



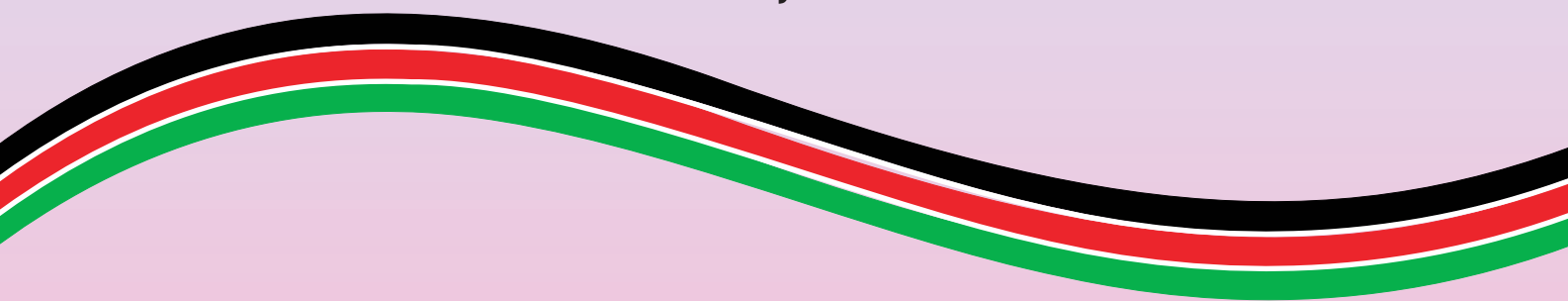
REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

**COUNTY GOVERNMENTS BUDGET
IMPLEMENTATION REVIEW REPORT**

**FIRST NINE MONTHS
OF FY 2017/18**

MAY, 2018





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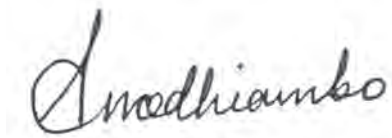
PREFACE

The Office of the Controller of Budget (OCOB) is pleased to present the County Governments' Budget Implementation Review Report (CBIRR) for the first nine months of Financial Year (FY) 2017/18 covering the period July, 2017 to March, 2018. This report has been prepared in line with Article 228 (6) of the Constitution of Kenya, 2010, and section 9(1) of the OCOB Act, 2016 which requires the OCOB to submit to each House of Parliament a report on the implementation of budgets of both the National and County governments every four months.

This report provides information on receipts into, and withdrawals from the forty seven County Revenue Fund Accounts (CRF), and expenditure by the County Governments. Expenditure is classified as either development or recurrent expenditure, and is compared with that incurred in a similar period of FY 2016/17.

The report is based on analysis of financial reports received from County Treasuries in line with Sections 166 and 168 of the Public Finance Management Act, 2012, data from the Integrated Financial Management Information System (IFMIS), and OCOB records of exchequer issues. The report identifies key challenges that affected effective budget implementation during the reporting period and contains appropriate recommendations to address the challenges.

The Office expects that, the information provided in this report will be useful to all stakeholders and inform timely decision making on budget implementation. The Legislature, the Public and other oversight institutions are responsible for oversight on budget implementation, while the Executive is vested with the responsibility of implementation. The Office is committed to promoting prudent financial management in the public sector and encourages readers of this report to take active interest in budget formulation, implementation, monitoring and evaluation.



Mrs. Agnes Odhiambo, CBS

CONTROLLER OF BUDGET

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ACRONYMS

ADP	Annual Development Plan
ASDP	Agricultural Sector Development Support Project
CA	County Assembly
CARA	County Allocation of Revenue Act
CBEF	County Budget and Economic Forum
CBIRR	County Budget Implementation Review Report
CBROP	County Budget Review and Outlook Paper
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
EU	European Union
FY	Financial Year
HQ	Head Quarter
IB	Internet Banking
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
IPPD	Integrated Payroll Personnel Database
KDSP	Kenya Devolution Support Programme
KShs	Kenya Shillings
MIL	Million
MTEF	Medium Term Expenditure Framework
O&M	Operations and Maintenance

OCOB	Office of the Controller of Budget
PE	Personnel Emoluments
PFM	Public Finance Management
SRC	Salaries and Remuneration Commission

EXECUTIVE SUMMARY

This is the third County Budget Implementation Review Report (CBIRR) for the Financial Year 2017/18 and covers the period July, 2017 to March, 2018. It highlights the progress made in budget implementation by each of the 47 County Governments. This report has been prepared in fulfilment of the requirements of Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016.

On aggregate, approved budgets for the County Governments for the Financial Year (FY) 2017/18 amounted to **Kshs.413.63 billion** comprising Kshs.266.98 billion (64.5 per cent) for recurrent expenditure and Kshs.146.65 billion (35.5 per cent) for development expenditure. In order to finance the FY 2017/18 budget, County Governments were allocated Kshs.302 billion as the equitable share of revenue raised nationally and Kshs.23.27 billion as conditional grants from the National Government, Kshs.23.27 billion additional allocation as loans and grants from Development Partners, generate Kshs.52.52 billion from own sources of revenue, and Kshs.26.66 billion unspent funds from FY 2016/17.

During the reporting period, total revenue available to the County Governments amounted to Kshs.232.8 billion comprising of Kshs.174.52 billion from the equitable share of revenue raised nationally and conditional grants to Level 5 Hospitals, Kshs.4.45 billion as World Bank and DANIDA grants and loans, Kshs.4.94 billion from the Road Maintenance Fuel Levy Fund, Kshs.22.23 billion generated from own sources of revenue, and Kshs.26.66 billion as cash balance brought forward from FY 2016/17.

In the first nine months of the FY 2017/18, the aggregate revenue raised by County Governments from own sources amounted to Kshs.**22.23 billion** which was a decline of 11.2 per cent compared to Kshs.24.71 billion raised in a similar period in the previous financial year. This amount accounted for **42.3 per cent** of the annual local revenue target of Kshs.52.52 billion. Counties that generated the highest amount of local revenue were; Nairobi City, Mombasa and Narok at Kshs.7.64 billion, Kshs.1.68 billion and Kshs.1.63 billion respectively. Conversely, the lowest amount was generated by Mandera, Lamu and Tana River Counties at Kshs.46.97 million, Kshs.41.49 million, and Kshs.16.19 million respectively.

The Controller of Budget authorized withdrawal of Kshs.194.33 billion from the County Revenue Funds (CRF). This amount comprised of Kshs.166.82 billion (85.8 per cent) for recurrent and Kshs.27.51 billion (14.2 per cent) for development activities. The total amount withdrawn from the CRF account represented 47 per cent of the total County Government's Budget Estimates for FY 2017/18. Counties that had the highest amount of funds released from the County Revenue Fund were; Nairobi City at Kshs.14.87 billion, Kiambu at Kshs.7.83 billion, and Kakamega at Kshs.6.65 billion. Those that received the lowest releases were Tana River at Kshs.2.04 billion, Isiolo at Kshs.1.79 billion and, Lamu at Kshs.1.38 billion.

The total expenditure during the period was **Kshs.183.66 billion** and comprised of Kshs.157.67 billion for recurrent expenditure (59.1 per cent of the annual recurrent budget) and Kshs.25.98 billion for development expenditure (17.7 per cent of the annual development budget). This expenditure was **44.4 per cent** of the total annual County Government's budgets. Counties that recorded the highest overall absorption rates were Murang'a at **55.4 per cent**, Narok at **53.8 per cent**, and Laikipia at **53.7 per cent**. Conversely, Tana River, Vihiga, and Nakuru Counties recorded the lowest overall absorption rates at **35.6 per cent**, **35.4 per cent**, and 34.7 per cent respectively. Those that had highest absorption rate of development expenditure were Kilifi at **53.8 per cent**, followed by Murang'a and Mombasa at **52.1 per cent** and **40.6 per cent** respectively. Three Counties, namely; Garissa, Kirinyaga, and Kisumu did not report expenditure on their development budget. Absorption rate is computed as a percentage of expenditure to the approved budget.

Analysis of expenditure by economic classification shows that, **Kshs.108.04 billion** (27 per cent) was spent on personnel emoluments, Kshs.49.63 billion (58.8 per cent) on operations and maintenance, and Kshs.25.98 billion (14.2 per cent) on development activities. The expenditure on personnel emoluments (PE) accounted for 58.8 per cent of the total expenditure for the period and was an increase of 18.2 per cent from Kshs.91.39 billion incurred in a similar period in FY 2016/17 where personnel expenditure translated to 44 per cent

of the total expenditure. The Counties that reported the highest expenditure on personnel emoluments as a percentage of total expenditure were; Kirinyaga, Meru, and Elgeyo Marakwet at 78.9 per cent, 75.3 per cent, and 74.7 per cent respectively.

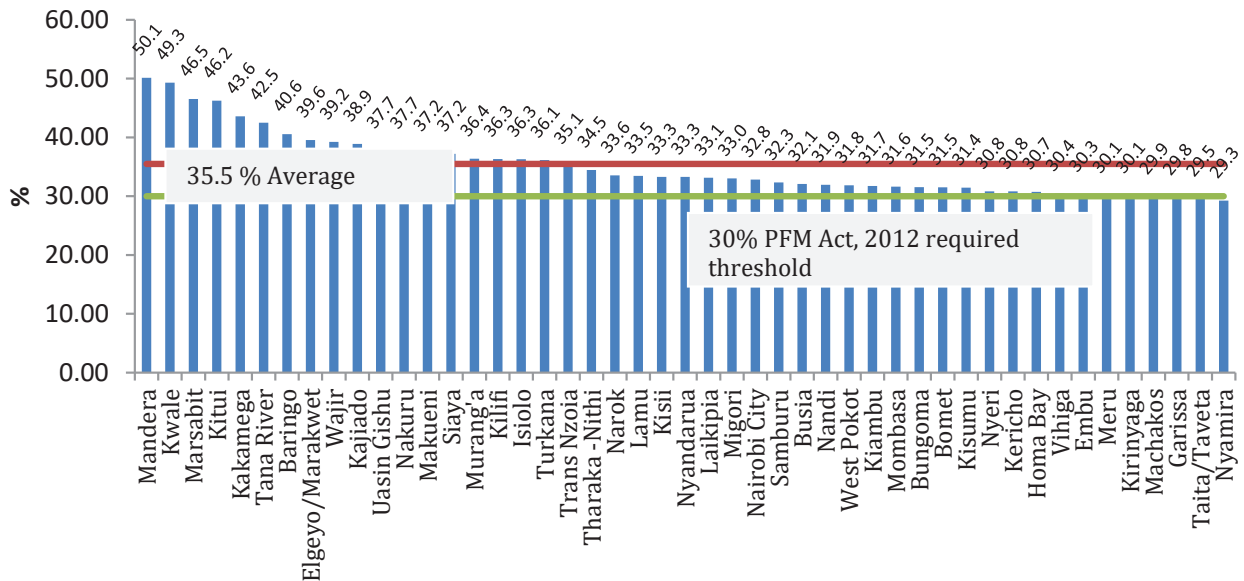
The key challenges that faced County Governments as they executed their budgets have been identified. They include; delays in the disbursement of equitable share of revenue by the National Treasury, high expenditure on personnel emoluments, under-performance on own sources of revenue collection, late submission of quarterly financial reports to the Controller of Budget, and, delays in the establishment and operationalization of County Budget and Economic Forums (CBEF) contrary to Section 137 of the PFM Act, 2012.

To address these challenges, the Office recommends that County Governments should establish optimal staffing levels to ensure that personnel expenditure is within the set limit of 35 per cent of the County's total revenue as provided in Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015. The County Treasuries should develop and implement strategies to enhance own-source revenue collection, and National Treasury should adhere to the CARA, 2017 Disbursement Schedule in order to enhance effective budget execution. Further, County Treasuries should prepare and submit financial reports in line with Section 166 and 168 of the PFM Act, 2012. Finally, Counties should establish and operationalise the County Budget and Economic Forums (CBEF) in line with Section 137 of the PFM Act, 2012 to provide means for consultation on matters pertaining to budgeting and financial management at the County level.

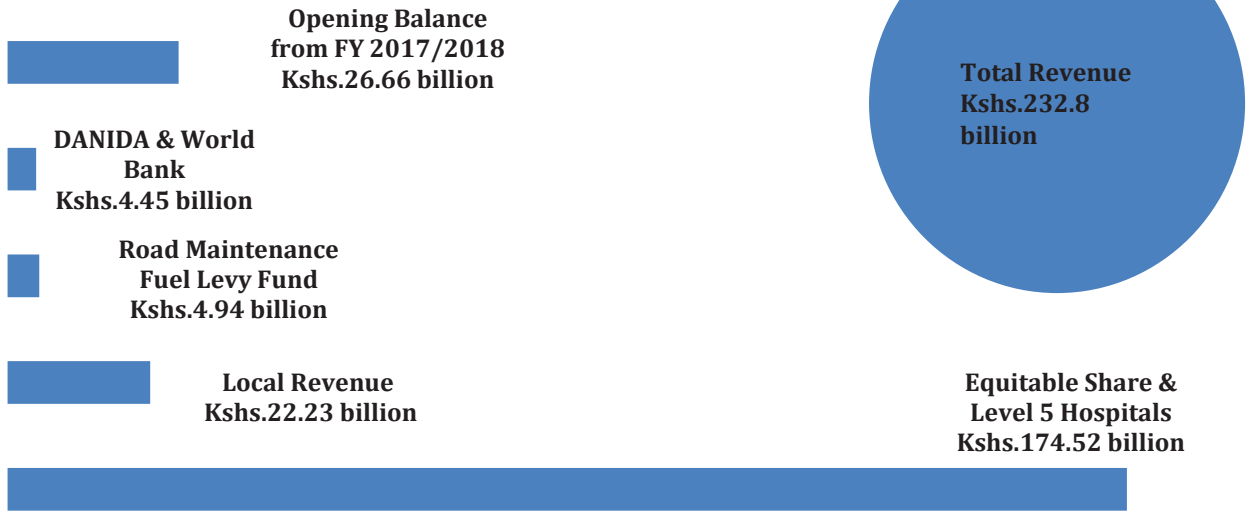
FY 2017/18 County Governments' Approved Budget Estimates



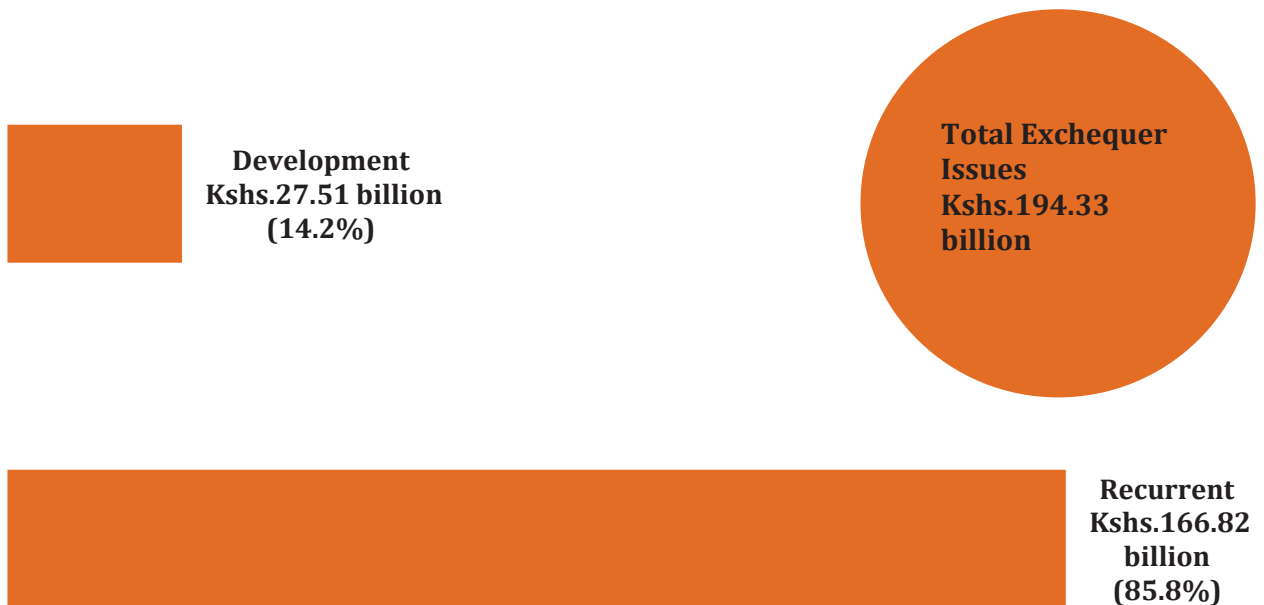
FY 2017/18 County Governments' Development Budget Allocation as a Percentage of Total Budget



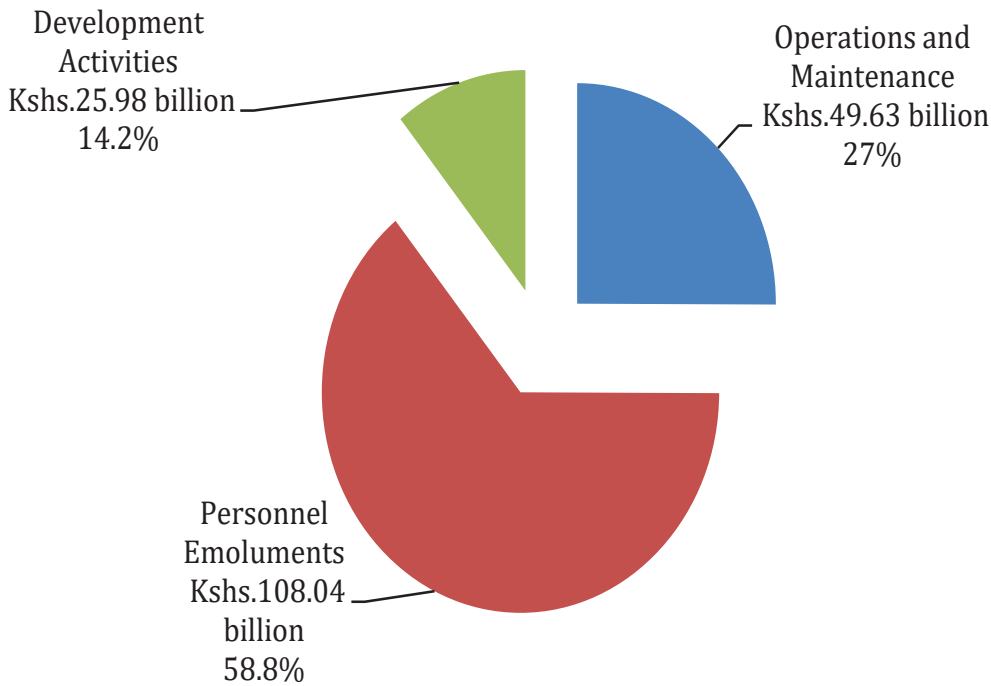
Total Revenue Available in the First Nine Months of FY 2017/18



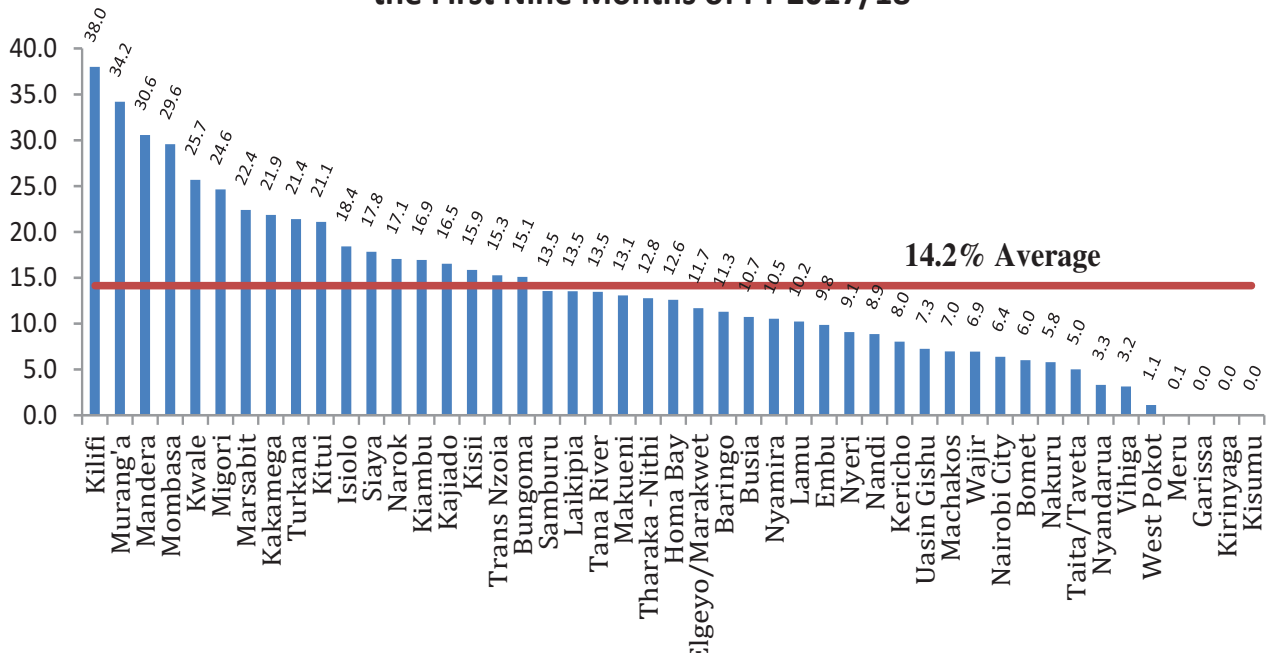
Exchequer Issues in the First Nine Months of FY 2017/18



Expenditure by Economic Classification for the First Nine Months of FY 2017/18



Development Expenditure as a Percentage of Total Expenditure in the First Nine Months of FY 2017/18



1 INTRODUCTION

This is the third County Budget Implementation Review Report (CBIRR) issued by the Office of the Controller of Budget for FY 2017/18. It covers the first nine months of FY 2017/18 (July, 2017 to March, 2018), and is prepared in fulfilment of Article 228 (6) of the Constitution of Kenya, 2010 and Section 39 (8) of the Public Finance Management (PFM) Act, 2012 which requires the Controller of Budget to ensure that members of the public are given information on budget implementation by both the National and County Governments.

The CBIRR presents information on the revenue raised by counties, disbursements from the National Treasury, receipts from conditional grants and loans from both the National Government and Development Partners. It also compares performance of own revenue sources against annual target, provides highlights of actual expenditure against the approved county budgets, and also presents key challenges that affected budget execution during the reporting period. Disbursement of funds to the County Governments is based on the County Allocation of Revenue Act (CARA), 2017.

The report is organized into four chapters. Chapter one provides the introduction while chapter two presents analysis of individual and aggregate County Governments' revenue and expenditure performance against approved budget estimates. The review of expenditure is focused on broad economic classification of recurrent and development expenditure. Recurrent expenditure is further disaggregated into Personnel Emoluments (PE) and Operations and Maintenance (O&M). Absorption rate is used to measure performance and is computed as a percentage of expenditure against the approved annual gross budget estimates.

Chapter three presents analysis of county-specific performance on budget implementation. The analysis focuses on revenue receipts against targets, and budget utilization by spending entities. The key issues that affected budget implementation during the period under review are identified and appropriate recommendations provided.

Chapter four summarizes the cross-cutting challenges that affected budget implementation in the first nine months of FY 2017/18. Recommendations based on appropriate legal provisions and best practices are provided to ensure effective budget execution. Chapter five provides the conclusion.

2 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION IN THE FIRST NINE MONTHS OF FY 2017/18

2.1 Introduction

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

2.2 Overall Budget and Budget Financing

In FY 2017/18, the combined County governments budgets approved by the County Assemblies amounted to Kshs.413.63 billion and comprised of Kshs.266.98 billion (64.5 per cent) allocated to recurrent expenditure and Kshs.146.65 billion (35.5 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 total conditional grants from the Development Partners, generate Kshs.52.52 billion from own sources of revenue and Kshs.26.66 billion cash balance 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 and 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 from the World Bank, Kshs.2.75 billion as World Bank loan for Transforming Health Systems for Universal Care Project, Kshs.1.05 billion as World Bank loan for National Agricultural and Rural Inclusive Growth Project, Kshs.762.98 million from DANIDA for Universal Healthcare in Devolved System Programme, Kshs.985.8 million from the European Union (EU) for Devolution Advice and Support, and Kshs.7.84 billion as Other Loans & Grants.

2.3 Revenue Analysis

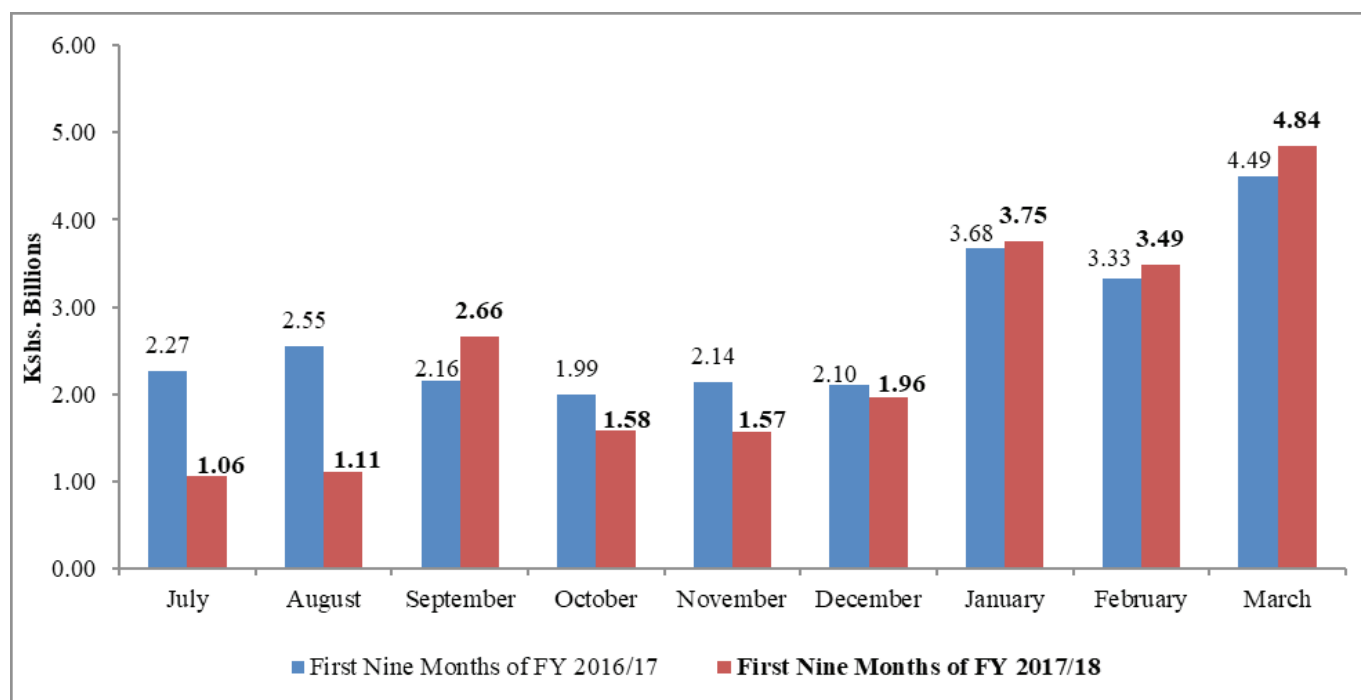
The total funds available to the County Governments in the first nine months of FY 2017/18 amounted to Kshs.232.8 billion. This amount comprised of Kshs.174.52 billion as equitable share of revenue and grant for Level 5 Hospitals, Kshs.4.94 billion from the Road Maintenance Fuel Levy Fund, Kshs.3.74 billion from World Bank loans and grants, Kshs.713.68 million from DANIDA for Universal Healthcare in Devolved System Programme, Kshs.22.23 billion from own sources of revenue, and Kshs.26.66 billion cash balance from FY 2016/17.

2.4 Own-Source Revenue

The aggregate annual own source revenue target for the Counties for the financial year was Kshs.52.52 billion. During the reporting period, county governments generated a total of Kshs.22.23 billion, which was 42.3 per cent of the annual target. This was a decrease of 10 per cent compared to Kshs.24.71 billion generated in a similar period of FY 2016/17, which was 41.4 per cent of the annual revenue target of Kshs.59.71 billion.

The monthly own source revenue collected in the first nine months of FY 2016/17 and in a similar period of FY 2017/18 is shown in Figure 2-1.

Figure 2-1: Monthly Own-Source Revenue Collection for the First Nine months of FY2016/17 and the First Nine months of FY 2017/18 (Kshs.Billion)



Source: County Treasuries

The monthly own source revenue collection for the period July 2017 to March 2018 is shown in Table 2-1.

Table 2-1: Quarterly Own-Source Revenue Collection for the Period July, 2017 to March, 2018

County Title	First Quarter of FY 2017/18 (Kshs.Mil)	First Half of FY 2017/18 (Kshs.Mil)	First Nine Months of FY 2017/18 (Kshs.Mil)	Total Local Revenue Collection (Kshs.Mil)	Annual Local Revenue Target For FY 2017/18 (Kshs.Mil)	Percentage of total Local Revenue Collection to Annual Target (%)
	A	B	C	D=A+B+C		
Baringo	92.04	54.64	78.38	225.06	350.00	64.3
Bomet	16.43	35.04	74.58	126.05	200.21	63
Bungoma	98.04	180.48	182.86	461.38	865.55	53.3
Busia	32.17	33.89	53.43	119.49	412.16	29
Elgeyo-Marakwet	17.20	26.67	32.16	76.03	160.29	47.4
Embu	54.79	70.81	128.15	253.75	653.49	38.8
Garissa	9.87	15.57	35.02	60.47	250.00	24.2
Homa Bay	15.96	21.55	34.53	72.04	209.46	34.4
Isiolo	33.39	20.34	27.44	81.17	182.86	44.4
Kajiado	65.47	99.37	264.86	429.70	1,040.79	41.3
Kakamega	58.37	73.63	152.09	284.09	774.57	36.7
Kericho	45.30	32.08	149.53	226.91	554.64	40.9
Kiambu	268.33	249.97	646.45	1,164.75	3,227.49	36.1
Kilifi	76.50	88.35	224.40	389.24	929.66	41.9
Kirinyaga	32.65	37.72	135.95	206.32	600.00	34.4
Kisii	35.65	34.66	105.77	176.08	950.00	18.5
Kisumu	123.46	120.24	338.73	582.43	1,395.26	41.7
Kitui	57.69	44.81	113.82	216.32	702.04	30.8
Kwale	23.55	26.53	139.33	189.41	275.00	68.9

County Title	First Quarter of FY 2017/18 (Kshs.Mil)	First Half of FY 2017/18 (Kshs.Mil)	First Nine Months of FY 2017/18 (Kshs.Mil)	Total Local Revenue Collection (Kshs.Mil)	Annual Local Revenue Target For FY 2017/18 (Kshs.Mil)	Percentage of total Local Revenue Collection to Annual Target (%)
Laikipia	107.70	55.60	130.54	293.85	500.00	58.8
Lamu	7.09	9.59	24.80	41.49	90.00	46.1
Machakos	103.90	197.59	331.72	633.21	1,557.79	40.6
Makueni	66.27	46.02	94.95	207.24	600.00	34.5
Mandera	8.72	12	26.25	46.97	231.00	20.3
Marsabit	15.42	17.22	17.96	50.60	130.00	38.9
Meru	53.20	66.06	183.15	302.42	821.78	36.8
Migori	27.74	25.16	92.45	145.35	200.00	72.7
Mombasa	307.91	270.35	1,098.67	1,676.93	3,500.00	47.9
Murang'a	52.81	52.45	176.86	282.12	1,065.99	26.5
Nairobi City	1,487.99	1,617.96	4,531.73	7,637.67	19,766.00	38.6
Nakuru	356.18	400.86	752.61	1,509.64	2,500.00	60.4
Nandi	20.11	37.52	77.72	135.34	385.44	35.1
Narok	692.38	522.62	413.32	1,628.31	2,483.46	65.6
Nyamira	14.86	12.75	41.63	69.24	272.46	25.4
Nyandarua	38.20	44.01	97.66	179.87	371.00	48.5
Nyeri	137.36	136.82	224.90	499.07	1,000.00	49.9
Samburu	65.51	76.69	53.96	196.16	301.23	65.1
Siaya	19.41	21.42	49.03	89.85	270.00	33.3
Taita-Taveta	15.76	44.49	61.72	121.97	398.47	30.6
Tana River	3.95	4.03	8.21	16.19	30.00	54
Tharaka Nithi	6.14	30.35	33.69	70.18	179.92	39
Trans-Nzoia	15.63	21.88	120.61	158.13	600.00	26.4
Turkana	33.47	27.56	35.84	96.87	200.00	48.4
Uasin-Gishu	89.50	116.50	387.54	593.54	850.00	69.8
Vihiga	12.82	29.07	50.55	92.44	220.00	42
Wajir	21.57	14.55	18.93	55.06	150.00	36.7
West Pokot	13.32	21.43	25.92	60.67	111.25	54.5
Total	4,951.78	5,198.89	12,080.39	22,231.06	52,519.24	42.3

Source: County Treasuries

During the period under review, the Nairobi City County generated the highest amount of own source revenue at Kshs.7.64 billion, followed by, Mombasa at Kshs.1.68 billion, Narok at Kshs.1.63 billion and Nakuru at Kshs.1.51 billion, respectively. Counties that generated the lowest amount were Mandera, Lamu and Tana River at Kshs.46.97 million, Kshs.41.49 million and Kshs.16.19 million respectively.

Analysis of local revenue as a proportion of the annual revenue target indicates that Migori, Uasin Gishu and Kwale Counties recorded the highest proportion at 72.7 per cent, 69.8 per cent and 68.9 per cent respectively. Conversely, those that recorded the lowest proportion of local revenue against annual targets were Nyamira at 25.4 per cent, Mandera at 20.3 per cent and Kisii at 18.5 per cent.

2.5 Funds Released to Counties

2.5.1 Funds released to counties from the Consolidated Fund

In the first nine months of FY 2017/18, the Controller of Budget (COB) approved transfer of Kshs.174.52 billion from the Consolidated Fund to the various County Revenue Funds (CRFs) as equitable share of revenue and grants for Level 5 Hospitals, in accordance with Article 206 (4) of the Constitution.

Counties also received Kshs.4.94 billion from the Road Maintenance Fuel Levy Fund, Kshs.3.74 billion from World Bank loans and grants, and Kshs.713.68 million from DANIDA for Universal Healthcare in Devolved System Programme. The disbursements were made directly to County Revenue Fund Accounts.

2.5.2 Funds Released to the County Operational Accounts

The COB authorised withdrawals of Kshs.194.33 billion from the County Revenue Funds to the County Government Operational Accounts in the reporting period. The transfers comprised of Kshs.166.82 billion (85.8 per cent) for recurrent expenditure and Kshs.27.51 billion (14.2 per cent) for development expenditure. The authorised withdrawal was a decline by 15.5 per cent from Kshs.229.85 billion released in a similar period of FY 2016/17.

From the Kshs.166.82 billion released for recurrent activities, Kshs.18.15 billion was for the County Assemblies while Kshs.148.67 billion was for the County Executives. The development exchequer comprised of Kshs.767.49 million for the County Assemblies and Kshs.26.74 billion for the County Executives.

The exchequer issues to the County Assembly and the County Executive in the first nine months of FY 2017/18 are shown in Table 2-2.

Table 2-2: Exchequer Issues to the County Assembly and the County Executive for the First Nine Months of FY 2017/18

Exchequer Releases from CRF to County Operations Accounts in the first Nine Months of FY 2017/18 (Kshs. Million)									
County	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Rec (Kshs.Mil)	Dev (Kshs.Mil)	Total (Kshs.Mil)	Rec (Kshs.Mil)	Dev (Kshs.Mil)	Total (Kshs.Mil)	Rec (Kshs.Mil)	Dev (Kshs.Mil)	Total (Kshs.Mil)
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Baringo	381.11	4	385.11	2581.01	487.77	3,068.78	2962.13	491.77	3,453.90
Bomet	329.76	8	337.76	2951.11	328.92	3,280.04	3280.87	336.92	3,617.80
Bungoma	601.09	62.3	663.39	4054.10	930.83	4,984.93	4655.19	993.13	5,648.32
Busia	206.87	24.1	230.97	2642	649.00	3,291.00	2848.87	673.10	3,521.97
Elgeyo-Marakwet	318.08	5.46	323.54	1604.24	323.15	1,927.39	1922.33	328.61	2,250.93
Embu	347.59	-	347.59	2752.91	298.26	3,051.17	3100.49	298.26	3,398.76
Garissa	446.21	-	446.21	3280.47	121.74	3,402.21	3726.68	121.74	3,848.42
Homa Bay	650	-	650.00	2988.79	394.00	3,382.79	3638.79	394.00	4,032.79
Isiolo	247.5	60	307.50	1270.68	208.41	1,479.09	1518.18	268.41	1,786.59
Kajiado	331.36	47.34	378.70	3003.13	864.86	3,867.98	3334.49	912.20	4,246.68
Kakamega	641.4	-	641.40	4551.64	1456.85	6,008.49	5193.04	1456.85	6,649.89
Kericho	314.78	-	314.78	2049.52	561.80	2,611.32	2364.30	561.80	2,926.11
Kiambu	728.16	-	728.16	6141.15	960.33	7,101.47	6869.31	960.33	7,829.63
Kilifi	508.22	68.6	576.82	3849.73	1867.86	5,717.59	4357.95	1936.46	6,294.42
Kirinyaga	396.84	-	396.84	2161.38	0.00	2,161.38	2558.22	0.00	2,558.22
Kisii	530.73	13.28	544.01	4258.04	788.25	5,046.29	4788.77	801.53	5,590.30
Kisumu	302.4	-	302.40	3738.40	29.05	3,767.44	4040.80	29.05	4,069.85
Kitui	385.09	36.64	421.73	3470.20	1047.55	4,517.75	3855.29	1084.19	4,939.48
Kwale	334.71	10.00	344.71	3238.06	1071.38	4,309.44	3572.78	1081.38	4,654.16

Exchequer Releases from CRF to County Operations Accounts in the first Nine Months of FY 2017/18 (Kshs. Million)									
County	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Rec (Kshs.Mil)	Dev (Kshs.Mil)	Total (Kshs.Mil)	Rec (Kshs.Mil)	Dev (Kshs.Mil)	Total (Kshs.Mil)	Rec (Kshs.Mil)	Dev (Kshs.Mil)	Total (Kshs.Mil)
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Laikipia	274.15	14.70	288.85	2610.90	485.29	3,096.20	2885.05	499.99	3,385.04
Lamu	223.38	25.38	248.76	1071.19	63.11	1,134.30	1294.56	88.50	1,383.06
Machakos	380.63	21.20	401.83	3873.28	477.84	4,351.12	4253.91	499.04	4,752.95
Makueni	440.73	21.93	462.66	3273.45	764.11	4,037.56	3714.18	786.04	4,500.22
Mandera	192.16	-	192.16	3232.18	1591.59	4,823.77	3424.34	1591.59	5,015.93
Marsabit	364.76	-	364.76	2475.07	1018.26	3,493.33	2839.83	1018.26	3,858.09
Meru	862.4	-	862.40	3639.41	134.03	3,773.44	4501.80	134.03	4,635.84
Migori	366	-	366.00	2437.50	910.00	3,347.50	2803.50	910.00	3,713.50
Mombasa	115.56	-	115.56	4032.81	1528.00	5,560.81	4148.37	1528.00	5,676.37
Murang'a	252.87	-	252.87	2611.86	1505.23	4,117.09	2864.74	1505.23	4,369.96
Nairobi City	765.63	82.22	847.85	13739.78	281.68	14,021.46	14505.41	363.90	14,869.31
Nakuru	536.56	36.04	572.60	5604.20	212.58	5,816.78	6140.76	248.62	6,389.38
Nandi	389.54	45.97	435.51	2350.95	232.50	2,583.45	2740.49	278.47	3,018.96
Narok	330	20	350.00	4042.77	880.00	4,922.77	4372.77	900.00	5,272.77
Nyamira	325.85	60.74	386.59	2327.25	227.56	2,554.81	2653.09	288.30	2,941.40
Nyandarua	404.44	66.59	471.02	1876.01	21.08	1,897.10	2280.45	87.67	2,368.12
Nyeri	314.64	-	314.64	3037.37	243.45	3,280.82	3352.01	243.45	3,595.45
Samburu	345.84	-	345.84	1860.14	218.75	2,078.88	2205.98	218.75	2,424.72
Siaya	297	-	297.00	2041.00	187.00	2,228.00	2338.00	187.00	2,525.00
Taita-Taveta	161.17	-	161.17	2258.38	165.76	2,424.14	2419.55	165.76	2,585.31
Tana River	310.72	-	310.72	1319.79	404.77	1,724.56	1630.51	404.77	2,035.28
Tharaka Nithi	183.59	-	183.59	1908.72	267.85	2,176.57	2092.31	267.85	2,360.16
Trans-Nzoia	329.56	-	329.56	2799.65	459.06	3,258.71	3129.20	459.06	3,588.27
Turkana	530	10	540.00	3809.65	1376.00	5,185.65	4339.65	1386.00	5,725.65
Uasin-Gishu	374.1	-	374.10	2975.18	242.71	3,217.89	3349.28	242.71	3,592.00
Vihiga	399.84	-	399.84	2065.01	92.23	2,157.24	2464.85	92.23	2,557.08
Wajir	407.96	-	407.96	2743.34	275.49	3,018.83	3151.30	275.49	3,426.79
West Pokot	265	23	288	2069.48	85.72	2,155.20	2334.48	108.72	2,443.20
Total	18,145.97	767.49	18,913.46	148,672.9	26,741.7	175,414.56	166,818.9	27,509.2	194,328

Source: County Treasuries and OCOB

Nairobi City County received the highest amount from its CRF account to its operational accounts at Kshs.14.87 billion, followed by Kiambu and Kakamega at Kshs.7.83 billion and Kshs.6.65 billion, respectively. Counties that received the lowest releases were; Elgeyo Marakwet at Kshs.2.25 billion, Tana River at Kshs.2.04 billion, Isiolo at Kshs.1.77 billion and Lamu at Kshs.1.38 billion.

2.6 Expenditure Analysis

Total expenditure by the County governments was Kshs.183.66 billion representing an absorption rate of 44.4 per cent of the total annual County Governments Budgets. This was a decline from an absorption rate of 51.9 per cent attained in a similar period of FY 2016/17 where total expenditure was Kshs.207.82 billion.

Recurrent expenditure was Kshs.157.67 billion, representing 59.1 per cent of the annual recurrent budget and a decline from 61.8 per cent reported in a similar period of FY 2016/17. Development expenditure amounted to Kshs.25.98 billion, representing an absorption rate of 17.7 per cent and a decrease from 37.9 per cent attained in the first nine months of FY 2016/17 where total development expenditure was Kshs.62.74 billion.

The analysis of expenditure by economic classification in the first nine months of FY 2017/18 is provided in Table 2-3.

Table 2-3: Expenditure by Economic Classification in the First Nine months 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	1,967,024,524	624,564,847	329,993,524	2,921,582,895
Bomet	1,912,658,096	964,674,714	183,886,355	3,061,219,165
Bungoma	3,003,113,112	1,180,183,640	744,109,481	4,927,406,233
Busia	1,921,200,017	902,383,905	339,242,314	3,162,826,236
Elgeyo-Marakwet	1,735,466,873	315,707,796	271,251,188	2,322,425,857
Embu	2,190,535,300	728,142,159	318,863,328	3,237,540,786
Garissa	2,284,259,642	1,442,422,448	-	3,726,682,090
Homa Bay	2,178,064,019	1,071,641,231	468,211,041	3,717,916,291
Isiolo	940,973,707	372,019,223	296,478,725	1,609,471,655
Kajiado	1,338,393,637	2,149,399,747	690,865,130	4,178,658,514
Kakamega	4,031,299,227	1,026,808,243	1,414,295,730	6,472,403,200
Kericho	1,653,505,171	706,073,226	206,000,533	2,565,578,929
Kiambu	3,879,021,171	1,823,058,127	1,163,588,558	6,865,667,856
Kilifi	2,039,539,215	1,781,230,130	2,341,434,142	6,162,203,488
Kirinyaga	1,944,779,600	520,950,360	-	2,465,729,960
Kisii	3,275,675,843	886,886,016	784,733,324	4,947,295,183
Kisumu	2,812,982,920	1,082,287,787	-	3,895,270,707
Kitui	2,640,217,702	853,192,006	934,039,904	4,427,449,612
Kwale	1,762,995,607	1,086,053,065	983,995,017	3,833,043,689
Laikipia	1,894,550,000	753,490,000	414,260,000	3,062,300,000
Lamu	865,424,669	356,625,149	139,240,591	1,361,290,409
Machakos	3,440,188,016	884,062,856	323,501,239	4,647,752,111
Makueni	2,421,240,697	1,184,396,947	542,297,640	4,147,935,284
Mandera	1,713,539,855	1,852,010,071	1,569,147,351	5,134,697,276
Marsabit	1,529,870,000	1,004,960,000	731,320,000	3,266,150,000
Meru	3,352,868,627	1,097,365,401	5,000,000	4,455,234,028
Migori	1,791,251,812	698,140,535	813,477,082	3,302,869,429
Mombasa	2,508,200,000	1,319,800,000	1,607,000,000	5,435,000,000
Murang'a	2,404,410,195	621,299,006	1,572,993,739	4,598,702,940
Nairobi City	10,008,104,697	5,571,137,030	1,063,501,026	16,642,742,753
Nakuru	3,750,467,947	1,376,664,562	315,038,582	5,442,171,092
Nandi	1,711,399,066	1,024,200,413	265,766,621	3,001,366,100
Narok	2,148,450,610	2,224,275,649	899,103,988	5,271,830,247
Nyamira	2,103,312,043	608,234,968	319,015,961	3,030,562,972
Nyandarua	1,616,230,627	646,381,767	77,777,166	2,340,389,560

County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Nyeri	2,253,852,117	862,664,025	310,812,857	3,427,328,999
Samburu	1,462,000,000	536,000,000	313,000,000	2,311,000,000
Siaya	1,419,905,249	596,918,096	437,991,834	2,454,815,179
Taita-Taveta	1,695,203,389	626,119,987	122,391,411	2,443,714,787
Tana River	1,002,900,000	819,500,000	283,780,000	2,106,180,000
Tharaka Nithi	1,533,983,822	271,165,464	264,158,157	2,069,307,443
Trans-Nzoia	1,509,829,594	825,680,093	421,196,411	2,756,706,098
Turkana	2,682,916,719	1,362,511,325	1,100,817,791	5,146,245,835
Uasin-Gishu	2,243,920,000	827,880,000	240,530,000	3,312,330,000
Vihiga	1,351,833,613	562,643,982	62,377,911	1,976,855,506
Wajir	2,669,926,783	1,020,815,889	275,490,343	3,966,233,015
West Pokot	1,445,711,951	577,556,770	23,000,000	2,046,268,720
Total	108,043,197,480	49,630,178,653	25,984,975,994	183,658,352,128

Source: OCOB and County Treasuries

The Counties that attained the highest total expenditure in absolute terms were; Nairobi City at Kshs.16.64 billion, Kiambu at Kshs.6.87 billion and Kakamega at Kshs.6.47 billion. The lowest expenditure was recorded by Lamu, Isiolo and Vihiga at Kshs.1.36 billion, Kshs.1.61 billion and Kshs.1.98 billion, respectively.

Review of cumulative expenditure by economic classification showed that Kshs.108.04 billion (58.8 per cent) was incurred on personnel emoluments, Kshs.49.63 billion (27 per cent) on operations and maintenance and Kshs.25.98 billion (14.1 per cent) on development activities.

2.6.1 Development Expenditure

County governments incurred Kshs.25.98 billion on development activities, representing an absorption rate of 17.7 per cent of the annual development budget, which is a decrease from 37.9 per cent, reported in a similar period of FY 2016/17, when development expenditure was Kshs.62.74 billion.

Analysis of county budgets and expenditure in the first nine months of FY 2017/18 is provided in Table 2-4.

Table 2-4: County Budget Allocation, Expenditure and Absorption Rate in the First Nine Months of FY 2017/18

County Title	Budget Estimates (Kshs. Million)			Expenditure (Kshs. Million)			Recurrent Expenditure Absorption Rate (%)	Development Expenditure Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E			
Baringo	4,136.3	2,823.1	6,959.39	2,591.6	330	2,921.6	62.7	11.7	42
Bomet	4,245.2	1,952.6	6,197.82	2,877.3	183.9	3,061.2	67.8	9.4	49.4
Bungoma	7,689.5	3,540.2	11,229.71	4,183.3	744.1	4,927.4	54.4	21	43.9
Busia	5,059.6	2,389.4	7,449.02	2,823.6	339.2	3,162.8	55.8	14.2	42.5
'Elgeyo-Marakwet'	2,960.2	1,937.8	4,897.97	2,051.2	271.3	2,322.4	69.3	14	47.4
Embu	4,228.1	1,840.3	6,068.38	2,918.7	318.9	3,237.5	69.0	17.3	53.4
Garissa	5,593.1	2,371.2	7,964.23	3,726.7	-	3,726.7	66.6	-	46.8
Homa Bay	4,980.2	2,211	7,191.15	3,249.7	468.2	3,717.9	65.3	21.2	51.7
Isiolo	2,765.7	1,574.6	4,340.28	1,313	296.5	1,609.5	47.5	18.8	37.1

County Title	Budget Estimates (Kshs. Million)			Expenditure (Kshs. Million)			Recurrent Expenditure Absorption Rate (%)	Development Expenditure Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E			
Kajiado	5,003.9	3,184.1	8,188.01	3,487.8	690.9	4,178.7	69.7	21.7	51
Kakamega	7,280.9	5,624.4	12,905.26	5,058.1	1,414.3	6,472.4	69.5	25.1	50.2
Kericho	4,533.7	2,020	6,553.64	2,359.6	206	2,565.6	52.0	10.2	39.1
Kiambu	9,492	4,415	13,906.95	5,702.1	1,163.6	6,865.7	60.1	26.4	49.4
Kilifi	7,630.2	4,349.2	11,979.40	3,820.8	2,341.4	6,162.2	50.1	53.8	51.4
Kirinyaga	3,970.2	1,709.2	5,679.39	2,465.7	-	2,465.7	62.1	-	43.4
Kisii	7,511.2	3,746.4	11,257.60	4,162.6	784.7	4,947.3	55.4	20.9	43.9
Kisumu	6,621	3,037.1	9,658.11	3,895.3	-	3,895.3	58.8	-	40.3
Kitui	6,108	5,252.3	11,360.35	3,493.4	934	4,427.5	57.2	17.8	39
Kwale	4,921.3	4,789.4	9,710.70	2,849	984	3,833	57.9	20.5	39.5
Laikipia	3,816.1	1,890.4	5,706.50	2,648	414.3	3,062.3	69.4	21.9	53.7
Lamu	2,009.1	1,009.9	3,019.06	1,222	139.2	1,361.3	60.8	13.8	45.1
Machakos	7,001.9	2,988.3	9,990.18	4,324.3	323.5	4,647.8	61.8	10.8	46.5
Makueni	6,072.3	3,602.1	9,674.40	3,605.6	542.3	4,147.9	59.4	15.1	42.9
Mandera	6,120.1	6,155.9	12,275.93	3,565.5	1,569.1	5,134.7	58.3	25.5	41.8
Marsabit	4,079.4	3,549.9	7,629.33	2,534.8	731.3	3,266.2	62.1	20.6	42.8
Meru	7,348.1	3,167.8	10,515.87	4,450.2	5	4,455.2	60.6	0.2	42.4
Migori	5,469.8	2,697.1	8,166.90	2,489.4	813.5	3,302.9	45.5	30.2	40.4
Mombasa	8,571.9	3,962.6	12,534.45	3,828.0	1,607	5,435	44.7	40.6	43.4
Murang'a	5,284.3	3,019.9	8,304.24	3,025.7	1,573	4,598.7	57.3	52.1	55.4
Nairobi City	2,4120	11,787.3	35,907.37	15,579.2	1,063.5	16,643	64.6	9.0	46.3
Nakuru	9,765.7	5,898.7	15,664.36	5,127.1	315	5,442.2	52.5	5.3	34.7
Nandi	4,590.0	2,154.9	6,744.90	2,735.6	265.8	3,001.4	59.6	12.3	44.5
Narok	6,515.5	3,290.1	9,805.63	4,372.7	899.1	5,271.8	67.1	27.3	53.8
Nyamira	4,155.2	1,718.9	5,874.09	2,711.5	319	3,030.6	65.3	18.6	51.6
Nyandarua	4,062.6	2,025.9	6,088.54	2,262.6	77.8	2,340.4	55.7	3.8	38.4
Nyeri	5,506.5	2,454.6	7,961.11	3,116.5	310.8	3,427.3	56.6	12.7	43.1
Samburu	3,062.2	1,463.2	4,525.38	1,998	313	2,311	65.2	21.4	51.1
Siaya	4,299.1	2,546.3	6,845.34	2,016.8	438	2,454.8	46.9	17.2	35.9
Taita-Taveta	3,327.7	1,395.5	4,723.25	23,21.3	1,22.4	2,443.7	69.8	8.8	51.7
Tana River	3,400.4	2,513.3	5,913.76	1,822.4	283.8	2,106.2	53.6	11.3	35.6
Tharaka Nithi	3,036.1	1,596.2	4,632.23	1,805.1	264.2	2,069.3	59.5	16.5	44.7
Trans-Nzoia	4,429.7	2,393.5	6,823.13	2,335.5	421.2	2,756.7	52.7	17.6	40.4
Turkana	7,759.8	4,390.8	12,150.68	4,045.4	1,100.8	5,146.3	52.1	25.1	42.4
Uasin-Gishu	5,020.8	3,041.3	8,062.14	3,071.8	240.5	3,312.3	61.2	7.9	41.1
Vihiga	3,882.1	1,699.6	5,581.63	1,914.5	62.4	1,976.9	49.3	3.7	35.4
Wajir	5,689.2	3,673.1	9,362.31	3,690.7	275.5	3,966.2	64.9	7.5	42.4
West Pokot	3,850.1	1,799	5,649.11	2,023.3	23	2,046.3	52.6	1.3	36.2
Total	266,976.1	146,653.2	413,629.2	157,673.2	25,985	183,658	59.1	17.7	44.4

Source: OCOB and County Treasuries

Kilifi County recorded the highest expenditure on development activities in absolute terms at Kshs.2.34 billion, followed by Mombasa, Murang'a, Mandera, and Kakamega at Kshs.1.61 billion, Kshs.1.57 billion, Kshs.1.57

billion and Kshs.1.41 billion, respectively. Three counties namely Garissa, Kirinyaga, and Kisumu did not report any expenditure on development activities. Detailed analysis of development projects undertaken by each County is provided in chapter three.

2.6.2 Recurrent Expenditure

The Counties incurred an aggregate of Kshs.157.67 billion or 85.9 per cent of the total expenditure on recurrent activities. This expenditure represents 59.1 per cent of the annual County Governments budget for recurrent activities and a decline from 61.8 per cent recorded in a similar period of FY 2016/17 when expenditure stood at Kshs.145.07 billion.

Analysis of expenditure in absolute terms shows that Nairobi City County attained the highest expenditure on recurrent activities at Kshs.15.58 billion, followed by Kiambu and Nakuru Counties at Kshs.5.7 billion and Kshs.5.13 billion respectively. The lowest recurrent expenditure were recorded by Lamu, Isiolo and Tharaka Nithi Counties at Kshs.1.22 billion, Kshs.1.31 billion and Kshs.1.81 billion, respectively.

2.6.2.1 Personnel Emoluments

During the first nine months of FY 2017/18, the County Governments incurred Kshs.108.04 billion on personnel emoluments, representing 68.5 per cent of the total recurrent expenditure and 58.8 per cent of total expenditure. This was an increase from Kshs.90.95 billion incurred in the first nine months of FY 2016/17 when personnel expenditure translated to 43.3 per cent of the total expenditure.

Nairobi City County reported the highest expenditure on personnel emoluments at Kshs.10.01 billion, followed by Kakamega and Kiambu Counties at Kshs.4.03 billion and Kshs.3.88 billion respectively. Analysis of personnel emoluments as a percentage of total expenditure by county indicates that Kirinyaga, Meru and Elgeyo Marakwet Counties recorded the highest percentage at 78.9 per cent, 75.3 per cent and 74.7 per cent respectively.

2.6.2.2 Operations and Maintenance Expenditure

A total of Kshs.49.63 billion was incurred on operations and maintenance during the reporting period, which translated to 27 per cent of the total expenditure. Counties that reported the highest expenditure on operations and maintenance in absolute terms were Nairobi City at Kshs.5.57 billion, Narok at Kshs.2.22 billion and Kajiado at Kshs.2.15 billion. Analysis of expenditure on operations and maintenance as a proportion of the total expenditure by county indicated that Kajiado County attained the highest proportion at 51.4 per cent, followed by Narok and Tana River Counties at 42.2 per cent and 38.9 per cent respectively.

2.6.2.3 Review of MCA Committee Sitting Allowances

During the reporting period, the County Assemblies incurred Kshs.670.12 million on MCAs committee sitting allowances against an approved budget allocation of Kshs.2.79 billion. This expenditure translates to 24 per cent of the approved MCAs committee sitting allowance budget and a decline by 61.3 per cent attained in a similar period of FY 2016/17 when Kshs.1.73 billion was incurred.

Table 2-5 shows the County budgetary allocation and expenditure on MCAs committee sitting allowances in the first nine months of FY 2017/18.

Table 2-5: Budget Allocation, Expenditure and Absorption Rate of MCAs Committee Sitting Allowance in the First Nine months of FY 2017/18

County	MCA 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/6
Baringo	36,927,107	6,680,619	18.1	49	15,148.80
Bomet	20,699,541	4,787,490	23.1	37	14,376.85
Bungoma	116,396,800	33,608,083	28.9	61	61,216.91
Busia	122,798,028	18,714,591	15.2	61	34,088.51
Elgeyo-Marakwet	33,363,527	6,131,500	18.4	34	20,037.58
Embu	21,497,315	19,936,652	92.7	34	65,152.46
Garissa	87,000,000	31,287,653	36	49	70,947.06
Homa Bay	111,036,200	21,591,604	19.5	61	39,328.97
Isiolo	16,215,936	4,486,990	27.7	18	27,697.47
Kajiado	32,479,000	12,175,759	37.5	42	32,211.00
Kakamega	143,228,800	41,404,266	28.9	88	52,278.11
Kericho	128,470,876	8,652,515	6.7	48	20,028.97
Kiambu	56,250,000	31,769,189	56.5	94	37,552.23
Kilifi	86,492,284	12,813,000	14.8	56	25,422.62
Kirinyaga	62,000,000	10,849,100	17.5	33	36,528.96
Kisii	68,227,840	21,919,769	32.1	70	34,793.28
Kisumu	63,501,400	11,706,900	18.4	49	26,546.26
Kitui	33,120,000	8,031,000	24.3	55	16,224.24
Kwale	52,469,088	20,485,011	39	34	66,944.48
Laikipia	17,003,089	5,547,300	32.6	25	24,654.67
Lamu	14,880,000	2,456,000	16.5	19	14,362.57
Machakos	82,914,903	6,492,500	7.8	60	12,023.15
Makueni	49,042,023	9,227,000	18.8	49	20,922.90
Mandera	50,199,306	5,431,900	10.8	49	12,317.23
Marsabit	33,500,000	8,077,000	24.1	30	29,914.81
Meru	81,295,410	18,413,000	22.7	69	29,650.56
Migori	205,163,472	13,730,300	6.7	57	26,764.72
Mombasa	8,500,000	13,509,300	158.9	43	34,907.75
Murang'a	87,609,600	9,419,800	10.8	54	19,382.30
Nairobi City	131,647,100	26,193,000	19.9	128	22,736.98
Nakuru	90,000,000	14,200,440	15.8	79	19,972.49
Nandi	28,992,600	14,222,503	49.1	39	40,519.95
Narok	61,975,680	5,000,000	8.1	48	11,574.07
Nyamira	69,811,200	13,399,016	19.2	37	40,237.29
Nyandarua	23,208,000	10,704,773	46.1	40	29,735.48
Nyeri	46,800,000	7,864,100	16.8	45	19,417.53
Samburu	42,504,000	20,896,227	49.2	28	82,921.54
Siaya	26,720,000	9,610,000	36	43	24,832.04
Taita-Taveta	35,436,800	21,400,000	60.4	34	69,934.64
Tana River	47,122,400	5,627,000	11.9	24	26,050.93
Tharaka Nithi	15,952,500	3,655,000	22.9	21	19,338.62

County	MCA 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/6
Trans-Nzoia	61,560,000	7,288,900	11.8	40	20,246.94
Turkana	38,438,400	35,966,209	93.6	48	83,255.11
Uasin-Gishu	30,000,000	8,571,200	28.6	46	20,703.38
Vihiga	44,678,400	26,117,648	58.5	39	74,409.25
Wajir	26,000,000	14,733,400	56.7	46	35,587.92
West Pokot	46,288,628	5,338,000	11.5	34	17,444.44
Total	2,789,417,253	670,123,207	24	2,247	33,136.69

Source: OCOB and County Treasuries

Two County Assemblies reported higher expenditure on committee sitting allowance than SRC's recommended monthly ceiling of Kshs.80,000. These were, Turkana at Kshs.83,255 and Samburu at Kshs.82,922.

2.6.2.4 Review of Expenditure on Domestic and Foreign Travels

The County Governments incurred Kshs.7.01 billion on domestic and foreign travel during the reporting period. This amount comprised of Kshs.6.25 billion on domestic travel and Kshs.755.49 million on foreign travel and was a decrease by 18.4 per cent compared to Kshs.8.59 billion incurred in a similar period of FY 2016/17.

The expenditure on domestic and foreign travels by both the County Assembly and the County Executive in the first nine months 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 Nine months of FY 2017/18 (Kshs. Million)

County	County Assembly			County Executive			Total Expenditure		
	Domestic Exp. (Kshs. Mi)	Foreign Exp. (Kshs.Mil)	Total (Kshs.Mil)	Domestic Exp. (Kshs.Mil)	Foreign Exp. (Kshs.Mil)	Total (Kshs.Mil)	Domestic Exp. (Kshs.Mil)	Foreign Exp. (Kshs.Mil)	Total (Kshs.Mil)
	A	B	C=B+A	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Baringo	26.9	1.7	28.5	30.6	6.3	36.9	57.5	7.9	65.4
Bomet	84.4	7.8	92.3	46.8	19.6	66.4	131.3	27.4	158.7
Bungoma	5.4	-	5.4	87.8	8.9	96.6	93.1	8.9	102
Busia	55.9	13.3	69.3	30	3.9	33.9	85.9	17.3	103.2
Elgeyo/ Marakwet	25.6	-	25.6	10.4	0.5	10.9	36	0.5	36.6
Embu	79.9	-	79.9	19.9	2.1	21.9	99.7	2.1	101.8
Garissa	24.9	-	24.9	42.5	0.0	42.5	67.3	-	67.3
Homa Bay	69.7	-	69.7	69.8	1	70.8	139.5	1	140.5
Isiolo	43.3	-	43.3	53	2.2	55.2	96.3	2.2	98.5
Kajiado	42.4	3.7	46.1	73.9	7.5	81.5	116.4	11.2	127.6
Kakamega	82.2	-	82.2	73.8	4.7	78.5	156	4.7	160.7
Kericho	68.5	1.5	70.0	78.4	22.1	100.5	147	23.6	170.6
Kiambu	102.8	4.9	107.7	84.7	5.9	90.6	187.6	10.7	198.3
Kilifi	73.6	3.9	77.5	71.8	9.6	81.4	145.3	13.5	158.9
Kirinyaga	50.7	13.5	64.2	31.6	4.4	36	82.3	17.9	100.2
Kisii	51.3	9.6	60.9	196.1	18.9	215	247.4	28.5	275.9

County	County Assembly			County Executive			Total Expenditure		
	Domestic Exp. (Kshs. Mi)	Foreign Exp. (Kshs.Mil)	Total (Kshs.Mil)	Domestic Exp. (Kshs.Mil)	Foreign Exp. (Kshs.Mil)	Total (Kshs.Mil)	Domestic Exp. (Kshs.Mil)	Foreign Exp. (Kshs.Mil)	Total (Kshs.Mil)
	A	B	C=B+A	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Kisumu	36.9	14.4	51.4	105.9	10.9	116.8	142.8	25.3	168.1
Kitui	46.2	3.7	50.0	198.5	3.1	201.5	244.7	6.8	251.5
Kwale	61.5	20.3	81.8	135.3	10.2	145.5	196.8	30.6	227.3
Laikipia	44.7	-	44.7	58.7	-	58.7	103.3	-	103.3
Lamu	25.4	3.3	28.7	46.9	3.6	50.5	72.3	6.9	79.2
Machakos	112.2	1.8	114.1	69.4	24.4	93.8	181.6	26.2	207.8
Makueni	41.5	1.2	42.7	60.5	7.1	67.6	102.0	8.4	110.4
Mandera	60.1	1.4	61.5	58.3	6.7	65	118.4	8	126.5
Marsabit	50.1	-	50.1	77.8	12.7	90.5	127.9	12.7	140.6
Meru	36.4	4.3	40.7	30.6	4.8	35.4	67.1	9	76.1
Migori	76.2	9.7	85.9	196.4	0.9	197.4	272.6	10.6	283.3
Mombasa	29.6	-	29.6	59.7	21.5	81.2	89.3	21.5	110.8
Murang'a	64.4	2.5	66.9	55.4	2.8	58.2	119.8	5.3	125.1
Nairobi City	162.5	78.9	241.4	185.2	14.3	199.5	347.6	93.3	440.9
Nakuru	38.6	0.5	39.1	98.3	20	118.2	136.8	20.5	157.3
Nandi	49.7	9.7	59.4	106.7	10.7	117.3	156.4	20.4	176.8
Narok	29.8	2.3	32.1	89.5	12.7	102.1	119.3	14.9	134.2
Nyamira	88.4	5.1	93.5	116.7	8	124.7	205.1	13.1	218.2
Nyandarua	53.2	4.1	57.2	47.6	3.2	50.8	100.7	7.3	108
Nyeri	89.8	0.7	90.5	36.3	1.5	37.8	126	2.2	128.3
Samburu	20.0	2.5	22.5	4.4	10.9	15.3	24.5	13.4	37.9
Siaya	62.5	-	62.5	59.4	10.8	70.2	121.8	10.8	132.7
Taita/Taveta	43.2	30.9	74.1	149.4	55.3	204.7	192.6	86.2	278.8
Tana River	13.4	24.1	37.5	127.6	44.1	171.7	141.1	68.1	209.2
Tharaka-Nithi	30.2	3.7	33.9	22.0	4.9	26.9	52.2	8.6	60.8
Trans Nzoia	62.1	4.8	66.9	29.3	6.4	35.7	91.4	11.2	102.6
Turkana	41.3	2.7	43.9	33.9	3.6	37.5	75.2	6.2	81.4
Uasin Gishu	62.9	0.8	63.8	41.3	9.9	51.2	104.3	10.7	115.0
Vihiga	70.7	-	70.7	48.6	5.6	54.2	119.3	5.6	124.9
Wajir	74.7	2.7	77.4	104.4	-	104.4	179.1	2.7	181.8
West Pokot	72.7	3.5	76.1	159.1	8	167.1	231.7	11.5	243.2
Total	2,638.3	299.6	2,937.9	3,614.2	455.9	4,070	6,252.5	755.5	7,008

Source: OCOB and County Treasuries

In absolute terms, Nairobi County incurred the highest expenditure of domestic and foreign travel at Kshs.440.89 million, followed by Migori and Taita Taveta at Kshs.283.26 million and Kshs.278.83 million respectively.

3 BUDGET PERFORMANCE BY COUNTY

This chapter provides individual County budget performance for the first nine months of FY 2017/18. The 47 County Governments 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 Supplementary Budget is Kshs.6.96 billion, comprising of Kshs.4.14 billion (59.4 per cent) and Kshs.2.82 billion (40.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.83 billion (71.6 per cent) as equitable share of revenue raised nationally, Kshs.633.2 million (9.1 per cent) as total conditional grants, generate Kshs.350 million (5 per cent) from own revenue sources, and Kshs.993.19 million (14.3 per cent) cash balance brought forward from FY 2016/17.

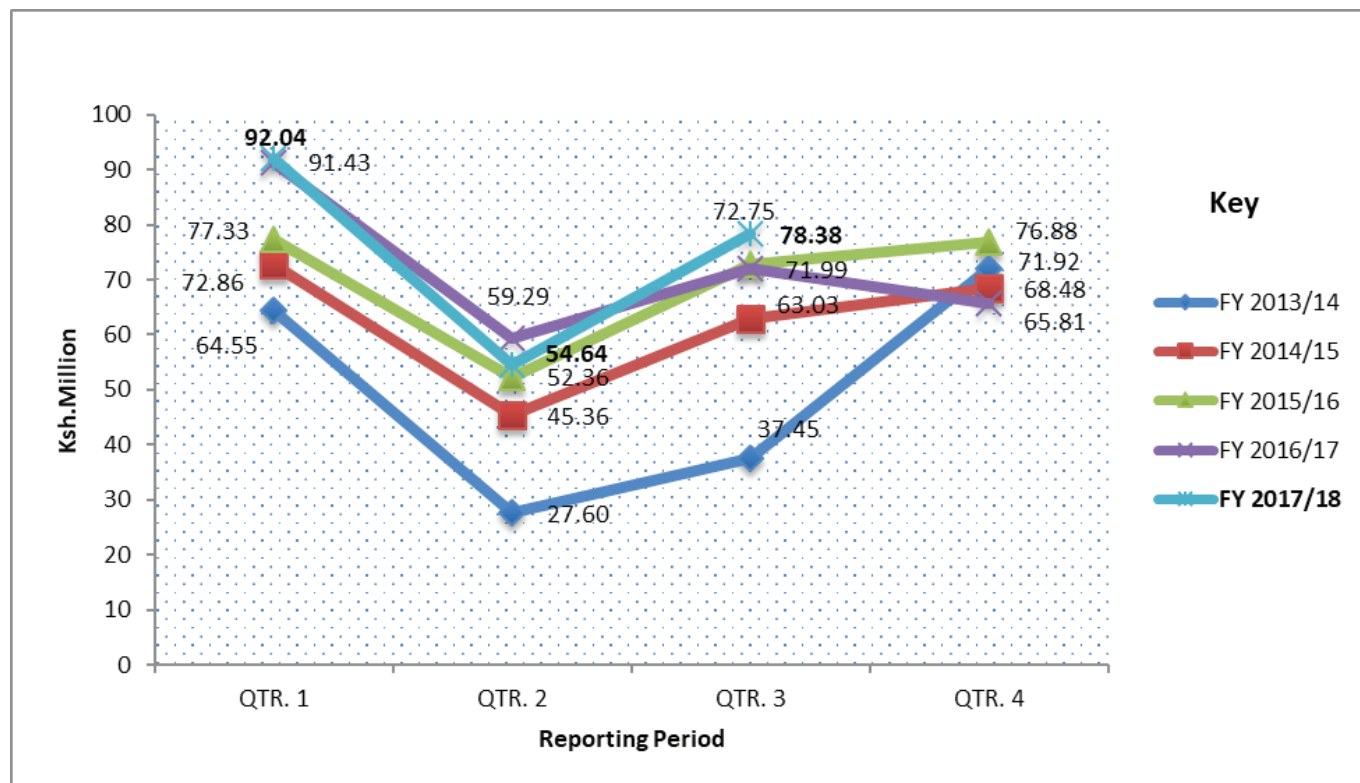
The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (15.1 per cent) for Leasing of Medical Equipment, Kshs.189.2 million (29.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.19 million (2.1 per cent) as Compensation for User Fee Foregone, Kshs.12.82 million (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 Programme, Kshs.35.24 million (5.6 per cent) for Development of Youth Polytechnics, Kshs.78.9 million (12.5 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (10.4 per cent) as European Union (EU) grant and Kshs.31.71 million (5 per cent) as other Loans and Grants. The County also budgeted to receive Kshs.40.84 million as grant for Capacity & Performance programme, which is not contained in the CARA, 2017.

3.1.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.58 billion as equitable share of revenue raised nationally, Kshs.146.29 million as total conditional grants, raised Kshs.225.06 million from own source revenue, and had a cash balance of Kshs.993.19 million from FY 2016/17. The total available funds amounted to Kshs.3.89 billion.

Figure 3-1 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-1: Baringo County, Trend in Own-source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Baringo County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.225.06 million, representing an increase of 1.1 per cent compared to Kshs.222.71 million generated in a similar period of FY 2016/17, and represented 64.3 per cent of the annual own source revenue target.

3.1.3 Conditional Grants

Table 3-1 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-1: Baringo County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	189,199,286	189,199,286	88,238,059	47
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	94,210,000	24,656,046	26
4	Kenya Devolution Support Programme (KDSP)	40,839,509	-	13,787,039	34
5	Compensation for User Fee Foregone	13,191,000	13,191,000	-	-
6	DANIDA grant	12,820,885	19,872,375	19,606,146	153
7	Conditional Allocation - Other Loans & Grants	31,707,536	-	-	-
8	World Bank loan for Transforming Health System for Universal Care Project	54,243,300	78,899,346	-	-

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
9	EU grant	66,000,000	66,000,000	-	-
	Sub Total	633,195,473	592,355,964	146,287,290	19.5
B	Other Grants				
10	Capacity and Performance Programme Grant		40,839,509		
	Sub Total	-	40,839,509	-	
	Grand Total	633,195,473	633,195,473	146,287,290	19.5

Source: Baringo County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from DANIDA, the Road Maintenance Fuel Levy Fund, Kenya Devolution Support Programme, and the World Bank loan to Health Facilities. These receipts accounted for 153 per cent, per cent 47 per cent, 34 per cent and 26 per cent of annual allocation respectively.

3.1.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.3.45 billion from the CRF account, which was 49.6 per cent of the Approved Supplementary Budget. This amount represented a decline of 6.4 per cent from Kshs.3.69 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.96 billion (85.8 per cent) for recurrent expenditure and Kshs.491.77 million (14.2 per cent) for development activities.

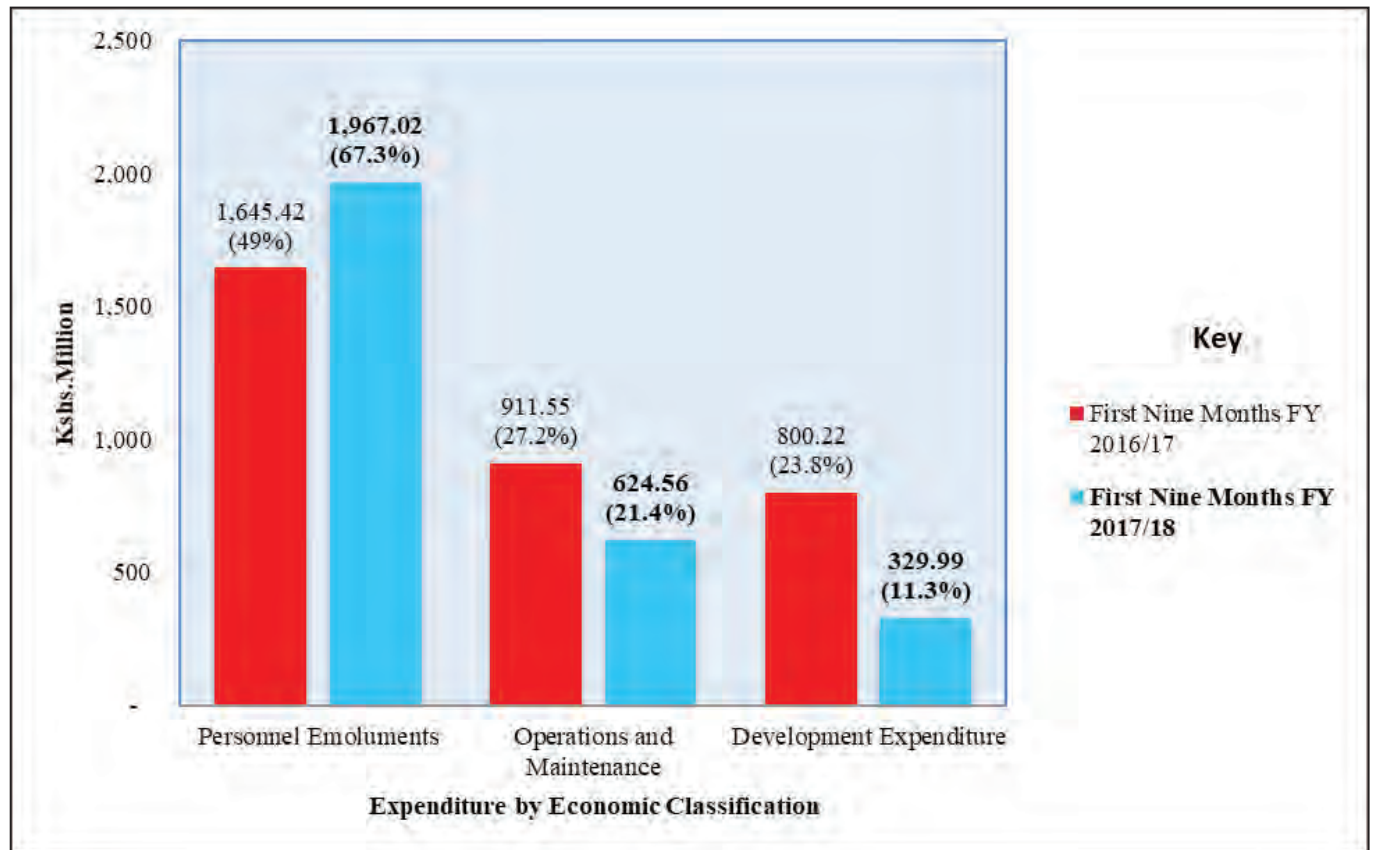
3.1.5 Overall Expenditure Review

The County spent Kshs.2.92 billion, which was 91.8 per cent of the total funds released for operations. This was a decline of 13.0 per cent from Kshs.3.36 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.59 billion was spent on recurrent activities while Kshs.329.99 million was spent on development activities. The recurrent expenditure was 87.5 per cent of the funds released for recurrent activities, while development expenditure was 67.1 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.149.25 million for development activities and Kshs.247.69 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 62.7 per cent of the annual recurrent budget, a decrease from 65.2 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 11.7 per cent, which was a decrease from 30.8 per cent attained in the first nine months of FY 2016/17. Figure 3-2 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-2: Baringo County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



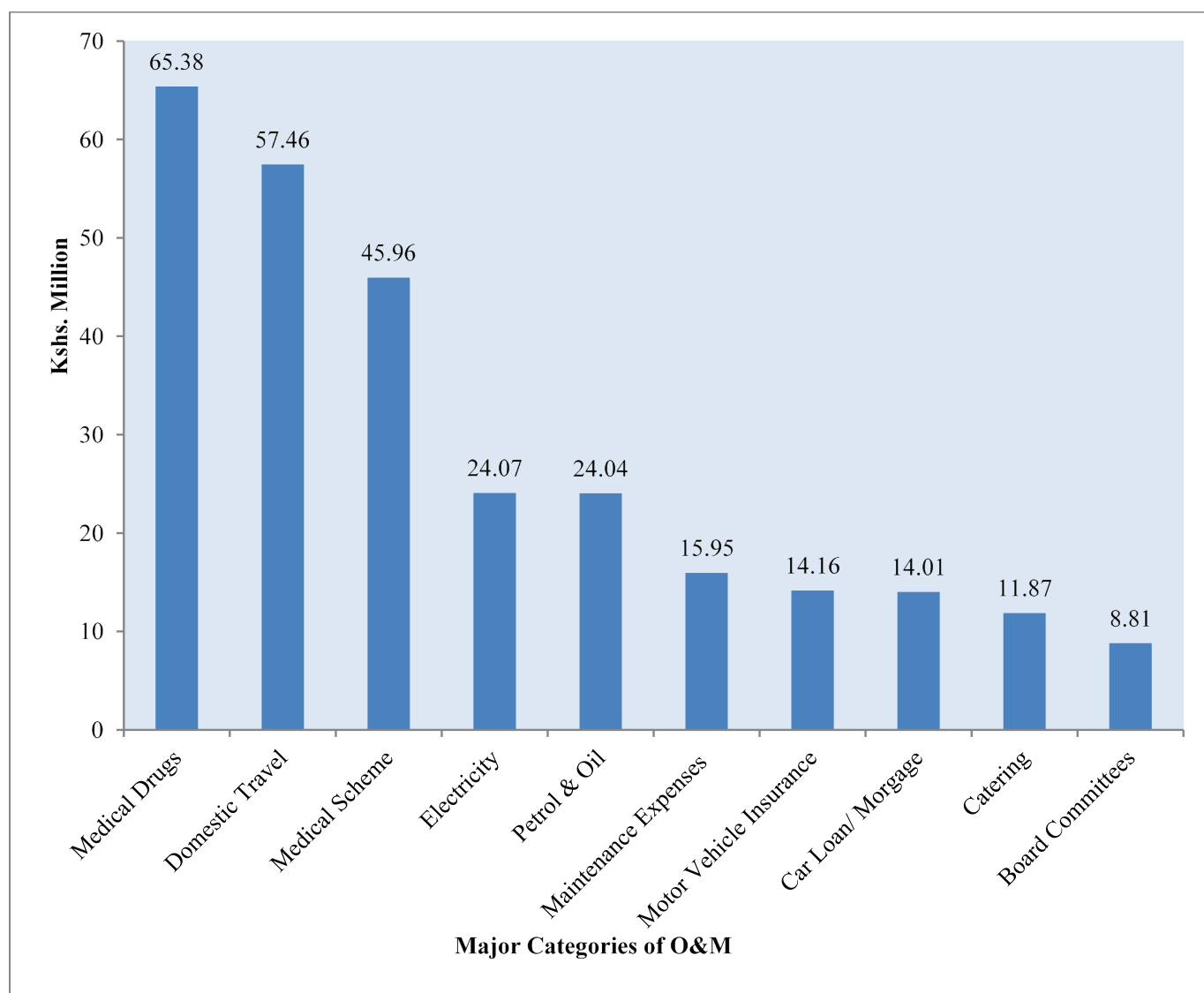
Source: Baringo County Treasury

3.1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.59 billion comprised of Kshs.1.97 billion (67.3 per cent) incurred on personnel emoluments and Kshs.624.56 million (21.4 per cent) on operations and maintenance as shown in Figure 3-2.

Expenditure on personnel emoluments represented an increase of 19.5 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.65 billion, and was 67.3 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Baringo County Treasury

The County incurred Kshs.6.68 million on committee sitting allowances to the 49 MCAs against the annual budget allocation of Kshs.36.9 million. This was a decline of 79 per cent compared to Kshs.31.77 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.15,148 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.57.46 million and comprised of Kshs.26.85 million spent by the County Assembly and Kshs.30.61 million by the County Executive. This represented 2.5 per cent of total recurrent expenditure and was a decline of 48 per cent compared to Kshs.125.64 million spent in the first nine months of FY 2016/17.

3.1.7 Development Expenditure Analysis

The total development expenditure of Kshs.329.99 million represented 85.4 per cent of the annual development budget of Kshs.2.82 billion. Table 3-2 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-2: Baringo County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Annual project budget (Kshs.)	First nine months project expenditure (Kshs.)	Absorption rate (%)
1	Barwessa Slaughter House	Barwesa Ward	16,811,308	8,715,786.6	51.8
2	Kapkuikui-Kamar Road	Mochongoi Ward	7,500,000	7,404,837.0	98.7
3	Kabarnet Town Integrated Development Plan	Kabarnet Ward	6,000,000	5,812,017.6	96.9
4	Lake Bogoria National Reserve - Renovations and Extension Works	Mochongoi Ward	8,000,000	5,144,625	64.3
5	Adomeyon –Topogh Nginyang-Chemoril Road	Loyamorok Ward	4,000,000	4,994,000	124.9
6	Ngaina Footbridge	Tirioko Ward	4,750,000	4,692,350.7	98.8
7	Hurth-Bondeni-Seguton Road	Kabarnet Ward	12,474,665	4,487,000	36.0
8	Potholes Patching Eldama Ravine town	Ravine Ward	4,573,783	4,473,772	97.8
9	Integrated Intergrated Urban Development Plan Eldama Ravineplan Eldamaravine	Ravine Ward	8,000,000	4,359,013.2	54.5

Source: Baringo County Treasury

The County awarded to two projects beyond the budgeted amounts. These projects are Adomeyon –Topogh Nginyang-Chemoril Road and Kaptimbor-Kuriondonin-Serei & Rosobet-Kasoi Road.

3.1.7 Budget and Budget Performance Analysis by Department

Table 3-3 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-3: Baringo County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	676.22	50.75	381.11	4.00	186.04	0.00	48.8	-	27.5	-
Governor/County Executive services	417.36	35.19	283.22	0.50	196.26	3.64	69.3	728.0	47.0	10.3
County Treasury Services	287.66	24.40	183.74	6.01	181.12	1.53	98.6	25.5	63.0	6.3
Industrialization, Commerce and Tourism	73.19	62.86	60.49	25.10	47.55	9.09	78.6	36.2	65.0	14.5
Education, Sports, Culture & Art	286.40	301.95	214.21	25.60	178.37	32.15	83.3	125.6	62.3	10.6
Health	1837.78	601.35	1420.03	62.53	1482.34	26.12	104.4	41.8	80.7	4.3
Housing & Urban Development	82.88	89.35	57.49	6.70	15.16	20.23	26.4	301.9	18.3	22.6

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Youth, Gender & Social Security Services	34.21	116.25	23.49	26.36	14.19	18.52	60.4	70.3	41.5	15.9
Water & Irrigation	116.22	588.88	86.81	65.79	51.65	42.38	59.5	64.4	44.4	7.2
Environment & Natural Resources	32.38	41.66	20.95	1.68	5.96	5.77	28.4	343.5	18.4	13.9
TOTAL	4,136.41	2,823.28	3,036.29	491.77	2,5912.59	329.99	87.5	67.1	62.7	11.7

Source: Baringo County Treasury

Analysis of budget performance by department shows that, the Department of Housing and Urban Development attained the highest absorption rate of development budget at 22.6 per cent while the County Assembly did not incur any development expenditure. The Department of Agriculture, Livestock & Fisheries had the highest percentage of recurrent expenditure to its recurrent budget at 90.9 per cent while the Department of Housing and Urban Development had the lowest at 18.3 per cent.

3.1.8 Key Observations and Recommendations

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

- i. Timely submission of financial reports to the Office of the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012.
- ii. The County has embraced the use of IFMIS in processing financial transactions.

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

1. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 11.7 per cent compared to 30.8 per cent in a similar period in FY 2016/17.
2. High wage bill that increased by 19.5 per cent from Kshs.1.65 billion in the first nine months of FY 2016/17 to Kshs.1.96 billion in the period under review.
3. Failure to budget for the conditional grants as provided in CARA, 2017.

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

1. *The County should develop strategies to improve absorption of development expenditure.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County government should pass 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 Supplementary Budget is Kshs.6.2 billion, comprising of Kshs.4.25 billion (68.5 per cent) and Kshs.1.95 billion (31.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.25 billion (84.8 per cent) as equitable share of revenue raised nationally, Kshs.507.54 million (8.2 per cent) as total conditional grants, generate Kshs.200.21 million (3.2 per cent) from own revenue sources, and Kshs.279.35 million (4.5 per cent) cash balance from FY 2016/17.

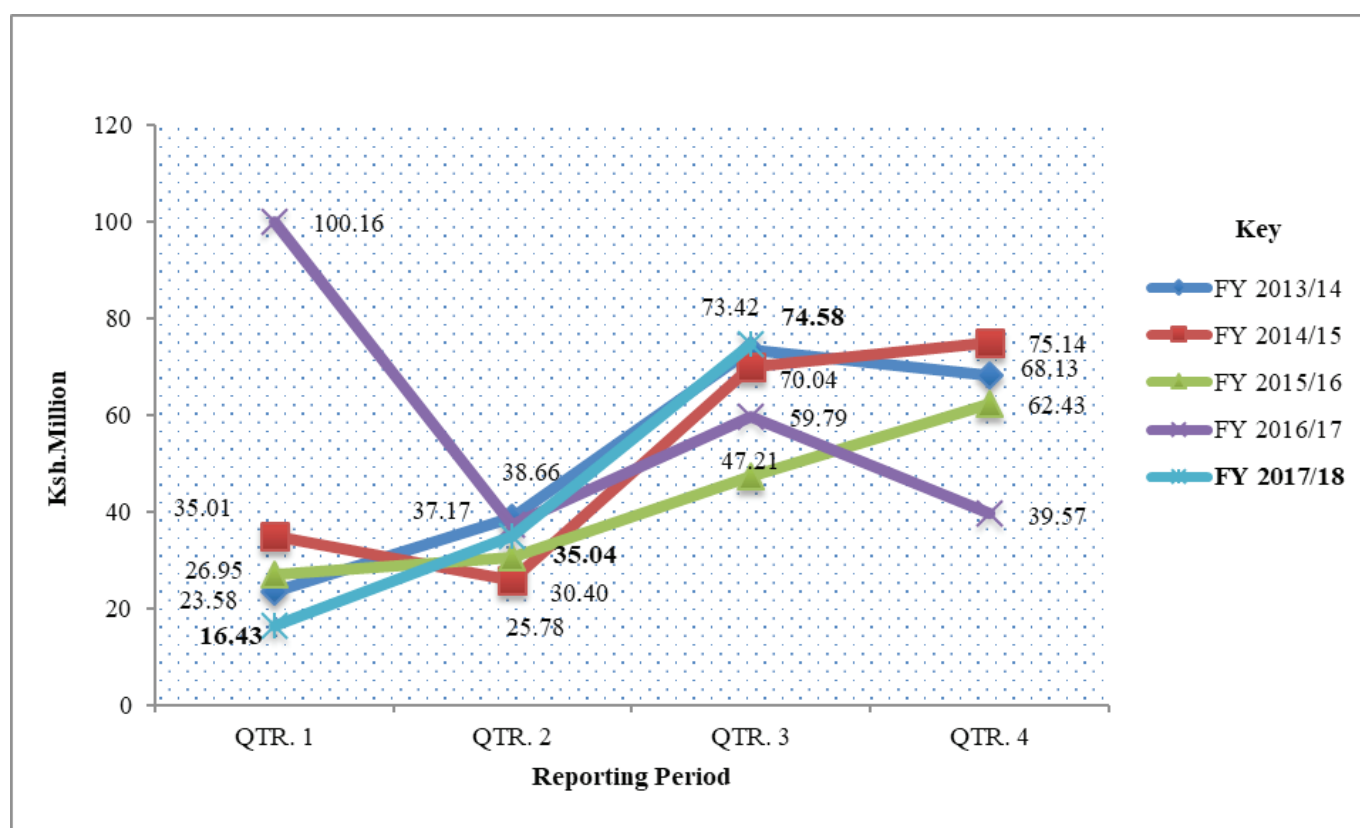
The Conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (18.9 per cent) for Leasing of Medical Equipment, Kshs.41.92 million (8.3 per cent) from Kenya Devolution Support Programme (KDSP), Kshs.200.55 million (39.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.71 million (3.3 per cent) as Compensation for User Fee Foregone, Kshs.13.59 million (2.7 per cent) from DANIDA, Kshs.45.15 million (8.9 per cent) for Development of Youth Polytechnics, Kshs.59.4 million (11.7 per cent) as World Bank loan for Transforming Health System for Universal Care System, and Kshs.34.48 million (6.8 per cent) as Other Loans and Grants.

3.2.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.3.61 billion as equitable share of the revenue raised nationally, Kshs.155.31 million as total conditional grants, raised Kshs.126.05 million from own revenue sources, and had a cash balance of Kshs.279.35million brought forward from FY 2016/17. The total available funds amounted to Kshs.4.16 billion.

Figure 3-4 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter FY 2017/18.

Figure 3-4: Bomet County, Trend in Own-source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Bomet County Treasury

The total own source revenue generated in the first nine months of FY 2017/18 amounted to Kshs.126.05 million, representing a decrease of 36.1 per cent compared to Kshs.197.13 million generated in a similar period FY 2017/18, and represented 63 per cent of the annual local revenue target.

3.2.3 Conditional Grants

Table 3-4 shows an analysis of conditional grants released in the first nine months of FY 2017/18.

