |
| 5 | Conditional Grants to Development of Youth Polytechniques | 50, 886, 386 | - | - | - |
| 6 | Conditional Allocation - Other Loans & Grants | 45, 759, 166 | 69, 793, 305 | - | - |
| 7 | World Bank Loan for Transforming Health System for universal Care System | 50, 845, 284 | - | - | - |
| 8 | World Bank Loan for National Agricultural & Rural Inclusive Project | 50, 000, 000 | - | - | - |
| Sub Total | | 425, 129, 205 | 184, 707, 431 | 76, 928, 280 | 18 |
| B | Other Grants | | | | |
| 9 | Free Maternal Healthcare | - | 69793305.00 | - | - |
| Sub Total | | - | 69, 793, 305 | - | - |
| Total | | 425, 129, 205 | 254, 500, 736 | 76, 928, 280 | 18 |

Source: Vihiga County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipt at 46.6 per cent,. The County did not receive funds from the other conditional grants.

3.45.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.724.48 million from the CRF account, which was 15.1 per cent of the Approved Budget. This amount was a decrease of 30.5 per cent from Kshs.1.04 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

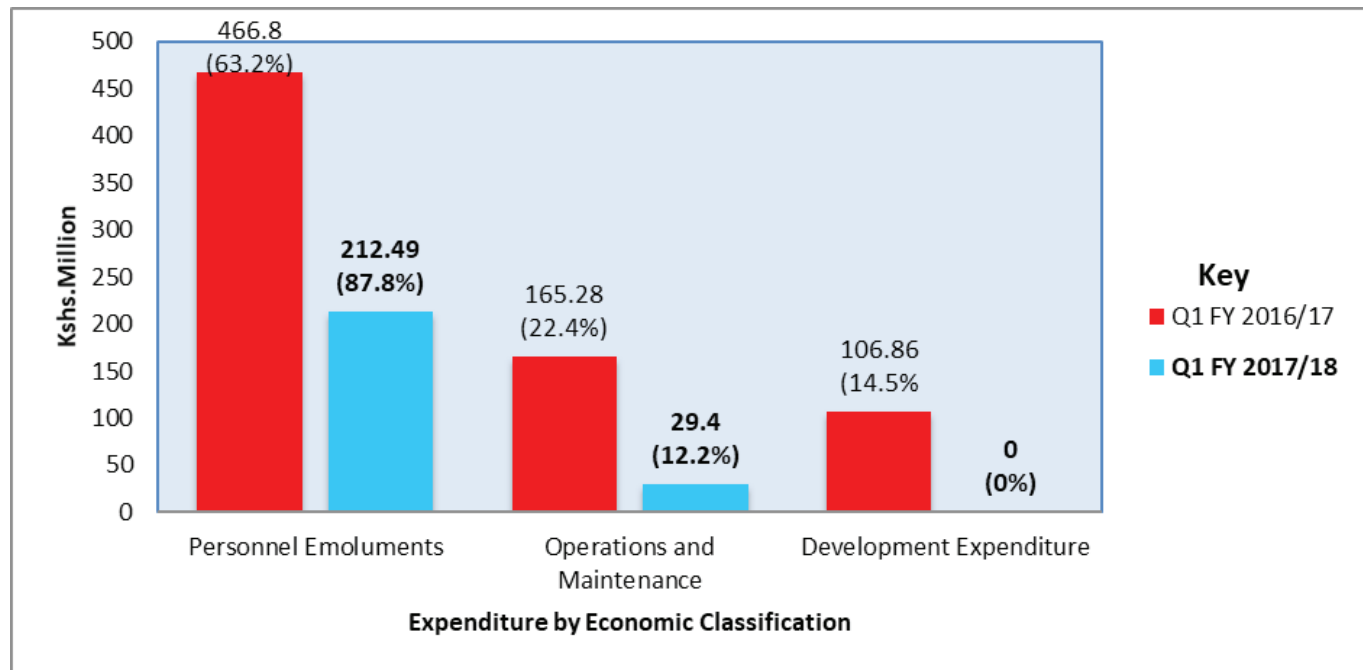
3.45.5 Overall Expenditure Review

The County incurred Kshs.241.89 million, which was 33.9 per cent of the total funds released for operations. This was a decrease of 66.8 per cent from Kshs.738.84 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.241.89 million was incurred on recurrent activities and was 33.9 per cent of the funds released for recurrent activities. This expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.2.8 million for recurrent expenditure.

The recurrent expenditure represented 7.3 per cent of the annual recurrent budget, a decrease from 19.8 per cent incurred in a similar period of FY 2016/17. Figure 3.130 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.130: Vihiga County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



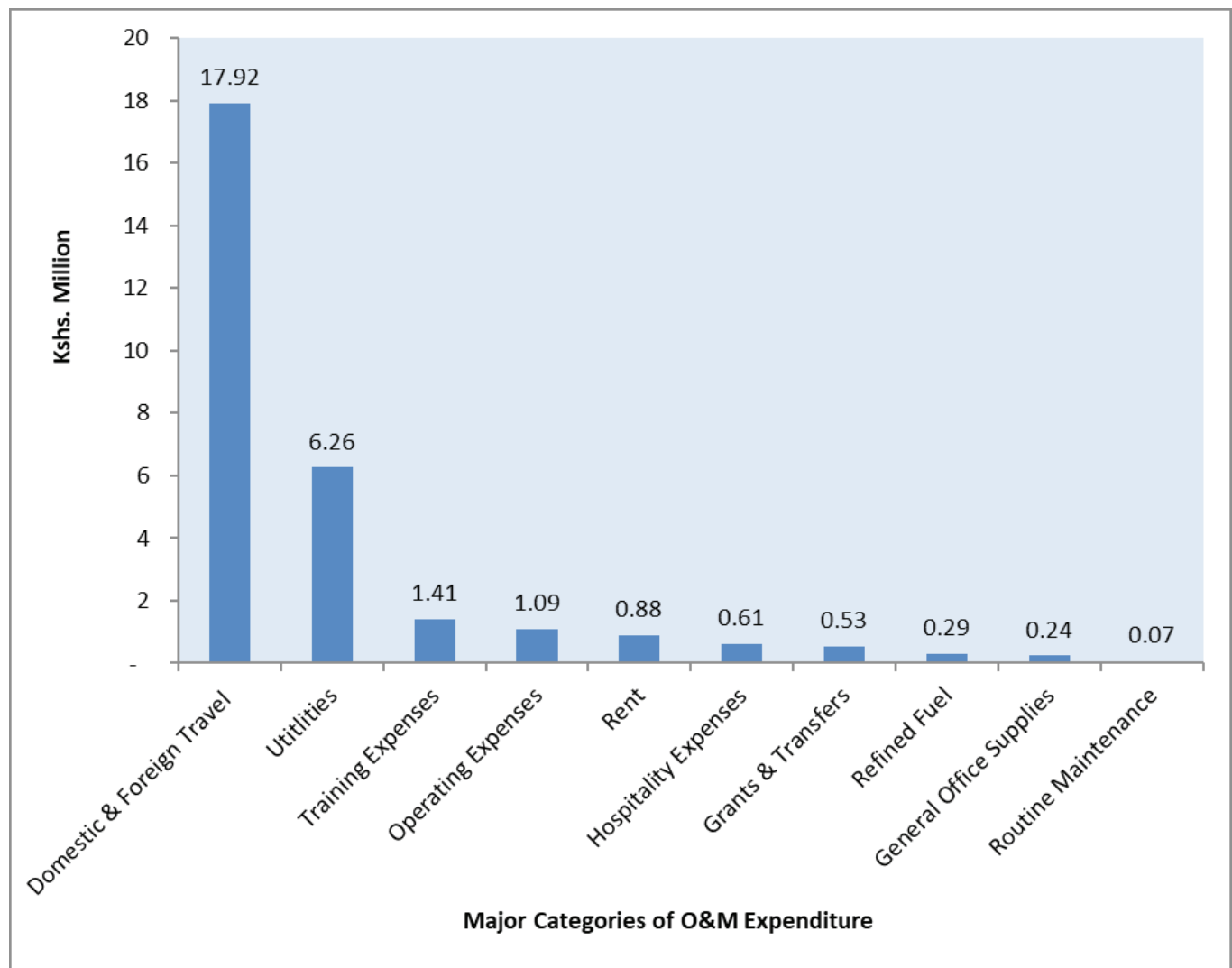
Source: Vihiga County Treasury

3.45.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.241.89 million consisted of Kshs.212.49 million (86.6 per cent) incurred on personnel emoluments and Kshs.33 million (13.4 per cent) on operations and maintenance as shown in Figure 3.130.

Expenditure on personnel emoluments represented a decrease of 54.5 per cent compared to Kshs.466.8 million incurred in the first quarter of FY 2016/17, and was 86.6 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.131 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.131: Vihiga County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Vihiga County Treasury

The County incurred Kshs.0.97 million on sitting allowances to the 38 MCAs and the Speaker against the annual budget allocation of Kshs.12.4 million. This was a decrease of 67.4 per cent compared to Kshs.2.98 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.8,290 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.17.92 million and consisted of Kshs.11.54 million incurred by the County Assembly and Kshs.6.38 million by the County Executive. It represented 7.3 per cent of total recurrent expenditure and was a decrease of 77.3 per cent compared to Kshs.78.93 million incurred in the first quarter of FY 2016/17.

3.45.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.45.8 Budget and Budget Performance Analysis by Department

Table 3.93 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.93: Vihiga County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs. Million) | | Exchequer Issues in the first quarter of FY 2017/18(Kshs. Million) | | Expenditure in the first quarter of FY 2017/18 (Kshs.Million) | | Expenditure to Exchequer Issues (%) First Quarter FY 2017/18 | | Absorption rate (%) First Quarter FY 2017/18 | |
|---------------------------------------|-----------------------------------|------------------|--|----------|---|----------|--|----------|--|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Executive | 289.97 | 41 | 73.09 | - | 14.71 | - | 20.1 | - | 5.1 | - |
| County Treasury | 259.12 | 175.49 | 65.78 | - | 7.75 | - | 11.8 | - | 3 | - |
| Agriculture, livestock & Co-operative | 121.83 | 66.7 | 30.2 | - | 9.75 | - | 32.3 | - | 8 | - |
| Health | 1, 086.27 | 256.37 | 259.23 | - | 114.18 | - | 44 | - | 10.5 | - |
| Education, Science & Technology | 315.11 | 201.62 | 33.82 | - | 7.73 | - | 22.9 | - | 2.5 | - |
| Gender, Culture, Youth & Youth | 71.31 | 140 | 18.24 | - | 3.96 | - | 21.7 | - | 5.6 | - |
| Trade, Industry & Tourism | 42.21 | 44.78 | 10.77 | - | 1.67 | - | 15.5 | - | 4 | - |
| Public service board | 49.13 | - | 12.76 | - | 1.91 | - | 15 | - | 3.9 | - |
| Environment, Water & Forestry | 68.31 | 79.47 | 17.58 | - | 7.3 | - | 41.5 | - | 10.7 | - |
| Transport & Infrastructure | 104.63 | 346.14 | 27.42 | - | 1.99 | - | 7.3 | - | 1.9 | - |
| Land, Housing & Physical Planning. | 34.65 | 42 | 9.1 | - | 1.64 | - | 18 | - | 4.7 | - |
| County Assembly | 602.77 | 10 | 88.96 | - | 46.64 | - | 52.4 | - | 7.7 | - |
| Public Service & Administration | 300.98 | 41 | 77.53 | - | 26.27 | - | 33.9 | - | 8.7 | - |
| TOTAL | 3, 346.29 | 1, 444.58 | 724.48 | - | 241.89 | - | 33.9 | - | 7.33 | - |

Source: Vihiga County Treasury

Analysis of budget performance by department shows that the Department of Environment, Water and Forestry had the highest percentage of recurrent expenditure to recurrent budget at 10.7 per cent while the Department of Transport and infrastructure had the lowest at 1.9 per cent.