Table 3-4: Bomet County Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	200,546,244	200,546,244	93,530,011	47
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
4	Kenya Devolution Support Programme (KDSP)	41,921,669	41,921,669	14,097,287	34
5	Compensation for User Fee Foregone	16,713,356	16,713,356	7,095,883	42
6	DANIDA Grant	13,589,799	13,589,799	13,589,799	100
9	Development of Youth Polytechnics	45,149,112	45,149,112	-	-
10	Conditional Allocation - Other Loans & Grants	34,476,134	34,476,134	-	-
11	World Bank Loan for Transforming Health System for Universal Care Project	59,403,836	59,403,836	27,001,744	45
	Total	507,544,831	507,544,831	155,314,724	31

Source: Bomet County Treasury

Analysis of the conditional grants released during the period under review indicates that the county received grants from DANIDA, Road Maintenance Fuel Levy Fund, World Bank Loan for Transforming Health System for Universal Care Project, Compensation for User Fee Foregone, and Kenya Devolution Support Programme. These receipts accounted for 100 per cent, 47 per cent, 45 per cent, 42 per cent, and 34 per cent of annual allocation respectively.

3.2.4 Exchequer Issues

During the period under review, the Controller of Budget authorized withdrawal of Kshs.3.62 billion from the CRF account, which was 58.4 per cent of the Approved Budget. This amount represented an increase of 0.1 per cent from Kshs.3.61 billion authorized in a similar period FY 2016/17 and consisted of Kshs.3.28 billion (90.7 per cent) for recurrent expenditure and Kshs.336.92 million (9.3 per cent) for development expenditure

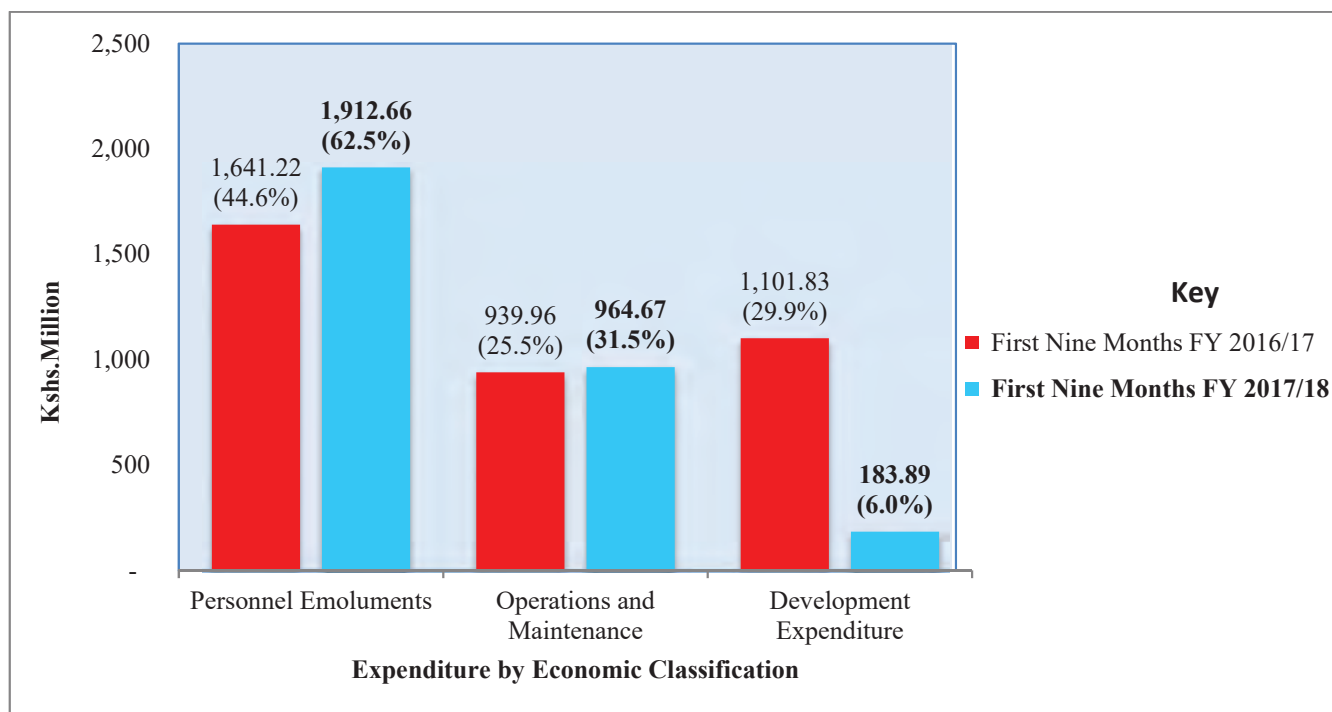
3.2.5 Overall Expenditure Review

The County spent Kshs.3.06 billion, which was 84.6 per cent of the total funds released for operations. This was a decrease of 16.9 per cent from Kshs.3.68 billion spent in the first quarter of FY 2016/17.

A total of Kshs.2.88 billion was spent on recurrent activities, while Kshs.183.89 million was spent on development activities. The recurrent expenditure was 87.7 per cent of the funds released for recurrent activities, while development expenditure was 54.6 per cent of funds released for development activities. The expenditure excluded outstanding commitments that amounted to Kshs.267.12 million for development and Kshs.39.38 million for recurrent expenditure as at 31 March, 2018.

The recurrent expenditure represented 67.8 per cent of the annual recurrent budget, an increase from 65.1 per cent spent in a similar period FY 2016/17. Development expenditure recorded an absorption rate of 9.4 per cent, which was a decrease from 65.5 per cent attained in the first nine months of FY 2016/17. Figure 3-5 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and first nine months of FY 2017/18.

Figure 3-5: Bomet County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



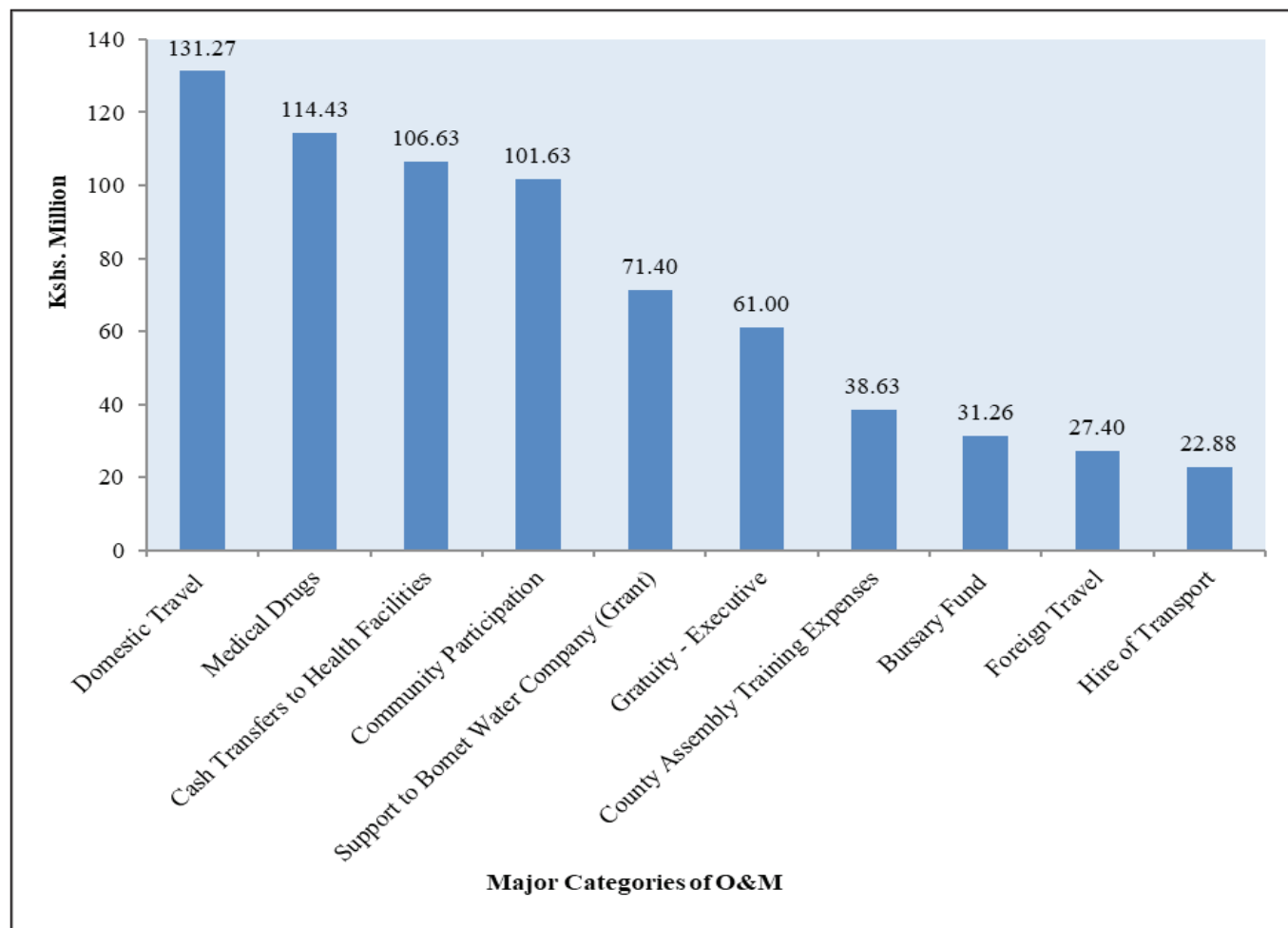
Source: Bomet County Treasury

3.2.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.88 billion consisted of Kshs.1.91 billion (62.5 per cent) spent on personnel emoluments and Kshs.964.67 million (31.5 per cent) on operations and maintenance as shown in Figure 3-5.

Expenditure on personnel emoluments represented an increase of 16.5 per cent compared to first nine months of FY 2016/17 when the County spent Kshs.1.64 billion. This expenditure was 62.5 per cent of total expenditure in the first nine months of FY 2017/18. Figure 3-3Figure 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 for the First Nine Months of FY 2017/18



Source: Bomet County Treasury

The County spent Kshs.4.79 million on committee sitting allowances to the 37 MCAs against the annual budget allocation of Kshs.20.70 million. This was a decrease of 80.7 per cent compared to Kshs.24.7 million spent in the first nine months of FY 2016/17. The average monthly committee sitting allowance was Kshs.14,377 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.158.67 million and consisted of Kshs.92.27 million spent by the County Assembly and Kshs.66.4 million by the County Executive. It represented 5.5 per cent of total recurrent expenditure and was a decline of 5.6 per cent compared to Kshs.168.12 million spent in the first nine months of FY 2016/17.

3.2.7 Development Expenditure Analysis

The total development expenditure of Kshs.183.89 million represented 9.4 per cent of the annual development budget of Kshs.1.95 billion. Table 3-5 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-5: Bomet County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs)	Q3 FY2017/18 Project Expenditure (Kshs)	Absorption rate (%)
1	Construction of Roads	Across the County	490,546,244	32,902,819	7
2	Development Of Water Supply	Chemakel Ward	185,000,000	16,652,238	9
3	Construction of Sporting Facilities	Nyongores /Bomet Town	60,000,000	10,577,675	18

S/No.	Project name	Project location	Project budget (Kshs)	Q3 FY2017/18 Project Expenditure (Kshs)	Absorption rate (%)
4	Purchase of Furniture and fittings	Office of the Governor	11,700,000	10,542,233	90
5	Purchase of Office Furniture and Fittings	Finance Department	10,427,759	10,142,233	97
6	Construction of Market Shades	Silibwet Township	10,000,000	9,600,688	96
7	Construction of Ward offices	Sigor Ward	41,182,346	7,000,000	17
8	Hopital/ Dispensary Development	Mogosiiek and Ndanai Ward	36,500,000	5,965,459	16
9	Industry Development Juakali Sector	Kipsonoi and ndaraweda Ward	74,020,000	5,193,974	7
10	ICT Infrastructure Development	County Head quarters	42,200,000	3,062,476	7

Source: Bomet County Treasury

3.2.8 Budget and Budget Performance Analysis by Department

Table 3-6 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-6: Bomet County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	463.62	-	357.20	-	348.13	-	97.5	-	75.1	-
Public Service Board	50.27	-	35.87	-	27.27	-	76.0	-	54.3	-
Administration	427.67	156.15	406.61	29.98	379.91	-	93.4	-	88.8	-
ICT	44.59	-	23.79	-	3.80	44.00	16		8.5	-
Finance	330.89	10.43	273.76	-	203.64	10.14	74.4		61.5	97.3
Economic Planning	106.61	-	79.73	-	42.48	-	53.3		39.8	-
Lands And Urban Planning	195.85	91.57	178.97	23.24	158.59	17.21	88.6	74.1	81	18.8
Youth, Sports, Gender and Culture	136.01	74	62.40	37.31	57.51	10.58	92.2	28.4	42.3	14.3
Medical Services and Public Health	990.93	166.14	859.43	8.32	750.58	5.97	87.3	71.7	75.7	3.6
Agriculture, Livestock and Cooperatives	217.44	243.09	162.89	37.88	164.64	12.02	101.1	31.7	75.7	4.9
Water, Sanitation and Environment	128.21	329.96	107.22	53.67	127.49	42.51	118.9	79.2	99.4	12.9
Education and Vocational Trainings	268.87	209.12	225.51	13.87	171.89	1.27	76.2	9.1	63.9	0.6
Roads, Transport and Public Works	140.66	567.78	109.71	118.19	67.15	32.90	61.2	27.8	47.7	5.8
Trade, Energy, Tourism and Industry	93.85	49.00	68.00	6.47	38.27	7.29	56.3	112.7	40.8	14.9
County Assembly	649.77	55.35	329.76	8.00	335.97	-	101.9	-	51.7	-
TOTAL	4,245	1,953	3,281	337	2,877	184	87.7	54.6	67.8	9.4

Source: Bomet County Treasury

Analysis of budget performance by Department shows that the Department of Finance attained the highest absorption rate at 97.3 per cent on development expenditure. The Department of Water, Sanitation and Environment had the highest percentage of recurrent expenditure to recurrent budget at 99.4 per cent.

3.2.9 Observations and Recommendations

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

- i. Improved capacity of technical staff, especially under the Country Treasury, through continuous training.
- ii. Improved internet connectivity, resulting into effective use of IFMIS.

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. High wage bill that has increased by 16.5 per cent from Kshs.1.64 billion in the first nine months of FY 2016/17 to Kshs.1.91 billion in the period under review.
3. The County has not constituted the County Budget and Economic Forum (CBEF) contrary to Section 137 of the PFM Act, 2012.

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

1. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County should constitute the CBEF in line with Section 137 of the PFM Act, 2012.*

3.3 Bungoma County

3.3.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.11.23 billion, comprising of Kshs.7.69 billion (68.5per cent) and Kshs.3.54 billion (31.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.76 billion (78 per cent) as equitable share of revenue raised nationally, Kshs.830.71 million (7.4 per cent) as total conditional grants, and generate Kshs.865.55 million (7.7 per cent) from own revenue sources, and Kshs.583.65 million (5.2 per cent) cash balance brought forward from FY 2016/17.

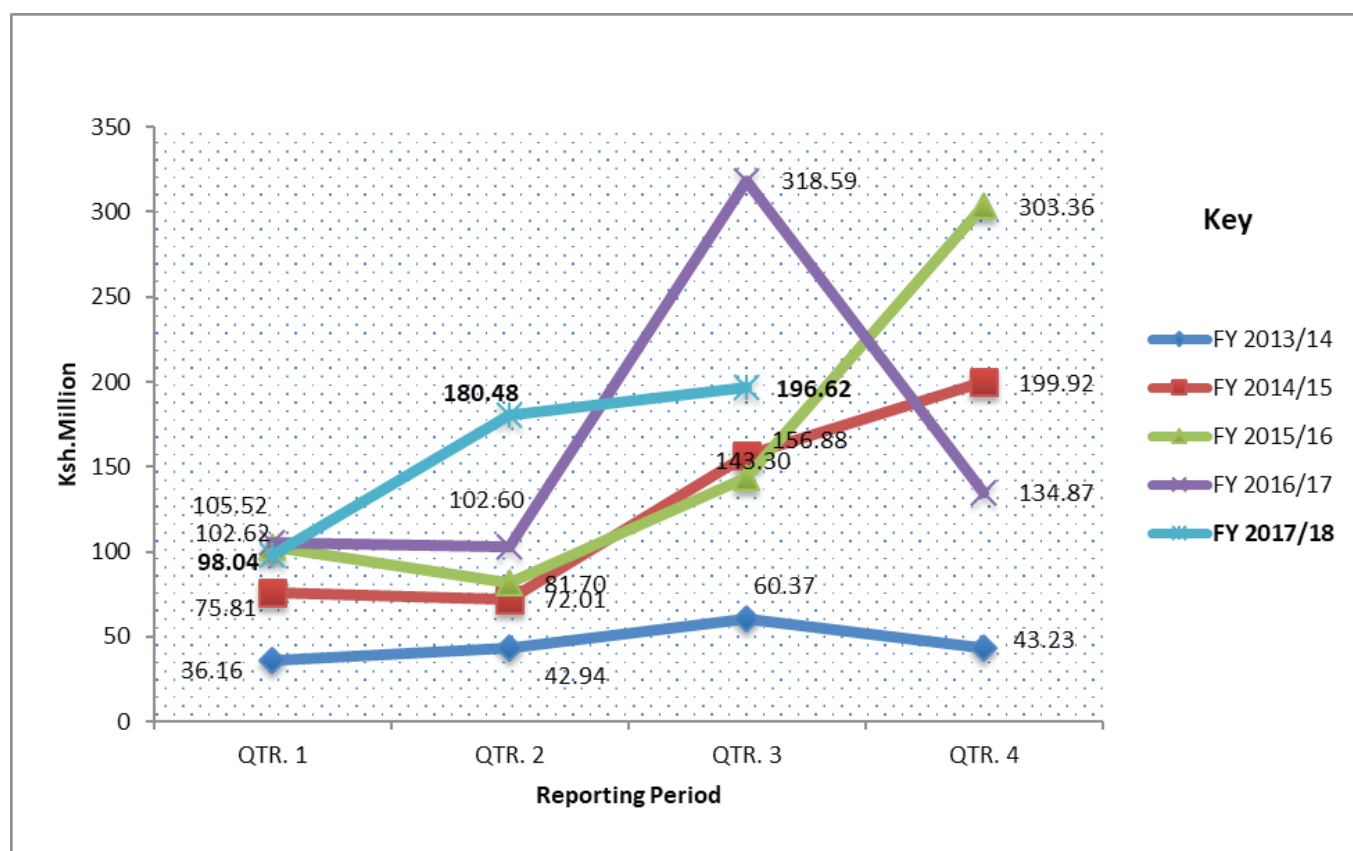
The conditional grants contained in the CARA, 2017 comprise of Kshs.34.35 million (4.1 per cent) from DANIDA, Kshs.54.47 million (6.5 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.110 million (13.2 per cent) as World Bank loan for Transforming Health System for Universal Care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

3.3.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.4.58 billion as equitable share of revenue raised nationally, Kshs.273.78 million as total conditional grants, raised Kshs.461.38 million from own source revenue, and had a cash balance of Kshs.583.65 million from FY 2016/17. The total available funds amounted to Kshs.6.31 billion.

Figure 3-7 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-7: Bungoma County, Trend in Own-source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Bungoma County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.461.38 million, representing a decline of 12.4 per cent compared to Kshs.526.72 million generated in a similar period of FY 2016/17, and represented 53.3 per cent of the annual own source revenue target.

3.3.3 Conditional Grants

Table 3-7 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-7: Bungoma County, Analysis of Conditional Grants in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	327,025,699	327,025,699	152,393,976	46.6

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
2	World Bank Loan for Transforming Health System for Universal Care Project	110,000,000	160,000,000	50,000,000	45.5
3	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
4	Development of Youth Polytechnics	76,276,625	76,276,625	-	-
5	Kenya Devolution Support Programme (KDSP)	54,474,504	54,474,504	18,642,186	34.2
6	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101.2
7	DANIDA Grant	34,350,249	34,350,249	22,161,451	64.5
8	Compensation for User Fee Foregone	22,161,451	32,837,307	16,641,456	75.1
9	Other Loans & Grants	62,188,798	-	-	-
Total		832,222,007	830,709,065	273,784,207	91.6

Source: Bungoma County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from World Bank loan for National Agricultural & Rural Inclusive Project, Compensation for User Fee Foregone, Kenya Devolution Support Programme, DANIDA, the Road Maintenance Fuel Levy Fund, and World Bank loan for Transforming Health System for Universal Care System. The receipts accounted for 101.2 per cent, 75.1 per cent, 34.4 per cent, 46.6 per cent, 45.5 per cent, and 18 per cent of annual allocation respectively.

3.3.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.5.65 billion from the CRF account, which was 50.3 per cent of the Approved Supplementary Budget. This amount represented a decline of 0.2 per cent from Kshs.5.66 billion approved in a similar period of FY 2016/17 and comprised of Kshs.4.66 billion (82.4 per cent) for recurrent expenditure and Kshs.993.13 million (17.6 per cent) for development activities.

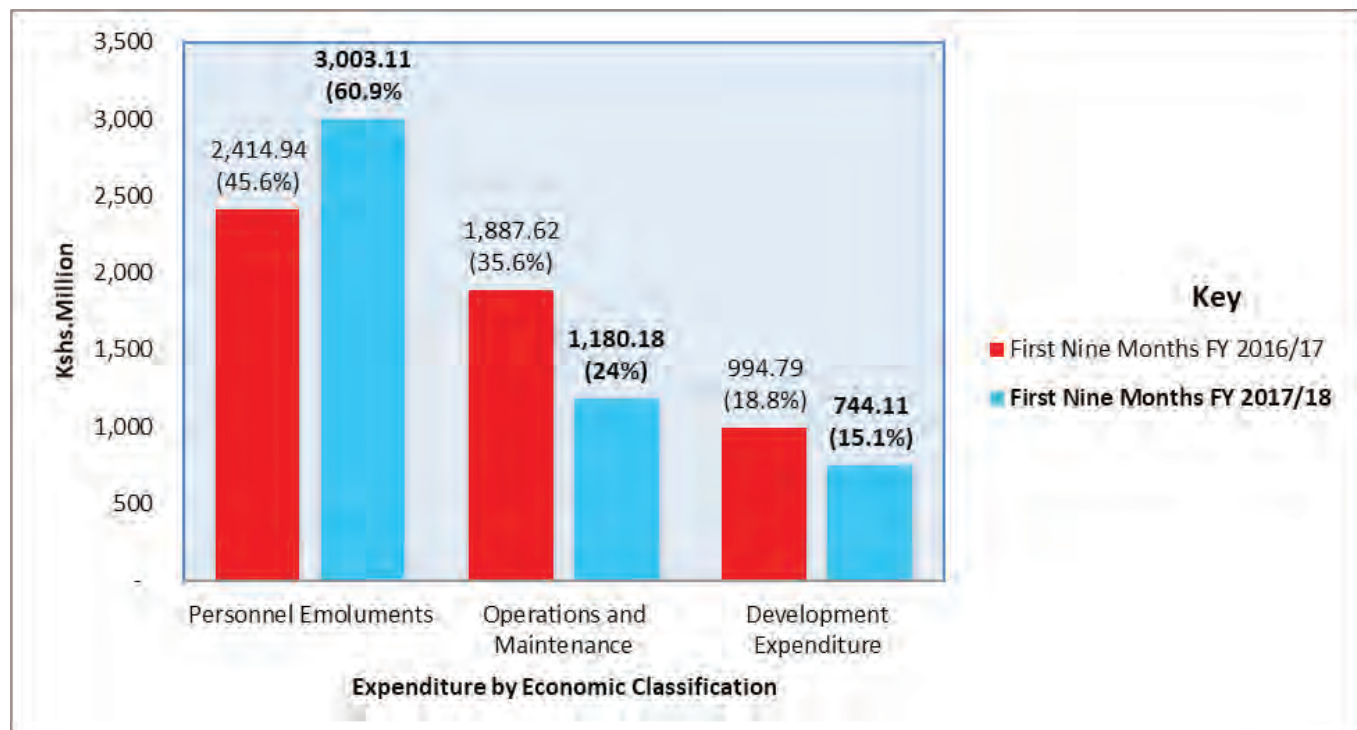
3.3.5 Overall Expenditure Review

The County spent Kshs.4.93 billion, which was 87.2 per cent of the total funds released for operations. This was a decline of 7 per cent from Kshs.5.3 billion incurred in a similar period of FY 2016/17.

A total of Kshs.4.18 billion was spent on recurrent activities while Kshs.744.11 million was spent on development activities. The recurrent expenditure was 89.9 per cent of the funds released for recurrent activities, while development expenditure was 74.9 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.208.02 million for development activities and Kshs.444.04 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 54.4 per cent of the annual recurrent budget, a decrease from 67.2 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 22.9 per cent, which was a decrease from 26.7 per cent attained in the first nine months of FY 2016/17. Figure 3-8 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-8: Bungoma County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



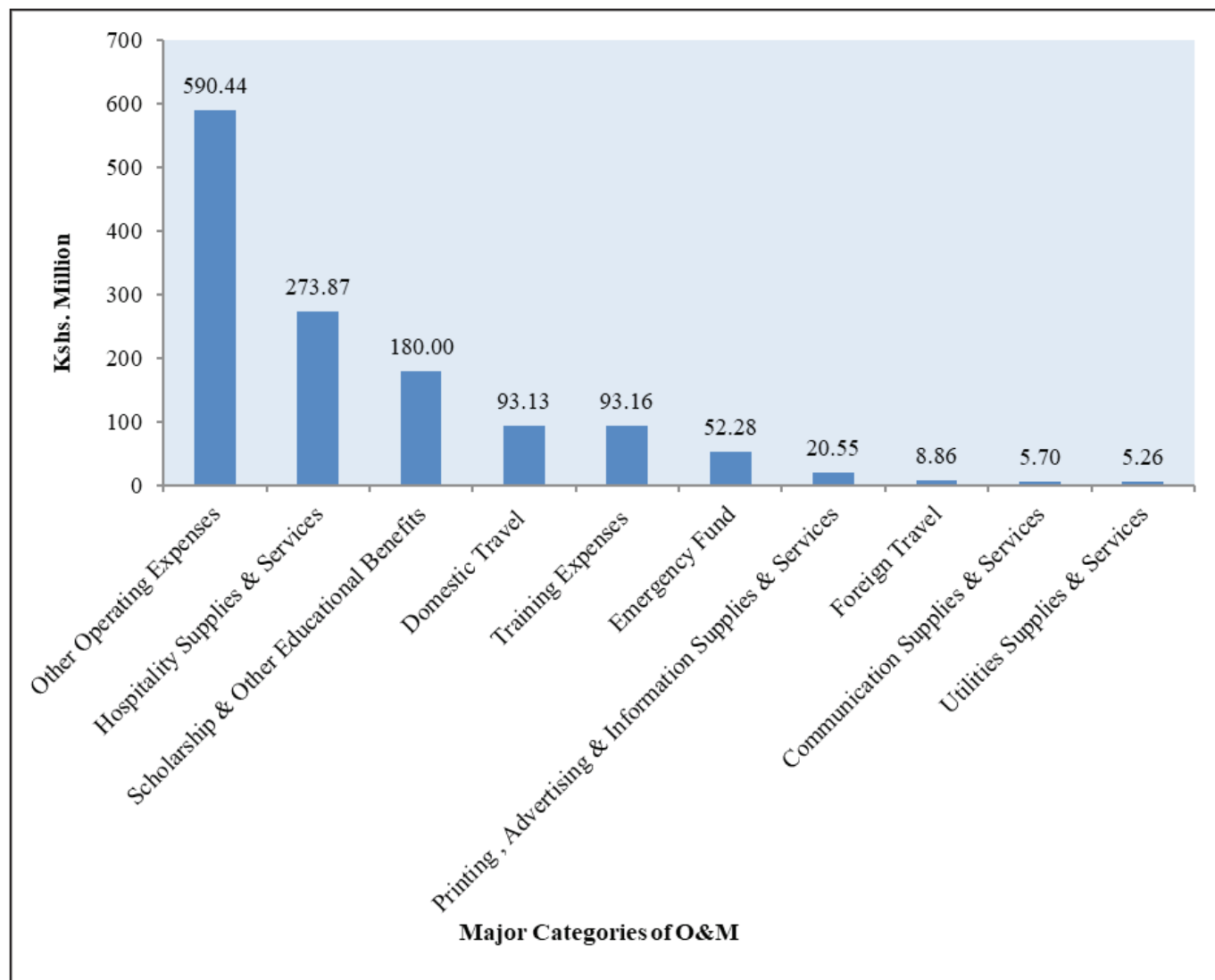
Source: Bungoma County Treasury

3.3.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.18 billion comprised of Kshs.3 billion (60.9 per cent) incurred on personnel emoluments and Kshs.1.18 billion (24 per cent) on operations and maintenance as shown in Figure 3-8.

Expenditure on personnel emoluments represented an increase of 34.4 per cent compared to the first nine months of FY 2016/17 when the county spent Kshs.2.41 billion, and was 60.9 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Bungoma County Treasury

The County incurred Kshs.33.61 million on committee sitting allowances to the 61 MCAs against the annual budget allocation of Kshs.116.39 million. This was a decline of 27.2 per cent compared to Kshs.46.17 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.61,217 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.101.99 million and comprised of Kshs.5.37 million spent by the County Assembly and Kshs.96.62 million by the County Executive. This represented 2.4 per cent of total recurrent expenditure and was a decrease 63.5 of per cent compared to Kshs.255.16 million spent in the first nine months of FY 2016/17.

3.3.7 Development Expenditure Analysis

The total development expenditure of Kshs.744.11 million represented 22.9 per cent of the annual development budget of Kshs.3.54 billion. Table 3-8 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-8: Bungoma County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project Location	Project Budget (Kshs)	Q3 FY2017/18 Project Expenditure (Kshs.)	Absorption Rate (%)
1	Solid Waste Management	Bungoma	94,327,234	81,402,617	86.3
2	Installation Of Lights on various markets	Various wards as per attached list	32,600,000	32,598,653	100
3	Refurbishment of chambers and Construction of Office block	County Assembly	218,091,037	26,609,400	12.2
4	Construction of Ward Offices	Ndivisi, Maraka, Mihuu	28,213,190	8,563,289	30.4
5	Security fencing of housing estates in Kanduyi Sub-County	Lower Milimani	594,077	594,077	100

Source: Bungoma County Treasury

3.3.8 Budget and Budget Performance Analysis by Department

Table 3-9 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-9: Bungoma County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries and Co-operative Development	404.25	440.65	244.02	50.61	216.76	-	88.8	-	53.6	-
Tourism, Forestry, Environment, Water and Natural Resources	88.51	468.15	48.61	80.69	47.71	81.43	98.2	100.9	53.9	17.4
Roads and Public Works	168.67	1,200.28	77.27	663.22	62.84	404.46	81.3	61.0	37.3	33.7
Education, Sports and Youth Affairs	1,243.43	250.44	509.59	-	465.05	-	91.3	-	37.4	-
Health	2,519.86	182.86	1,685.58	8.26	1,591.71	8.26	94.4	100	63.2	4.5
Trade, Energy and Industrialization	49.56	157.73	29.02	32.60	27.11	32.59	93.4	100	54.7	20.7
Land, Urban and Physical Planning	72.15	182.63	24.22	17.40	22.88	13.99	94.4	80.4	31.7	7.7
Gender and Culture	104.13	33.84	54.23	-	48.96	48.96	90.3	-	47	144.7
Finance and Planning	1,305.44	323.04	832.15	69.48	704.59	102.98	84.7	148.2	54	31.9
County Public Service	60.46	-	12.33	-	11.93	-	96.8	-	19.7	-
Governors & D/ Governor's Office	409.012	2.59	254.52	-	280.96	1.52	110.4	-	68.7	58.7
Public Administration & County Secretary	478.77	60,62	267.37	8.56	248.24	22.69	92.8	265	51.9	37.4
Housing and Sanitation	30.01	73,48	14.89	-	14.1	594,077	94.7	-	47.0	0.8

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	755.25	163,76	601,09	62.30	440.44	26.61	73.3	42.7	58.3	16.2
TOTAL	7,689.50	3,242.21	4,654.89	993.12	4,183.28	744.08	89.9	74.9	54.4	22.9

Source: Bungoma County Treasury

Analysis of budget performance by department shows that, the Department of Gender and Culture attained the highest absorption rate of development budget at 144.7 per cent while the Departments of Education, Sports and Youth Affairs, County Public Service, and, Agriculture, Livestock, Fisheries and Co-operative Development did not incur any development expenditure. The Governor's & Deputy Governor's Office had the highest percentage of recurrent expenditure to its recurrent budget at 68.7 per cent while the Department of County Public Service had the lowest at 19.7 per cent.

3.3.9 Key Observations and Recommendations

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

- i. Timely submission of quarterly reports to the Office of the Controller of Budget in line with Section 166 of the PFM Act, 2012.
- ii. Adoption 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. Under-performance of own-source revenue collection which declined by 24.2 per cent from Kshs.526.72 million in the first nine months of FY 2016/17 to Kshs.461.38 million in the reporting period.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the county are released in a timely manner in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should develop and implement strategies to enhance own-source revenue collection.*

3.4 Busia County

3.4.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.7.46 billion, comprising of Kshs.5.07 billion (67.9 per cent) and Kshs.2.39 billion (32.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.83 billion (78.3 per cent) as equitable share of revenue raised nationally, Kshs.431.95 million (5.8 per cent) as total conditional grants, generate Kshs.412.16 million (5.5 per cent) from own revenue sources, and Kshs.776.31 million (10.4 per cent) cash balance brought forward from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.15.71 million (2.8 per cent) from DANIDA, Kshs.59.55 million (10.6 per cent) as World Bank Loan for Transforming Health System for Universal Care Project, Kshs.44.26 million (7.9 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.231.79 million (41.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.93 million (3 per

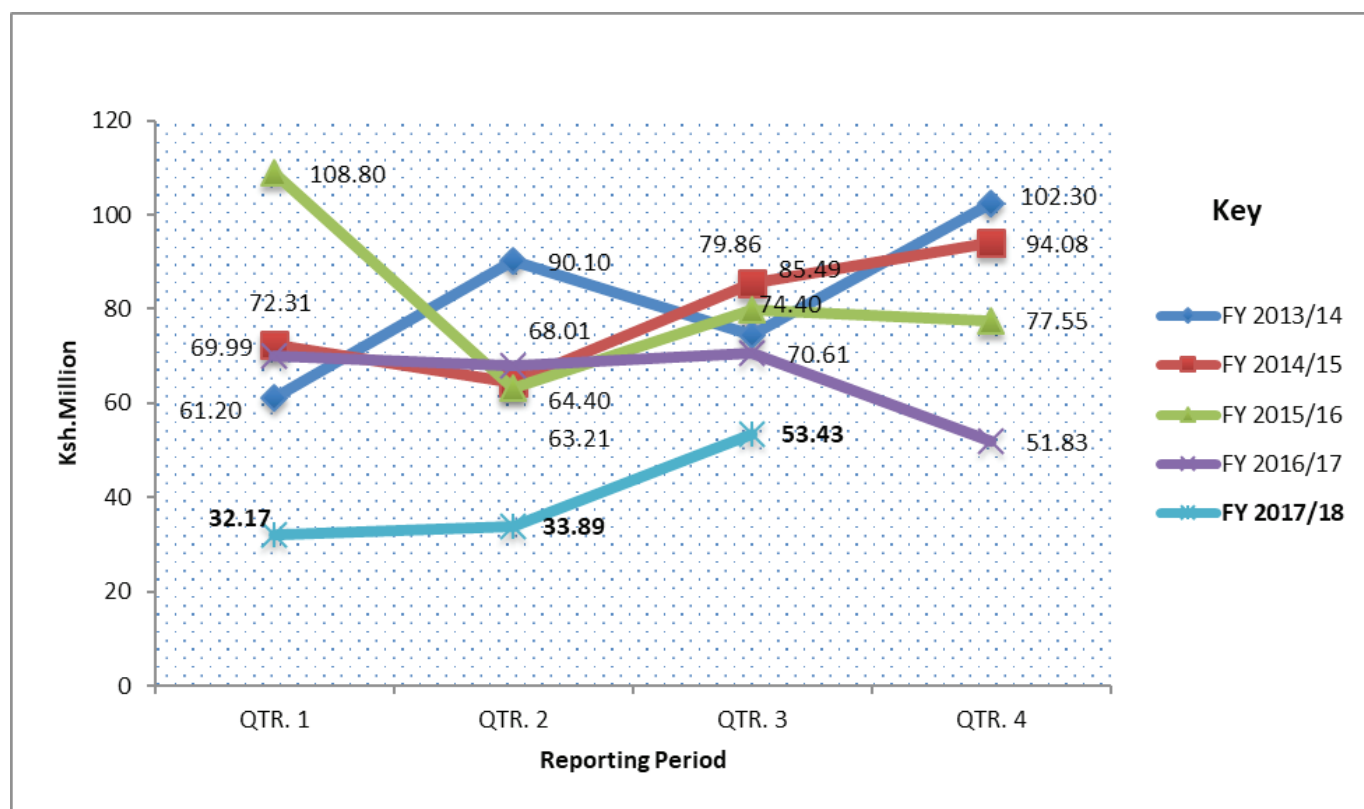
cent) as Compensation for User Fee Foregone, Kshs.63.71 million (11.3 per cent) for Development of Youth Polytechnics, Kshs.95.74 million (17 per cent) for Leasing of Medical Equipment, and, Kshs.35.71 million (6.3 per cent) as Other Loans & Grants.

3.4.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.3.48 billion as equitable share of revenue raised nationally, Kshs.176.72 million as total conditional grants, raised Kshs.119.49 million from own source revenue, and had a cash balance of Kshs.776.31 million from FY 2016/17. The total available funds amounted to Kshs.4.57 billion.

Figure3-10 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure3-10: Busia County, Trend in Own-source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Busia County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.119.49 million, representing a decline of 42.7 per cent compared to Kshs.208.61 million generated in a similar period of FY 2016/17, and represented 29.0 per cent of the annual own source revenue target.

3.4.3 Conditional Grants

Table 3-10 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-10: Busia County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	231,792,232	231,792,232	108,102,399	46.6
2	Development of Youth Polytechnics	63,706,036	63,706,036	-	-
3	World Bank Loan for Transforming Health System for Universal Care Project	59,552,830	59,552,830	29,764,527	50
4	Kenya Devolution Support Programme (KDSP)	44,261,335	44,261,335	14,496,808	28.5
5	Compensation for User Fee Foregone	16,934,085	16,934,085	8,651,414	51.1
6	DANIDA Grant	15,707,150	15,707,150	15,707,150	100.0
7	Other Loans and Grants	35,708,401	-	-	-
8	Leasing of Medical Equipment	95,744,681	-	-	-
Total		563,406,750	431,953,668	176,722,298	114

Source: Busia County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from DANIDA, Kenya Devolution Support Programme (KDSP), Compensation for User Fee Foregone, and, the World Bank Loan for Transforming Health System for Universal Care Project, and, the Road Maintenance Fuel Levy Fund. The receipts accounted for 100 per cent, 61.2 per cent, 51.1 per cent, 50 per cent, and 46.6 per cent of annual allocation respectively.

3.4.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.3.52 billion from the CRF account, which was 47.3 per cent of the Approved Supplementary Budget. This amount represented a decline of 31.3 per cent from Kshs.5.31 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.85 billion (81 per cent) for recurrent expenditure and Kshs.673.10 million (19 per cent) for development activities.

3.4.5 Overall Expenditure Review

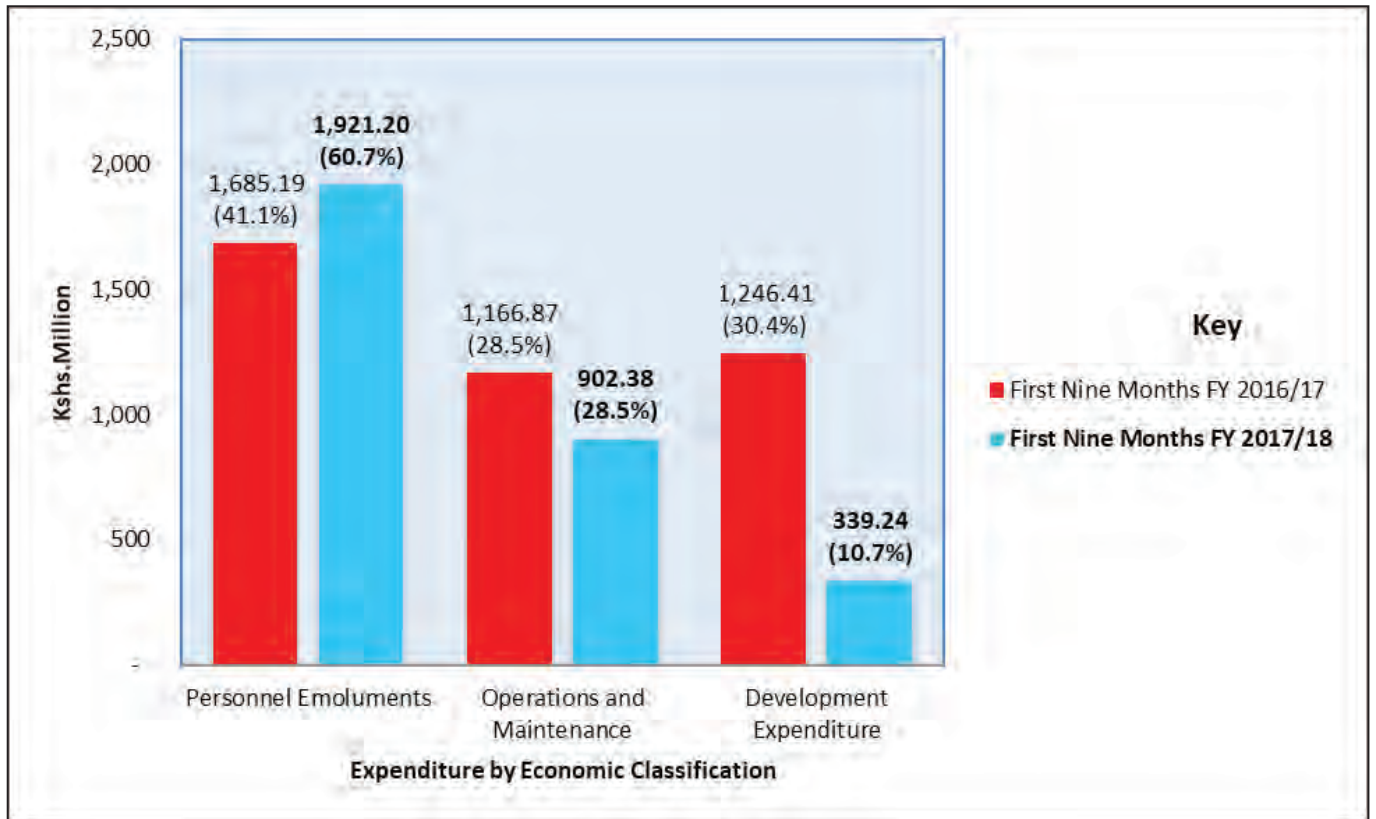
The County spent Kshs.3.61 billion, which was 89.8 per cent of the total funds released for operations. This was a decline of 22.8 per cent from Kshs.4.10 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.82 billion was spent on recurrent activities while Kshs.339.24 million was spent on development activities. The recurrent expenditure was 99.1 per cent of the funds released for recurrent activities, while development expenditure was 50.4 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.423.35 for development activities and Kshs.158.59 for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 55.8 per cent of the annual recurrent budget, a decrease from 61.5 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 14.2 per cent, which was a decrease from 32.5 per cent attained in the first nine months of FY 2016/17. Figure 3-11 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-11: Busia County, Expenditure by Economic Classification in the First Nine Months of

FY 2016/17 and the First Nine Months of FY 2017/18



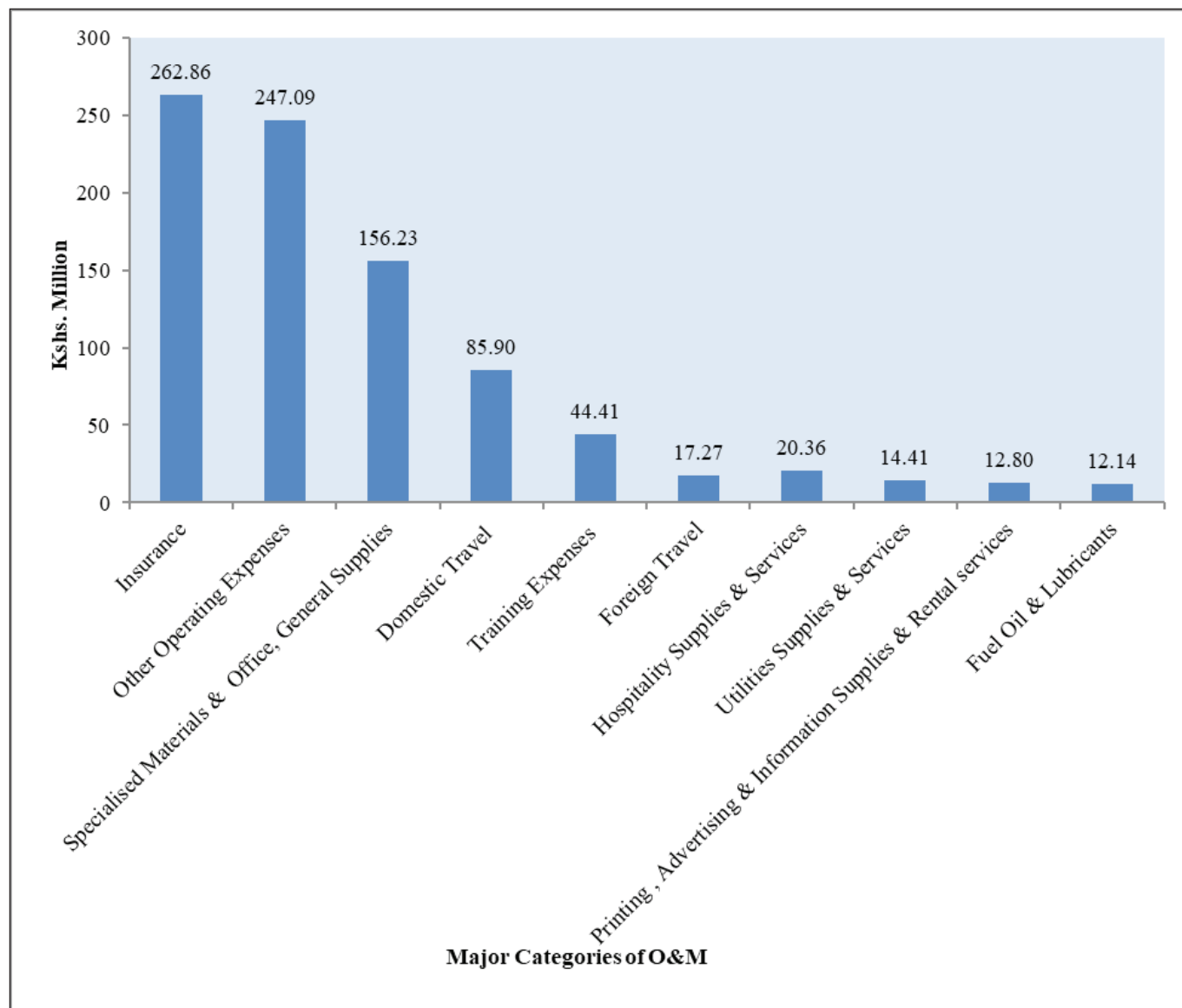
Source: Busia County Treasury

3.4.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.82 billion comprised of Kshs.1.92 billion (60.7 per cent) incurred on personnel emoluments and Kshs.902.38 million (28.5 per cent) on operations and maintenance as shown in Figure 3-11.

Expenditure on personnel emoluments represented an increase of 14 per cent compared to the first nine months of FY 2016/17 when the county spent Kshs.1.68 billion, and was 60.7 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Busia County Treasury

The County incurred Kshs.18.71 million on committee sitting allowances to the 61 MCAs against the annual budget allocation of Kshs.122.80 million. This was a decline of 64.8 per cent compared to Kshs.53.11 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.34,089 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.103.18 million and comprised of Kshs.69.27 million spent by the County Assembly and Kshs.33.90 million by the County Executive. This represented 3.7 per cent of total recurrent expenditure and was a decrease of 30.4 per cent compared to Kshs.145.92 million spent in the first nine months of FY 2016/17.

3.4.7 Development Expenditure Analysis

The total development expenditure of Kshs.339.42 million represented 14.2 per cent of the annual development budget of Kshs.2.39 billion. Table 3-11 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-11: Busia County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	Q3 FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Maintenance of roads, ports and jetties	County Roads	373,643,729	38,193,346	10.2
2	Major roads	County Roads	244,499,301	51,562,284	21.1
3	Water supplies and sewerages	County Roads	132,902,000	104,331,382	78.5
4	Purchase of lighting equipment	Head quarters	87,292,400	11,715,905	13.4
5	Bridges	County Roads	20,812,474	20,551,335	98.7
6	Construction of building	Head quarter	20,000,000	11,899,800	59.5

Source: Busia County Treasury

3.4.8 Budget and Budget Performance Analysis by Department

Table 3-12 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-12: Busia County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
The Governorship	455.14	52.40	307.97	27.00	279.68	11.90	90.8	44.1	61.4	22.7
Public Service Management	61.50	-	41.33	-	27.85	-	67.4	-	45.3	-
Trade, Cooperative and Industrialization	65.27	135.68	39.22	14.50	35.87	-	91.5	-	55	-
Finance Economic Planning and ICT	969.87	33.94	605.27	19.50	634.08	7.47	104.8	38.3	65.4	22
Water, Environment & Natural resources	111.28	201.80	77.36	53.75	41.45	122.48	53.6	227.9	37.2	60.7
Agriculture & Animal resources	241.45	162.24	168.87	69.5	105.84	22.33	62.7	32.1	43.8	13.8
Health and Sanitation	1,544.80	293.57	1,010.42	86.5	1,122.26	18.42	111.1	21.3	72.6	6.3
Roads, Public Works, Energy and Transport	96.91	860.38	71.75	299.9	46.44	119.8	64.7	39.9	47.9	13.9
Education and Vocational training	358.06	247.95	134.39	48.3	70.50	6.94	52.5	14.4	19.7	2.8
Lands, Housing & Urban development	106.78	150.19	76.56	21.3	17.66	19.83	23.1	93.1	16.5	13.2
Youth, Tourism, Culture and social services	91.43	68.34	64.64	9.1	35.95	10.07	55.6	110.7	39.3	14.7
County Public Service Board	59.50	-	43.95	-	8.60	-	19.6	-	14.5	-
County Assembly	906.63	182.90	206.87	24.10	-	-	-	-	-	-
Total	5,069	2,389	2,849	673	2,426	339	8.0	6.0	5.0	2.0

Source: Busia County Treasury

Analysis of budget performance by department shows that, the Department of Water, Environment & Natural Resources attained the highest absorption rate of development budget at 60.7 per cent while the County

Assembly, the Public Service Management, and, the Trade, Cooperative and Industrialization Department did not incur any development expenditure. The Department of Health and Sanitation had the highest percentage of recurrent expenditure to its recurrent budget at 72.6 per cent while the County Public Service Board had the lowest at 14.5 per cent.

3.4.9 Key Observations and Recommendations

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

- i. Timely submission of financial returns to the Office of the Controller of Budget in line with Section 166 of the PFM Act, 2012.
- ii. Development and approval of the Bursary Fund Regulations, which facilitated smooth operation of the Fund.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County in line with Section 155 of the PFM Act 2012.
3. Under-performance in own-source revenue collection, which declined by 42.7 per cent from Kshs.208.61 million in the first nine months of FY 2016/17 to Kshs.119.49 million in the reporting period.
4. The County has not constituted the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation in the budget making process.

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

1. *The County Treasury should liaise with the National Treasury so as to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should establish the Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance own-source collection.*
4. *The County should establish an effective CBEF for consultation in the budget and economic processes in line with Section 137 of the PFM Act, 2012.*

3.5 Elgeyo Marakwet County

3.5.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.4.90 billion, comprising of Kshs.2.96 billion (60.4 per cent) and Kshs.1.94 billion (39.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.62 billion (74 per cent) as equitable share of revenue raised nationally, Kshs.560.94 million (11 per cent) as total conditional grants, generate Kshs.160.29 million (4 per cent) from own revenue sources, and Kshs.599.46 million (12 per cent) cash balance brought forward from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (19.9 per cent) for Leasing of Medical Equipment, Kshs.139.34 million (29.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.79 million (1.8 per cent) as Compensation for User Fee Foregone, Kshs.9.44 million (2 per cent) from DANIDA, Kshs.47.99 million (11.3 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.36.01 million (7.5 per cent) for the World Bank Kenya Devolution Support Programme,

Kshs.37.64 million (7.8 per cent) for Development of Youth Polytechnics, Kshs.30.28 million (6.3 per cent) as World Bank loan for Transforming Health System for Universal Care Project and Kshs.18.96 million (3.9 per cent) as Other Loans and Grants.

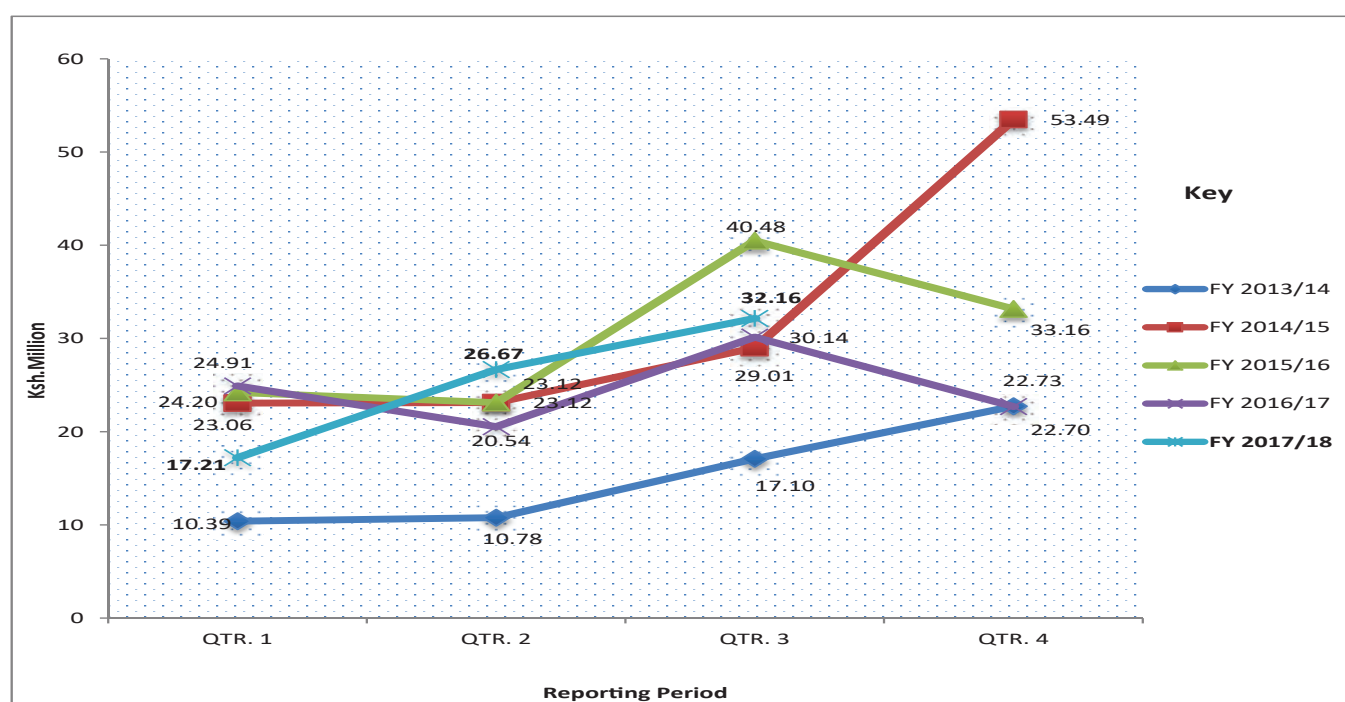
The County also budgeted to receive Kshs.56.93 million as World Bank Loan to supplement financing of County Health Facilities, and Kshs.79.81 million for Doctors, Nurses, Clinical Officers and other health workers, which is not contained in the CARA, 2017.

3.5.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.1.88 billion as equitable share of revenue raised nationally, Kshs.161.73 million as total conditional grants, raised Kshs.76.04 million from own sources of revenue, and had a cash balance of Kshs.599.46 million from FY 2016/17. The total available funds amounted to Kshs.2.7 billion.

Figure 3-13 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-13: Elgeyo Marakwet County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Elgeyo Marakwet County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.76.04 million, representing an increase of 0.6 per cent compared to Kshs.75.59 million generated in a similar period of FY 2016/17, and represented 47.4 per cent of the annual own source revenue target.

3.5.3 Conditional Grants

Table 3-13 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-13: Elgeyo Marakwet County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	139,343,420	139,343,420	64,986,466	47
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	World Bank loan to supplement financing of County Health facilities	47,990,000	47,990,000	-	-
4	Kenya Devolution Support Programme (KDSP)	36,005,074	36,005,074	12,129,508	34
5	Compensation for User Fee Foregone	8,788,919	8,788,919	4,478,035	51
6	DANIDA grant	9,442,456	9,442,456	9,442,456	100
7	Conditional Allocation - Other Loans & Grants	18,956,694	18,956,694	-	-
8	World Bank loan for Transforming Health System for Universal Care Project	30,279,354	30,279,354	13,763,343	46
9	Development of Youth Polytechnics	37,641,245	37,641,245	-	-
Sub Total		424,191,843	424,191,843	104,799,808	28
B	Other Grants				
10	Doctors, Nurses, Clinical Officers and other Health workers	-	79,812,000	-	-
11	World Bank loan to supplement financing of County Health facilities B/F	-	56,932,570	56,932,570	100
Sub Total		-	136,744,570	56,932,570	42
Grand Total		424,191,843	560,936,413	161,732,378	34

Source: Elgeyo Marakwet County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from DANIDA, World Bank loan to supplement financing of County Health facilities, Compensation for User fees foregone, the Road Maintenance Fuel Levy Fund, World Bank loan for Transforming Health System for Universal Care Project, and Kenya Devolution Support Programme. The receipts accounted for 100 per cent, 51 per cent, 47 per cent, 46 per cent, and 34 per cent of annual allocation respectively.

3.5.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.2.25 billion from the CRF account, which was 46 per cent of the Approved Supplementary Budget. This amount represented a decline of 24.6 per cent from Kshs.2.99 billion approved in a similar period of FY 2016/17 and comprised of Kshs.1.92 billion (85.4 per cent) for recurrent expenditure and Kshs.328.61 million (14.6 per cent) for development activities.

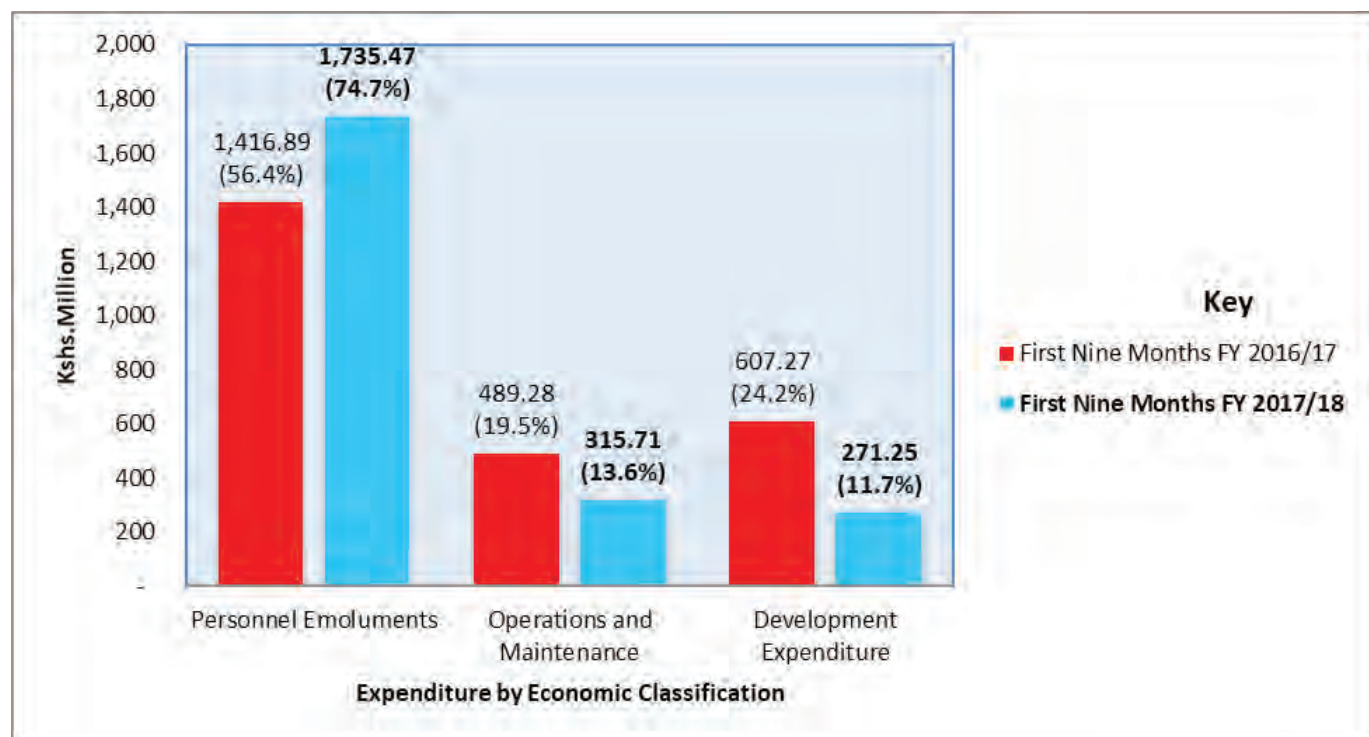
3.5.5 Overall Expenditure Review

The County spent Kshs.2.32 billion, which was 103.2 per cent of the total funds released for operations. This was a decline of 7.6 per cent from Kshs.2.51 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.05 billion was spent on recurrent activities while Kshs.271.25 million was spent on development activities. The recurrent expenditure was 69.3 per cent of the funds released for recurrent activities, while development expenditure was 82.5 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.368.51 million for development activities and Kshs.56.25 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 68.2 per cent of the annual recurrent budget, an increase from 66 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 14 per cent, which was a decrease from 32.8 per cent attained in the first nine months of FY 2016/17. Figure 3-14 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-14: Elgeyo Marakwet County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



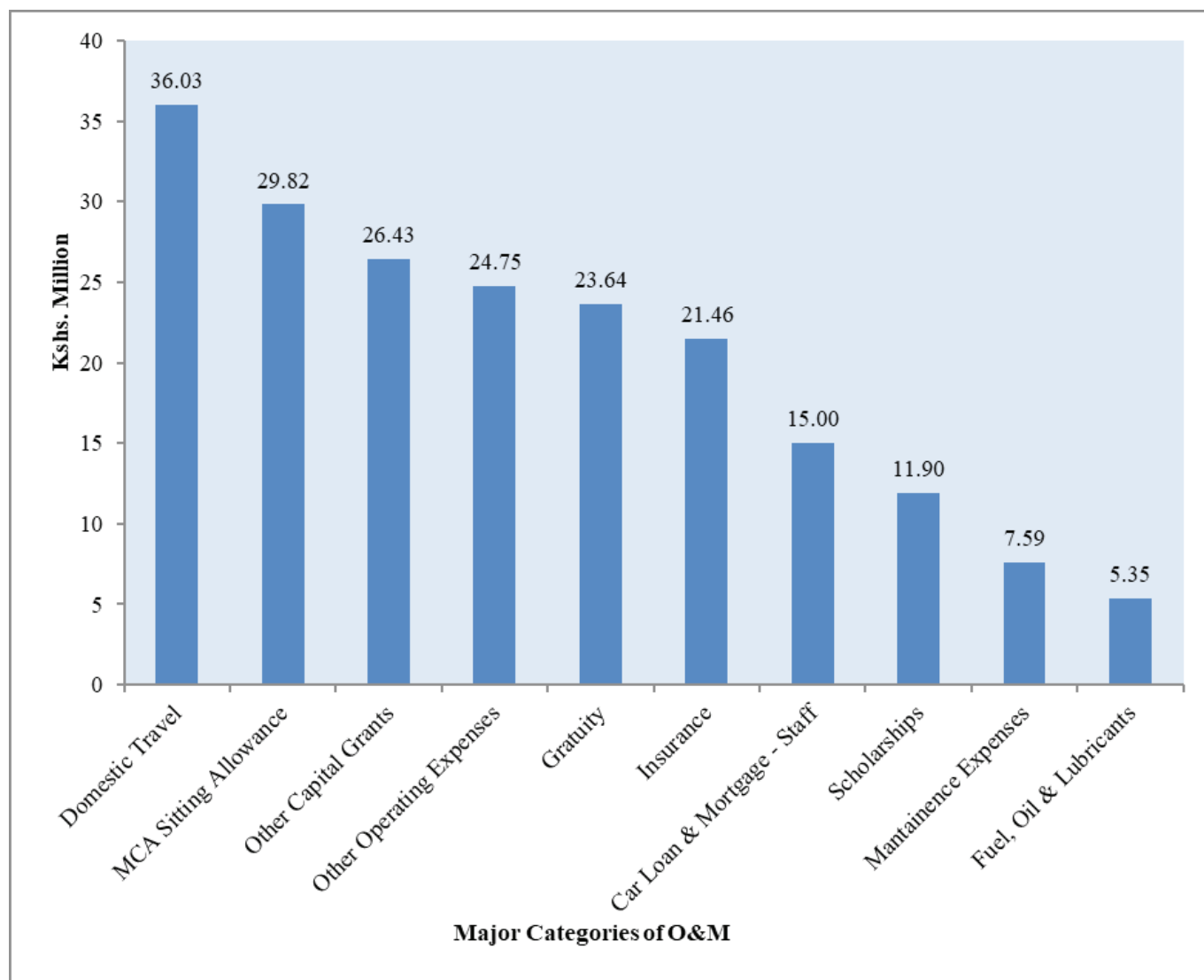
Source: Elgeyo Marakwet County Treasury

3.5.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.05 billion comprised of Kshs.315.71 million (13.6 per cent) incurred on operations and maintenance and Kshs.1.74 billion (74.7 per cent) on personnel emoluments as shown in Figure 3-14.

Expenditure on personnel emoluments represented an increase of 22.5 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.42 billion, and was 74.7 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Elgeyo Marakwet County Treasury

The County incurred Kshs.6.13 million on committee sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.33.36 million. This was a decrease of 78.3 per cent compared to Kshs.28.30 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.20,038 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on travel amounted to Kshs.36.03 million and comprised of Kshs.25.6 million spent by the County Assembly and Kshs.10.43 million by the County Executive. This represented 1.8 per cent of total recurrent expenditure and was a decrease of 43.3 per cent compared to Kshs.61.75 million spent in the first nine months of FY 2016/17.

3.5.7 Development Expenditure Analysis

The total development expenditure of Kshs.271.25 million represented 14 per cent of the annual development budget of Kshs.1.94 billion. Table 3-14 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-14: Elgeyo Marakwet County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Annual project budget (Kshs.)	First nine months project expenditure (Kshs.)	Absorption rate (%)
1	Road Maintenance Levy Fund Roads	All wards	139,343,420	78,877,529	57
2	Construction of County Assembly Cafeteria	Kapchemutwa	12,487,427	5,458,249	44
3	Construction of Sub-County Office	Chepkorio	9,380,420	-	-
4	Construction of ICT & Ward Offices	Chesoi	6,544,516	1,394,000	21
5	Solid Waste management (Garbage collection in towns)	Urban	5,000,000	820,880	16
6	Maintenance of Urban Roads	Kapswor, Sengwel, Kapchemutwa	5,000,000	1,032,503	21
7	Koitional - Matira Road	Arror	4,500,000	4,500,000	100

Source: Elgeyo Marakwet County Treasury

3.5.8 Budget and Budget Performance Analysis by Department

Table 3-15 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-15: Elgeyo Marakwet County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	472.44	12.49	318.08	5.46	311.66	5.46	98.0	100	66.0	43.7
Office of the Governor	121.75	0.23	71.48	-	70.43	-	98.5	-	57.9	-
Finance and Economic planning	266.66	-	154.52	-	156.70	-	101.4	-	58.8	-
Agriculture, Livestock and Fisheries	182.39	162.30	133.69	21.38	133.16	24.56	99.6	114.9	73.0	15.1
Education and Tech. Training	207.03	338.45	125.56	41.47	138.01	34.10	109.9	82.2	66.7	10.1
Health Services	1,369.49	441.22	875.98	84.45	999.78	73.44	114.1	87.0	73.0	16.6
Water, Lands and Physical Planning	75.30	354.23	49.40	34.15	49.75	35.70	100.7	104.5	66.1	10.1
Roads, Public Works and Transport	60.84	369.69	38.93	97.23	40.13	53.05	103.1	54.6	66.0	14.4
Trade, Tourism, Wildlife, Industrialization and Cooperatives	52.97	74.30	33.30	11.25	32.15	12.60	96.6	112.0	60.7	17.0
Youth Affairs, Sports, Culture & Social Services	31.42	124.42	18.19	23.88	16.46	24.27	90.5	101.6	52.4	19.5
ICT and Public Service	94.40	59.96	54.24	9.27	55.55	8.07	102.4	87.1	58.9	13.5
County P.S. Board	46.26	0.48	30.07	-	29.19	0	97.1	-	63.1	-
Executive Administration	26.06	-	18.87	-	18.19	0	96.4	-	69.8	-
TOTAL	2,960.92	1937.77	1,922.32	328.61	2,051.17	271.25	106.7	82.6	68.2	14

Source: Elgeyo Marakwet County Treasury

Analysis of budget performance by department shows that, the County Assembly attained the highest absorption rate of development budget at 43.7 per cent while the County Public Service Board and Office of

the Governor did not incur any development expenditure. The Department of Finance and Economic Planning and Executive Administration did not have an allocation on the development budget. The Department of Agriculture, Livestock and Fisheries and the Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 73 per cent each, while the Department of Youth Affairs, Sports, Culture & Social Services had the lowest at 52.4 per cent.

3.5.9 Key Observations and Recommendations

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

- i. Timely submission of financial reports to the Office of the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012.
- ii. Improved use of IFMIS to process financial transactions.
- iii. Improved staff capacity especially on the use of IFMIS, E-procurement module and the Internet Banking platform.

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. Low absorption of development budget, which stood at 14 per cent compared to 32.8 per cent in a similar period in FY 2016/17.
3. A high wage bill that increased by 22.5 per cent from Kshs.1.42 billion in the first nine months of FY 2016/17 to Kshs.1.74 billion during the period under review and accounted for 74.7 per cent of total expenditure.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2017 Disbursement Schedule.*
2. *The County should formulate strategies to enhance absorption of development funds.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*

3.6 Embu County

3.6.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.6.07 billion, comprising of Kshs.4.23 billion (69.7 per cent) and Kshs.1.84 billion (30.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.11 billion (67.7 per cent) as equitable share of revenue raised nationally, Kshs.629.12 million (10.4 per cent) as total conditional grants, generate Kshs.653.49 million (10.8 per cent) from own revenue sources, and Kshs.432.07 million (7.1 per cent) cash balance brought forward from FY 2016/17. Other revenue sources amounted to Kshs.246.51 million (4.1 per cent).

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (12.8 per cent) for Leasing of Medical Equipment, Kshs.163.52 million (21.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.10.72 million (1.4 per cent) as Compensation for User Fee Foregone, Kshs.17.18 million (2.3 per cent) from DANIDA, Kshs.37.91 million (5.1 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.40.91 million (5.5 per cent) for Development of Youth Polytechnics, Kshs.32 million (4.3 per cent) as

World Bank loan for Transforming Health System for Universal Care Project, Kshs.301.04 million (40.2 per cent) as Level-5 Hospital and Kshs.50 million (6.7 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project.

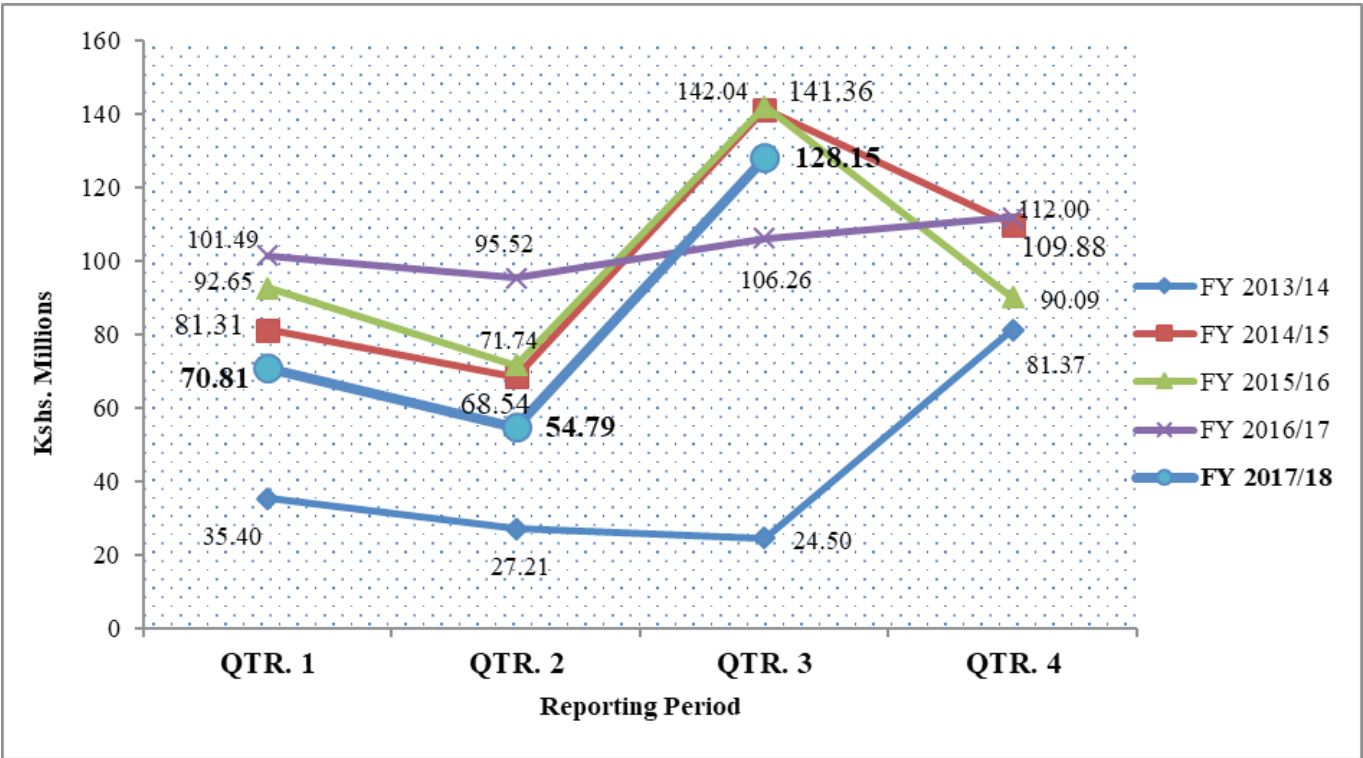
The County did not include amounts provided for in CARA, 2017 in the supplementary budget for the following programs; Kenya Devolution Support Programme (KDSP), World Bank Loan for Transforming Health System for Universal Care Project, and, World Bank Loan for National Agricultural & Rural Inclusive Project.

3.6.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.67 billion as equitable share of revenue raised nationally, Kshs.160.45 million as total conditional grants, raised Kshs.253.75 million from own source revenue, and had a cash balance of Kshs.432.07 million from FY 2016/17. The total available funds amounted to Kshs.3.51 billion.

Figure3-16 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure3-16: Embu County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Embu County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.253.75 million, representing a decline of 16.3 per cent compared to Kshs.303.27 million generated in a similar period of FY 2016/17, and represented 38.8 per cent of the annual target.

3.6.3 Conditional Grants

Table 3-16 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-16: Embu County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1.	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	-	50,609,855	101
2.	DANIDA Grant	17,175,467	17,175,467	11,080,946	65
3.	Road Maintenance Fuel Levy Fund	163,522,813	163,522,813	76,263,161	47
4.	World Bank Loan for Transforming Health System for universal Care Project	32,000,000	-	10,000,000	31
5.	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
6.	Kenya Devolution Support Programme (KDSP)	37,912,879	-	12,495,588	33
7.	Compensation for User Fee Foregone	10,724,225	10,724,225	-	-
8.	Level-5 Hospitals	301,040,462	301,040,462	-	-
9.	Development of Youth Polytechnics	40,907,922	40,907,922	-	-
	Total	749,028,449.0	629,115,570.0	160,449,550.4	21

Source: Embu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants under the World Bank Loan for National Agricultural & Rural Inclusive Project, DANIDA, the Road Maintenance Fuel Levy Fund, Kenya Devolution Support Programme, World Bank Loan for Transforming Health System for universal Care Project. The receipts accounted for 101 per cent, 65 per cent, 33 per cent and 31 per cent of annual allocation respectively.

3.6.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs3.4 billion from the CRF account, which was 56 per cent of the Approved Supplementary Budget. This amount represented a decline of 12.3 per cent from Kshs.3.88 billion approved in a similar period of FY 2016/17 and comprised of Kshs.3.1 billion (91.2 per cent) for recurrent expenditure and Kshs.298.26 million (8.8 per cent) for development activities.

3.6.5 Overall Expenditure Review

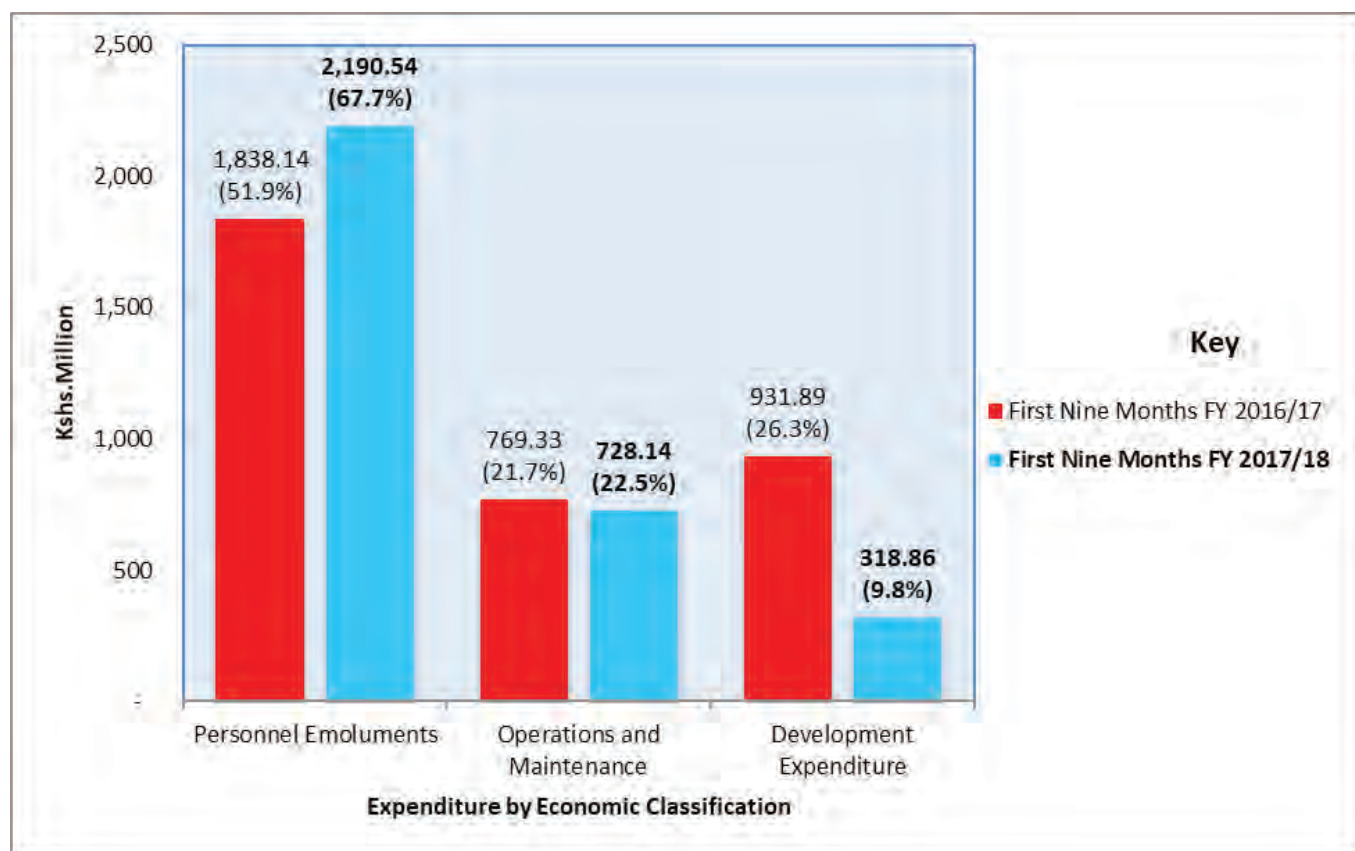
The County spent Kshs.3.24 billion, which was 95.3 per cent of the total funds released for operations. This was a decline of 8.5 per cent from Kshs.3.54 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.92 billion was spent on recurrent activities while Kshs.318.87 million was spent on development activities. The recurrent expenditure was 94.1 per cent of the funds released for recurrent activities, while development expenditure was 106.9 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.981.32 million for development activities and Kshs.434.6 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 69 per cent of the annual recurrent budget, an increase from 62.7 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate

of 17.3 per cent, which was a decrease from 38.1 per cent attained in the first nine months of FY 2016/17. Figure 3-17 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-17: Embu County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



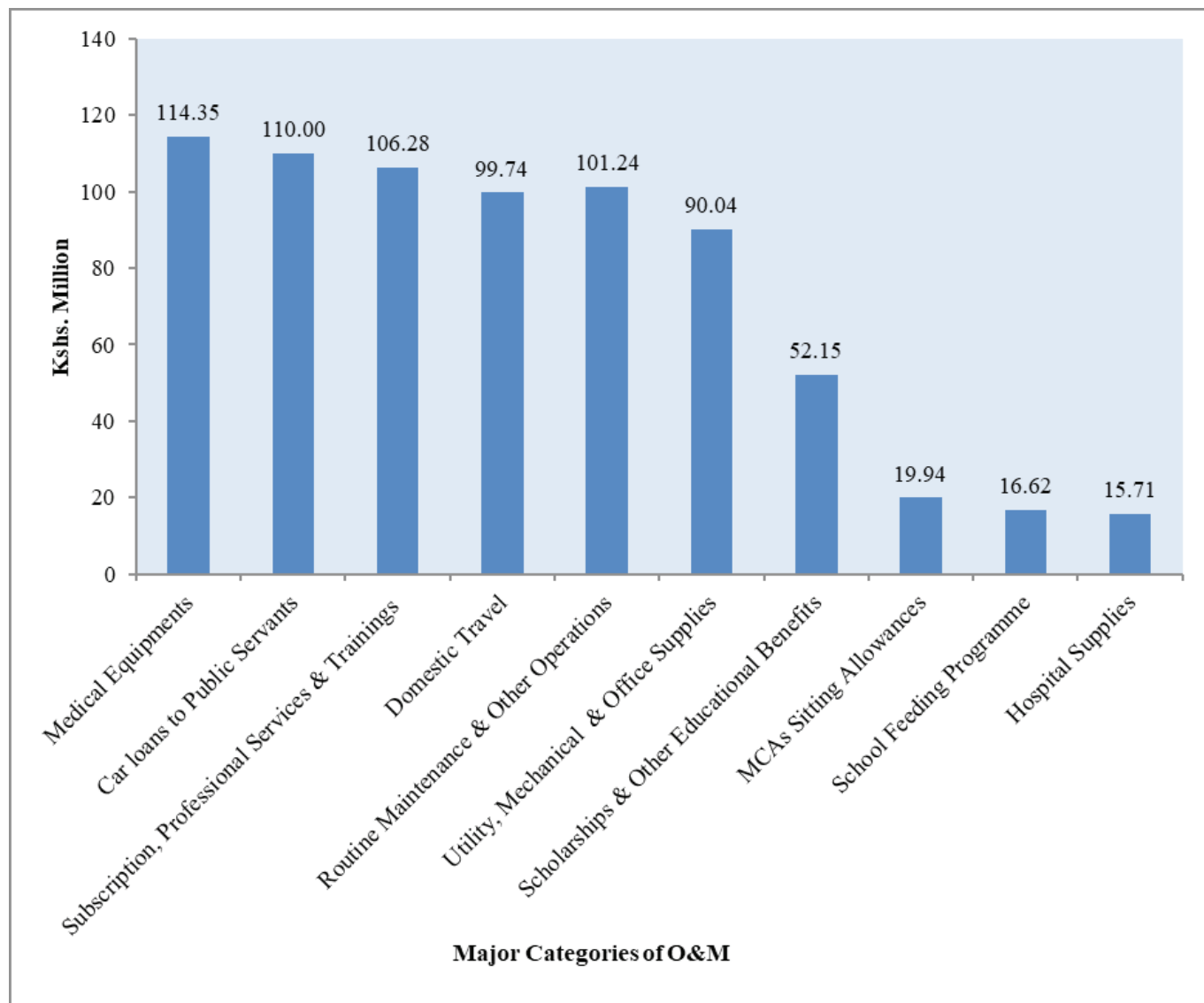
Source: Embu County Treasury

3.6.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.92 billion comprised of Kshs.2.19 billion (67.7 per cent) incurred on personnel emoluments and Kshs.728.14 million (22.5 per cent) on operations and maintenance as shown in Figure 3-17.

Expenditure on personnel emoluments represented an increase of 19.2 per cent compared to the first nine months of FY 2016/17 when the county spent Kshs.1.84 billion, and was 67.7 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Embu County Treasury

The County incurred Kshs.19.94 million on committee sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.21.5 million. This was a decline of 5.1 per cent compared to Kshs.21.02 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.65,152 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.99.74 million and comprised of Kshs.79.88 million spent by the County Assembly and Kshs.19.85 million by the County Executive. This represented 3.5 per cent of total recurrent expenditure and was a decrease of 22.2 per cent compared to Kshs.130.87 million spent in the first nine months of FY 2016/17.

3.6.7 Development Expenditure Analysis

The total development expenditure of Kshs.318.86 million represented 17.3 per cent of the annual development budget of Kshs.1.84 billion. Figure 3-17 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-17: Embu County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	Q3 FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1.	World Bank Loan For National Agricultural And Rural Inclusive Growth Project (NARIGP)-County Contribution	County Wide	5,000,000	5,318,000	106
2.	Physical Planning	County Wide	29,000,000	29,187,429	101
3.	Construction of Nembure Dias	Gaturi South	4,000,000	4,000,000	100
4.	Improvement of Access Roads-Kyeni South	Kyeni South	5,690,827	4,887,090	86
5.	Land Acquisition(Pending)	County Wide	43,000,000	33,939,340	79
6.	Construction of Rupingazi Bridge	Mbeti North	10,526,315	8,001,760	76
7.	Construction of Badea-Phase 2(And other Extra Works)	Kirimari	30,500,000	19,794,759	65
8.	Land Bank	County Wide	39,333,000	23,228,221	59
9.	Completion Of Pending Occupied Lands	County Wide	32,967,000	19,593,360	59
10	Land Administration	County Wide	25,200,000	14,491,233	58

Source: Embu County Treasury

3.6.8 Budget and Budget Performance Analysis by Department

Table 3-18 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-18: Embu County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Lands, Physical Planning and Urban Dev't	109.67	213.60	30.54	156.03	27.12	120.44	88.8	77.2	24.7	56.4
Level 5 Hospital	285.77	211.96	187.2	22.	137.62	40.19	73.5	182.7	48.2	19
Education, Science Technology & ICT	338.27	128.13	236.41	10.37	192.57	21.06	81.5	203	56.9	16.4
Infrastructure, Public works & Energy	71.37	668.54	55.23	104.86	35.81	108.82	64.8	103.8	50.2	16.3
Youth Empowerment & Sports	16.88	87.14	11.15	-	5.71	10.58	51.2	> 100	33.8	12.1
Water, Environment and Natural Resources	50.01	73.54	40.36	-	39.87	5.69	98.8	> 100	79.7	7.7
Agriculture & Livestock & Coop	250.49	79.22	199.90	5.00	159.57	5.32	79.8	106.4	63.7	6.7
Gender, Culture & Social Services	16.60	59.8	12.79	-	5.21	1.76	40.7	> 100	31.4	2.9
Health Services	1,626.74	148.09	1,300.38	-	1,442.68	3.12	110.9	> 100	88.7	2.1
Finance and Economic Planning	128.78	90	49.75	-	37.63	1.90	75.6	> 100	29.2	2.1
Public Service & Administration	422.62	5	340.48	-	310.99	-	91.3	-	73.6	-
County Assembly	485.94	25	347.59	-	317.23	-	91.3	-	65.3	-
Office of the Governor	351.83	-	232.21	-	180.57	-	77.8	-	51.3	-
County Public Service Board	40.62	-	31.53	-	17.76	-	56.3	-	43.7	-
Trade, Tourism, Investment & Industrialization	32.45	50.31	24.97	-	8.33	-	33.4	-	25.7	-
TOTAL	4,228	1,840	3,100	298	2,919	319	94.1	106.9	69	17.3

Source: Embu County Treasury

Analysis of budget performance by department shows that, the Lands, Physical Planning and Urban Development, Level 5 Hospital attained the highest absorption rate of development budget at 56.4 per cent and

19 per cent respectively. The Department of Public Service & Administration, County Assembly, Office of the Governor, County Public Service Board and Trade, Tourism, Investment & Industrialization did not incur any development expenditure. Conversely, the Departments of Health Services, and, Water, Environment and Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 88.7 per cent and 79.7 per cent respectively while the Department of Lands, Physical Planning and Urban Development had the lowest at 24.7 per cent.