3.45.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Establishment of Internal Audit Committee in line with section 155 of the PFM Act, 2012.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.

2. Failure by the County Treasury to process all their financial transactions through IFMIS.
3. Under-performance in local revenue collection, which declined by 45.6 per cent from Kshs.23.56 million in the first quarter of FY 2017/18 to Kshs.12.82 million in the reporting period.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County Treasury should liaise with the National Treasury for timely disbursement of their equitable share in line with the CARA, 2017 Disbursement Schedule.*
- 2. The County Treasury should ensure all financial transactions are processed through IFMIS.*
- 3. The County should devise and implement strategies to enhance local revenue collection.*
- 4. The County should realign the budget to agree as per the amounts allocated in the CARA, 2017*

3.46 Wajir County

3.46.1 Overview of the FY 2017/18 Budget

The County failed to pass the FY 2017/18 Annual Budget and a Vote on Account in the first quarter of FY 2016/17.

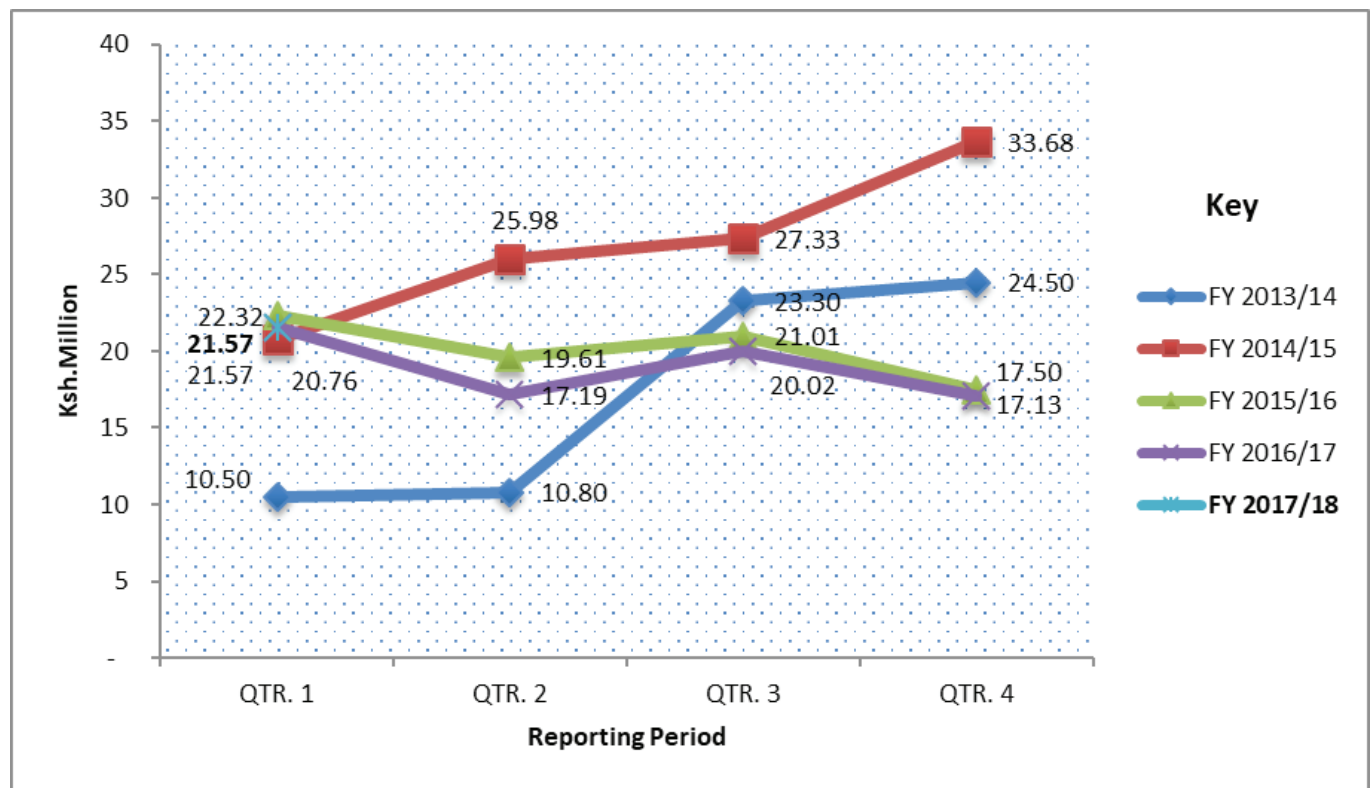
Conditional grants allocated to the County in FY 2017/18 amounted to Kshs.485.54 million and comprises of Kshs.308.16 million (58.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.78 million (84.9 per cent) as Compensation for User Fee Foregone, Kshs.33.41 million (62.9 per cent) from DANIDA, Kshs.45.04 million (84.9 per cent) as World Bank loan to Supplement financing of County Health facilities, Kshs.49.87 million (9.40 per cent) for the World Bank Kenya Devolution Support Program and Kshs.28.31 million (5.3 per cent) for Development of Youth Polytechnics.