3.6.9 Key Observations and Recommendations

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

- i. Improved adherence to budget timelines. The CECM-Finance submitted the budget planning documents to the County Assembly on time, which were duly approved and relevant communication made to the County Executive.
- ii. Timely submission County Assembly Car and Mortgage Fund report by the Fund Administrator in line with Section 168 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. Under-performance in own-source revenue collection, which declined by 16.3 per cent from Kshs.303.27 million in the first nine months of FY 2016/17 to Kshs.253.75 million in the first nine months of FY 2017/18.
3. The County did not budget for some conditional grants contained in the CARA, 2017 such as, World Bank Loan for National Agricultural & Rural Inclusive Project, World Bank Loan for Transforming Health System for universal Care Project, and the Kenya Devolution Support Programme (KDSP) grant which affected timely release of the funds.
4. A high wage bill that increased by 19.2 per cent from Kshs.1.16 billion in the first nine months of FY 2016/17 to Kshs.1.32 billion in the period under review.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection.*
3. *The County should budget for all revenue streams as contained in the CARA, 2017.*
4. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

3.7 Garissa County

3.7.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.7.96 billion, comprising of Kshs.5.59 billion (70.2 per cent) and Kshs.2.37 billion (29.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.7 billion (84.8 per cent) as equitable share of revenue raised nationally, Kshs.1.1 billion (13.6 per cent) as total conditional grants, generate Kshs.250 million (3.2 per cent) from own source revenue, and Kshs.60 million (0.8 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.245.91 million (22.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.96 million (1.2 per cent) as Compensation for User Fee

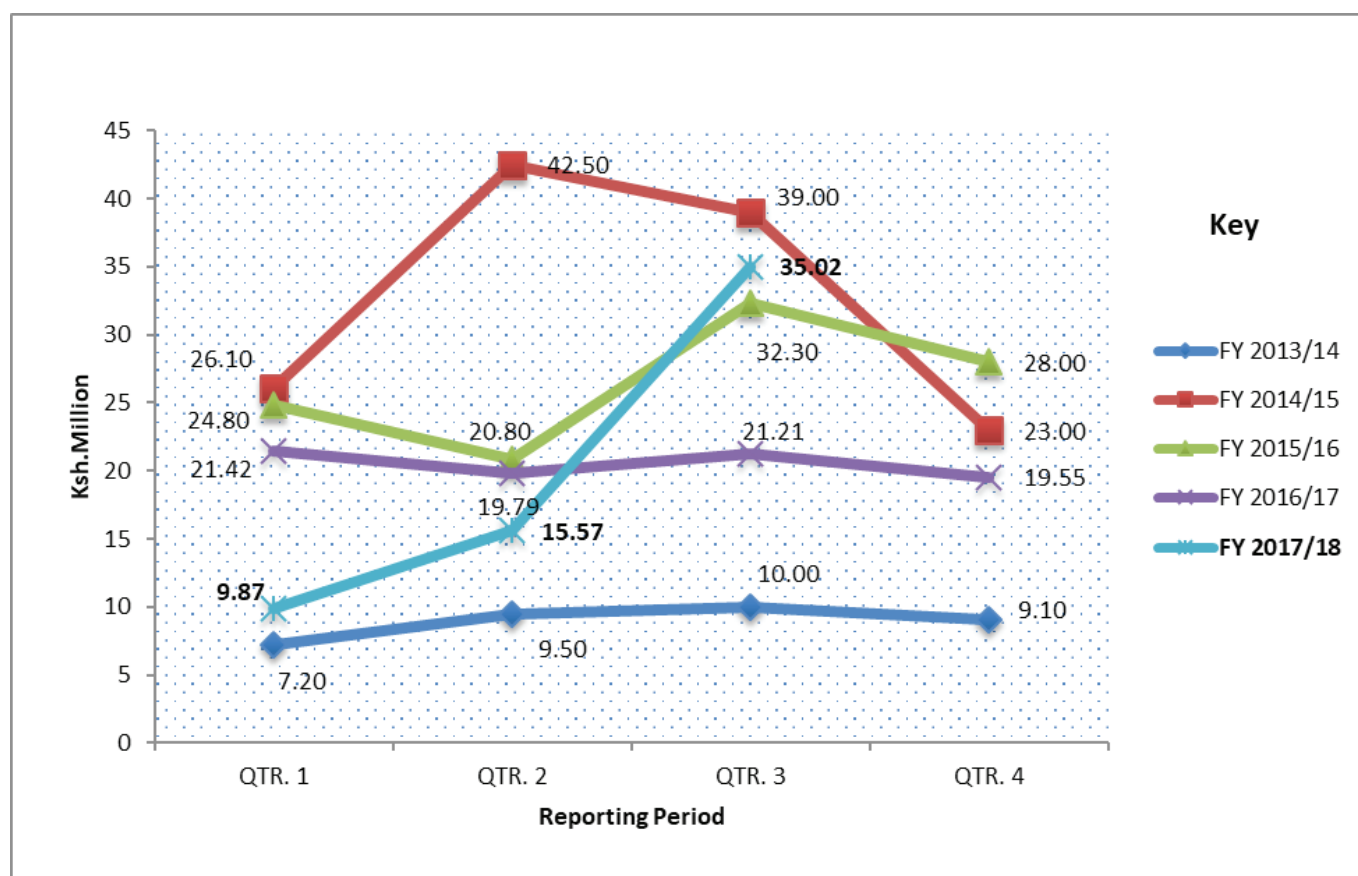
Foregone, Kshs.25.83 million (2.3 per cent) from DANIDA, Kshs.344.7 million (31 per cent) for Level 5 Hospital, Kshs.91.8 million (1 per cent) for Construction of County Headquarters, Kshs.91.76 million (8.2 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.44.6 million (4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.27.91 million (2.5 per cent) for Development of Youth Polytechnics, Kshs.91.76 million (8.2 per cent) as World Bank Loan for Transforming Health System for Universal Care System, and Kshs.50.9 million (0.6 per cent) as Other Loans and Grants.

3.7.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.4.19 billion as equitable share of revenue raised nationally, Kshs.358.45 million as total conditional allocations, raised Kshs.60.5 million from own revenue sources, and had a cash balance of Kshs.60 million from FY 2016/17. The total available funds amounted to Kshs.4.65 billion.

Figure3-19 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure3-19: Garissa County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Garissa County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.60.5 million, representing a decline of 3.1 per cent compared to Kshs.62.4 million generated in a similar period of FY 2016/17, and represented 24.2 per cent of the annual target.

3.7.3 Conditional Grants

Table 3-9 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-19: Garissa County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months 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	114,688,425	47
2	Leasing of Medical Equipment	95,744,681	95,744,681	41,709,483	44
3	World Bank loan to supplement financing of County Health facilities	38,645,000	38,645,000	16,664,092	43
4	Kenya Devolution Support Programme (KDSP)	44,599,720	44,599,720	13,934,805	31
5	Compensation for User Fee Foregone	12,964,636	12,964,636	-	-
6	DANIDA Grant	25,829,342	25,829,342	-	-
7	Level-5 Hospitals	344,739,884	344,739,884	229,826,589	67
8	Supplement for Construction of County Headquarters	91,760,862	91,760,862	-	-
9	Development of Youth Polytechnics	27,909,841	27,909,841	-	-
10	Conditional Allocation - Other Loans & Grants	50,874,733	50,874,733	-	-
11	World Bank Loan for Transforming Health System for Universal Care Project	133,470,345	133,470,345	59,633,832	45
Total		995,497,746	995,497,746.0	358,449,819	32

Source: Garissa County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from the Level 5 Hospital, Road Maintenance Fuel Levy Fund, and Kenya Devolution Support Programme. The receipts accounted for 67 per cent, 47 per cent and 31 per cent of annual allocation respectively.

3.7.4 Exchequer Issues

During the period under review, the Controller of Budget authorized withdrawal of Kshs.3.85 billion from the CRF account, which was 48.3 per cent of the Approved Supplementary Budget. This amount represented a decline of 8.2 per cent from Kshs.4.2 billion authorized in a similar period FY 2016/17 and consisted of Kshs.3.73 billion (96.8 per cent) for recurrent expenditure and Kshs.122 million (3.2 per cent) for development activities.

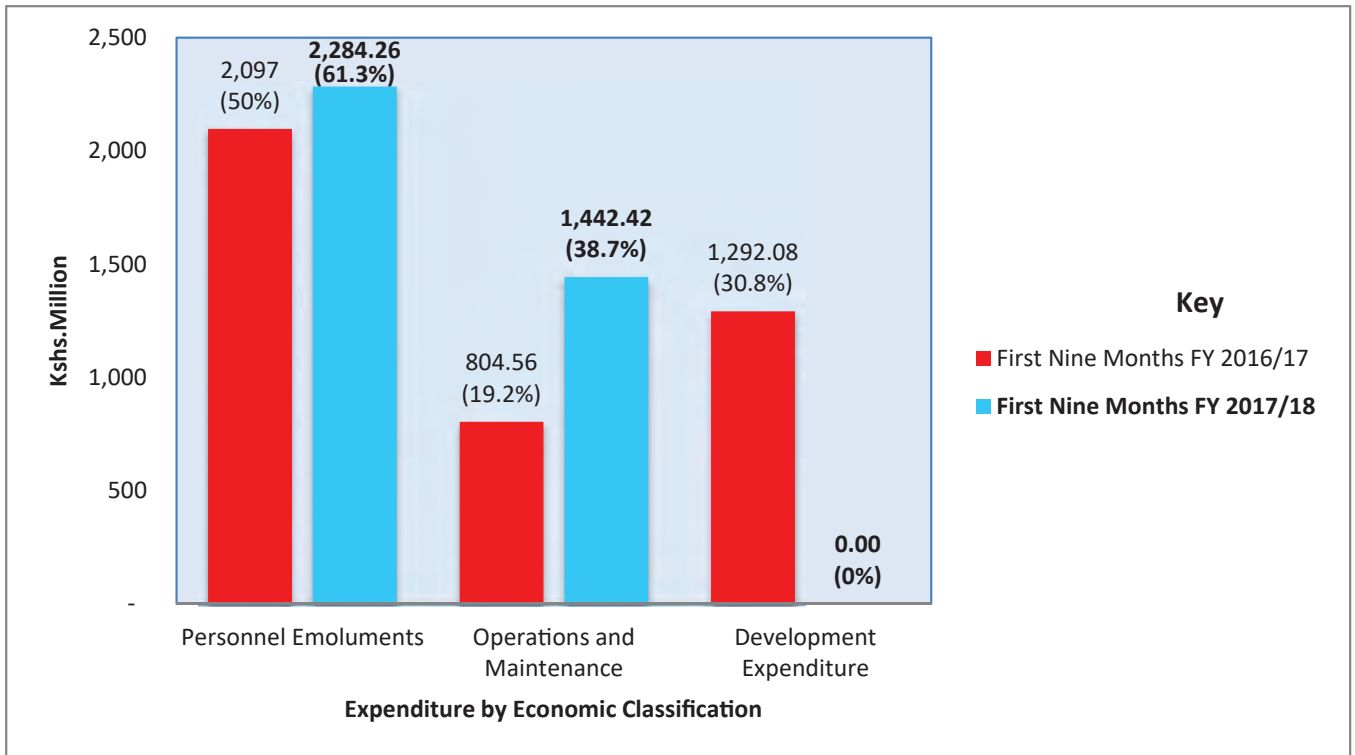
3.7.5 Overall Expenditure Review

The County spent Kshs.3.73 billion, which was 96.9 per cent of the total funds released for operations. This was a decline of 11.1 per cent from Kshs.4.2 billion incurred in a similar period of FY 2016/17.

A total of Kshs.3.73 billion was spent on recurrent activities while there was no expenditure on development activities. The recurrent expenditure was 100 per cent of the funds released for recurrent activities and excluded outstanding commitments which amounted to Kshs.10 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 66.6 per cent of the annual recurrent budget, an increase from 55.5 per cent spent in a similar period FY 2016/17. Figure 3-20 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and first nine months of FY 2017/18.

Figure 3-20: Garissa County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



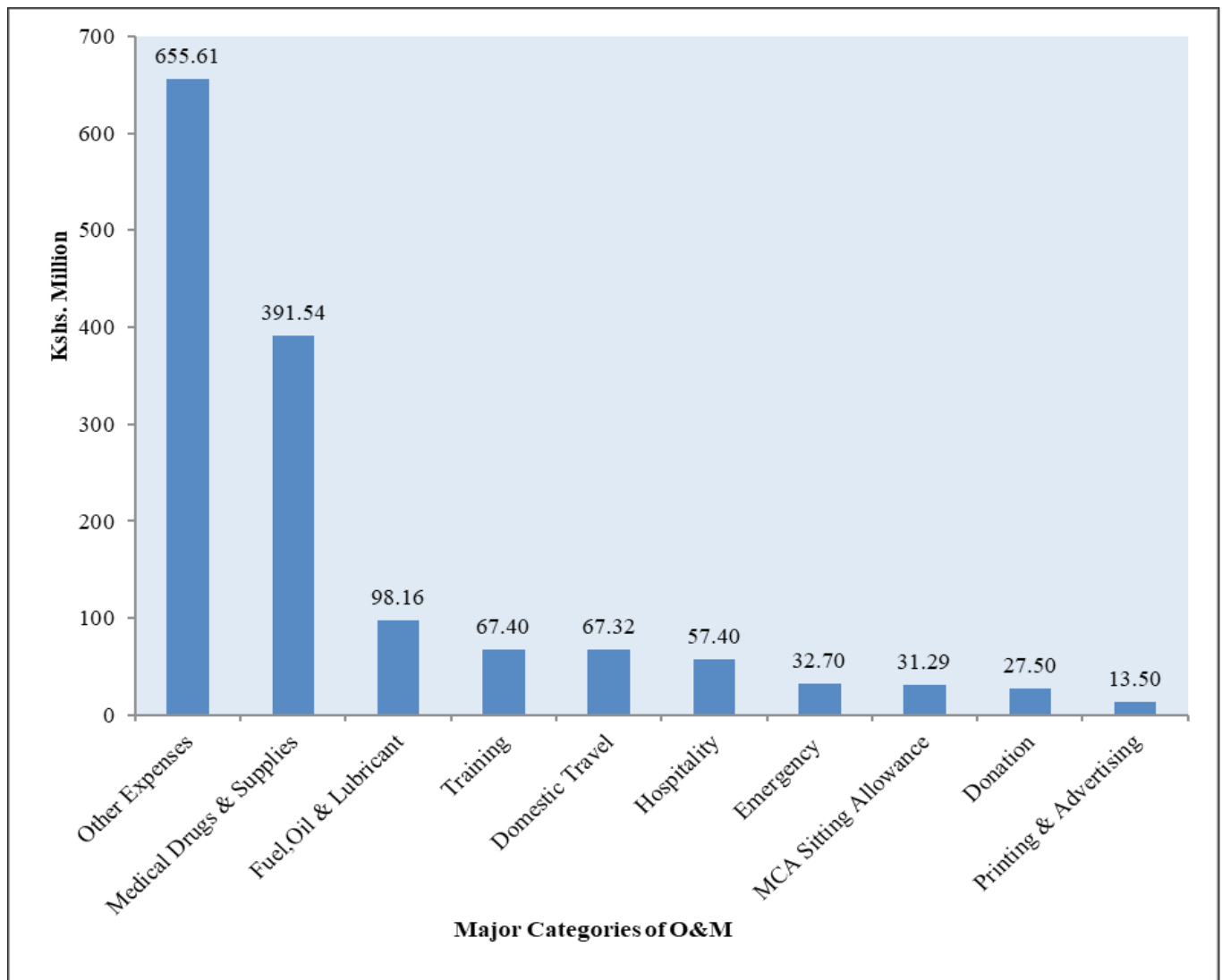
Source: Garissa County Treasury

3.7.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.73 billion comprised of Kshs.2.28 billion (61.3per cent) incurred on personnel emoluments and Kshs.1.44 billion (38.7 per cent) on operations and maintenance as shown in Figure 3-20.

Expenditure on personnel emoluments represented an increase of 8.9 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.2.1 billion, and was 61.3 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Garissa County Treasury

The County incurred Kshs.31.29 million on sitting allowances to the 49 MCAs against the annual budget allocation of Kshs.86.8 million. This was a decline of 40.2 per cent compared to Kshs.52.3 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.70,947 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.67.32 million and comprised of Kshs.24.9 million spent by the County Assembly and Kshs.42.4 million by the County Executive. This represented 33.6 per cent of total recurrent expenditure, and was a decline of 29.5 per cent compared to Kshs.95.5 million spent in the nine months of FY 2016/17.

A total of Kshs.27.5 million was spent on donations, mainly on purchase of food stuff to help families that were affected by extreme weather conditions.

3.7.7 Development Expenditure Analysis

The County did not incur any development expenditure during the reporting period.

3.7.8 Budget and Budget Performance Analysis by Department

Table 3-20 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-20: Garissa County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock & Cooperatives	236.9	184.6	213.6	-	213.60	-	100	-	90.2	-
Gender ,Social Services & Sports	62	29.8	17	-	17.00	-	100	-	27.4	-
Roads and Transport	77	438.6	62.1	121.7	62.10	-	100	-	80.6	-
Education & Labour	469.6	87.9	324.5	-	324.50	-	100	-	69.1	-
Environment, Energy & Natural Resources	56.6	30	27.3	-	27.30	-	100	-	48.2	-
Lands ,Housing and Urban Development	325.6	64	209.2	-	209.20	-	100	-	64.3	-
Finance & Economic Planning	1,058.7	382.5	552	-	552.00	-	100	-	52.1	-
Health & Sanitation	1,992.5	300.7	1,531	-	1,531.00	-	100	-	76.8	-
Trade, Enterprise Development and Tourism	77.6	116	54.3	-	54.30	-	100	-	70	-
Water & Irrigation Services	160.1	477	111	-	111.00	-	100	-	69.3	-
Executive Services	353.6	180.00	178.5	-	178.50	-	100	-	50.5	-
County Public Service Board	49.5	-	-	-	-	-	-	-	-	-
Assembly	673.31	80	446.2	-	446.20	-	100.0	-	66.3	-
TOTAL	5,593	2,371	3,727	122	3,727	-	100.0	-	66.6	-

Source: Garisa County Treasury

Analysis of budget performance by department shows that the Department of Agriculture, Livestock and Fisheries attained the highest recurrent expenditure to recurrent budget at 90.2 per cent while the County Public Service Board did not incur any recurrent expenditure as it was initially under the Department of Education and Labour.

3.7.9 Key Observations and Recommendations

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

- i. Improvement in adherence to budget timelines. The CECM-F submitted the County Budget Review Outlook Paper (CBROP) and County Fiscal Strategy Paper (CFSP) to the County Assembly on 20th September, 2017 and 25th February, 2018 which is within the timelines provided in the PFM Act, 2012.
- ii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Late submission of financial reports by the County Treasury to the Office of the Controller of Budget, which affected timely preparation of the budget implementation reviews report contrary to Section 166 of the PFM Act, 2012.
3. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

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

1. *The County Treasury should liaise with the National Treasury to ensure that allocated funds are released in a timely manner in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3.8 Homa Bay County

3.8.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary 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.658.71 million (5.7 per cent) as total conditional grants, generate Kshs.209.46 million (2.3 per cent) from own source revenue, and Kshs.187.66 million (2.6 per cent) cash balance brought forward from FY 2016/17.

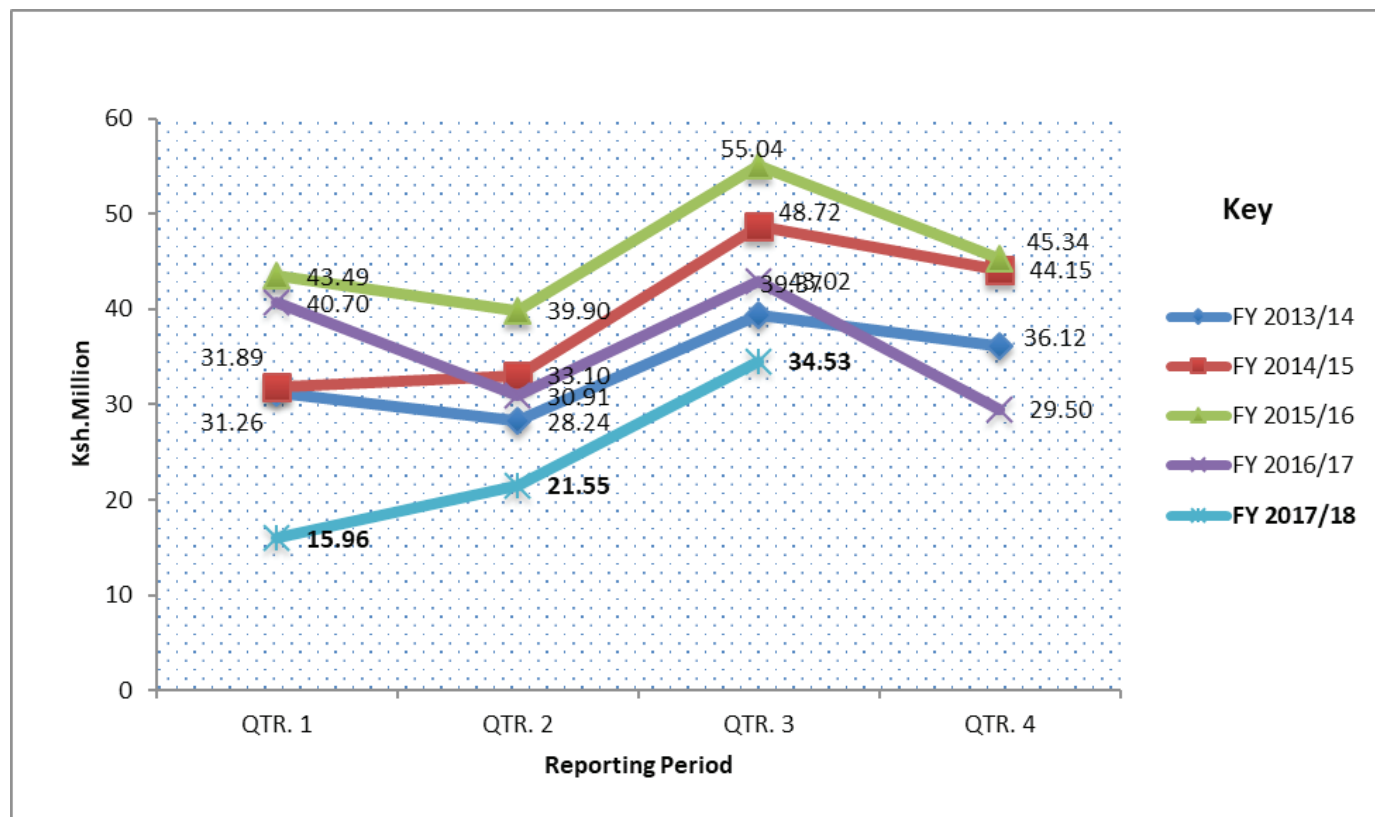
The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (14.5 per cent) for Leasing of Medical Equipment, Kshs.240.09 million (36.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.19 million (3.4 per cent) as Compensation for User Fee Foregone, Kshs.16.27 million (2.5per cent) from DANIDA, Kshs.46.23 million (7 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.52.96 million (8.0 per cent) for Development of Youth Polytechnics, Kshs.59 million (9.0 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.50 million (7.6 per cent) as World Bank Loan for National Agriculture & Rural inclusive Project, and Kshs.76.27 million (11.6 per cent) as Other Loans and Grants.

3.8.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.4.53 billion as equitable share of revenue raised nationally, Kshs.206.06 million as total conditional grants, raised Kshs.72.37 million from own source revenue, and had a cash balance of Kshs.187.66 million from FY 2016/17. The total available funds amounted to Kshs.4.98 billion.

Figure 3-22 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-22 Homa Bay County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Homa bay County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.72.04 million, representing a decline of 36.9 per cent compared to Kshs.114.63 million generated in a similar period of FY 2016/17, and represented 34.4 per cent of the annual own source revenue target.

3.8.3 Conditional Grants

Table 3-21 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-21: Homa Bay County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	240,088,313	240,088,313	156,971,495	65.4
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	Kenya Devolution Support Programme (KDSP)	46,229,187	46,229,187	15,936,157	34
4	Development of Youth Polytechnics	52,958,942	52,958,942	-	-
5	World Bank Loan for Transforming Health System for universal Care System	59,001,485	59,001,485	50,609,855	85.8
6	DANIDA Grant	16,269,325	16,296,325	16,200,000	99.6
7	Conditional Allocation - Other Loans & Grants	76,266,986	76,266,986	-	-
8	Compensation for User Fee Forgone	22,185,346	22,185,346	11,300,000	50.9

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
9	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	-	-
Total		658,744,265	658,771,265	206,062,507	31

Source: Homa bay County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from DANIDA, the World Bank Loan for Transforming Health System for universal Care System, the Road Maintenance Fuel Levy Fund, Compensation for User Fee Forgone, and Kenya Devolution Support Programme. The receipts accounted for 99.6 per cent, 85.8 per cent, 65.4 per cent, 50.9 per cent, and 34 per cent of annual allocation respectively.

3.8.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.03 billion from the CRF account, which was 56.1 per cent of the Approved Budget. This amount represented a decline of 6.9 per cent from Kshs.4.33 billion approved in a similar period of FY 2016/17 and comprised of Kshs.3.64 billion (90.2 per cent) for recurrent expenditure and Kshs.394 million (9.8 per cent) for development activities.

3.8.5 Overall Expenditure Review

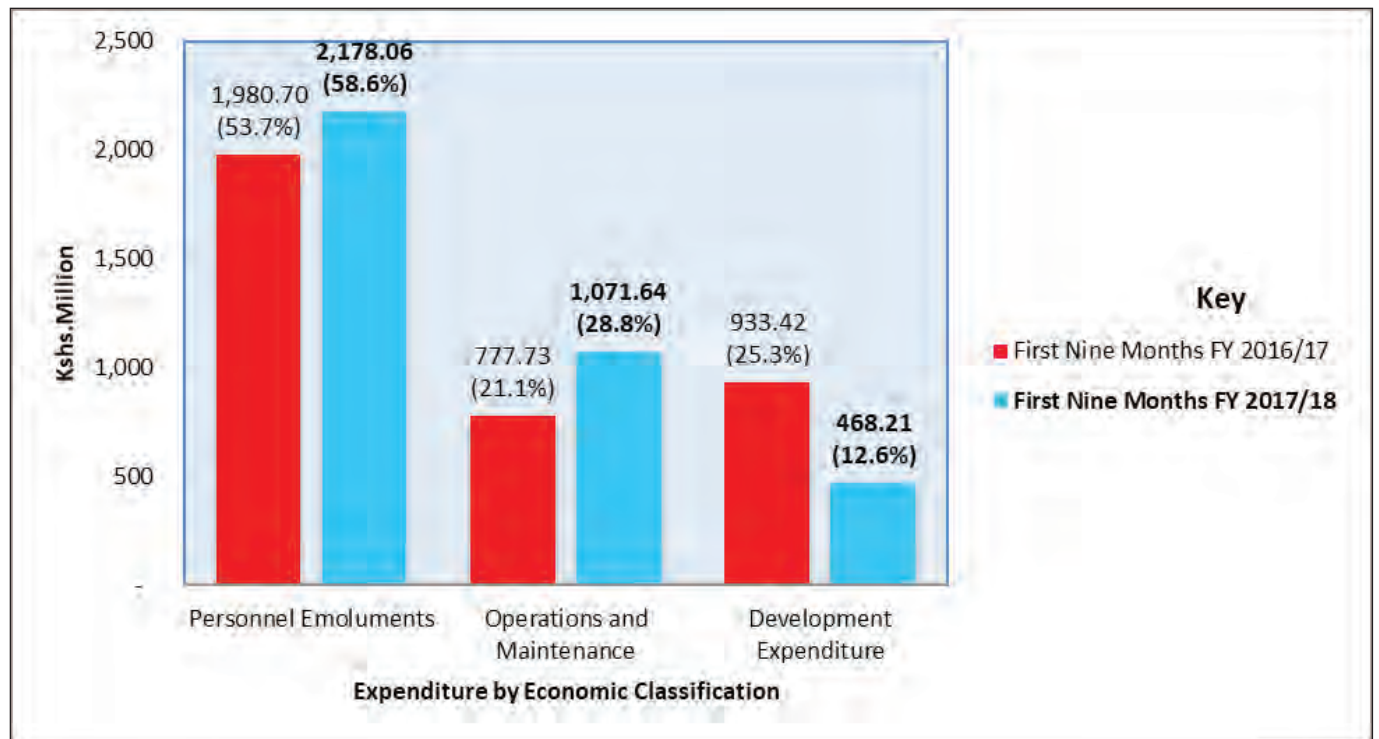
The County spent Kshs.3.72 billion, which was 92.3 per cent of the total funds released for operations. This was an increase of 0.71 per cent from Kshs.3.69 billion incurred in a similar period of FY 2016/17.

A total of Kshs.3.25 billion was spent on recurrent activities while Kshs.468.21million was spent on development activities. The recurrent expenditure was 89.3 per cent of the funds released for recurrent activities, while development expenditure was 118.8 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.262.92 million for development activities and Kshs.29.81 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 65.3 per cent of the annual recurrent budget, an increase from 63.5 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 21.2 per cent, which was a decrease from 83.7 per cent attained in the first nine months of FY 2016/17.

Figure 3-23 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-23: Homa Bay County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



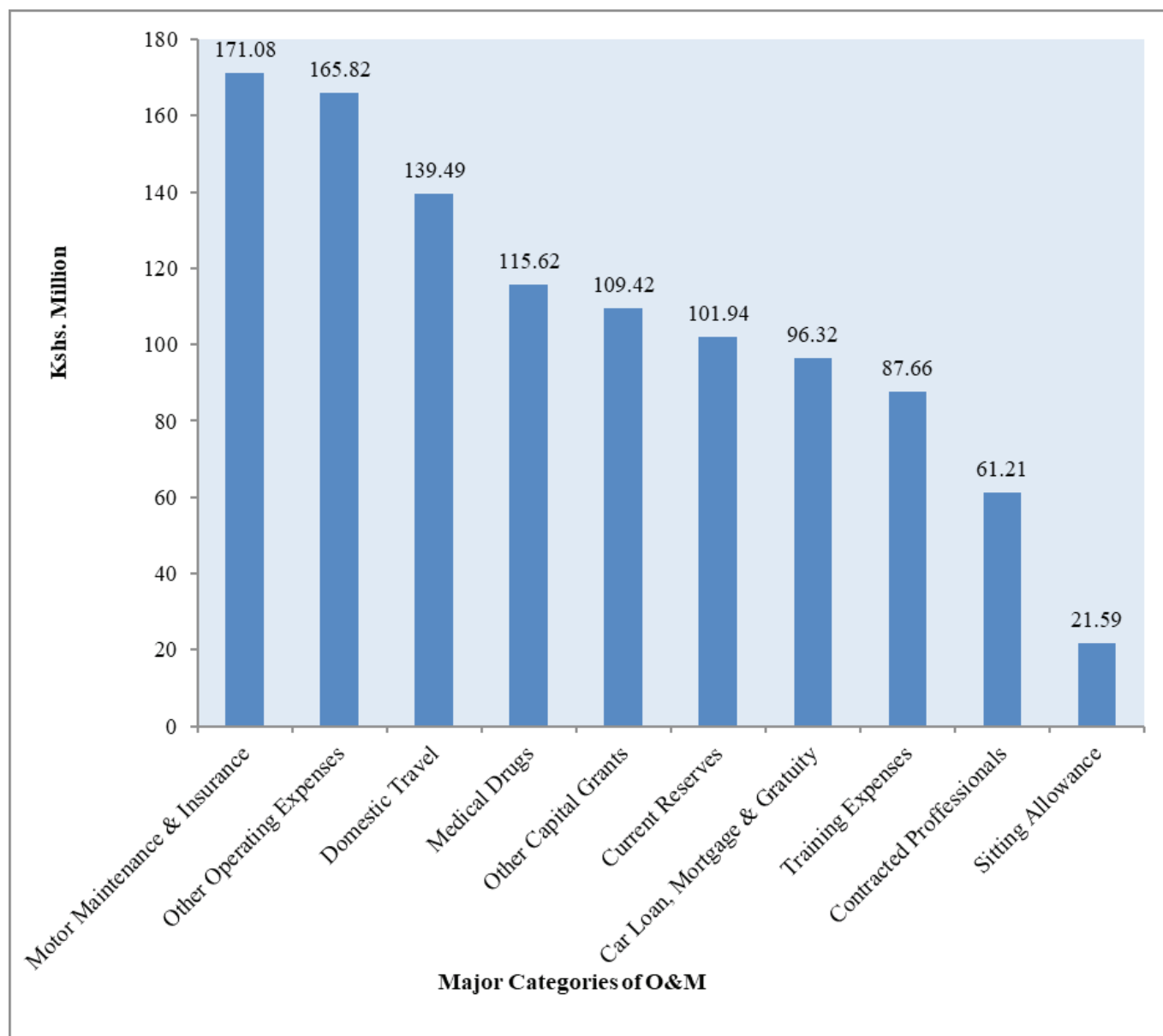
Source: Homa bay County Treasury

3.8.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.25 billion comprised of Kshs.2.18 billion (58.6 per cent) incurred on personnel emoluments and Kshs.1.07 billion (28.6 per cent) on operations and maintenance as shown in Figure 3-23.

Expenditure on personnel emoluments represented an increase of 10 per cent compared to the first nine months of FY 2016/17 when the county spent Kshs.1.98 billion, and was 72 per cent of total expenditure. Figure 3-24 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-24: Homa Bay County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Homa bay County Treasury

The County incurred Kshs.21.59 million on committee sitting allowances to the 60 MCAs, Speaker and deputy speaker against the annual budget allocation of Kshs.111.04 million. This was a decline of 70.7 per cent compared to Kshs.73.80 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.39,329 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.139.49 million and comprised of Kshs.69.73 million spent by the County Assembly and Kshs.69.76 million by the County Executive. This represented 3.8 per cent of total recurrent expenditure and was an increase of 14.9 per cent compared to Kshs.121.44 million spent in the first nine months of FY 2016/17.

3.8.7 Development Expenditure Analysis

The total development expenditure of Kshs.468.21 million represented 21.2 per cent of the annual development budget of Kshs.2.21 billion. Table 3-22 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-22: Homa Bay County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	First Nine Months of FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Infrastructural Works	All Wards	416,156,437	180,127,325	43
2	Construction of Roads -Other	All Wards	238,259,682	100,049,648	42
3	Construction of Water Supplies	All Sub-counties	337,250,000	50,418,867	15
4	Routine Maintenance	All Wards	201,297,820	45,031,641	22
5	Development of IT Platform (Revenue Automation)	All Sub-counties	45,000,000	44,700,000	99
6	Purchase of Medical and Dental Equipment	Homa Bay Sub county Hospital	75,000,000	13,000,000	17
7	Non-Residential Buildings (offices, schools, hospitals, etc.)	Homa Bay/Kendubay/Suba	40,000,000	12,499,986	31
8	Purchase of Ambulances	Homa Bay,/Kendu bay	40,000,000	9,721,561	24
9	Major Roads	Karachuonyo	174,502,180	9,482,759	5
10	Engineering and Design Plans	Arujo/ Kigotu	33,900,000	3,179,254	9

Source: Homa bay County Treasury

3.8.8 Budget and Budget Performance Analysis by Department

Table 3-23 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-23: Homa Bay County, Budget Performance by Department in the First Nine -Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	314.46	44.50	108.46	-	81.05	-	74.7	-	25.8	-
Ministry of Public Service and Administration	4,924.41	188.31	3,691.64	24.94	3,971.66	26.47	107.6	106.1	80.7	14.1
County Treasury and Economic Planning	184.13	125	81.54	29.31	99.14	29.61	121.6	101	53.8	23.7
Ministry of Environment, Natural Resources, Water & Forestry	41.34	240.2	23.86	18.36	9.92	29.5	41.6	160.7	24	12.3
Ministry of Labour, Social Services, Youth and Sports	42.63	280.5	20.4	87.37	9.65	193.6	47.3	221.6	22.6	69
Ministry of Transport, Infrastructure & Public Works	18.92	1,832.55	12.13	661.3	5.77	664.76	47.5	100.5	30.5	36.3
Ministry of Lands, Housing, Urban Areas and Physical Planning	143.44	192.5	52.07	34.7	48.52	60.44	93.2	174.2	33.8	31.4
Ministry of Health Services	495.19	1,709.57	424.84	490.72	220.11	233.73	51.8	47.6	44.5	13.7
Ministry of Agriculture, Livestock, Fisheries and Cooperatives	95.25	360.93	56.63	14.18	21.67	24.92	38.3	175.7	22.8	6.9

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Ministry of Industrialization, Trade and Tourism	39.59	252	25.62	50.16	10.61	55.45	41.4	110.5	26.8	22
Ministry of Education, Science & Technology & ICT	34.42	357.06	21.38	45.81	11.37	95.81	53.2	209.2	33.0	26.8
Public service Board	45.35	41.26	30.59	-	0.86	-	2.8	-	1.9	-
ICT, E-Government and Communication	18.30	-	1.52	-	-	-	-	-	-	-
County Assembly	883.46	-	641.40	-	567.77	-	88.5	-	64.3	-
TOTAL	7,281	5,624	5,192	1,457	5,058	1,414	97.4	97.1	69.5	25.1

Source: Homa bay County Treasury

Analysis of budget performance by department shows that, the Department of Finance and Economic Planning attained the highest absorption rate of development budget at 83.5 per cent while the County Assembly, County Public Service Board and the Department of Tourism, Culture and Sports did not incur any development expenditure. The Public Service Board had the highest percentage of recurrent expenditure to its recurrent budget at 88.4 per cent while the County Assembly had the lowest at 44.5 per cent.

3.8.9 Key Observations and Recommendations

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

- i. Timely submission of financial reports to the Office of the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012.
- ii. Improved use of IFMIS to process financial transactions.

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

1. Under-performance in own-source revenue collection, which declined by 36.9 per cent from Kshs.114.63 million in the first nine months of FY 2016/17 to Kshs.72.37 million in the reporting period.
2. Low absorption of development budget which was 21.2 per cent compared to 39.7 per cent in a similar period in FY 2016/17.
3. Spending of own source revenue at source contrary to Section 109 of the PFM Act, 2012. From the analysis of bank statements and expenditure returns, the Office noted that the Department of Health did not deposit all its revenue receipts into the CRF account.

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

1. The County Treasury should formulate and implement strategies to enhance own-source revenue collection.
2. The County should come up with measures to improve the low absorption rate of development expenditure.
3. The County should ensure all departments adhere to Section 109 of the PFM Act, 2012 and bank all revenue receipts into the CRF account.

3.9 Isiolo County

3.9.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.4.34 billion, comprising of Kshs.2.77 billion (63.7 per cent) and Kshs.1.57 billion (36.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.78 billion (87 per cent) as equitable share of revenue raised nationally, Kshs.362.42 million (8.4 per cent) as total conditional grants, generate Kshs.182.86 million (4.2 per cent) from own revenue sources. The County did not budget for Kshs.5.64 million cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.130.23 million (31.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.3.47 million (0.8 per cent) as Compensation for User Fee Foregone, Kshs.13.68 million (3.3 per cent) from DANIDA, Kshs.12.61 million (3.1 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.36.11 million (8.8 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.26.17 million (6.4 per cent) for Development of Youth Polytechnics, Kshs.66.23 million (16.2 per cent) as World Bank loan for Transforming Health System for Universal Care Project, and Kshs.121 million (29.5 per cent) as Supplement for the construction of county headquarter.

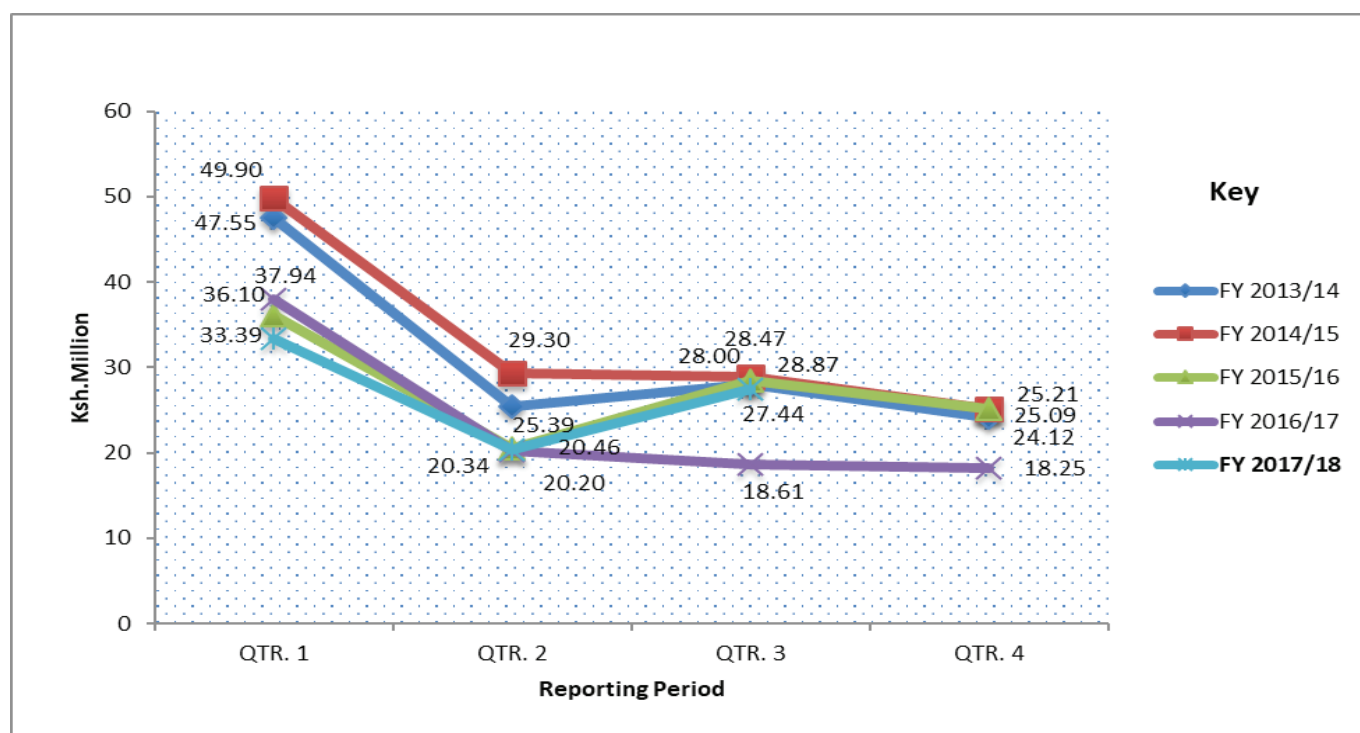
The County also budgeted to receive Kshs.18.45 million as balance brought forward from the World Bank loan for the last financial year FY 2016/17, which is not contained in the CARA, 2017.

3.9.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.1.96 billion as equitable share of revenue raised nationally, Kshs.104.83 million as total conditional grants, raised Kshs.81.17 million from own source revenue, and had a cash balance of Kshs.5.64 million from FY 2016/17. The total available funds amounted to Kshs.2.16 billion.

Figure3-25 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure3-25: Isiolo County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Isiolo County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.81.17 million, representing an increase of 5.8 per cent compared to Kshs.76.74 million generated in a similar period of FY 2016/17, and represented 44.4 per cent of the annual own source revenue target.

3.9.3 Conditional Grants

Table 3-24 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-24: Isiolo County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the 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	World Bank Loan for Transforming Health System for Universal Care System	66,229,830	20,696,822	20,696,822	31.3
4	Kenya Devolution Support Programme (KDSP)	36,113,321	36,113,321	12,816,501	35
5	Development of Youth Polytechnics	26,166,698	26,166,698	-	-
6	DANIDA Grant	13,678,677	13,678,677	8,824,953	64.5
7	World Bank loan to supplement financing of County Health facilities	12,607,500	12,607,500	-	-
8	Compensation for User Fee Foregone	3,472,461	3,472,461	1,757,239	50.6
Sub Total		409,499,345	363,966,337	104,832,098	26
B	Other Grants				
9	World Bank loan to supplement financing of county health facilities B/f from 2016/17	-	18,454,800	-	-
Sub Total		-	18,454,800	-	-
Grand Total		409,499,345.0	382,421,137.0	104,832,098	26

Source: Isiolo County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from DANIDA, the Road Maintenance Fuel Levy Fund, KDSP, and the World Bank loan to Health Facilities. The receipts accounted for 64.5 per cent, 50.6 per cent, 35 per cent, and 31.3 per cent of annual allocation respectively.

3.9.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.1.79 billion from the CRF account, which was 41.2 per cent of the Approved Supplementary Budget. This amount represented a decline of 23.1 per cent from Kshs.2.32 billion approved in a similar period of FY 2016/17 and comprised of Kshs.1.52 billion (85 per cent) for recurrent expenditure and Kshs.268.41 million (15 per cent) for development activities.

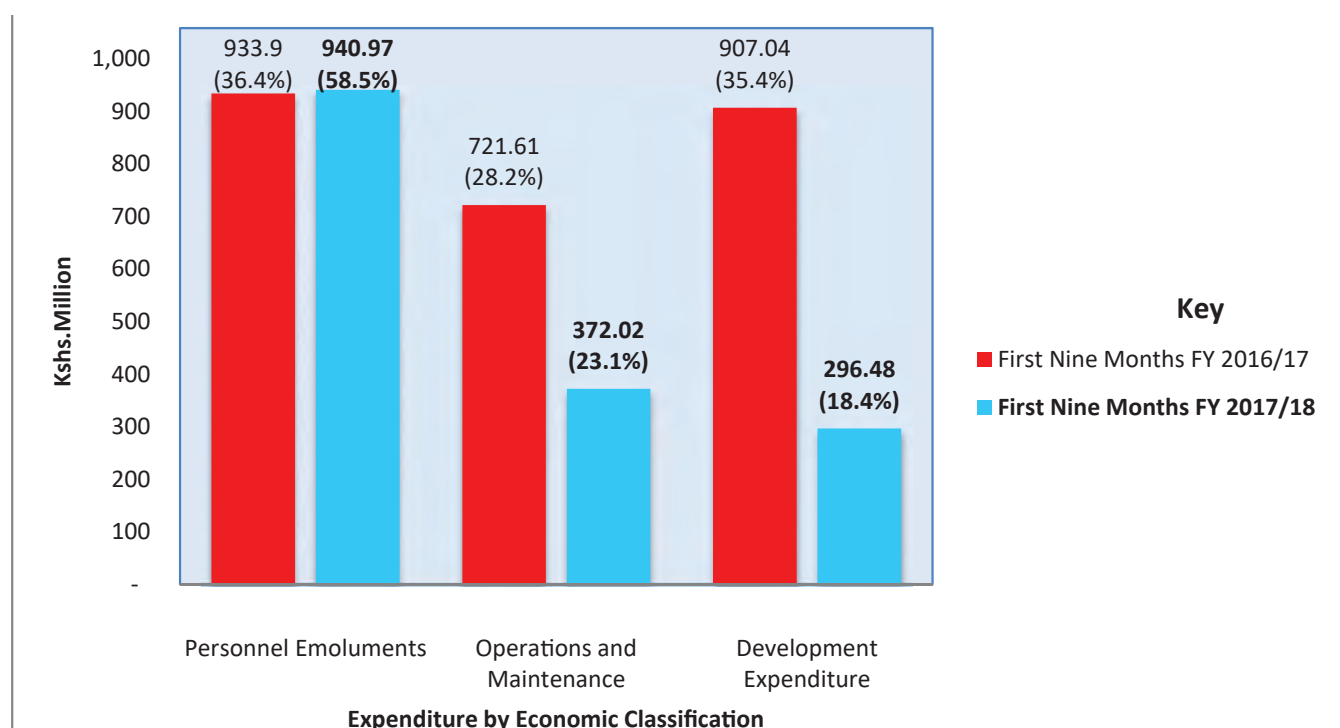
3.9.5 Overall Expenditure Review

The County spent Kshs.1.61 billion, which was 90.1 per cent of the total funds released for operations. This was a decline of 37.2 per cent from Kshs.2.56 billion incurred in a similar period of FY 2016/17.

A total of Kshs.1.31 billion was spent on recurrent activities while Kshs.296.48 million was spent on development activities. The recurrent expenditure was 90.1 per cent of the funds released for recurrent activities, while development expenditure was 110.5 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.32 million for development activities and Kshs.48.15 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 47.5 per cent of the annual recurrent budget, a decrease from 73.1 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 18.8 per cent, which was a decrease from 61.2 per cent attained in the first nine months of FY 2016/17. Figure 3-26 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-26: Isiolo County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



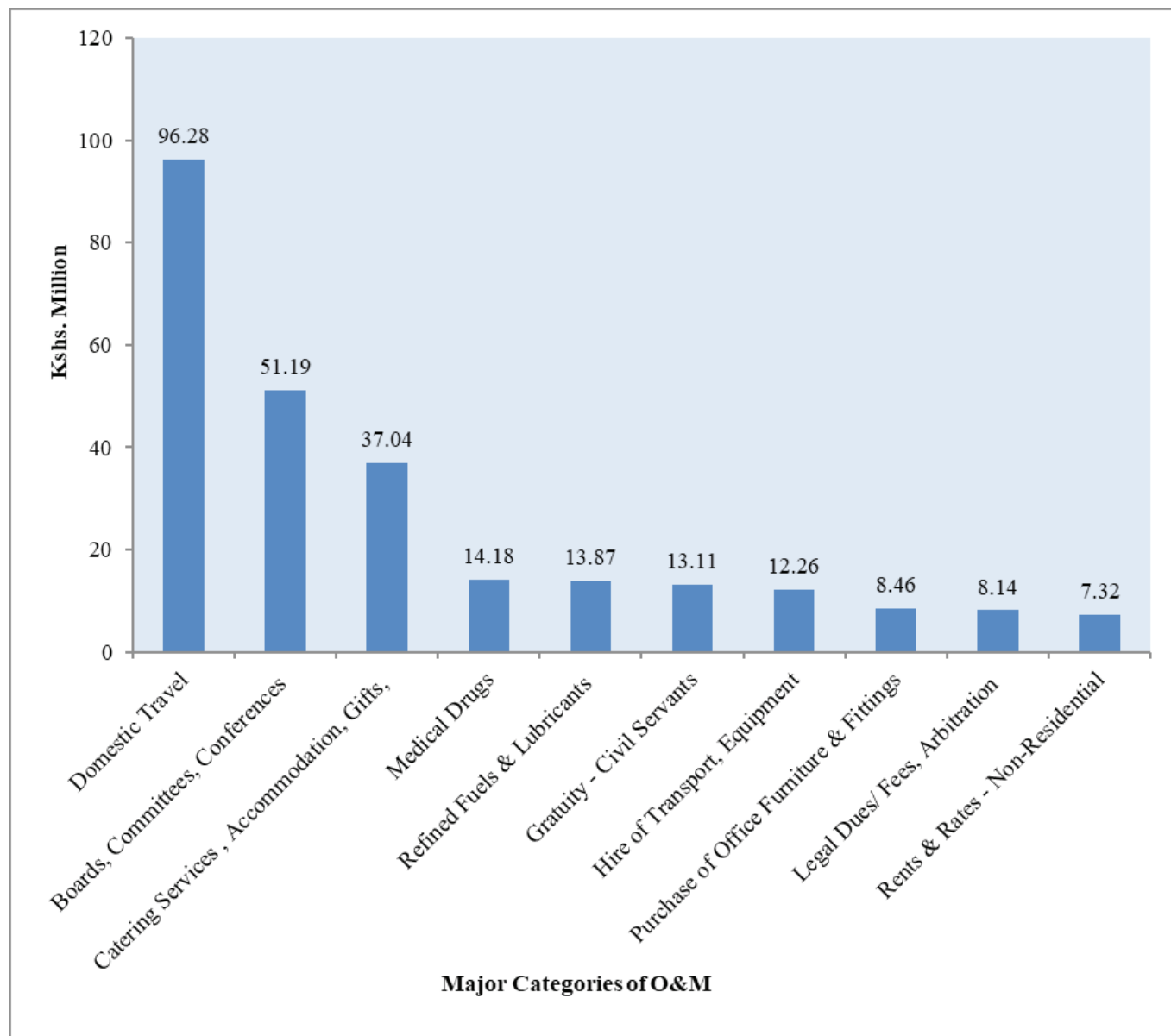
Source: Isiolo County Treasury

3.9.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.31 billion comprised of Kshs.940.97 billion (58.5 per cent) incurred on personnel emoluments and Kshs.372.02 million (23.1 per cent) on operations and maintenance as shown in Figure 3-26.

Expenditure on personnel emoluments represented an increase of 0.8 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.933.90 million, and was 58.5 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Isiolo County Treasury

The County incurred Kshs.4.49 million on committee sitting allowances to the 18 MCAs against the annual budget allocation of Kshs.16.22 million. This was a decline of 44.3 per cent compared to Kshs.8.06 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.27,697 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.96.28 million and comprised of Kshs.43.3 million spent by the County Assembly and Kshs.52.9 million by the County Executive. This represented 7.5 per cent of total recurrent expenditure and was a decrease of 14.3 per cent compared to Kshs.114.92 million spent in the first nine months of FY 2016/17.

3.9.7 Development Expenditure Analysis

The total development expenditure of Kshs.296.48 million represented 18.8 per cent of the annual development budget of Kshs.1.57 billion. Table 3-25 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-25: Isiolo County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	First Nine Months of FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Emergency Relief	All Wards	270,000,000	189,401,543	70
2	Oxygen Plant	Garba Tulla and Wabera	80,000,000	39,926,869	50
3	Purchase of Boilers, Refrigeration and Air-Conditioning Plan	Wabera	10,000,000	3,958,800	40
4	Water Piping Improvement	Garba Tulla	4,000,000	3,879,877	97

Source: Isiolo County Treasury

3.9.8 Budget and Budget Performance Analysis by Department

Table 3-26 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-26: Isiolo County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	388.55	157.41	247.5	60	145.12	27.25	58.6	45.4	37.3	17.3
Office of the Governor	284.15	270	191.7	40	126.61	189.4	66	529.8	44.6	78.5
Delivery Unit	5	-	-	-	-	-	-	-	-	-
County Public Service Board	82	-	40.9	-	37.56	-	91.8	-	45.8	-
Office of the County Secretary	31.50	18	9.02	-	7.11	-	78.8	-	22.6	-
County treasury and Planning	318.50	259.5	162.54	30.81	141.88	15.2	87.3	49.4	44.5	5.9
Lands Development	33.58	12.00	14.87	-	10.56	-	71.0	-	31.4	-
Roads, Housing and Works	29.34	133.23	15.69	70.71	11.86	-	75.6	-	40.4	-
Agriculture	56.70	29.56	36.61	-	26.6	-	72.7	-	46.9	-
Livestock and Fisheries	94.54	91	59.29	-	53.88	-	90.9	-	57	-
Cohesion and Intergovernmental relations	62.33	32	14.66	-	48.26	-	329.2	-	77.4	-
Education and Vocational training	126.59	65.17	66.50	-	44.57	-	67	-	35.2	-
Sports, Youth and Culture	14.70	24	7.49	-	5.58	-	74.5	-	38	-
Tourism, culture and Social services	129.01	32	64.37	-	68.78	-	106.9	-	53.3	-
Public Service Management and ICT	74.95	20	19.48	-	21.22	3.25	108.9	-	28.3	16.2
Water and Irrigation	60.86	122	39.66	66.89	25.46	13.54	64.2	-	41.8	11.1

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Environment and Natural Resources	33.75	13.03	17.75	-	17.10	-	96.3	-	50.7	-
Medical Services	463.30	131.7	267.24	-	283.16	39.93	106	-	61.1	30.3
Public Health	441.84	61	232.6	-	222.15	3.96	95.5	-	50.3	6.5
Trade, Industrialization	23.52	23	6.92	-	9.88	-	142.8	-	42	-
Town Administration	10.98	80	3.40	-	5.65	3.96	166.4	-	51.5	4.9
TOTAL	2,765.69	1,574.59	1,518.18	268.41	1,312.99	296.48	86.5	118.8	47.5	18.8

Source: Isiolo County Treasury

Analysis of budget performance by department shows that, the Office of the Governor and the medical services departments attained the highest absorption rate of development budget at 78.5 per cent and 30.3 per cent respectively. The Department of Cohesion had the highest percentage of recurrent expenditure to its recurrent budget at 77.4 per cent while the Department of Public Service Management and ICT had the lowest at 28.3 per cent.

3.9.9 Key Observations and Recommendations

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

- i. Establishment of the CBEF in line with Section 137 of the PFM Act, 2012 for consultation in the budget making process and economic matters.
- ii. 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. Delay by the National Treasury to disburse the equitable share of revenue raised nationally, which affected implementation of the development budget.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of PFM Act, 2012.
3. Failure 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.

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

1. The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2017 Disbursement Schedule.
2. The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
3. Fund Administrators should ensure timely submission of expenditure reports in line with section 168 of the PFM Act, 2012.

3.10 Kajiado County

3.10.1 Overview of the FY 2017/18 Budget

The County’s FY 2017/18 Approved Supplementary Budget is Kshs.8.19 billion, comprising of Kshs.5 billion (61.1 per cent) and Kshs.3.18 billion (38.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.77 billion (70.4 per cent) as equitable share of revenue raised nationally, Kshs.451.05 million (5.5 per cent) as total conditional grants, generate Kshs.1.04 billion (12.7 per cent) from own revenue sources, and Kshs.997.91 million (12.2 per cent) cash balance brought forward from FY 2016/17.

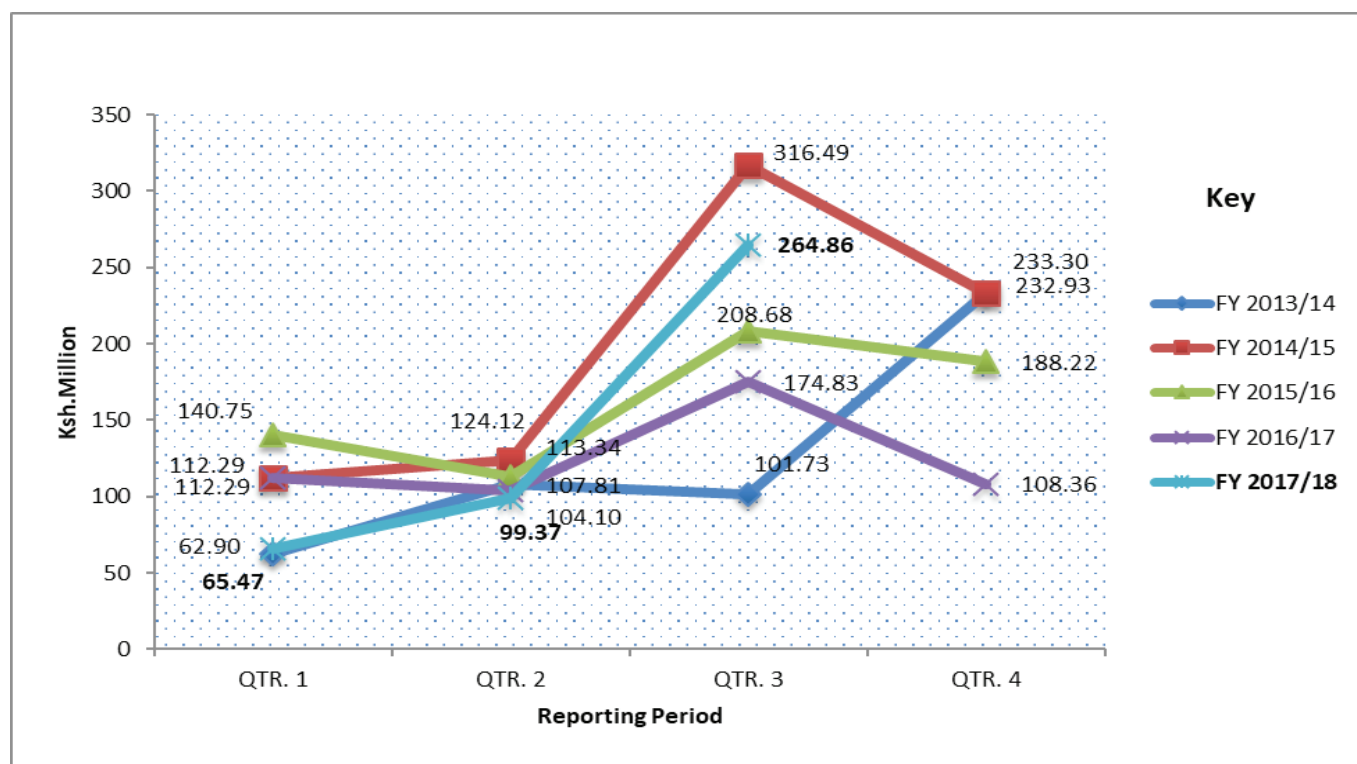
The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (18.8 per cent) for Leasing of Medical Equipment, Kshs.188.01 million (36.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.96 million (3.3 per cent) as Compensation for User Fee Foregone, Kshs.39.87 million (7.8 per cent) from DANIDA, Kshs.37.65 million (7.4 per cent) as World Bank loan to Supplement financing of County Health facilities, Kshs.42.83 million (8.4 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.26.99 million (5.3 per cent) for Development of Youth Polytechnics, and Kshs.62.48 million (12.2 per cent) as World Bank loan for Transforming Health System for Universal Care Project.

3.10.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.97 billion as equitable share of revenue raised nationally, Kshs.258.55 million as total conditional grants, raised Kshs.429.7 million from own source revenue, and had a cash balance of Kshs.997.91 million from FY 2016/17. The total available funds amounted to Kshs.4.65 billion.

Figure3-28 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-28: Kajiado County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Kajiado County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.429.7 million, representing an increase of 9.8 per cent compared to Kshs.391.22 million generated in a similar period of FY 2016/17, and represented 41.3 per cent of the annual own source revenue target.

3.10.3 Conditional Grants

Table 3-27 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-27: Kajiado County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants Contained in the CARA, 2017	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	188,008,411	188,008,411	154,566,495	82
2	World Bank Loan for Transforming Health System for universal Care System	62,478,710	42,954,113	19,524,597	31
3	Kenya Devolution Support Programme (KDSP)	42,829,648	42,829,648	15,855,738	42
4	World Bank loan to supplement financing of County Health facilities	37,645,000	37,645,000	5,185,931	14
5	Development of Youth Polytechnics	26,990,230	26,990,230	-	-
6	DANIDA Grant	39,865,919	25,719,948	13,945,701	35
7	Compensation for User Fee Foregone	16,955,365	16,955,365	8,155,580	48
8	Leasing of Medical Equipment	95,744,681	-	-	-
Total		510,517,964	381,102,715	258,546,618	43

Source: Kajiado County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received the highest amounts from Road Maintenance Fuel Levy Fund, and Kenya Devolution Support Programme at 82 per cent, 63 per cent of annual target respectively.

3.10.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.25 billion from the CRF account, which was 51.9 per cent of the Approved Supplementary Budget. This amount represented an increase of 17.5 per cent from Kshs.3.61 billion approved in a similar period of FY 2016/17 and comprised of Kshs.3.33 billion (78.5 per cent) for recurrent expenditure and Kshs.912.2 million (21.5 per cent) for development activities.

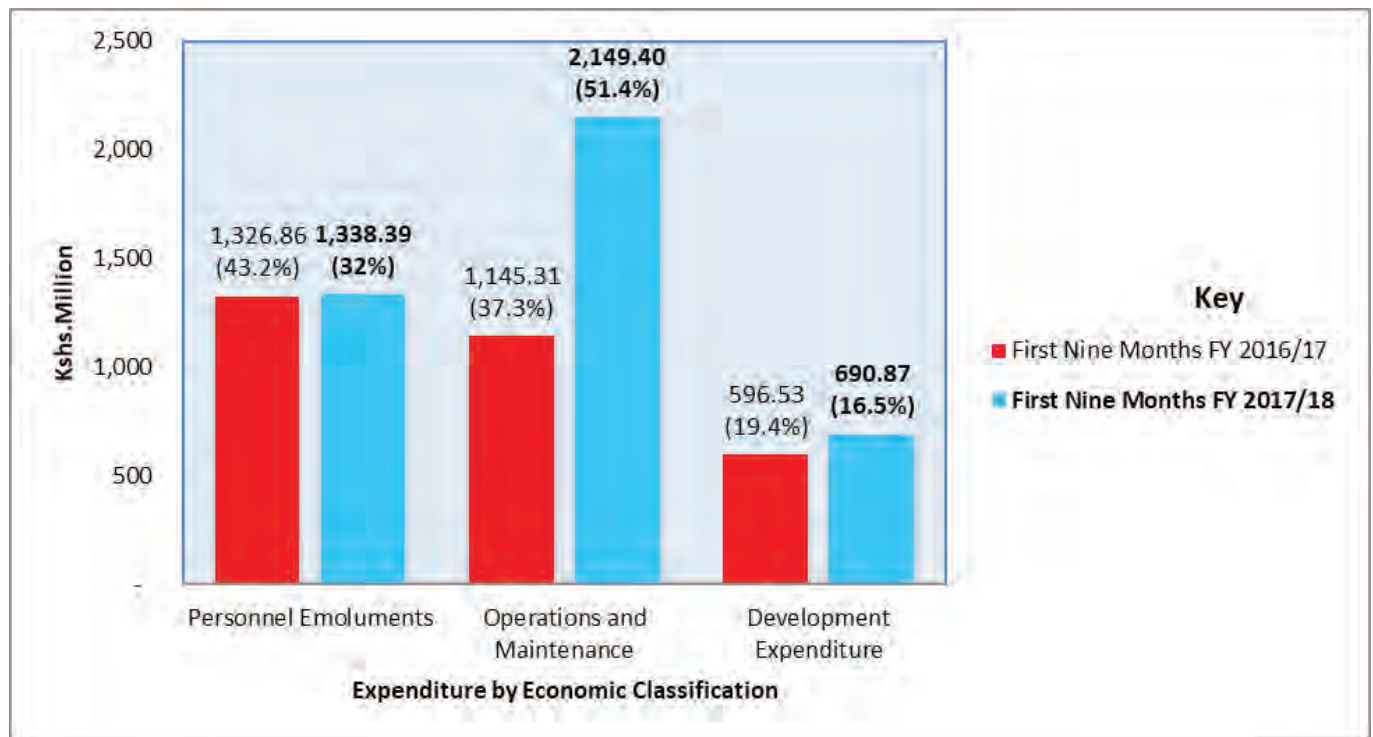
3.10.5 Overall Expenditure Review

The County spent Kshs.4.18 billion, which was 98.4 per cent of the total funds released for operations. This was an increase of 36.2 per cent from Kshs.3.07 billion incurred in a similar period of FY 2016/17.

A total of Kshs.3.49 billion was spent on recurrent activities while Kshs.690.87 million was spent on development activities. The recurrent expenditure was 117.9 per cent of the funds released for recurrent activities, while development expenditure was 75.7 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.20.5 million for development activities and Kshs.232.79 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 69.7 per cent of the annual recurrent budget, an increase from 56.8 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 21.7 per cent, which was a decrease from 22.5 per cent attained in the first nine months of FY 2016/17. Figure 3-29 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-29: Kajiado County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



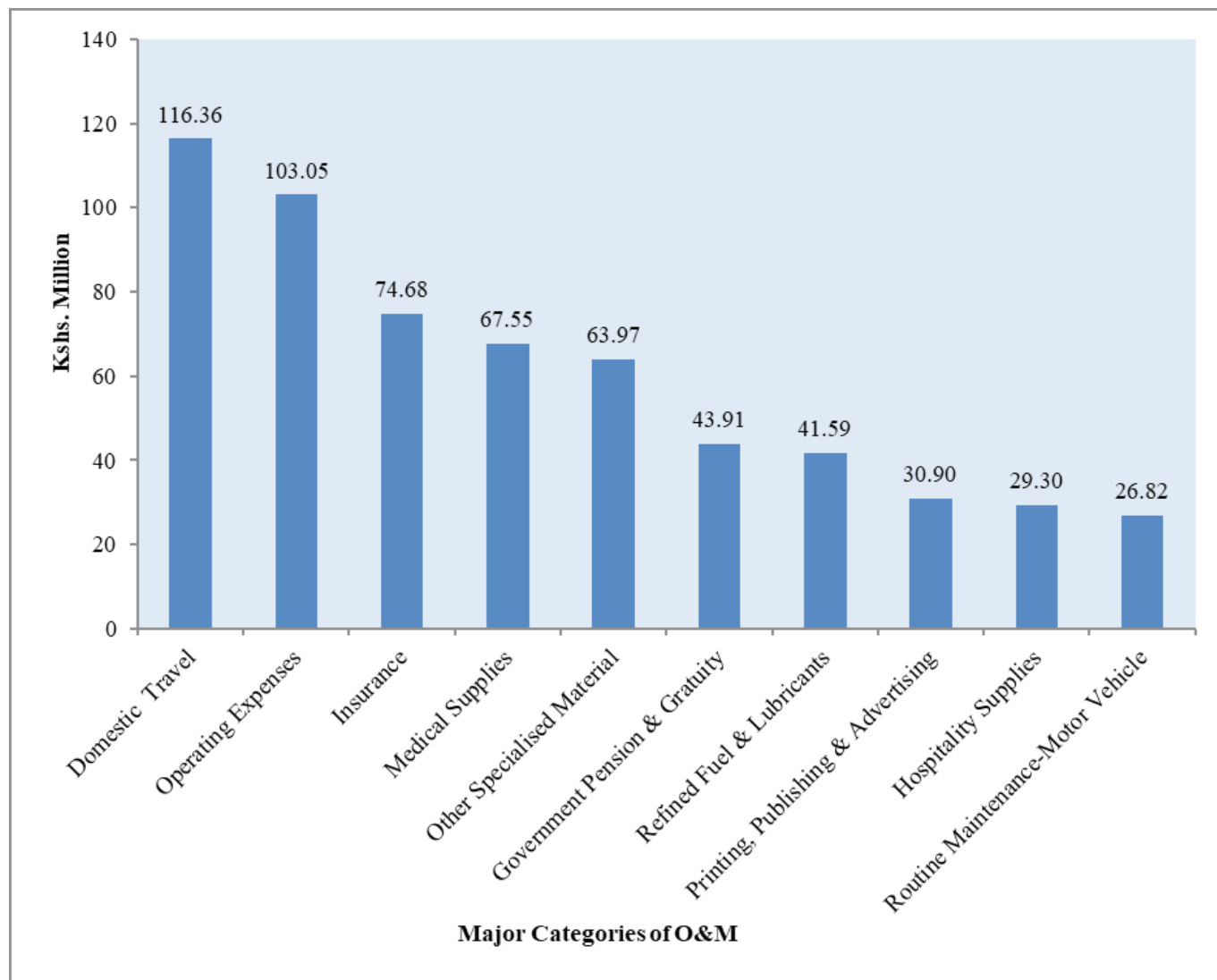
Source: Kajiado County Treasury

3.10.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.49 billion comprised of Kshs.1.34 billion (38.4 per cent) incurred on personnel emoluments and Kshs.2.15 billion (61.6 per cent) on operations and maintenance as shown in Figure 3-29.

Expenditure on personnel emoluments represented an increase of 0.9 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.33 billion, and was 32 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Kajiado County Treasury

The County incurred Kshs.12.18 million on committee sitting allowances to the 42 MCAs against the annual budget allocation of Kshs.32.48 million. This was a decline of 34.7 per cent compared to Kshs.18.66 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.32,211 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.116.36 million and comprised of Kshs.42.42 million spent by the County Assembly and Kshs.73.94 million by the County Executive. This represented 3.7 per cent of total recurrent expenditure and, was a decrease of 26.2 per cent compared to Kshs.172.73 million spent in the first nine months of FY 2016/17.

3.10.7 Development Expenditure Analysis

The total development expenditure of Kshs.690.86 million represented 21.7 per cent of the annual development budget of Kshs.3.18 billion. Table 3-28 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-28: Kajiado County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	Q3 FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Site Clearance, Grading, Gravelling & Drainage Works At Singiraine -Leremit Road	Iloodokilani Ward	20,000,000	19,613,343	98
2	Supply & Installation of WAN & VoIP, Wireless Internet Facility	Headquarters	30,000,000	18,965,517	63
3	Construction of Perimeter Wall	Headquarters	32,000,000	15,796,063	49
4	Site Clearance, Grading, Gravelling & Drainage Works At Sultan -Mashuru	Kenyewa ward	20,000,000	8,586,771	43
5	Construction of Oloresheta Water Project	Ildamat Ward	8,000,000	8,175,893	102
6	Construction of Loitoktok Market	Kuku Ward	27,947,613	7,737,746	28
7	ECDE & Toilet Block at Oloosirkon Primary School	Sholinke ward	6,000,000	7,648,744	127
8	Consultant Services Valuation Roll 2015	Headquarters	40,000,000	7,635,345	19
9	Saikeri Youth Polytechnic	Ewuaso Ward	14,000,000	7,438,926	53
10	Site Clearance, Grading, Gravelling & Drainage Works at Kiroka-Ole Karee Road	Dalalekutuk Ward	6,000,000	7,185,582	120

Source: Kajiado County Treasury

3.10.8 Budget and Budget Performance Analysis by Department

Table 3-29 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-29: Kajiado County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months 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	-	145.77	-	145.77	-	100	-	109.3	-
County Public Service Board	82.48	248.10	70.50	-	70.50	-	100	-	85.5	-
Education and Vocational Training	325.80	325.34	237.91	86.84	237.91	108.88	100	125.4	73	33.5
Medical Services, Public Health and Sanitation	1,739.31	53.20	1,293.23	31.68	1,285.31	58.35	99.4	184.2	73.9	109.7
Youth, Sports, Gender and Social Services	63.36	52.60	53.57	27.01	53.57	47.01	100	17.4	84.5	89.4
Agriculture, Livestock, Fisheries and Cooperative Development	254.89	230.80	211.51	5.94	291.51	7.42	137.8	125	114.4	3.2
Water, Irrigation, Environment and Natural Resources	75.28	385.88	117.05	67.32	73.00	91.24	62.4	135.5	97.0	23.6

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Roads, Transport, Public Works, Housing and Energy	112.29	-	81.59	226.12	81.59	295.36	100	130.6	72.7	-
Public Service, Administration and Citizen Participation	370.68	376.80	296.79	-	350.50	-	118.1	-	94.6	-
County Treasury	86.57	66.42	352.88	401.05	103.70	52.18	29.4	13	119.8	78.6
Trade, Culture, Tourism and Wildlife	164.27	31.98	64.55	18.91	115.34	30.43	178.7	160.9	70.2	95.1
Lands and Physical Planning	603.79	100.00	77.75	-	197.86	-	254.5	-	32.8	-
County Assembly	350.95	-	373.36	47.34	481.22	-	128.9	-	137.1	-
TOTAL	4,363	1,871	3,376	912	3,488	691	103.3	75.7	79.9	36.9

Source: Kajiado County Treasury

Analysis of budget performance by department shows that, the Department of Medical Services, Public Health and Sanitation attained the highest absorption rate of development budget at 109.7 per cent followed by Trade, Culture, Tourism and Wildlife at 95.1 per cent. The County Assembly had the highest percentage of recurrent expenditure to its recurrent budget at 137.1 per cent while the Department of Lands and Physical Planning had the lowest at 32.8 per cent.

3.10.9 Key Observations and Recommendations

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

- i. Increase in own source revenue collection by 9.8 per cent from Kshs.391.22 million generated in first nine months of FY 2016/17 to Kshs.429.7 million during the first nine months of FY 2017/18.
- ii. Installation of internet connectivity to the County offices which has enhanced service delivery.
- iii. Establishment of a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
3. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of the budget implementation review report.

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 a timely manner in line with the CARA, 2017 Disbursement Schedule.
2. The County Treasury should liaise with the IFMIS Directorate in order to address the connectivity challenges.
3. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of the PFM Act, 2012.

3.11 Kakamega County

3.11.1 Overview of the FY 2017/18 Budget

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

To finance the budget, the County expects to receive Kshs.9.94 billion (77.0 per cent) as equitable share of revenue raised nationally, Kshs.1.14 billion (8.8 per cent) as total conditional grants, generate Kshs.774.57 million (6 per cent) from own revenue sources, and Kshs.1.05 billion (8.2 per cent) cash balance brought forward from FY 2016/17.

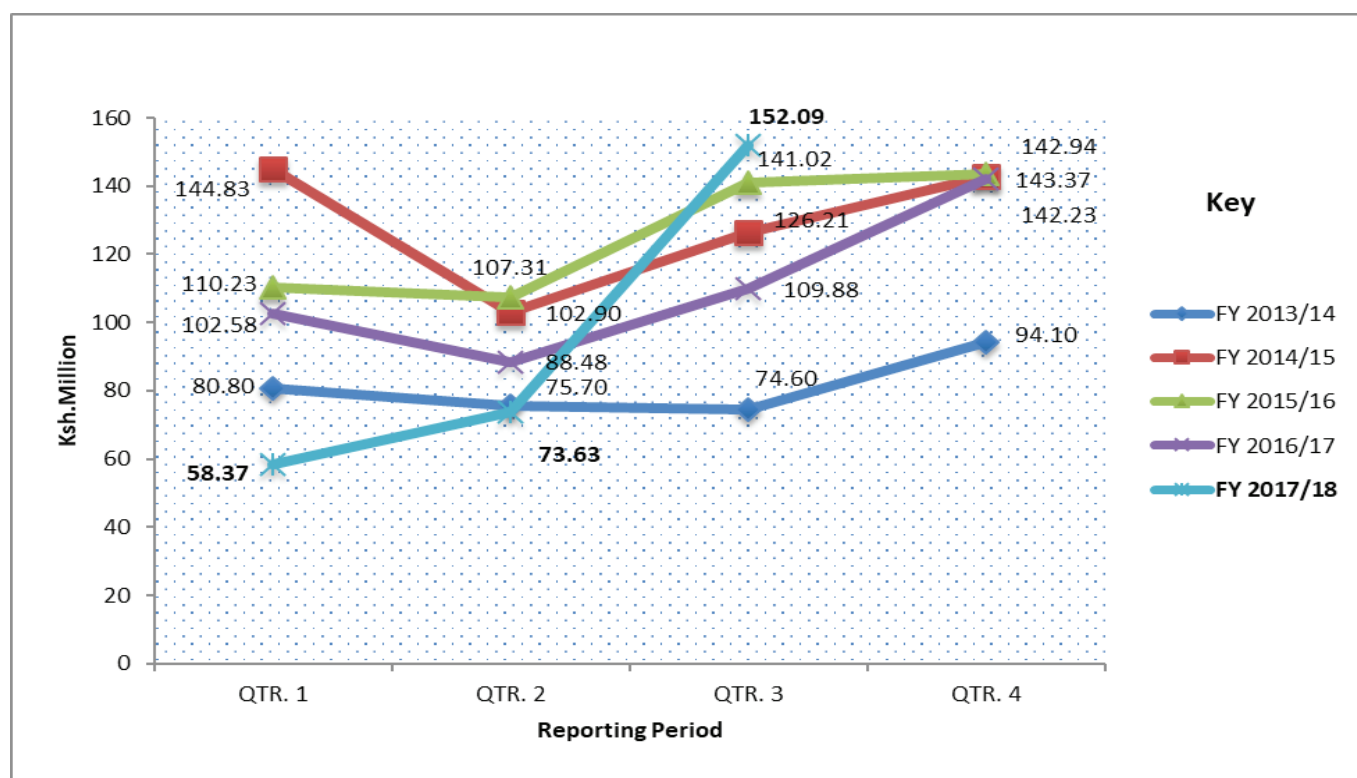
The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (7.7 per cent) for Leasing of Medical Equipment, Kshs.379.55 million (30.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.37.79 million (3.1 per cent) as Compensation for User Fee Foregone, Kshs.39.87 million (3.2 per cent) from DANIDA, Kshs.59.31 million (4.8 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.28.06 million (2.3 per cent) for Development of Youth Polytechnics, Kshs.160 million (12.9 per cent) as World Bank loan for Transforming Health System for Universal Care Project and Kshs.8.9 million (0.7 per cent) as Other Loans and Grants.

3.11.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.5.35 billion as equitable share of revenue raised nationally, Kshs.507.96 million as total conditional grants, raised Kshs.284.09 million from own source revenue, and had a cash balance of Kshs.1.05 billion from FY 2016/17. The total available funds amounted to Kshs.7.21 billion.

Figure3-31 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure3-31: Kakamega County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Kakamega County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.284.09 million, representing a decline of 5.6 per cent compared to Kshs.300.96 million generated in a similar period of FY 2016/17, and represented 36.7 per cent of the annual target.

3.11.3 Conditional Grants

Table 3-30 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-30: Kakamega County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Level-5 Hospital	427,238,237	427,238,237	215,778,036	50.5
2	Road Maintenance Fuel Levy Fund	379,552,256	379,552,256	177,014,169	46.6
3	World Bank Loan for Transforming Health System for Universal Care Project	160,000,000	160,000,000	50,000,000	31.3
4	Leasing of Medical Equipment	95,744,681	-	-	-
5	Kenya Devolution Support Programme (KDSP)	59,311,725	59,311,725	20,136,147	34
6	DANIDA Grant	39,865,919	39,865,919	25,719,948	64.5
7	Compensation for User Fee Foregone	37,789,290	37,789,290	19,308,574	51.1
8	Development of Youth Polytechnics	28,060,821	28,060,821	-	-
9	Other Loans & Grants	8,933,152	8,933,152	-	-
Total		1,236,496,081	1,140,751,400	507,956,874	41

Source: Kakamega County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from DANIDA grant at 64.5 per cent, Level 5 Hospital grant at 50.5 per cent, the Road Maintenance Fuel Levy Fund at 46.6 per cent and the Kenya Devolution Support Programme at 34 per cent of annual allocations.

3.114 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.6.65 billion from the CRF account, which was 51.5 per cent of the Approved Supplementary Budget. This amount represented a decline of 8.9 per cent from Kshs.7.30 billion approved in a similar period of FY 2016/17 and comprised of Kshs.5.19 billion (78.1 per cent) for recurrent expenditure and Kshs.1.46 billion (21.9 per cent) for development activities.

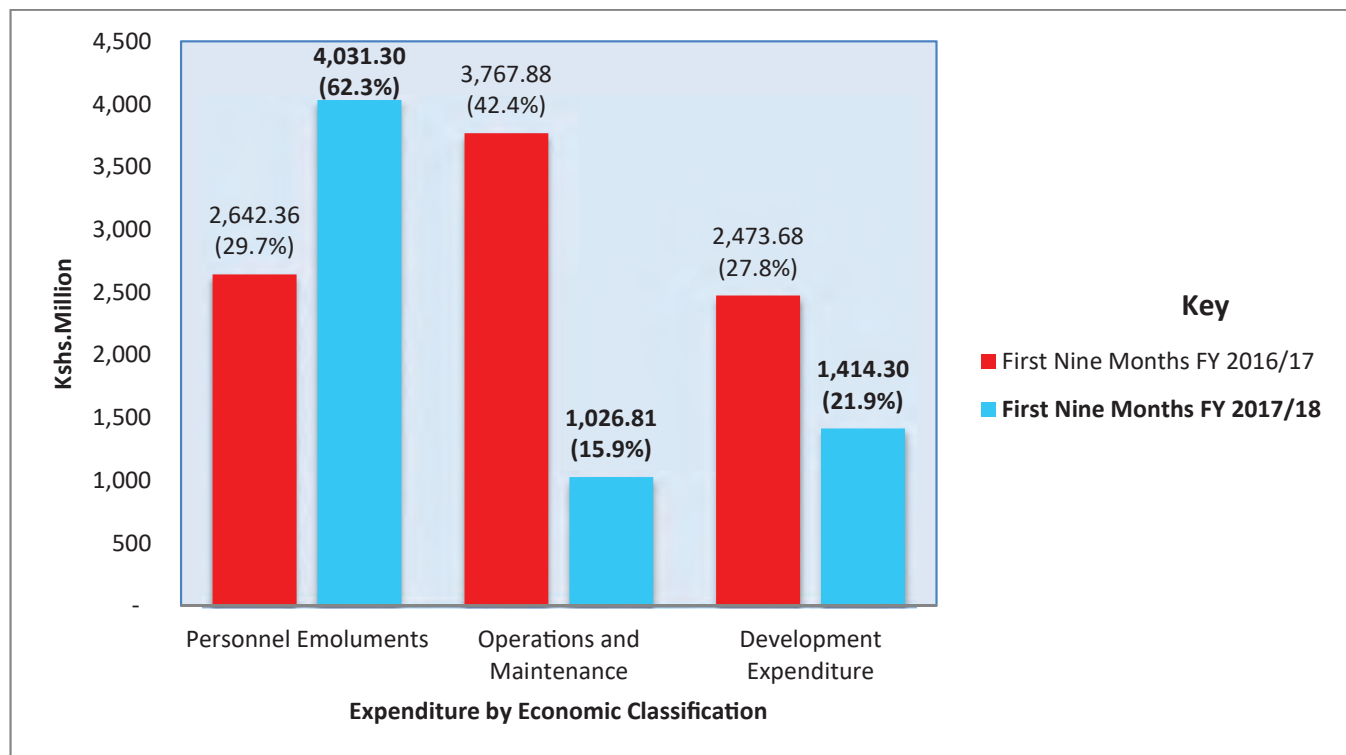
3.11.5 Overall Expenditure Review

The County incurred Kshs.6.47 billion, which was 97.3 per cent of the total funds released for operations. This was a decline of 27.1 per cent from Kshs.8.88 billion incurred in a similar period of FY 2016/17.

A total of Kshs.5.06 billion was spent on recurrent activities while Kshs.1.41 billion was spent on development activities. The recurrent expenditure was 97.4 per cent of the funds released for recurrent activities, while development expenditure was 97.1 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.593.81 million for development activities and Kshs.255.29 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 69.5 per cent of the annual recurrent budget, a decrease from 105.4 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 25.1 per cent, which was a decrease from 39.7 per cent attained in the first nine months of FY 2016/17. Figure 3-2 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-32: Kakamega County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



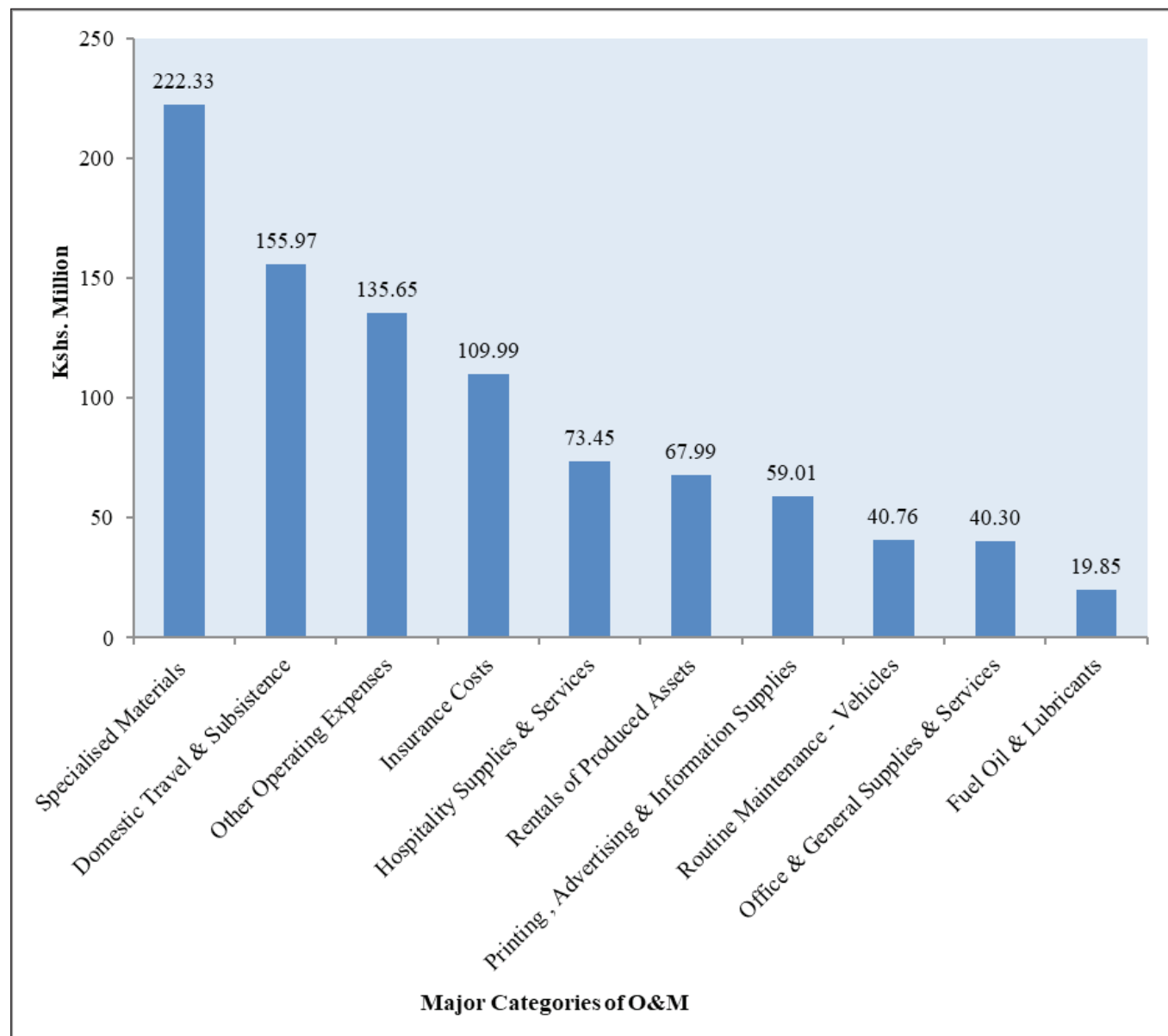
Source: Kakamega County Treasury

3.11.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.06 billion comprised of Kshs.4.03 billion (79.6 per cent) incurred on personnel emoluments and Kshs.1.03 billion (20.4 per cent) on operations and maintenance as shown in Figure 3-33

Expenditure on personnel emoluments represented an increase of 52.6 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.2.78 billion, and was 62.3 per cent of total expenditure in the first nine months of FY 2017/18. 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 Nine Months of FY 2017/18



Source: Kakamega County Treasury

The County incurred Kshs.41.40 million on committee sitting allowances to the 88 MCAs against the annual budget allocation of Kshs.143.23 million. This was a decline of 48.8 per cent compared to Kshs.80.90 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.52,278 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.155.97 million and comprised of Kshs.82.20 million spent by the County Assembly and Kshs.73.78 million by the County Executive. This represented 3.2 per cent of total recurrent expenditure and was a decline of 15.4 per cent compared to Kshs.189.81 million spent in the first nine months of FY 2016/17.

3.11.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.14 billion represented 25.1 per cent of the annual development budget of Kshs.5.62 billion. Table 3-31 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-31: Kakamega County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project Location	First nine months project expenditure (Kshs.)
1	Construction of County Referral Hospital	Kakamega Town	130,303,285
2	Soy Goko Road Bitumen Road	Likuyani Sub County	123,867,194
3	Construction Works at Bukhungu Stadium	Kakamega Town	67,370,198
4	Construction of Likuyani Township Road	Likuyani Sub County	53,154,058
5	Construction of NCPD -Lwatingu Road	Kakamega Town	52,124,194
6	Construction of Shamakhubu County Hospital	Shinyalu Sub County	35,372,002
7	High mast Likuyani	Likuyani Sub County	29,647,679
8	High mast Koyonzo	Matungu Sub County	27,863,195
9	Construction of Mumias West Hospital	Mumias West Sub County	25,014,038

Source: Kakamega County Treasury

3.11.8 Budget and Budget Performance Analysis by Department

Table 3-32 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-32: Kakamega County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	314.46	44.5	108.5	-	81.05	-	74.7	-	25.8	-
Public Service and Administration	4,924.41	188.3	3,691.6	24.9	3,971.7	26.5	107.6	106.1	80.7	14.1
County Treasury and Economic Planning	184.13	125	81.5	29.3	99.1	29.6	121.6	101	53.8	23.7
Environment, Natural Resources, Water & Forestry	41.34	240.2	23.9	18.2	9.9	29.5	41.6	160.7	24.0	12.3
Labour, Social Services, Youth and Sports	42.63	280.5	20.4	87.4	9.7	193.6	47.3	221.6	22.6	69
Transport, Infrastructure & Public Works	18.92	1,832.6	12.1	661.3	5.8	664.8	47.5	100.5	30.5	36.3
Lands, Housing, Urban Areas and Physical Planning	143.44	192.5	52.1	34.7	48.5	60.4	93.2	174.2	33.8	31.4
Health Services	495.19	1,709.6	424.8	490.7	220.1	233.7	51.8	47.6	44.5	13.7
Agriculture, Livestock, Fisheries and Cooperatives	95.25	360.9	56.6	14.2	21.7	24.9	38.3	175.7	22.8	6.9
Industrialization, Trade and Tourism	39.59	252	25.6	50.2	10.6	55.5	41.4	110.5	26.8	22
Education, Science & Technology & ICT	34.42	357.1	21.4	45.8	11.4	95.8	53.2	209.2	33	26.8
Public Service Board	45.35	41.3	30.6	-	0.9	-	2.8	-	1.9	-
ICT, E-Government and Communication	18.30	-	1.52	-	-	-	-	-	-	-
County Assembly	883.46	-	641.4	-	567.8	-	88.5	-	64.3	-
TOTAL	7,281	5,624	5,192	1,457	97.4	97.1	69.5	25.1	97.4	97.1

Source: Kakamega County Treasury

Analysis of budget performance by department shows that, the Department of Labour, Social Services, Youth and Sports attained the highest absorption rate of development budget at 69 per cent while the Public Service Board and Office of the Governor did not incur any development expenditure. Conversely, the Department of Public Service and Administration had the highest percentage of recurrent expenditure to its recurrent budget at 80.7 per cent while the Department of ICT, E-Government and Communication did not incur any recurrent expenditure.

3.11.9 Key Observations and Recommendations

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

- i. Improved staff capacity especially in the Finance Department, through continuous training.
- ii. Establishment of an Internal Audit Committee to oversee financial operations in the County in line with Section 155 of the PFM Act, 2012.

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

1. A high wage bill that increased by 31 per cent from Kshs.2.78 billion in the first nine months of FY 2016/17 to Kshs.4.03 billion in the period under review.
2. Under-performance in own-source revenue collection which declined by 5.6 per cent from Kshs.300.96 million in the first nine months of FY 2016/17 to Kshs.284.09 million in the reporting period, and represented 36.7 per cent of annual target.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3.12 Kericho County

3.12.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.6.55 billion, comprising of Kshs.4.53 billion (69.2 per cent) and Kshs.2.02 billion (30.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.22 billion (79.7 per cent) as equitable share of revenue raised nationally, Kshs.377.63 million (5.8 per cent) as total conditional grants, generate Kshs.554.64 million (8.5 per cent) from own revenue sources, and Kshs.396.77 million (6.1 per cent) cash balance brought forward from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.191.45 million (39 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.81.67 million (16.6 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.41.59 million (8.4 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.35.75 million (7.3 per cent) for Development of Youth Polytechnics, Kshs.20.81 million (4.2 per cent) from DANIDA, and Kshs.18.05 million (3.7 per cent) as Compensation for User Fee Foregone.

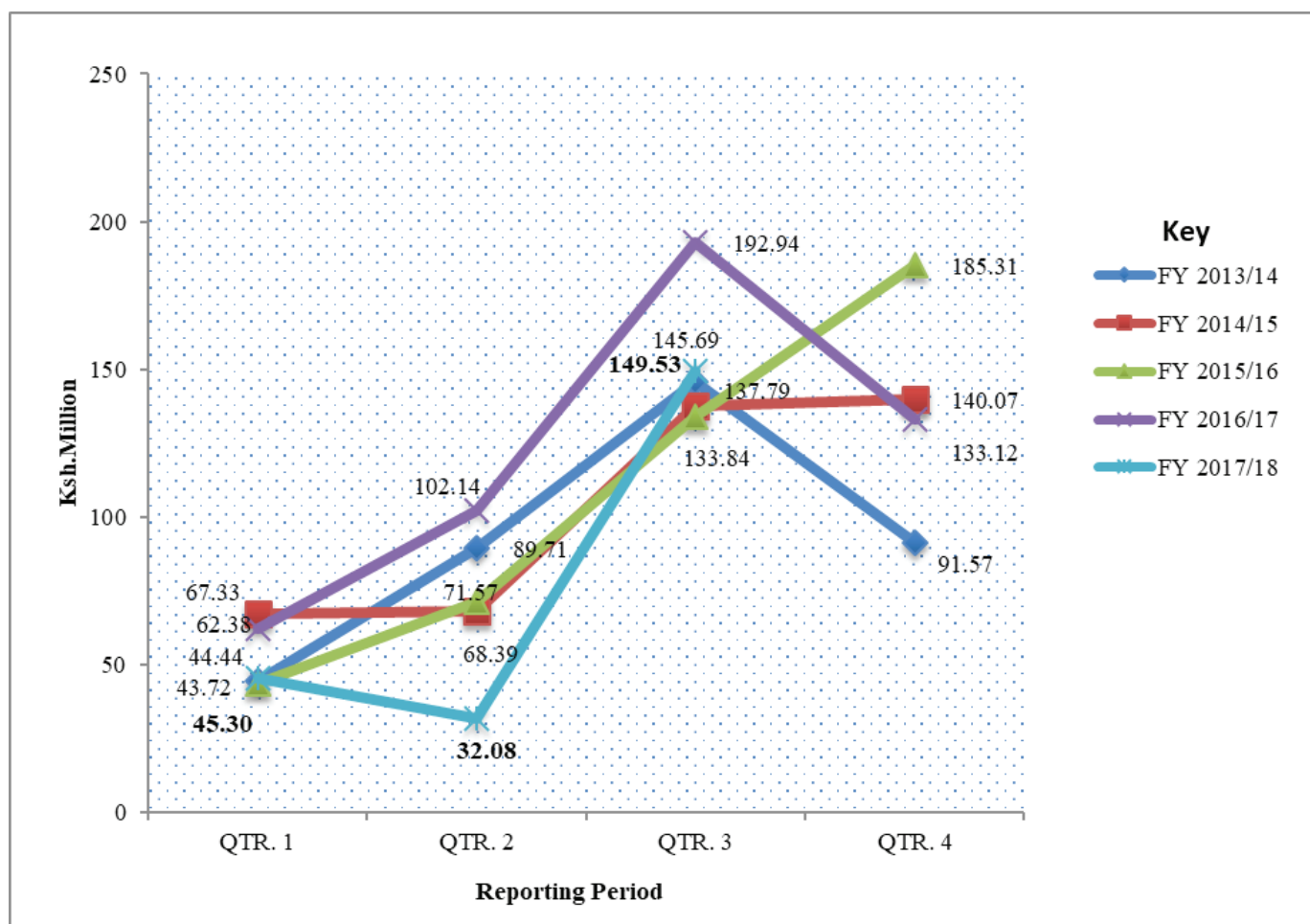
The County also budgeted to receive Kshs.13.17 million from the Swedish International Development Agency (SIDA) for the Agricultural Sector Development Support Project (ASDSP) programme, which is not contained in the CARA, 2017.

3.12.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.7 billion as equitable share of revenue raised nationally, Kshs.145.32 million as total conditional grants, raised Kshs.226.91 million as own source of revenue, and had a cash balance of Kshs.396.77 million from FY 2016/17. The total available funds amounted to Kshs.3.48 billion.

Figure3-34 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure3-34: Kericho County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Kericho County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.226.91 million, representing a decline of 36.5 per cent compared to Kshs.357.46 million generated in a similar period of FY 2016/17, and represented 40.9 per cent of the annual own source revenue target.

3.12.3 Conditional Grants

Table 3-33 shows an analysis of conditional grants accessed in the first nine months of FY 2017/18.

Table 3-33: Kericho County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	191,946,921	205,968,099	89,519,491	46.6
2	Free Maternal Health Care	89,327,921	-	-	-
3	World Bank Loan for Transforming Health System for universal Care System	81,668,940	42,286,732	19,221,241	23.5
4	Kenya Devolution Support Programme (KDSP)	41,594,940	41,594,940	14,417,559	35
5	Development of Youth Polytechnics	35,747,121	35,747,121	-	-
6	DANIDA	20,811,321	20,811,321	13,007,075	62.5
7	Compensation for User Fee Foregone	18,048,789	18,048,789	9,156,778	50.7
	Sub Total	479,145,953	364,457,002	145,322,144	30
B	Other Grants	-			
8	Agriculture Sector Development Support Project (ASDSP) II	-	13,171,092	-	-
	Grand Total	479,145,953	377,628,094	145,322,144	30

Source: Kericho County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from DANIDA, Compensation for User Fees Forgone, the Road Maintenance Fuel Levy Fund, the Kenya Devolution Support Programme (KDSP) and, World Bank loan for Universal Health Care System. These receipts accounted for 62.5 per cent, 50.7 per cent, 46.6 per cent, 35 per cent, and 23.5 per cent of annual budget allocation respectively.

3.12.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.2.93 billion from the CRF account, which was 44.6 per cent of the Approved Supplementary Budget. This amount represented a decrease of 31.7 per cent from Kshs.4.29 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.36 billion (80.8 per cent) for recurrent expenditure and Kshs.561.8 million (19.2 per cent) for development activities.

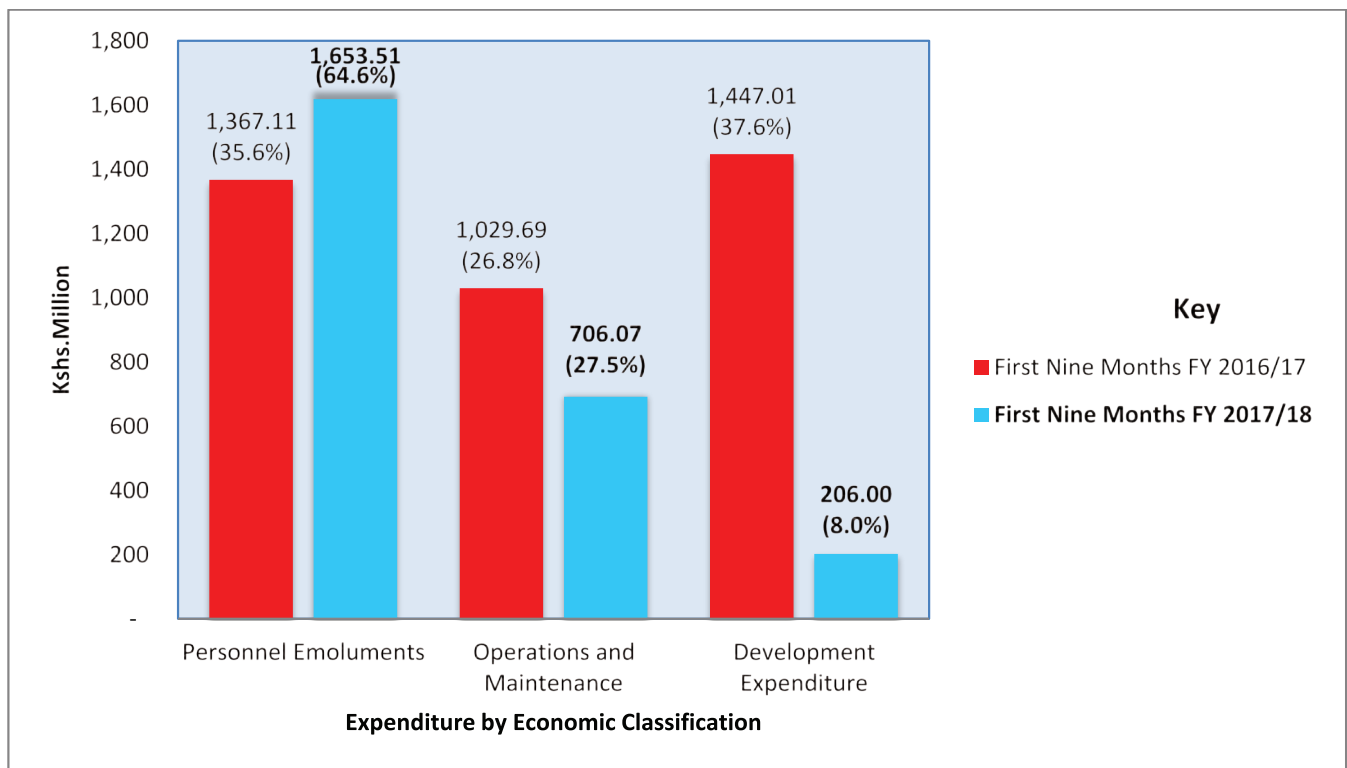
3.12.5 Overall Expenditure Review

The County incurred Kshs.2.57 billion, which was 87.7 per cent of the total funds released for operations. This was a decline of 33.3 per cent from Kshs.3.84 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.36 billion was spent on recurrent activities while Kshs.206 million was spent on development activities. The recurrent expenditure was 99.8 per cent of the funds released for recurrent activities, while development expenditure was 36.7 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.551 million for development activities and Kshs.203.77 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 52 per cent of the annual recurrent budget, a reduction from 63.3 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 10.2 per cent, which was a significant decline from 57.9 per cent attained in the first nine months of FY 2016/17. Figure 3-35 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-35: Kericho County, Expenditure by Economic Classification in the First Nine Months of FY 206/17 and the First Nine Months of FY 2017/18



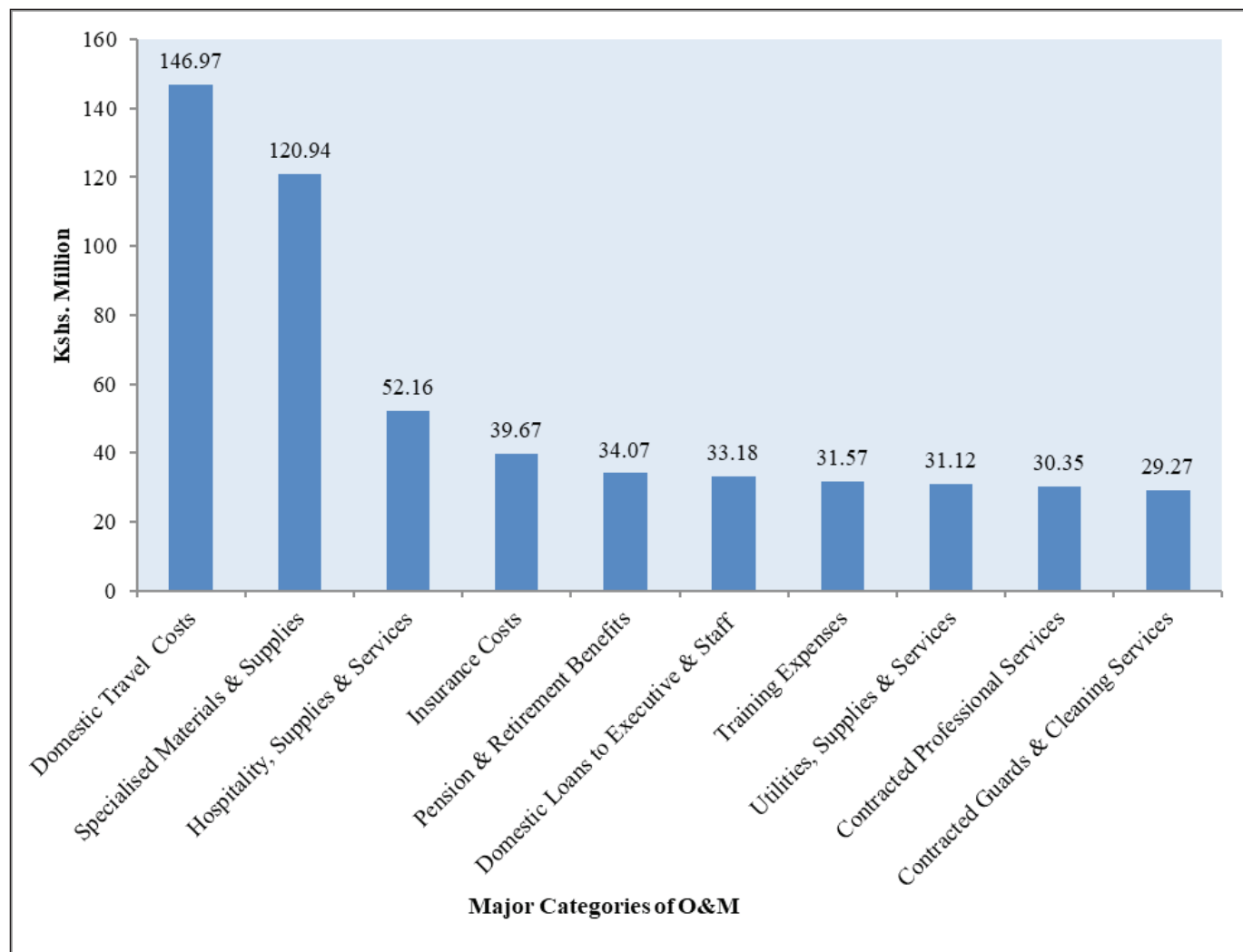
Source: Kericho County Treasury

3.12.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.36 billion comprised of Kshs.1.65 billion (64.6 per cent) incurred on personnel emoluments and Kshs.706.09 million (27.5 per cent) on operations and maintenance as shown in Figure 3-35.

Expenditure on personnel emoluments represented an increase of 20.9 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.37 billion and was 64.5 per cent of total expenditure in the first nine months 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 Nine Months of FY 2017/18



Source: Kericho County Treasury

The County incurred Kshs.8.65 million on committee sitting allowances to the 47 MCAs and a speaker against the annual budget allocation of Kshs.128.47 million. This was a decline of 79.2 per cent compared to Kshs.41.53 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.20,029 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.146.97 million and comprised of Kshs.68.54 million spent by the County Assembly and Kshs.78.43 million by the County Executive. This represented 6.2 per cent of total recurrent expenditure and was an increase of 16.7 per cent compared to Kshs.125.99 million spent in the first nine months of FY 2016/17.

3.12.7 Development Expenditure Analysis

The total development expenditure of Kshs.206 million represented 10.2 per cent of the annual development budget of Kshs.2.02 billion. Table 3-34 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-34: Kericho County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project Name	Project location	Annual Project Budget (Kshs.)	First Nine Months Expenditure (Kshs.)	Absorption Rate (%)
1	Construction & Completion of FY 2016/17 County Access Roads in 29 wards	County wide	300,405,662	144,289,834	48.0
2	Grants to Tilibei Water & Sanitation Company (TILILWASCO)	Kapkatet Ward	35,000,000	11,709,010	33.5
3	Construction of Water & Sewerage Infrastructures to benefit areas not covered by KEWASCO including drilling of boreholes	Across 29 wards	45,958,521	9,844,049	21.4
4	Construction & completion of health centers & dispensaries	County wide	45,958,521	8,618,592	18.8
5	Construction of buildings, market sheds, Chain-link fencing & ablution blocks in open market centers	Six Sub-counties	30,069,924	7,178,005	23.9
6	Refurbishment of Governors' headquarter offices	Governors' Office	20,000,000	6,410,916	32.1
7	Roll out of livestock pests & disease control programmes	County wide	34,631,472	6,292,415	18.2
8	Internetworking & Communication Establishment in Sub-counties & development of County Data Center facility, Installation of CCTV facilities in major county entities including County Headquarters & all sub-counties	Head offices & Sub-counties	11,000,000	4,556,203	41.4
9	Construction & Completion of existing ECD nursery classrooms in 130 ECDE Schools	Across 29 wards	55,000,000	2,864,039	5.2
10	Agricultural Mechanization Technology Development projects	Soin Ward	13,742,180	2,181,035	15.9

Source: Kericho County Treasury

3.12.8 Budget and Budget Performance Analysis by Department

Table 3-35 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-35: Kericho County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	618.08	-	314.78	-	310.15	-	98.53	-	50.2	-
Public Service & Administration	326.11	21.43	173.39	-	214.37	-	123.6	-	65.7	-
Office of the Governor & Deputy Governor	163.80	-	107.52	-	101.83	-	94.7	-	62.2	-
County Public Service Board	61.84	-	37.02	-	32.43	-	87.6	-	52.4	-
Finance & Economic Planning	340.73	65.72	170.49	3.32	184.38	-	108.1	-	54.1	-
Agriculture, Livestock & Fisheries	209.27	192.85	108.29	24.93	108.68	9.55	100.4	38.3	51.9	5.0
Environment, Water, Energy & Natural Resources	120.04	294.19	82.19	55.85	77.11	21.55	93.8	38.6	64.2	7.3

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Youth, Culture & Social services	428.52	212.59	149.05	16.61	135.64	3.84	91.0	23.1	31.7	1.8
Health Services	1,983.00	283.81	1,089.49	72.18	1,068.28	8.62	98.1	11.9	53.9	3.0
Land, Housing & Physical Planning	43.45	138.60	27.46	41.86	22.75	6.41	82.9	15.3	52.4	4.6
Public Works, Roads & Transport	85.67	716.99	45.31	332.41	45.25	144.29	99.9	43.4	52.8	20.1
ICT & E-Government	88.12	50.64	21.59	7.49	25.65	4.56	118.8	60.8	29.1	9.0
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	65.04	43.14	37.72	7.14	33.05	7.18	87.6	100.5	50.8	16.6
TOTAL	4,533.68	2,019.96	2,364.30	561.80	2,359.58	206.00	99.8	36.7	52.0	10.2

Source: Kericho County Treasury

Analysis of budget performance by department shows that, the Department of Public Works, Roads & Transport attained the highest absorption rate of development budget at 20.1 per cent while the County Assembly, the Department of Public Service Management, the County Public Service Board, the Office of the Governor, and the Department of Finance & Economic Planning did not incur any development expenditure. The Department of Public Service Management posted the highest percentage of recurrent expenditure to its recurrent budget at 65.7 per cent while the Department of ICT & E-Government Department reported the lowest at 29.1 per cent.

3.12.9 Key Observations and Recommendations

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

- i. Timely submission of financial reports to the Office of the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012.
- ii. Improvement in the use of IFMIS to process financial transactions.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Decline in performance in own source revenue collection by 36.5 per cent from Kshs.357.46 million achieved in a similar period of FY 2016/17 to Kshs.226.91 million during the reporting period, which accounted for 40.9 per cent of annual target.
3. A high wage bill, which accounted for 64.5 per cent of the total expenditure in the reporting period thus constraining implementation of other programs. Personnel costs increased by 20.9 per cent from Kshs.1.37 billion in the first nine months of FY 2016/17 to Kshs.1.65 billion in the reporting period.

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

1. The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2017 Disbursement Schedule.
2. The County Treasury should develop and implement strategies to enhance own-source revenue collection.
3. The County Public Service Board should develop an optimal staffing structure in order to ensure a sustainable wage bill.

3.13 Kiambu County

3.13.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.13.91 billion, comprising of Kshs.9.49 billion (68.3 per cent) and Kshs.4.41 billion (31.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.66 billion (69.5 per cent) as equitable share of revenue raised nationally, Kshs.975.49 million (7 per cent) as total conditional grants and generate Kshs.2.2 billion (23.2 per cent) from own revenue sources, and Kshs.40.06 million (0.3 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.7 million (8.6 per cent) for Leasing of Medical Equipment, Kshs.318 million (28.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.34.67 million (3.1 per cent) as Compensation for User Fee Foregone, Kshs.33.4 million (3 per cent) from DANIDA, Kshs.412.72 million (37 per cent) for Level 5 Hospital, Kshs.56.46 million (5.1 per cent) for the World Bank Kenya Devolution Support Program, Kshs.60.1 million (5.4 per cent) for Development of Youth Polytechnics, Kshs.32 million (2.9 per cent) as World Bank Loan for Transforming Health System for Universal Care System and Kshs.50 million (4.5 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project.

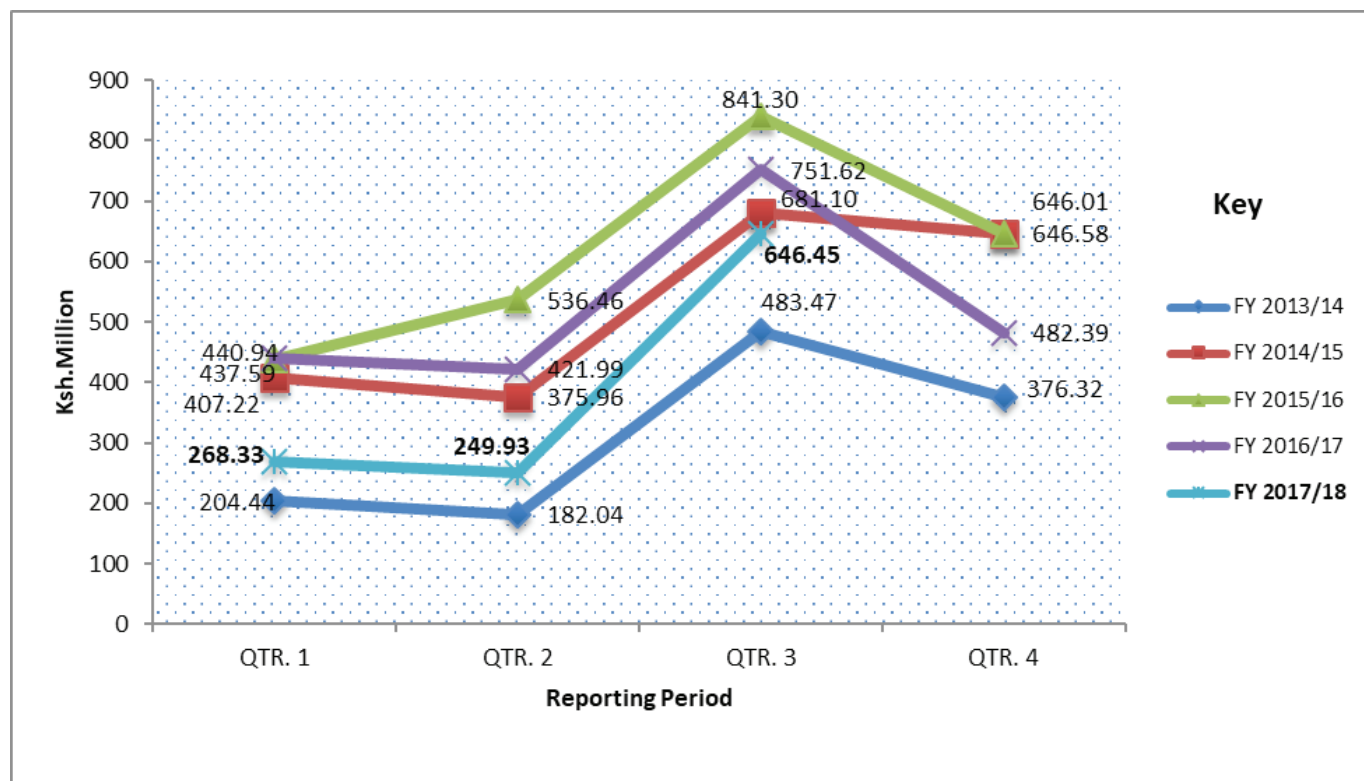
The County did not include a conditional grant of Kshs.21.85 million (2 per cent) in the budget, which is contained in the CARA, 2017 as other loans and grants.

3.13.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.6.92 billion as equitable share of revenue raised nationally, Kshs.511 million as total conditional grants, raised Kshs.1.16 billion from own source revenue, and had a cash balance of Kshs.40.06 million from FY 2016/17. The total available funds amounted to Kshs.8.65 billion.

Figure 3-37 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-37: Kiambu County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Kiambu County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.1.16 billion, representing a decline of 27.9 per cent compared to Kshs.1.61 billion generated in a similar period of FY 2016/17, and represented 36.1 per cent of the annual own source revenue target.

3.13.3 Conditional Grants

Table 3-36 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-36: Kiambu County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants Contained in the CARA, 2017	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
1	Level-5 Hospital	412,716,763	412,716,763	241,439,306	58
2	Road Maintenance Fuel Levy Fund	317,998,559	317,998,559	148,306,985	47
3	Leasing of Medical Equipment	95,744,681	-	-	-
4	Development of Youth Polytechnics	60,096,220	60,096,220	-	-
5	Kenya Devolution Support Programme (KDSP)	56,459,859	56,459,859	21,206,362	38
6	World Bank loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101
7	Compensation for User Fee Foregone	34,671,542	34,671,542	17,886,541	52
8	DANIDA Grant	33,400,684	21,548,828	21,548,828	65

S/No	Grants Contained in the CARA, 2017	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
9	World Bank loan for Transforming Health System for Universal Care Project	32,000,000	22,000,000	10,000,000	31
10	Other Loans & Grants	21,851,856	-	-	-
	Grand Total	1,093,088,308	975,491,771	510,997,877.4	46

Source: Kiambu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received funds from; the World Bank loan for National Agricultural & Rural Inclusive Project, received grants from DANIDA, Level IV Hospital, Compensation for User Fee Foregone, Maintenance Fuel Levy Fund, the Kenya Devolution Support Program, and, the World Bank loan for Transforming Health System for Universal Care Project. The receipts accounted for 101 per cent, 65 per cent, 58 per cent, 52 per cent, 47 per cent, 38 per cent, and 31 per cent of annual allocation respectively.

3.13.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.7.83 billion from the CRF account, which was 56.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 1 per cent from Kshs.7.75 billion approved in a similar period of FY 2016/17 and comprised of Kshs.6.87 billion (87.7 per cent) for recurrent expenditure and Kshs.960.33 million (12.3 per cent) for development activities.

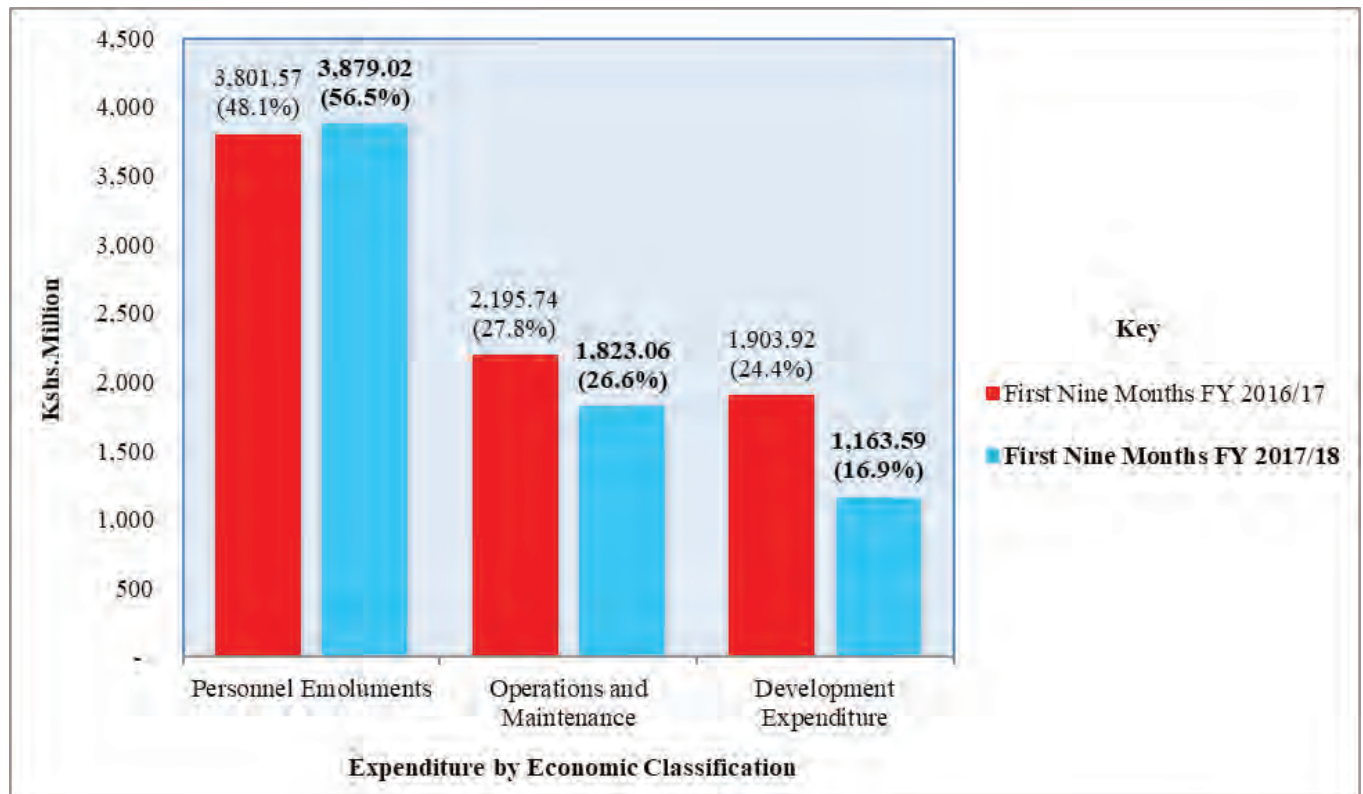
3.13.5 Overall Expenditure Review

The County incurred Kshs.6.87 billion, which was 87.7 per cent of the total funds released for operations. This is a decline of 13.1 per cent from Kshs.7.9 billion incurred in a similar period of FY 2016/17.

A total of Kshs.5.7 billion was spent on recurrent activities while Kshs1.16 billion was spent on development activities. The recurrent expenditure was 83 per cent of the funds released for recurrent activities, while development expenditure was 121.2 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.98.55 million for development activities and Kshs.261.06 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 60.1 per cent of the annual recurrent budget, a decrease from 68 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 26.4 per cent, which was a decrease from 48 per cent attained in the first nine months of FY 2016/17. Figure 3-38 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-38: Kiambu County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



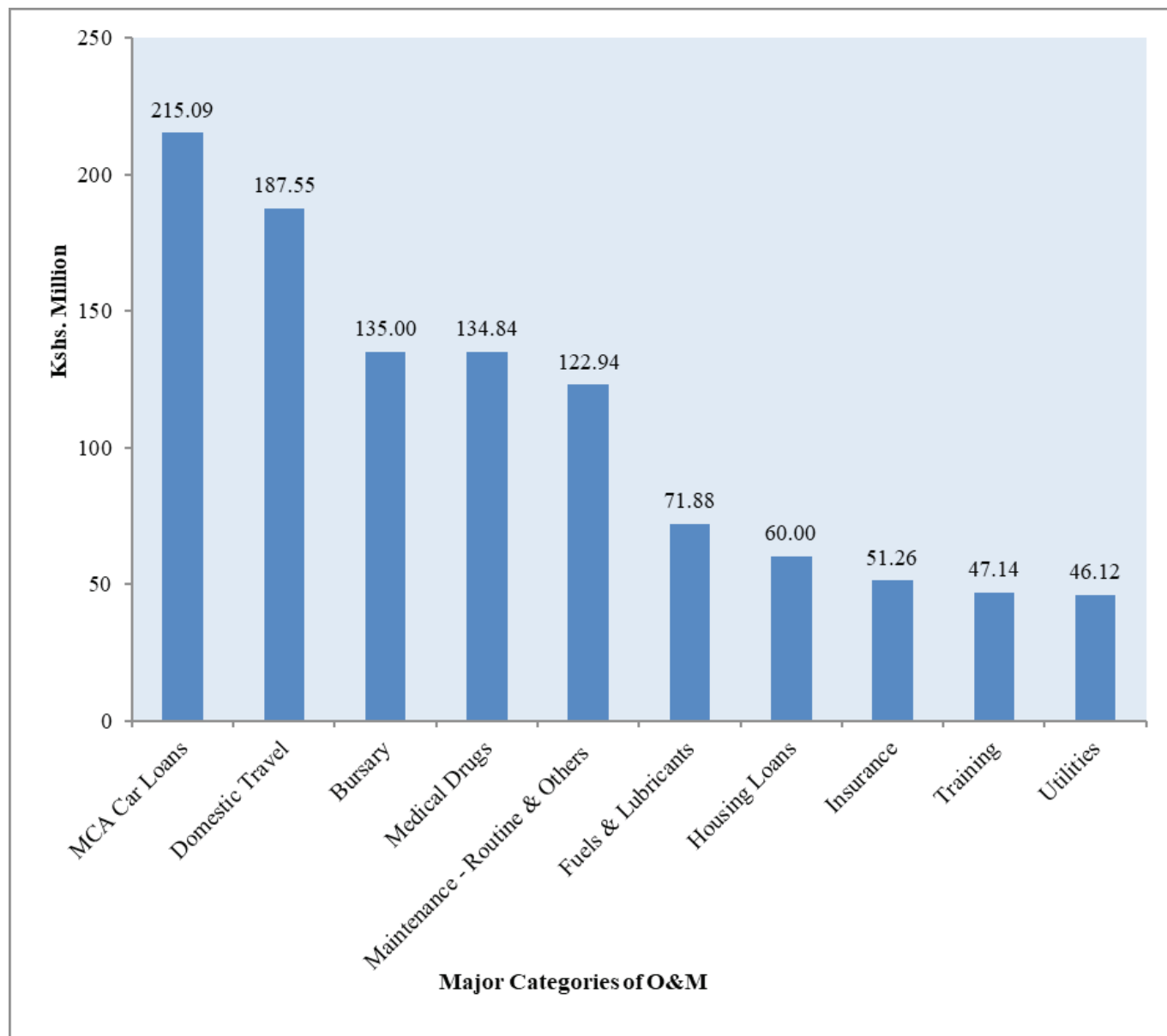
Source: Kiambu County Treasury

3.13.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.7 billion comprised of Kshs.3.88 billion (56.5 per cent) incurred on personnel emoluments and Kshs.1.82 billion (26.6 per cent) on operations and maintenance as shown in Figure 3-38.

Expenditure on personnel emoluments represented an increase of 2 per cent compared to the first nine months of FY 2016/17 when the county spent Kshs.3.8 billion, and was 56.5 per cent of total expenditure in the first nine months 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 Nine Months of FY 2017/18



Source: Kiambu County Treasury

The County incurred Kshs.31.77 million on committee sitting allowances to the 94 MCAs against the annual budget allocation of Kshs.56.25 million. This was a decline of 47.3 per cent compared to Kshs.60.28 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.37,553 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.187.55 million and comprised of Kshs.102.82 million spent by the County Assembly and Kshs.84.73 million by the County Executive. This represented 3.2 per cent of total recurrent expenditure and was a decrease of 38 per cent compared to Kshs.303.2 million spent in the first nine months of FY 2016/17.

3.13.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.16 billion represented 26.3 per cent of the annual development budget of Kshs.4.41 billion. Table 3-37 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-37: Kiambu County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project Name	Project Location	Project Budget (Kshs)	First Nine Months of FY2017/18 Project Expenditure (Kshs)	Absorption Rate (%)
1	Rehabilitation of C65-64	Ruiru	145,364,505	29,910,694	21
2	Construction of A2 Kimbo Matangini in Juja Sub County	Juja	170,552,896	27,014,331	16
3	Proposed improvement of Thika town Garissa Road Gatitu Junction Kenyatta Road	Thika	221,005,870	25,570,879	12
4	Construction of Thogoto Ndaire Dagoretti Road in Kikuyu Sub-County	Kikuyu	181,452,510	20,327,663	11
5	Being payment on proposed construction of Kamwangi Market	Gatundu North	28,000,000	11,587,112	41
6	Proposed council depot flats at plot block9/108 for municipal council of Thika	Thika	31,258,832	11,258,832	36
7	Construction of Kenyatta road Ruiriro bridge	Juja	23,200,374	10,101,860	44
8	Being payment and proposed construction of Githunguri Market.	Githunguri	47,000,000	7,402,785	16
9	Proposed construction works at Kikuyu Sub County Hospital	Kikuyu	201,000,000	7,246,716	4
10	5th Payment on proposed rehabilitation and construction of Ruiru stadium Ruiru Sub County	Ruiru	32,823,265	5,146,891	16

Source: Kiambu County Treasury

3.13.8 Budget and Budget Performance Analysis by Department

Table 3-38 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-38: Kiambu County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	1,373.75	8	728.16	-	705	-	96.8	-	51.3	-
County Executive	465.07	2	360.9	1.89	219	2.6	60.7	137.6	47.1	130
County Public Service Board	68.21	-	52.17	-	28	-	53.7	-	41.1	-
Finance and Econ. Planning	1,160.30	1,802	756.62	-	646	10	85.4	-	55.7	0.6
Administrative & Public Service	628.63	69.51	438.53	16.87	357	2	81.4	11.9	56.8	2.9
Agriculture, Livestock & Fisheries	420.65	212.51	263.58	10.33	280	19.9	106.2	192.7	66.6	9.4
Water, Environment & Natural Resources	256.66	117.98	210.80	20.48	126	43.2	59.8	210.9	49.1	36.6
Health Services	3,425.51	863.76	3,027.90	295.5	2,363	329.9	78	111.6	69	38.2
Education, Culture, ICT & Social Services	896.64	314.1	508.68	25.58	618	69.1	121.5	270.1	68.9	22
Youth, Sports & Communications	158.17	170.88	43.06	69.45	24	70.3	55.7	101.2	15.2	41.1

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Lands, Physical Planning & Housing	161.64	130.4	114.69	39.53	79	52.3	68.9	132.3	48.9	40.1
Trade, Tourism, Industry & Cooperative	167.77	119.12	113.41	61.03	73	24.7	64.4	40.5	43.5	20.7
Roads, Transport & Public Works	308.98	604.72	250.80	419.66	186	539.1	74.2	128.5	60.2	89.1
TOTAL	9,491.98	4,414.97	6,869.31	960.33	5,704.00	1,163.10	83.0	121.1	60.1	26.3

Source: Kiambu County Treasury

Analysis of budget performance by department shows that County Executive Department attained the highest absorption rate of development expenditure at 150 per cent, followed by the Roads Transport and Public works department 89.2 per cent. The Department of Health had the highest percentage of recurrent expenditure to its recurrent budget at 69 per cent while the Education, Culture, ICT and Social Services followed at 68.9 per cent.

3.13.9 Key Observations and Recommendations

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

- Timely submission of quarterly reports by the County Government entities to the Controller of Budget in line with Section 166 of the PFM Act, 2012.
- Reduction in travel expenditure by 42.6 per cent from Kshs.303.27 million in a similar period of FY 2016/17 to Kshs.187.55 million in the first nine months of FY 2017/18, thereby releasing funds to implement other programmes.

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

- Under-performance in own-source revenue collection, which declined by 29.6 per cent from Kshs.1.64 billion in a similar period of FY 2016/17 to Kshs.1.16 billion in the first nine months of FY 2017/18.

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

- The County needs to develop and implement strategies to mobilize own source revenue collection.*

3.14. Kilifi County

3.14.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.11.98 billion, comprising of Kshs.7.63 billion (63.7 per cent) and Kshs.4.35 billion (36.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.95 billion (83.1 per cent) as equitable share of revenue raised nationally, Kshs.1.03 billion (8.6 per cent) as total conditional grants, generate Kshs.929.66 million (7.8 per cent) from own source revenue, and Kshs.72.74 million (0.6 per cent) cash balance brought forward from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (10.6 per cent) for Leasing of Medical Equipment, Kshs.317.05 million (35.2 per cent) from the Road Maintenance Fuel Levy

Fund, Kshs.25.97 million (2.9 per cent) as Compensation for User Fee Foregone, Kshs.33.3 million (3.7 per cent) from DANIDA, Kshs.96.84 million (10.8 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.57.11 million (6.3 per cent) for the Kenya Devolution Support Programme, Kshs.67.91 million (7.5 per cent) for Development of Youth Polytechnics, Kshs.136.24 million (15.1 per cent) as World Bank loan for Transforming Health System for Universal Care Project, and Kshs.20 million (2.2 per cent) as Other Loans and Grants.

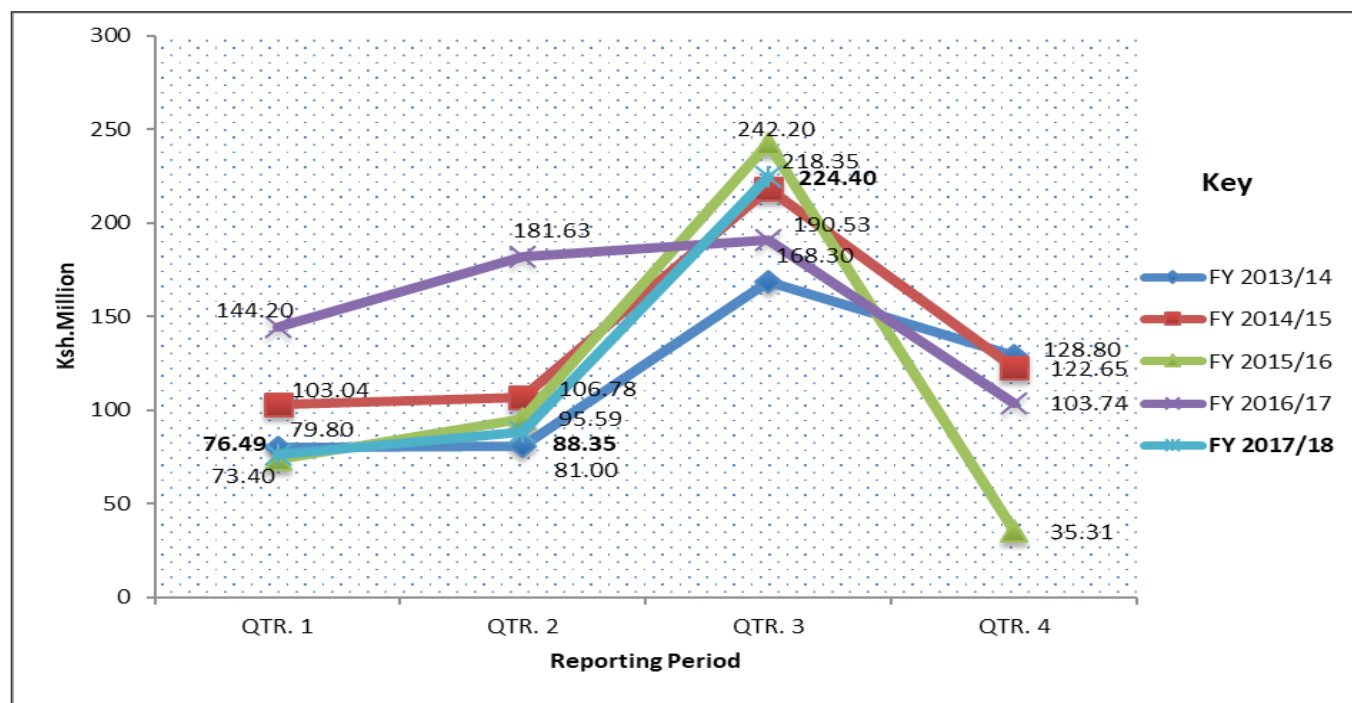
The County also budgeted to receive Kshs.124.46 million as grant for Free Maternal Healthcare Programme, which is not contained in the CARA, 2017.

3.14.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.5.97 billion as equitable share of revenue raised nationally, Kshs.410.43 million as total conditional grants, raised Kshs.389.24 million from own source revenue, and had a cash balance of Kshs.72.21 million from FY 2016/17. The total available funds amounted to Kshs.6.86 billion.

Figure 3-40 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-40: Kilifi County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Kilifi County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.389.24 million, representing a decline of 24.6 per cent compared to Kshs.516.36 million generated in a similar period of FY 2016/17, and represented 41.9 per cent of the annual target.

3.14.3 Conditional Grants

Table 3-39 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-39: Kilifi County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	317,047,351	318,515,934	260,652,689	82
2	World Bank Loan for Transforming Health System for Universal Care Project	136,244,736	93,668,256	42,576,480	31
3	World Bank loan to supplement financing of County Health facilities	96,840,000	96,840,000	-	-
4	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
5	Development of Youth Polytechnics	67,906,049	67,906,049	-	-
6	Kenya Devolution Support Programme (KDSP)	57,107,014	57,107,014	21,913,507	38
7	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101
8	DANIDA Grant	33,300,775	21,484,371	21,484,371	65
9	Compensation for User Fee Foregone	25,969,864	25,969,864	13,196,298.5	51
10	Other Loans & Grants	20,000,000	74,392,884	-	-
Sub Total		900,160,470	901,629,053	410,433,201	46
B	Other Grants				
11	Free Maternal Healthcare	-	124,461,343	-	-
Sub Total		-	124,461,343	-	-
Grand Total		900,160,470	1,026,090,396	410,433,200.9	46

Source: Kilifi County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from the World Bank Loan for National Agricultural & Rural Inclusive Project, the Road Maintenance Fuel Levy Fund, DANIDA Grant, Compensation for User Fee Foregone, Kenya Devolution Support Programme, and the World Bank Loan for Transforming Health System for universal Care Project. The receipts accounted for 101 per cent, 82 per cent, 65 per cent, 51 per cent, 38 per cent and 31 per cent of annual allocation respectively.

3.14.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.6.29 billion from the CRF account, which was 52.5 per cent of the Approved Supplementary Budget. This amount represented an increase of 1 per cent from Kshs.6.23 billion approved in a similar period of FY 2016/17 and comprised of Kshs.4.36 billion (69.2 per cent) for recurrent expenditure and Kshs.1.94 million (30.8 per cent) for development activities.

3.14.5 Overall Expenditure Review

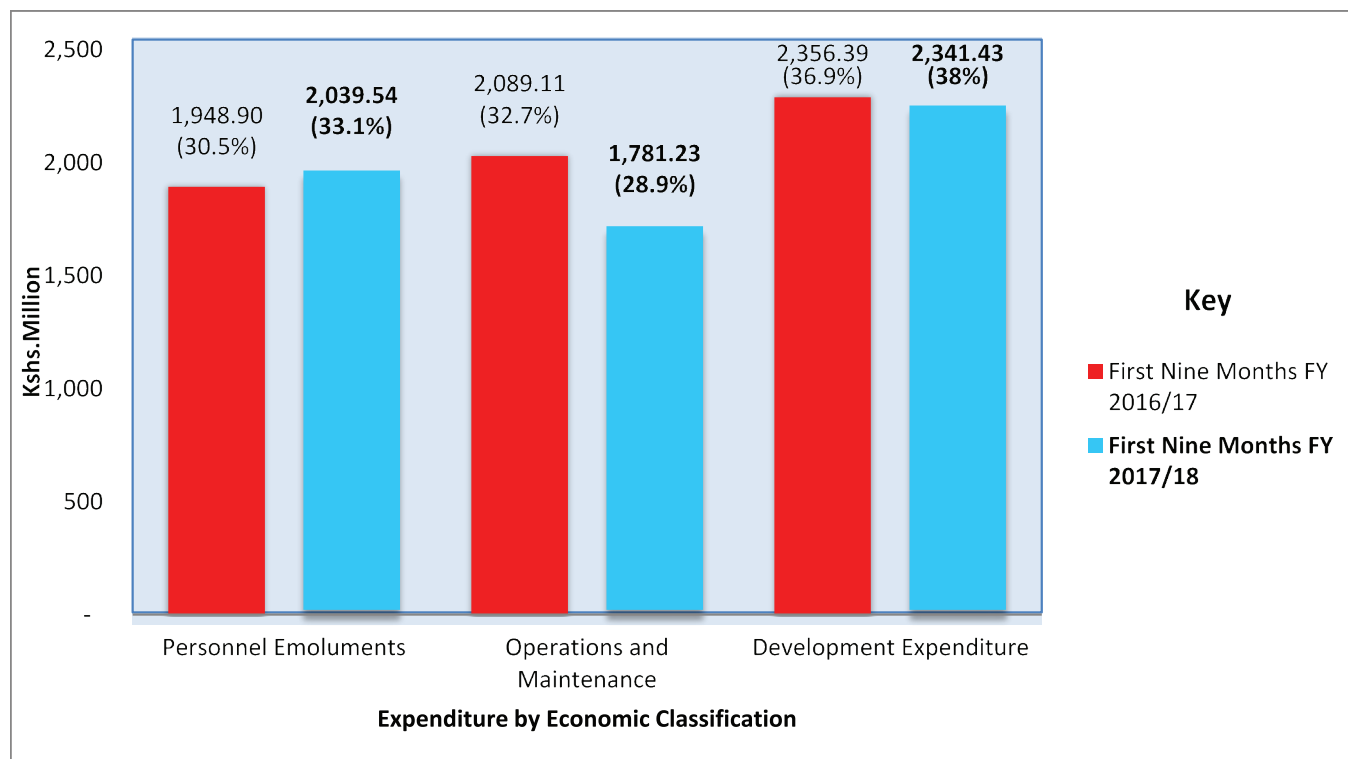
The County spent Kshs.6.16 billion, which was 97.9 per cent of the total funds released for operations. This was a decline of 3.6 per cent from Kshs.6.39 billion incurred in a similar period of FY 2016/17.

A total of Kshs.3.82 billion was spent on recurrent activities while Kshs.2.34 million was spent on development activities. The recurrent expenditure was 87.7 per cent of the funds released for recurrent activities, while development expenditure was 120.2 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.333.78 million for development activities and Kshs.194.18 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 50.1 per cent of the annual recurrent budget, a decrease from 64.4 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate

of 53.8 per cent, which was an increase from 34.9 per cent attained in the first nine months of FY 2016/17. Figure 3-41 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-41: Kilifi County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



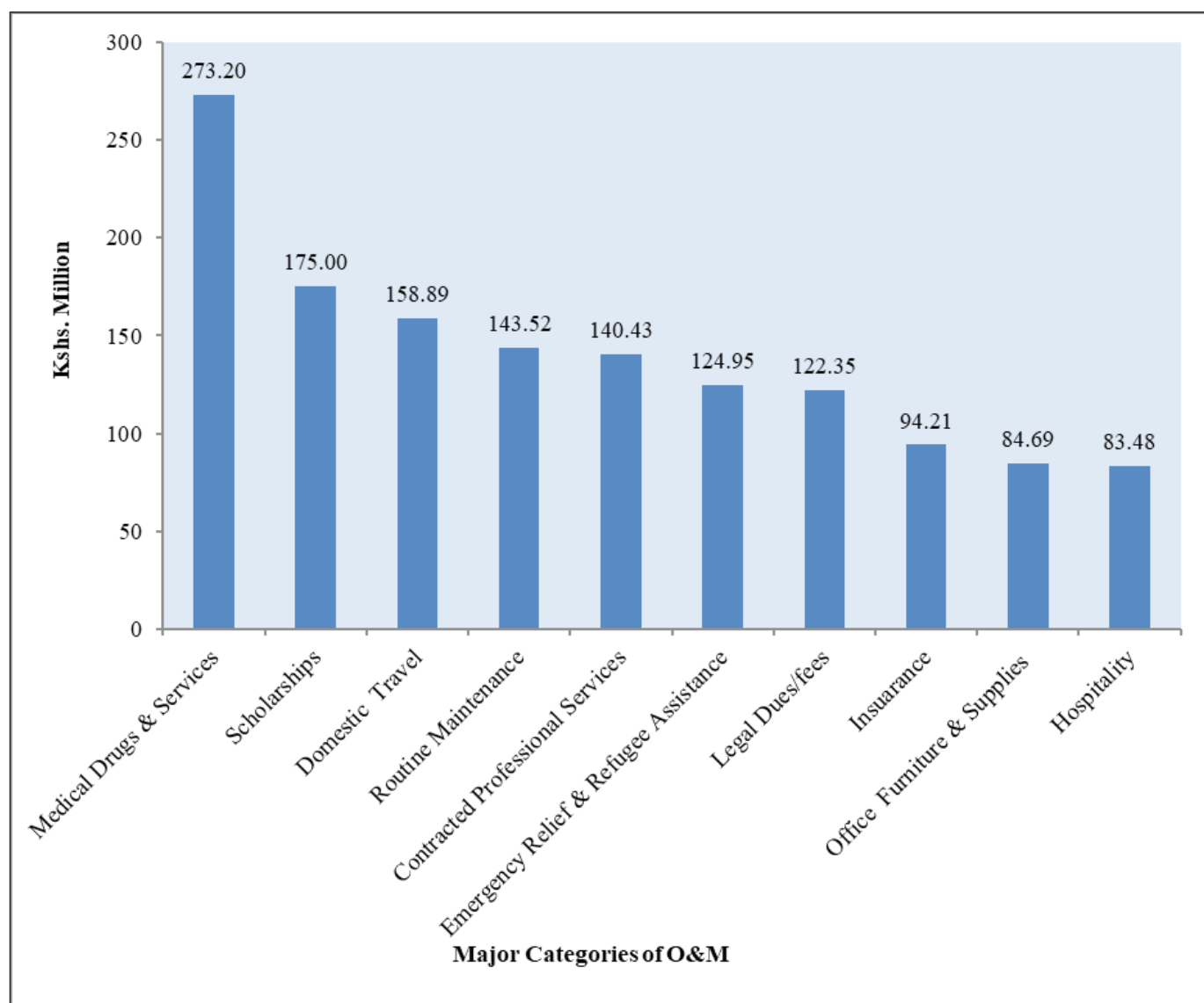
Source: Kilifi County Treasury

3.14.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.82 billion comprised of Kshs.2.04 billion (53.4 per cent) incurred on personnel emoluments and Kshs.1.78 billion (46.6 per cent) on operations and maintenance as shown in Figure 3-41.

Expenditure on personnel emoluments represented an increase of 4.7 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.95 billion, and was 33.1 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Kilifi County Treasury

The County incurred Kshs.12.81 million on committee sitting allowances to the 56 MCAs including the Speaker against the annual budget allocation of Kshs.86.49 million. This was a decline of 67.8 per cent compared to Kshs.39.82 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.25,423 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.158.89 million and comprised of Kshs.77.49 million spent by the County Assembly and Kshs.81.4 million by the County Executive. This represented 4.2 per cent of total recurrent expenditure and was an increase of 3.4 per cent compared to Kshs.153.7 million spent in the first nine months of FY 2016/17.

3.14.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.34 billion represented 55.3 per cent of the annual development budget of Kshs.4.35 billion. Table 3-40 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-40: Kilifi County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project Location	Annual Project Budget (Kshs.)	First Nine Months Project Expenditure (Kshs.)	Absorption Rate (%)
1	Supply of ECD furniture	All wards	30,000,000	26,700,000	89
2	Proposed upgrading to paved standard of Malindi Township road to cabro standards	All wards	91,851,810	72,538,340	79
3	Construction of Market at Mazeras (Purchase of Land)	Mazeras	30,000,000	21,817,900	72.7
4	Development of Youth Polytechnics	HQ	67,906,049	22,649,603	33.4
5	Purchase of Water Drilling Rig	HQ	50,000,000	50,000,000	100
6	Construction of hospital complex	HQ	50,000,000	29,614,562	59.2
7	Opening of access roads in Chakama settlement scheme phase ii	Magarini	20,000,000	19,276,000	96.4
8	Completion of Mtwapa Market	Mtwapa	47,541,000	33,610,000	70.7
9	Completion of BP-Eden Rock	Malindi	70,000,000	46,595,000	66.6
10	Completion of Mtwapa Buspark	Mtwapa	93,558,064	23,959,000	25.6

Source: Kilifi County Treasury

3.14.8 Budget and Budget Performance Analysis by Department

Table 3-41 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-41: Kilifi County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	900.42	149.80	508.22	68.60	155.84	55.27	30.7	80.6	17.3	36.9
County Executive	563.13	-	206.87	-	276.08	-	133.5	-	49	-
Finance and Economic Planning	593.97	38.00	226.77	19.58	242.55	12.72	107	64.9	40.8	33.5
Agriculture, Livestock and Fisheries	370.28	364.37	228.63	209.11	182.05	68.10	79.6	32.6	49.2	18.7
Water, Environment, Natural Resources and Solid Waste Management	260.88	884.59	125.10	264.26	184.10	410.26	147.2	155.2	70.6	46.4
Education, Sports And Youth Affairs	913.18	532.88	415.09	228.92	387.71	237.58	93.4	103.8	42.5	44.6
County Health Services	2,301.70	563.92	1,777.45	316.52	1,513.48	270.96	85.1	85.6	65.8	48
Roads, Transport and Public Works	347.74	1,321.1	244.62	563.99	258.63	1,107.99	105.7	196.5	74.4	83.9
Land, Housing, Physical Planning & Energy	279.89	76.02	116.31	67.55	125.76	64.28	108.1	95.2	44.9	84.6

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
ICT, E-Government, Culture and Social Services	141.04	120.63	72.54	66.08	58.18	42.62	80.2	64.5	41.2	35.3
Trade Industrialization, Cooperatives, Tourism And Wildlife	105.37	219.55	65.15	103.47	39.01	84.75	59.9	81.9	37.0	38.6
County Public Service Board	90.43	-	64.04	-	36.95	-	57.7	-	40.9	-
Devolution, Public Service & Disaster	762.13	78.36	307.17	28.39	360.43	51.30	117.3	180.7	47.3	65.5
TOTAL	7,630	4,349	4,358	1,936	3,821	2,341.43	87.7	124.2	50.1	55.3

Source: Kilifi County Treasury

Analysis of budget performance by department shows that, the Department of Land, Housing, Physical Planning & Energy attained the highest absorption rate of development budget at 84.6 per cent while the Department of Agriculture, Livestock and Fisheries attained the lowest rate at 18.7 per cent. The Department of Roads, Transport and Public Works had the highest percentage of recurrent expenditure to its recurrent budget at 74.4 per cent while the County Assembly had the lowest at 17.3 per cent.

3.14.9 Key Observations and Recommendations

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

- i. Improvement in the absorption of development budget. Development expenditure recorded an absorption rate of 55.3 per cent, which was an increase from 34.9 per cent attained in the first nine months of FY 2016/17.
- ii. Establishment of the County Budget and Economic Forum (CBEF) for consultation in the budget and economic process in line with Section 137 of the PFM Act, 2012.

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

1. Failure to establish an Internal Audit Committee to oversee financial operations contrary to Section 155 of the PFM Act, 2012.
2. Submission of incomplete financial returns by the County Treasury to the Office of the Controller of Budget, which affected timely preparation of the budget implementation review reports contrary to Section 166 of the PFM Act, 2012.
3. Under-performance in own-source revenue collection, which declined by 24.6 per cent from Kshs.516.36 million in the first nine months of FY 2016/17 to Kshs.389.24 million in the reporting period and represented 41.9 per cent of annual target.

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

1. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
2. *The County Treasury should ensure timely preparation and submission of complete financial and project implementation reports to the Office of the Controller of Budget in line with Section 166 of PFM Act 2012.*

3. The County Treasury should formulate and implement strategies to enhance own-source revenue collections.

3.15 Kirinyaga County

3.15.1 Overview of the FY 2017/18 Budget

The County’s FY 2017/18 Approved Supplementary Budget is Kshs.5.68 billion, comprising of Kshs.3.97 billion (69.9 per cent) and Kshs.1.71 billion (30.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.41 billion (77.6 per cent) as equitable share of revenue raised nationally, Kshs.319.95 million (5.6 per cent) as total conditional grants, generate Kshs.600 million (10.6 per cent) from own revenue sources, and had Kshs.365.24 million (6.4 per cent) as cash balance brought forward from FY 2016/17.

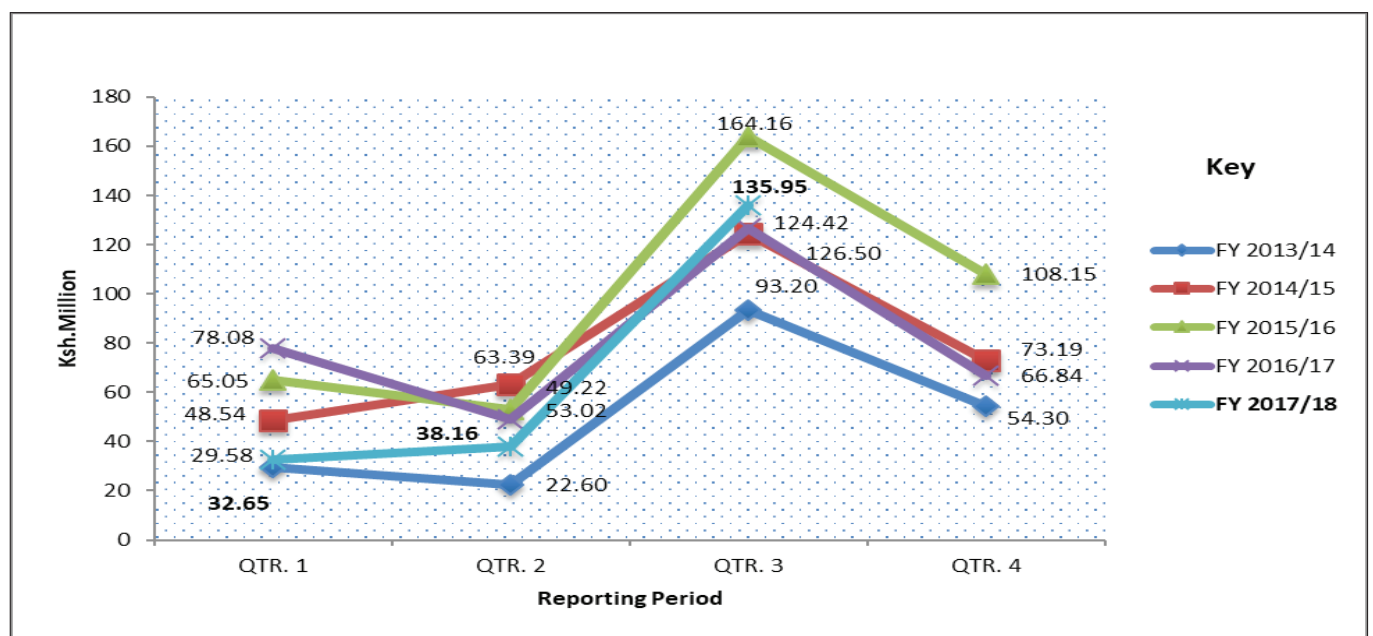
The Conditional grants contained in the CARA, 2017 comprised of Kshs.150.75 million (44.9 per cent) for the Road Maintenance Fuel Levy Fund, Kshs.11.28 million (3.4 per cent) as Compensation for User Fee Foregone, Kshs.15.83 million (4.7 per cent) from DANIDA, Kshs.38.36 million (11.4 per cent) for Kenya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

3.15.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.33 billion as equitable share of revenue raised nationally, Kshs.162.87 million as total conditional grants, raised Kshs.206.76 million from own source revenue, and had a cash balance of Kshs.365.24 million from FY 2016/17. The total available funds amounted to Kshs.3.04 billion.

Figure3-43 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-43: Kirinyaga County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Kirinyaga County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.206.76 million, representing a decline of 18.5 per cent compared to Kshs.253.8 million generated in a similar period of FY 2016/17, and represented 34.5 per cent of the annual own source revenue target.

3.15.3 Conditional Grants

Table 3-42 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-42: Kirinyaga County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	150,752,571	150,752,571	75,376,286	50
2	Leasing of Medical Equipment	95,744,681	-	-	
3	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101.2
4	Kenya Devolution Support Programme (KDSP)	38,364,055	38,364,055	13,762,768	36
5	Conditional grants to development of youths polytechnics	37,339,283	37,339,283	-	-
6	World Bank Loan for Transforming Health System for Universal Care System	32,000,000	22,000,000	10,000,000	31
7	DANIDA Grant	15,834,157	10,215,585	7,917,078	50
8	Compensation for User Fee Foregone	11,282,570	11,282,570	5,812,539	52
	Total	392,953,262	319,954,064	162,868,671	49

Source: Kirinyaga County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from World Bank loan for National Agricultural & Rural Inclusive Project, Compensation for User Fee Foregone, DANIDA, the Road Maintenance Fuel Levy Fund, Kenya Devolution Support Programme, and World Bank loan for Transforming Health System for Universal Care System. The receipts accounted for 101.2 per cent, 52 per cent, 50 per cent, 50 per cent, 36 per cent, and 31 per cent of annual allocation respectively.

3.15.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.2.56 billion from the CRF account, which was 45 per cent of the Approved Supplementary Budget. This amount represented a decline of 21.7 per cent from Kshs.3.27 billion approved in a similar period of FY 2016/17 and was entirely for recurrent expenditure. There were no requests for development activities.

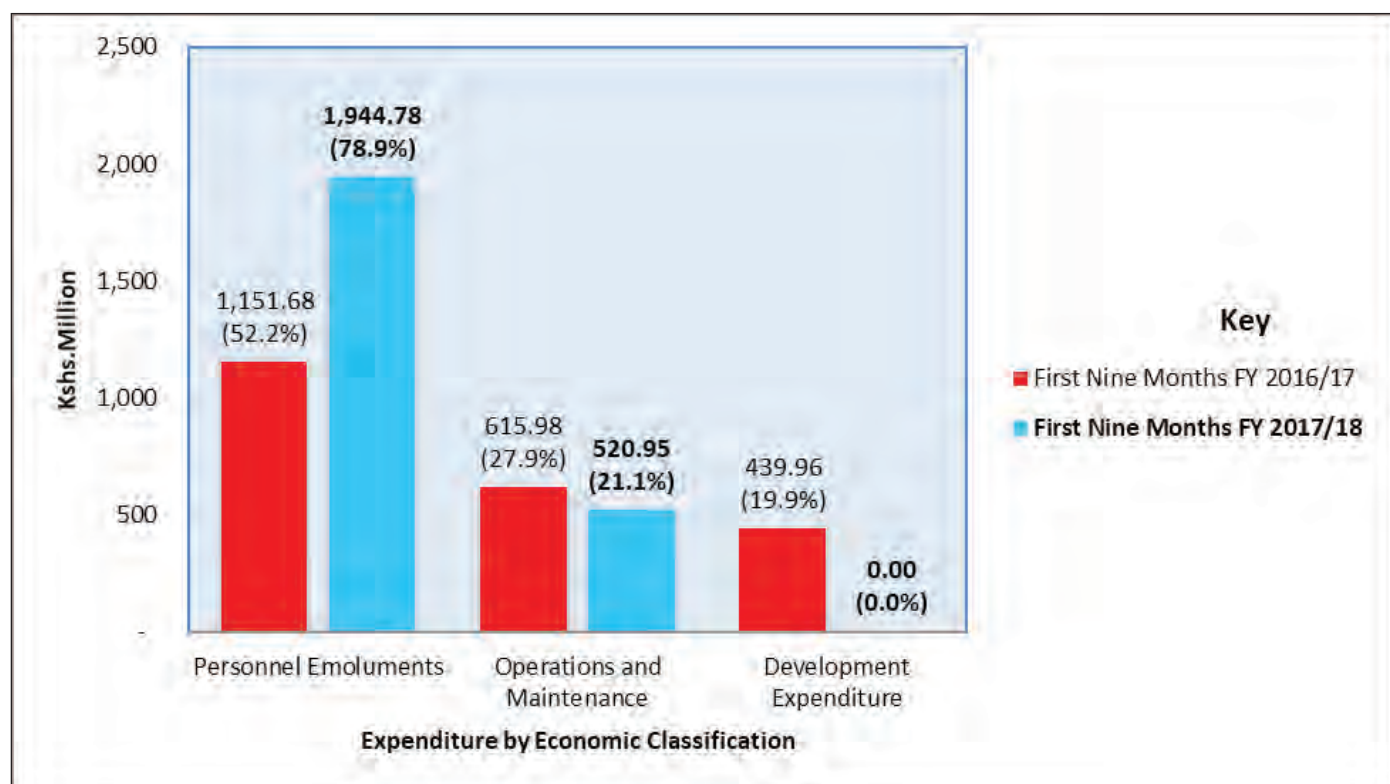
3.15.5 Overall Expenditure Review

The County spent Kshs.2.49 billion, which was 97.4 per cent of the total funds released for operations. This was an increase of 12.8 per cent from Kshs.2.21 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.47 billion was spent on recurrent activities. The County did not spend on development activities. The recurrent expenditure was 96.4 per cent of the funds released for recurrent activities, and excluded outstanding commitments which amounted to Kshs.59.28 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 62.1 per cent of the annual recurrent budget, an increase from 52.5 per cent recorded in a similar period of FY 2016/17. Figure 3-44 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-44: Kirinyaga County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



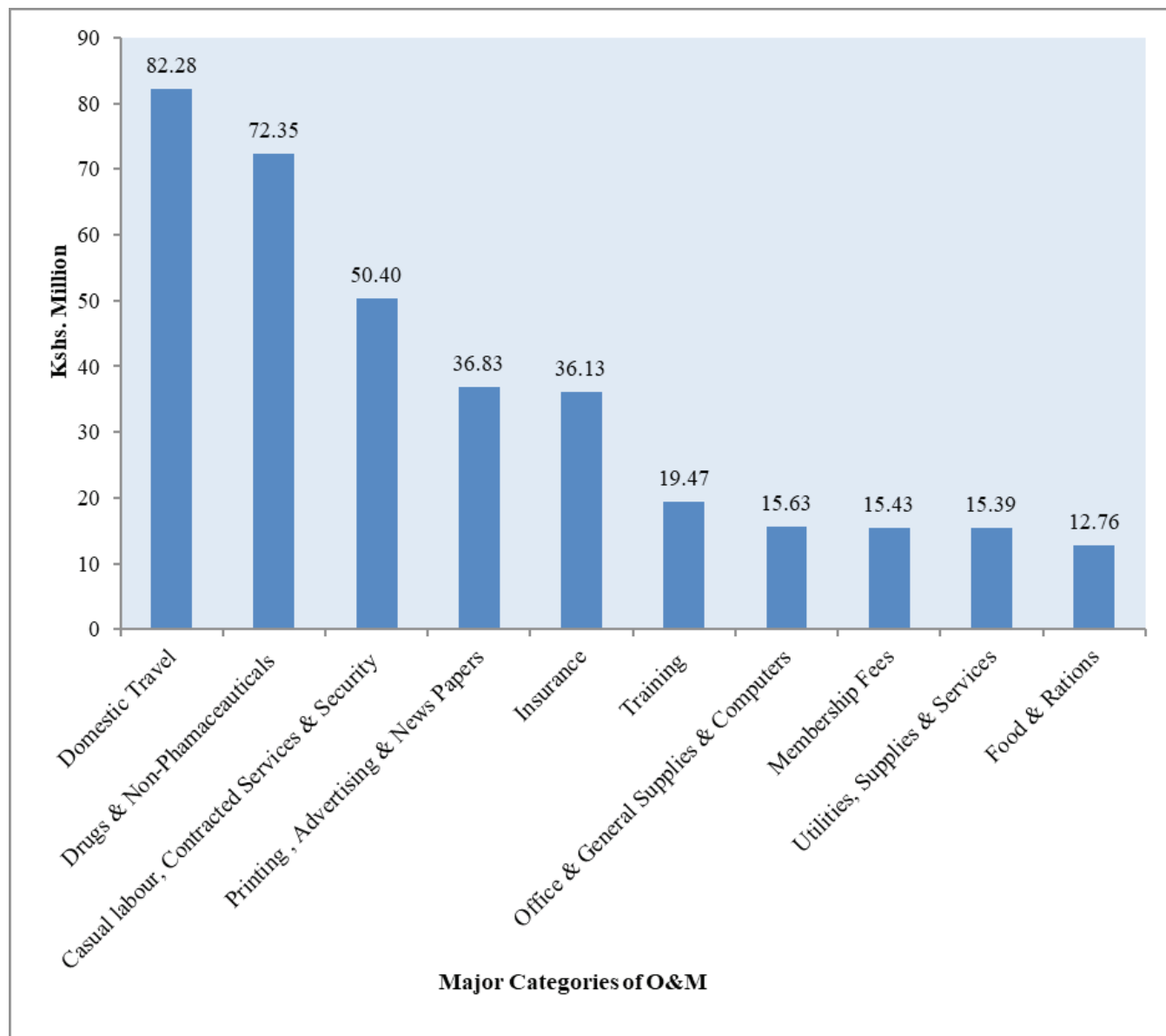
Source: Kirinyaga County Treasury

3.15.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.47 billion comprised of Kshs.1.94 billion (78.9 per cent) incurred on personnel emoluments and Kshs.520.95 million (21.1 per cent) on operations and maintenance as shown in Figure 3-44.

Expenditure on personnel emoluments represented an increase of 68.9 per cent compared to the first nine months of FY 2016/17 when the county spent Kshs.1.15 billion, and was 78.9 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Kirinyaga County Treasury

The County incurred Kshs.10.85 million on committee sitting allowances to the 33 MCAs against the budget allocation of Kshs.62 million. This was a decline of 61 per cent compared to Kshs.27.79 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.36,529 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.82.28 million and comprised of Kshs.50.72 million spent by the County Assembly and Kshs.31.56 million by the County Executive. This represented 4.1per cent of total recurrent expenditure and was a decrease of 3.6 per cent compared to Kshs.103.90 million spent in the first nine months of FY 2016/17.

3.15.7 Development Expenditure Analysis

The County did not report any development expenditure in the first nine months of FY 2017/18.

3.15.8 Budget and Budget Performance Analysis by Department

Table 3-43 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-43: Kirinyaga County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	612.12	93.00	396.84	-	353.01	612.12	89.0	-	57.7	-
County Executive Services	431.42	100.00	263.59	-	263.48	431.42	100.0	-	61.1	-
Finance and Economic planning	494.47	19.00	237.79	-	250.54	494.47	105.4	-	50.7	-
Medical Services	1,734.63	266.11	1,248.32	-	1,202.47	1,734.63	96.3	-	69.3	-
Education	189.33	15.30	80.69	-	82.39	189.33	102.1	-	43.5	-
Agriculture	197.46	164.20	156.82	-	148.47	197.46	94.7	-	75.2	-
Gender/Culture & Social Services	54.42	7.00	29.89	-	29.90	54.42	100	-	54.9	-
Youths and sports	21.21	25.10	2.08	-	0.15	21.21	7.4	-	0.7	-
Trade & Co-operative Development	46.37	129.50	19.42	-	17.78	46.37	91.5	-	38.3	-
Environment and natural resources	85.15	180.40	61.51	-	56.04	85.15	91.1	-	65.8	-
Physical Planning and Housing	24.75	46.04	16.38	-	15.27	24.75	93.2	-	61.7	-
Transport and Infrastructure	78.87	663.56	44.88	-	46.23	78.87	103	-	58.6	-
TOTAL	3,970.19	1,709.20	2,558.22	-	2,465.73	3,970.19	96.4	-	62.2	-

Source: Kirinyaga County Treasury

Analysis of budget performance by department shows that the Department of Agriculture, Livestock & Fisheries had the highest percentage of recurrent expenditure to its recurrent budget at 75.2 per cent while the Department of Youth and Sports had the lowest at 0.7 per cent.

3.15.9 Key Observations and Recommendations

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

- i. Improved internet connectivity, resulting into effective use of IFMIS.
- ii. Timely submission of quarterly financial reports to the Controller of Budget by County Government entities in line with Section 166 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. High wage bill that increased by 68.9 per cent from Kshs.1.15 billion in the first nine months of FY 2016/17 to Kshs.1.94 billion during the period under review, and represented 78.9 per cent of total expenditure.
3. Under-performance in own-source revenue collection, which declined by 18.5 per cent from Kshs.253.80 million in the first nine months of FY 2016/17 to Kshs.206.76 million in the reporting period.
4. Failure by the County Executive to establish an Internal Audit Committee contrary to Section 155 (5) of the PFM Act, 2012.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2017 Disbursement Schedule.*
2. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*
3. *The County Treasury should develop and implement strategies to enhance own-source revenue collection.*
4. *The County Executive should establish an Internal Audit Committee in compliance with Section 155 (5) of the PFM Act, 2012.*

3.16 Kisii County

3.16.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.11.26 billion, comprising of Kshs.7.51 billion (66.7 per cent) and Kshs.3.75 billion (33.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.43 billion (66 per cent) as equitable share of revenue raised nationally, Kshs.1.46 billion (12.9 per cent) as total conditional grants, generate Kshs.950 million (8.4 per cent) from local revenue sources, and Kshs.1.42 billion (12.6 per cent) cash balance brought forward from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.417.57 million (35.4 per cent) for Level 5 Hospital, Kshs.95.74 million (8.1 per cent) for Leasing of Medical Equipment, Kshs.302.24 million (25.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.14 million (2.2 per cent) as Compensation for User Fee Foregone, Kshs.20.48 million (2.7 per cent) from DANIDA, Kshs.50.37 million (4.3 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.29.82 million (2.5 per cent) for Development of Youth Polytechnics, Kshs.50.98 million (6.3 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.50 million (4.2 per cent) as World Bank loan for National Agriculture and Rural Inclusive Growth Project, Kshs.66 million (5.6 per cent) as European Union (EU) grant and Kshs.34.44 million (2.9 per cent) as Other Loans and Grants.

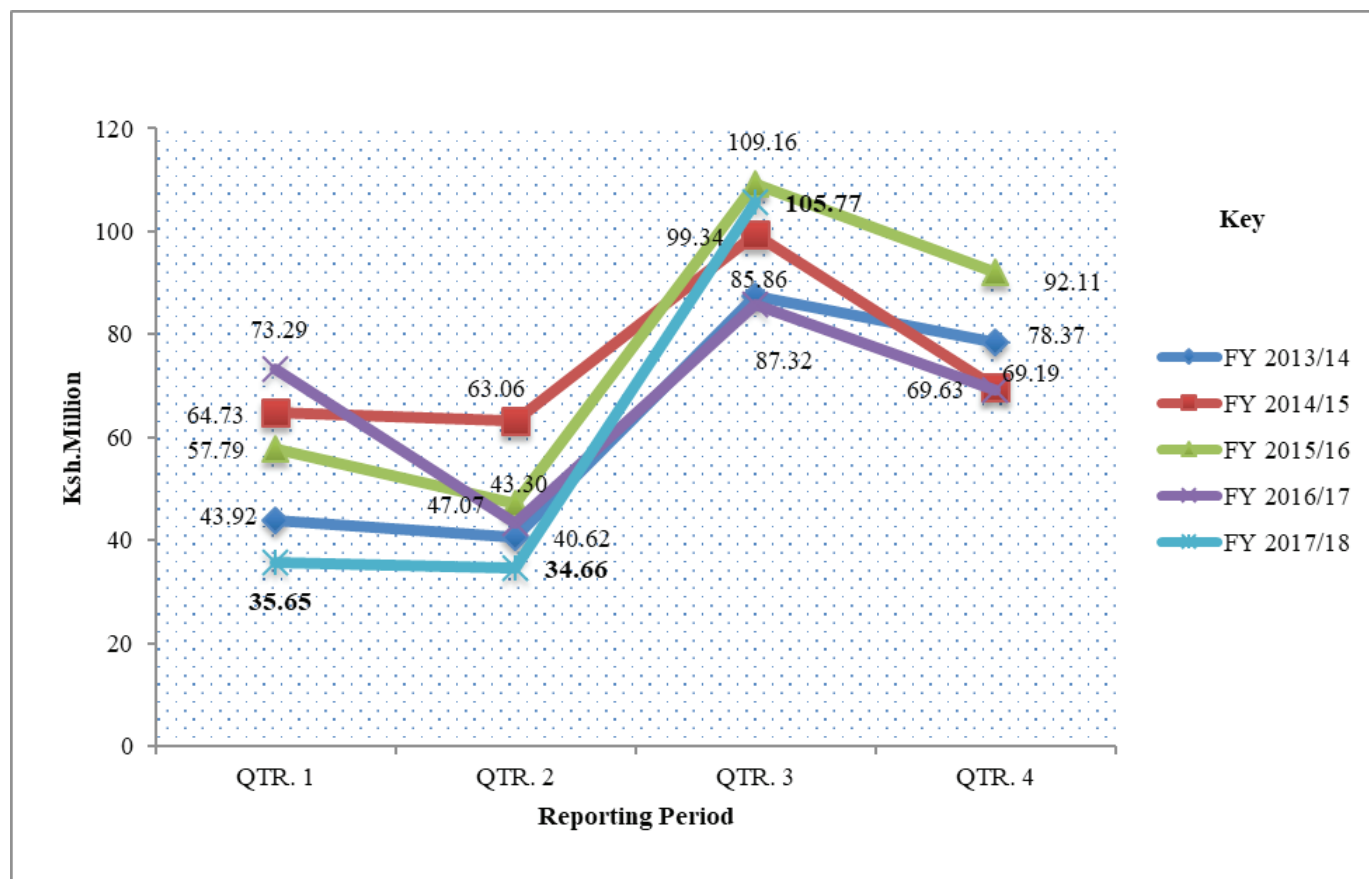
The County also budgeted to receive Kshs.164.05 million as grant for Urban Development Programme, Kshs.141.01 million for Free Maternal Healthcare, and Kshs.8.46 million as Agricultural Sector Development Programme (ASDP) grant, which are not contained in the CARA, 2017.

3.16.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.3.75 billion as equitable share of revenue raised nationally, Kshs.475.69 million as total conditional grants, raised Kshs.176.07 million from own revenue sources, and had a cash balance of Kshs.1.53 billion from FY 2016/17. The total available funds amounted to Kshs.5.95 billion.

Figure3-46 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-46: Kisii County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Kisii County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.176.07 million, representing a decline of 13 per cent compared to Kshs.202.46 million generated in a similar period of FY 2016/17, and represented 18.5 per cent of the annual own source revenue target.

3.16.3 Conditional Grants

Table 3-44 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-44: Kisii County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants or Loans Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Level-5 Hospital	417,572,254	417,572,254	210,873,988	50
2	Road Maintenance Fuel Levy Fund	302,237,647	302,237,647	140,956,469	47
3	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
4	EU Grant	66,000,000	66,000,000	-	-
5	World Bank Loan for Transforming Health System for Universal Care Project	74,159,513	50,984,665	23,174,848	31
6	Kenya Devolution Support Programme (KDSP)	50,373,489	50,373,489	16,121,678	32
7	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101
8	Other Loans & Grants	34,439,292	34,439,292	-	-
9	Development of Youth Polytechnics	29,817,690	29,817,690	-	-

S/No	Grants or Loans Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
10	Compensation for User Fee Foregone	26,138,997	26,138,997	13,473,585	52
11	DANIDA Grant	31,745,251	20,480,807	20,480,807	65
	Sub Total	1,178,228,814	1,143,789,522	475,691,230	40
B	Other Grants				
12	Conditional Allocation for Free Maternal Health care	-	141,013,965	-	-
13	ASDP -SIDA	-	8,455,986	-	-
14	Urban Development Programme Grant	-	164,053,800	-	-
	Sub Total	-	313,523,751	-	-
	Grand Total	1,178,228,814	1,457,313,273	475,691,230	40

Source: Kisii County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from the World Bank Loan for National Agricultural & Rural Inclusive Project, DANIDA, Compensation for User Fees Forgone, Level-5 Hospital, Road Maintenance Fuel Levy Fund, Kenya Devolution Support Programme (KDSP), and World Bank Loan for Transforming Health System for Universal Care Project. The receipts accounted for 101 per cent, 65 per cent, 52 per cent, 50 per cent, 47 per cent, 32 per cent and 31 per cent of annual allocation respectively.

3.16.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.5.59 billion from the CRF account, which was 49.7 per cent of the Approved Supplementary Budget. This amount represented a decline of 0.7 per cent from Kshs.5.63 billion approved in a similar period of FY 2016/17 and comprised of Kshs.4.79 billion (85.7 per cent) for recurrent expenditure and Kshs.801.52 million (14.3 per cent) for development activities.

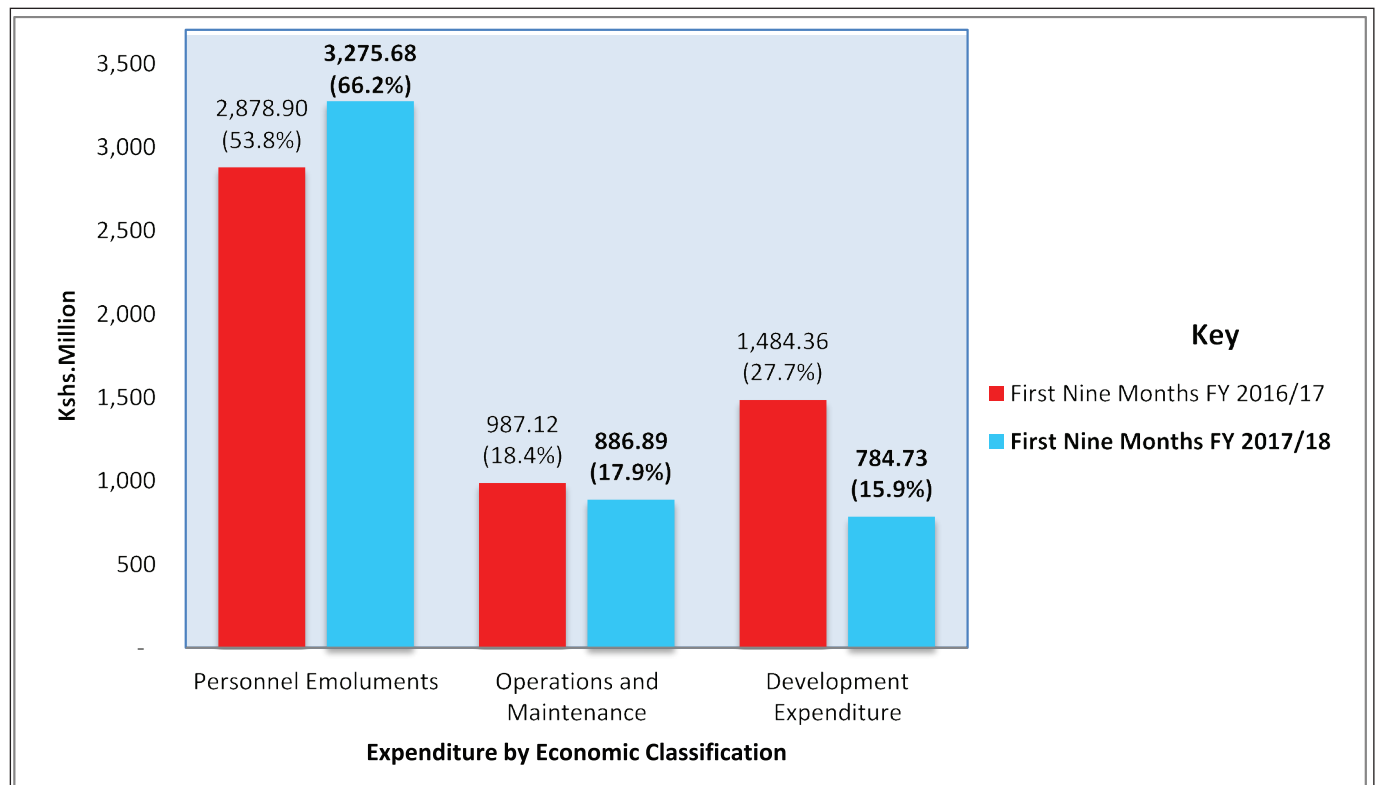
3.16.5 Overall Expenditure Review

The County incurred Kshs.4.95 billion, which was 88.5 per cent of the total funds released for operations. This was a decline of 7.5 per cent from Kshs.5.35 billion incurred in a similar period of FY 2016/17.

A total of Kshs.4.16 billion was spent on recurrent activities while Kshs.784.73 million was spent on development activities. The recurrent expenditure was 86.9 per cent of the funds released for recurrent activities, while development expenditure was 97.9 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.329.69 million for development activities and Kshs.52.93 million for recurrent expenditure.

The recurrent expenditure represented 55.4 per cent of the annual recurrent budget, a decrease from 63.3 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 20.9 per cent, which was a decrease from 37.6 per cent attained in the first nine months of FY 2016/17. Figure 3-47 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-47: Kisii County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



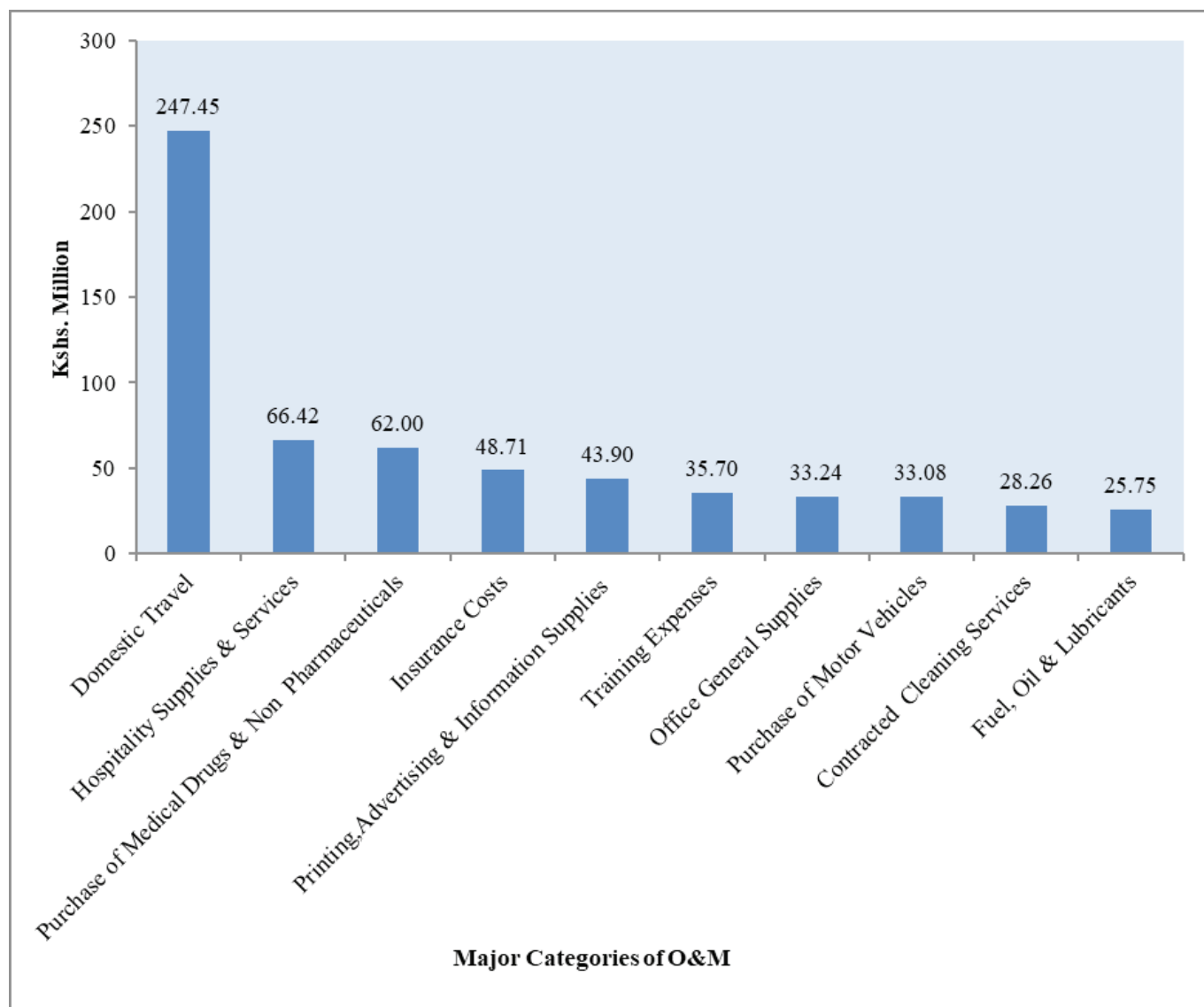
Source: Kisii County Treasury

3.16.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.16 billion comprised of Kshs.3.28 billion (78.7 per cent) incurred on personnel emoluments and Kshs.886.89 million (21.3 per cent) on operations and maintenance as shown in Figure 3-47.