3.46.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.143.6 million as total conditional allocations, raised Kshs.21.57 million from local revenue sources, and had a cash balance of Kshs.372.46 million from FY 2016/17. There was no receipt of the equitable share of revenue raised nationally. The available funds amounted to Kshs.537.76 million.

Figure 3.132 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.132: Wajir County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Wajir County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.21.57 million, representing a decrease of 3.4 per cent compared to Kshs.22.32 million generated in a similar period of FY 2016/17.

3.46.3 Conditional Grants

Table 3.94 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.94: Wajir County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs.) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|--------------------|--|--|---|---|
| A | Grants Contained in the CARA, 2017 | | | |
| 1 | Road Maintenance Fuel Levy Fund | 308, 164, 819 | 143, 600, 000 | 46.6 |
| 2 | World Bank loan to supplement financing of County Health facilities | 50, 000, 000 | - | - |
| 3 | Kenya Devolution Support Programme (KDSP) | 49, 871, 995 | - | - |
| 4 | Compensation for User Fee Foregone | 15, 784, 997 | - | - |
| 5 | DANIDA Grant | 33, 411, 929 | - | - |
| 6 | Development of Youth Polytechnics | 28, 307, 881 | - | - |
| 7 | Other Loans & Grants | 56, 211, 458 | - | - |
| 8 | World Bank Loan for Transforming Health System for Universal Care System | 45, 040, 000 | - | - |
| 9 | EU Grant | 66, 800, 000 | - | - |
| Grand Total | | 485, 541, 621 | 143, 600, 000 | 29.6 |

Source: Wajir County Treasury

Analysis of the conditional grants released during the period under review indicates that the County received Kshs.143.6 million from the Road Maintenance Fuel Levy Fund.

3.46.4 Exchequer Issues

During the reporting period, the County did not receive any exchequer release.

3.46.5 Overall Expenditure Review

The County Treasury did not report any expenditure during the first quarter of FY 2017/18.

3.46.6 Observations and Recommendations

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

- i. Improvement in the submission of quarterly financial reports to the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012.
- ii. Improved staff capacity, especially in the use of IFMIS and Internet Banking.

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

1. Delay in approval of the FY 2017/18 Budget which affected budget implementation during the period under review. This resulted in the County reporting nil expenditure in the first quarter of FY 2017/18.
2. Non- receipt of the equitable share of revenue raised nationally by the National Treasury during the reporting period.

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

1. *The County Treasury should observe the budget timelines as prescribed by the PFM Act, 2012 so as to facilitate smooth implementation of the budget.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*

3.47 West Pokot County

3.47.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.5.11 billion, comprising of Kshs.3.47 billion (67.9 per cent) and Kshs.1.64 billion (32.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.73 billion (92.5 per cent) as equitable share of revenue raised nationally, Kshs.275.79 million (5.4 per cent) as total conditional grants, and generate Kshs.105.32 million (2.1 per cent) from local revenue sources.

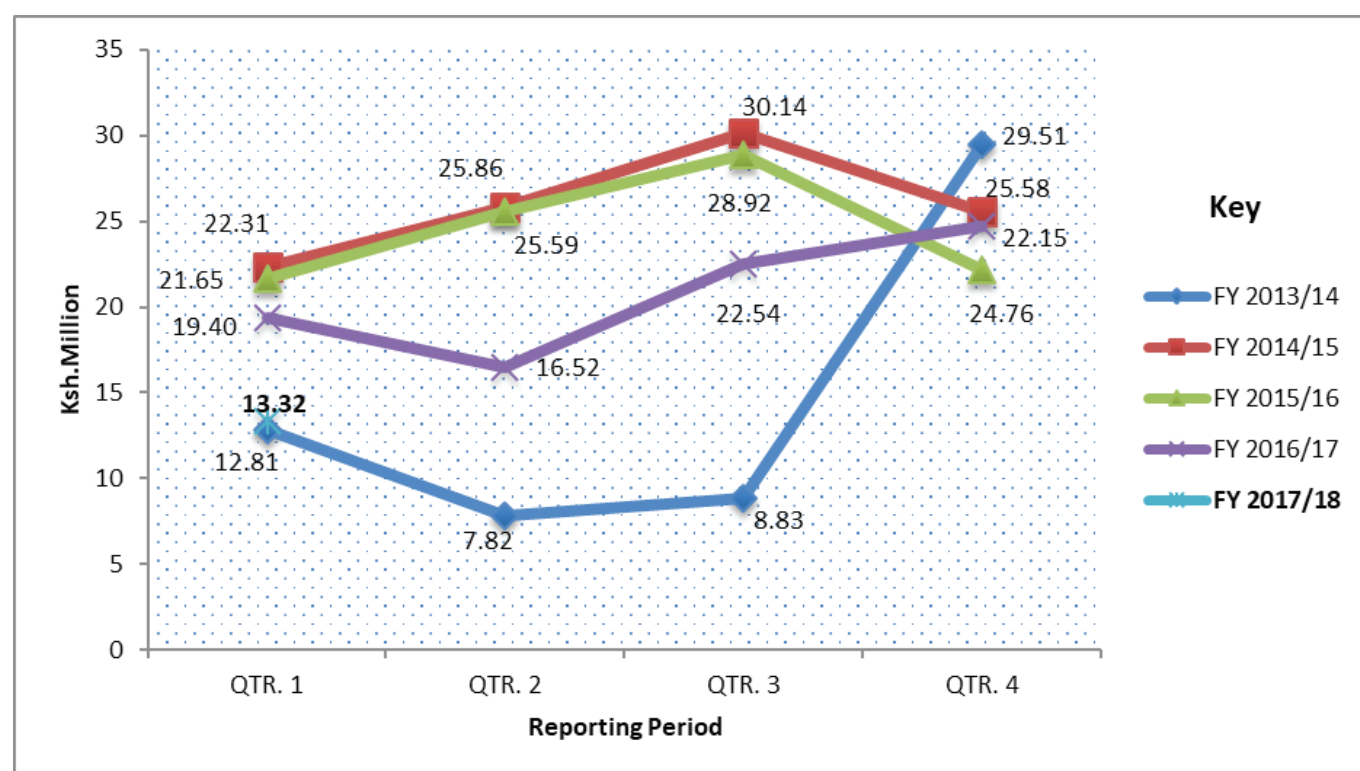
The conditional grants contained in the CARA, 2017 of Kshs.638.61 million comprise of Kshs.183.79 million (28.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.13 million (1.9 per cent) as Compensation for User Fee Foregone, Kshs.12.45 million (2 per cent) from DANIDA, Kshs.67.99 million (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 Program, Kshs.32.55 million (5.1 per cent) for Development of Youth Polytechnics, Kshs.83.2 million (13 per cent) as World Bank Loan for Transforming Health System for Universal Care System and Kshs.66 million (10.3 per cent) as European Union (EU) Grant. The County budgeted to receive Kshs.43.44 million for Free Maternal Healthcare which was not contained in the CARA, 2017.