Expenditure on personnel emoluments represented an increase of 13.8 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.2.88 billion, and was 66.2 per cent of total expenditure in the first nine months 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 Nine Months of FY 2017/18



Source: Kisii County Treasury

The County incurred Kshs.21.92 million on committee sitting allowances to the 70 MCAs against the annual budget allocation of Kshs.68.23 million. This was a decline of 65.9 per cent compared to Kshs.64.24 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.34,793 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.275.93 million and comprised of Kshs.60.88 million spent by the County Assembly and Kshs.215.05 million by the County Executive. This represented 6.6 per cent of total recurrent expenditure and was a decline of 4.5 per cent compared to Kshs.264.13 million spent in the first nine months of FY 2016/17.

3.16.7 Development Expenditure Analysis

The total development expenditure of Kshs.784.73 million represented 20.9 per cent of the annual development budget of Kshs.3.75 billion. Table 3-45 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-45: Kisii County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Annual Project budget (Kshs.)	First nine months project expenditure (Kshs.)	Absorption rate (%)
1	Payment for the Software of Electronic Revenue Collection for Kisii County Government	County Headquarters	27,800,000	16,364,944	59
2	Refurbishment of County Assembly Chambers	County Assembly	18,778,035	13,275,124	71
3	Supply and Delivery of Medical Equipment	Various medical facilities	13,000,000	13,000,000	100
4	Supply Semen Pedigree Kagric, Anthrax Vaccine & Liquid Nitrogen	9 Sub Counties	11,818,000	11,818,000	100
5	Establishment of Human Anatomy Laboratory	Level 5 Hospital	11,000,000	11,000,000	100
6	Supply and Delivery of Veterinary drugs, Vaccines and Equipment	9 Sub Counties	8,990,000	8,990,000	100
7	Supply, Delivery and Installation of Laundry washing machine	Level 5 Hospital	8,309,017	8,309,017	100
8	Construction of Itangi Water Supply	Ichuni	7,900,400	6,006,592	76
9	Parking Lot and Landscaping at Kisii Referral Hospital	Level 5 Hospital	7,293,974	7,293,974	100
10	Construction of Orienyo Water Supply	Orienyo	6,439,670	6,439,670	100

Source: Kisii County Treasury

3.16.8 Budget and Budget Performance Analysis by Department

Table 3-46 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-46: Kisii County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	879.85	123.66	530.73	13.28	473.25	13.28	89.2	100.0	53.8	10.7
County Executive/ Office of the Governor	505.89	5.00	357.26	-	301.20	-	84.3	-	59.5	-
Finance & Economic Planning	1,320.59	178.70	657.12	28.91	602.90	29.66	91.7	102.6	45.7	16.6
Agriculture, Livestock & Fisheries	396.46	258.64	245.91	118.45	189.32	105.17	77.0	88.8	47.8	40.7
Water development, Environment & Natural Resources	151.11	299.30	97.48	46.05	87.15	53.09	89.4	115.3	57.7	17.7
Education, Youth Affairs & Social Development	543.05	185.62	310.40	3.81	262.82	3.09	84.7	81.1	48.4	1.7
County Health Services	2,655.75	763.87	1,868.17	217.07	1,606.87	215.08	86.0	99.1	60.5	28.2
Land, Physical Planning & Urban Development	80.04	243.16	59.18	60.65	53.26	64.25	90.0	105.9	66.5	26.4

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Roads, Public Works and Transport	143.89	1,046.31	89.39	260.61	69.89	257.15	78.2	98.7	48.6	24.6
Trade Development & Regulations	67.97	115.92	42.80	4.69	38.57	4.52	90.1	96.3	56.8	3.9
Culture & Social Services	70.58	156.69	50.44	25.77	47.13	17.96	93.4	69.7	66.8	11.5
Kisii Town Urban Area	101.78	260.47	51.53	2.29	58.44	2.29	113.4	99.9	57.4	0.9
Administration & Stakeholder Management	594.27	109.03	428.35	19.96	371.76	19.20	86.8	96.2	62.6	17.6
TOTAL	7,511.23	3,746.35	4,788.77	801.52	4,162.56	784.73	86.9	97.9	55.4	20.9

Source: Kisii County Treasury

Analysis of budget performance by department shows that, the Department of Agriculture, Livestock, and Fisheries attained the highest absorption rate of development budget at 40.7 per cent while the Office of the Governor did not incur any development expenditure. The Department of Culture and Social Services had the highest percentage of recurrent expenditure to recurrent budget at 66.8 per cent while the Department of Finance and Economic Planning had the lowest at 45.7 per cent.

3.16.9 Key Observations and Recommendations

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

- i. Improved internet connectivity, which enabled use of IFMIS and Internet Banking by the County Assembly, thereby ensuring transparent financial management and standard financial reporting as contemplated by Article 226 of the Constitution.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Under-performance in own-source revenue collection, which declined by 13 per cent from Kshs.202.46 million in the first nine months of FY 2016/17 to Kshs.176.07 million in the first nine months of FY 2017/18, representing 18.5 per cent of annual target.
3. Failure to deposit all own source revenue receipts into the County Revenue Fund contrary to Section 109 of the PFM Act, 2012. From analysis of bank statements and expenditure returns, the Office noted that the Department of Health Services and the Department of Trade Regulations and Development did not bank all revenue receipts into the CRF account.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection.*
3. *The County Treasury should ensure all departments adhere to Section 109 of the PFM Act, 2012 and bank all own revenue receipts into the CRF account.*

1.17 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 (31.5 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, generate Kshs.1.40 billion (14.4 per cent) from own revenue sources, and Kshs.747.84 million (7.7 per cent) cash balance brought forward from FY 2016/17.

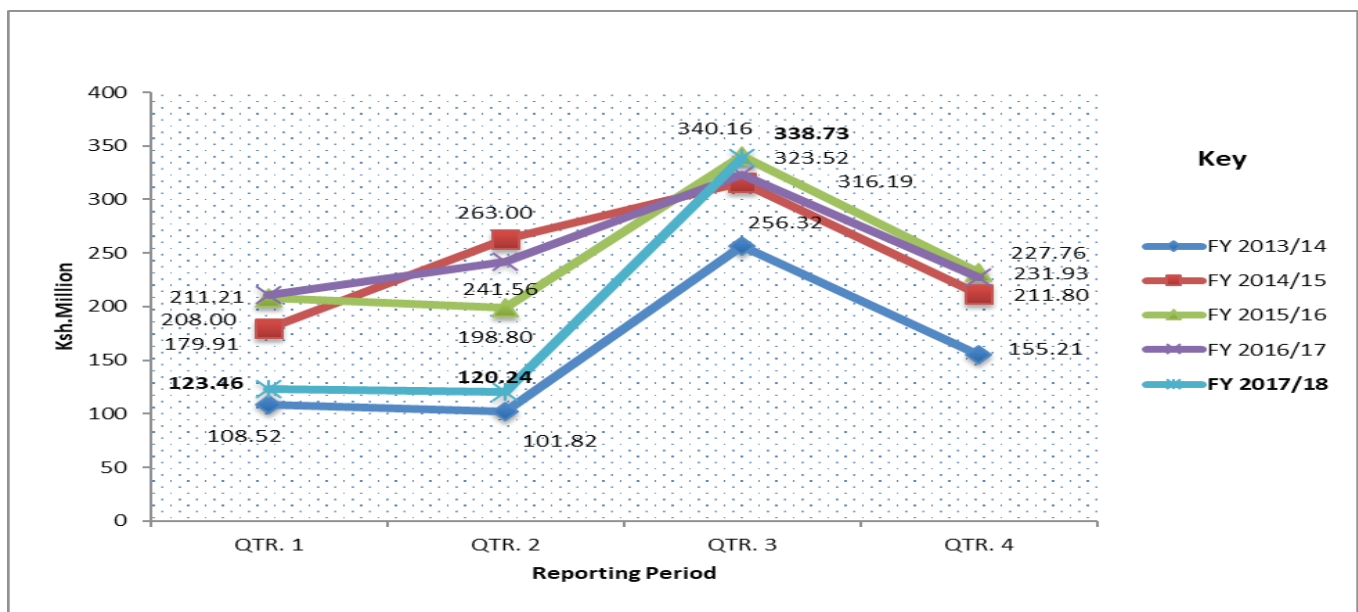
The conditional grants contained in the CARA, 2017 comprise of Kshs.369.02 million (38.4 per cent) for Level 5 Hospital, Kshs.242.06 million (25.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 (10 per cent) million for Leasing of Medical Equipment, Kshs.21.30 million (2.2 per cent) as Compensation for User Fee Foregone, Kshs.25.42 million (1.7 per cent) from DANIDA, Kshs.46.36 million (4.8 per cent) for the World Bank Kenya Devolution Support Program, Kshs.28.47 million (3.0 per cent) for Development of Youth Polytechnics, Kshs.67.36 million (4.8 per cent) as World Bank loan for Transforming Health System for Universal Care System and Kshs.66 million (6.9 per cent) as European Union (EU) Grant.

3.17.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.3.31 billion as equitable share of revenue raised nationally, Kshs.363.57 million as total conditional grants, raised Kshs.582.43 million from own source revenue, and had a cash balance of Kshs.550.89 million from FY 2016/17. The total available funds amounted to Kshs.4.82 billion.

Figure3-49 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-49: Kisumu County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Kisumu County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.582.43 million, representing a decline of 25 per cent compared to Kshs.776.29 million generated in a similar period of FY 2016/17, and represented 41.7 per cent of the annual own source revenue target.

3.17.3 Conditional Grants

Table 3-47 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-47: Kisumu County, Analysis of Conditional Grants in the First Nine Months of FY 2017/18

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Grant to Level 5 Hospital	369,017,341	369,017,341	186,353,758	50.5
2	Road Maintenance Fuel Levy Fund	242,061,249	242,061,249	112,891,625	46.6
3	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
4	World Bank loan for Transforming Health System for universal Care Project	67,364,354	46,312,993	21,051,361	31.3
5	European Union (EU) Grant	66,000,000	66,000,000	-	-
6	Kenya Devolution Support Programme (KDSP)	46,361,941	46,361,941	15,943,538	34
7	Conditional Allocation - Other Loans & Grants	-	30,073,021	-	-
8	Development of Youth Polytechnics	28,472,587	28,472,587	-	-
9	DANIDA grant	25,424,679	16,403,019	16,403,019	64.5
10	Compensation for User Fee Foregone	21,299,489	21,165,550	10,927,146	51.6
Total		961,746,321	961,612,382	363,570,447	38

Source: Kisumu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from the DANIDA, Compensation for User Fees Foregone, Level 5 Hospital, the Road Maintenance Fuel Levy Fund, Kenya Devolution Support Programme, and the World Bank loan Transforming Health System for Universal Care Project. These accounted for 64.5 per cent, 51.6 per cent, 50.5 per cent, 46.6 per cent 34 per cent, and 31.3 per cent of annual allocation respectively.

3.17.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.07 billion from the CRF account, which was 42.1 per cent of the Approved Supplementary Budget. This amount represented a decline of 32.3 per cent from Kshs.6.01 billion approved in a similar period of FY 2016/17 and comprised of Kshs.4.04 billion (99.3 per cent) for recurrent expenditure and Kshs.29.04 million (0.7 per cent) for development activities.

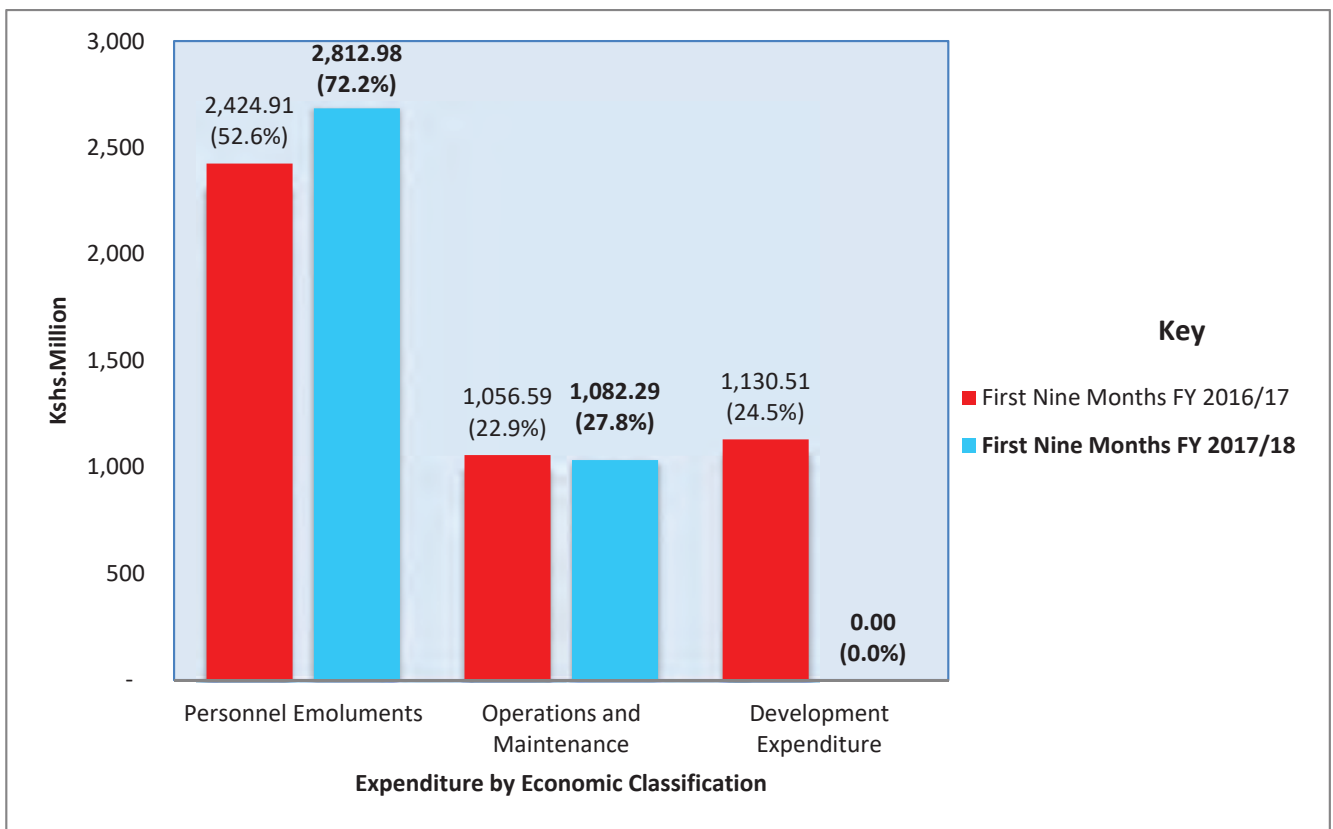
3.17.5 Overall Expenditure Review

The County spent Kshs.3.90 billion, which was 95.7 per cent of the total funds released for operations. This was a decline of 15.5 per cent from Kshs.4.61 billion incurred in a similar period of FY 2016/17.

A total of Kshs.3.90 billion was spent on recurrent activities while no expenditure was incurred on development activities. The recurrent expenditure was 95.7 per cent of the funds released for recurrent activities, and excluded outstanding commitments of Kshs.330.91 million for recurrent expenditure.

The recurrent expenditure represented 58.8 per cent of the annual recurrent budget, an increase from 57.2 per cent recorded in a similar period of FY 2016/17. Figure 3-50 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-50: Kisumu County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



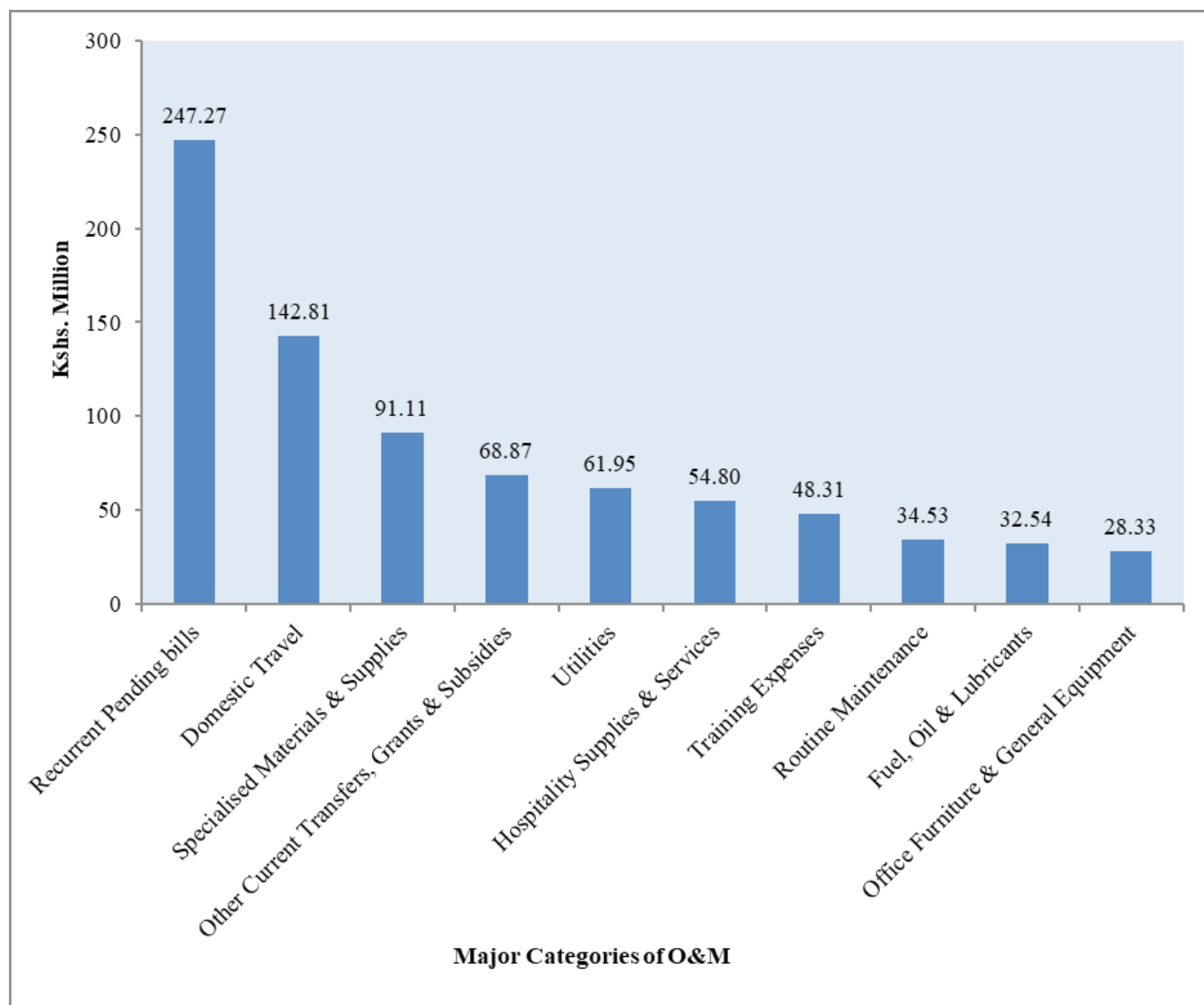
Source: Kisumu County Treasury

3.17.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.90 billion comprised of Kshs.2.81 billion (72.2 per cent) incurred on personnel emoluments and Kshs.1.08 million (27.8 per cent) on operations and maintenance as shown in Figure 3-50.

Expenditure on personnel emoluments represented an increase of 16.1 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.2.42 billion, and was 72.2 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Kisumu County Treasury

The County incurred Kshs.11.71 million on committee sitting allowances to the 49 MCAs against the annual budget allocation of Kshs.63.5 million. This was a decline of 64.9 per cent compared to Kshs.33.40 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.26,546 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.142.81 million and comprised of Kshs.36.93 million spent by the County Assembly and Kshs.105.88 million by the County Executive. This represented 3.7 per cent of total recurrent expenditure and was an increase of 20.1 per cent compared to Kshs.117.97 million spent in the first nine months of FY 2016/17. Conversely, Expenditure on foreign travel amounted to Kshs.25.33 million and comprised of Kshs.14.45 million spent by the County Assembly and Kshs.10.88 million by the County Executive. This represented 0.7 per cent of total recurrent expenditure and was an increase of 15 per cent compared to Kshs.22.03 million spent in the first nine months of FY 2016/17.

A review of actual expenditure against vote allocation showed that expenditure for some items exceeded the budgeted amounts as shown in Table 3-48.

Table 3-48: Kisumu County, Recurrent Expenditure Variance Analysis for the first nine months of FY 2017/18

Department/ (Sub-Programme)	Item Title	Approved Budget FY2017/18	Expenditure in the First Nine Months of FY 2017/18	Variance
Agriculture, Livestock & Fisheries (SP30102: Management of Stations)	Refined Fuels and Lubricants for Transport	5,999,440	7,300,000	(1,300,560)
County Assembly (Administration Services)	Medals, Awards and Honours	10,000,000	12,500,448	(2,500,448)
	Purchase of Uniforms & Clothing - Staff	1,000,000	2,027,652	(1,027,652)

Source: Kisumu County Treasury

3.17.7 Development Expenditure Analysis

The County did not incur expenditure on development activities during the first nine months of FY 2017/2018.

3.17.8 Budget Performance Analysis by Department

Table 3-48 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-49: Kisumu County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months 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	280.63	-	240.62	-	85.7	-	53.5	-
Finance and Planning	918.64	1,161.46	378.18	29.05	451.06	-	119.3	-	49.1	-
Agriculture, Livestock and Fisheries	265.77	178.74	188.94	-	165.79	-	87.7	-	62.4	-
Education, Youth, Culture and Social Services	385.14	145.67	202.58	-	209.36	-	103.3	-	54.4	-
Tourism, Trade and Heritage	52.35	160.93	26.94	-	19.30	-	71.6	-	36.9	-
Lands, Housing and Physical Planning	29.86	159.34	20.90	-	12.21	-	58.4	-	40.9	-
Roads, Transport and Public Works	221.87	189.79	90.85	-	77.18	-	85	-	34.8	-
Health Services	2,449.61	164.13	1,730.92	-	1,713.22	-	99	-	69.9	-
Water, Environment and Natural Resources	177.70	164.16	53.81	-	75.60	-	140.5	-	42.5	-
Industrialization, Enterprise Development, Energy and Mining	151.29	330.22	79.43	-	60.88	-	76.6	-	40.2	-
Communication, Information and Technology	84.52	145.67	34.55	-	16.65	-	48.2	-	19.7	-
County Assembly	656.62	-	302.40	-	250.49	-	82.8	-	38.1	-
City of Kisumu	672.19	119.96	608.47	-	576.77	-	94.8	-	85.8	-
County Public Service Board	105.75	4.00	42.19	-	26.12	-	61.9	-	24.7	-
TOTAL	6,621.01	3,037.1	4,040.8	29.05	3,895.3	-	96.4	-	58.8	-

Source: Kisumu County Treasury

Analysis of budget performance by department shows that City of Kisumu Department had the highest percentage of recurrent expenditure to its recurrent budget at 85.8 per cent while the Department of Communication, Information and Technology had the lowest absorption at 19.7 per cent.

3.17.9 Key Observations and Recommendations

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

- i. Improved internet connectivity, resulting into effective use of IFMIS.
- ii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

Despite the above progress, the following 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. High wage bill that increased by 16.1 per cent from Kshs.2.42 billion in the first nine months of FY 2016/17 to Kshs.2.81 billion during the period under review.
3. Decline in local revenue collection. The County collected Kshs.582.43 million during the first nine months of FY 2017/18 which was a decline of 25 per cent from Kshs.776.29 million realised in a similar period of the FY 2016/17.
4. Increased expenditure on travel costs by 20.1 per cent from Kshs.140 million in the first nine months of FY 2016/17 to Kshs.168.14 million in the reporting period.
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 County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection.*
4. *The County should reduce expenditure on non-essential items in order to fund development projects.*
5. *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 Supplementary Budget is Kshs.11.36 billion, comprising of Kshs.6.11 billion (53.8 per cent) and Kshs.5.25 billion (46.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.65 billion (76.2 per cent) as equitable share of revenue raised nationally, Kshs.686.34 million (6 per cent) as total conditional grants, generate Kshs.702.04 million (6.2 per cent) as own revenue source, and Kshs.1.32 billion (11.6 per cent) cash balance brought forward from FY 2016/17.

The conditional grants contained in the CARA, 2017 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.22.50 million (2.7 per cent) as Compensation for User Fee Foregone, Kshs.32.52 million (3.9 per cent) from DANIDA, Kshs.58.21 million (6.9 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.53.67 million (6.4 per cent) for the World Bank Kenya Devolution Support

Programme, Kshs.67.58 million (8.0 per cent) for Development of Youth Polytechnics, Kshs.150.44 million (17.9 per cent) as World Bank loan for Transforming Health System for Universal Care Project, and Kshs.50 million (6 per cent) as World Bank Loan for National Agricultural and Rural Inclusive Growth Project.

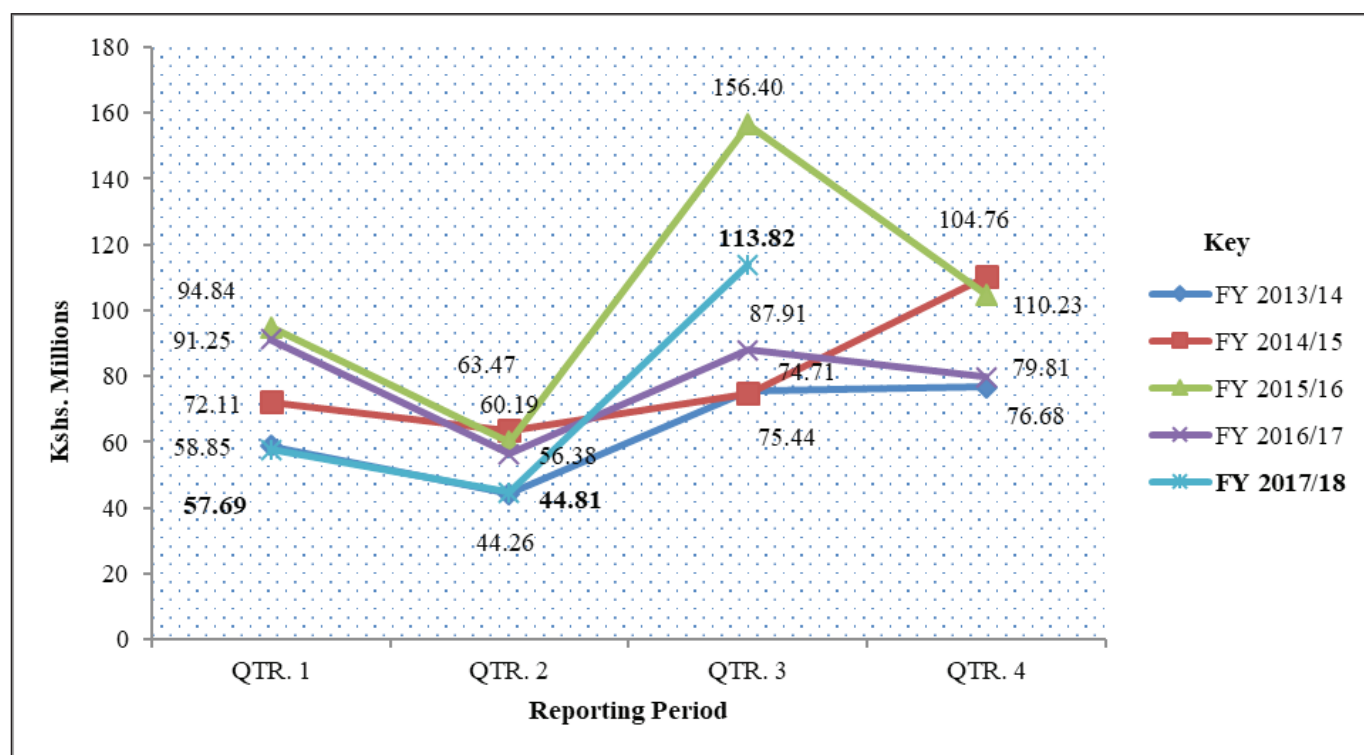
The County also budgeted to receive Kshs.58.55 million as other loans and grants, which is not contained in the County Allocation of Revenue Act, 2017.

3.18.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.4.52 billion as equitable share of revenue raised nationally, Kshs.348.61 million as total conditional grants, raised Kshs.216.32 million from own revenue source, and reported a cash balance of Kshs.1.32 billion from FY 2016/17. The total available funds amounted to Kshs.6.43 billion.

Figure 3-52 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-52: Kitui County, Trend in Own Revenue Source Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Kitui County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.216.32 million, representing a decline of 8.2 per cent compared to Kshs.235.54 million generated in a similar period of FY 2016/17, and represented 30.8 per cent of the annual own source revenue target.

3.18.3 Conditional Grants

Table 3-50 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-50: Kitui County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	309,636,150	309,636,150	199,483,354	64.4
2	World Bank Loan for Transforming Health System for Universal Care System	150,444,260	103,430,429	47,013,831	31.2
3	Grants for Development of Youth Polytechnics	67,576,636	67,576,636	-	-
4	KDSP (Level 1 Grant + FY 2016/17 allocation)	53,665,066	53,665,066	18,943,671	35
5	World Bank Loan for National Agricultural & Rural Inclusive Growth Project	50,000,000	50,000,000	50,609,855	101.2
6	Compensation for User Fee Foregone	22,499,906	22,499,906	11,572,499	51.4
7	DANIDA Grant for Universal Healthcare in Devolved System Program	32,522,346	20,982,159	20,982,159	64.5
8	Leasing of Medical Equipment	95,744,681	-	-	-
9	World Bank loan to supplement financing of County Health facilities	58,210,000	-	-	-
	Sub Total	840,299,045	627,790,346	348,605,369	41
B	Other Grants				
10	Other Loans & Grants	-	58,554,018	-	∞
	Grand Total	840,299,045	686,344,364	348,605,369	41

Source: Kitui County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from the World Bank loan for National Agricultural and Rural Inclusive Growth Project, DANIDA grant, Road Maintenance Fuel Levy Fund, Compensation for User Fee Foregone, Kenya Devolution Support Programme, and World Bank loan for Transforming Health System for Universal Care System,. The receipts accounted for 101.2 per cent, 64.5 per cent, 64.4 per cent, 51.4 per cent, 35 per cent and 31.2 per cent of their annual allocation respectively.

3.18.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.94 billion from the CRF account, which was 43.5 per cent of the Approved Supplementary Budget. This amount represented a decline of 24.8 per cent from Kshs.6.57 billion approved in a similar period of FY 2016/17 and comprised of Kshs.3.86 billion (78.1 per cent) for recurrent expenditure and Kshs.1.08 billion (21.9 per cent) for development activities.

3.18.5 Overall Expenditure Review

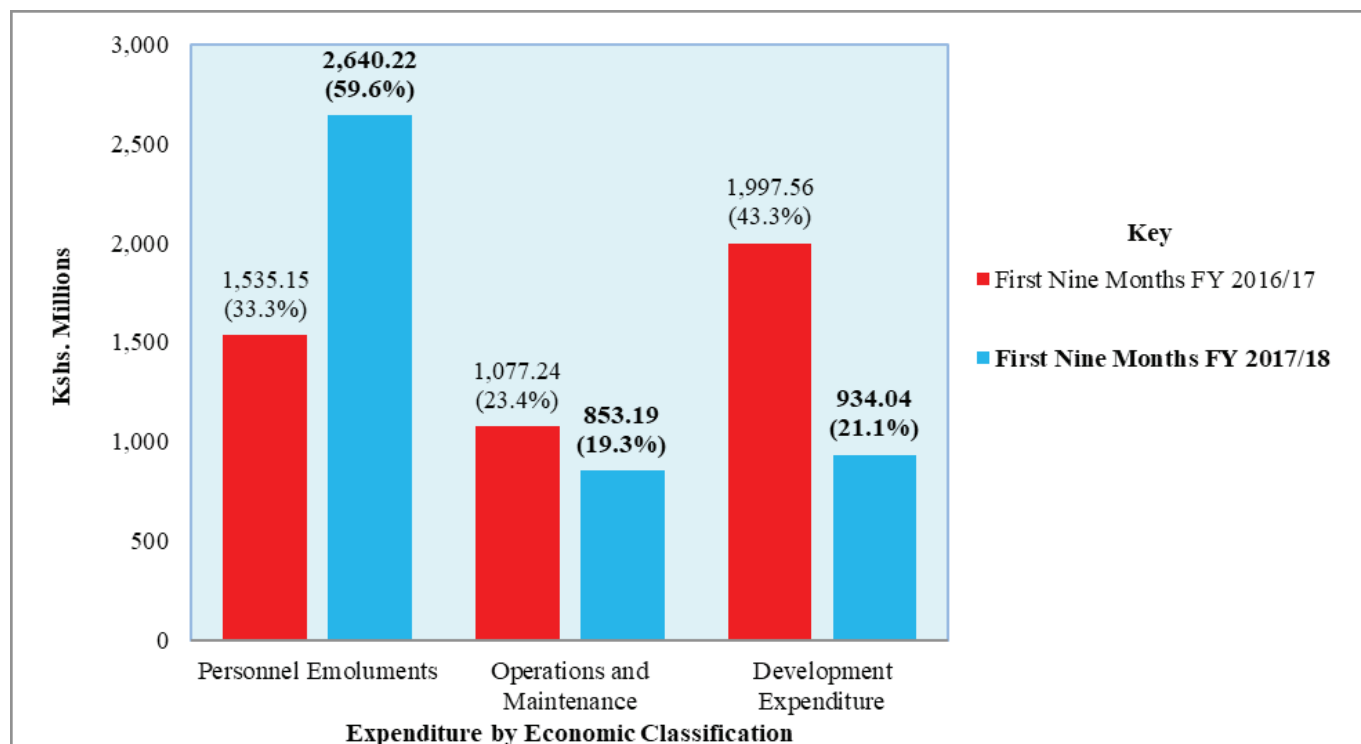
The County spent Kshs.4.43 billion, which was 89.6 per cent of the total funds released for operations. This was a decline of 3.9 per cent from Kshs.4.61 billion incurred in a similar period of FY 2016/17.

A total of Kshs.3.49 billion was spent on recurrent activities while Kshs.934.04 million was spent on development activities. The recurrent expenditure was 90.6 per cent of the funds released for recurrent activities, while development expenditure was 86.2 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.731.91 million for development activities and Kshs.264.20 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 57.2 per cent of the annual recurrent budget, an increase from 47 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate

of 17.8 per cent, which was a decrease from 37.7 per cent attained in the first nine months of FY 2016/17. Figure 3-53 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-53: Kitui County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



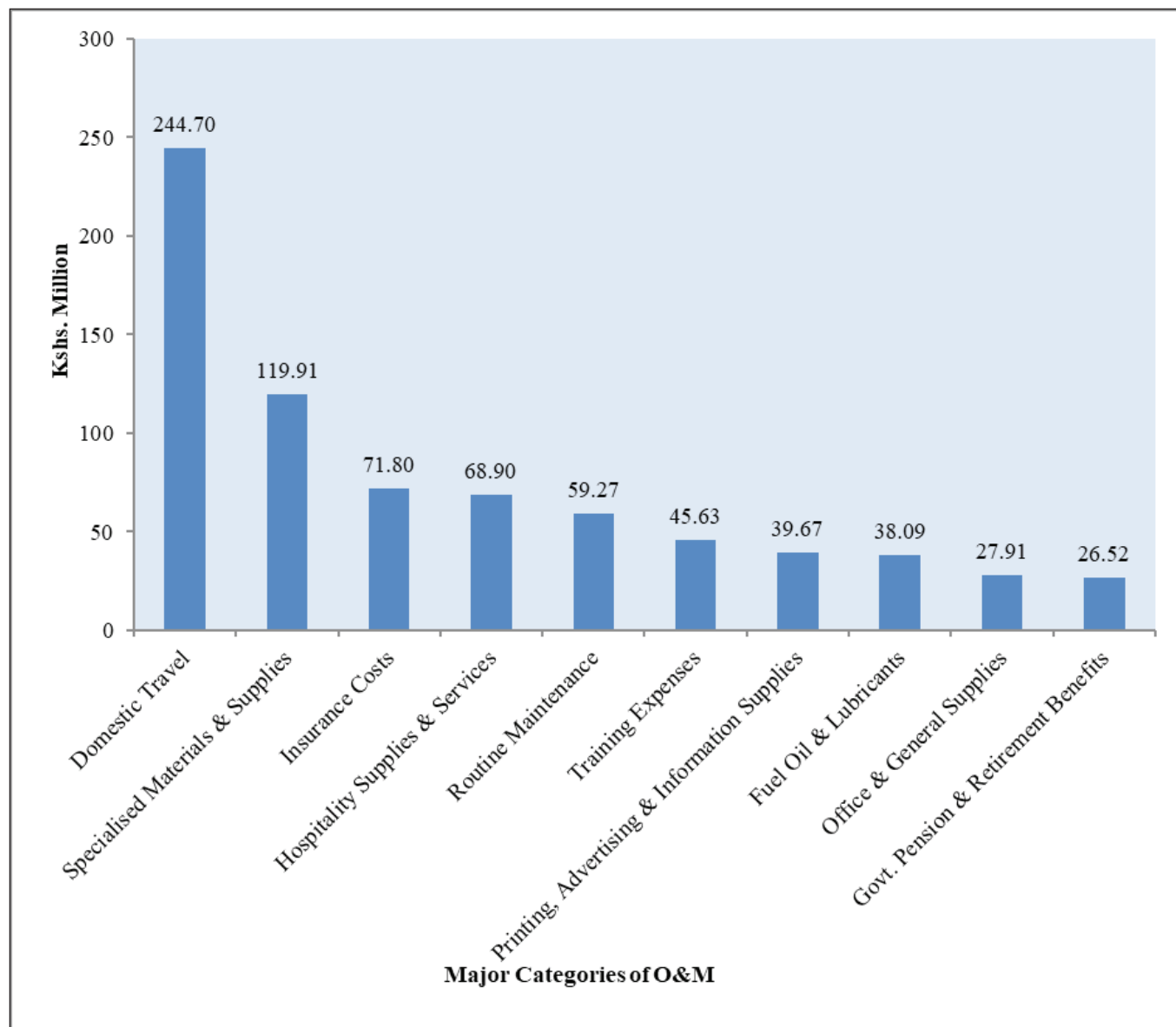
Source: Kitui County Treasury

3.18.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.49 billion comprised of Kshs.2.64 billion (75.6 per cent) incurred on personnel emoluments and Kshs.853.19 million (24.4 per cent) on operations and maintenance as shown in Figure 3-53.

Expenditure on personnel emoluments represented an increase of 72 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.54 billion, and was 59.6 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Kitui County Treasury

The County incurred Kshs.8.03 million on committee sitting allowances to the 54 MCAs and Speaker against the annual budget allocation of Kshs.33.12 million. This was a decline of 77.2 per cent compared to Kshs.35.28 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.16,224 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.244.70 million and comprised of Kshs.46.24 million spent by the County Assembly and Kshs.198.47 million by the County Executive. This represented 7 per cent of total recurrent expenditure and was an increase of 3.7 per cent compared to Kshs.235.97 million spent in the first nine months of FY 2016/17.

3.18.7 Development Expenditure Analysis

The total development expenditure of Kshs.934.04 million represented 17.8 per cent of the annual development budget of Kshs.5.25 billion. Table 3-51 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-51: Kitui County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Annual project budget (Kshs.)	First nine months project expenditure (Kshs.)	Absorption rate (%)
1	Ndengu Revolution	All Sub-Counties	56,755,840	55,087,157	100
2	Subsidies for Water Service Providers		100,000,000	40,000,000	40
3	Modern Debating Chamber – County Assembly of Kitui	County Assembly of Kitui	176,787,757	36,641,866	21
4	Purchase of Maintenance Items in Water Supply Systems		31,134,633	35,000,600	112.4
5	Purchase of Excavator and Sub-Soiler	All Sub-Counties	31,734,796	30,439,000	99
6	Construction/Desilting of Earth Dams and Rock Catchment	County Wide	100,000,000	20,000,000	20
7	Feasibility Studies – Water Department		12,000,000	17,000,000	141.7
8	Bush Clearing Along County Roads	Across the County	14,579,151	14,562,319	99.9
9	Purchase and Installation of Water Tanks (1,200)	All Wards	160,000,000	12,000,000	7.5
10	Purchase of Tipper – Agriculture,	AMS Kitui	9,860,000	9,860,000	100

Source: Kitui County Treasury

3.18.8 Budget and Budget Performance Analysis by Department

Table 3-52 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-52: Kitui County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	509.92	777.04	341.76	78.39	251.57	150.98	73.6	192.6	49.3	19.4
Administration and Coordination of County Affairs	375.10	79.52	309.86	-	248.96	0.14	80.3	∞	66.4	0.2
County Treasury	762.99	130.21	282.02	39.05	268.50	3.83	95.2	9.8	35.2	2.9
Health and Sanitation	2,005.63	770.06	1,334.15	210.53	1,512.27	159.27	113.4	75.7	75.4	20.7
Basic Education, ICT, and Youth Development	533.22	398.58	355.81	43.64	307.72	56.05	86.5	128.4	57.7	14.1
Trade, Cooperatives and Investments	63.04	156.41	48.68	6.22	36.47	25.95	74.9	417.2	57.9	16.6
Lands, Infrastructure, Housing, and Urban Development	210.29	939.44	166.17	281.55	138.60	97.21	83.4	34.5	65.9	10.3
Tourism, Sports and Culture	120.26	237.18	86.07	31.66	26.65	39.12	31.0	123.6	22.2	16.5
Agriculture, Water and Livestock Development	433.94	1,046.25	328.73	301.57	248.85	296.63	75.7	98.4	57.3	28.4
Environment and Natural Resources	64.86	212.41	49.76	10.08	14.38	21.32	28.9	211.6	22.2	10
County Public Service Board	70.31	17.86	50.18	-	32.31	-	64.4	-	46.0	-

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Service Board (County Assembly)	812.98	176.79	385.09	36.64	321.81	33.27	83.6	90.8	39.6	18.8
Kitui Town Administration (County Headquarters)	87.67	211.45	72.34	34.02	51.84	36.03	71.7	105.9	59.1	17
Mwingi Town Administration	57.79	99.15	44.68	10.84	14.13	13.71	31.6	126.5	24.4	13.8
Culture, Youth, Sports & Social Services	-	-	-	-	19.35	0.50	-	-	-	-
Total	6,108.01	5,252.35	3,855.29	1,084.19	3,493.41	934.04	90.6	86.2	57.2	17.8

Source: Kitui County Treasury

Analysis of budget performance by department shows that, the Department of Agriculture, Water and Livestock Development attained the highest absorption rate of development budget at 28.4 per cent while the County Public Service Board did not incur any development expenditure. The Department of Health and Sanitation had the highest percentage of recurrent expenditure to its recurrent budget at 75.4 per cent while the Department of Environment and Natural Resources and Department of Tourism, Sports and Culture had the lowest at 22.2 per cent each. It is also worth noting that some departmental expenditure exceed exchequer issued during the same period such as Trade, Cooperatives and Investment Department that spent Kshs.19.73 million on development activities more than the exchequer issued of Kshs.6.22 million.

3.18.9 Key Observations and Recommendations

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

- i. Adoption of IFMIS to process financial transactions by both the County Executive and the Assembly.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 17.8 per cent compared to 37.7 per cent in a similar period in FY 2016/17.
3. The County's wage bill has remained high, having increased by 72.0 per cent from Kshs.1.54 billion in the first nine months of FY 2016/17 to Kshs.2.64 billion in the period under review.

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

1. The County Treasury should liaise with the National Treasury to ensure that funds allocated to the county are released in a timely manner in line with the CARA, 2017 Disbursement Schedule.
2. The County should devise strategies to enhance absorption of development funds.
3. The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.

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.677.75 million (5.7 per cent) as total conditional grants, generate Kshs.275 million (2.8 per cent) from own revenue sources, and Kshs.1.84 billion (18.9 per cent) cash balance from FY 2016/17.

Conditional grants contained in the CARA, 2017 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 Fees Foregone and Kshs.95.74 million (13.8 per cent) for Leasing of Medical Equipment. Further, Conditional loans and grants from Development Partners to the County comprise of Kshs.37.08 million (5.3 per cent), Kshs.67.49 million (9.7 per cent) and Kshs.50 million (7.2 per cent) as World Bank (WB) Loans 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 level loan, Kshs.66.0 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.

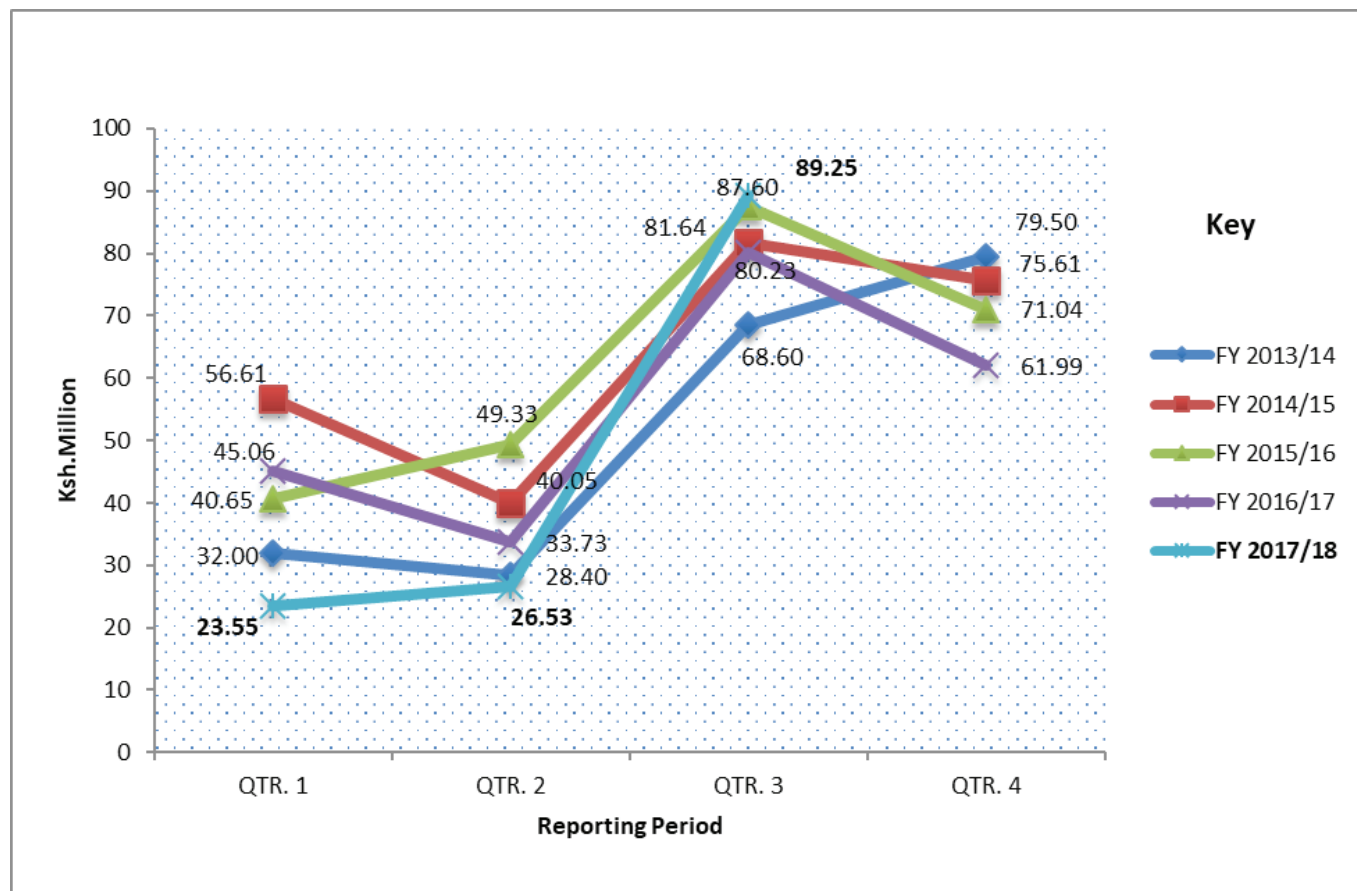
The County budgeted to receive Kshs.119.39 million for Free Maternity Health Care, which is not contained in the CARA, 2017.

3.19.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.3.79 billion as equitable share of revenue raised nationally, Kshs.224.12 million as total conditional grants, raised Kshs.139.33 million from own sources of revenue, and had a cash balance of Kshs.1.07 billion from FY 2016/17. The total available funds amounted to Kshs.5.23billion.

Figure3-55 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure3-55: Kwale County, Trend in Own-source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Kwale County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.139.33 million, representing a decline of 3.1 per cent compared to Kshs.143.82 million generated in a similar period of FY 2016/17, and represented 50.7 per cent of the annual own source revenue target.

3.19.3 Conditional Grants

Table 3-53 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-53: Kwale County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	218,390,206	190,575,206	101,852,012	53
2	World Bank Loan for Transforming Health System for universal Care Project	98,175,267	138,263,309	30,679,711	22
3	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
4	EU Grant	66,000,000		-	-
5	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	56,383,471	50,609,855	-
6	Kenya Devolution Support Programme (KDSP)	47,394,016	47,394,016	18,482,678	39
7	Development of Youth Polytechnics	43,762,833	-	-	-
8	Conditional Allocation - Other Loans & Grants	38,819,208	-	-	-

S/No	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
9	World Bank loan to supplement financing of County Health facilities	37,075,000	-	-	-
10	DANIDA Grant	22,938,413	14,798,976	14,798,976	-
11	Compensation for User Fee Foregone	15,209,593	15,209,593	7,698,806	51
	Sub Total	733,509,217	558,369,252	224,122,038	31
B	Other Grants				
12	Free Maternity Health Care	-	119,385,662	-	-
	Grand Total	733,509,217.0	677,754,914.0	224,122,038	31

Source: Kwale County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from the Road Maintenance Fuel Levy Fund, Compensation for User Fee Foregone, the Kenya Devolution Support Program, and World Bank loan to Health Facilities. The receipts accounted for 53 per cent, 51 per cent, 39 per cent, and 22 per cent of annual allocation respectively.

3.19.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.65 billion from the CRF account, which was 36.8 per cent of the Approved Budget. This amount represented an increase of 9 per cent from Kshs.4.27 billion approved in a similar period of FY 2016/17 and comprised of Kshs.3.57 billion (76.8 per cent) for recurrent expenditure and Kshs.1.08 billion (23.2 per cent) for development activities.

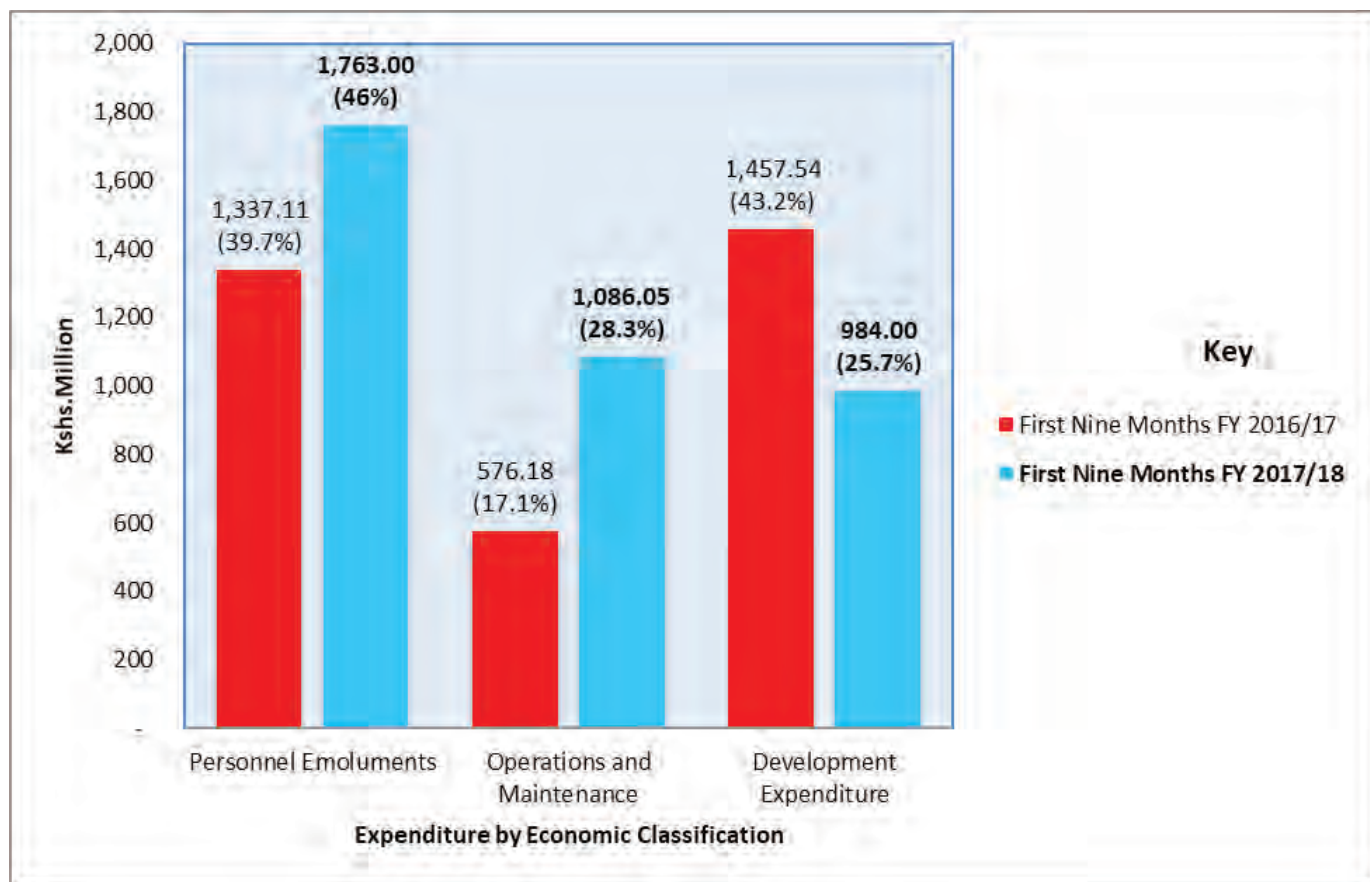
3.19.5 Overall Expenditure Review

The County spent Kshs.3.83 billion, which was 82.4 per cent of the total funds released for operations. This was an increase of 13.7 per cent from Kshs.3.37 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.85 billion was spent on recurrent activities while Kshs.984 million was spent on development activities. The recurrent expenditure was 79.7 per cent of the funds released for recurrent activities, while development expenditure was 91 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.767.06 million for development activities and Kshs.4.92 billion for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 57.9 per cent of the annual recurrent budget, a decrease from 63.1 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 20.5 per cent, which was a decrease from 28.6 per cent attained in the first nine months of FY 2016/17. Figure 3-56 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-56: Kwale County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



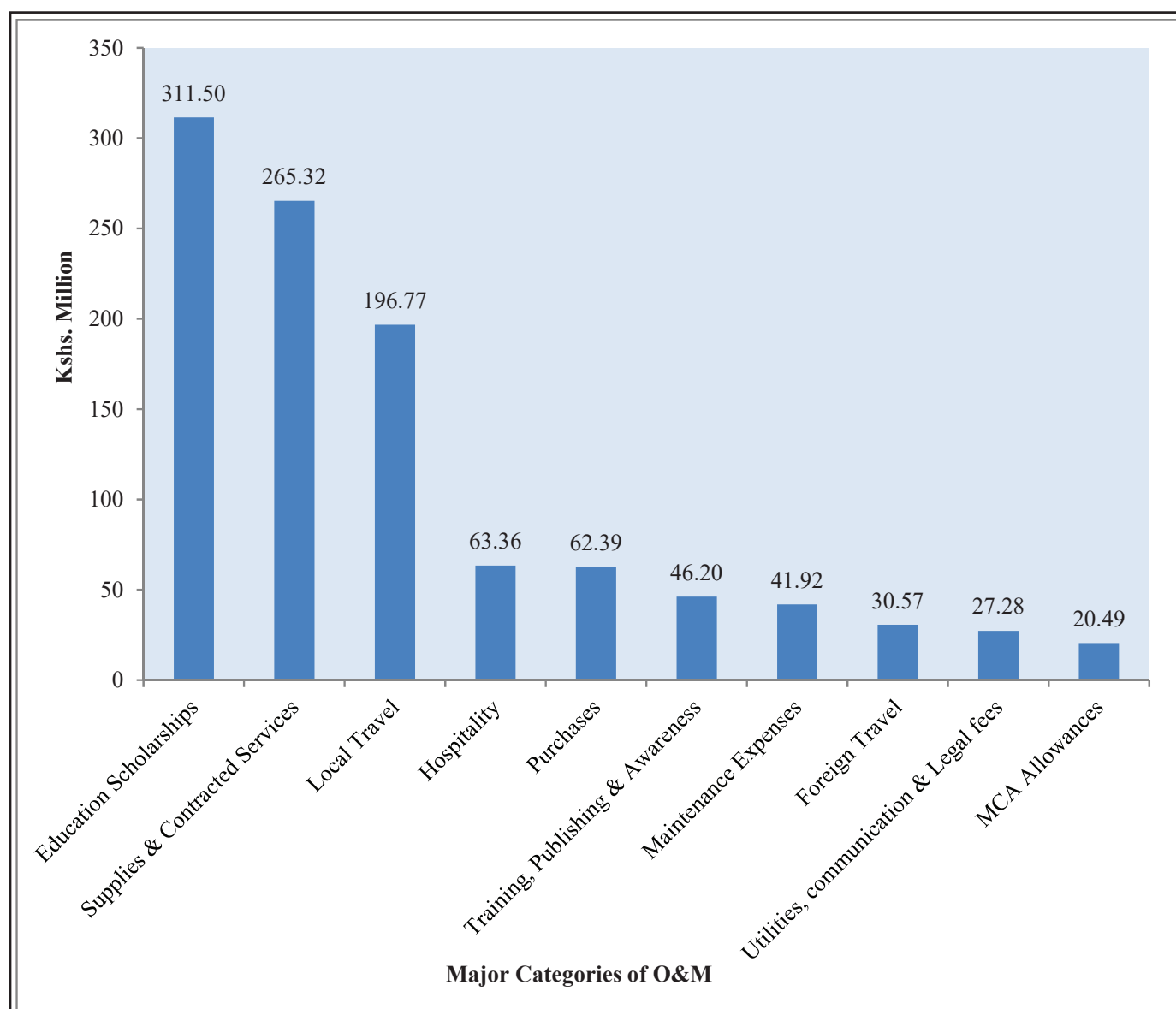
Source: Kwale County Treasury

3.19.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.85 billion comprised of Kshs.1.76 billion (60.7 per cent) incurred on personnel emoluments and Kshs.1.09 billion (38.2 per cent) on operations and maintenance as shown in Figure 3-56.

Expenditure on personnel emoluments represented an increase of 31.9 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.34 billion, and was 46 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Kwale County Treasury

The County incurred Kshs.20.49 million on committee sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.52.47 million. This was a decline of 29 per cent compared to Kshs.28.85 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.66,944 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.227.34 million and comprised of Kshs.81.8 million spent by the County Assembly and Kshs.145.54 million by the County Executive. This represented 8 per cent of total recurrent expenditure and was an increase of 54.2 per cent compared to Kshs.147.45 million spent in the first nine months of FY 2016/17.

3.19.7 Development Expenditure Analysis

The total development expenditure of Kshs.984 million represented 20.5 per cent of the annual development budget of Kshs.4.79 billion. Table 3-54 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-54: Kwale County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project Name	Project Location	Project Budget (Kshs.)	First Nine Months of FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Erection And Completion Of Maternity Complex At Msambweni	Ramisi	69,164,084	48,236,949	70
2	Accounting Software; Revenue System	HQ	38,363,571	31,930,837	83
3	Design And Installation of Backbone Fiber Optic Network Infrastructure	All Wards	18,396,057	18,396,056	100
4	Construction of Sapo –Mbuluni Pipeline[3]	Ndavaya	16,424,092	16,424,000	100
5	Delivery of Water Tanks, Gutters & Polytechnic Tools	All Wards	16,424,092	15,884,170	97
6	Construction of Kombani Rehabilitation Centre	Kombani	17,707,140	14,739,755	83
7	Construction of County Assembly Headquarters	Matuga	81,219,942	8,253,707	10
8	Proposed Construction of Ward Administration Block at Vanga	Vanga	7,957,767	7,957,767	100
9	Proposed Pothole Patching And Surface Dressing Of Road From A14 Junction To Msabweni Hospital	Msabweni	6,122,000	6,177,000	101
10	Purchase Of Vaccines	All Wards	4,000,000	3,928,000	98

Source: Kwale County Treasury

3.19.8 Budget and Budget Performance Analysis by Department

Table 3-55 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-55: Kwale County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Annual Budget 2017/18 (Kshs. Million)		Exchequer Issues in The First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		The First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive Services	183.49	81.38	131.27	-	99.96	-	76.1	-	54.5	-
Public Service and Administration	344.03	73.27	266.61	20.88	244.17	19.75	91.6	94.6	71	27
Finance and Economic Planning	420.85	96.36	388.05	46.61	239.16	39.16	61.6	84	56.8	40.6
Agriculture, Livestock and Fisheries	177.60	174.75	136.92	23.04	100.68	20.21	73.5	87.7	56.7	11.6
Education, Research and Human Resource Development	755.10	993.01	638.10	226.79	505.86	226.13	79.3	99.7	67	22.8
Medical and Health Services	1,811.35	916.24	1,323.65	198.75	1,114.83	199.64	84.2	100.4	61.5	21.8
Industry, Trade & Investment	61.78	209.73	36.39	15.25	25.50	14.76	70.1	96.8	41.3	7

Department	Annual Budget 2017/18 (Kshs. Million)		Exchequer Issues in The First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		The First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		FY 2017/18 Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Community Development, Culture & Talent Management	186.51	204.60	89.04	51.38	44.51	52.79	50	102.7	23.9	25.8
Infrastructure and Public Works	187.31	652.83	117.66	239.15	95.93	142.60	81.5	59.6	51.2	21.8
Tourism, Investment and ICT	65.42	133.44	39.27	32.75	29.98	32.45	76.3	99.1	45.8	24.3
Land, Physical Planning and Natural Resources	54.79	95.64	32.06	13.65	20.37	14.19	63.6	104	37.2	14.8
Water Services	74.90	995.68	39.04	203.14	29.96	214.06	76.7	105.4	40	21.5
County Assembly	598.20	162.44	334.71	10.00	298.13	8.25	89.1	82.5	49.8	5.1
TOTAL	4,921.33	4,789.37	3,572.78	1,081.38	2,849.05	984.00	79.7	91	57.9	20.5

Source: Kwale County Treasury

Analysis of budget performance by department shows that, the Department of Finance and Economic Planning attained the highest absorption rate of development budget at 40.6 per cent while the County Executive Services did not incur any development expenditure. The Department of Public Service and Administration had the highest percentage of recurrent expenditure to its recurrent budget at 71.0 per cent while the Department of Community Development Culture and Talent Management had the lowest at 23.9 per cent.

3.19.9 Key Observations and Recommendations

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

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

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Failure by the County to budget for all conditional grants as contained in the CARA, 2017.
3. High wage bill that has risen by 31.9 per cent from Kshs.1.34 billion in the first nine months of FY 2016/17 to Kshs.1.76 billion during the period under review, representing 46 per cent of total expenditure.

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 a timely manner in line with the CARA, 2017 Disbursement Schedule.
2. The County should budget for all revenue streams as contained in the CARA, 2017.
3. The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.

3.20 Laikipia County

3.20.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.5.71 billion, comprising of Kshs.3.81 billion (66.8 per cent) and Kshs.1.89 billion (33.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.5 billion (78.9 per cent) as equitable share of revenue raised nationally, Kshs.706.49 million (12.4 per cent) as total conditional grants, generate Kshs.500 million (8.8 per cent) from own sources of revenue, and Kshs.210,630 (0.004 per cent) cash balance brought forward from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (19.2 per cent) for Leasing of Medical Equipment, Kshs.146.97 million (29.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.9.97 million (2 per cent) as Compensation for User Fee Foregone, Kshs.9.96 million (2 per cent) from DANIDA, Kshs.25.25 million (5.1 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.38.40 million (7.7 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.33.36 million (6.7 per cent) for Development of Youth Polytechnics, Kshs.46.11 million (9.3 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (13.2 per cent) as European Union (EU) grant and Kshs.208.26 million (29.5 per cent) as Other Loans and Grants.

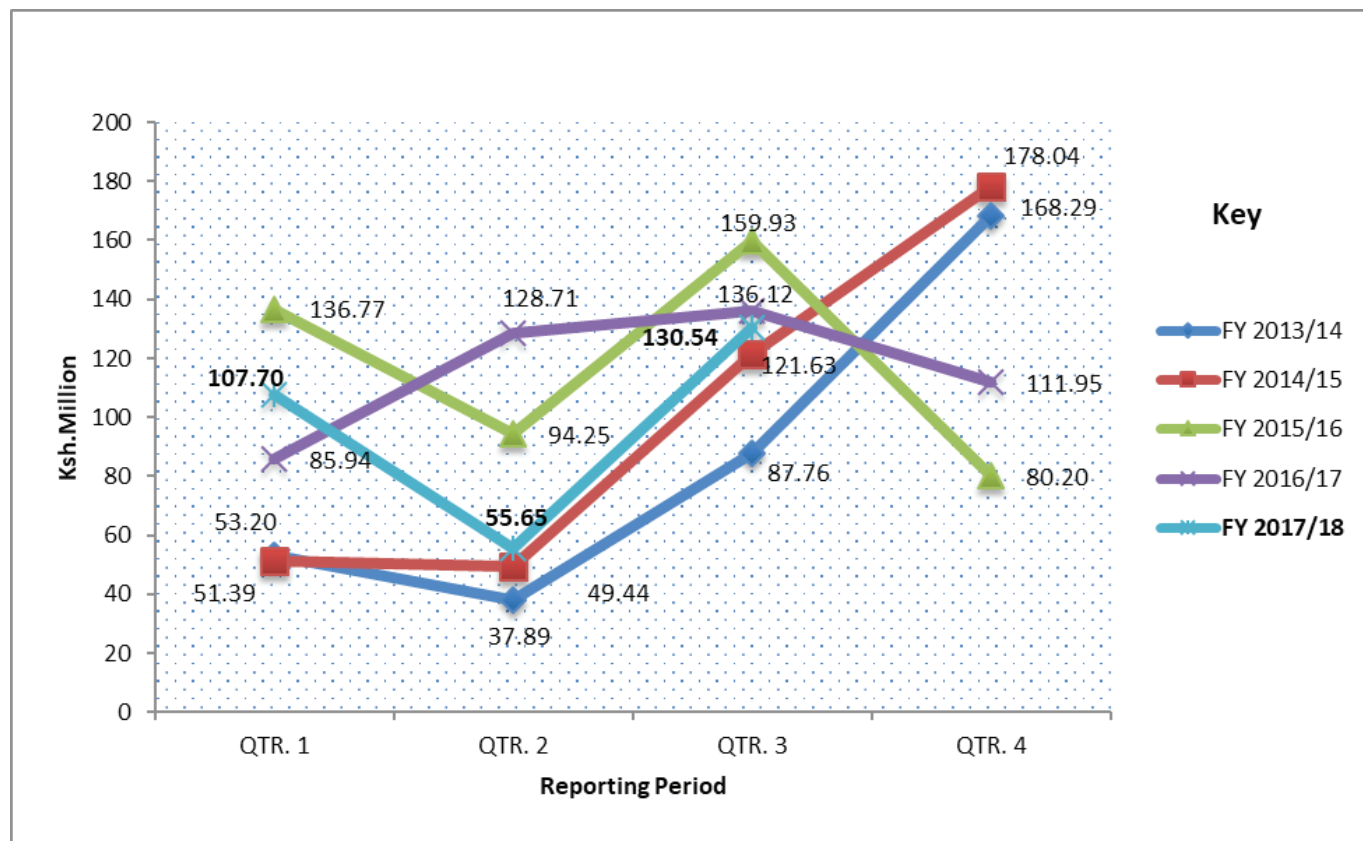
The County also budgeted to receive Kshs.200 million as grant for loans and grants and Kshs.8.27 million from Food and Agriculture Organisation Programme, which is not contained in the CARA, 2017.

3.20.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.3.08 billion as equitable share of revenue raised nationally, Kshs.191.69 million as total conditional grants, raised Kshs.293.9 million from own sources revenue, and had a cash balance of Kshs.210,630 from FY 2016/17. The total available funds amounted to Kshs.3.46 billion.

Figure3-58 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-58: Laikipia County, Trend in Own-source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Nine Months of FY 2017/18



Source: Laikipia County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.293.9 million, representing a decline of 16.2 per cent compared to Kshs.350.77 million generated in a similar period of FY 2016/17. This represented 58.8 per cent of the annual own source revenue target.

3.20.3 Conditional Grants

Table 3-56 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-56: Laikipia County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	146,974,666	146,974,666	120,831,610	82
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	World Bank loan to supplement financing of County Health facilities	25,255,000	25,255,000	20,961,790	83
4	Kenya Devolution Support Programme (KDSP)	38,403,464	38,403,464	14,042,144	37
5	Compensation for User Fee Foregone	9,968,208	9,968,208	4,936,270	50
6	DANIDA Grant	9,959,579	9,959,579	9,959,579	100
7	Development of Youth Polytechnics	33,358,875	33,358,878	-	-

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
8	Other Loans & Grants	26,439,559	26,439,559	-	-
9	World Bank Loan for Transforming Health System for Universal Care Project	46,115,937	46,115,937	20,961,790	45
Sub Total		498,219,969	498,219,972	191,693,183	38
B	Other Grants				
10	Facility Improvement Fund including health sector support	-	200,000,000	-	-
11	Food and Agriculture Organisation programme	-	8,265,118	-	-
Sub Total		-	208,265,118	-	-
Grand Total		498,219,969.0	706,485,090.0	191,693,183	38

Source: Laikipia County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from DANIDA, World Bank loan to supplement financing of County Health facilities, Road Maintenance Fuel Levy Fund, Compensation for User Fee Foregone, World Bank loan for Transforming Health Systems for Universal Health Care Project and Kenya Devolution Support Programme (KDSP). These receipts accounted for 100 per cent, 83 per cent, 82 per cent, 50 per cent, 45 per cent, and 37 per cent of annual allocation respectively.

3.20.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.3.07 billion from the CRF account, which was 53.9 per cent of the Approved Supplementary Budget. This amount represented a decline of 4.7 per cent from Kshs.3.23 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.63 billion (85.5 per cent) for recurrent expenditure and Kshs.444.79 million (14.5 per cent) for development activities.

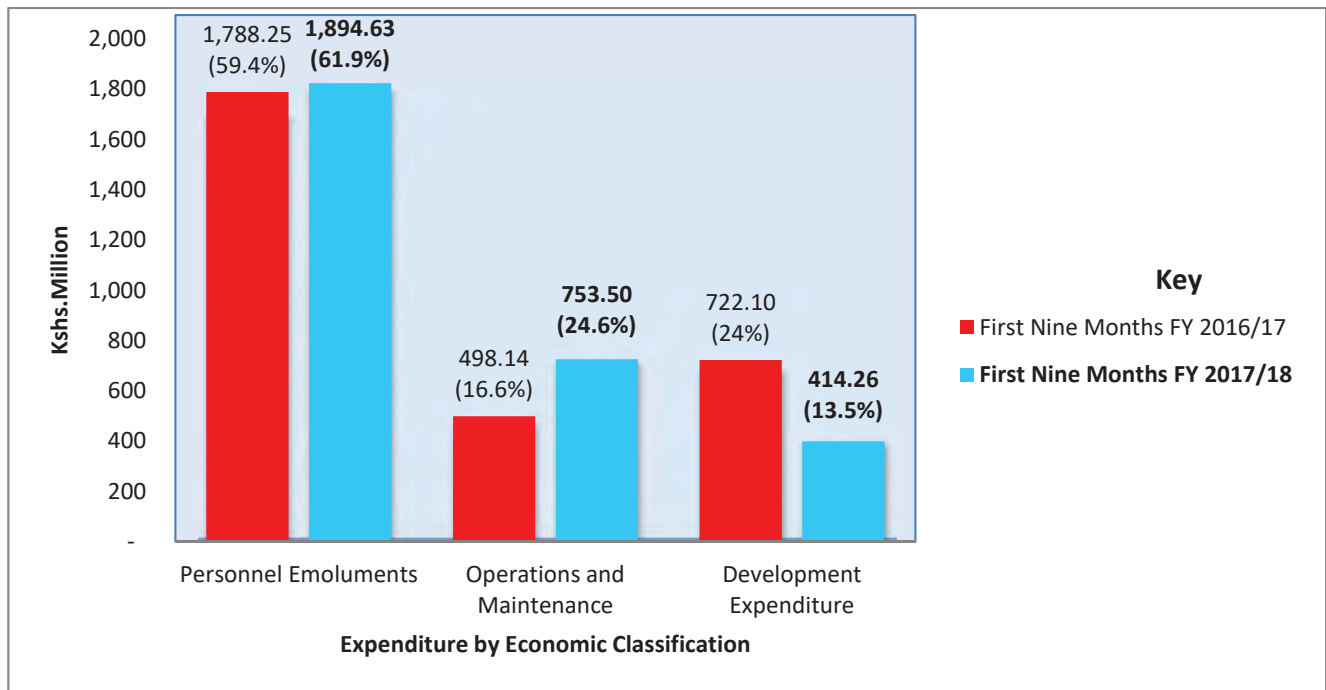
3.20.5 Overall Expenditure Review

The County incurred Kshs.3.06 billion, which was 99.6 per cent of the total funds released for operations. This was an increase of 1.8 per cent from Kshs.3.0 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.65 billion was spent on recurrent activities while Kshs.414.26 million was spent on development activities. The recurrent expenditure was 100.6 per cent of the funds released for recurrent activities, while development expenditure was 93.1 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.44.58 million for development activities and Kshs.214.26 million for recurrent expenditure.

The recurrent expenditure represented 69.4 per cent of the annual recurrent budget, an increase from 67.1 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 21.9 per cent, which was a decrease from 97.7 per cent attained in the first nine months of FY 2016/17. Figure 3-59 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-59: Laikipia County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



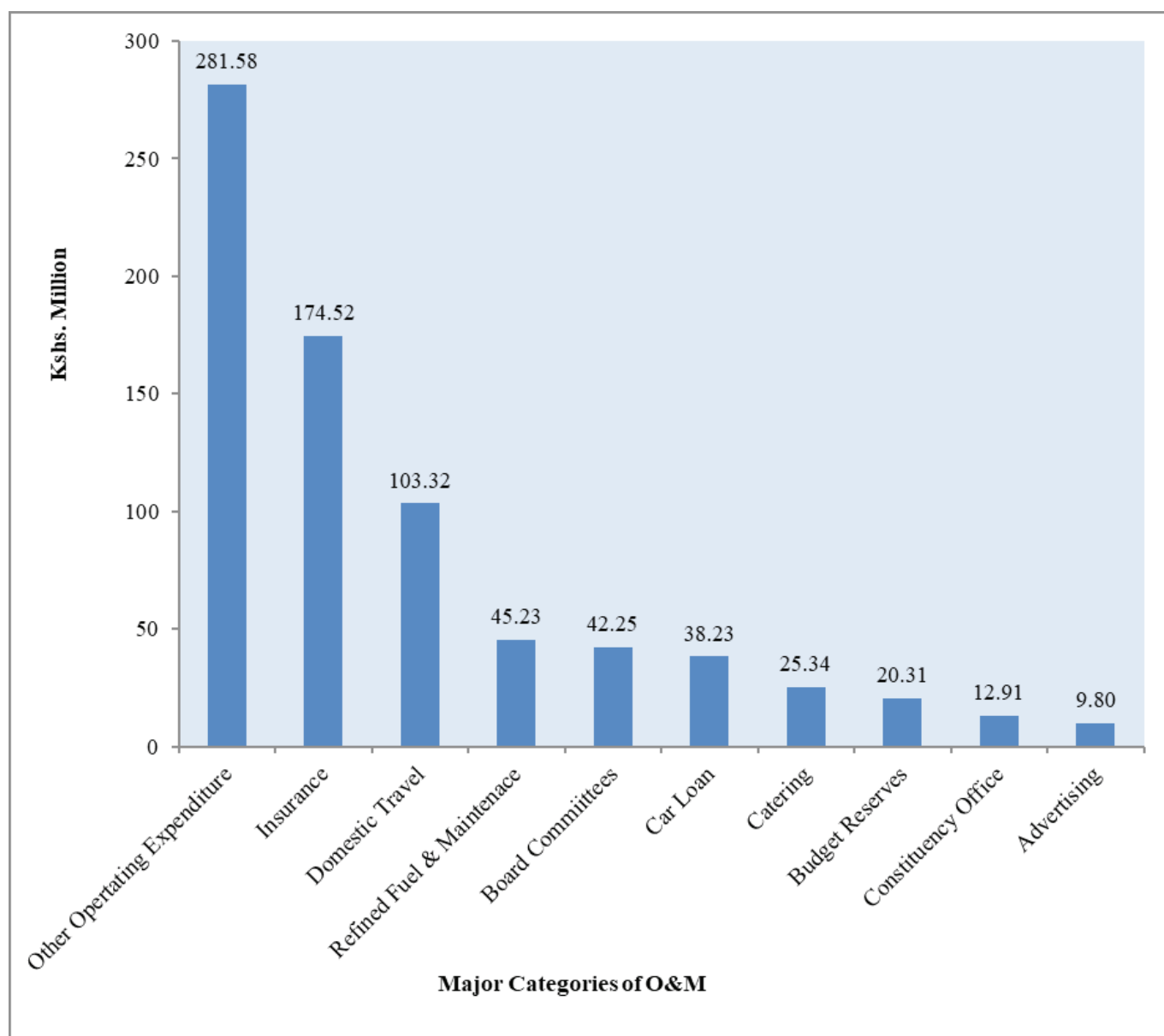
Source: Laikipia County Treasury

3.20.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.65 billion comprised of Kshs.1.89 billion (71.5 per cent) incurred on personnel emoluments and Kshs.753.5 million (28.5 per cent) on operations and maintenance as shown in Figure 3-59.

Expenditure on personnel emoluments represented an increase of 5.9 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.79 billion, and was 61.9 per cent of total expenditure in the first nine months 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 Nine Months of FY 2017/18



Source: Laikipia County Treasury

The County incurred Kshs.5.55 million on committee sitting allowances to the 25 MCAs against the annual budget allocation of Kshs.17 million. This was a decline of 77.1 per cent compared to Kshs.24.26 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.24, 655 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.103.32 million and comprised of Kshs.44.67 million spent by the County Assembly and Kshs.58.65 million by the County Executive. This represented 3.9 per cent of total recurrent expenditure and was an increase of 58.7 per cent compared to Kshs.65.09 million spent in the first nine months of FY 2016/17.

3.20.7 Development Expenditure Analysis

The total development expenditure of Kshs.414.26 million represented 21.9 per cent of the annual development budget of Kshs.1.89 billion. The County did not provide a list of projects implemented in the period under review.

3.20.8 Budget and Budget Performance Analysis by Department

Table 3-57 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-57: Laikipia County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Administration	2685.27	77.07	2065.06	2.02	2023.49	7.07	98.0	350.0	75.4	9.2
Finance and Planning	197.08	424.28	81.50	170.47	100.08	176.33	122.8	103.4	50.8	41.6
Health	231.58	532.70	58.24	155.93	72.18	155.79	123.9	99.9	31.2	29.2
Agriculture	42.00	173.42	22.84	11.12	23.40	19.20	102.5	172.7	55.7	11.1
Infrastructure	40.65	293.50	22.19	81.21	23.76	12.70	107.1	15.6	58.5	4.3
Education	95.03	90.99	73.11	0.90	78.15	0.90	106.9	100.0	82.2	1.0
Trade & Industrialization	39.88	104.69	11.16	2.17	22.49	2.17	201.5	100.0	56.4	2.1
Water	31.64	166.00	22.88	6.27	26.34	21.17	115.1	337.6	83.2	12.8
County Assembly	453.00	27.72	274.15	14.70	278.23	18.92	101.5	128.7	61.4	68.3
TOTAL	3,816.13	1,890.37	2,631.13	444.79	2,648.12	414.25	100.6	93.1	69.4	21.9

Source: Laikipia County Treasury

Analysis of budget performance by department shows that, the County Assembly attained the highest absorption rate of development budget at 68.3 per cent while the Department of Education had the lowest rate at 1 per cent. The Department of Water had the highest percentage of recurrent expenditure to its recurrent budget at 83.2 per cent while the Department of Health had the lowest at 31.2 per cent.

3.20.9 Key Observations and Recommendations

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

- i. Improvement in the use of IFMIS and the Internet Banking Platform for making payments.
- ii. Reduction in sitting allowances for MCA's and the Speaker by 77.1 per cent from Kshs.24.26 million in the first nine months of FY 2016/17 to Kshs.5.55 million in the reporting period.

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

1. Delay by Fund Administrators to submit expenditure reports of the County Assembly Members Car Loan and Mortgage Fund, County Executive Members Car Loan and Mortgage Fund, Education Fund and Cooperatives and Society Fund contrary to Section 168 of the PFM Act, 2012.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

3. The County has not constituted the CBEF as required by Section 137 of the PFM Act, 2012 for consultation in the budget process.

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

1. All Fund Administrators should submit financial returns in line with Section 168 of the PFM Act, 2012.
2. The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
3. The County should establish a CBEF for consultation in line with Section 137 of the PFM Act, 2012.

3.21 Lamu County

3.21.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.3.02 billion, comprising of Kshs.2.01 billion (66.5 per cent) and Kshs.1.01 billion (33.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.2.48 billion (82 per cent) as equitable share of revenue raised nationally, Kshs.350.16 million (11.6 per cent) as total conditional grants, generate Kshs.90 million (3 per cent) from own revenue sources, and Kshs.102.50 million (3.4 per cent) cash balance brought forward from FY 2016/17.

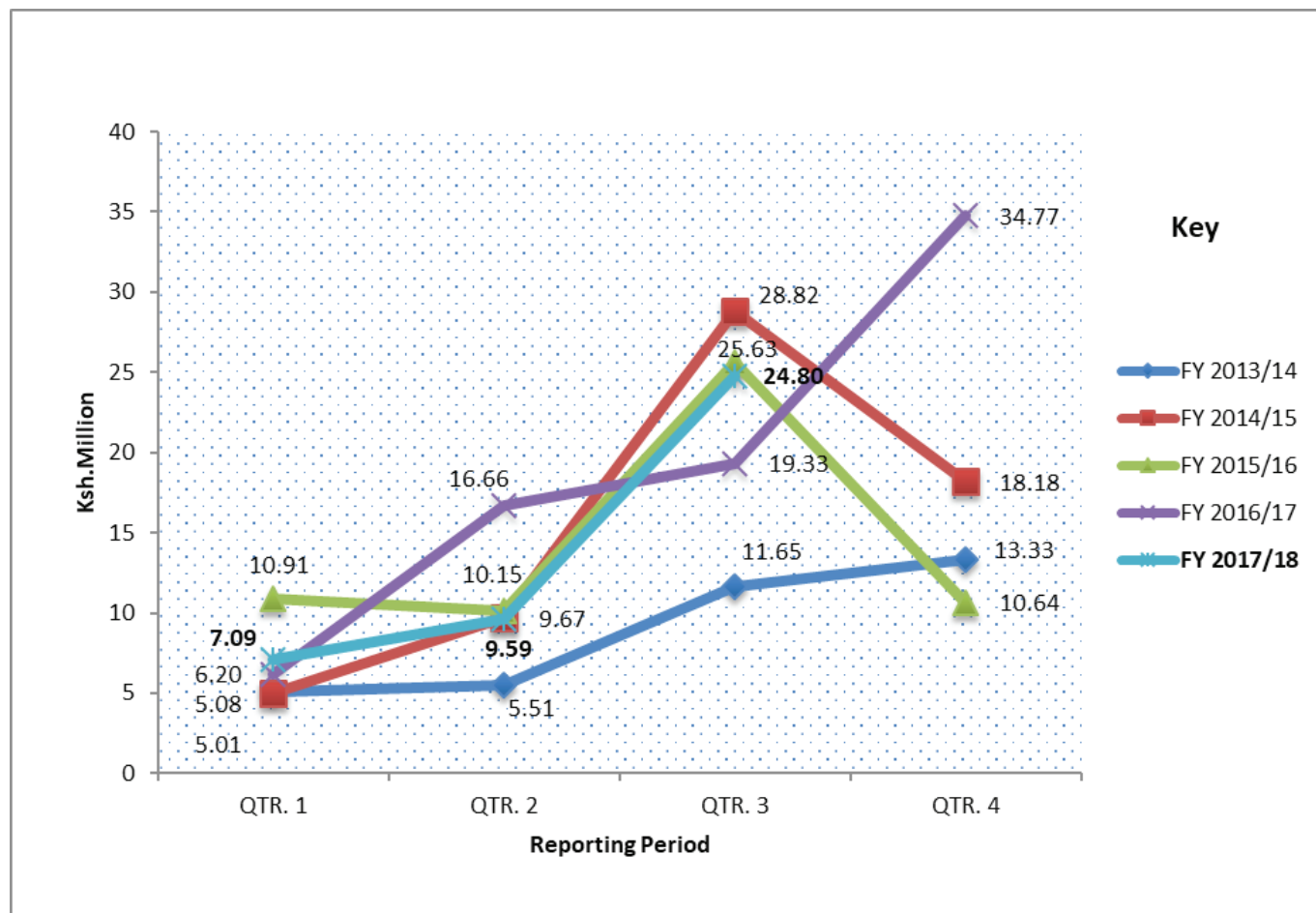
The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (22.1 per cent) for Leasing of Medical Equipment, Kshs.87.42 million (20.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.2.45 million (0.6 per cent) as Compensation for User Fee Foregone, Kshs.5.92 million (1.4 per cent) from DANIDA, Kshs.11.79 million (2.7 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.31.56 million (7.3 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.31.78 million (7.3 per cent) for Development of Youth Polytechnics, Kshs.28.59 million (6.6 per cent) as World Bank loan for Transforming Health System for Universal Care Project and Kshs.16.25 million (3.8 per cent) as Other Loans and Grants.

The County also budgeted to receive Kshs.13.40 million as World Bank loan to for National Agricultural and Rural inclusive projects which is not contained in the CARA, 2017.

3.21.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.1.45 billion as equitable share of revenue raised nationally, Kshs.71.92 million as total conditional grants, raised Kshs.41.49 million from own sources of revenue, and had a cash balance of Kshs.102.50 million from FY 2016/17. The total available funds amounted to Kshs.1.65 billion. Figure3-61 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure3-61: Lamu County, Trend in Own-source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Lamu County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.41.49 million, representing a decline of 1.7 per cent compared to Kshs.42.19 million generated in a similar period of FY 2016/17, and represented 46.1 per cent of the annual own source revenue target.

3.21.3 Conditional Grants

Table 3-58 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-58: Lamu County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	87,424,448	87,424,448	40,772,698	47
2	Leasing of Medical Equipment	95,744,681	-	-	-
3	World Bank loan to supplement financing of County Health facilities	11,785,000	11,785,000	12,993,407	110
4	Kenya Devolution Support Programme (KDSP)	31,560,246	31,560,246	10,992,894	35
5	Compensation for User Fee Foregone	2,451,034	2,451,034	1,240,905	51

S/No	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
6	DANIDA Grant	5,924,224	9,182,547	5,924,224	100
8	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
9	Development of Youth Polytechnics	31,780,441	31,780,441	-	-
10	Other Loans & Grants	16,251,730	-	-	-
11	World Bank Loan for Transforming Health System for Universal Care Project	28,585,496	41,578,903	-	-
	Sub Total	432,507,300	336,762,619	71,924,128	17
B	Other Grants				
12	World Bank Loan for National Agricultural & Rural Inclusive Project	-	13,400,000	-	-
13	World Bank Capacity Building grant	-	-	20,567,352	-
	Sub Total	-	-	20,567,352	-
	Grand Total	432,507,300	350,162,619	71,924,128	17

Source: Lamu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from the World Bank loan to Health Facilities, DANIDA, Compensation for User fees foregone, the Road Maintenance Fuel Levy Fund and the Kenya Devolution Support programme. The receipts accounted for 110 per cent, 100 per cent, 51 per cent, 47 per cent and 35 per cent of annual allocation respectively.

3.21.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.1.38 billion from the CRF account, which was 45.8 per cent of the Approved Supplementary Budget. This amount represented a decline of 32.5 per cent from Kshs.2.05 billion approved in a similar period of FY 2016/17 and comprised of Kshs.1.29 billion (93.6 per cent) for recurrent expenditure and Kshs.88.50 million (6.4 per cent) for development activities.

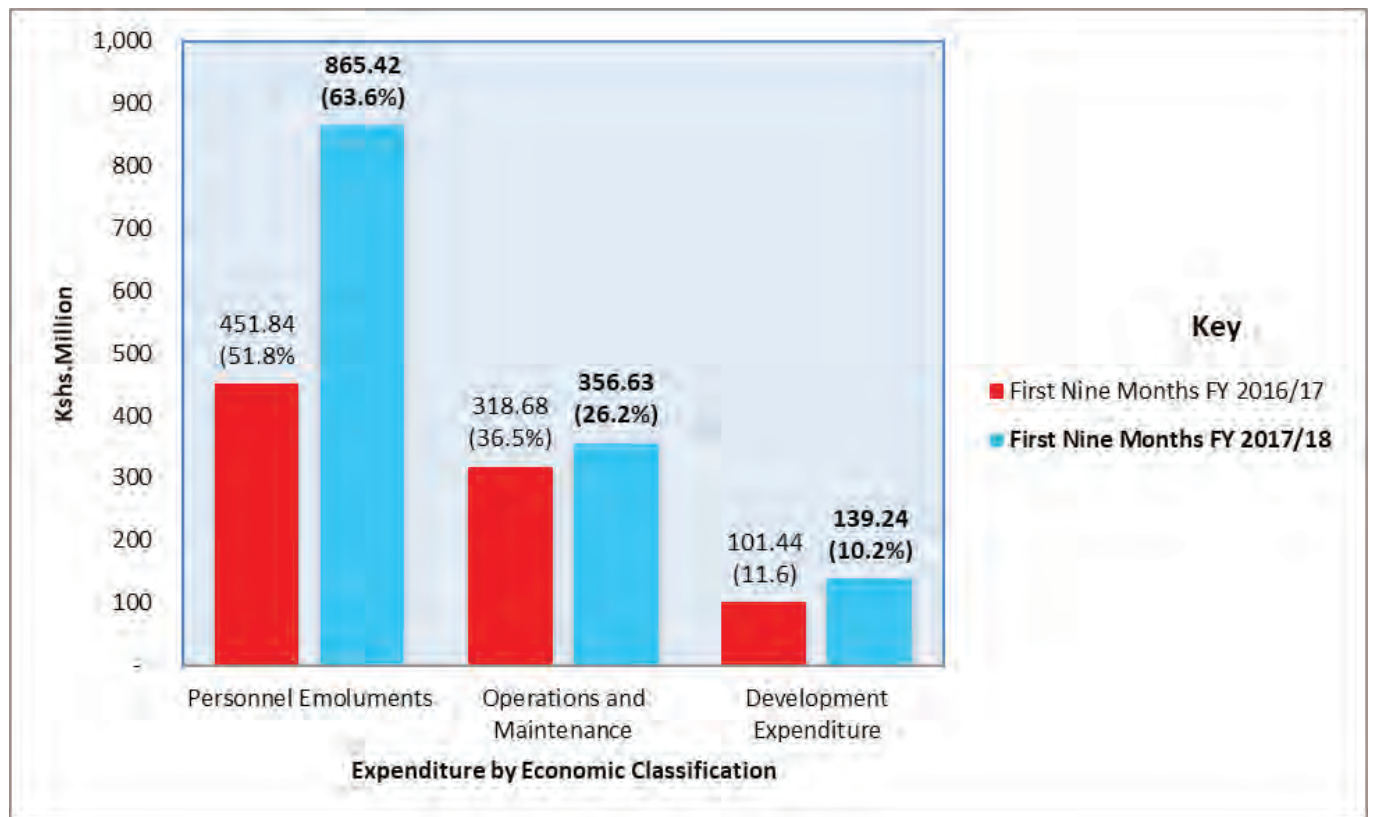
3.21.5 Overall Expenditure Review

The County incurred Kshs.1.36 billion, which was 98.4 per cent of the total funds released for operations. This was an increase of 56.1 per cent from Kshs.871.96 million incurred in a similar period of FY 2016/17.