3.47.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.331.9 million as equitable share of the revenue raised nationally, Kshs.141.77 million as total conditional allocations, raised Kshs.13.32 million from local revenue sources, and had a cash balance of Kshs.229.69 million from FY 2016/17. The available funds amounted to Kshs.716.67 million.

Figure 3.133 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.133: West Pokot County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: West Pokot County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.13.32 million, representing a decrease of 31.3 per cent compared to Kshs.19.4 million generated in a similar period of FY 2016/17, and represented 12.6 per cent of the annual local revenue target.

3.47.3 Conditional Grants

Table 3.95 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.95: West Pokot County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

| S/No | Grants | Annual CARA, 2017 Allocation (in Kshs) | FY 2017/18 Annual Budget Allocation (in Kshs) | Actual receipts in First Quarter of FY 2017/18 (in Kshs) | Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%) |
|--------------|--|--|---|--|---|
| A | Grants Contained CARA, 2017 | | | | |
| 1 | Road Maintenance Fuel Levy Fund | 183, 793, 164 | 124, 425, 000 | 85, 716, 772 | 46.6 |
| 2 | Leasing of Medical Equipment | 95, 744, 681 | - | - | - |
| 3 | World Bank loan to supplement financing of County Health facilities | 67, 985, 000 | 55, 711, 192 | 56, 049, 761 | 82.4 |
| 4 | Kenya Devolution Support Program (KDSP) | 40, 081, 255 | 40, 081, 255 | - | - |
| 5 | Compensation for User Fee Foregone | 12, 128, 484 | 12, 128, 484 | - | - |
| 6 | DANIDA Grant | 12, 454, 545 | - | - | - |
| 7 | Development of Youth Polytechnics | 32, 549, 071 | - | - | - |
| 8 | Other Loans & Grants | 44, 669, 544 | - | - | - |
| 9 | World Bank Loan for Transforming Health System for Universal Care System | 83, 202, 997 | - | - | - |
| 10 | European Union (EU) Grant | 66, 000, 000 | - | - | - |
| Sub Total | | 638, 608, 741 | 232, 345, 931 | 141, 766, 533 | 22.2 |
| B | Other Grants | | | | |
| 11 | Free Maternal Healthcare | - | 43, 444, 215 | - | - |
| Total | | 638, 608, 741.0 | 275, 790, 146.0 | 141, 766, 533.0 | 22.2 |

Source: West Pokot County Treasury

Analysis of the conditional grants released during the period under review indicates that the County received two conditional grants, namely; the World Bank loan to supplement financing of County Health facilities, and the Road Maintenance Fuel Levy Fund at 82.4 per cent and 46.6 per cent of annual allocation respectively.

3.47.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.415 million from the CRF account, which was 8.1 per cent of the Approved Budget. This amount was a decrease of 55.9 per cent from Kshs.940 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

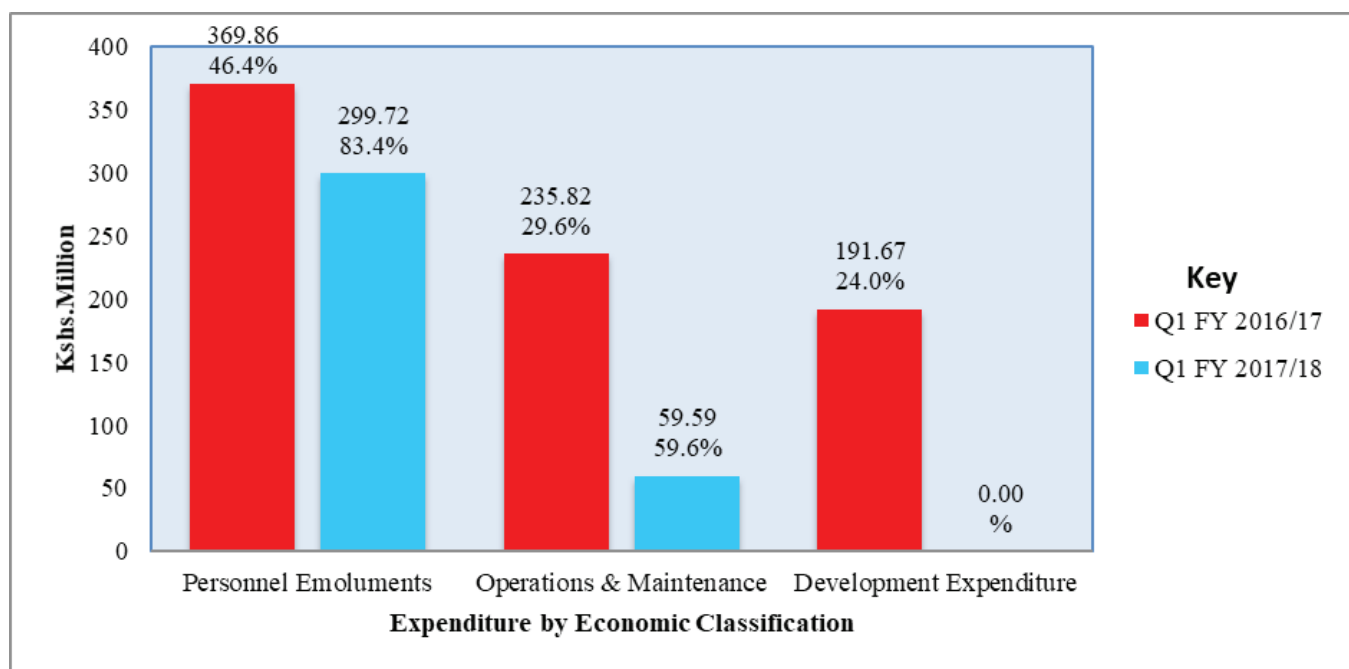
3.47.5 Overall Expenditure Review

The County incurred Kshs.359.31 million, which was 86.6 per cent of the total funds released for operations. This was a decrease of 54.9 per cent from Kshs.797.35 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.359.31 million was incurred on recurrent activities and was 86.6 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.2.48 million for recurrent expenditure.

The recurrent expenditure represented 10.4 per cent of the annual recurrent budget, a decrease from 8.4 per cent incurred in a similar period of FY 2016/17. Figure 3.134 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.134: West Pokot County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



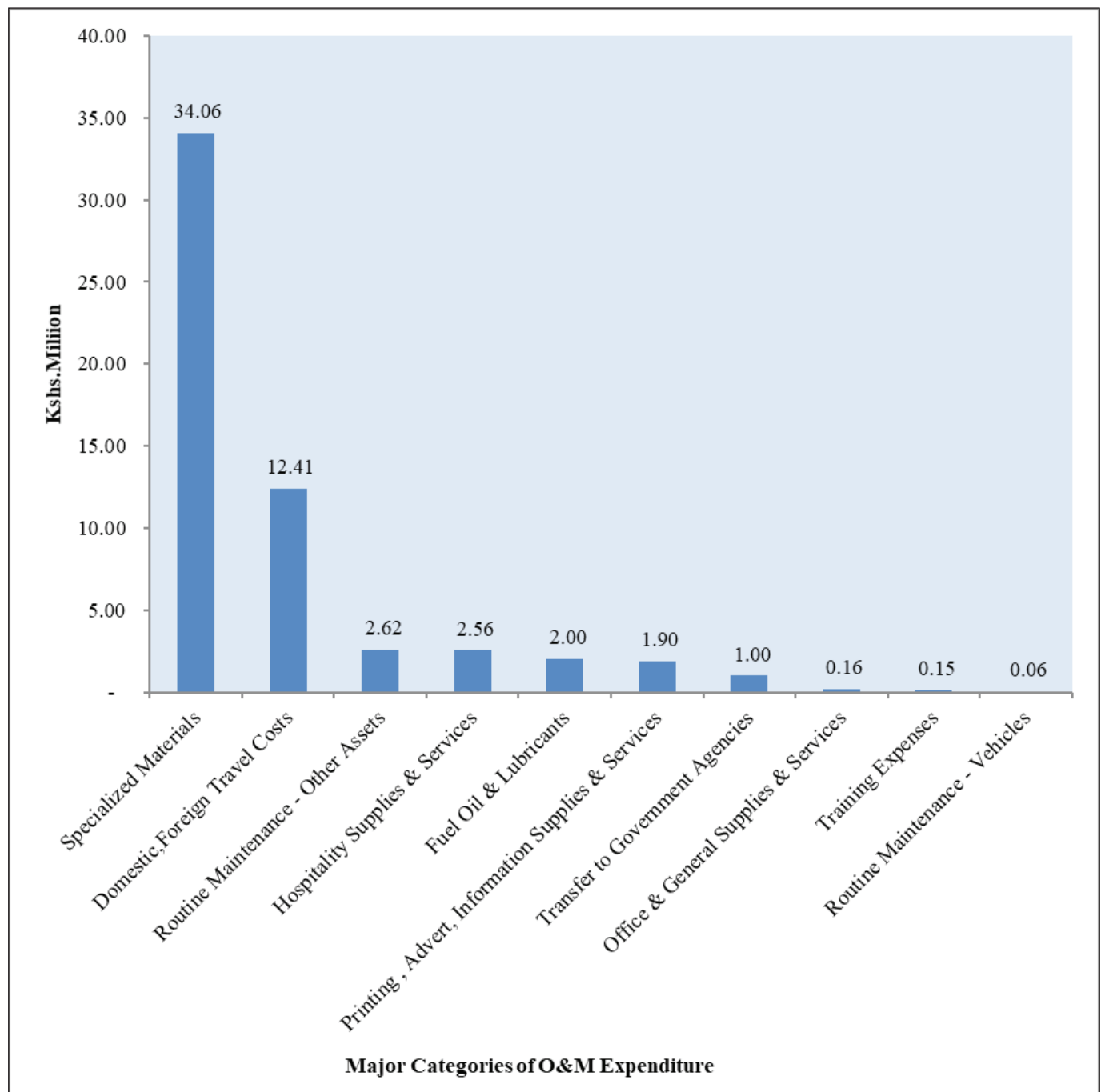
Source: West Pokot County Treasury

3.47.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.359.31 million consisted of Kshs.299.72 million (83.4 per cent) incurred on personnel emoluments and Kshs.59.59 million (16.6 per cent) on operations and maintenance as shown in Figure 3.134.