A total of Kshs.1.22 billion was spent on recurrent activities while Kshs.139.24 million was spent on development activities. The recurrent expenditure was 94.6 per cent of the funds released for recurrent activities, while development expenditure was 157.3 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.23.69 million for development activities and Kshs.34.18 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 60.8 per cent of the annual recurrent budget, an increase from 38.7 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 13.8 per cent, which was an increase from 8.3 per cent attained in the first nine months of FY 2016/17. Figure 3-2 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-62: Lamu County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



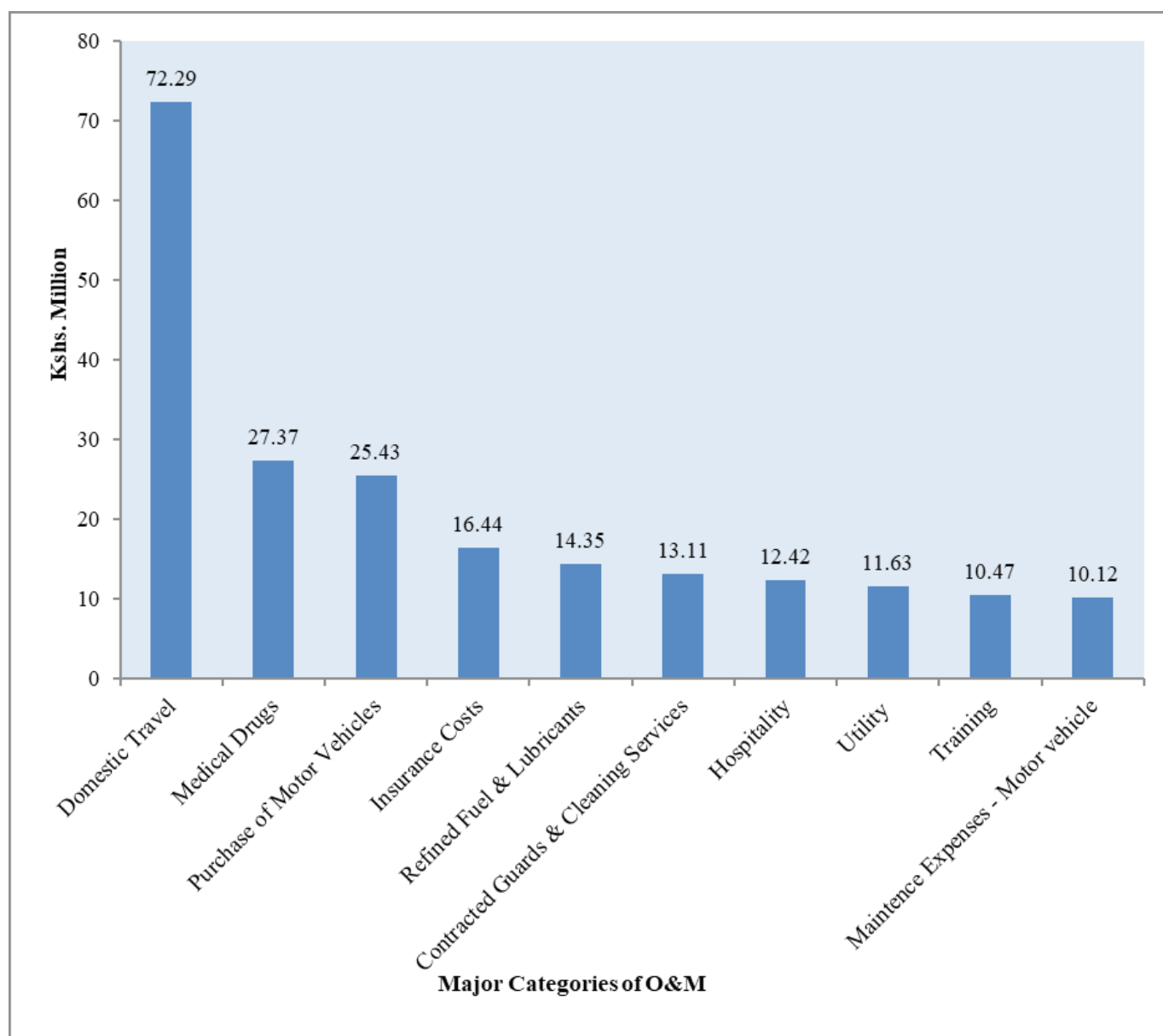
Source: Lamu County Treasury

3.21.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.22 billion comprised of Kshs.865.42 million (71.3 per cent) incurred on personnel emoluments and Kshs.356.63 million (28.7 per cent) on operations and maintenance as shown in Figure 3-62.

Expenditure on personnel emoluments represented an increase of 91.5 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.451.84 million, and was 63.6 per cent of total expenditure in the first nine months 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 Nine Months of FY 2017/18



Source: Lamu County Treasury

The County incurred Kshs.2.46 million on committee sitting allowances to the 19 MCAs against the annual budget allocation of Kshs.14.88 million. This was an increase of 7.7 per cent compared to Kshs.2.28 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.14,363 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.72.29 million and comprised of Kshs.25.37 million spent by the County Assembly and Kshs.46.92 million by the County Executive. This represented 6.5 per cent of total recurrent expenditure and was a decline of 19.7 per cent compared to Kshs.98.57 million spent in the first nine months of FY 2016/17.

3.21.7 Development Expenditure Analysis

The total development expenditure of Kshs.139.24 million represented 13.8 per cent of the annual development budget of Kshs.1.01 billion. Table 359 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-59: Lamu County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	First Nine Months of FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Construction of Lamu County Assembly-County Head quarters	Lamu West	126,721,195	119,000,063	94
2	Mpektoni Maternity wing-Mpektoni	Lamu West	49,064,199	26,053,918	53
3	Supply and Delivery of Desalination Plant Unit in Siyu	Lamu East	6,098,024	6,098,024	100
4	Routine Maintenance Works of Faza Kizingitini Road	Lamu East	3,709,749	3,709,749	100
5	Routine Maintenance Works of Moa Chaluma Road	Lamu West	3,090,055	3,090,055	100
6	Routine Maintenance Works of Bahari Sec School	Lamu West	3,494,879	3,494,879	100
7	Routine Maintenance Works of A7 Junction-Sinsmbio Road	Lamu West	3,500,503	3,500,503	100
8	Routine Maintenance Works of Lake Kenyatta-Mangu ECD Road	Lamu West	3,457,224	3,457,224	100
9	Construction of Witu Town drainage & Cabros	Lamu West	4,425,847	4,425,847	100
10	Routine Maintenance Works Of Hindi-Jipe Road	Lamu West	3,026,905	3,026,905	100

Source: Lamu County Treasury

3.21.8 Budget and Budget Performance Analysis by Department

Table 3-60 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-60: Lamu County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	350.00	150.00	223.38	25.38	169.90	40.92	76.1	161.2	48.5	27.3
County Executive and Public Service Management	330.90	233.80	187.26	-	166.65	-	89	-	50.4	-
Finance and Economic Planning	135.34	7.10	85.01	-	64.02	-	75.3	-	47.3	-
Agriculture and Irrigation	64.13	58.56	47.40	-	37.19	-	78.5	-	58	-
Land, Physical Planning, Infrastructure Water and Urban Development	66.59	206.17	47.27	46.77	43.55	61.64	92.1	131.8	65.4	29.9
Education, Gender, Youth affairs, sports and social services	133.26	83.78	60.75	-	71.55	3.12	117.8	-	53.7	3.7
Health, Environment and Sanitation	761.72	174.54	514.65	16.34	566.06	33.07	110	202.4	74.3	18.9
Fisheries, Livestock, Veterinary Services and co-operatives	66.49	60.20	47.52	-	45.38	0.50	95.5	-	68.2	0.8
Trade, Investment, Tourism and Natural Resources	22.88	24.10	18.89	-	9.85	-	52.1	-	43	-

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Information, Communication and Public Participation	30.01	11.70	23.31	-	15.91	-	68.3	-	53	-
County Public Service Board	47.80	-	39.13	-	32.00	-	81.8	-	66.9	-
TOTAL	2,009.12	1,009.94	1,294.56	88.50	1,222.05	139.24	94.4	157.3	60.8	13.8

Source: Lamu County Treasury

Analysis of budget performance by department shows that, the Department of Land, Physical Planning, Infrastructure, Water and Urban Development attained the highest absorption rate of development budget at 29.9 per cent, while six departments did not incur any development expenditure. The Department of Health Environment and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 74.3 per cent while the Department of Trade, Investment, Tourism and Natural Resources had the lowest at 43 per cent.

3.21.9 Key Observations and Recommendations

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

- i. Improvement in the use of IFMIS and Internet Banking Platform in processing payments.

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. Late submission of financial reports by the County Treasury to the Office of the Controller of Budget, which affected timely preparation of budget implementation reports contrary to Section 166 of the PFM Act, 2012.
3. A high wage bill that increased by 91.5 per cent from Kshs.451.84 million in the first nine months of FY 2016/17 to Kshs.865.42 million during the period under review, representing 63.6 per cent of total expenditure.
4. Delay by the County Executive and the County Assembly in preparation and approval of key planning policy documents such as the ADP, CFSP and CBROP.
5. Failure to constitute the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012 for consultation in the budget process.
6. The County has not constituted a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

1. The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2017 Disbursement schedule.
2. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.
3. The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.
4. The County Executive and the County Assembly should observe the timelines stipulated in law in the preparation and approval of key planning documents so as to facilitate smooth implementation of the budget.

5. The County should establish the CBEF in line with Section 137 of the PFM Act, 2012.
6. The County should constitute a County Budget and Economic Forum (CBEF) as per the requirement of Section 137 of the PFM Act, 2012.

3.22 Machakos County

3.22.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.9.99 billion, comprising of Kshs.7 billion (70.1 per cent) and Kshs.2.99 billion (29.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.40 billion (74.1 per cent) as equitable share of revenue raised nationally, Kshs.1.03 billion (10.3 per cent) as total conditional grants, generate Kshs.1.56 billion (15.6 per cent) from own revenue sources, and Kshs.51.74 million cash balance from FY 2016/17.

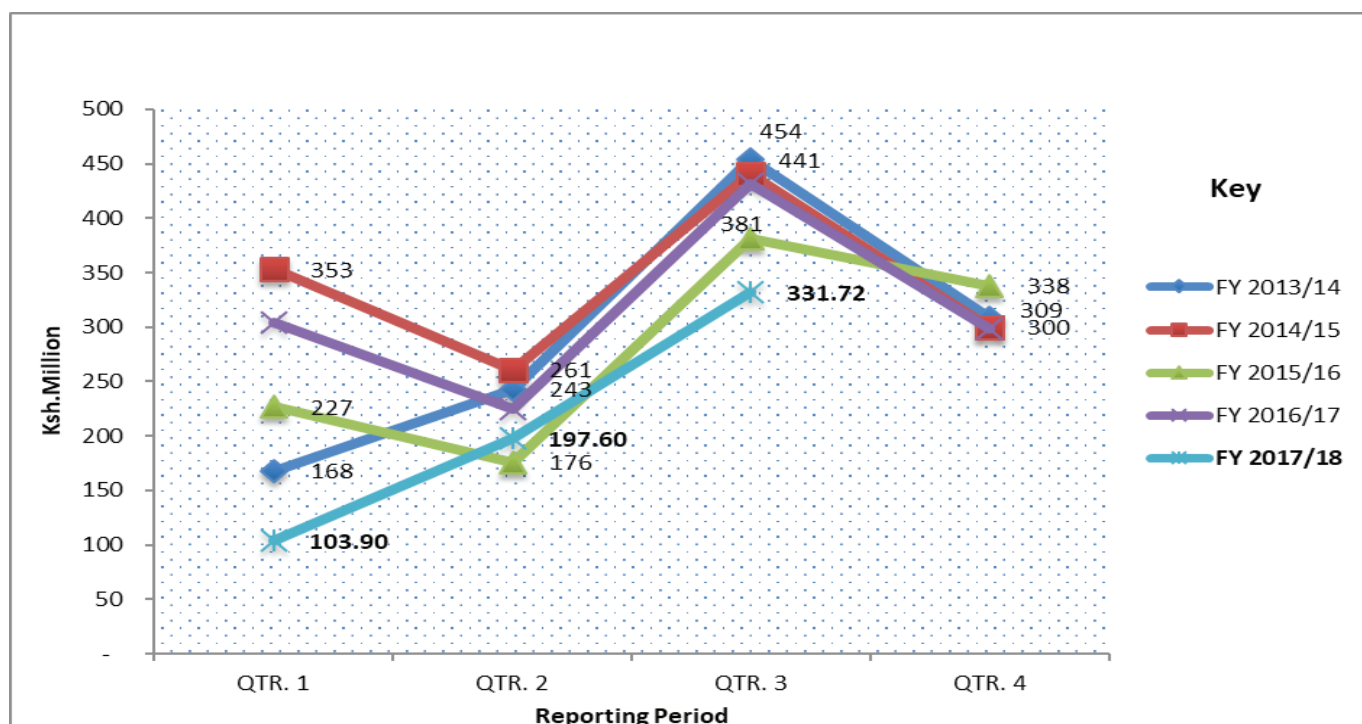
The conditional grants contained in the CARA, 2017 comprise of, Kshs.288.39 million (27.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.24.13 million (2.3 per cent) as Compensation for User Fee Foregone, Kshs.19.54 million (1.9 per cent) from DANIDA, Kshs.383.58 million (37.1 per cent) for Level 5 Hospital, Kshs.95.74 million (9.3 per cent) Leasing of Medical Equipment, Kshs.49.89 million (4.8 per cent) for the World Bank Kenya Devolution Support Program, Kshs.65.96 million (6.4 per cent) for Development of Youth Polytechnics, Kshs.65.59 million (6.4 per cent) as World Bank Loan for Transforming Health System for Universal Care System, and Kshs.40.56 million (3.9 per cent) as Other Loans and Grants.

3.22.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.4.33 billion as equitable share of the revenue raised nationally, Kshs.488.45 million as total conditional allocations, raised Kshs.633.21 million from own revenue sources, and had a cash balance of Kshs.51.74 million brought forward from FY 2016/17. The total available funds amounted to Kshs.5.47 billion.

Figure 3-64 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-64: Machakos County, Trend in Own-source Revenue Collection by Quarter from First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Machakos County Treasury

The total local revenue collected in the first nine months of FY 2017/18 amounted to Kshs.633.21 million, representing a decrease of 34.1 per cent compared to Kshs.960.62 million generated in a similar period FY 2016/17, and represented 40.6 per cent of the annual local revenue target.

3.22.3 Conditional Grants

Table 3-61 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-61: Machakos County Analysis of Conditional Grants Received in First Nine Months of FY 2017/18.

S/No	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months 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	288,391,503	288,391,503	185,796,472	64.4
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	Kenya Devolution Support Programme	49,893,169	49,893,169	16,523,848	33
4	Compensation for User Fee Foregone	24,129,039	24,129,039	12,382,438	51.3
5	DANIDA Grant	19,542,539	19,542,539	19,542,538	100
6	Level-5 Hospital	383,583,815	383,583,815	224,396,533	58.5
7	Development of Youth Polytechnics	65,957,023	65,957,023	-	-
8	World Bank Loan for Transforming Health System for Universal Care System	65,588,789	65,588,789	29,813,086	73.5
9	Other Loans & Grants	40,561,482	40,561,482	-	-
	Total	1,033,392,040	1,033,392,040	488,454,915.5	47

Source: Machakos County Treasury

Analysis of the conditional grants released during the period under review indicates that, the DANIDA grant recorded the highest receipts at 100 per cent of annual target, followed by the World Bank Loan for Transforming Health System for Universal Care System at 73.5 per cent.

3.22.4 Exchequer Issues

During the period, the Controller of Budget authorised withdrawal of Kshs.4.75 billion from the CRF account, which was 47.6 per cent of the Approved Budget. This amount represented a decrease of 27.6 per cent from Kshs.6.56 billion authorized in a similar period FY 2016/17 and consisted of Kshs.4.25 billion (89.5 per cent) for recurrent expenditure and Kshs.499.04 million (10.5 per cent) for development activities.

3.22.5 Overall Expenditure Review

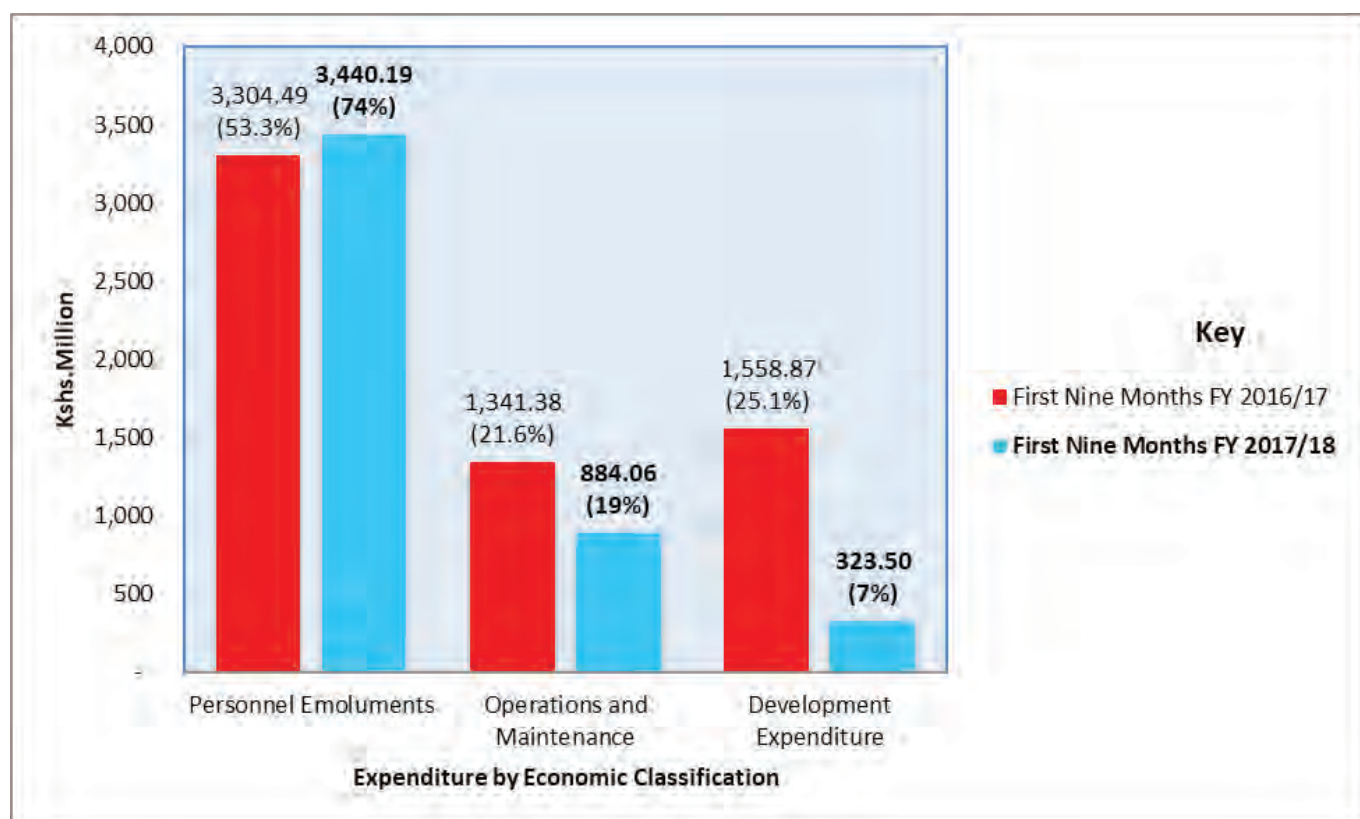
The County spent Kshs.4.65 billion, which was 97.9 per cent of the total funds released for operations. This was a decrease of 25.1 per cent from Kshs.6.20 billion spent in the first nine months of FY 2016/17.

A total of Kshs.4.32 billion was spent on recurrent activities, while Kshs.323.50 million was spent on development activities. The recurrent expenditure was 101.7 per cent of the funds released for recurrent activities while development expenditure accounted for 64.8 per cent of the funds released for development activities in the reporting period. The expenditure excluded outstanding commitments as at March 31st, 2018 that amounted to Kshs.762.26 million for development and Kshs.133.12 million for recurrent expenditure.

The recurrent expenditure represented 61.8 per cent of the annual recurrent budget, a slight increase from 61.6 per cent spent in a similar period FY 2016/17. Development expenditure recorded an absorption rate of 10.8 per cent, which was a decrease from 46.7 per cent attained in the first nine months of FY 2016/17.

Figure 3-65 presents a comparison between the total expenditure in the first Nine Months of FY 2016/17 and first nine months of FY 2017/18.

Figure 3-65: Machakos County, Expenditure by Economic Classification in the First Nine Months of FY2016/17 and the First Nine Months of FY 2017/18



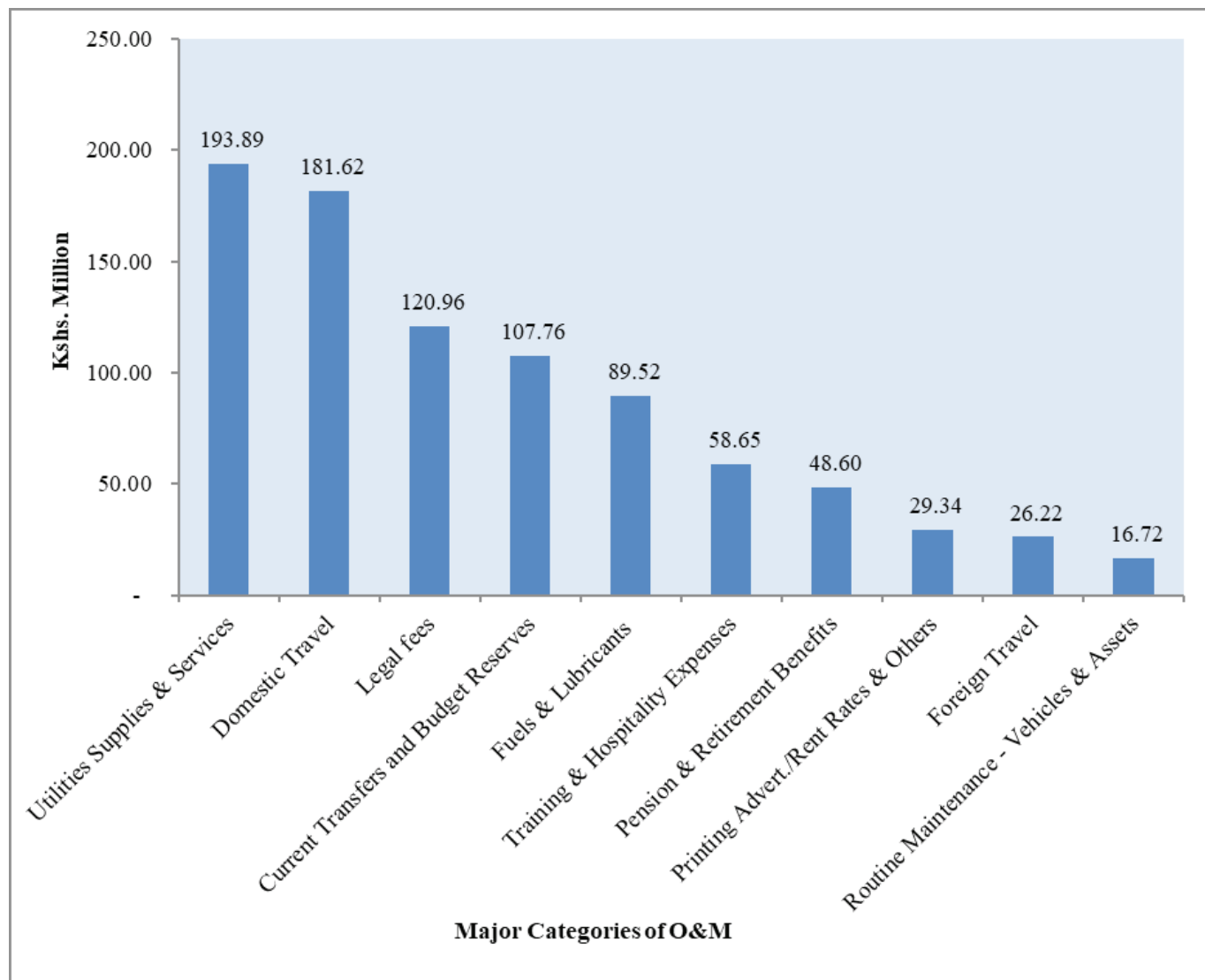
Source: Machakos County Treasury

3.22.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.32 billion consisted of Kshs.3.44 billion (79.6 per cent) spent on personnel emoluments and Kshs.884.06 million (20.4 per cent) on operations and maintenance as shown in Figure 3-65.

Expenditure on personnel emoluments represented an increase of 4.1 per cent, compared to first nine months of FY 2016/17 when the County spent Kshs.3.30 billion. This expenditure was 74 per cent of overall total expenditure in the first nine months 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 for the First Nine Months FY 2017/18



Source: Machakos County Treasury

The County spent Kshs.6.49 million on sitting allowances to the 59 MCAs and the Speaker against the annual budget allocation of Kshs.82.9 million. This was a decrease of 84.7 per cent compared to Kshs.43.38 million spent in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.12,317 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.207.84 million and consisted of Kshs.114.05 million spent by the County Assembly and Kshs.93.79 million by the County Executive. It represented 4.8 per cent of total recurrent expenditure, and was an increase of 118.9 per cent compared to Kshs.174.79 million spent in the first nine months of FY 2016/17.

3.22.7 Development Expenditure Analysis

The total development expenditure of Kshs.323.50 million represented 10.8 per cent of the annual development budget of Kshs.2.98 billion. The County did not provide a list of development projects implemented during the reporting period.

3.22.8 Budget and Budget Performance Analysis by Department

Table 3-62 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2016/17.

Table 3-62: Machakos County, Budget Performance by Department in the First nine months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	585.93	22.50	334.93	-	308.68	3.41	92.2	-	52.7	15.2
Public Service, Labour and ICT	507.24	20.70	158.87	-	3,224.13	2.62	2029.4	-	635.6	12.7
Trade, Investment, Economic Planning, Industrialization and Energy	112.88	729.22	46.99	48.44	5.80	-	12.3	-	5.1	-
Finance and Revenue Management	352.14	22.50	261.66	-	29.10	-	11.1	-	8.3	-
Decentralized Units, County Administration, Environment & Solid Waste mgt.	482.27	39.71	300.56	-	56.15	4.07	18.7	-	11.6	10.2
Agriculture, Natural Resources, Livestock, Water & Irrigation Development	454.39	227.19	272.97	36.40	29.27	76.73	10.7	210.8	6.4	33.8
Health and Emergency Services	2,920.12	609.60	2,128.81	49.36	161.36	22.11	7.6	44.8	5.5	3.6
Transport, Roads, Public Works and Housing	218.26	819.41	151.88	343.65	23.90	168.41	15.7	49.0	11.0	20.6
Education, Youth and Social Welfare	185.69	18.97	83.60	-	31.74	1.38	38.0	-	17.1	7.3
Lands, Energy & Urban development	90.99	206.06	62.05	-	19.20	23.14	30.9	-	21.1	11.2
Tourism, Sports and Culture	76.33	25.39	53.71	-	21.60	1.70	40.2	-	28.3	6.7
County Public Service Board	41.01	6.01	17.23	-	1.88	-	10.9	-	4.6	-
County Assembly	974.67	241.00	380.63	21.20	411.45	19.93	108.1	94.0	42.2	8.3
TOTAL	7,001.92	2,988.26	4,253.89	499.05	4,324.26	323.50	101.7	64.8	61.8	10.8

Source: Machakos County Treasury

Analysis of budget performance by department shows that the Department of Agriculture, Natural Resources, Livestock, Water & Irrigation attained the highest absorption rate of development budget at 33.8 per cent, followed by the Department of Transport, Roads, Public Works and Housing at 20.6 per cent. The Department of Public Service, Labour and ICT had the highest percentage of recurrent expenditure to recurrent budget at 635.6 per cent, followed by Office of the Governor at 52.7 per cent.

3.22.9 Observations and Recommendations

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

- i. 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 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. Delays by the Fund Administrators of both the County Assembly and the County Executive's Car and Mortgage Funds to submit expenditure reports contrary to Section 168 of the PFM Act, 2012.
3. Decline in own source revenue collection by 34.1 per cent from Kshs.960.62 million in the first nine months of FY 2016/17 to Kshs.633.21 million in the reporting period, representing 40.6 per cent of the annual local revenue target.

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 on the in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection.*

3.23 Makueni County

3.23.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.9.67 billion, comprising of Kshs.6.07 billion (62.8 per cent) and Kshs.3.6 billion (37.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.83 billion (70.5 per cent) as equitable share of revenue raised nationally, Kshs.926.24 million (9.6 per cent) as total conditional grants, generate Kshs.600 million (6.2 per cent) from own revenue sources, and Kshs.1.32 billion (13.7 per cent) cash balance brought forward from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.26.72 million (9.1 per cent) from DANIDA, Kshs.47.4 million (16.1 per cent) for the Kenya Devolution Support Programme, Kshs.104.28 million (35.4 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (22.4 per cent) as European Union (EU) grant for Devolution advice and Support and Kshs.50 million (17 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project.

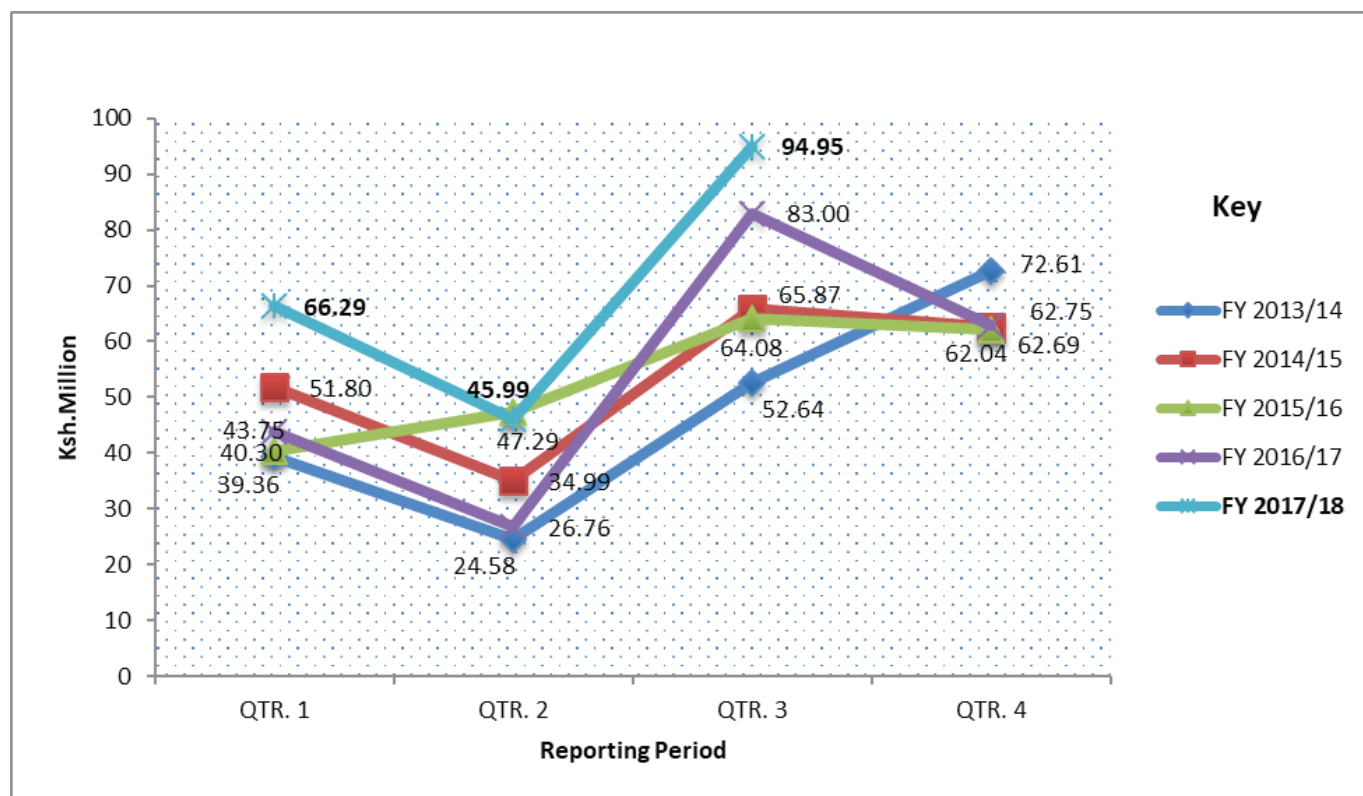
The County also budgeted to receive additional grants amounting to Kshs.187.85 million which is not contained in the CARA, 2017. The grants include Kshs.14.15 million as Agriculture Sector Development Support Programme (ASDP) funds, Kshs.50 million for registration of Universal Health Care (UHC), Kshs.86 million for Facility Improvement Fund (FIF)-Health, Kshs.15 million for ENE-Micro Finance Capital funds, Kshs.20 million for Kenya Urban Development Support Programme, and Kshs.2.69 million as ENE-Micro Finance Interest Income.

3.23.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.3.57 billion as equitable share of revenue raised nationally, Kshs.244.98 million as total conditional grants, raised Kshs.207.22 million from own sources of revenue, and had a cash balance of Kshs.1.32 billion from FY 2016/17. The total available funds amounted to Kshs.5.37 billion.

Figure 3-67 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-67: Makueni County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Makueni County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.207.22 million, representing an increase of 34.9 per cent compared to Kshs.153.51 million generated in a similar period of FY 2016/17, and represented 34.5 per cent of the annual own source revenue target.

3.23.3 Conditional Grants

Table 3-63 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-63: Makueni County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	254,349,334	254,349,334	118,622,496	46.6
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	Kenya Devolution Support Programme	47,396,651	47,396,651	16,195,048	34
4	Compensation for User Fee Foregone	19,435,760	19,435,760	-	-
5	DANIDA Grant	17,235,760	27,577,132	26,960,609	156.4
6	Development of Youth Polytechnics	64,131,527	64,131,527	-	-
7	Conditional Allocation - Other Loans & Grants	42,068,488	42,068,488	-	-

S/No	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
8	World Bank Loan for Transforming Health System for Universal Care System	71,695,469	71,695,469	32,588,849	31.2
9	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101.2
10	EU Grant for instruments for devolution advice & support	66,000,000	66,000,000	-	-
Sub Total		728,057,670	738,399,042	244,976,857	83
B	Other Grants				
11	ASDP Funds	-	14,150,515		-
12	Registration UHC	-	50,000,000	-	-
13	FIF - Health	-	86,000,000	-	-
14	ENE Micro Finance Capital Funds	-	15,000,000	-	-
15	Kenya Urban Development Support Programme	-	20,000,000	-	-
16	ENE Micro Finance Interest Income	-	2,695,417	-	-
Sub Total		-	187,845,932	-	-
Grand Total		728,057,670	926,244,974	244,976,857	83

Source: Makeni County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from DANIDA, World Bank loan for National Agricultural & Rural Inclusive Project, Road Maintenance Fuel Levy Fund, the Kenya Devolution Support Programme (KDSP), and, World Bank loan for Transforming Health System for Universal Care System. The receipts accounted for 156.4 per cent, 101.2 per cent, 46.6 per cent, 34 per cent and 31.2 per cent of annual allocation respectively.

3.23.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.51 billion from the CRF account, which was 46.5 per cent of the Approved Supplementary Budget. This amount represented a decline of 38.7 per cent from Kshs.7.35 billion approved in a similar period of FY 2016/17 and comprised of Kshs.3.71 billion (82.5 per cent) for recurrent expenditure and Kshs.786.04 million (17.5 per cent) for development activities.

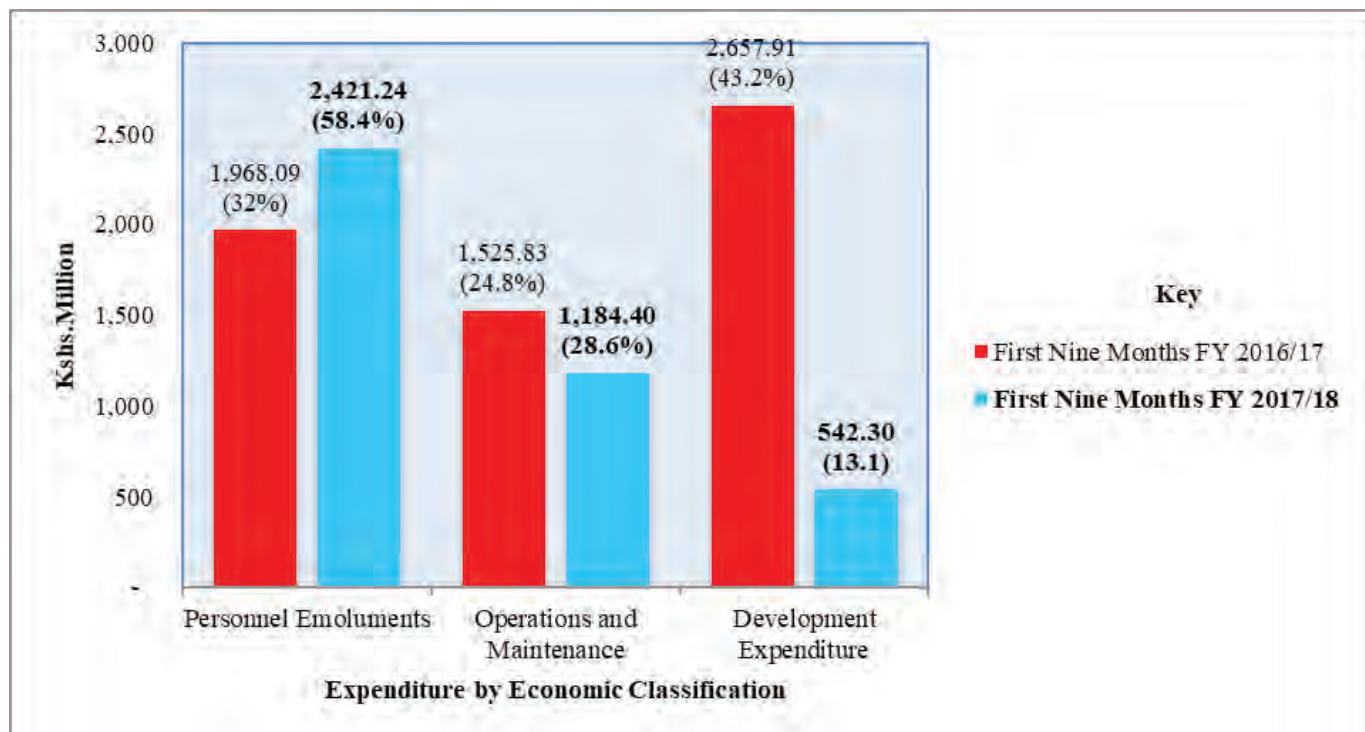
3.23.5 Overall Expenditure Review

The County spent Kshs.4.15 billion, which was 92.2 per cent of the total funds released for operations. This was a decline of 32.6 per cent from Kshs.6.15 billion incurred in a similar period of FY 2016/17.

A total of Kshs.3.61 billion was spent on recurrent activities while Kshs.542.3 million was spent on development activities. The recurrent expenditure was 97.1 per cent of the funds released for recurrent activities, while development expenditure was 69 per cent of funds released for development activities.

The recurrent expenditure represented 59.4 per cent of the annual recurrent budget, a decrease from 71 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 15.1 per cent, which was a decrease from 47.4 per cent attained in the first nine months of FY 2016/17. Figure 3-68 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-68: Makueni County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



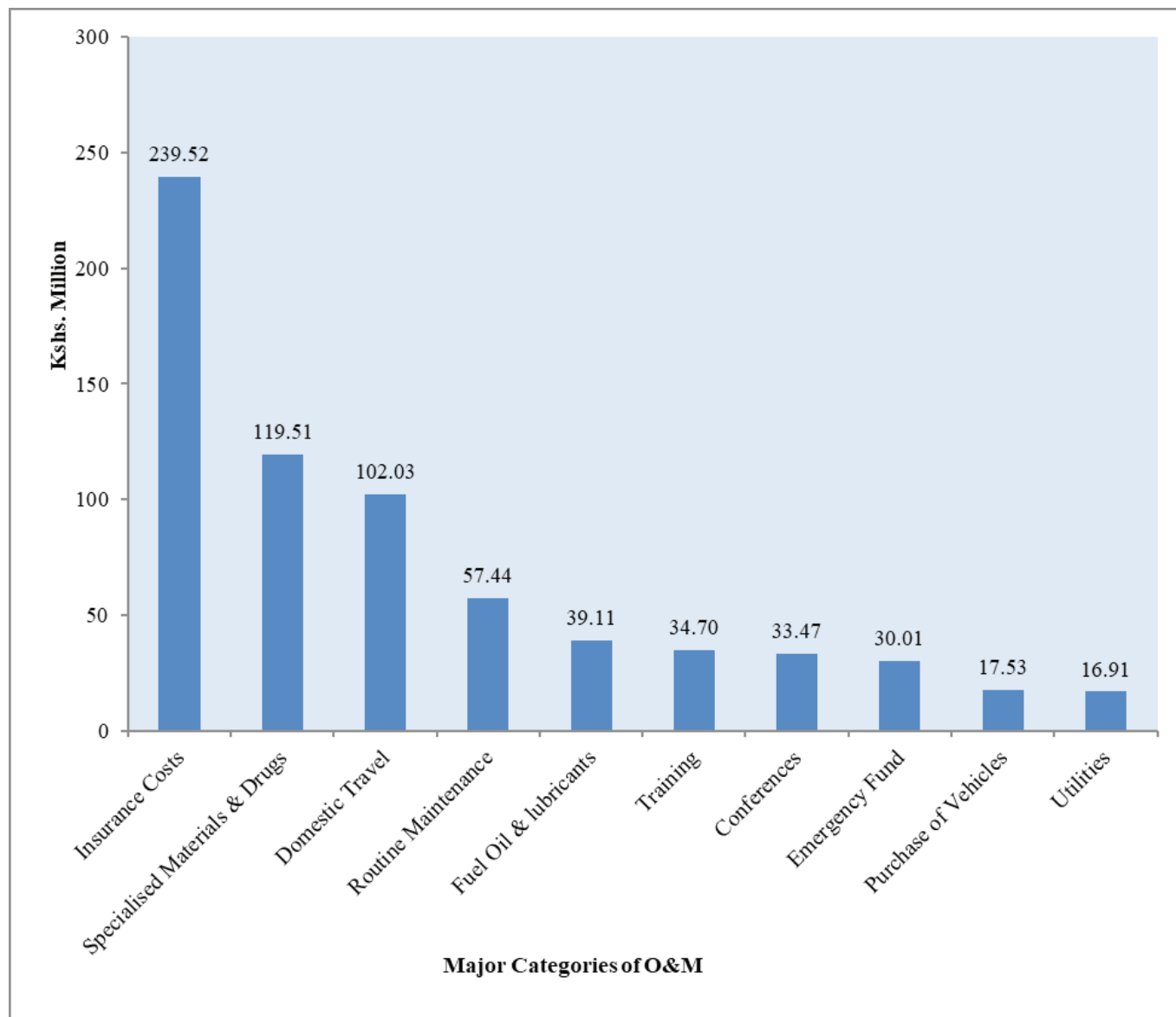
Source: Makueni County Treasury

3.23.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.61 billion comprised of Kshs.2.42 billion (67.2 per cent) incurred on personnel emoluments and Kshs.1.18 billion (32.8 per cent) on operations and maintenance as shown in Figure 3-68.

Expenditure on personnel emoluments represented an increase of 23.4 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.97 billion, and was 58.4 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Makueni County Treasury

The County incurred Kshs.9.23 million on committee sitting allowances to the 49 MCAs against the annual budget allocation of Kshs.49.04 million. This was a decline of 77.2 per cent compared to Kshs.40.54 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.20,922 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.102.03 million and comprised of Kshs.41.5 million spent by the County Assembly and Kshs.60.53 million by the County Executive. This represented 2.8 per cent of total recurrent expenditure and was a decrease of 47.8 per cent compared to Kshs.195.31 million spent in the first nine months of FY 2016/17.

3.23.7 Development Expenditure Analysis

The total development expenditure of Kshs.542.3 million represented 15.1 per cent of the annual development budget of Kshs.3.61 billion. Table 3-64 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-64: Makueni County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	Q3 FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Universal Health Care	All Wards	151,165,533	132,195,106	87
2	Sand & Earth Dams	All Wards	757,559,605	114,081,855	15
3	Fruit Processing Plant	Nzaui/Kilili/kalamba	145,796,927	52,831,099	36
4	Support to Farmers	All Wards	194,811,295	49,356,916	25
5	Ward based upgrading of dispensaries	All Wards	126,243,804	38,016,011	30
6	Youth Empowerment Programs	All Wards	65,152,544	31,776,034	49
7	Purchase of Fire Engine	Wote/Nziu Ward	82,043,119	19,789,500	24
8	DANIDA Grant	All Wards	27,577,132	17,994,289	65
9	Construction of Buildings-County Assembly	Wote/Nziu Ward	73,311,467	15,922,006	22
10	Market sheds & yards	All Wards	55,653,276	11,154,108	20

Source: Makueni County Treasury

3.23.8 Budget and Budget Performance Analysis by Department

Table 3-65 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-65: Makueni County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Attorney's Office	31.38	-	15.23	-	8.88	-	58.3	-	28.3	-
County Public Service Board	65.23	-	44.72	-	46.10	-	103.1	-	70.7	-
Lands, Physical Planning & Mining	44.64	81.20	25.47	-	25.57	3.28	100.4	-	57.3	4.0
Office of Governor	221.56	-	133.84	-	104.92	-	78.4	-	47.4	-
Trade, Tourism & Cooperatives	79.83	134.48	47.53	33.42	44.14	15.16	92.9	45.4	55.3	11.3
Youth, Gender, Sports & Social services	74.38	172.53	46.95	49.47	45.32	49.15	96.5	99.3	60.9	28.5
County Secretary	812.26	-	366.15	-	500.94	-	136.8	-	61.7	-
Finance & Socio Economic Planning	879.54	53.65	375.15	1.00	446.77	-	119.1	-	50.8	-
Education & ICT	362.85	219.70	190.57	22.19	193.63	8.59	101.6	38.7	53.4	3.9
Transport & Infrastructure	125.96	723.82	77.14	260.16	73.69	9.36	95.5	3.6	58.5	1.3
Agriculture, Livestock & Fisheries Development	244.49	470.76	184.71	99.16	184.54	102.19	99.9	103.0	75.5	21.7
Water, Irrigation & Environment	151.80	1,038.66	84.37	136.09	85.21	133.87	101.0	98.4	56.1	12.9
Health	2,089.52	622.47	1,607.89	155.38	1,353.72	204.40	84.2	131.5	64.8	32.8
Devolution & Public Service	265.72	11.55	160.75	7.24	174.25	0.38	108.4	5.2	65.6	3.2
County Assembly	623.10	73.31	353.73	21.93	317.97	15.92	89.9	72.6	51.0	21.7

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
TOTAL	6,072.26	3,602.13	3,714.20	786.04	3,605.65	542.30	97.1	69.0	59.4	15.1

Source: Makeni County Treasury

Analysis of budget performance by department shows that, the Department of Health attained the highest absorption rate of development budget at 32.8 per cent while the Department of Transport, Public Works and Infrastructure attained absorption rate of 1.3 per cent. The Department of Agriculture, Livestock & Food Security had the highest percentage of recurrent expenditure to its recurrent budget at 75.5 per cent while the Department of County Attorney's Office had the lowest at 28.3 per cent.

3.23.9 Key Observations and Recommendations

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

- i. Reduction in travel expenditure by 47.8 per cent from Kshs.195.31 million in the first nine months of FY 2016/17 to Kshs.102.03 million in the reporting period.
- ii. Improvement in own source revenue collection by 34.9 per cent from Ksh.153.51 million in a similar period FY 2016/17 to Ksh.207.22 million in the reporting period, representing 34.5 per cent of annual target.
- iii. Timely submission of financial reports to the Office of the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012

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

1. 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 23.4 per cent from Kshs.1.97 billion in the first nine months of FY 2016/17 to Kshs.2.42 billion in the period under review, representing 58.4 per cent of total expenditure.
4. Delay by Fund Administrators to submit quarterly expenditure reports on County Funds contrary to Section 168 of the PFM Act, 2012

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should liaise with the IFMIS Directorate to address the connectivity challenges.*
3. *The County Public Service Board should establish and implement an optimal staffing structure in order to manage the wage bill.*
4. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

3.24 Mandera County

3.24.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.12.28 billion, comprising of Kshs.6.12 billion (49.9 per cent) and Kshs.6.16 billion (50.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.36 billion (84.4 per cent) as equitable share of revenue raised nationally, Kshs.502.62 million (4.1 per cent) as total conditional grants, generate Kshs.231 million (1.9 per cent) from own revenue sources, and Kshs.1.23 billion (10 per cent) cash balance brought forward from FY 2016/17.

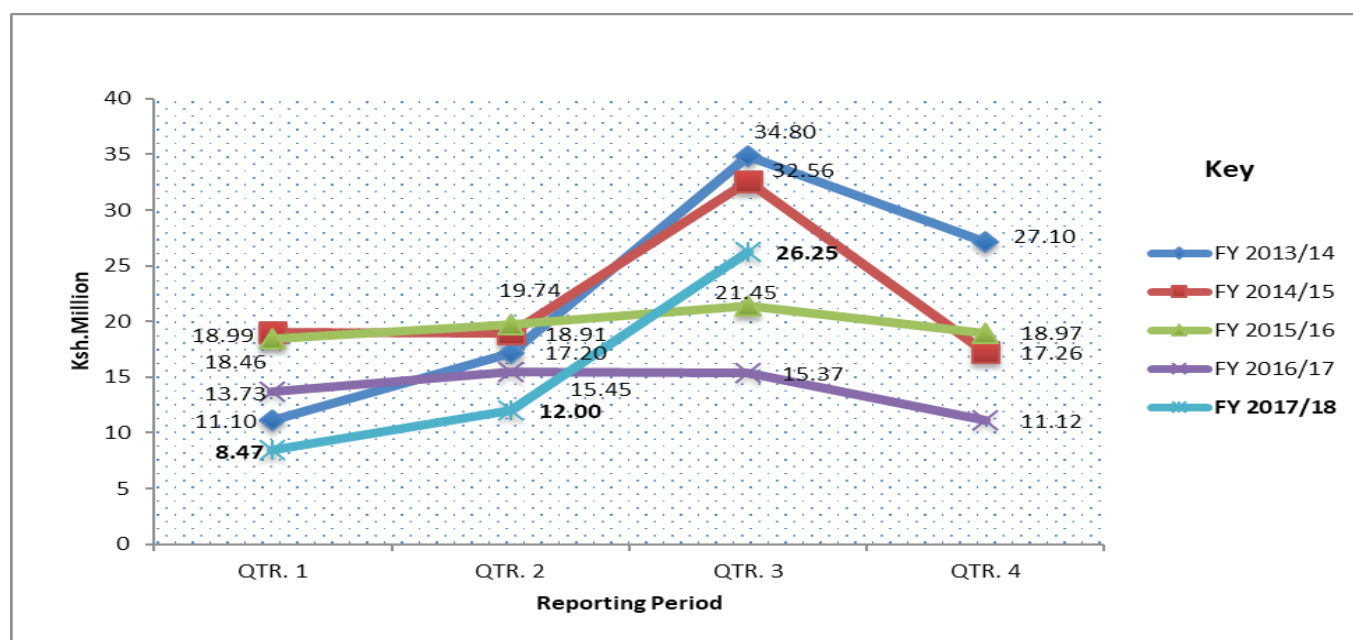
The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (12.1 per cent) for Leasing of Medical Equipment, Kshs.381.57 million (48.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.2.55 million (0.3 per cent) as Compensation for User Fee Foregone, Kshs.40.1 million (5.1 per cent) from DANIDA, Kshs.28.31 million (3.6 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.54.80 million (6.9 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.29.83 million (3.8 per cent) for Development of Youth Polytechnics, and Kshs.16 million (20.2 per cent) as World Bank loan for Transforming Health System for Universal Care Project.

3.24.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.5.03 billion as equitable share of revenue raised nationally, Kshs.308.61 million as total conditional grants, raised Kshs.46.72 million from own source revenues, and had a cash balance of Kshs.1.65 billion from FY 2016/17. The total available funds amounted to Kshs.7.02 billion.

Figure 3-70 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-70: Mandera County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Mandera County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.46.72 million, representing an increase of 4.9 per cent compared to Kshs.44.55 million generated in a similar period of FY 2016/17, and represented 20.2 per cent of the annual own source revenue target.

3.24.3 Conditional Grants

Table 3-66 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-66: Mandera County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	381,574,994	271,489,957	177,957,526	47
2	Leasing of Medical Equipment	95,744,681	-	-	-
3	World Bank loan to supplement financing of County Health facilities	28,305,000	51,729,085	-	-
4	Kenya Devolution Support Programme (KDSP)	54,795,936	39,304,000	15,491,936	28
5	Compensation for User Fee Foregone	2,547,492	25,474,920	-	-
6	DANIDA Grant	40,078,375	14,620,000	25,857,016	65
7	Development of Youth Polytechnic	29,831,415	-	-	-
8	World Bank Loan for Transforming Health System for Universal Care Project	160,000,000	100,000,000	89,304,000	56
	Total	792,877,893.0	502,617,962.5	308,610,478	39

Source: Mandera County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from DANIDA, the World Bank Loan for Transforming Health System for Universal Care Project, the Road Maintenance Fuel Levy Fund and Kenya Devolution Support Programme. These receipts accounted for 65 per cent, 56 per cent, 47 per cent and 28 per cent of annual allocation respectively.

3.24.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.5 billion from the CRF account, which was 40.9 per cent of the Approved Budget. This amount represented a decline of 34.6 per cent from Kshs.7.67 billion approved in a similar period of FY 2016/17 and comprised of Kshs.3.42 billion (68.3 per cent) for recurrent expenditure and Kshs.1.59 million (31.7 per cent) for development activities.

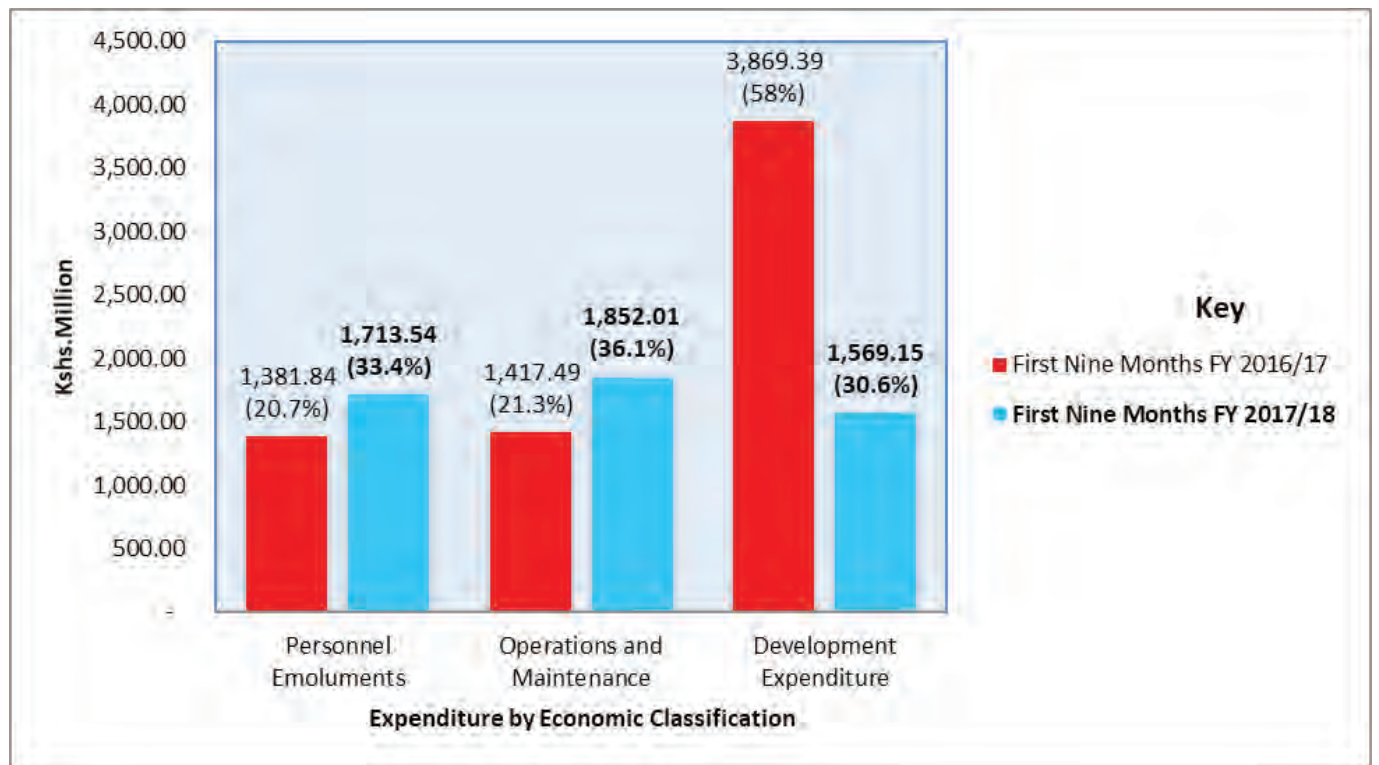
3.24.5 Overall Expenditure Review

The County spent Kshs.5.13 billion, which was 102.4 per cent of the total funds released for operations. This was a decline of 23 per cent from Kshs.6.67 billion incurred in a similar period of FY 2016/17.

A total of Kshs.3.57 billion was spent on recurrent activities while Kshs.1.57 billion was spent on development activities. The recurrent expenditure was 104.1 per cent of the funds released for recurrent activities, while development expenditure was 98.6 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.504.55 million for development activities and Kshs.449.29 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 58.3 per cent of the annual recurrent budget, a decrease from 64.7 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 25.5 per cent, which was a decrease from 50.3 per cent attained in the first nine months of FY 2016/17. Figure 3-71 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-71: Mandera County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



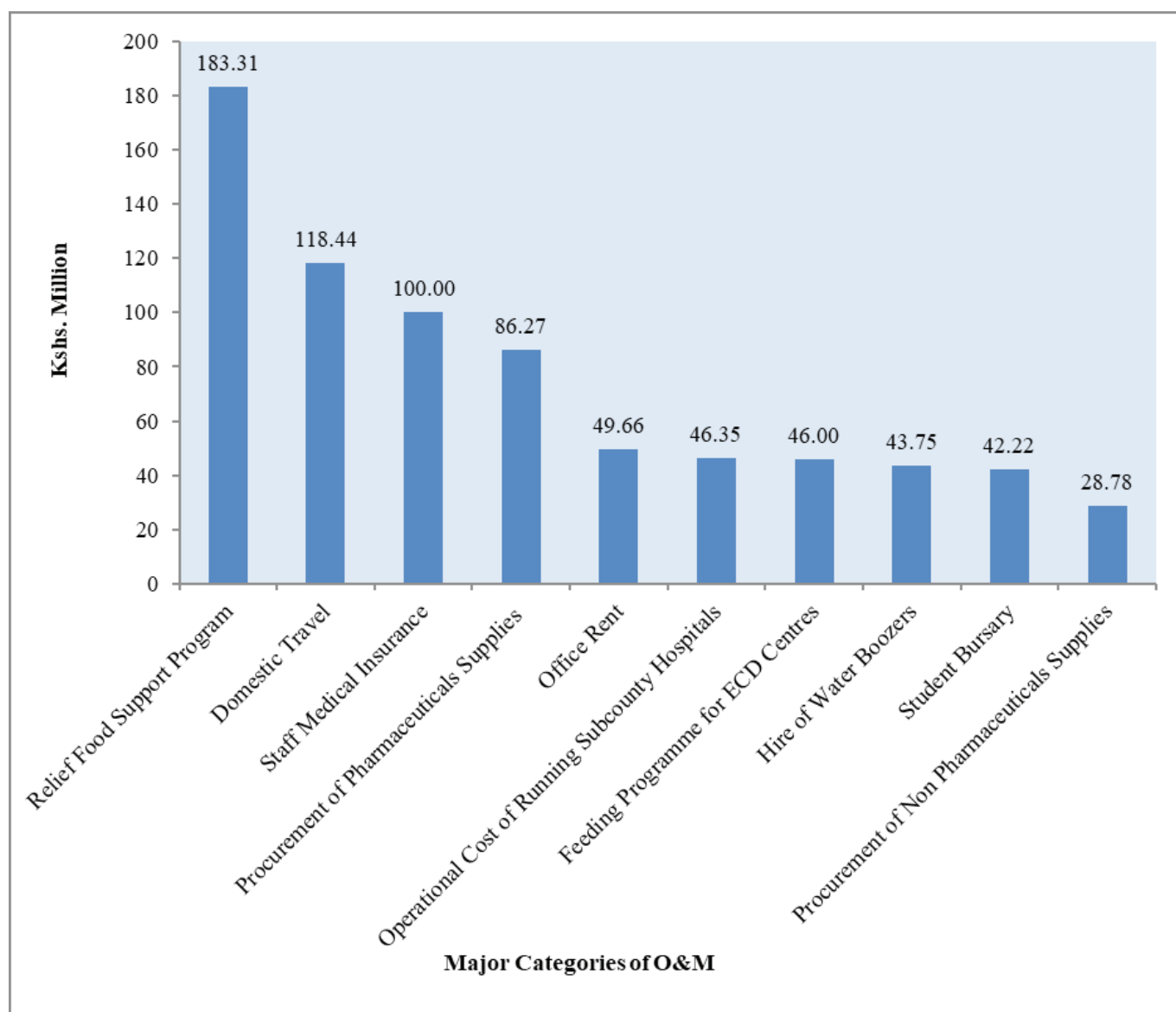
Source: Mandera County Treasury

3.24.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.57 billion comprised of Kshs.1.71 billion (48.1 per cent) incurred on personnel emoluments and Kshs.1.85 billion (51.9 per cent) on operations and maintenance as shown in Figure 3-2.

Expenditure on personnel emoluments represented an increase of 24 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.38 billion, and was 33.4 per cent of total expenditure. 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 Nine Months of FY 2017/18



Source: Mandera County Treasury

The County incurred Kshs.5.43 million on committee sitting allowances to the 49 MCAs against the annual budget allocation of Kshs.50.2 million. This was a decline of 78.7 per cent compared to Kshs.25.46 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.12,317 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.118.44 million and comprised of Kshs.60.12 million spent by the County Assembly and Kshs.58.34 million by the County Executive. This represented 3.5 per cent of total recurrent expenditure and was an increase of 13.3 per cent compared to Kshs.111.59 million spent in the first nine months of FY 2016/17.

3.24.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.57 billion represented 25.5 per cent of the annual development budget of Kshs.6.16 billion. Table 3-67 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-67: Mandera County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Annual project budget (Kshs.)	First nine months project expenditure (Kshs.)	Absorption rate (%)
1	Mandera Town Road	Mandera Town	349,382,006	200,000,000	57
2	Accident and emergency Unit at Mandera and Elwak	Mandera and Elwak	107,554,475	107,554,475	100
3	Lafey - Waranqara Road	Lafey	58,091,780	57,784,545	99
4	Building projects-county Headquarters, Governor's Residence, County Rest House	Mandera Town	46,502,268	46,502,268	100
5	Accident and Emergency equipment for Elwak and Mandera County Referral Hospital (Phase II)	Elwak and Mandera County Referral Hospital	50,000,000	39,491,100	79
6	Land Survey in Mandera Town, Elwak and Kutulo	Mandera Town, Elwak and Kutulo	33,848,655	33,848,655	100
7	Laying of 18km gravity main 1 from Falama Hill to Borehole 11	Falama Hill	33,625,546	33,625,546	100
8	IDP Housing Programs	Countywide	300,000,000	24,960,000	8
9	Proposed Constructions of Domal -Murutho Road (36km)	Domal -Murutho	24,000,000	24,000,000	100
10	Jua Kali Sector Development consultancy	Mandera Town	16,800,000	16,800,000	100

Source: Mandera County Treasury

3.24.8 Budget and Budget Performance Analysis by Department

Table 3-68 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-68: Mandera County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	853.3	96.7	192.2	-	350.6	-	182.5	-	41.1	-
Agriculture, Livestock and Fisheries	214.8	453	110.2	-	110.2	-	100	-	51.3	-
Education, Culture and Sports	538.9	287.8	287.3	42.2	287.3	42.2	100	100	53.3	14.7
Gender, Youth and Social Services	98.6	58.2	38.5	-	38.5	-	100	-	39	-
Finance & Economic Planning and ICT	730.2	355.9	380.1	27.9	376.8	27.9	99	100	51.6	7.8
Health Services	1,416.6	642.9	1,114.6	273.2	1,114.6	273.2	100	100	78.7	42.5
Trade, Investments, Industrialization, and Cooperative Development	47.1	351.4	22.7	96.6	22.7	96.6	100	100	48.1	27.5
Lands, Housing Developments and Physical Planning	78.7	304.7	43.2	36.3	43.2	43.5	100	119.8	54.9	14.3
Office of the Governor and Deputy Governor	388.1	-	235.4	-	235.4	-	100	-	60.6	-
County Public Service Board	57.2	-	34.6	-	34.6	-	100	-	60.6	-
Public Service Management and Devolved Units	1,062.0	255.5	574.6	16.2	562.6	9.0	97.9	55.6	53.0	3.5
Public Works, Roads and Transport	116.9	2,077.8	54.1	481.8	54.1	481.8	100	100.0	46.3	23.2

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Ministry of Water, Energy, Environment and Natural Resources	517.8	1,271.9	336.9	617.4	335.0	594.9	99.4	96.4	64.7	46.8
TOTAL	6,120.1	6,155.9	3,424.3	1,591.6	3,565.5	1,569.1	104.1	98.6	58.3	25.5

Source: Mandera County Treasury

Analysis of budget performance by department shows that, the Department of Water, Energy, Environment and Natural Resources attained the highest absorption of development budget at 46.8 per cent while the County Assembly, Agriculture, Livestock and Fisheries, and, Gender, Youth and Social Services Departments did not incur any development expenditure. The Department of Health Services had the highest percentage of recurrent expenditure to its recurrent budget at 78.7 per cent while the Department of Gender, Youth and Social Services had the lowest at 39 per cent.

3.24.9 Key Observations and Recommendations

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

- i. Timely submission of financial reports to the Office of the Controller of Budget in line with Section 166 of the PFM Act, 2012.
- ii. Improved use of IFMIS to process financial transactions.

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

1. Under-performance of own-source revenue collection. The own source revenue collection of Kshs.46.72 million represents 20.2 per cent of the annual target against the expected performance of 75 per cent as at the end of the first nine months 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 Treasury should formulate and implement strategies to enhance own-source revenue collection.
2. 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 (84 per cent) as equitable share of revenue raised nationally, Kshs.573.09 million (7.3 per cent) as total conditional grants, generate Kshs.130 million (1.7 per cent) from local revenue sources, and Kshs.551.9 million (7 per cent) cash balance brought forward from FY 2016/17

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (14.3 per cent) for Leasing of Medical Equipment, Kshs.221.11 million (33.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.6.64 million (1 per cent) as Compensation for User Fee Foregone, Kshs.14.96 million (2.2 per cent) from DANIDA, Kshs.36.8 million (5.5 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.45.75 million (6.8 per cent) for the World Bank Kenya Devolution Support Programme,

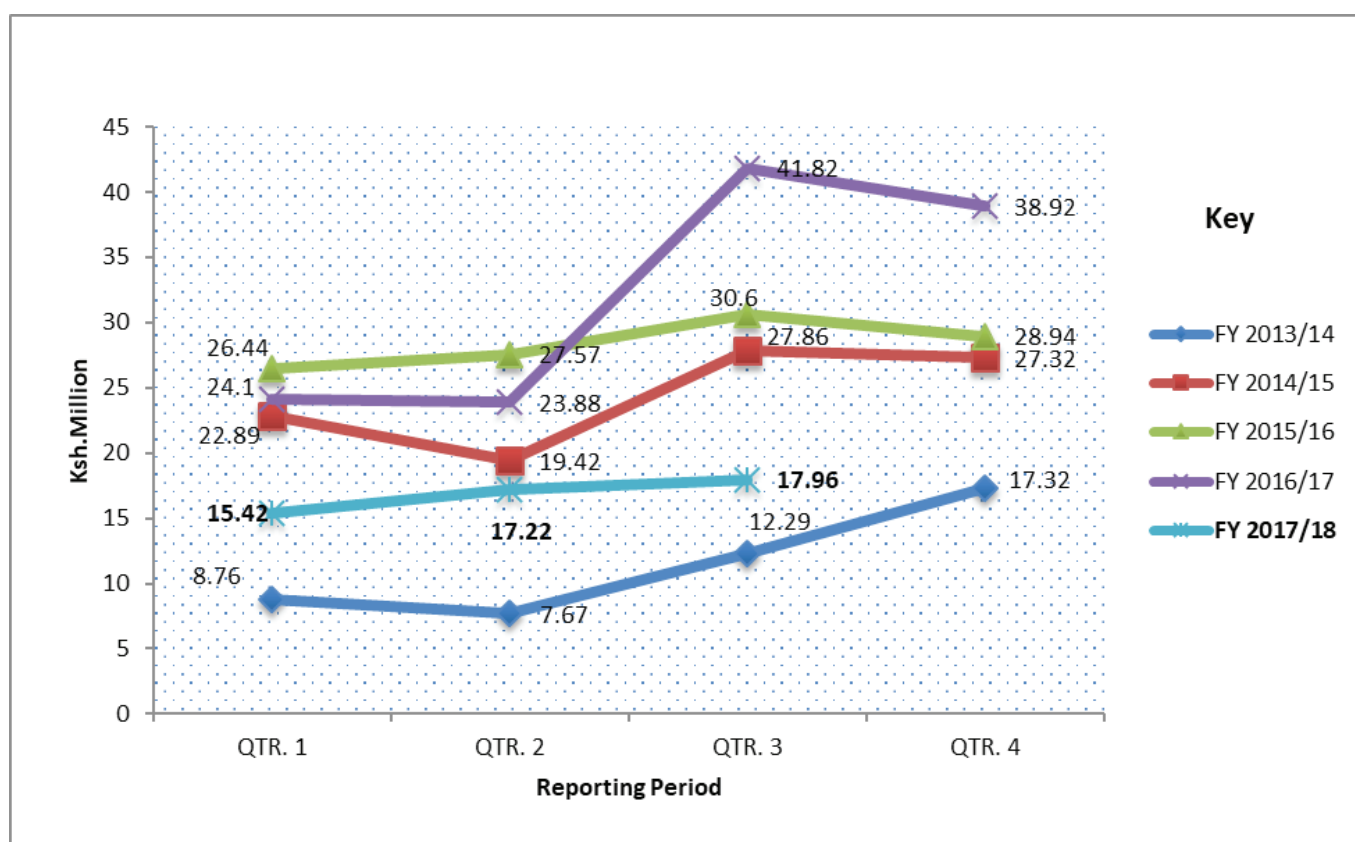
Kshs.29.59 million (4.4 per cent) for Development of Youth Polytechnics, Kshs.101.89 million (15.2 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.61.8 million (9.2 per cent) as European Union (EU) grant and Kshs.54.54 million (8.2 per cent) as Other Loans and Grants.

3.25.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.3.41 billion as equitable share of revenue raised nationally, Kshs.215.69 million as total conditional grants, raised Kshs.50.6 million from own revenue source, and had a cash balance of Kshs.551.9 million from FY 2016/17. The total available funds amounted to Kshs.4.25 billion.

Figure 3-73 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-73: Marsabit County, Trend in Own-source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Marsabit County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.50.6 million, representing a decline of 43.7 per cent compared to Kshs.89.8 million generated in a similar period of FY 2016/17, and represented 38.9 per cent of the annual own source revenue target.

3.25.3 Conditional Grants

Table 3-69 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-69: Marsabit County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	221,107,010	221,107,010	103,119,065	47
2	World Bank loan to supplement financing of County Health facilities	36,800,000	36,800,000	34,627,134	94
3	Kenya Devolution Support Programme (KDSP)	45,748,545	45,748,545	16,665,365	36
4	Compensation for User Fee Foregone	6,643,714	6,643,714	-	-
5	DANIDA Grant	14,958,995	23,934,392	14,958,995	100
6	Development of Youth Polytechnics	29,598,081	29,598,081	-	-
7	Conditional Allocation - Other Loans & Grants	54,542,188	-	-	-
8	World Bank Loan for Transforming Health System for Universal Care Project	101,892,430	-	46,314,741	45
9	EU Grant	61,800,000	-	-	-
10	Leasing of Medical Equipment	95,744,681	-	-	-
	Total	668,835,644	363,831,742	215,685,300	38

Source: Marsabit County Treasury

Analysis of the conditional grants released during the period under review indicates that the County received grants from DANIDA, World Bank loan to supplement financing of County Health facilities, Road Maintenance Fuel Levy Fund, World Bank Loan for Transforming Health System for Universal Care Project and Kenya Devolution Support Programme (KDSP). These receipts accounted for 100 per cent, 94 per cent, 47 per cent, 45 per cent and 36 per cent of annual allocation respectively.

3.25.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.2.94 billion from the CRF account, which was 50.6 per cent of the Approved Budget. This amount represented a decrease of 3.7 per cent from Kshs.4.07 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.84 billion (73.6 per cent) for recurrent expenditure and Kshs.1.02 billion (26.4 per cent) for development activities.

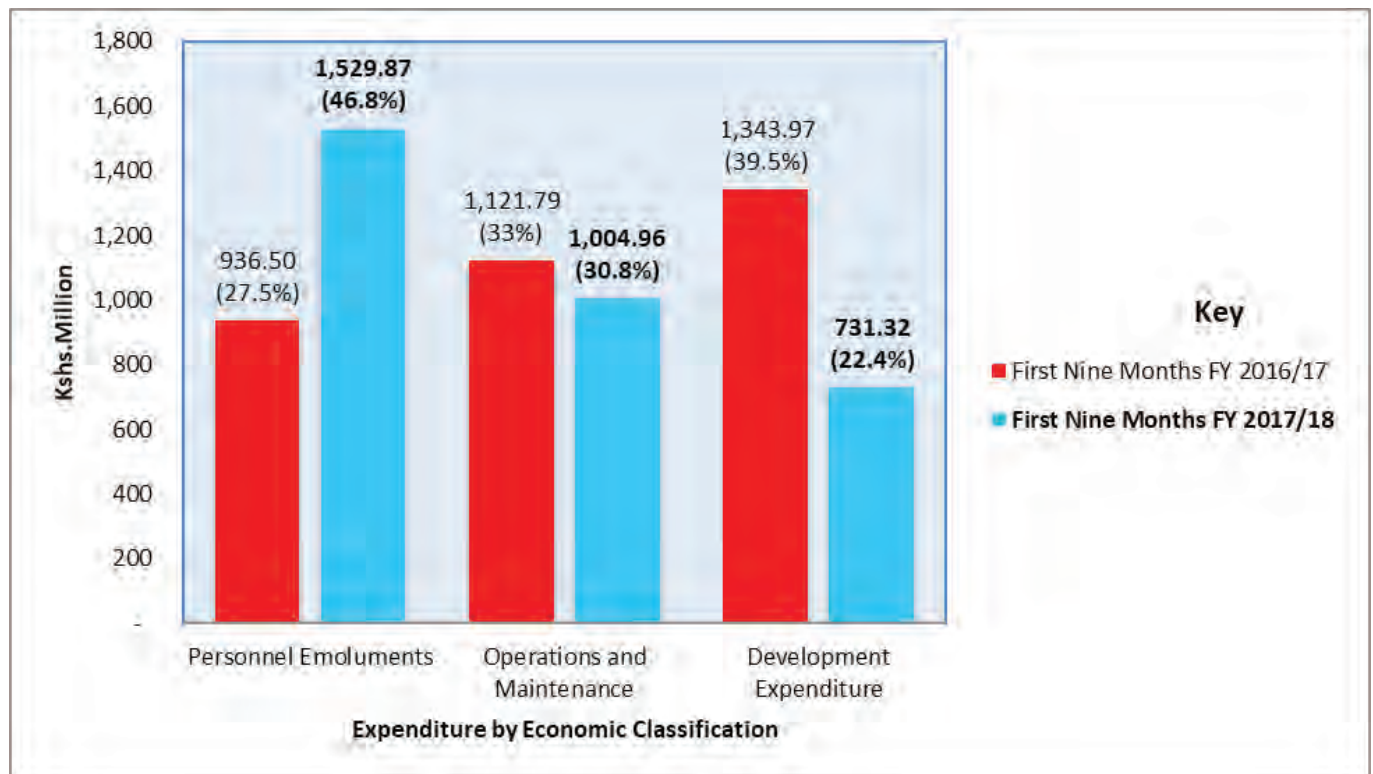
3.25.5 Overall Expenditure Review

The County incurred Kshs.3.27 billion, which was 84.7 per cent of the total funds released for operations. This was an increase of 2.8 per cent from Kshs.3.18 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.53 billion was spent on recurrent activities while Kshs.731.32 million was spent on development activities. The recurrent expenditure was 89.3 per cent of the funds released for recurrent activities, while development expenditure was 71.8 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.642.68 million for development activities and Kshs.289.04 million for recurrent expenditure as at March 31 2018.

The recurrent expenditure represented 62.1 per cent of the annual recurrent budget, an increase from 57 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 20.6 per cent, which was a decrease from 35.1 per cent attained in the first nine months of FY 2016/17. Figure 3-74 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-74: Marsabit County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



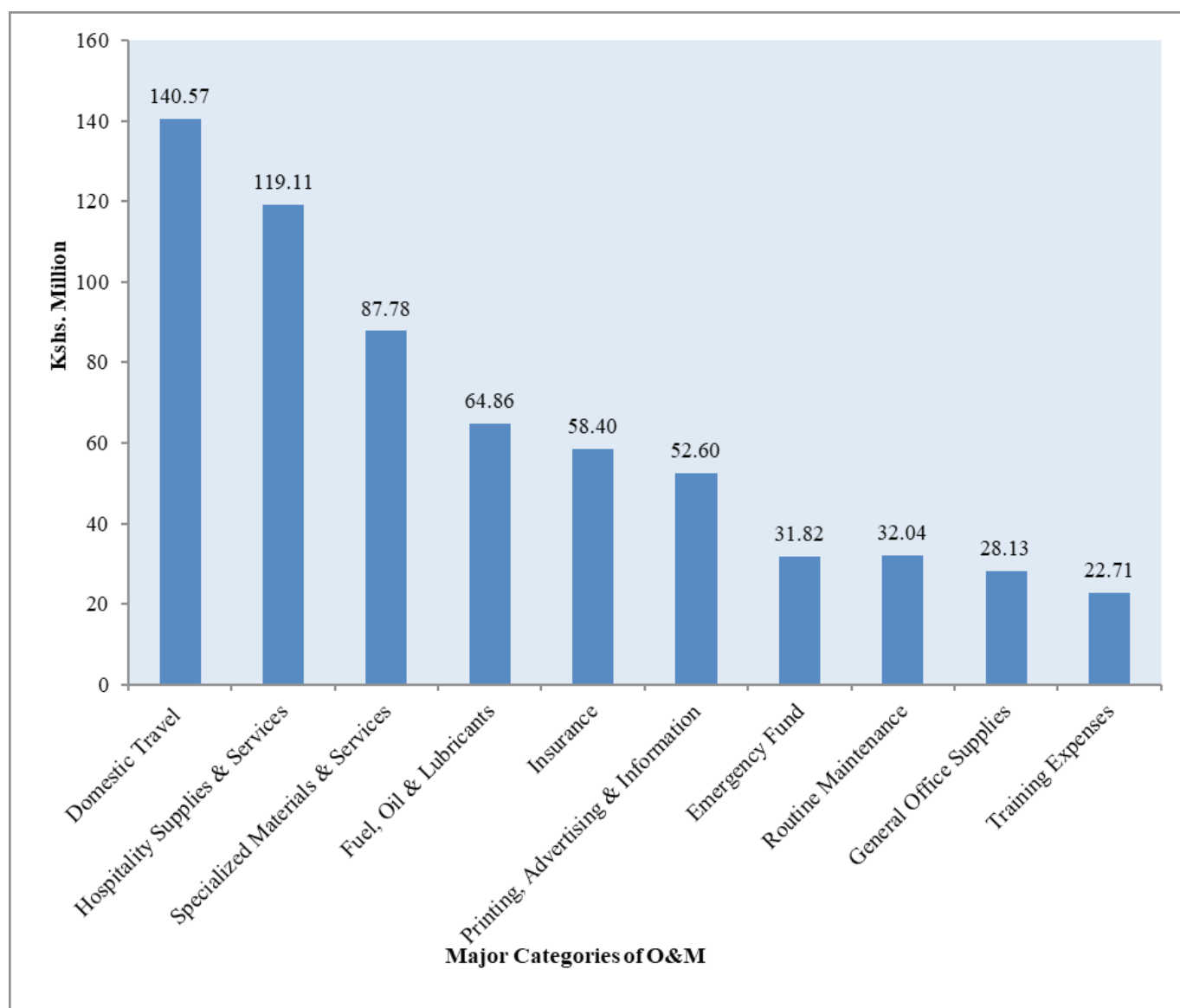
Source: Marsabit County Treasury

3.25.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.53 billion comprised of Kshs.1.53 billion (60.4 per cent) incurred on personnel emoluments and Kshs.582.72 million (39.6 per cent) on operations and maintenance as shown in Figure 3-74.

Expenditure on personnel emoluments represented an increase of 63.4 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.936.5 million, and was 46.8 per cent of total expenditure in the first nine months of FY 2017/18. Figure 3-75 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-75: Marsabit County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Marsabit County Treasury

The County incurred Kshs.8.08 million on committee sitting allowances to the 30 MCAs against the annual budget allocation of Kshs.33.5 million. This was a decline of 58.6 per cent compared to Kshs.19.5 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.29,914 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.140.57 million and comprised of Kshs.50.1 million spent by the County Assembly and Kshs.127.89 million by the County Executive. This represented 3.9 per cent of total recurrent expenditure and was an increase of 3.7 per cent compared to Kshs.145.84 million spent in the first nine months of FY 2016/17.

3.25.7 Development Expenditure Analysis

The total development expenditure of Kshs.731.32 million represented 20.6 per cent of the annual development budget of Kshs.7.63 billion. Table 3-70 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-70: Marsabit County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Annual project budget (Kshs.)	First nine months project expenditure (Kshs.)	Absorption rate (%)
1	Drought Contingency	County Wide	230,000,000	212,532,400	92.4
2	Upgrading of Marsabit Town Roads	Marsabit Central	80,000,000	20,000,000	25
3	Renewable energy generation	Marsabit/ Moyale	22,500,000	16,334,656	72.6
4	Erection and Completion of Theatre at Laisamis Hospital	Laismais	4,000,000	4,009,438	100.2
5	Erection and completion of perimeter wall at Marsabit Hospital	Marsabit Central	10,000,000	8,000,000	80
6	Provision of solid waste management	North Horr	5,000,000	1,250,000	25
7	Completion of Modern Market	Marsabit Central	40,000,000	31,000,000	77.5

Source: Marsabit County Treasury

3.25.8 Budget and Budget Performance Analysis by Department

Table 370 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-71: Marsabit County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	600.96	50	364.76	-	302.66	0	83.0		50.4	-
Office of the Governor and County Executive	509.34	324.74	376.13	232.64	358.47	298.57	95.3	128.3	70.4	91.9
Finance and Economic Planning	603.15	445	382.88	63	227.77	87.25	59.5	138.5	37.8	19.6
Agriculture, Livestock, Veterinary and Fisheries	173.28	144.8	116.58	66.8	123.93	4.73	106.3	7.1	71.5	3.3
Water, Environment and Natural Resources	120.51	587.45	83.37	55	61.9	35.29	74.2	64.2	51.4	6.0
Education, Skills Development, Youth Affairs & Sports	230.07	261.1	166.5	104.11	152.42	17.28	91.5	16.6	66.2	6.6
County Health Services	1,047.93	652.25	850.81	222.09	860.09	99.19	101.1	44.7	82.1	15.2
Energy, Land & Urban Development	133.09	231.45	88.47	65.5	70.02	41.68	79.1	63.6	52.6	18.0
County Transport, Public Works and Roads	70.57	609.14	47.95	103.12	37.57	52.35	78.4	50.8	53.2	8.6
Trade, Industry & Enterprise Development	78.47	132.5	53.8	86	46.24	61	85.9	70.9	58.9	46.0
Tourism, Culture, Social Services and Gender	63.66	92.5	44.57	20	43.35	31.77	97.3	158.9	68.1	34.3
County Public Service Board	87.87	9	59.28	-	61.75		104.2		70.3	-
Administration, Coordination & ICT	360.49	10	204.73	-	188.66	2.21	92.2		52.3	22.1

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
TOTAL	4,079.39	3,549.9	2,839.83	1,018.26	2,534.83	731.32	89.3	71.8	62.1	20.6

Source: Marsabit County Treasury

Analysis of budget performance by department shows that, the Office of the Governor attained the highest absorption rate of development budget at 91.9 per cent while the County Assembly County and the Public Service Board did not incur any development expenditure. The Department of Health had the highest rate of the recurrent budget at 82.1 per cent while the Department of Finance and Economic Planning had the lowest at 37.8 per cent.

3.25.9 Key Observations and Recommendations

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

- i. Adoption of IFMIS and internet banking to process financial transactions.
- ii. Establishment of an Internal Audit Department.

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 has not constituted the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation in the budget process.
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 timely disbursement of funds in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should constitute the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*
3. *The County should align conditional grants to the CARA, 2017.*

3.26 Meru County

3.26.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.10.52 billion, comprising of Kshs.7.35 billion (69.9 per cent) and Kshs.3.17 billion (30.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.7 billion (73.2 per cent) as equitable share of revenue raised nationally, Kshs.993.36 million (9.4 per cent) as total conditional grants, generate Kshs.821.78 million (7.8 per cent) as own source revenue, and Kshs.999.74 million (9.5 per cent) cash balance brought forward from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (1.9 per cent) for Leasing of Medical Equipment, Kshs.276.67 million (5.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.31.65 million (0.6 per cent) as Compensation for User Fee Foregone, Kshs.29.06 million (0.6 per cent) from DANIDA, Kshs.50.38 million (1.0 per cent) for the World Bank Kenya Devolution Support Programme,

Kshs.58.67 million (1.2 per cent) for Development of Youth Polytechnics, Kshs.42.94 million (0.9 per cent) as World Bank loan for Transforming Health System for Universal Care Project, and Kshs.3.92 billion (79.5 per cent) as Other Loans and Grants.

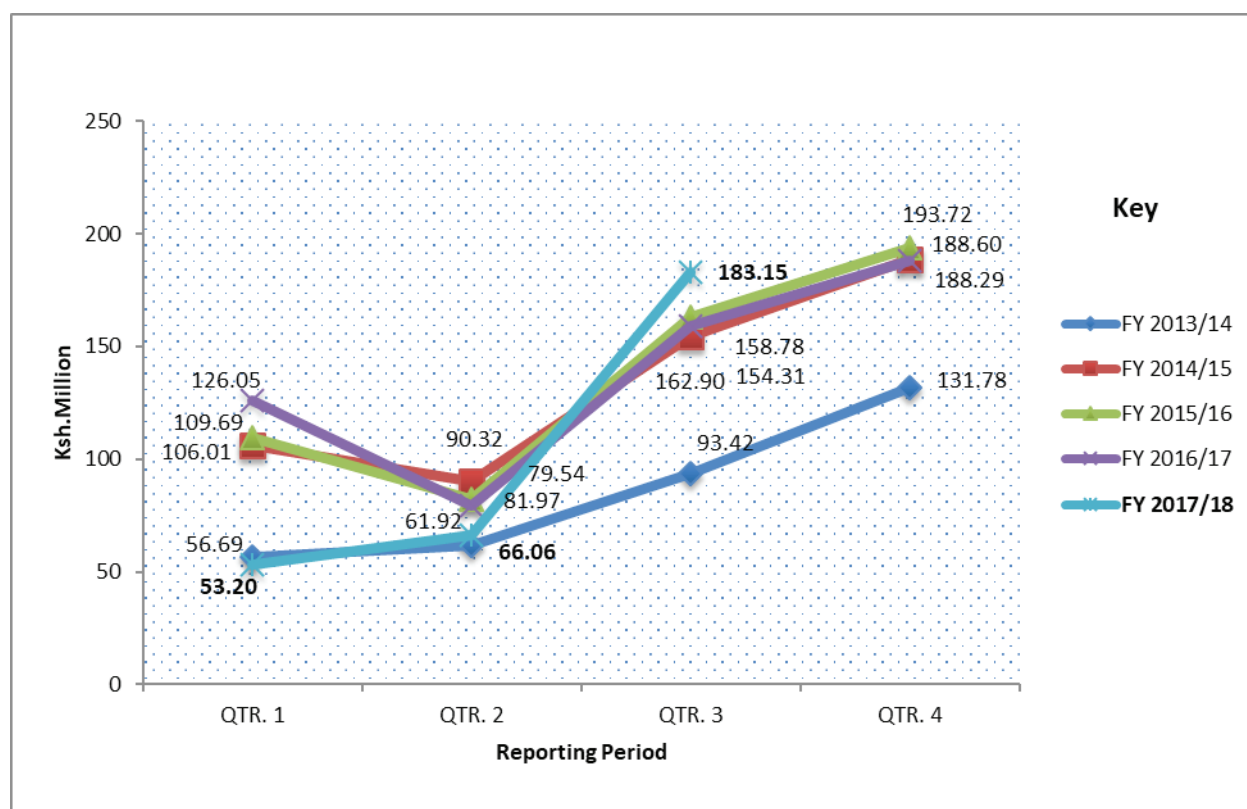
The County also budgeted to receive Kshs.8.10 million as Government of Kenya (GoK) Support to the Agricultural Sector Development Support Programme (ASDSP), which is not contained in the CARA, 2017.

3.26.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.4.19 billion as equitable share of revenue raised nationally, Kshs.449.29 million as total conditional grants, raised Kshs.302.42 million from own source revenues, and had a cash balance of Kshs.999.74 million from FY 2016/17. The total available funds amounted to Kshs.5.94 billion.

Figure3-76 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure3-76: Meru County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Meru County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.302.42 million, representing a decline of 17.0 per cent compared to Kshs.364.37 million generated in a similar period of FY 2016/17, and represented 36.8 per cent of the annual own source revenue target.

3.26.3 Conditional Grants

Table 3-72 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-72: Meru County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No.	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Conditional Allocation - Other Loans & Grants	3,920,000,000	-	-	-
2	Level-5 Hospital	373,872,832	373,872,832	188,805,781	50.5
3	Road Maintenance Fuel Levy Fund	276,672,439	276,672,439	129,033,463	46.6
4	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
5	Development of Youth Polytechnics	58,668,764	58,668,764	32,623,026	55.6
6	Kenya Devolution Support Programme (KDSP)	50,375,116	50,375,116	17,752,090	35
7	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101.2
8	Compensation for User Fee Foregone	31,648,428	31,648,428	16,048,114	50.7
9	World Bank Loan for Transforming Health System for universal Care System	42,944,127	29,524,087	13,420,040	31.3
10	DANIDA Grant	29,060,034	18,748,409	18,748,409	64.5
	Sub Total	4,928,986,421	985,254,756	467,040,778	9
B	Other Grants				
11	GoK Support to Projects: ASDSP Project	-	8,102,151	-	-
	Grand Total	4,928,986,421.0	993,356,907.0	467,040,778	9

Source: Meru County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from the World Bank Loan for National Agricultural & Rural Inclusive Project, DANIDA, Development of Youth Polytechnics, Compensation for User Fee Foregone, Level-5 Hospital, Road Maintenance Fuel Levy Fund, Kenya Devolution Support Program and the World Bank Loan for Transforming Health System for universal Care System. These receipts accounted for 101.2 per cent, 64.5 per cent, 55.6 per cent, 50.7 per cent, 50.5 per cent, 46.6 per cent, 35 per cent and 31.3 per cent of annual allocation respectively.

3.26.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.64 billion from the CRF account, which was 44.1 per cent of the Approved Supplementary Budget. This amount represented a decline of 23.9 per cent from Kshs.6.09 billion approved in a similar period of FY 2016/17 and comprised of Kshs.4.50 billion (97.1 per cent) for recurrent expenditure and Kshs.134.03 million (2.9 per cent) for development activities.