Expenditure on personnel emoluments represented a decrease of 19 per cent compared to Kshs.369.86 million incurred in the first quarter of FY 2016/17, and was 83.4 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.135 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.135: West Pokot County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: West Pokot County Treasury

The County incurred Kshs.0.78 million on sitting allowances to the 33 MCAs against the annual budget allocation of Kshs.46.29 million. This was a decrease of 93.3 per cent compared to Kshs.11.64 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.7,667 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.12.41 million and consisted of Kshs.3.42 million incurred by the County Assembly and Kshs.9 million by the County Executive. It represented 3.5 per cent of total recurrent expenditure and was a decrease of 84.9 per cent compared to Kshs.82.3 million incurred in the first quarter of FY 2016/17.

3.47.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.47.8 Budget and Budget Performance Analysis by Department

Table 3.96 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.96: West Pokot County, Budget Performance by Department in the First Quarter of FY 2017/18

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million) | | Expenditure in First Quarter of FY 2017/18 (Kshs.Million) | | First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%) | | First Quarter of FY 2017/18 Absorption rate (%) | |
|--|----------------------------------|------------------|---|----------|---|----------|---|----------|---|----------|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 364.71 | 96.82 | 35.86 | - | 43.45 | - | 121.2 | - | 11.9 | - |
| Finance & Economic Planning | 220.28 | 61.61 | 23.2 | - | 19.86 | - | 85.6 | - | 9 | - |
| Roads, Public Works & Transport | 100.93 | 344.19 | 13.33 | - | 4.13 | - | 31 | - | 4.1 | - |
| Health & Sanitation | 1, 194.13 | 340.67 | 206.71 | - | 187.87 | - | 90.9 | - | 15.7 | - |
| Education, Communication & ICT | 389.7 | 211.18 | 27.52 | - | 27.18 | - | 98.8 | - | 7 | - |
| Agriculture & Irrigation | 96.26 | 99.6 | 13.47 | - | 11.5 | - | 85.3 | - | 11.9 | - |
| Livestock, Fisheries & Veterinary Services | 101.67 | 59.74 | 14.19 | - | 9.28 | - | 65.4 | - | 9.1 | - |
| Trade, Industry & Cooperatives | 61.05 | 38.85 | 4.91 | - | 1.35 | - | 27.5 | - | 2.2 | - |
| L&, Physical Planning & Urban Development | 89.72 | 33.63 | 10.22 | - | 8.77 | - | 85.8 | - | 9.8 | - |
| Water development, Environment & Natural Resources | 79.22 | 138.6 | 8.65 | - | 3.96 | - | 45.8 | - | 5 | - |
| Tourism, Culture, Sports, Youth & Gender Development | 59.16 | 96.58 | 4.63 | - | 0.83 | - | 18 | - | 1.4 | - |
| County Public Service Management | 127.71 | 25.9 | 9.4 | - | 3.85 | - | 41 | - | 3 | - |
| Intergovernmental & Special Initiatives | 100.53 | 4.5 | 2.9 | - | 0.08 | - | 2.6 | - | 0.1 | - |
| County Assembly | 483.52 | 87 | 40 | - | 37.2 | - | 93 | - | 7.7 | - |
| TOTAL | 3, 468.59 | 1, 638.87 | 415 | - | 351.31 | - | 86.6 | - | 10.4 | - |

Source: West Pokot County Treasury

Analysis of budget performance by department shows that the Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 15.7 per cent while the Department of Intergovernmental and Special Initiatives had the lowest at 0.1 per cent.

3.47.9 Observations and Recommendations

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

- Timely preparation and approval of Budget documents such as the Annual Development Plan, County Fiscal Strategy Paper and Budget Estimates in line with the PFM Act, 2012.
- Submission of financial reports to the Controller of Budget on time in line with Section 166 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Delay by Fund Administrators to submit expenditure reports of the County Public Finance Management Bursary, Educational Development and Infrastructure Fund, Car Loan and Mortgage Fund, County Assembly Members Car Loan and Mortgage Fund and the Biashara Mashinani Funds contrary to Section 168 of the PFM Act, 2012.
3. Under-performance in local revenue collection which declined by 31.3 per cent from Kshs.19.4 million in a similar period of FY 2016/17 to Kshs.13.32 million in the reporting period.
4. Failure by the County to budget for all the conditional grants as contained in the CARA, 2017. The conditional grants not budgeted for are: World Bank Loan for Transforming Health System for Universal Care System (Kshs.83.20 million), DANIDA Grant (Kshs.12.45 million), EU Grant for Instrument for Devolution Advice and Support (Kshs.66 million), and Conditional Allocation for Development of Youth Polytechnics (Kshs.32.55 million). In addition, Equitable Share of Revenue Raised Nationally, Road Maintenance Fuel Levy Grant and the World Bank Loan to Supplement financing County Health Facilities were under budgeted by Kshs.15.05 million, Kshs.59.37 million, and Kshs.12.27 million respectively.
5. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The County should develop a Supplementary Budget to align conditional grants to CARA, 2017.*
5. *The County Treasury should liaise with IFMIS Directorate for support in addressing the connectivity challenge.*

4 KEY CHALLENGES AND RECOMMENDATIONS

This section highlights cross-cutting issues that affected budget implementation in the first quarter of FY 2017/18. It also makes appropriate recommendations aimed at addressing the challenges in order to enhance budget execution by the County Governments

4.1 High Expenditure on Personnel Emoluments

The County Governments incurred an aggregate of Kshs.27.75 billion on personnel emoluments (PE) in the first quarter of FY 2017/18, which accounted for 78.3 per cent of the total expenditure for the period and 50 per cent of the total funds available to the Counties. Although this expenditure is a decrease of 6.3 per cent from Kshs.29.6 billion incurred in the same period of FY 2016/17, it remains high, when compared with the set ceiling on the County Governments' expenditure on wages at 35 per cent of the total revenue, and will therefore limit implementation of other county programmes if not addressed.