3.26.5 Overall Expenditure Review

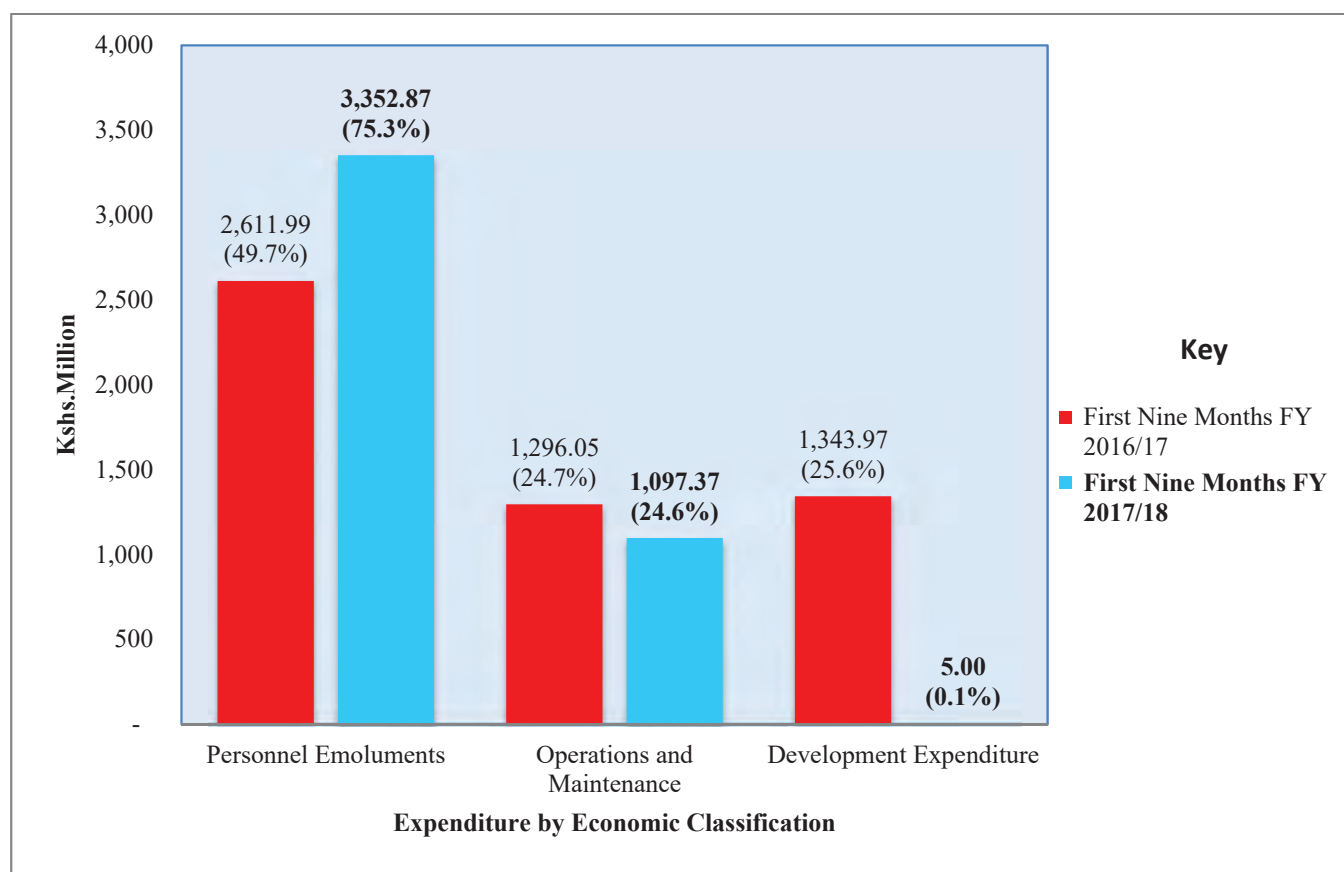
The County spent Kshs.4.46 billion, which was 96.1 per cent of the total funds released for operations. This was a decline of 15.2 per cent from Kshs.5.25 billion incurred in a similar period of FY 2016/17.

A total of Kshs.4.45 billion was spent on recurrent activities while Kshs.5 million was spent on development activities. The recurrent expenditure was 98.9 per cent of the funds released for recurrent activities, while development expenditure was 3.7 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.307.52 million for development activities and Kshs.481.33 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 60.6 per cent of the annual recurrent budget, an increase from 59.6 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate

of 0.2 per cent, which was a decrease from 41.8 per cent attained in the first nine months of FY 2016/17. Figure 3-77 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-77: Meru County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



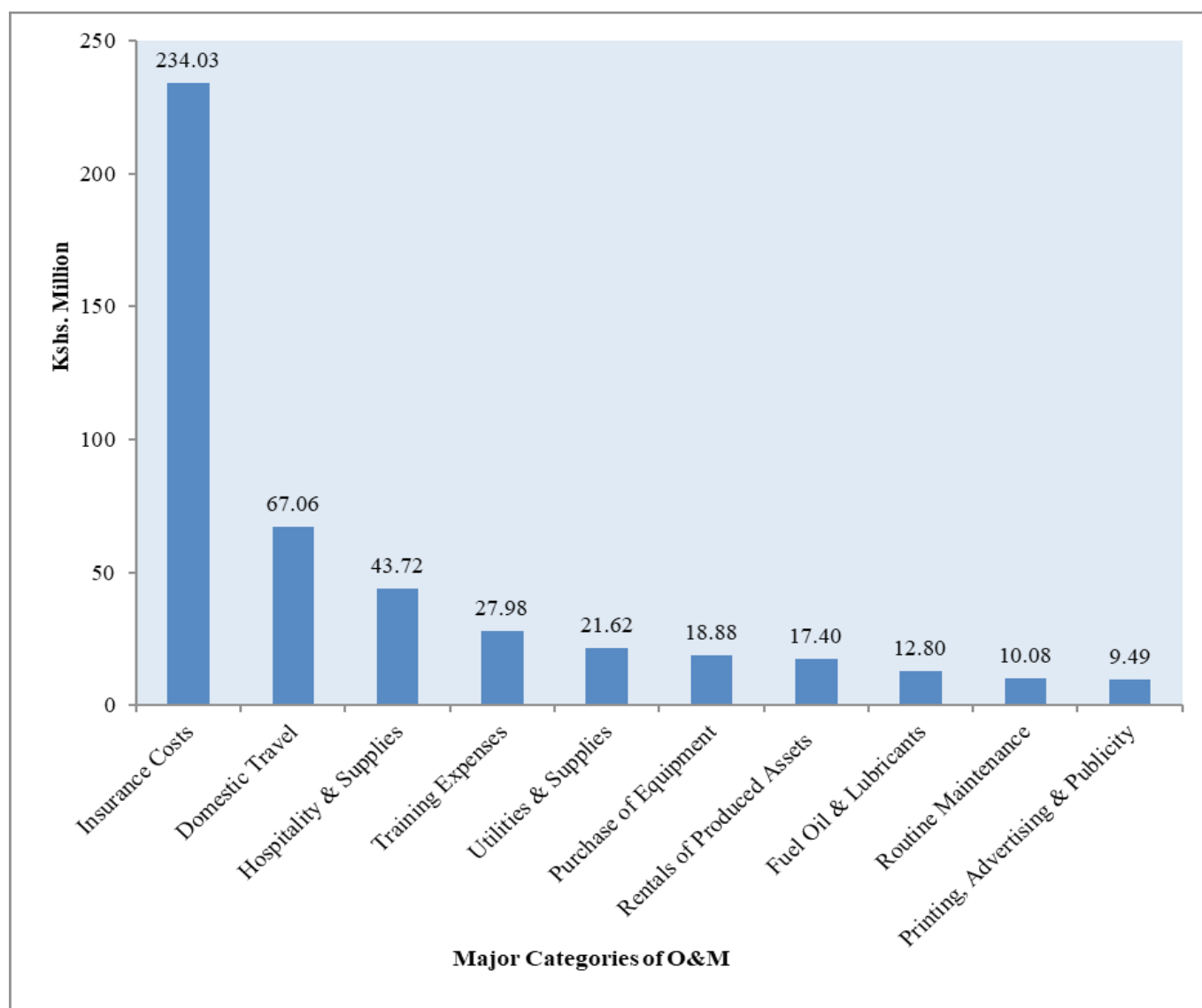
Source: Meru County Treasury

3.26.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.45 billion comprised of Kshs.3.35 billion (75.3 per cent) incurred on personnel emoluments and Kshs.1.1 billion (24.7 per cent) on operations and maintenance as shown in Figure 3-77.

Expenditure on personnel emoluments represented an increase of 28.4 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.2.61 billion, and was 75.3 per cent of total expenditure. Figure 3-78 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-78: Meru County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Meru County Treasury

The County incurred Kshs.18.41 million on committee sitting allowances to the 69 MCAs against the annual budget allocation of Kshs.81.3 million. This was a decline of 72.1 per cent compared to Kshs.65.99 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.29,651 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.67.06 million and comprised of Kshs.36.42 million spent by the County Assembly and Kshs.30.64 million by the County Executive. This represented 1.5 per cent of total recurrent expenditure and was a decrease of 40.6 per cent compared to Kshs.121.81 million spent in the first nine months of FY 2016/17.

3.26.7 Development Expenditure Analysis

The total development expenditure of Kshs.5 million represented 0.2 per cent of the annual development budget of Kshs.3.17 billion.

3.26.8 Budget and Budget Performance Analysis by Department

Table 3-73 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-73: Meru County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	1,195.03	30.91	862.40	-	793.68	-	92.0	-	66.4	-
Office of the Governor	280.10	-	112.65	-	110.50	-	98.1	-	39.4	-
Finance , Economic Planning and ICT	772.71	301.00	367.07	-	353.34	-	96.3	-	45.7	-
Agriculture, Livestock &, Fishery	355.78	256.67	228.29	5.00	209.50	-	91.8	0.0	58.9	-
Water & Irrigation	106.76	862.15	75.43	-	69.39	-	92.0	-	65.0	-
Education Technology, Gender Culture & Social Development	582.00	171.49	313.75	-	359.64	-	114.6	-	61.8	-
Health Services	2,957.31	234.99	1,896.74	-	1,958.45	-	103.3	-	66.2	-
Land, Physical Planning, Urban Development & Public Works	74.08	110.60	36.73	-	40.85	-	111.2	-	55.2	-
Public Service Administration & Legal Affairs	766.63	-	476.05	-	434.05	-	91.2	-	56.6	-
Roads, Transport & Energy	81.43	812.48	44.95	129.03	49.92	-	111.1	-	61.3	-
Trade, Investment, Industrialization, Tourism & Cooperative Development	76.40	162.61	41.82	-	40.56	-	97	-	53.1	-
Youth Affairs & Sport	37.39	180.70	22.41	-	22.57	-	100.7	-	60.4	-
Public Service Board	30.57	-	13.00	-	7.78	-	59.9	-	25.5	-
Environment, Wildlife & Natural Resources	31.91	44.17	10.51	-	-	-	-	-	-	-
TOTAL	7,348.11	3,167.77	4,501.80	134.03	4,450.23	5.00	98.9	3.7	60.6	0.2

Source: Meru County Treasury

Analysis of budget performance by department shows that, the Department of Agriculture, Livestock, Fisheries and Marketing attained an absorption rate of development budget at 1.9 per cent while other departments did not incur any development expenditure. The County Assembly had the highest percentage of recurrent expenditure to its recurrent budget at 66.4 per cent while the Department of Environment, Wildlife & Natural Resources did not incur any recurrent expenditure.

3.26.9 Key Observations and Recommendations

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

- i. Improvement in the administration and reporting on the established funds in line with Section 116 and 168 of the PFM Act, 2012.
- ii. Improvement in the use of IFMIS to process financial transactions.
- iii. Timely submission of expenditure returns to the Office of the Controller of Budget in line with Section 166 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. The County has not constituted the County Budget and Economic Forum (CBEF) as per Section 137 of the PFM Act, 2012 for consultation in the budget process.
3. Under-performance in own-source revenue collection, which declined by 17 per cent from Kshs.364.37 million in the first nine months of FY 2016/17 to Kshs.302.42 million (36.8 per cent of the annual target) in the reporting period.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should constitute the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012 for consultation in the budget process.*
3. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection.*

3.27 Migori County

3.27.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.8.17 billion, comprising of Kshs.5.47 billion (67 per cent) and Kshs.2.70 billion (33 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.46 billion (79.1 per cent) as equitable share of revenue raised nationally, Kshs.647.91 million (8.3 per cent) as total conditional grants, generate Kshs.200 million (2.4 per cent) as own source revenue, and Kshs.829.19 million (10.2 per cent) cash balance brought forward from FY 2016/17.

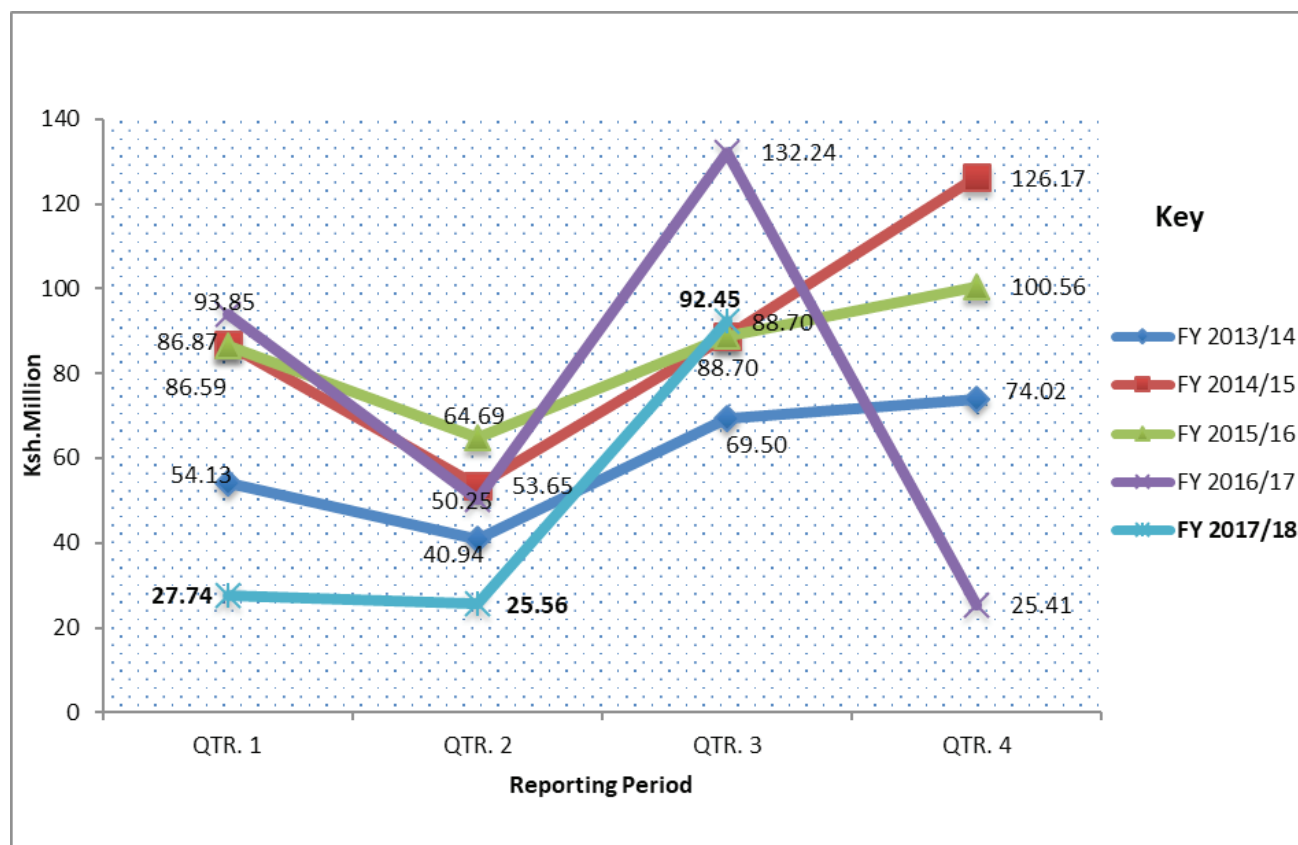
The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (12.8 per cent) for Leasing of Medical Equipment, Kshs.248.69 million (33.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.21.66 million (2.9 per cent) as Compensation for User Fee Foregone, Kshs.26.12 million (2.3 per cent) from DANIDA, Kshs.40.63 million (5.4 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.46.33 million (6.2 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.47.02 million (6.3 per cent) for Development of Youth Polytechnics, Kshs.71.99 million (4.8 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (8.8 per cent) as European Union (EU) grant and Kshs.50 million (6.7 per cent) as World Bank loan for National Agriculture and Rural Inclusive Growth Project.

3.27.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.3.91 billion as equitable share of revenue raised nationally, Kshs.369.88 million as total conditional grants, raised Kshs.145.75 million from own source revenue, and had a cash balance of Kshs.829.19 million from FY 2016/17. The total available funds amounted to Kshs.5.27 billion.

Figure 3-79 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-79: Migori County, Trend in Own-source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Migori County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.145.75 million, representing a decline of 33.4 per cent compared to Kshs.218.91 million generated in a similar period of FY 2016/17 and represented 72.9 per cent of the annual target.

3.27.3 Conditional Grants

Table 3-74 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-74: Migori County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No.	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	248,690,316	248,690,316	115,983,264	46.6
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	World Bank loan to supplement financing of County Health facilities	40,625,000	40,625,000	-	-
4	Kenya Devolution Support Programme (KDSP)	46,330,994	46,330,994	15,490,392	33
5	Compensation for User Fee Foregone	21,655,884	21,655,884	-	-
6	DANIDA Grant	16,852,230	26,120,957	16,852,230	100
9	Development of Youth Polytechnics	47,015,785	47,015,785	-	-
10	Conditional Allocation - Other Loans & Grants	41,991,777	-	-	-

S/No.	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
11	World Bank Loan for Transforming Health System for universal Care Project	71,990,710	32,723,050	32,723,050	45.5
12	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101.2
13	EU Grant	66,000,000	66,000,000	-	-
14	World Bank Loan for Result Based Financing (Balance from FY 2016/17)	-	-	138,220,725	-
	Total	746,897,377	674,906,667	369,879,516	50

Source: Migori County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from World Bank Loan for National Agricultural & Rural Inclusive Project, DANIDA and Kenya Devolution Support Programme (KDSP). The receipts accounted for 101.2 per cent, 100 per cent, and 33 per cent of annual allocation respectively. The County also receive Kshs.138.22 million from World Bank Loan for Result Based Financing, which relates to FY 2016/17.

3.27.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.3.71 billion from the CRF account, which was 45.5 per cent of the Approval Supplementary Budget. This amount represented a decline of 24.4 per cent from Kshs.4.90 billion approved in a similar period of FY 2016/17 and comprised of Kshs2.80 billion (75.5 per cent) for recurrent expenditure and Kshs.910 million (24.5 per cent) for development activities.

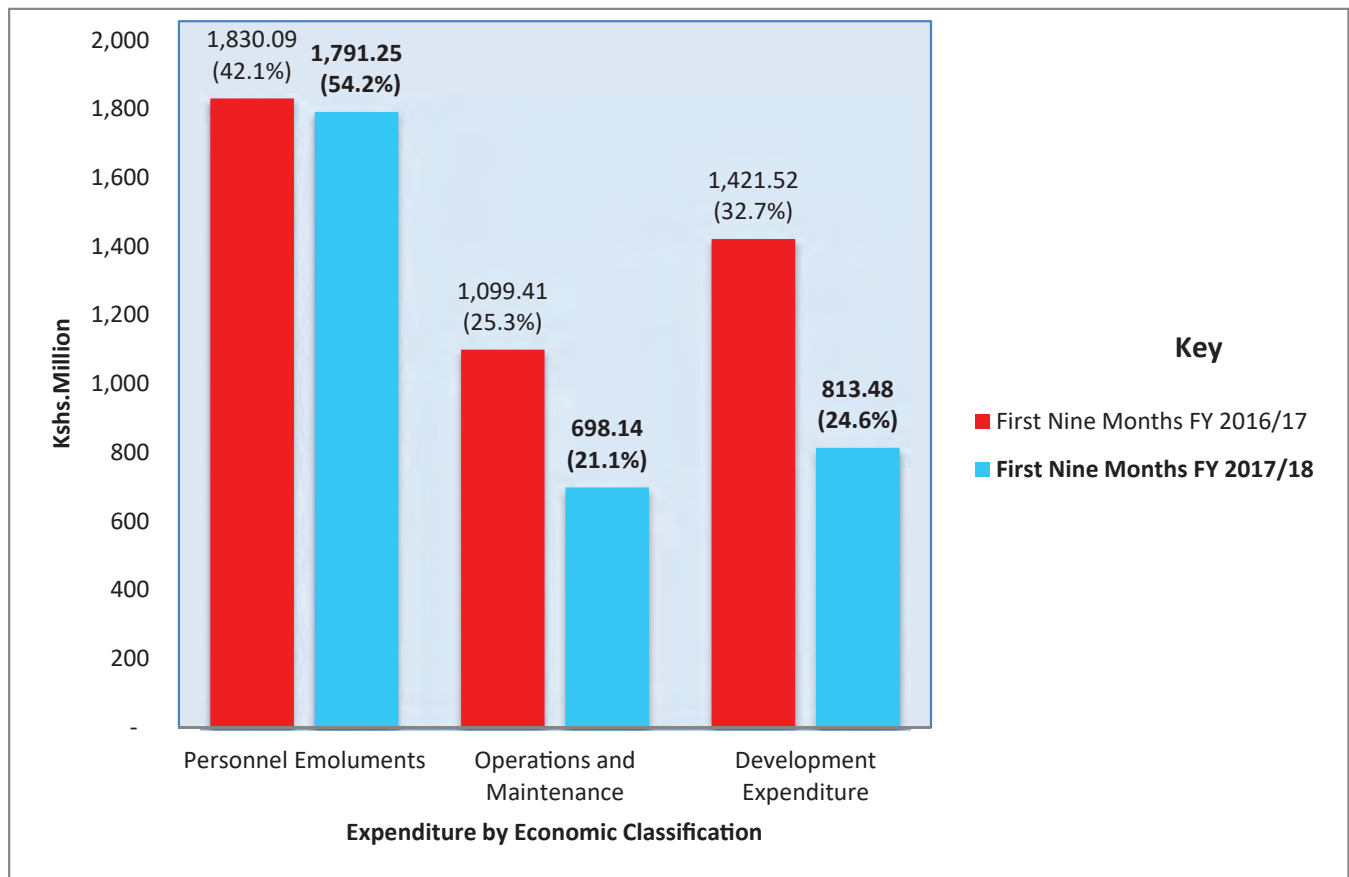
3.27.5 Overall Expenditure Review

The County spent Kshs.3.30 billion, which was 88.9 per cent of the total funds released for operations. This was a decline of 24.1 per cent from Kshs.4.35 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.49 billion was spent on recurrent activities, while Kshs.813.48 million was spent on development activities. The recurrent expenditure was 88.8 per cent of the funds released for recurrent activities, while development expenditure was 89.4 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.839.16 million for development activities and Kshs.1.01 billion for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 45.5 per cent of the annual recurrent budget, a decrease from 61.7 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 33.7 per cent, which was a decrease from 47.7 per cent attained in the first nine months of FY 2016/17. Figure 3-80 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-80: Migori County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



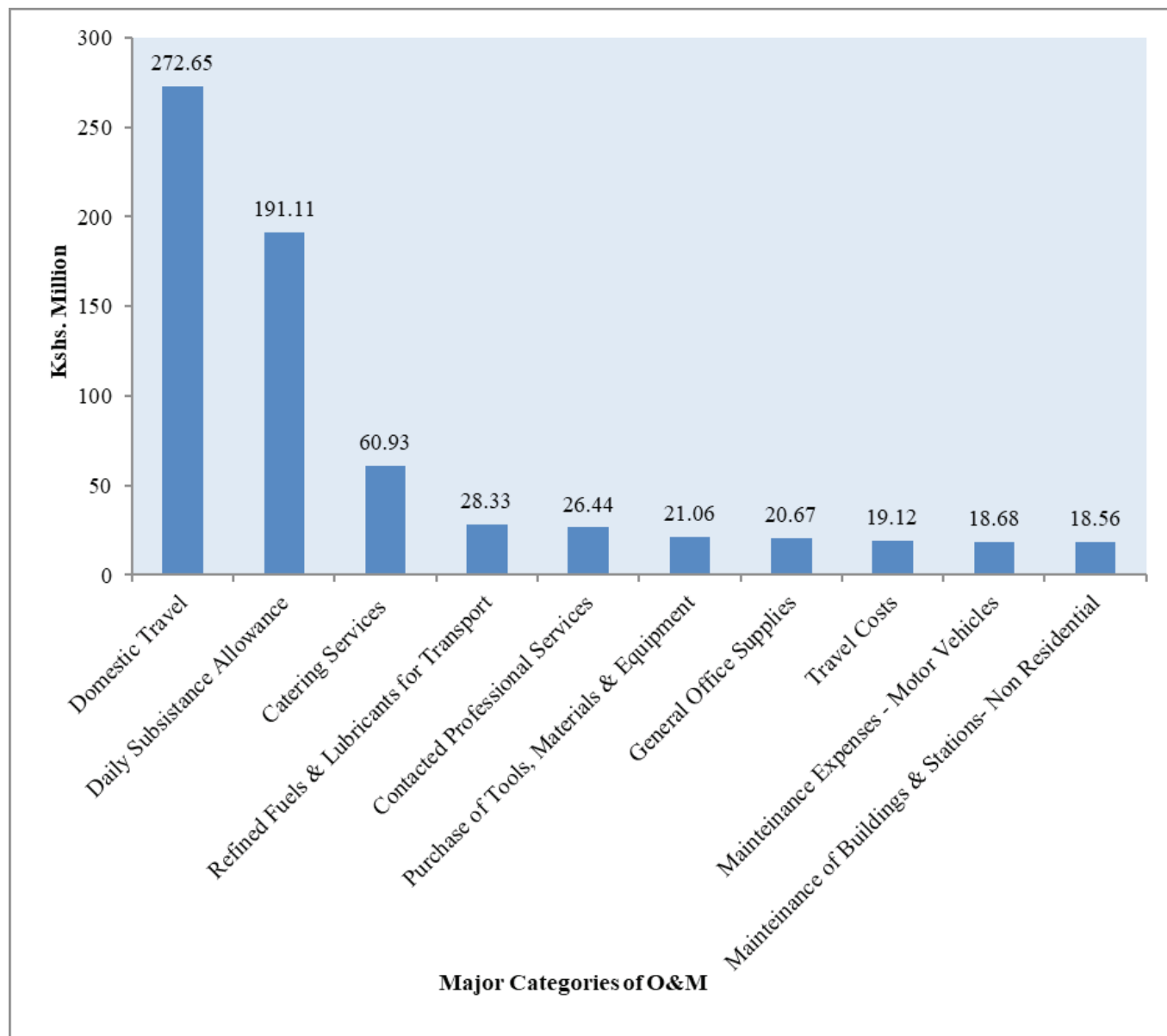
Source: Migori County Treasury

3.27.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.49 billion comprised of Kshs.1.79 billion (54.2 per cent) incurred on personnel emoluments and Kshs.698.14 million (21.1 per cent) on operations and maintenance as shown in Figure 3-80.

Expenditure on personnel emoluments represented a decrease of 2.2 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.83 billion, and was 42.1 per cent of total expenditure. Figure 3-81 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-81: Migori County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Migori County Treasury

The County incurred Kshs.13.73 million on committee sitting allowances to the 57 MCAs against the annual budget allocation of Kshs.205.16 million. This was a decline of 69.8 per cent compared to Kshs.45.45 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.26,765 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.283.26 million and comprised of Kshs.76.21 million spent by the County Assembly and Kshs.196.43 million by the County Executive. This represented 11 per cent of total recurrent expenditure and was an increase of 17.5 per cent compared to Kshs.232.14 million spent in the first nine months of FY 2016/17.

3.27.7 Development Expenditure Analysis

The total development expenditure of Kshs.813.48 million represented 30.2 per cent of the annual development budget of Kshs.2.70 billion. Table 3-75 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-75: Migori County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	Q3 FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Supply, Delivery & Installation of ICT Equipment	County Headquarter	23,950,000	23,950,000	100
2	Pipe laying & community water kiosk construction	Uriri Sub County	17,911,400	17,911,400	100
3	Two community water pans	Sub County Ward admin offices	16,798,480	16,062,949	96
4	Maintenance of Nyamasare Junction-Oria road	Rongo Sub County	16,062,949	13,980,204	87
5	Maintenance of Transmara Border-Bypass Road	Oria in Uriri Sub County	13,980,204	13,952,788	100
6	Extra Works for FM Radio & TV Station for Migori County.	Suna East Sub County	13,952,788	13,666,852	98
7	Maintenance of Saka-Rombe-A1 Loop Road	Uriri Sub County	13,666,852	13,523,454	99
8	Proposed Construction of Kiringi Bridge	Rombe in Uriri Sub County	13,523,454	12,000,000	89
9	Supply & Delivery of Laundry Equipment to MCRH	Suna East Sub County	12,000,000	10,446,509	87
10	Maintenance of Nyalganda-Angesia Road	Nyalganda	8,689,821	8,689,821	100

Source: Migori County Treasury

3.27.8 Budget and Budget Performance Analysis by Department

Table 3-76 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-76: Migori County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock Production, Fisheries, Veterinary Services and Water	335.17	414.99	198.81	181	165.64	103.24	83.3	57	49.4	24.9
County Assembly	736.79	60	366	-	369.81	0.42	101		50.2	0.7
County Executive	527.83	33.9	250.04	7.94	124.81	30.34	49.9	382.1	23.6	89.5
Education, Youth, Sports, Culture and Social Development	313.80	156.77	162.23	21.66	173.44	3.25	106.9	15	55.3	2.1
Finance and Economic Planning	957.80	30	373.88	14.09	416.02	56.18	111.3	398.7	43.4	187.3
Health	1,684.49	242.15	860.22	68.98	785.68	144.52	91.3	209.5	46.6	59.7
Lands, Housing, Physical Planning and Survey	77.07	72.85	50.03	39.44	36.32	54.25	72.6	137.6	47.1	74.5
Environment & Disaster Management.	96.78	63.10	39.82	37.91	50.78	1.33	127.5	3.5	52.5	2.1
Public Service, ICT & Public Service Board	586.01	354.78	386.37	44.16	261.6	137.90	67.7	312.3	44.6	38.9
Roads, Public Works, Transport and Energy	67.35	1,222.80	43.34	490.99	52.04	278.59	120.1	56.7	77.3	22.8

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade Development and Regulation	86.76	45.72	72.76	3.83	53.26	3.47	73.2	90.6	61.4	7.6
TOTAL	5,469.85	2,697.06	2,803.50	910.00	2,489.40	813.49	88.8	89.39	45.5	30.2

Source: Migori County Treasury

Analysis of budget performance by department shows that, the Department of Finance and Economic Planning attained the highest absorption rate of development budget at 187.3 per cent followed by County Executive at 89.5 per cent. The Department of Roads, Public Works, Transport and Energy had the highest percentage of recurrent expenditure to its recurrent budget at 77.3 per cent while the Department of County Executive had the lowest at 23.6 per cent.

3.27.9 Key Observations and Recommendations

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

- i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- ii. Improved staff capacity especially on use of IFMIS, E-procurement and Internet Banking modules.

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

1. Under-performance in own-source revenue collection, which declined by 33.4 per cent from Kshs.145.75 million in the first nine months of FY 2017/18 compared to Kshs.218.91 million in a similar period in FY 2016/17.
2. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.

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

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

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.880.45 million (7 per cent) as total conditional grants, generate Kshs.3.5 billion (27.9 per cent) as own source revenue.

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (10.6 per cent) for Leasing of Medical Equipment, Kshs.221.46 million (24.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.23.39 million (2.6 per cent) as Compensation for User Fee Foregone, Kshs.15.01 million (1.7 per cent) from DANIDA, Kshs.15.01 million (1.7 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.49.81 million (5.5 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.30.59 million (3.4 per cent) for Development of Youth Polytechnics, Kshs.23.62 million

(2.6 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.388.44 million (43.1 per cent) as conditional grant to Level 5 Hospital and Kshs.38.14 million (4.2 per cent) as Other Loans and Grants.

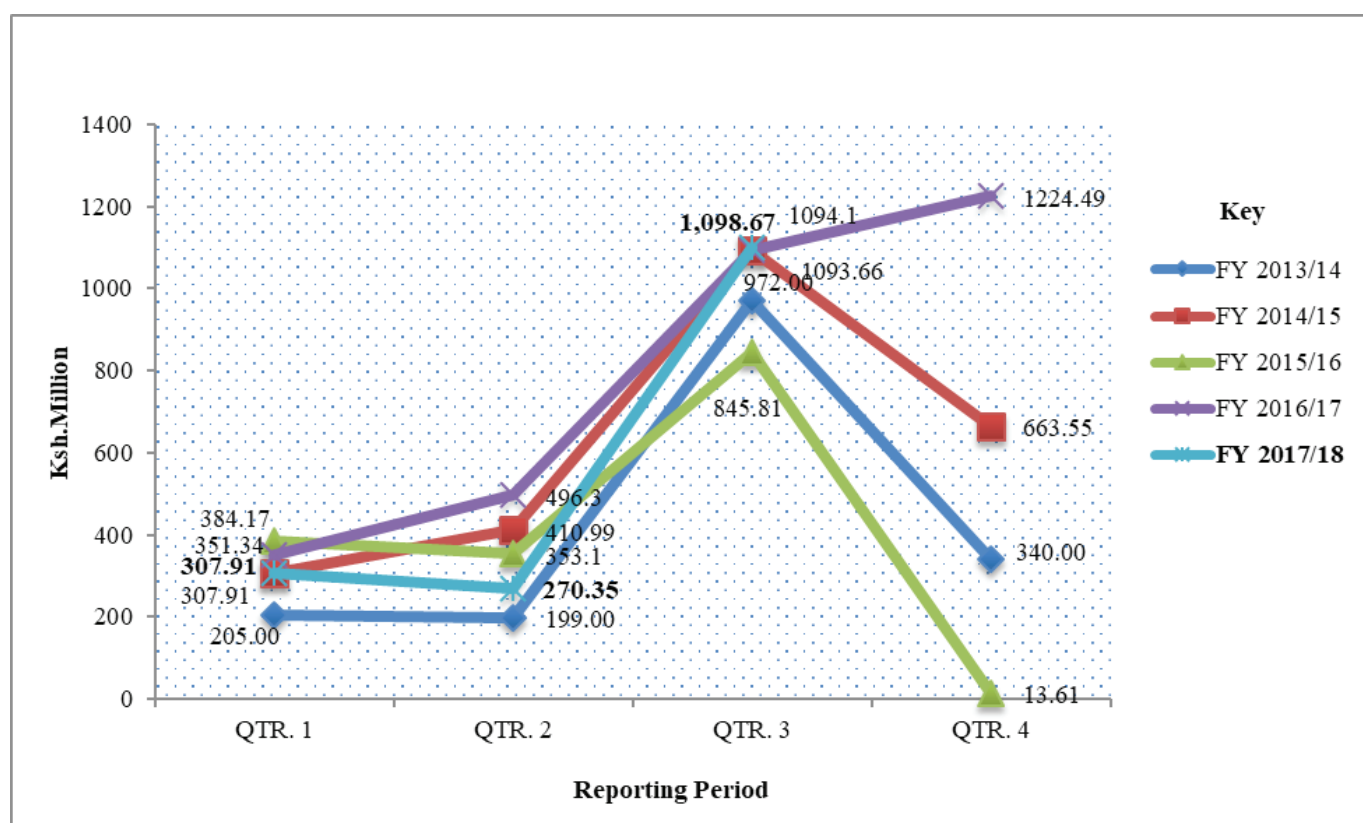
The County also budgeted to receive Kshs.13.4 million as grant from the World Bank loan for National Agricultural and Rural Inclusive Project, which is not contained in the CARA, 2017.

3.28.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.5.05 billion as equitable share of revenue raised nationally, Kshs.429.02 million as total conditional grants and raised Kshs.1.68 billion from own source revenues. The total available funds amounted to Kshs.7.17 billion.

Figure 3-82 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-82: Mombasa County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Mombasa County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.1.68 billion, representing an increase of 13.6 per cent compared to Kshs.1.94 billion generated in a similar period of FY 2016/17, and represented 47.9 per cent of the annual own source revenue target.

3.28.3 Conditional Grants

Table 3-77 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-77: Mombasa County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No.	Grant / Loan	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	221,466,275	221,466,275	103,286,618	47
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	Universal Health Care	15,007,422	-	-	-
4	Kenya Devolution Support Programme (KDSP)	49,809,062	49,809,062	20,702,950	42
5	Compensation for User Fee Foregone	23,385,934	23,385,934	-	-
6	DANIDA Grant	15,007,422	-	11,757,156	78
7	Conditional Grant to Level-5 Hospitals	388,439,306	388,439,306	293,271,677	76
8	Supplement for Construction of County Headquarters	30,586,320	30,586,320	-	-
9	Conditional Allocation - Other Loans & Grants	38,140,114	57,616,806	-	-
10	World Bank loan for Transforming Health System for Universal Care Project	23,619,270	-	-	-
B	Other Grants				
	Sub Total	901,205,806	867,048,384	429,018,401	48
11	World Bank loan for National Agricultural & Rural Inclusive Project	-	13,400,000	-	-
	Grand Total	901,205,806	880,448,384	429,018,401	48

Source: Mombasa County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from DANIDA, the grant to finance Level 5 Hospital, the Road Maintenance Fuel Levy Fund, and, Kenya Devolution Support programme (KDSP). These receipts accounted for 78 per cent, 76 per cent, 47 per cent, and 42 per cent of annual allocation respectively.

3.28.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.5.68 billion from the CRF account, which was 45.3 per cent of the Approved Budget. This amount represented a marginal increase of 1.1 per cent from Kshs.5.62 billion approved in a similar period of FY 2016/17 and comprised of Kshs.4.15 billion (73.1 per cent) for recurrent expenditure and Kshs.1.53 billion (26.9 per cent) for development activities.

3.28.5 Overall Expenditure Review

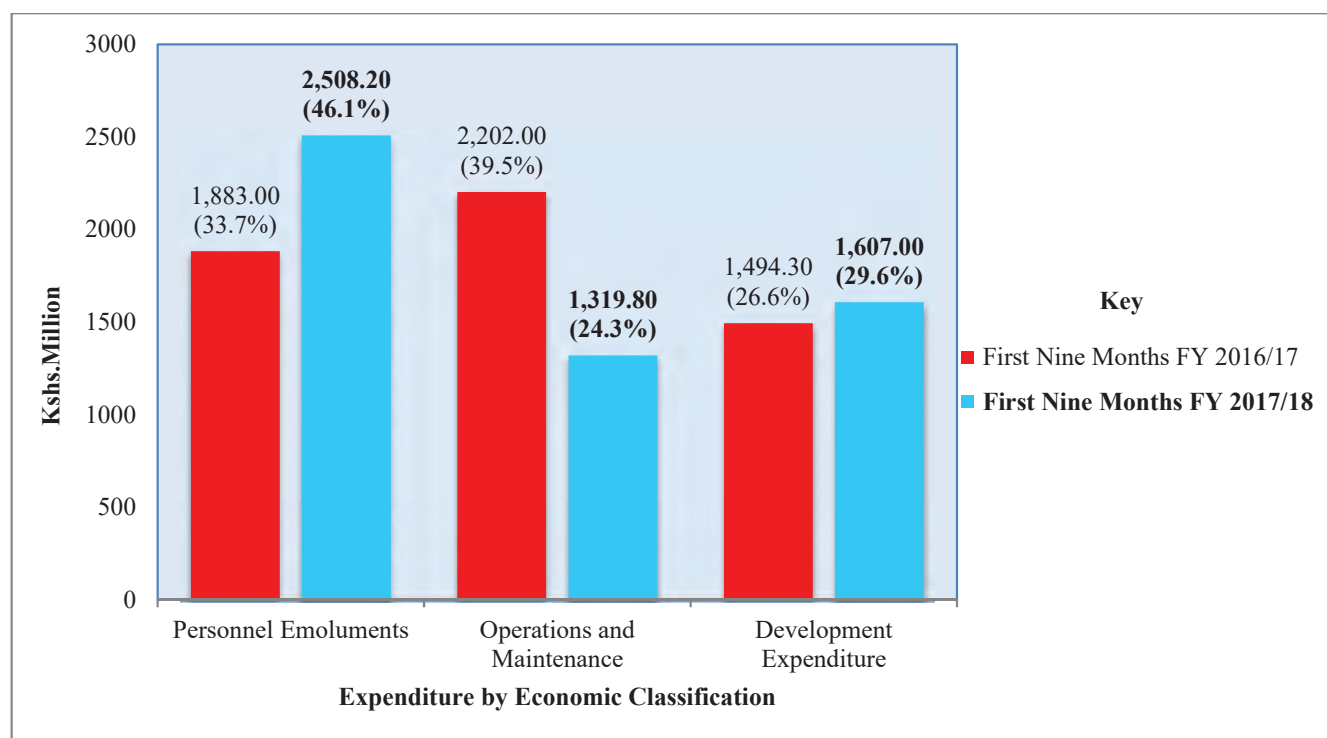
The County spent Kshs.5.44 billion, which was 95.7 per cent of the total funds released for operations. This was a decline of 2.6 per cent from Kshs.5.58 billion incurred in a similar period of FY 2016/17.

A total of Kshs.3.83 billion was spent on recurrent activities while Kshs.1.61 billion was spent on development activities. The recurrent expenditure was 92.3 per cent of the funds released for recurrent activities, while development expenditure was 105.2 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.497.55 million for development activities and Kshs.1.19 billion for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 44.7 per cent of the annual recurrent budget, a decrease from 51.8 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate

of 40.6 per cent, which was an increase from 37 per cent attained in the first nine months of FY 2016/17. Figure 3-83 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-83: Mombasa County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



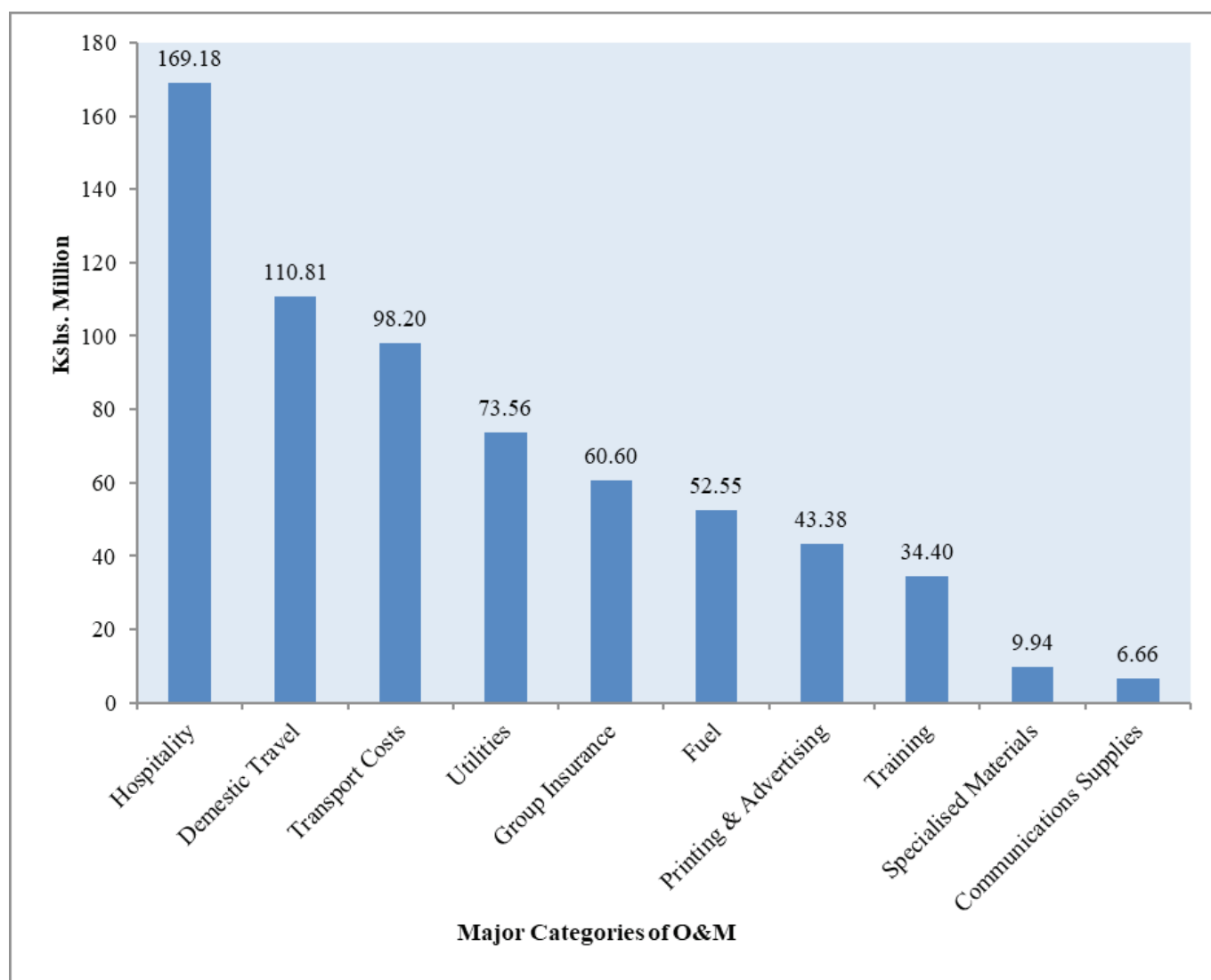
Source: Mombasa County Treasury

3.28.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.83 billion comprised of Kshs.2.51 billion (46.1 per cent) incurred on personnel emoluments and Kshs.1.32 billion (24.3 per cent) on operations and maintenance as shown in Figure 3-83.

Expenditure on personnel emoluments represented an increase of 33.2 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.88 billion, and was 33.7 per cent of total expenditure. Figure 3-84 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-84: Mombasa County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Mombasa County Treasury

The County incurred Kshs.13.51 million on committee sitting allowances to the 43 MCAs against the annual budget allocation of Kshs.8.5 million. This was a decline of 55.5 per cent compared to Kshs.30.37 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.34,908 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.89.32 million and comprised of Kshs.29.59 million spent by the County Assembly and Kshs.59.73 million by the County Executive. This represented 2.3 per cent of total recurrent expenditure, an increase of 29.3 per cent compared to Kshs.69.07 million spent in the first nine months of FY 2016/17.

3.28.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.61 billion represented 40.7 per cent of the annual development budget of Kshs.3.96 billion. Table 3-78 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-78: Mombasa County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project Name	Project Location	Annual Project Budget (Kshs)	First Nine Months Project Expenditure (Kshs)
1	Improvement of Changamwe Industrial Area Road	Changamwe	14,461,540	13,146,854
2	Improvement of Changamwe Industrial Area Road N316	Changamwe	14,443,538	13,130,481
3	Construction of access road connecting Kratina Road & AAR Hospital Road	Mvita	13,885,719	12,623,381
4	Periodic Maintenance of Kisumu Ali Bin Naaman Road	Mvita	13,335,964	12,123,604
5	Improvement of Changamwe Industrial Area Road N306 & N308	Changamwe	12,992,570	11,811,428
6	Construction of Kwa Bulu-Mtopanga Road to Cabro paved standards	Kisauni	12,945,895	11,768,996
7	Routine maintenance of Jomvu Mikindani Access Road	Jomvu	10,275,136	9,341,033
8	Maintenance of Bungalow Access-Sunrise 3 rd Avenue, Kambi Green wood Drive	Nyali	10,903,145	9,911,950
9	Periodic maintenance of Meru Factory and workshop Road	Mvita	10,145,124	9,222,840
10	Construction to gravel standards of access road behind Mamba Village	Nyali	9,529,367	8,663,061

Source: Mombasa County Treasury

3.28.8 Budget Performance Analysis by Department

Table 3-79 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-79: Mombasa County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	375.12	81.65	260.85	-	187.63	3.91	71.9	-	50	4.8
County Assembly	611.94	44.27	115.56	-	111.71	-	96.7	-	18.3	-
Public Service Board	136.12	20.93	101.28	-	38.75	-	38.3	-	28.5	-
Finance and Economic Planning	957.22	502.67	666.05	490.64	737.26	630.96	110.7	128.6	77	125.5
Tourism and betting control	457.99	56.45	269.20	-	157.87	-	58.6	-	34.5	-
Education and Information Technology	800.81	370.41	208.14	20.32	181.47	24.11	87.2	118.7	22.7	6.5
Health	2,520.45	531.58	1,100.76	98.87	1,586.32	47.10	144.1	47.6	62.9	8.9
Water and Natural Resources	138.43	352.65	71.89	24.00	36.54	61.42	50.8	47.6	26.4	17.4
Gender, Youth, Sports and Culture	366.83	284.18	63.78	193.31	41.49	167.4	65.1	255.9	11.3	58.9
Trade and Cooperative Development	445.32	131.17	211.80	-	99.12	0.93	46.8	86.6	22.3	0.7
Lands, Housing and Physical planning	220.18	438.3	123.89	193.31	52.31	24.83	42.2	66.5	23.8	5.7
Transport and Infrastructure Development	500.81	691.21	306.85	663.49	153.07	632.86	49.9	95.4	30.6	91.6
Agriculture Fisheries and Livestock	207.31	252.02	134.05	-	44.40	-	33.1	-	21.4	-

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Devolution and Public Service Administration	833.35	205.09	513.56	-	399.74	13.83	77.8	-	48.0	6.7
Totals	8,572	3,963	4,148	1,528	3,828	1,607	92.3	105.2	44.7	40.6

Source: Mombasa County Treasury

Analysis of development budget performance by department shows that, the Department of Finance and Economic Planning recorded the highest absorption rate at 125.5 per cent followed by the Department of Transport and Infrastructure Development at 91.6 per cent while the County Assembly and Public Service Board did not incur any development expenditure. The Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to its recurrent budget at 77 per cent while the Department of Gender, Youth, Sports and Culture had the lowest at 11.3 per cent.

3.28.9 Key Observations and Recommendations

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

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

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 own-source revenue collection which declined by 13.4 per cent from Kshs.1.94 billion in the first nine months of FY 2016/17 to Kshs.1.68 billion during the reporting period.
3. High personal emolument costs which increase by 33.2 per cent from Kshs.1.88 billion in the first nine months of FY 2016/17 to Kshs.2.51 billion in the reporting period, and accounted 46.1 per cent of total expenditure.

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

1. The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA 2017 Disbursement Schedule.
2. The County Treasury should formulate and implement strategies to enhance own-source revenue collection.
3. The County Public Service Board should develop and implement an optimal staffing structure to address the escalating wage bill.

3.29 Murang'a County

3.29.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.8.30 billion, comprising of Kshs.5.28 billion (63.6 per cent) and Kshs.3.02 billion (36.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.19 billion (74.6 per cent) as equitable share of revenue raised nationally, Kshs.717.67 million (8.6 per cent) as total conditional grants, generate Kshs.1.07 billion (12.8 per cent) from own source revenue, and Kshs.328.46 million (4 per cent) cash balance brought forward from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (15.1 per cent) for Leasing of Medical Equipment, Kshs.228.2 million (36 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.14 million (3.2 per cent) as Compensation for User Fee Foregone, Kshs.23 million (3.6 per cent) from DANIDA, Kshs.45.06 million (7.1 per cent) for the World Bank Kenya Devolution Support Program, Kshs.84.09 million (13.3 per cent) for Development of Youth Polytechnics, Kshs.32 million (5 per cent) as World Bank Loan for Transforming Health System for Universal Care Project, Kshs.50 million (7.9 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, and Kshs.55.48 million (8.8 per cent) as Other Loans and Grants.

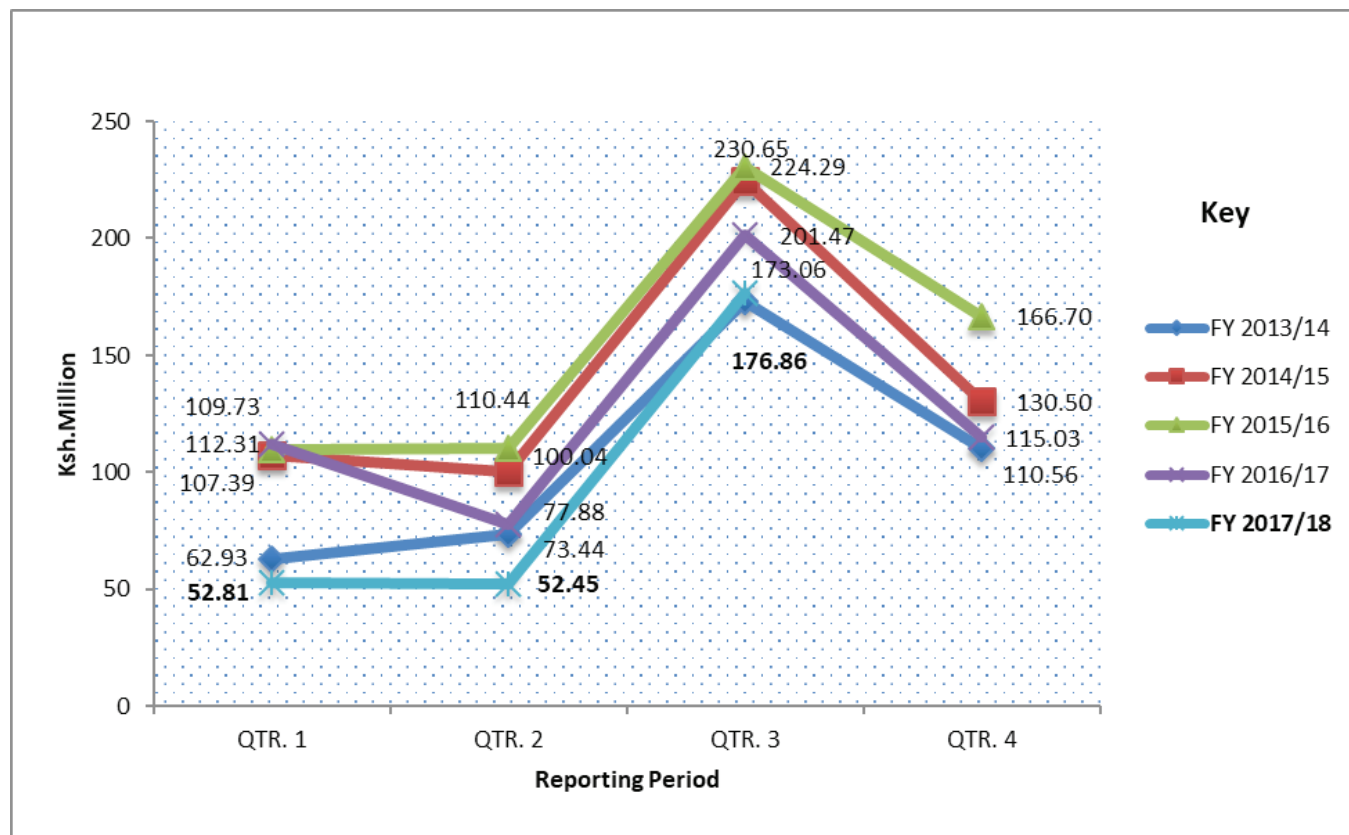
The County also budgeted to receive Kshs.64.79 million for Free Maternal Health Care and Kshs.13.15 million for Agricultural Sector Development Support Programme, which are not contained in the CARA, 2017.

3.29.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.4.28 billion as equitable share of revenue raised nationally, Kshs.208.4 million as total conditional grants, raised Kshs.282.12 million from own source revenue, and had a cash balance of Kshs.395.79 million from FY 2016/17. The total available funds amounted to Kshs.5.18 billion.

Figure 3-85 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-85: Murang'a County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Murang'a County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.282.12 million, representing a decline of 28 per cent compared to Kshs.391.66 million generated in a similar period of FY 2016/17, and represented 26.5 per cent of the annual target.

3.29.3 Conditional Grants

Table 3-80 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-80: Murang'a County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No.	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
	Road Maintenance Fuel Levy Fund	228,202,572	228,202,572	106,428,267	46.6
	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
	Conditional Grants to Development of Youth Polytechnics	84,088,455	84,088,455	-	-
	Conditional Allocation - Other Loans & Grants	55,482,447	55,482,447	-	-
	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101.2
	Kenya Devolution Support Programme	45,056,255	59,070,646.00	15,520,932	34
	World Bank Loan for Transforming Health System for Universal Care Project	32,000,000	22,000,000	10,000,000	31.3
	DANIDA Grant	23,000,000	25,000,000	25,838,473	112.3
	Compensation for User Fee Foregone	20,138,691	20,138,691.00	-	-

S/No.	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
	Sub Total	633,713,101	639,727,492	208,397,527	33
B	Other Grants				
	Free Maternal Health Care	-	64,789,738	-	-
	Agricultural Sector Development Support	-	13,153,855	-	-
	Sub Total	-	77,943,593	-	-
	Grand Total	633,713,101	717,671,085	208,397,527	33

Source: Murang'a County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from DANIDA, World Bank loan for National Agricultural & Rural Inclusive Project, the Road Maintenance Fuel Levy Fund, Kenya Devolution Support Programme, and World Bank Loan for Transforming Health Systems. The receipts accounted for 112.3 per cent, 101.2 per cent, 46.6 per cent, 34 per cent, and 31.3 per cent of annual allocation respectively.

3.29.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.4.37 billion from the CRF account, which was 52.6 per cent of the Approved Supplementary Budget. This amount represented a decline of 8.8 per cent from Kshs.4.79 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.86 billion (65.6 per cent) for recurrent expenditure and Kshs.1.51 billion (34.4 per cent) for development activities.

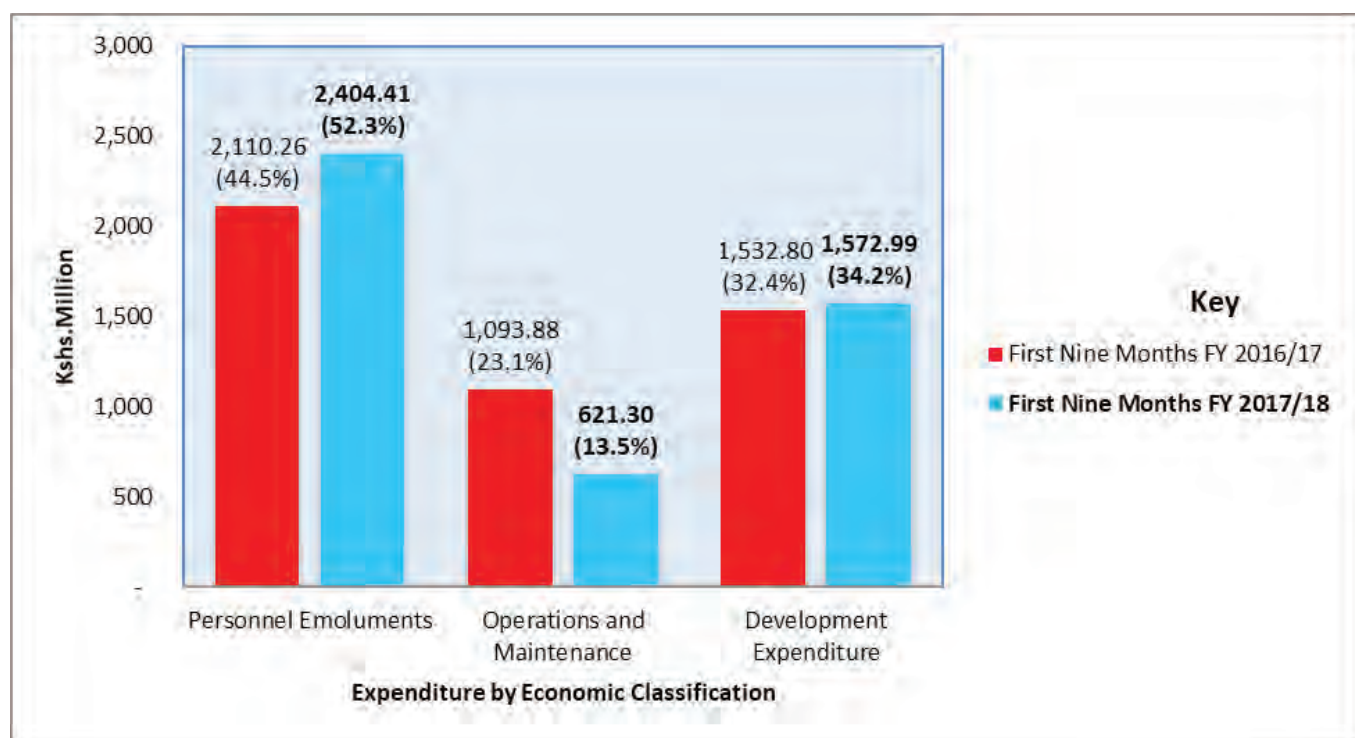
3.29.5 Overall Expenditure Review

The County spent Kshs.4.6 billion, which was 105.2 per cent of the total funds released for operations. This was a decline of 2.9 per cent from Kshs.4.74 billion incurred in a similar period of FY 2016/17.

A total of Kshs.3.03 billion was spent on recurrent activities while Kshs.1.57 billion was spent on development activities. The recurrent expenditure was 105.6 per cent of the funds released for recurrent activities, while development expenditure was 104.5 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.158.52 million for development activities and Kshs.62.24 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 57.3 per cent of the annual recurrent budget, a decrease from 68.1 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 52.1 per cent, which was an increase from 43.7 per cent attained in the first nine months of FY 2016/17. Figure 3-86 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-86: Murang'a County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



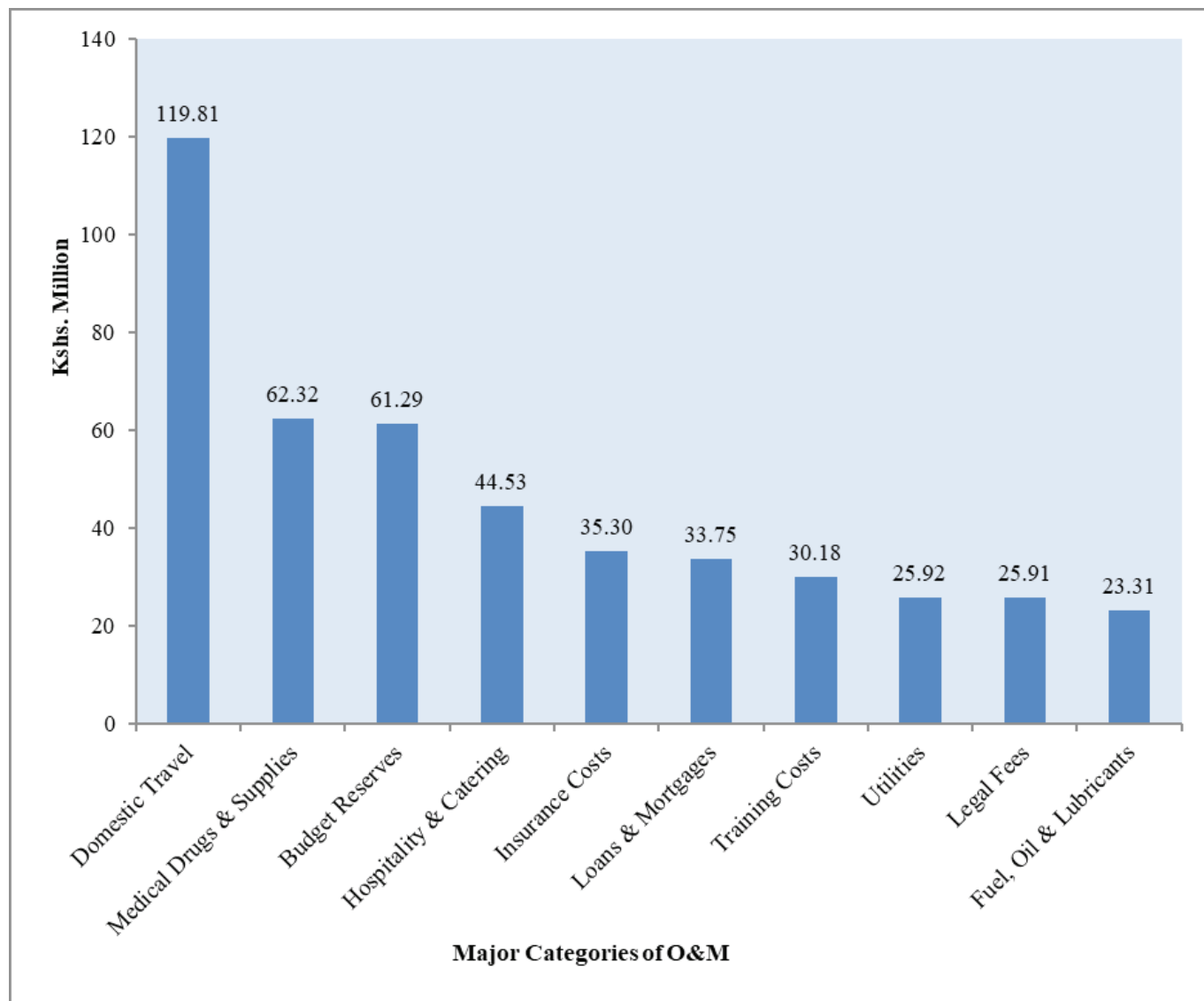
Source: Murang'a County Treasury

3.29.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.03 billion comprised of Kshs.2.40 billion (79.5 per cent) incurred on personnel emoluments and Kshs.621.30 million (20.5 per cent) on operations and maintenance as shown in Figure 3-86.

Expenditure on personnel emoluments represented an increase of 13.9 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.2.11 billion, and was 52.3 per cent of total expenditure. Figure 3-87 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-87: Murang'a County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Murang'a County Treasury

The County incurred Kshs.9.42 million on committee sitting allowances to the 54 MCAs against the annual budget allocation of Kshs.87.61 million. This was a decline of 81 per cent compared to Kshs.49.50 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.19,382 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.125.13 million and comprised of Kshs.66.91 million spent by the County Assembly and Kshs.58.22 million by the County Executive. This represented 4.1 per cent of total recurrent expenditure and was a decrease of 38.6 per cent compared to Kshs.203.64 million spent in the first nine months of FY 2016/17.

3.29.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.57 billion represented 52.1 per cent of the annual development budget of Kshs.3.02 billion. Table 3-81 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-81: Murang'a County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Annual project budget (Kshs.)	First nine months project expenditure (Kshs.)	Absorption rate (%)
1	Construction and maintenance of roads	Countywide	1,008,880,572	673,612,779	67
2	Supply of medical drugs & supplies	Countywide	800,000,000	461,249,139	58
3	Murang'a County Milk Project	Countywide		163,745,479	
4	ECDE feeding programme	Countywide	185,000,000	74,241,534	40
5	School milk programme	Countywide	170,000,000	56,393,742	33
6	Purchase of certified seeds	Countywide	100,000,000	54,193,189	54
7	Micro Finance Youth Programme	Countywide	125,000,000	53,665,451	43
8	Supply of manure/fertilizer	Countywide	60,000,000	37,924,136	63
9	Purchase of Animals and Breeding Stock	Countywide	60,000,000	13,620,056	23
10	Veterinarian Supplies and Materials	Countywide	10,000,000	5,601,200	56

Source: Murang'a County Treasury

3.29.8 Budget and Budget Performance Analysis by Department

Table 3-82 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-82: Murang'a County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	673.75	73.00	302.87	-	321.71	-	106.2	-	47.7	-
Governorship, County Coordination and Administration	272.26	-	161.93	-	177.47	-	109.6	-	65.2	-
Finance and Economic Planning	207.50	10.00	68.3	-	117.66	1.81	172.3	-	56.7	18.1
Agriculture, Livestock and Fisheries	278.43	397.00	153.2	92.58	156.57	114.02	102.2	123.2	56.2	28.7
Energy, Transport and Infrastructure	105.56	1,093.88	61.9	557.14	8.53	685.19	13.8	123.0	8.1	62.6
Trade, Commerce, Industry and Investments	24.12	15.10	4.37	9.78	1.98	3.64	45.3	37.2	8.2	24.1
Education and Technical Training	312.01	390.75	194.90	208.71	237.42	155.39	121.8	74.5	76.1	39.8
Health and Sanitation	2,287.1	860.10	1,346.26	529.52	1,660.97	485.84	123.4	91.8	72.6	56.5
Land, Housing and Physical Planning	23.62	9.10	7.79	-	1.33	-	17.1	-	5.6	-
County Public Service Board	30.74	-	16.34	-	4.40	-	26.9	-	14.3	-
Youth, Culture, Gender and Social Services	145.53	168.00	63.10	107.49	16.57	127.09	26.3	118.2	11.4	75.6
Environment and Natural Resources	15.00	3.00	3.80	-	0.95	-	25.0	-	6.3	-
Public Service and Administration	908.71	-	479.97	-	320.16	-	66.7	-	35.2	-
TOTAL	5,284.32	3,019.93	2,864.74	1,505.23	3,025.71	1,572.99	105.6	104.5	57.3	52.1

Source: Murang'a County Treasury

Analysis of budget performance by department shows that, the Department of Youth, Culture, Gender and Social Services attained the highest absorption rate of development budget at 75.6 per cent while the County Assembly and Department of Land, Housing and Physical Planning did not incur any development expenditure. The Department of Education and Technical Training had the highest percentage of recurrent expenditure to its recurrent budget at 76.1 per cent while the Department of Land, Housing and Physical Planning had the lowest at 5.6 per cent.

3.29.9 Key Observations and Recommendations

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

- i. Reduction in travel expenditure by 38.6 per cent from Kshs.203.64 million in the first nine months of FY 2016/17 to Kshs.125.13 million in the reporting period.
- ii. Improvement in absorption of development budget from 43.7 per cent attained in the first nine months of FY 2016/17 to 52.1 per cent during the reporting period.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation review report.
2. Under-performance in own-source revenue collection, which declined by 28 percent from Kshs.391.66 million in the first nine months of FY 2016/17 to Kshs.282.12 million in the reporting period and represented 26.5 per cent of annual target.
3. Failure to budget for all conditional transfers expected from the National Government as allocated in the CARA, 2017.
4. High wage bill, which has increased by 13.9 per cent from Kshs.2.11 billion in the first nine months of FY 2016/17 to Kshs.2.40 billion in the period under review.
5. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County should align its revenue budget with the allocations contained in the CARA, 2017.*
4. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
5. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3.30 Nairobi County

3.30.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.35.91 billion, comprising of Kshs.24.12 billion (67.2 per cent) and Kshs.11.79 billion (32.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.15.4 billion (42.9 per cent) as equitable share of revenue raised nationally, Kshs.770 million (2.1 per cent) as total conditional grants, and generate Kshs.19.77 billion (55 per cent) from own sources of revenue.

The conditional grants contained in the CARA, 2017 comprise 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.77.91 million (2.6 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.30.65 million (1 per cent) for Development of Youth Polytechnics, Kshs.37.42 million (1.2 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.95.74 million (3.1 per cent) for Leasing of Medical Equipment and Kshs.2.14 billion (70.1 per cent) from Other Loans and Grants.

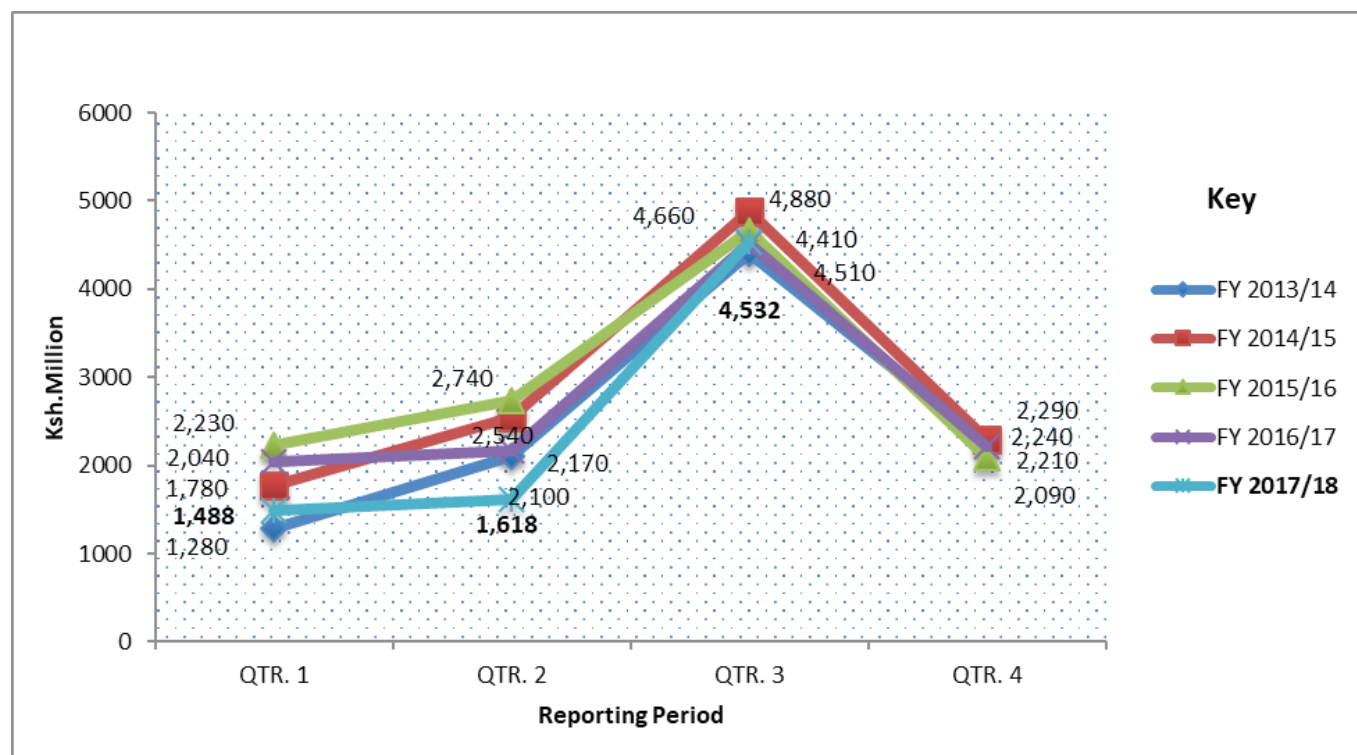
The County budgeted to receive Kshs.303 million for Free Maternal Healthcare, which is not contained in the CARA, 2017.

3.30.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.9.83 billion as equitable share of revenue raised nationally, Kshs.363.06 million as total conditional grants, and raised Kshs.7.64 billion from own sources of revenue. The total available funds amounted to Kshs.17.83 billion.

Figure 3-88 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-88: Nairobi City County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Nairobi City County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.7.64 billion, representing a decline of 12.4 per cent compared to Kshs.8.72 million generated in a similar period of FY 2016/17, and represented 38.6 per cent of the annual own source revenue target.

3.30.3 Conditional Grants

Table 3-83 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-83: Nairobi City County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	553,745,527	394,000,000	258,253,779	46.6
2	Leasing of Medical Equipment	95,744,681	-	-	-
3	Kenya Devolution Support Programme	77,910,897	-	27,638,529	35
4	Compensation for User Fee Foregone	79,423,251	73,000,000	-	-
5	DANIDA Grant	37,523,967	-	37,523,967	100
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 Project	37,420,064	-	17,009,120	45.5
Sub Total		3,050,070,636	467,000,000	302,901,428	10
B	Other Grants				
9	Free Maternal Healthcare		303,000,000		-
Sub Total		-	303,000,000	-	-
Total		3,050,070,636	770,000,000	302,901,428	10

Source: Nairobi City County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from DANIDA, the Road Maintenance Fuel Levy Fund, World Bank loan for Transforming Health System for Universal Care Project, and Kenya Devolution Support Programme. The receipts accounted for 100 per cent, 46.6 per cent, 45.5 per cent and 35 per cent of annual allocation respectively.

3.30.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.15 billion from the CRF account, which was 41.7 per cent of the Approved Budget. This amount represented an increase of 37.4 per cent from Kshs.10.89 billion approved in a similar period of FY 2016/17 and comprised of Kshs.14.51 billion (96.9 per cent) for recurrent expenditure and Kshs.462 million (3.1 per cent) for development activities.

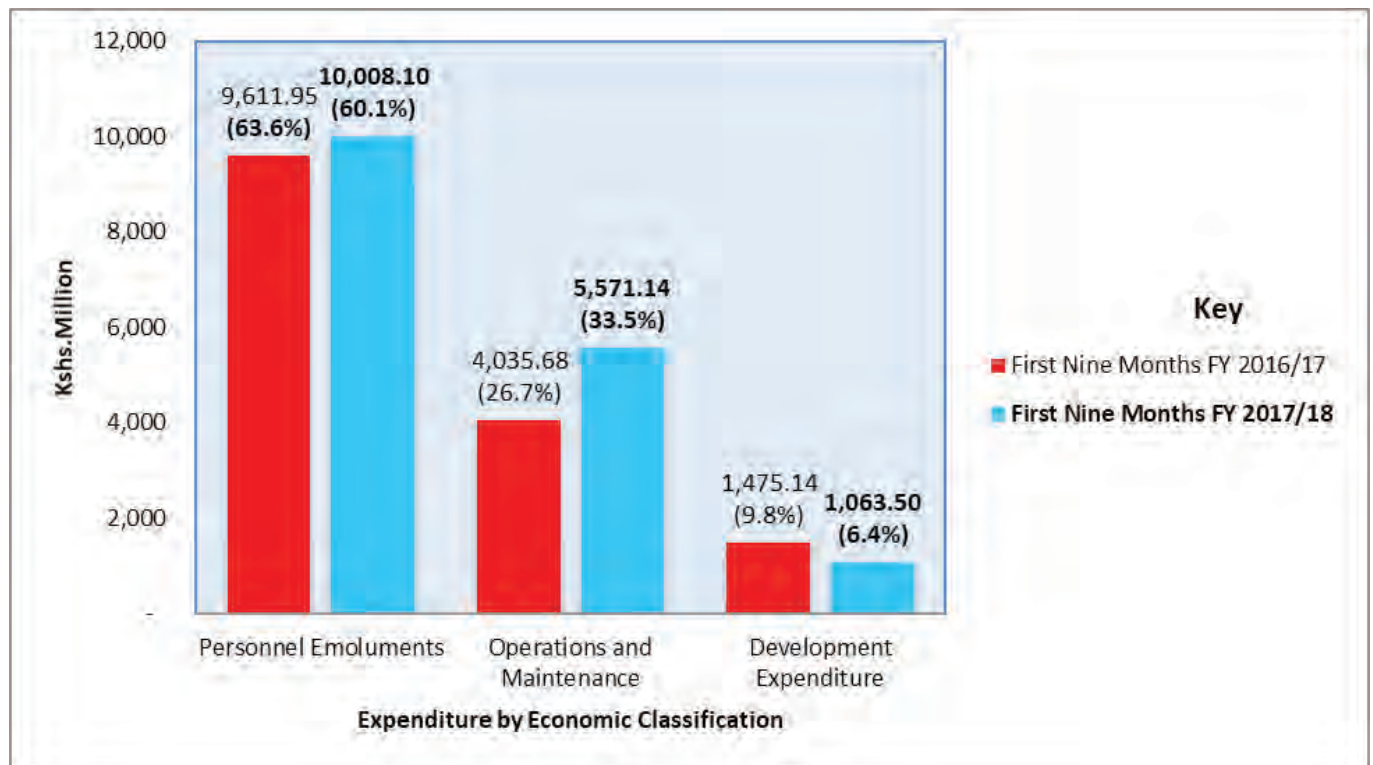
3.30.5 Overall Expenditure Review

The County incurred Kshs.16.64 billion, which was 111.2 per cent of the total funds released for operations. This was an increase of 10.1 per cent from Kshs.15.12 billion incurred in a similar period of FY 2016/17.

A total of Kshs.15.58 billion was spent on recurrent activities while Kshs.1.06 billion was spent on development activities. The recurrent expenditure was 107.4 per cent of the funds released for recurrent activities, while development expenditure was 230.2 per cent of funds released for development activities.

The recurrent expenditure represented 64.6 per cent of the annual recurrent budget, an increase from 58.9 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 9 per cent, which was a decrease from 12.9 per cent attained in the first nine months of FY 2016/17. Figure 3-2 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-89: Nairobi City County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



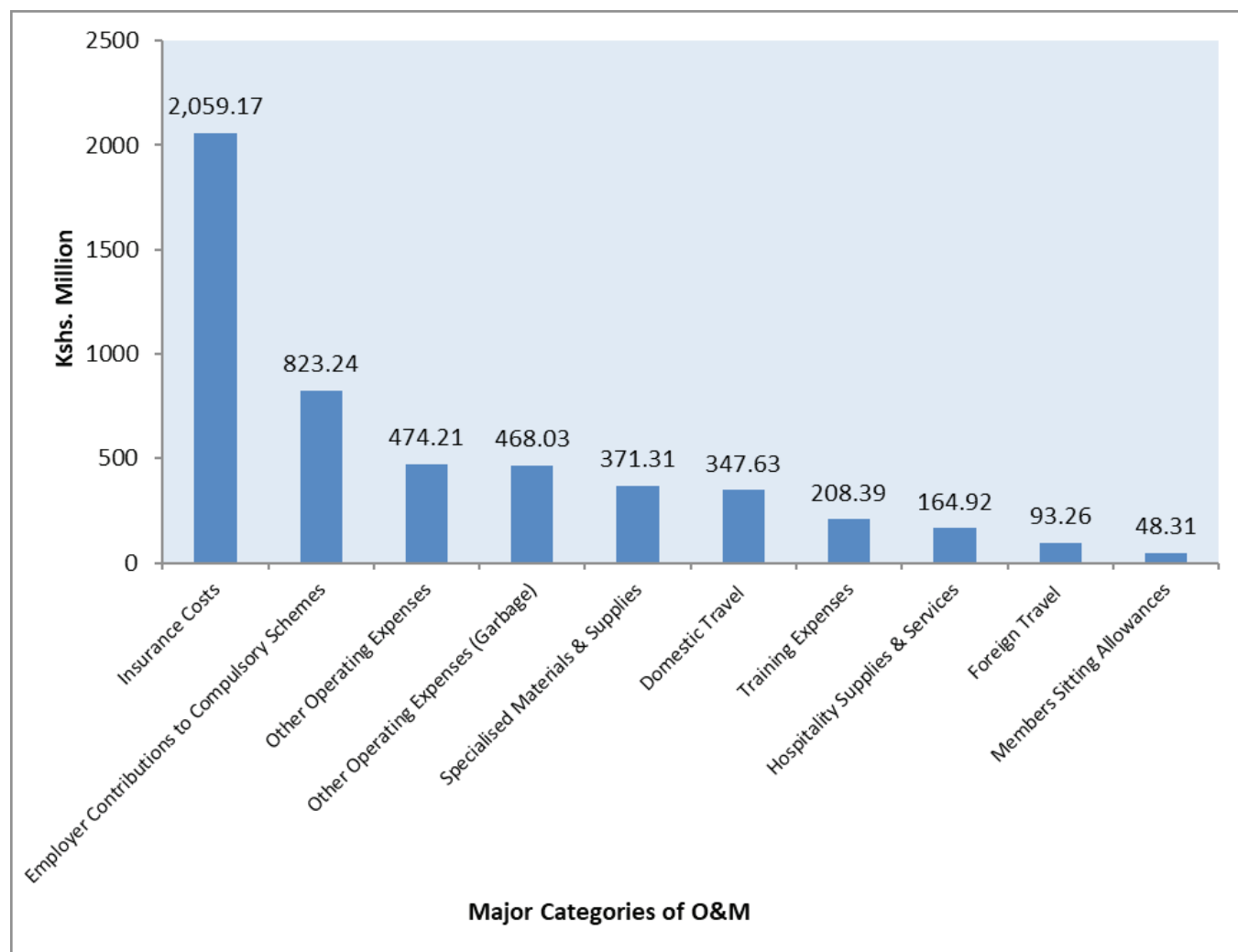
Source: Nairobi City County Treasury

3.30.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.15.58 billion comprised of Kshs.10.01 billion (60.1 per cent) incurred on personnel emoluments and Kshs.5.57 billion (33.5 per cent) on operations and maintenance as shown in Figure 3-89.

Expenditure on personnel emoluments represented an increase of 4.1 per cent compared to the first nine months of FY 2016/17 when the county spent Kshs.9.61 billion, and was 60.1 per cent of total expenditure in the first nine months of FY 2017/18. Figure 3-90 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-90: Nairobi City County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Nairobi City County Treasury

The County incurred Kshs.48.31 million on committee sitting allowances to the 128 MCAs against the annual budget allocation of Kshs.131.65 million. This was a decline of 38.4 per cent compared to Kshs.78.41 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.41,939 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.347.63 million and comprised of Kshs.162.47 million spent by the County Assembly and Kshs.185.16 million by the County Executive. While Expenditure on foreign travel amounted to Kshs.93.26 million and comprised of Kshs.78.95 million spent by the County Assembly and Kshs.14.31 million by the County Executive. Travel expenditure represented 2.8 per cent of total recurrent expenditure and was a decrease of 35.1 per cent compared to Kshs.678.87 million spent in the first nine months of FY 2016/17.

3.30.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.06 billion represented 9 per cent of the annual development budget of Kshs.11.79 billion.

3.30.8 Budget and Budget Performance Analysis by Department

Table 3-84 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-84: Nairobi City County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	70.60	29.40	26.45	-	28.58	-	108.05	-	40.5	-
Office Of Governor & Deputy Governor	5,304.59	373.40	3,294.82	-	3,262.85	2.39	99.0	-	61.5	0.6
ICT, E-govt & Public Communications	284.87	173.00	117.00	-	117.39	-	100.3	-	41.2	-
Finance & Economic Planning	3,010.00	170.00	1,757.68	-	2,324.17	-	132.2	-	77.2	-
Health	6,387.10	1,254.00	3,916.53	-	3,849.16	-	98.3	-	60.3	-
Urban Planning & Lands	379.02	444.00	216.31	-	211.20	9.51	97.6	-	55.7	2.1
Public Works, Transport & Infrastructure	1,169.00	4,940.77	572.95	281.68	549.65	406.41	95.9	144.3	47.0	8.2
Education, Youth Affairs ,Sports, Culture & Social Services	1,397.99	345.00	672.03	-	705.81	-	105.0	-	50.5	-
Trade, Commerce ,Tourism & Cooperatives	618.00	560.00	259.66	-	268.94	-	103.6	-	43.5	-
Public Service Management	2,251.00	117.00	2,077.03	-	2,123.49	13.28	102.2	-	94.3	11.4
Agriculture, Livestock Devt, Fisheries & Forestry	375.00	154.00	216.33	-	209.79	-	97.0	-	55.9	-
County Assembly	1,293.43	320.76	765.63	82.22	948.73	122.00	123.9	148.4	73.3	38.0
Environment, Water, Energy & Natural Resources	1,385.43	900.00	563.57	-	914.91	47.58	162.3	-	66.0	5.3
Urban Renewal & Housing	140.00	180.00	49.41	-	51.72	-	104.7	-	36.9	-
Ward Development Fund	54.00	1,736.00	-	-	12.86	462.33	-	-	23.8	26.6
Emergency Fund	-	90.00	-	-	-	-	-	-	-	-
Total	24,120.03	11,787.33	14,505.40	363.90	15,579.25	1,063.50	107.4	292.3	64.6	9.0

Source: Nairobi City County Treasury

Analysis of budget performance by department shows that, the County Assembly attained the highest absorption rate of development budget at 38 per cent, followed by Ward Development Fund at 26.6 per cent. The Department of Public Service Management had the highest percentage of recurrent expenditure to its recurrent budget at 94.3 per cent while the Ward Development Fund had the lowest at 23.8 per cent.

3.30.9 Key Observations and Recommendations

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

- i. Adherence to the SRC recommended monthly ceiling for MCAs by the County Assembly.

- ii. Improvement in the use of IFMIS and Internet Banking Platform to process financial transactions.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Failure to budget for all conditional grants per CARA, 2017.
3. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 9 per cent compared to 12.9 per cent in a similar period in FY 2016/17
4. Late submission of financial reports by the County Treasury, which affected timely preparation of the budget implementation revised report.
5. Under-performance in own sources of revenue collection, which declined by 12.4 per cent from Kshs.8.72 billion in the first nine months of FY 2016/17 to Kshs.7.64 billion in the reporting period, and accounted for 38.6 per cent of the annual own source revenue target.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should prepare a supplementary budget to align conditional grants to the CARA, 2017.*
3. *The County should formulate strategies to improve the absorption of development expenditure.*
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 Treasury should formulate strategies to enhance own-source revenue collection.*

3.31 Nakuru County

3.31.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved 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.1.6 billion (10.2 per cent) as total conditional grants, generate Kshs.2.5 billion (16 per cent) from own revenue source, Kshs.611.05 million (38.3 per cent) as Facility Improvement Fund (FIF) and Kshs.2.29 billion (14.7 per cent) cash balance from FY 2016/17.

The Conditional grants contained in the CARA, 2017 comprise of Kshs.373.87 million (33.2 per cent) for Level-5 Hospital, Kshs.345.81 million (30.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (8.5 per cent) as Leasing of Medical Equipment, Kshs.56.3 million (5 per cent) from Kenya Devolution Support Program, Kshs.38.72 million (3.4 per cent) for Compensation for User Fee Foregone, Kshs.35.43 million (3.1 per cent) for Development of Youth Polytechnics, Kshs.65.34 million (5.8 per cent) for World Bank loan for Transforming Health System for Universal Care Project, Kshs.50 million (4.4 per cent) for World Bank loan for National Agricultural & Rural Inclusive Project, Kshs.23.43 million (2.1 per cent) from DANIDA and Kshs.42.59 million (3.8 per cent) for Conditional Allocation - Other Loans & Grants.

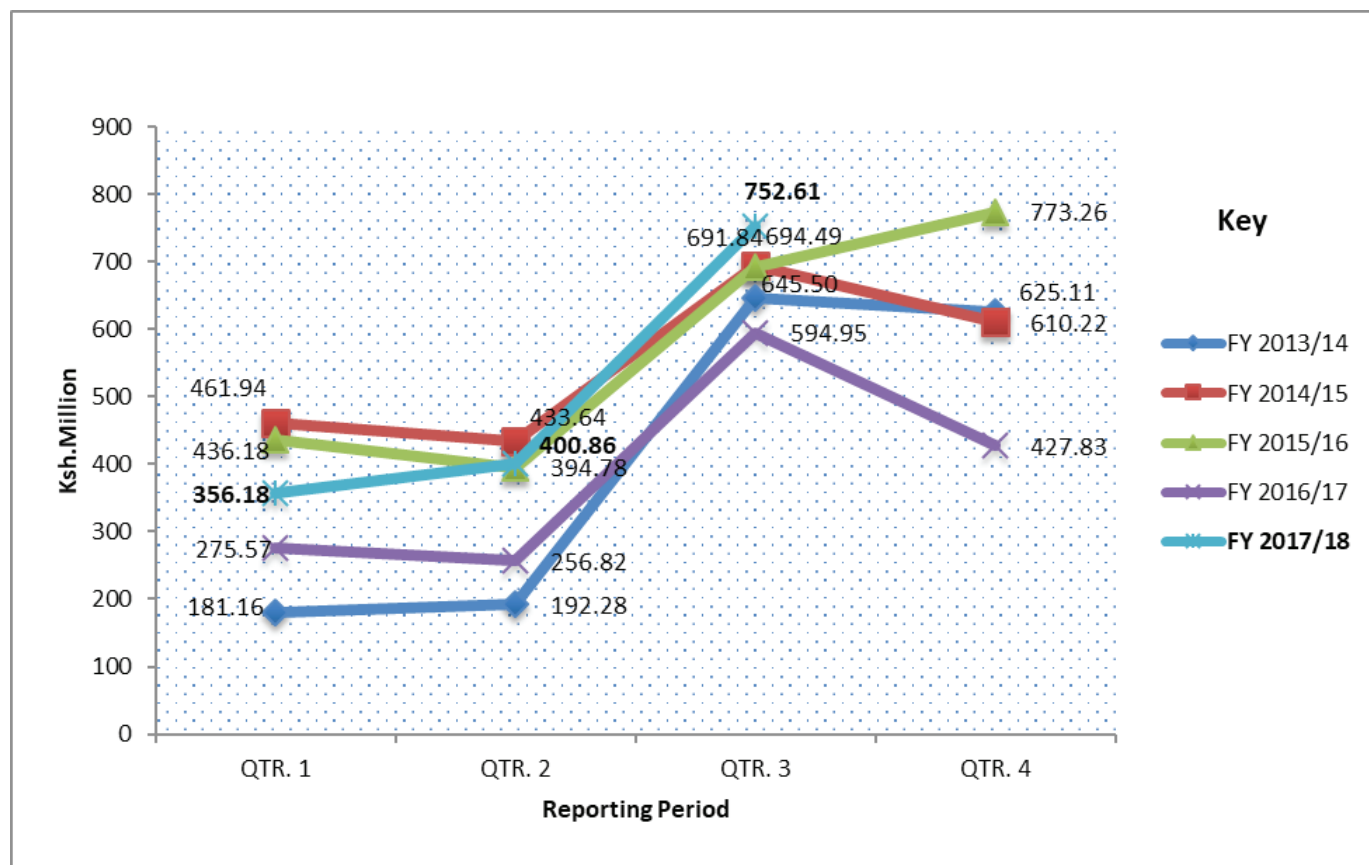
The county also budgeted to receive Kshs.26.5 million for Symbiocity Programme which is not contained in CARA, 2017.