The Office recommends that, County Governments should contain the wage bill at sustainable levels and in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

4.2 Under-Performance in Local Revenue Collection

Article 209 (3) of the Constitution of Kenya 2010 empowers County Governments to impose property rates, entertainment taxes and any other tax authorized by an Act of Parliament.

During the reporting period, the Counties collected Kshs.4.82 billion, representing 8.6 per cent of the annual target of Kshs.55.92 billion, a decrease of 47.1 per cent from Kshs.7.09 billion realized in a similar period of FY 2016/17. The local revenue collection was below the expected performance of 25 per cent of the annual target, and implies that some planned activities may not be implemented due to insufficient funding.

Counties should therefore, develop and implement strategies aimed at enhancing local revenue collection.

4.3 Delay by the National Treasury to Disburse the Equitable Share of Revenue Raised Nationally

Section 4 (2) of the County Allocation of Revenue Act (CARA), 2016 provides that allocations to County Governments shall be transferred to the respective County Revenue Funds, in accordance with a Cash Disbursement Schedule approved by the Senate.

During the reporting period, the Disbursement Schedule approved by the Senate was in variance with the CARA, 2017 and therefore, the National Treasury was unable to disburse the equitable

share of revenue. Following this anomaly, the National Treasury advanced Kshs.20.43 billion to the County Governments to enable continued provision of essential services, compared to Kshs.55.35 billion disbursed as equitable share in the first three months of FY 2016/17.

In future, the responsible institutions should ensure that the CARA, 2017 Cash Disbursement Schedule is accurate by in order to facilitate disbursement of funds to the Counties for effective budget implementation.

4.4 IFMIS Connectivity Challenges

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 and payments. Frequent IFMIS interruption was also indicated as the reason for delayed financial reporting by the County Treasuries.

The Office recommends that the County Treasuries should liaise with the IFMIS Directorate for support in order to ensure smooth financial operations.

4.5 Low Expenditure on the Development Budget

During the reporting period, the County Governments incurred an expenditure of Kshs.1.15 billion representing an absorption rate of 0.9 per cent of the County Governments' cumulative annual development budget of Kshs.134.78 billion. This performance was a decline from an absorption rate of 8.3 per cent, reported in a similar period of FY 2016/17 when development expenditure was Kshs.13.96 billion. This low level of development expenditure was attributed to delay in release of funds by National Treasury.

The low absorption of development funds denies Kenyans the benefits to be derived from development projects such as access to quality services in the Health, Agriculture, Roads, and the Education sectors. The Office therefore recommends that Counties should prioritize implementation of development projects in order to improve the standard of living for its citizens.

4.6 Failure to budget for all revenue sources as per CARA, 2017

County Governments failed to budget for all the conditional grants as contained in the CARA, 2017. The grants included; the Road Maintenance Fuel Levy Fund, Compensation for User Fee Foregone, supplement for Construction of County Headquarters, DANIDA Grant for Universal Healthcare in Devolved System Program, Grant to the Level 5 Hospitals, Kenya Devolution Support Program by the World Bank, Allocation for the Development of Youth Polytechnics, World Bank Loan for Transforming Health System for Universal Care System, World Bank Loan for National Agricultural & Rural Inclusive Growth Project, World Bank Loan to supplement financing of County Health facilities, and, European Union Grant for Instrument for Devolution Advice and Support.

Failure to budget for these conditional grants was mainly due to delay in the enactment of the CARA, 2017.

The Office therefore recommends that counties should prepare Supplementary Budgets to capture all revenue as provided for in the CARA, 2017.

5 CONCLUSION

This report sought to provide an overview of budget implementation by the County Governments during the first three months of FY 2017/18 and was prepared in fulfilment of Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016. The report has highlighted the challenges that affected budget implementation during the reporting period and provided appropriate recommendations.

During the first quarter of FY 2017/18, the Counties accessed Kshs.37.82 billion from the County Revenue Funds (CRF) which was 68.26 per cent of the funds available to Counties in the reporting period of Kshs.55.36 billion. Local revenue collection amounted to Kshs.4.82 billion, which was 8.6 per cent of the annual target of Kshs.55.92 billion.

The report indicates that total expenditure by County governments in the first quarter of FY 2017/18 was Kshs.35.43 billion representing an absorption rate of 9.5 per cent of the total annual County Governments' Budgets. On aggregate, Counties incurred Kshs.34.27 billion on recurrent expenditure translating to 14.3 per cent of the approved recurrent budget of Kshs.239.9 billion. On the other hand, development expenditure amounted to Kshs.1.15 billion which translated to 0.9 per cent of the approved development budget of Kshs.134.78 billion.

The Office identified the following challenges that continued to hamper effective budget implementation; high expenditure on personnel emoluments, under-performance of local revenue collection, IFMIS connectivity challenge and frequent downtime, low expenditure on the development budget, and failure to budget for all revenue sources as contained in the County Allocation of Revenue Act (CARA), 2017, and delay by the National Treasury to disburse the equitable share of revenue raised nationally. Appropriate recommendations have been made to address the identified challenges and the Office encourages the relevant oversight institutions and Officers in the County Government to implement these recommendations.

The Office will continue to provide regular reports to all stakeholders with regard to budget implementation with the aim of informing and positively influencing budget execution by the County Governments.

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