3.31.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.4.68 billion as equitable share of revenue raised nationally, Kshs.554.22 million as total conditional grants, raised Kshs.1.51 billion from own source revenue, and had a cash balance of Kshs.2.29 billion from FY 2016/17. The total available funds amounted to Kshs.9.06 billion.

Figure3-91 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure3-91: Nakuru County, Trend in Own-source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Nakuru County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.1.51 billion, representing an increase of 33.9 per cent compared to Kshs.1.12 billion generated in a similar period of FY 2016/17, and represented 60.4 per cent of the annual target.

3.31.3 Conditional Grants

Table 3-85 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-85: Nakuru County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No.	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	345,811,895	345,811,895	222,789,608	64.4
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	Kenya Devolution Support Programme (KDSP)	56,299,041	56,299,041	19,270,814	34
4	Compensation for User Fee Foregone	38,723,265	38,723,265	19,608,090	50.6
5	DANIDA Grant	23,433,569	12,630,000	23,433,569	100
6	Level-5 Hospitals	373,872,832	373,872,832	188,805,782	50.5
7	Development of Youth Polytechnics	35,431,434	35,431,434	-	-
8	Conditional Allocation - Other Loans & Grants	42,587,323	-	-	-
9	World Bank Loan for Transforming Health System for universal Care Project	65,337,491		29,698,860	45.5
10	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000		50,609,855	101.2
Sub Total	Other Grants	1,127,241,531	958,513,148	554,216,578	49
11	Symbiocity Programme	-	26,500,000	-	-
12	Facility Improvement Fund (F.I.F)	-	611,050,000	-	-
	Sub Total	-	637,550,000	-	-
	Grand Total	1,127,241,531	1,596,063,148	554,216,578	49

Source: Nakuru County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from the World Bank Loan for National Agricultural & Rural Inclusive Project at 101.2 per cent of annual allocation, DANIDA Grant at 100 per cent, Road Maintenance Fuel Levy Fund at 64.4 per cent, Compensation for User Fee Foregone at 50.6 per cent, Level 5 Hospitals at 50.5 per cent, World Bank Loan for Transforming Health System for universal Care Project at 45.5 per cent and Kenya Devolution Support Programme at 34 per cent.

3.31.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.6.39 billion from the CRF account, which was 40.8 per cent of the Approved Supplementary Budget. This amount represented a decline of 14.5 per cent from Kshs.7.47 billion approved in a similar period of FY 2016/17 and comprised of Kshs.6.14 billion (96.1 per cent) for recurrent expenditure and Kshs.248.62 million (3.9 per cent) for development activities.

3.31.5 Overall Expenditure Review

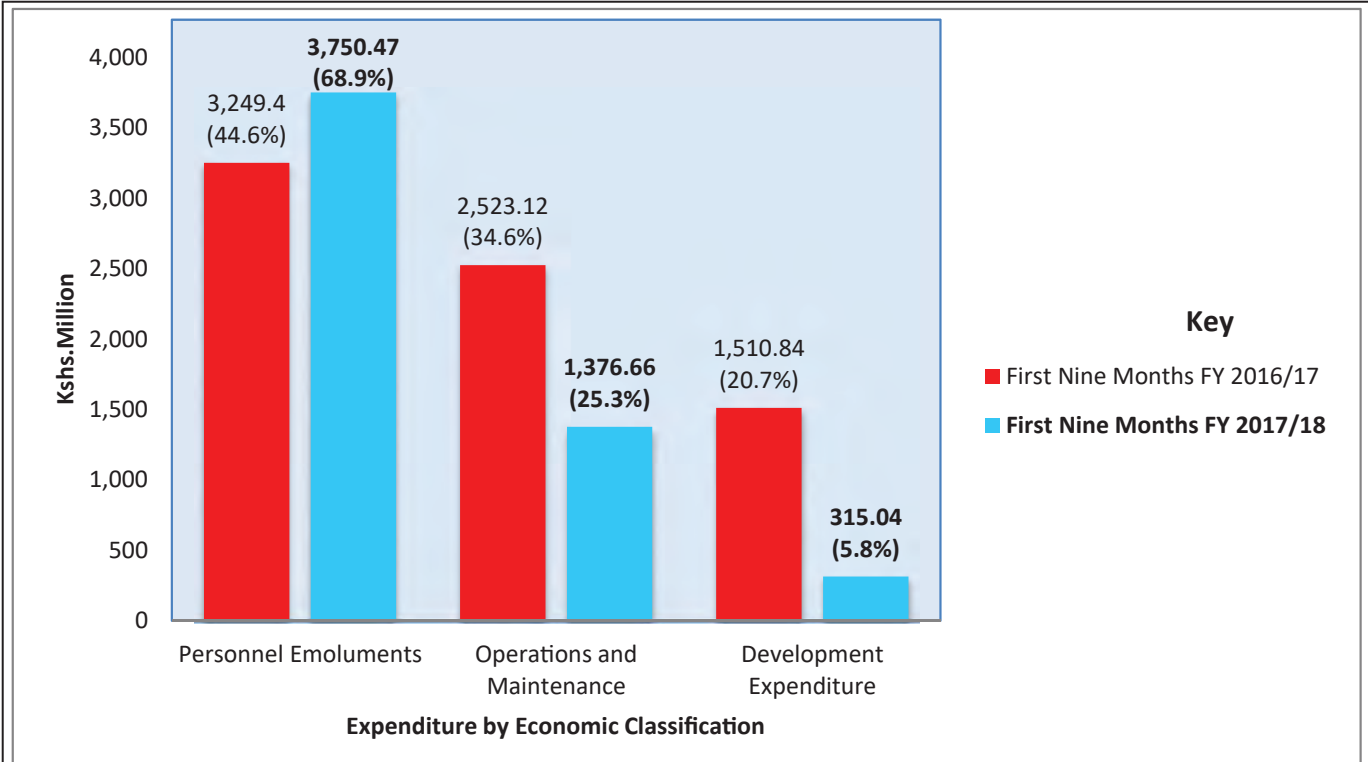
The County spent Kshs.5.44 billion, which was 85.2 per cent of the total funds released for operations. This was a decline of 25.3 per cent from Kshs.7.28 billion incurred in a similar period of FY 2016/17.

A total of Kshs.5.12 billion was spent on recurrent activities while Kshs.315.03 million was spent on development activities. The recurrent expenditure was 83.5 per cent of the funds released for recurrent activities, while

development expenditure was 126.7 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.2.58 billion for development activities and Kshs.463.50 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 52.5 per cent of the annual recurrent budget, a decrease from 5.77 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 5.3 per cent, which was a decrease from 26.1 per cent attained in the first nine months of FY 2016/17. Figure 3-92 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-92: Nakuru County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



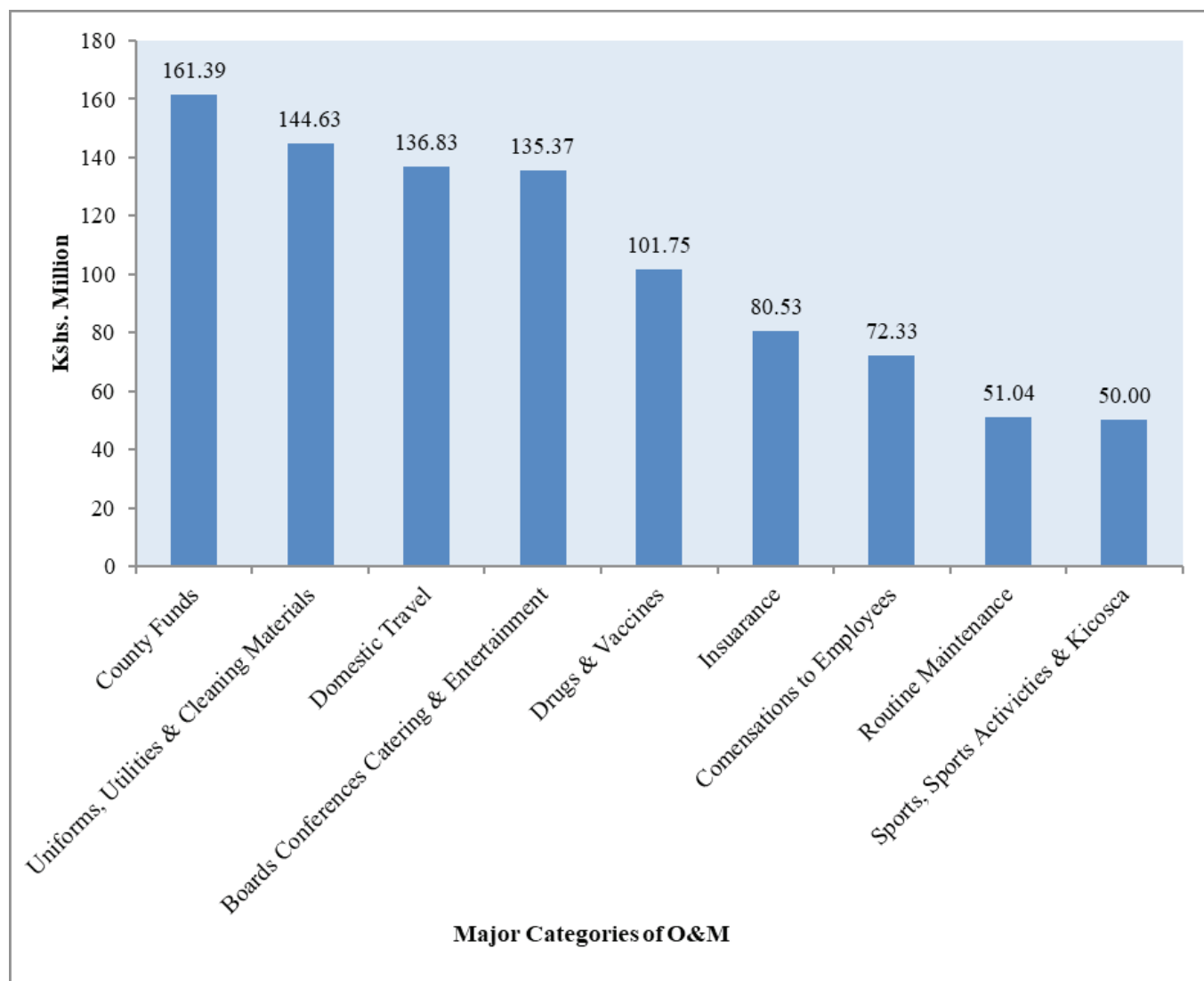
Source: Nakuru County Treasury

3.31.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.13 billion comprised of Kshs.3.75 billion (73.1 per cent) incurred on personnel emoluments and Kshs.1.37 billion (26.9 per cent) on operations and maintenance as shown in Figure 3-92.

Expenditure on personnel emoluments represented an increase of 15.4 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.3.24 billion, and was 68.9 per cent of total expenditure. Figure 3-93 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-93: Nakuru County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Nakuru County Treasury

The County incurred Kshs.14.2 million on committee sitting allowances to the 79 MCAs against the annual budget allocation of Kshs.90 million. This was a decline of 81.3 per cent compared to Kshs.75.83 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.19,972 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.157.31 million and comprised of Kshs.39.09 million spent by the County Assembly and Kshs.118.22 million by the County Executive. This represented 3.1 per cent of total recurrent expenditure and was a decrease of 51.3 per cent compared to Kshs.322.82 million spent in the first nine months of FY 2016/17.

3.31.7 Development Expenditure Analysis

The total development expenditure of Kshs.315.04 million represented 5.3 per cent of the annual development budget of Kshs.5.9 billion. Table 3-86 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-86: Nakuru County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	Q3 FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Conditional Fund for Level 5 Hospital (Nakuru PGH) Ongoing Project FY 2016/17	HQ	145,988,439	145,988,439	100
2	Construction of Office Block	HQ	206,822,818	105,767,091	51
3	Other Health Facilities (Conditional Fund for Level 5 Hospital (Nakuru PGH) (Provision for purchase of Institutional Appliances	HQ	90,000,000	37,246,460	41
4	Capital Transfers to Health Centers and Dispensaries (DANIDA Programme)	HQ	36,322,032	12,630,000	35
5	Refurbishment of Building	HQ	13,114,273	5,091,646	39
6	Conditional Fund for Level 5 Hospital (Nakuru PGH) (Provision for Purchase of Medical & Dental Equipment)	HQ	70,000,000	3,000,000	4
7	Completion of Public Gallery	HQ	14,867,165	2,512,611	17
8	Drilling and equipping of borehole	HQ	501,107	1,456,760	291
9	Access road to the county assembly from A104 Road	HQ	2,832,427	1,326,397	47

Source: Nakuru County Treasury

3.31.8 Budget and Budget Performance Analysis by Department

Table 3-87 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-87: Nakuru County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock And Fisheries	490.76	143.19	323.76	17.50	252.98	-	78.1	-	51.5	-
County Assembly	1,059.83	324.06	536.56	36.04	580.46	116.17	108.2	322.4	54.8	35.8
Education	505.95	879.11	193.28	-	251.12	-	129.9	-	49.6	-
Environment, Water And Natural Resources	356.71	770.37	177.74	-	144.54	-	81.3	-	40.5	-
Finance And Economic Planning	959.52	175.52	480.76	11.58	403.77	-	84	-	42.1	-
Health Services	4,868.81	1,092.52	3,417.77	183.51	2,496.13	198.76	73	108.3	51.3	18.2
Information, Communication And Technology	50.26	10.63	26.71	-	25.36	-	94.9	-	50.4	-
Lands, Housing And Urban Development	140.38	314.82	78.59	-	77.69	0.10	98.9	-	55.3	-
Office Of The Governor	170.55	60.81	133.32	-	105.48	-	79.1	-	61.8	-
Public Service Board	47.29	-	30.92	-	45.98	-	148.7	-	97.2	-
Public Service Management	716.60	23.91	493.23	-	421.80	-	85.5	-	58.9	-
Roads, Transport And Infrastructure	277.39	1,915.90	183.14	-	254.43	-	138.9	-	91.7	-
Trade, Industrialization And Tourism	121.62	187.83	64.98	-	67.40	-	103.7	-	55.4	-
TOTAL	9,765.68	5,898.68	6,140.76	248.62	5,127.13	315.04	83.5	126.7	52.5	5.3

Source: Nakuru County Treasury

Analysis of budget performance by department shows that, the County Assembly attained the highest absorption rate of development budget at 35.8 per cent followed by the Health Services Department at 18.2 per cent. The Public Service Board had the highest percentage of recurrent expenditure to its recurrent budget at 97.2 per cent while the Department of Environment Water and Natural Resources had the lowest at 40.5 per cent.

3.31.9 Key Observations and Recommendations

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

- i. Timely submission of quarterly financial reports to the Controller of Budget by County Government entities in line with Section 166 of the PFM Act, 2012.
- ii. Reduction in domestic travel by 51.3 per cent from Kshs.322.82 million in the first nine months of FY 2016/17 to Kshs.157.31 in a similar period in FY 2017/18.
- iii. Improvement in own source revenue collection by 33.9 per cent from Ksh.1.1 billion in the first nine months of FY/2016/17 to Ksh.1.51 billion in the reporting period.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. The County did not budget for all conditional grants 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 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 Supplementary Budget is Kshs.6.74 billion, comprising of Kshs.4.59 billion (68.1 per cent) and Kshs.2.15 billion (31.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.10 billion (75.7 per cent) as equitable share of revenue raised nationally, Kshs.555.83 million (8.2 per cent) as total conditional grants, and generate Kshs.385.44 million (5.7 per cent) from own revenue sources, and Kshs.795.58 million (11.8 per cent) cash balance from FY 2016/17.

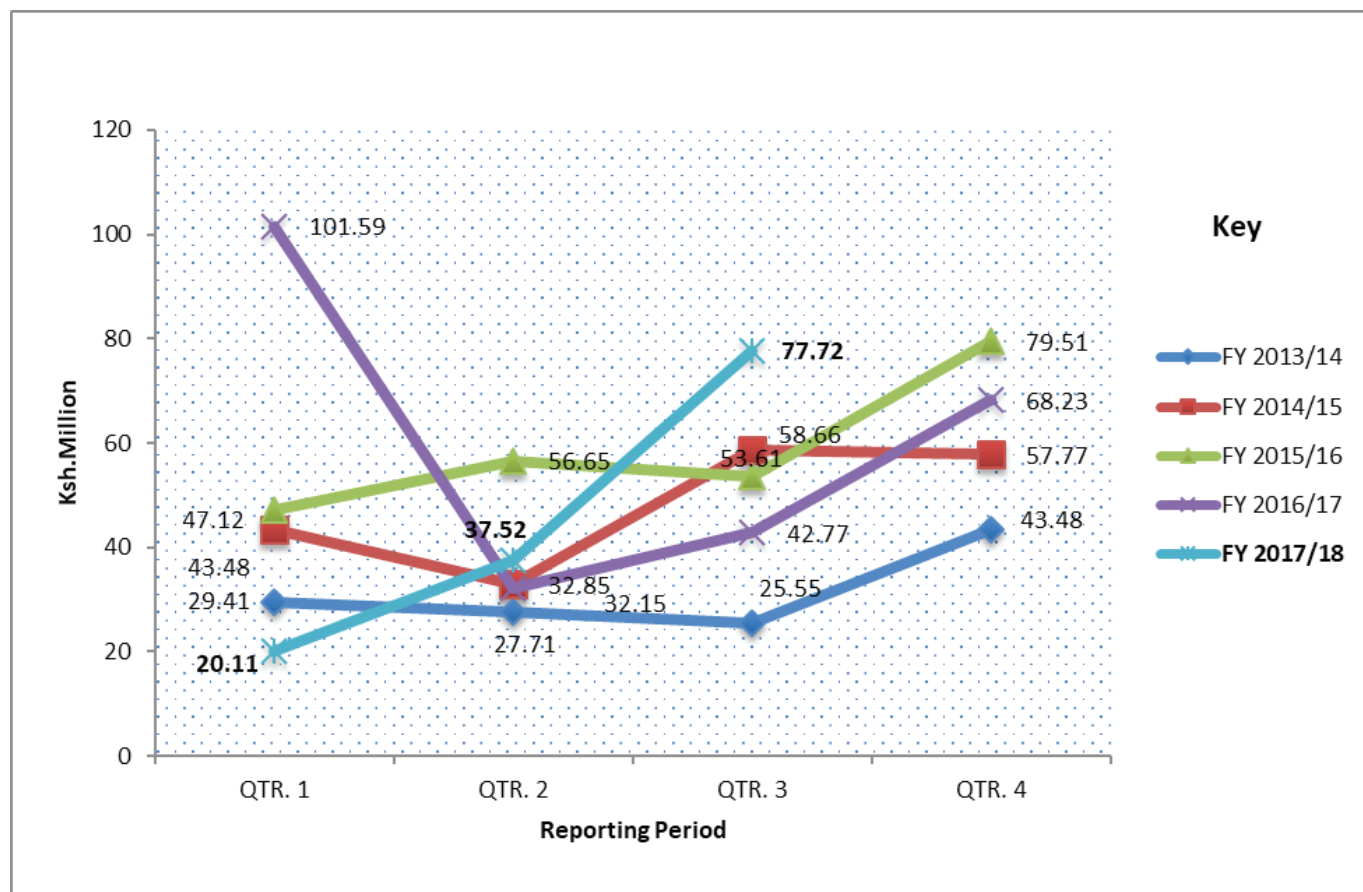
The Conditional grants contained in the CARA, 2017 comprise of Kshs.202.6 million (34.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.09 million (3 per cent) as Compensation for User Fee Foregone, Kshs.21.28 million (3.6 per cent) from DANIDA, , Kshs.41.61 million (7 per cent) for the World Bank Kenya Devolution Support Program, Kshs.29.28 million (4.9 per cent) for Development of Youth Polytechnics, Kshs.97.23 million (16.4 per cent) as World Bank Loan for Transforming Health System for universal Care System, Kshs.50 million (8.4 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project and Kshs.37.94 million (6.4 per cent) as Other Loans and Grants.

3.32.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.7 billion as equitable share of revenue raised nationally, Kshs.211.94 million as total conditional grants, raised Kshs.135.35 million from own source revenue, and had a cash balance of Kshs.795.58 million from FY 2016/17. The total available funds amounted to Kshs.3.86 billion.

Figure3-94 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure3-94: Nandi County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Nandi County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.135.35 million, representing a decline of 23.3 per cent compared to Kshs.176.51 million generated in a similar period of FY 2016/17, and represented 35.1 per cent of the annual target.

3.32.3 Conditional Grants

Table 3-88 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-88: Nandi County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No.	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	202,600,435	202,600,435	145,097,897	71.6
2	World Bank Loan for Transforming Health System for Universal Care Project	97,229,497	66,845,279	30,384,218	31.3
3	Kenya Devolution Support Programme (KDSP)	41,606,801	41,606,801	13,702,433	33

S/No.	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
4	DANIDA Grant	21,279,949	13,728,999	13,728,999	64.5
5	Compensation for User Fee Foregone	18,086,363	18,086,363	9,027,910	49.9
6	Conditional Allocation - Other Loans & Grants	37,935,168	37,935,168	-	-
7	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
8	Development of Youth Polytechnics	29,282,394	29,282,394	-	-
9	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	-	-
	Total	593,765,288	555,830,120	211,941,457	36

Source: Nandi County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from the Road Maintenance Fuel Levy Fund, DANIDA, Compensation for User Fee Foregone, World Bank Loan to Transforming Health System and Kenya Devolution Support Programme (KDSP). The receipts accounted for 71.6 per cent, 64.5 per cent, 49.9 per cent, 45.5 per cent and 33 per cent of annual allocation respectively.

3.32.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.3.02 billion from the CRF account, which was 44.8 per cent of the Approved Supplementary Budget. This amount represented a decline of 28.9 per cent from Kshs.4.25 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.74 billion (62.6 per cent) for recurrent expenditure and Kshs.278.47 million (37.4 per cent) for development activities.

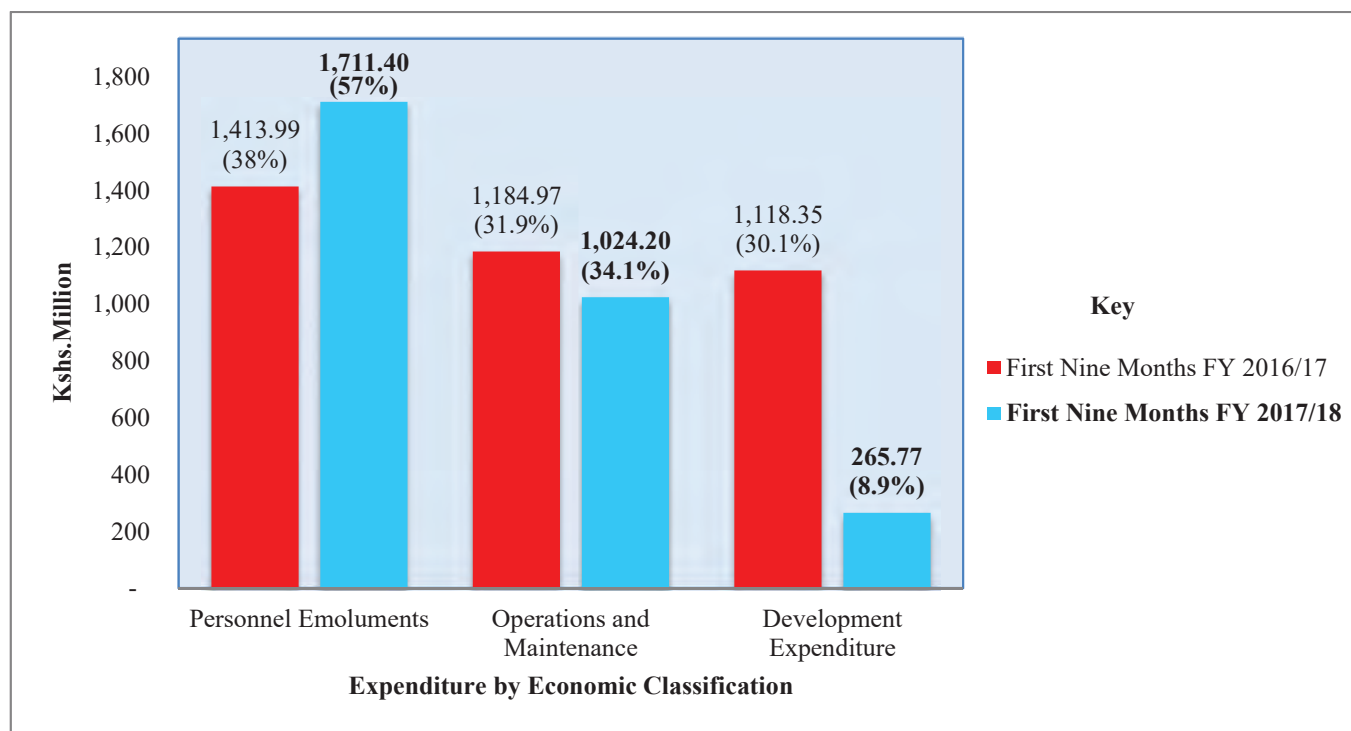
3.32.5 Overall Expenditure Review

The County spent Kshs.3 billion, which was 99.4 per cent of the total funds released for operations. This was a decline of 19.3 per cent from Kshs.3.72 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.74 billion was spent on recurrent activities while Kshs.265.77 million was spent on development activities. The recurrent expenditure was 99.8 per cent of the funds released for recurrent activities, while development expenditure was 97.5 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.521.02 million for development activities and Kshs.108.75 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 59.6 per cent of the annual recurrent budget, a decrease from 35 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 12.3 per cent, which was a decrease from 35 per cent attained in the first nine months of FY 2016/17. Figure 3-95 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-95: Nandi County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



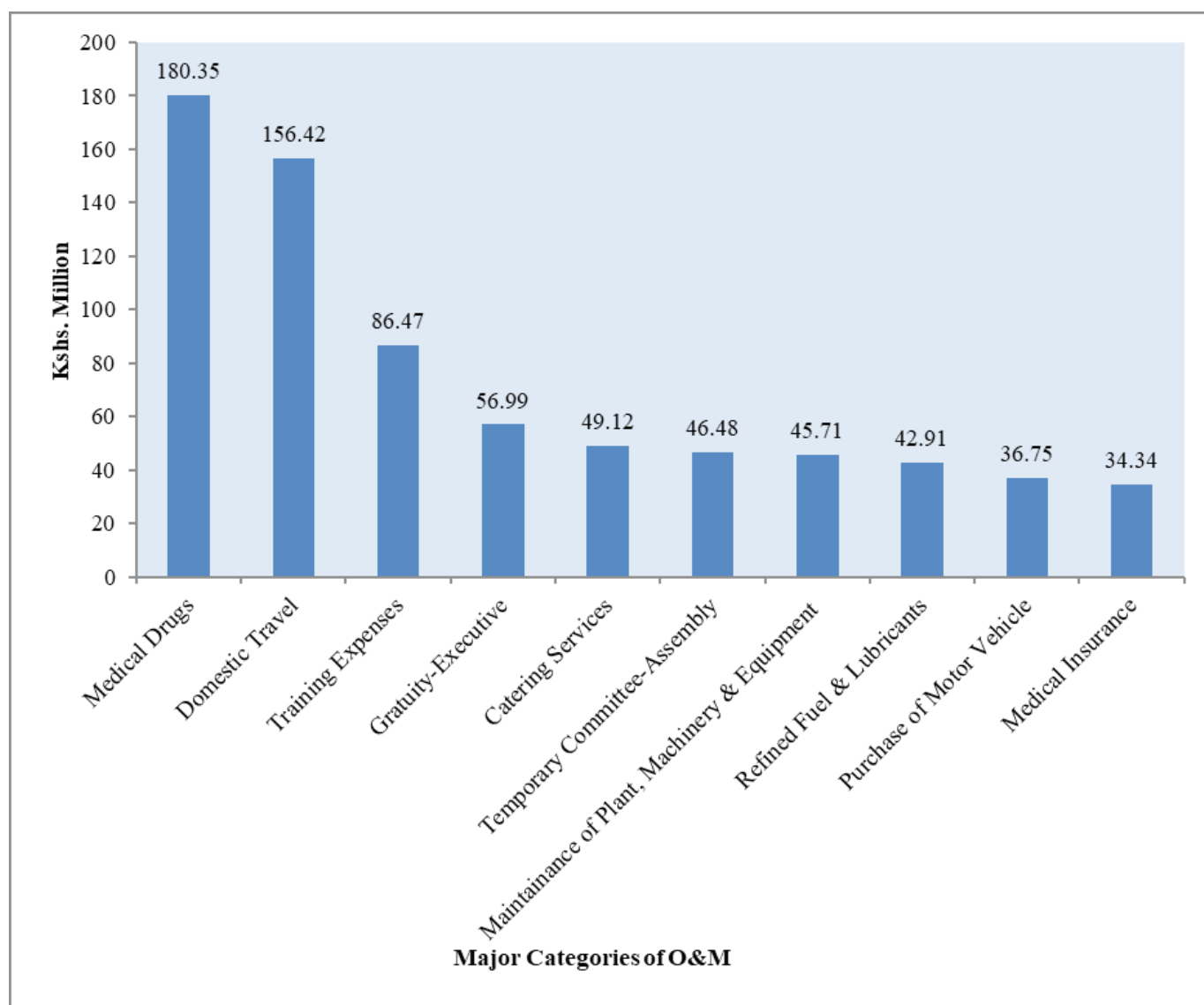
Source: Nandi County Treasury

3.32.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.74 billion comprised of Kshs.1.71 billion (57 per cent) incurred on personnel emoluments and Kshs.1.02 million (34 per cent) on operations and maintenance as shown in Figure 3-95.

Expenditure on personnel emoluments represented an increase of 21 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.41 billion, and was 57 per cent of total expenditure in the first nine months of FY 2017/18. Figure 3-96 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-96: Nandi County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Nandi County Treasury

The County incurred Kshs.14.22 million on committee sitting allowances to the 39 MCAs against the annual budget allocation of Kshs.28.99 million. This was a decline of 68.7 per cent compared to Kshs.45.44 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.40,520 per MCA compared to SRC's recommended monthly ceiling of Kshs.80, 000.

Expenditure on domestic and foreign travel amounted to Kshs.176.80 million and comprised of Kshs.59.45 million spent by the County Assembly and Kshs.117.35 million by the County Executive. This represented 6.5 per cent of total recurrent expenditure and was a decrease of 15.8 per cent compared to Kshs.209.88 million spent in the first nine months of FY 2016/17.

3.32.7 Development Expenditure Analysis

The total development expenditure of Kshs.265.77 million represented 12.3 per cent of the annual development budget of Kshs.2.15 billion. Table 3-89 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-89: Nandi County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project Name	Project Location	Annual Project Budget (Kshs)	First Nine Months Project Expenditure (Kshs)	Absorption Rate (%)
1	Purchase of Specialized Plant & Equipment	Kapsabet	320,000,000	102,640,320	32.1
2	Access Roads works	County Wide	392,835,449	71,922,981	18.3
3	Construction of Buildings-Nandi County Assembly	Kapsabet	140,000,000	39,100,000	27.9
4	Water Supplies and Sewerage	County Wide	165,904,638	27,423,320	16.5
5	Purchase of Animals and Breeding Stock Semen	County Wide	46,000,000	14,700,000	32.0

Source: Nandi County Treasury

3.32.8 Budget and Budget Performance Analysis by Department

Table 390 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 390: Nandi County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	477.23	70.50	249.84	-	310.12	-	124.1	0.0	65.0	-
Finance and Economic Planning	953.83	125.54	356.12	-	357.37	9.98	100.3	-	37.5	7.9
Devolved Units and Special Programmes	131.87	106.50	76.64	-	61.07	-	79.7	-	46.3	-
Health and Sanitation	1,353.57	184.15	1,095.44	-	1,125.65	-	102.8	-	83.2	-
Agriculture, Livestock and Fisheries	227.87	170.10	158.46	14.70	135.78	14.70	85.7	100.0	59.6	8.6
Tourism, Culture and Co-operative Development	55.45	25.00	19.57	-	13.35	-	68.2	-	24.1	-
Youth, Gender and Social Services	38.71	99.50	17.84	-	12.02	-	67.4	-	31.1	-
Education Research and Vocational Training	332.94	160.38	175.49	190.37	147.64	-	84.1	-	44.3	-
Lands, Environment and Natural Resources	75.95	282.90	30.36	-	22.97	27.42	75.7	-	30.2	9.7
Roads Transport and Public Works	275.58	737.84	129.28	-	129.77	174.56	100.4	-	47.1	23.7
Trade and Industrial Development	38.92	52.50	23.46	27.42	16.89	-	72.0	-	43.4	-
Public Service and Labor	35.04	-	18.46	-	12.46	-	67.5	-	35.6	-
County Assembly	593.05	140.00	389.54	45.97	390.51	39.10	100.2	85.1	65.8	27.9
TOTAL	4,589.99	2,154.91	2,740.49	278.47	2,735.60	265.77	99.8	95.4	59.6	12.3

Source: Nandi County Treasury

Analysis of budget performance by department shows that, the County Assembly attained the highest absorption rate of development budget at 27.9 per cent, followed by the Department of Road, Transport and Public Works at 23.7 per cent. The Department of Health and Sanitation had the highest percentage of recurrent expenditure to its recurrent budget at 83.2 per cent while the Department of Tourism, Culture and Co-operative Development had the lowest at 24.1 per cent.

3.32.9 Key Observations and Recommendations

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

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

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

1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
2. High wage bill that increased by 21 per cent from Kshs.1.41 billion in the first nine months of FY 2016/17 to Kshs.1.71 billion during the period under review.
3. IFMIS connectivity challenges, which slowed down payment of goods and services.
4. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 12.3 per cent compared to 44.3 per cent in a similar period in FY 2016/17.

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

1. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County Treasury should liaise with IFMIS Directorate of the National Treasury to address connectivity challenges.*
4. *The County should formulate strategies to enhance absorption of development budget.*

3.33. Narok County

3.33.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.9.81 billion, comprising of Kshs.6.52 billion (66.4 per cent) and Kshs.3.29 billion (33.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.52 billion (66.5 per cent) as equitable share of revenue raised nationally, Kshs.675.98 million (6.9 per cent) as total conditional grants, generate Kshs.2.48 billion (25.3 per cent) from own revenue sources.

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (14.6 per cent) for Leasing of Medical Equipment, Kshs.225.3 million (34.3 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.41.78 million (6.4 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.45.8 million (7 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.31.46 million (4.8 per cent) for Development of Youth Polytechnics, Kshs.83.62 million (12.7 per cent) as World Bank loan for Transforming Health System for Universal Care Project, and Kshs.46.41 million (7.1 per cent) as Other Loans and Grants.

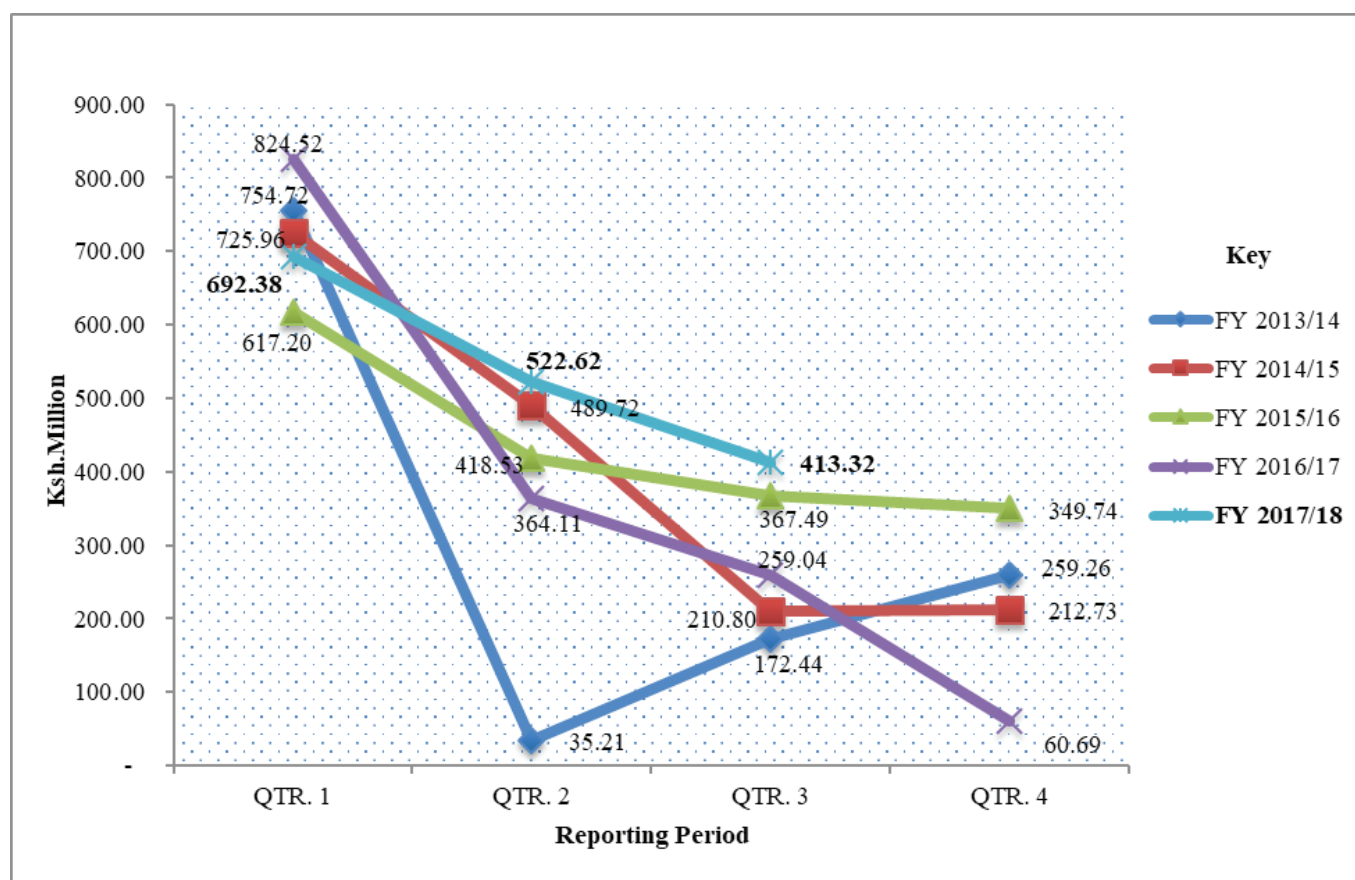
The County budgeted to receive Kshs.20 million for Kenya Urban Support Programme, which is not contained in the CARA, 2017.

3.33.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.4.54 billion as equitable share of revenue raised nationally, Kshs.316.66 million as total conditional grants, raised Kshs.1.63 billion from own revenue sources. The total available funds amounted to Kshs.6.5 billion.

Figure3-97 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-97: Narok County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Narok County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.1.63 billion, representing an increase of 12.5 per cent compared to Kshs.1.45 billion generated in a similar period of FY 2016/17, and represented 65.6 per cent of the annual target.

3.33.3 Conditional Grants

Table 3-91 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-91: Narok County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Development of Youth Polytechnics	31,464,754	31,464,754	-	-
2	Road Maintenance Levy Fund	225,301,202	225,301,202	105,075,136	46.6
3	Compensation for User Fee Foregone	20,595,297	20,595,297	15,267,292	74.1
4	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
5	World Bank loan to Supplement Financing of County Health Facilities	41,780,000	41,780,000	38,009,297	91
6	Kenya Devolution Support Programme (KSDP)	45,796,323	45,796,323	16,445,812	36
7	Kenya Urban Support Programme	-	20,000,000	-	-
8	Other Loans and Grants	46,406,308	46,406,308	-	-
9	World Bank loan for Transforming Health Systems for Universal Care Project	83,620,453	83,620,453	-	-
10	World Bank loan National Agricultural & Rural Growth Project	50,000,000	50,000,000	50,609,855	101.2
11	DANIDA	15,267,292	15,267,292	10,053,367	65.8
	Total	655,976,310	675,976,310	316,662,162	47

Source: Narok County Treasury

Analysis of the conditional grants released during the period under review indicates that, the World Bank loan National Agricultural & Rural Growth received the highest receipt at 101.2 per cent of annual target, followed by the grant for Compensation for User Fee Foregone at 74.1 per cent.

3.33.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.5.27 billion from the CRF account, which was 53.8 per cent of the Approved Supplementary Budget. This amount represented a decrease of 9.3 per cent from Kshs.5.81 billion approved in a similar period of FY 2016/17 and comprised of Kshs.4.37 billion (82.9 per cent) for recurrent expenditure and Kshs.900 million (17.1 per cent) for development activities.

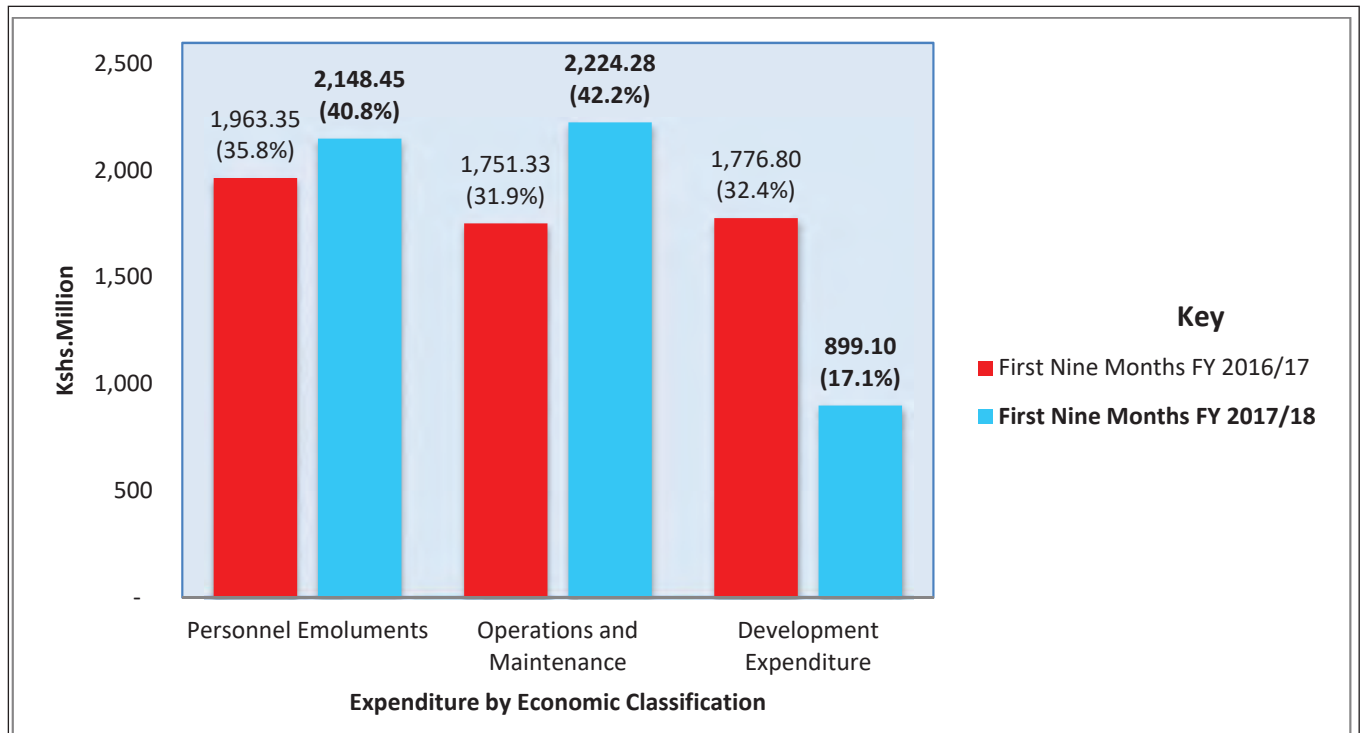
3.33.5 Overall Expenditure Review

The County spent Kshs.5.27 billion, which was 99.9 per cent of the total funds released for operations. This was a decline of 2.2 per cent from Kshs.5.39 billion incurred in a similar period of FY 2016/17.

A total of Kshs.4.37 billion was spent on recurrent activities while Kshs.899.1 million was spent on development activities. The recurrent expenditure was 100 per cent of the funds released for recurrent activities, while development expenditure was 99.9 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.113.28 million for development activities and Kshs.638.86 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 67.1 per cent of the annual recurrent budget, a decrease from 67.8 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 27.3 per cent, which was a decrease from 39 per cent attained in the first nine months of FY 2016/17. Figure 3-98 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-98: Narok County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



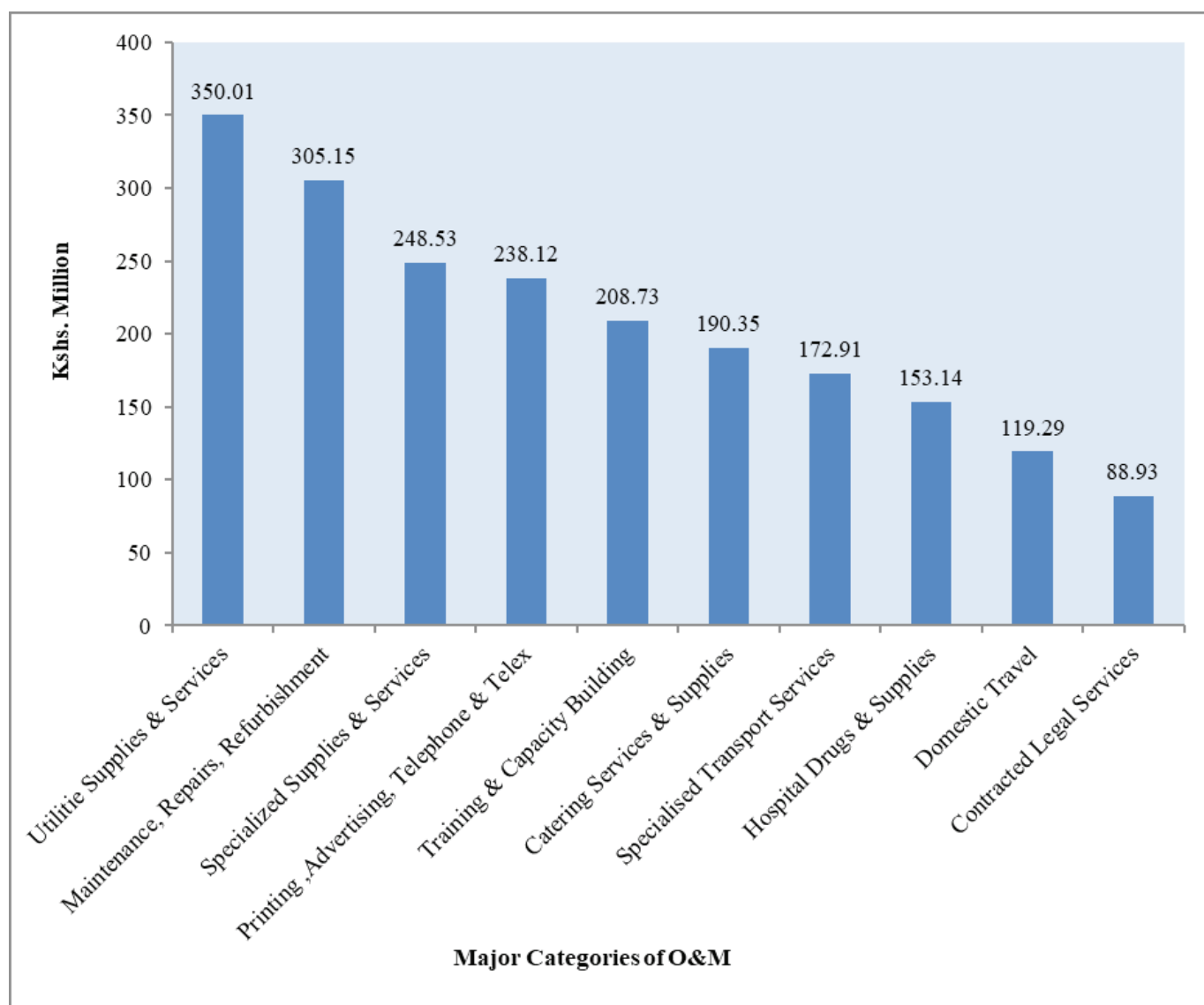
Source: Narok County Treasury

3.33.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.37 billion comprised of Kshs.2.14 billion (49 per cent) incurred on personnel emoluments and Kshs.2.22 billion (51 per cent) on operations and maintenance as shown in Figure 3-98.

Expenditure on personnel emoluments represented an increase of 9.1 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.96 billion, and was 40.8 per cent of total expenditure in the first nine months of FY 2017/18. Figure 3-99 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-99: Narok County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Narok County Treasury

The County incurred Kshs.5 million on committee sitting allowances to the 48 MCAs against the annual budget allocation of Kshs.62 million. This was a decline of 82.7 per cent compared to Kshs.28.86 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.11,574 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.119.29 million and comprised of Kshs.29.8 million spent by the County Assembly and Kshs.89.45 million by the County Executive. This represented 3.1 per cent of total recurrent expenditure and was an increase of 6 per cent compared to Kshs.113 million spent in the first nine months of FY 2016/17.

3.33.7 Development Expenditure Analysis

The total development expenditure of Kshs.899.1 million represented 27.3 per cent of the annual development budget of Kshs.3.2 billion. Table 3-92 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-92: Narok County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project Name	Project Location	Annual Project Budget (Kshs)	First Nine Months Project Expenditure (Kshs)	Absorption Rate (%)
1	Construction of Non-Residential Buildings	HQs, Narok North	963,412,780	50,960,922	5.3
2	Other Infrastructure and Civil Works	Narok South, North, Transmara, Emurua Dikirr, Narok West	770,061,572	130,674,084	17.0
3	Non Residential Buildings-schools	Narok South, North, Transmara, Emurua Dikirr, Narok West	605,000,000	196,000,000	32.4
4	Other Capital Grants and Trans	HQs	495,000,000	25,500,000	5.2
5	Maintenance Major Roads	Narok South, North, Transmara, Emurua Dikirr, Narok West	340,000,000	200,456,875	59.0
6	Purchase of Graders	HQs	270,000,000	134,883,026	50.0
7	Maintenance of Access Roads	Narok South, North, Transmara, Emurua Dikirr, Narok West	90,357,500	139,173,081	154.0
8	Grants for Management of Natural Disasters	HQs, Narok South, Narok west	62,456,000	21,456,000	34.4

Source: Narok County Treasury

3.33.8 Budget and Budget Performance Analysis by Department

Table 3-93 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-93: Narok County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	601.1	261.6	330	20	329.9	19.18	100	95.9	54.9	7.3
Governor/County Executive services	341.8		267.2	-	267.2	-	100	-	78.2	-
County Treasury Services	700.3	440.8	551.8	-	551.8	-	100	-	78.8	-
Transport and Infrastructure	226.6	1,050.1	171.8	452	171.8	451.9	100	99.9	75.8	43
Education, Sports, Culture & Art	859.5	603.7	431.6	428	431.6	427.9	100	99.9	50.2	70
Environment & Natural Resources	101.5	69	69.6	-	69.65	-	100	-	68.6	-
County Public Service Board	90.6	-	74.2	-	74.29	-	100	-	82	-
Agriculture, Livestock, Fisheries & Marketing	452.5	248.4	290	-	290	-	100	-	64.1	-
Health and Sanitation	1,739.4	418	1,213.5	-	1,213.5	-	100	-	69.8	-
Lands & Public Works	94.6	116.7	72.6	-	72.6	-	100	-	76.8	-
Tourism, Wildlife & Cooperatives	236.2	75.7	141.3	-	141.3	-	100	-	59.8	-
County Administration & Public Service Management	1,070.7	5.6	758.6	-	758.6	-	100	-	70.9	-
TOTAL	6,515.5	3,290.1	4,372.7	900	4,372.1	899.1	100	99.9	67.1	27.3

Source: Narok County Treasury

Analysis of budget performance by department shows that, the Department of Education, Sports, Culture & Art attained the highest absorption rate of development budget at 70 per cent while the Department of County Treasury Services had the highest percentage of recurrent expenditure to recurrent budget at 78.8 per cent.

3.33.9 Key Observations and Recommendations

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

- i. Timely submission of financial reports to the Office of the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the county are released in a timely manner in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should establish the Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3.34 Nyamira County

3.34.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved 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, generate Kshs.272.46 million (4.6 per cent) as own revenue sources, and Kshs.434.23 million (7.4 per cent) cash balance brought forward from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (18.4 per cent) for Leasing of Medical Equipment, Kshs.177.01 million (34.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.18 million (2.5 per cent) as Compensation for User Fee Foregone, Kshs.18.59 million (3.6 per cent) from DANIDA, Kshs.39.58 million (7.6 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.83.7 million (16.1 per cent) for Development of Youth Polytechnics, Kshs.41.39 million (8 per cent) as World Bank loan for Transforming Health System for Universal Care Project, and Kshs.50 million (9.6 per cent) as World Bank loan for Transforming Health System for Universal Care Project.

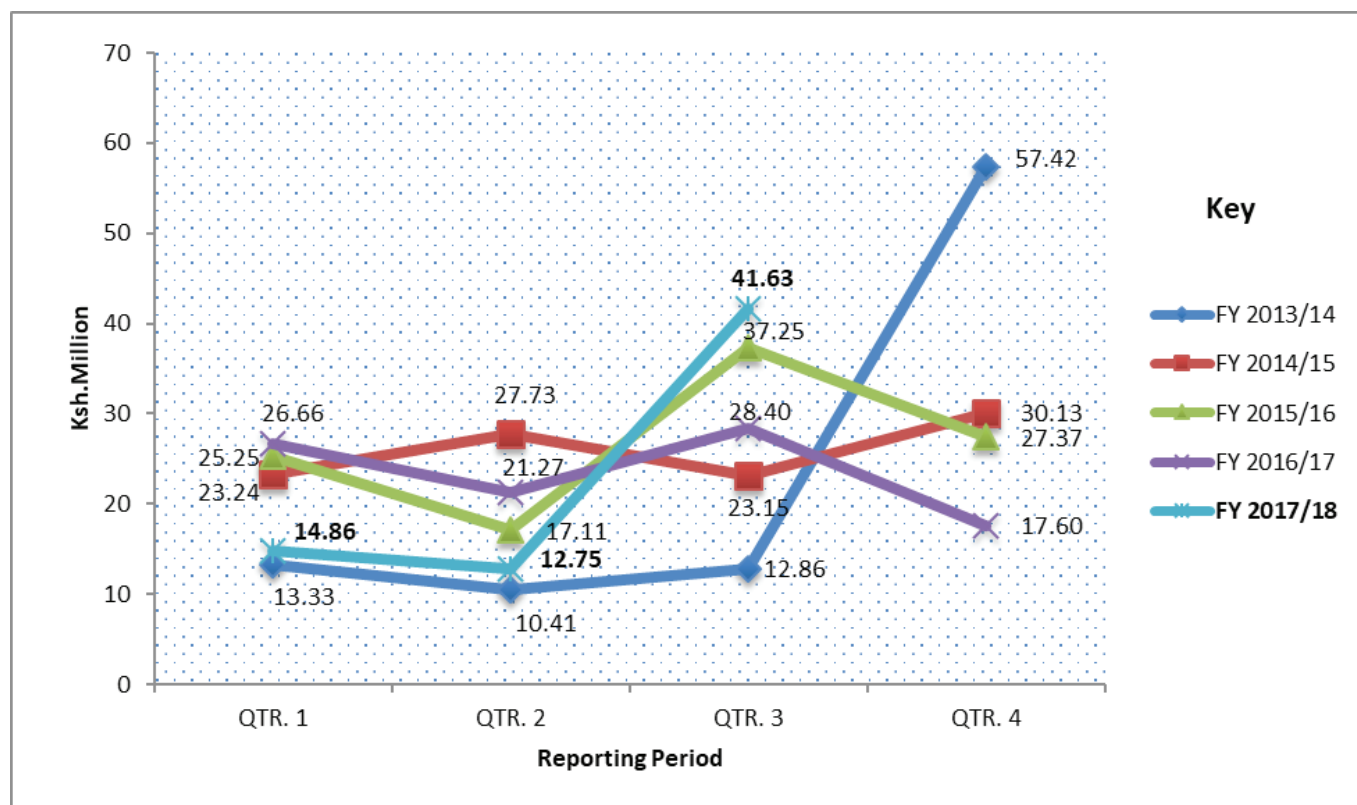
The County also budgeted to receive Kshs.123.34 million for Compensation to MCAs for 8 Months, which is not contained in the CARA, 2017.

3.34.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.43 billion as equitable share of revenue raised nationally, Kshs.177.19 million as total conditional grants, raised Kshs.69.24 million from own source revenue, and had a cash balance of Kshs.834.3 million from FY 2016/17. The total available funds amounted to Kshs.3.53 billion.

Figure 3-100 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-100: Nyamira County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Nyamira County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.69.24 million, representing a decline of 9.3 per cent compared to Kshs.76.32 million generated in a similar period of FY 2016/17, and represented 25.4 per cent of the annual own source revenue target.

3.34.3 Conditional Grants

Table 3-94 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-94: Nyamira County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of CARA Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	177,012,086	177,012,086	82,554,238	46.6
2	Leasing of Medical Equipment	95,744,681	-	-	-
3	Development of Youth Polytechnics	83,704,140	83,704,140	-	-
4	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	-	50,609,855	101.2
5	World Bank Loan for Transforming Health System for universal Care Project	41,386,154	-	12,933,173	31.2
6	Kenya Devolution Support Programme (KDSP)	39,582,751	39,582,751	13,307,306	33.6
7	DANIDA Grant	18,592,300	109,978,454	11,995,032	64.5
8	Compensation for User Fee Foregone	13,175,221	13,175,221	5,789,229	43.9
	Sub Total	519,197,333	423,452,652	177,188,833	34.1

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of CARA Allocation (%)
A	Grants Contained in the CARA, 2017				
B	Other Grants				
9	Exchequer: Compensation to MCAs for 8 Months	-	123,344,352	-	-
	Grand Total	519,197,333.0	546,797,004.0	177,188,833	34.1

Source: Nyamira County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from the World Bank Loan for National Agricultural & Rural Inclusive Project, DANIDA, Road Maintenance Fuel Levy Fund, Compensation for User Fee Foregone, Kenya Devolution Support Programme (KDSP), and World Bank Loan for Transforming Health System for Universal Care Project. The receipts accounted for 101.2 per cent, 64.5 per cent, 46.6 per cent, 43.9 per cent, 33.6 per cent, and 31.2 per cent of annual allocations respectively.

3.34.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.2.94 billion from the CRF account, which was 50.1 per cent of the Approved Budget. This amount represented a decrease of 10.3 per cent from Kshs.3.28 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.65 billion (90.2 per cent) for recurrent expenditure and Kshs.288.30 million (9.8 per cent) for development activities.

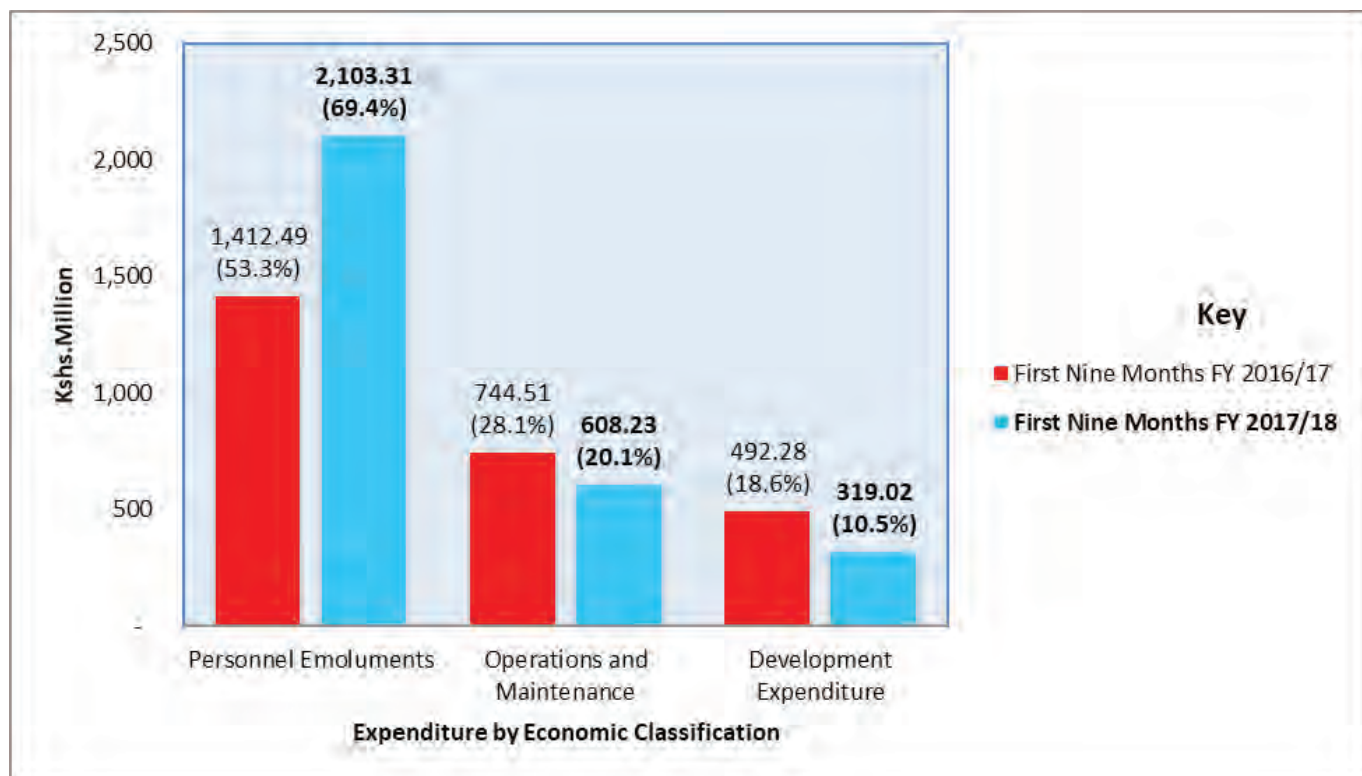
3.34.5 Overall Expenditure Review

The County spent Kshs.3.03 billion, which was 103.1 per cent of the total funds released. This was an increase of 14.4 per cent from Kshs.2.65 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.71 billion was spent on recurrent activities while Kshs.319.02 million was spent on development activities. The recurrent expenditure was 102.3 per cent of the funds released for recurrent activities, while development expenditure was 110.7 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.405.78 million for development activities and Kshs.294.89 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 65.3 per cent of the annual recurrent budget, an increase from 54.8 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 18.6 per cent, which is a decrease from 29.5 per cent attained in the first nine months of FY 2016/17. Figure 3-10 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-101: Nyamira County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



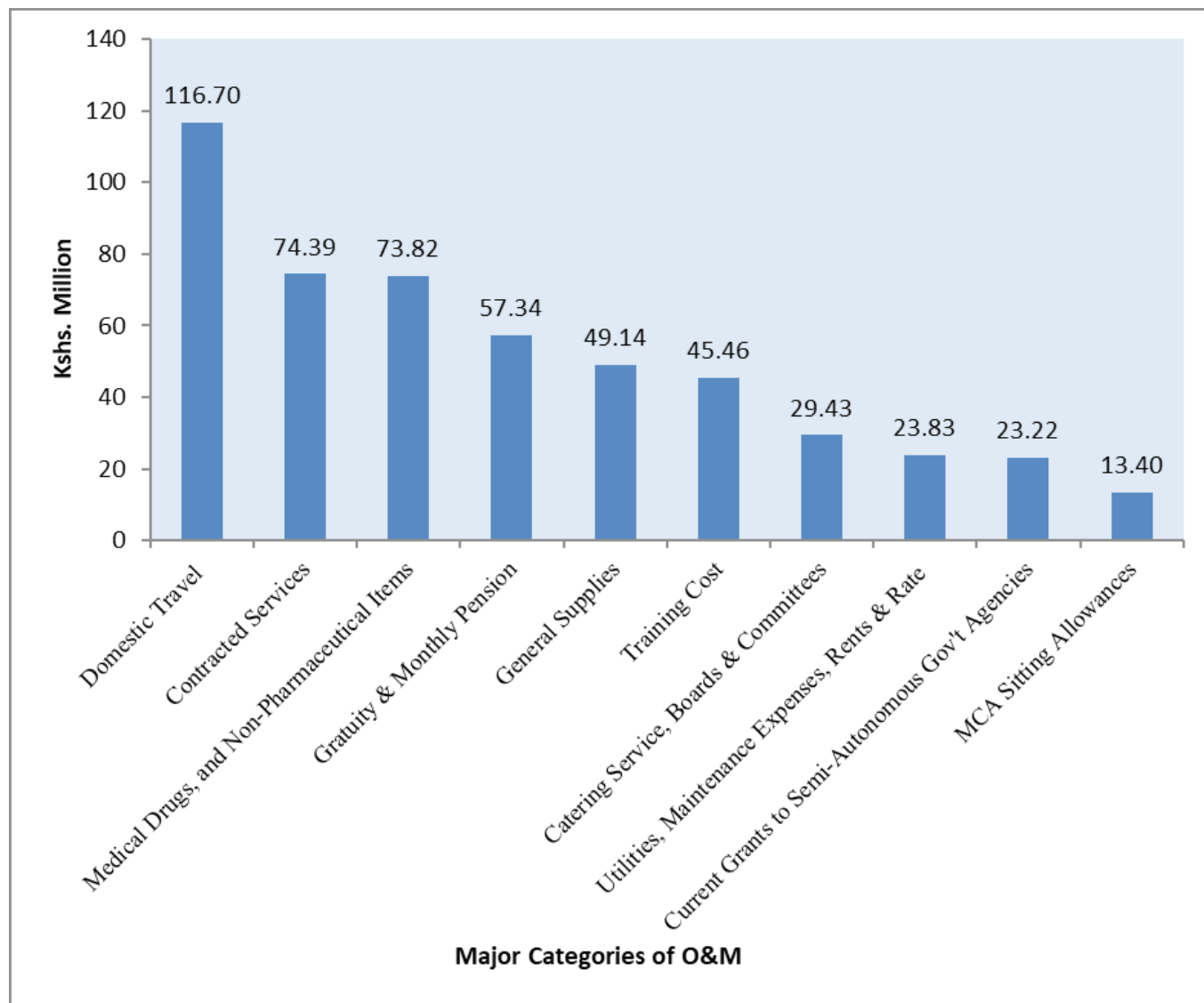
Source: Nyamira County Treasury

3.34.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.71 billion comprised of Kshs.2.10 billion (77.6 per cent) incurred on personnel emoluments and Kshs.608.23 million (22.4 per cent) on operations and maintenance as shown in Figure 3-101.

Expenditure on personnel emoluments represented an increase of 48.9 per cent compared to the first nine months of FY 2016/17 when the county spent Kshs.1.41 billion, and was 69.4 per cent of total expenditure. Figure 3-102 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-102: Nyamira County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Nyamira County Treasury

The County incurred Kshs.13.40 million on committee sitting allowances to the 37 MCAs against the annual budget allocation of Kshs.69.81 million. This was a decrease of 23 per cent compared to Kshs.17.40 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.40,237 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.218.2 million and comprised of Kshs.93.54 million spent by the County Assembly and Kshs.124.66 million by the County Executive. This represented 8.0 per cent of total recurrent expenditure and was a decrease of 30.6 per cent compared to Kshs.314.49 million spent in the first nine months of FY 2016/17.

3.34.7 Development Expenditure Analysis

The total development expenditure of Kshs.319.02 million represented 18.6 per cent of the annual development budget of Kshs.1.72 billion. Table 395 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-95: Nyamira County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Annual project budget (Kshs.)	First nine months project expenditure (Kshs.)	Absorption rate (%)
1	Routine Maintenance of Roads (Conditional grant from KRB)	County wide	177,012,086	30,000,000	17.9
2	Furnishing of County Assembly chambers - Auditorium Chairs and Hansard Tables	Nyamira Town HQs	25,000,000	22,059,430	88.2
3	Maintenance of roads using county machinery	County wide	65,037,400	21,319,227	33.8
4	Construction of new Box culverts/bridges	County wide	57,793,200	16,841,554	29.1
5	Purchase and Installation of Dental and Laboratory Equipment Nyamira County Hospital	Nyamira Town	43,850,000	15,000,000	34.2
6	Furnishing of County Assembly chambers - padding & carpeting	Nyamira Town HQs	12,000,000	7,034,000	59.6
7	Solar street lights 120no.	All 20 Wards	30,000,000	8,849,000	29.5
8	Automation of Broadcasting & Hansard Recording	Nyamira Town HQs	18,000,000	9,800,000	54.4
9	County Assembly Construction of Septic tank-mechanical works & Ablution Block	Nyamira Town HQs	13,500,000	7,766,142	58.5
10	Manga Stadium	Manga Sub- County	73,000,000	7,034,000	10.6

Source: Nyamira County Treasury

3.34.8 Budget and Budget Performance Analysis by Department

Table 3-96 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-96: Nyamira County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	688.43	256.00	325.85	60.74	300.50	60.74	92.2	100.0	43.6	23.7
County Executive (Governor's office)	440.86	-	296.80	-	230.55	-	77.7	-	52.3	-
Finance & Economic Planning	341.78	13.21	185.27	-	192.24	0.89	103.8	-	56.2	6.7
Agriculture, Livestock and Fisheries	167.10	119.27	116.42	12.75	121.03	16.96	104.0	133.0	72.4	14.2
Environment, Water, Natural Resources, Mining & Energy	142.83	182.78	97.16	33.21	91.00	46.71	93.7	140.6	63.7	25.6
Education & ICT	428.54	214.82	213.64	10.93	211.74	33.91	99.1	310.4	49.4	15.8
Health Services	1,346.13	367.90	1,012.82	40.83	1,158.59	75.20	114.4	184.2	86.1	20.4
Lands, Housing & Urban Development	70.13	88.14	48.28	5.78	45.42	6.06	94.1	104.8	64.8	6.9
Roads, Transport & Public Works	131.98	347.67	93.30	121.49	88.48	68.35	94.8	56.3	67.0	19.7
Trade, Tourism & Co-operative Development	56.27	27.98	28.07	2.57	30.20	3.12	107.6	121.3	53.7	11.1

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Youth, Sports, Gender, Culture & Social Services	55.72	96.13	34.83	-	37.09	7.09	106.5	-	66.6	7.4
County Public Service Board	71.57	-	46.00	-	39.41	-	85.7	-	55.1	-
Public Administration & Co-ordination of Decentralised Units	213.84	5.00	154.68	-	167.71	-	108.4	-	78.4	-
TOTAL	4,155.17	1,718.91	2,653.09	288.30	2,713.97	319.02	102.3	110.7	65.3	18.6

Source: Nyamira County Treasury

Analysis of budget performance by department shows that, the Department of Environment, Water, Natural Resources, Mining & Energy attained the highest absorption rate of development budget at 25.6 per cent while the Department of Public Administration & Co-ordination of Decentralised Units Department did not incur any development expenditure. The Department of Health Services had the highest percentage of recurrent expenditure to its recurrent budget at 86.1 per cent while the County Assembly had the lowest at 43.6 per cent.

3.34.9 Key Observations and Recommendations

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

- i. Decrease in expenditure on domestic travel by 30.6 per cent from Kshs.314.49 million spent in the first nine months of FY 2016/17 to Kshs 218.2 million in the period under review, thereby releasing resources for implementation of other programmes.
- ii. Improvement in the use of IFMIS to process financial transactions.

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

1. Under-performance in own-source revenue collection, which declined by 9.3 per cent from Kshs.76.32 million in the first nine months of FY 2016/17 to Kshs.69.24 million in the reporting period, and represented 25.4 per cent of its annual target.
2. The County's wage bill has remained high at 69.4 per cent of total expenditure and increased by 48.9 per cent from Kshs.1.41 billion in the first nine months of FY 2016/17 to Kshs.2.10 billion in the period under review.
3. Late submission of financial reports by the County Treasury to the Office of the Controller of Budget, which affected timely preparation of the budget implementation review report.
4. Delay by the Bursary Fund Administrator to submit quarterly financial statements to the Office of the Controller of Budget as provided for in Section 168 of the PFM Act, 2012.
5. IFMIS connectivity challenges, which slowed down payment of goods and services

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

1. The County should formulate strategies to mobilize own source revenue collection.
2. The County Public Service Board should establish an optimal staffing structure.
3. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.

4. *The Bursary Fund Administrator should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
5. *The County Treasury should liaise with IFMIS Directorate of the National Treasury for support in the use of IFMIS as well as address connectivity challenges.*

3.35 Nyandarua County

3.35.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.6.09 billion, comprising of Kshs.4.06 billion (66.7 per cent) and Kshs.2.03 billion (33.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.77 billion (78.4 per cent) as equitable share of revenue raised nationally, Kshs.630.24 million (10.4 per cent) as total conditional grants, generate Kshs.371 million (6.1 per cent) as own source revenue, Kshs.315.7 million (5.2 per cent) cash balance brought forward from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (15.3 per cent) for Leasing of Medical Equipment, Kshs.183.51 million (29.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.74 million (2 per cent) as Compensation for User Fee Foregone, Kshs.12.44 million (2 per cent) from DANIDA, Kshs.40.22 million (6.4 per cent) for the World Bank Kenya Devolution Support Programme, 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 Project, Kshs.66 million (10.5 per cent) as European Union (EU) grant and Kshs.25.84 million (4.1 per cent) as Other Loans and Grants.

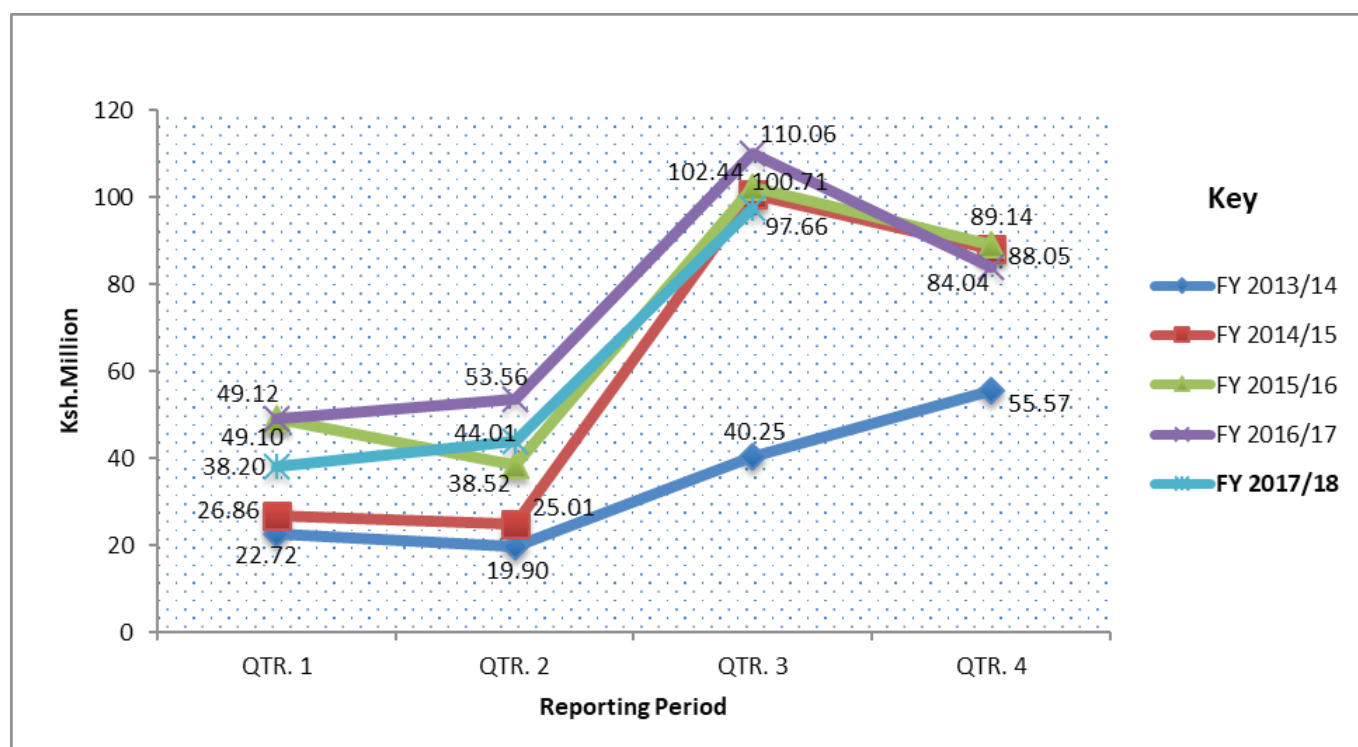
The County also budgeted to receive Kshs.30 million as grant for Linda Mama Programme, which is not contained in the CARA, 2017.

3.35.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.46 billion as equitable share of revenue raised nationally, Kshs.121.55 million as total conditional grants, raised Kshs.179.87 million from own source revenue, and had a cash balance of Kshs.315.7 million from FY 2016/17. The total available funds amounted to Kshs.3.09 billion.

Figure 3-103 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-103: Nyandarua County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the third quarter of FY 2017/18



Source: Nyandarua County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.179.87 million, representing a decline of 15.4 per cent compared to Kshs.212.72 million generated in a similar period of FY 2016/17, and represented 48.5 per cent of the annual own source revenue target.

3.35.3 Conditional Grants

Table 3-97 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-97: Nyandarua County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	183,511,039	183,511,039	85,585,196	47
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	Kenya Devolution Support Programme (KDSP)	40,222,996	40,222,996	13,533,245	34
4	Compensation for User Fee Foregone	12,735,922	12,735,922	-	-
5	DANIDA Grant	12,435,427	12,435,427	12,435,427	100
6	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
7	Development of Youth Polytechnics	46,590,293	46,590,293	-	-
8	Conditional Allocation - Other Loans & Grants	25,839,485	-	-	-
9	World Bank Loan for Transforming Health System for universal Care Project	22,000,000	22,000,000	10,000,000	45
10	EU Grant	66,000,000	66,000,000	-	-
	Sub Total	626,079,843	600,240,358	121,553,868	19
B	Other Grants				

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
11	Linda Mama	-	30,000,000	-	-
	Grand Total	626,079,843	630,240,358	121,553,868	19

Source: Nyandarua County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from DANIDA, the Road Maintenance Fuel Levy Fund, World Bank loan for Transforming Health System for Universal Care Project, and the Kenya Devolution Support Programme,. The receipts accounted for 100 per cent, 47 per cent, 45 per cent and 34 per cent of annual allocation respectively.

3.35.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.2.37 billion from the CRF account, which was 38.9 per cent of the Approved Supplementary Budget. This amount represented a decline of 34.1 per cent from Kshs.3.6 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.28 billion (96.3 per cent) for recurrent expenditure and Kshs.87.67 million (3.7 per cent) for development activities.

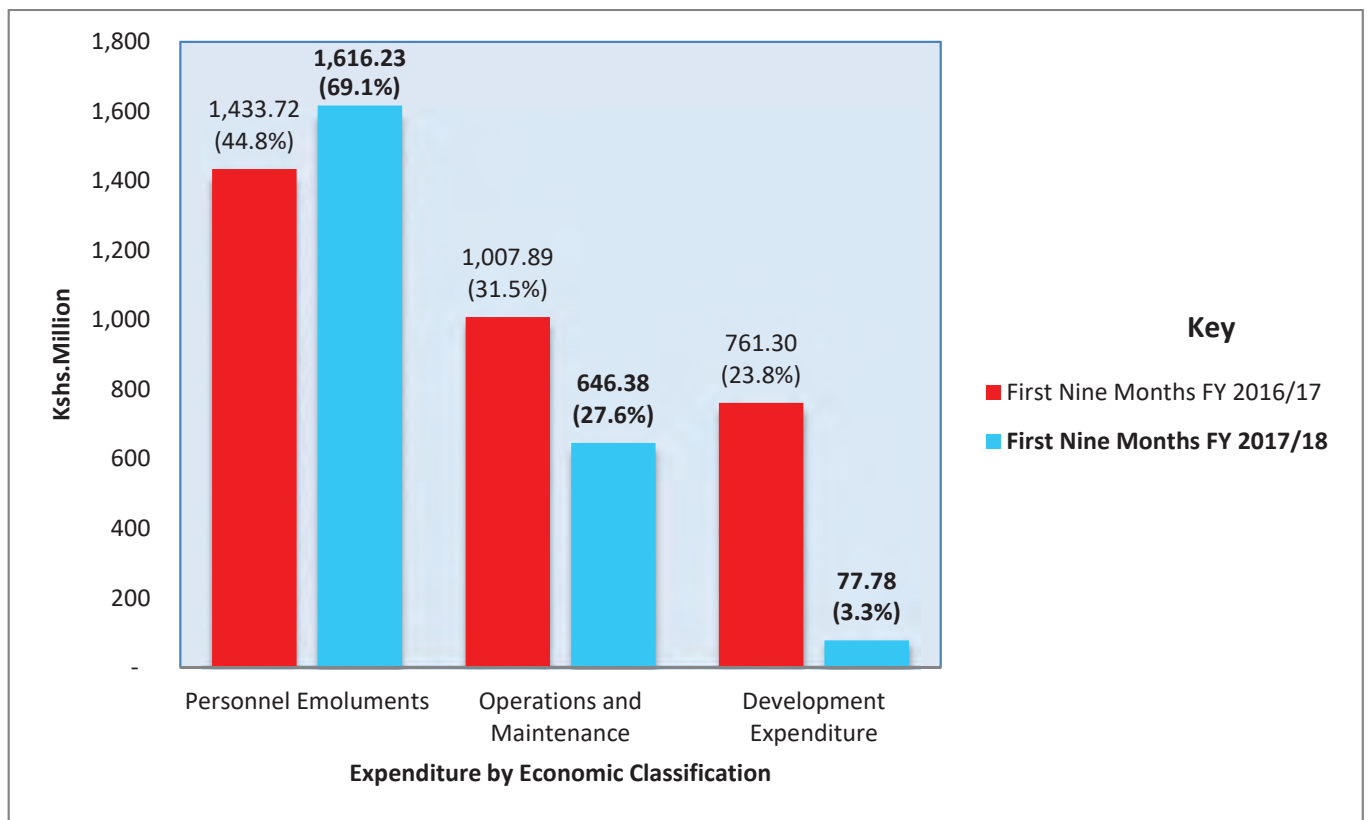
3.35.5 Overall Expenditure Review

The County spent Kshs.2.34 billion, which was 98.8 per cent of the total funds released for operations. This was decline of 26.9 per cent from Kshs.3.2 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.26 billion was spent on recurrent activities while Kshs.77.78 million was spent on development activities. The recurrent expenditure was 99.2 per cent of the funds released for recurrent activities, while development expenditure was 88.7 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.12.16 million for development activities and Kshs.143.95 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 55.7 per cent of the annual recurrent budget, a decrease from 67.5 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 3.8 per cent, which was a decrease from 38.2 per cent attained in the first nine months of FY 2016/17. Figure 3-104 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-104: Nyandarua County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



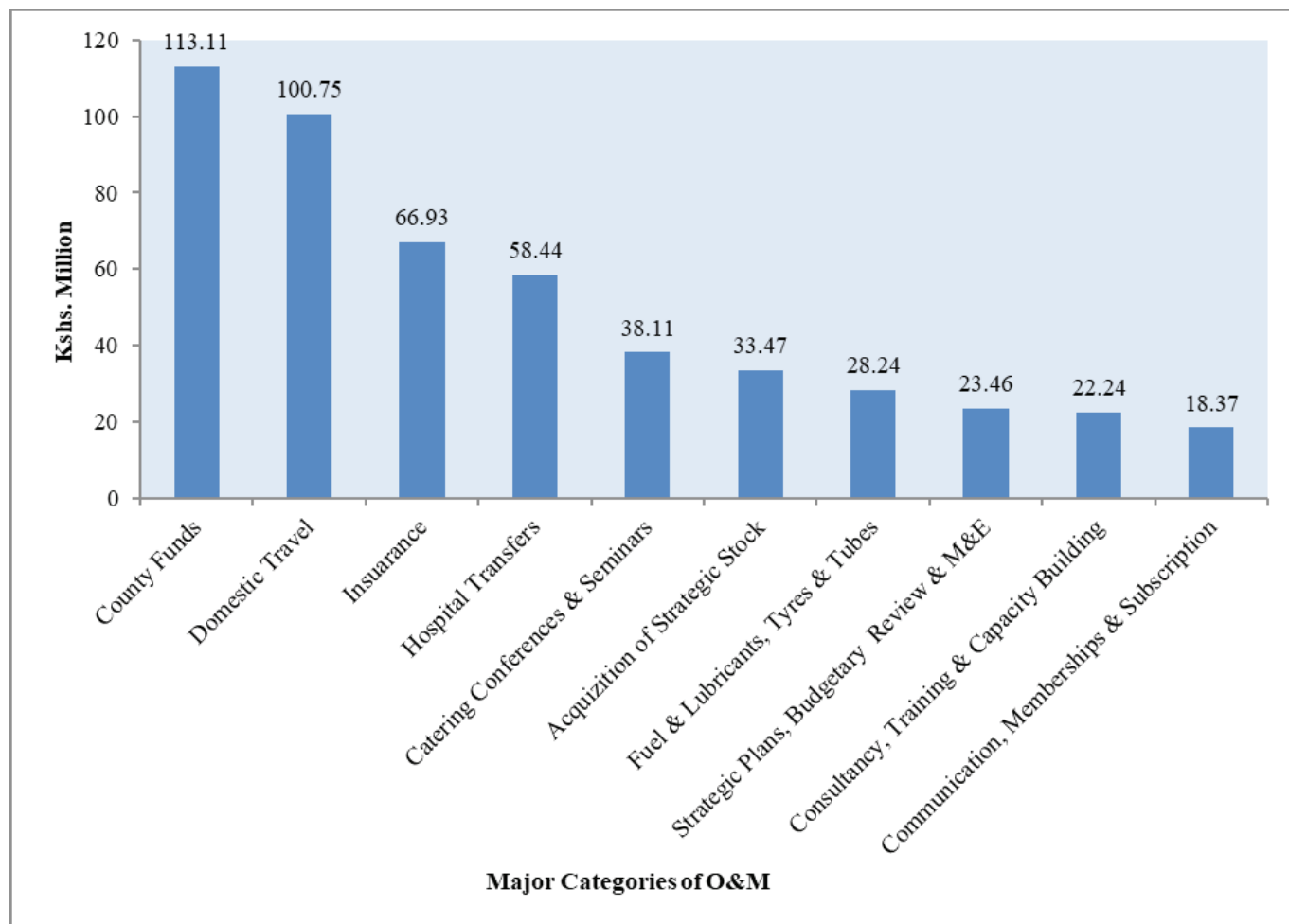
Source: Nyandarua County Treasury

3.35.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.26 billion comprised of Kshs.1.62 billion (71.4 per cent) incurred on personnel emoluments and Kshs.646.38 million (28.6 per cent) on operations and maintenance as shown in Figure 3-104.

Expenditure on personnel emoluments represented an increase of 12.7 per cent compared to the first nine months of FY 2016/17 when the county spent Kshs.1.43 billion, and was 44.8 per cent of total expenditure. Figure 3-105 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-105: Nyandarua County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Nyandarua County Treasury

The County incurred Kshs.10.7 million on committee sitting allowances to the 40 MCAs against the annual budget allocation of Kshs.23.21 million. This was a decline of 64.4 per cent compared to Kshs.30.1 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.29,735 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.108.03 million and comprised of Kshs.57.25 million spent by the County Assembly and Kshs.50.79 million by the County Executive. This represented 4.8 per cent of total recurrent expenditure and was a decrease of 54 per cent compared to Kshs.234.98 million spent in the first nine months of FY 2016/17.

3.35.7 Development Expenditure Analysis

The total development expenditure of Kshs.77.78 million represented 3.8 per cent of the annual development budget of Kshs.4.06 billion. Table 3-98 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-98: Nyandarua County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Annual Project budget (Kshs.)	Q3 FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1.	Construction of an Office Block	Olkalou	194,862,460	52,910,723	27
2.	Purchase of tippers		35,000,000	20,961,350	60
3.	Other Road works	Mirangine	2,000,000	1,993,518	100
4.	Mukanda Mwamu road	Gatimu	2,000,000	1,911,575	96

Source: Nyandarua County Treasury

3.35.8 Budget and Budget Performance Analysis by Department

Table 3-99 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-99: Nyandarua County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Transport, Energy & Public Works	60.76	752.69	28.95	21.08	20.20	24.87	69.8	118	33.2	3.3
Agriculture Livestock & Fisheries	82.00	155.46	22.05	-	12.16	-	55.1	-	14.8	-
County Assembly	592.44	244.86	404.44	66.59	379.18	52.91	93.8	79.5	64	21.6
County Attorney	16.59	2.50	2.37	-	3.11	-	131.3	-	18.7	-
County Public Service Board	10.47	-	5.12	-	5.04	-	98.4	-	48.1	-
Education, Gender, Youth, Culture and Social Services	87.01	133.51	26.47	-	23.83	-	90	-	27.4	-
Finance & Economic Development	545.15	20.09	139.91	-	228.43	-	163.3	-	41.9	-
Governor's Office & Service Delivery	148.51	10.00	54.42	-	31.61	-	58.1	-	21.3	-
Health Services	428.01	186.55	98.66	-	114.44	-	116	-	26.7	-
Industrialization Cooperatives, Trade & Enterprise Development	44.86	45.36	8.72	-	8.46	-	97	-	18.9	-
Lands, Housing & Physical Planning	29.80	152.90	4.61	-	4.46	-	96.6	-	15	-
Public Administration & ICT	37.77	7.65	11.39	-	8.64	-	75.8	-	22.9	-
The County Secretary	1,911.44	-	1,443.97	-	1,408.48	-	97.5	-	73.7	-!
Water, Environment, Tourism & Natural resources	32.74	246.38	9.94	-	8.15	-	82	-	24.9	-
Youth, Sports and Arts	35.08	67.96	19.42	-	6.42	-	33.1	-	18.3	-
TOTAL	4,062.62	2,025.92	2,280.45	87.67	2,262.61	77.78	99.2	88.7	55.7	3.8

Source: Nyandarua County Treasury

Analysis of budget performance by department shows that, the County Assembly attained the highest absorption rate of development budget at 21.6 per cent, followed by the Transport, Energy & Public Works Department at 3.3 per cent. The other departments did not incur any development expenditure. The County Secretary had the highest percentage of recurrent expenditure to its recurrent budget at 73.7 per cent while the Department of Lands Housing and Physical Planning had the lowest at 15 per cent.

3.35.9 Key Observations and Recommendations

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

- i. Reduction in domestic and foreign travel by 54 per cent from Kshs.234.97 million in the first nine months of FY 2016/17 to Kshs.100.03 million in a similar period in FY 2017/18, thereby freeing resources for other programmes.

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. Decline in own source revenue collection by 15.4 per cent from Kshs.212.72 million in the first nine months of FY 2016/17 to Kshs.179.86 million in a similar period in FY 2017/18.

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 strategies to enhance own-source revenue collection.*

3.36 Nyeri County

3.36.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.96 billion, comprising of Kshs.5.51 billion (69.2 per cent) and Kshs.2.45 billion (30.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.95 billion (62.2 per cent) as equitable share of revenue raised nationally, Kshs.729.04 million (9.2 per cent) as total conditional grants, generate Kshs.1 billion (12.6 per cent) as own revenue, and Kshs.1.28 billion (16.1 per cent) cash balance brought forward from FY 2016/17.

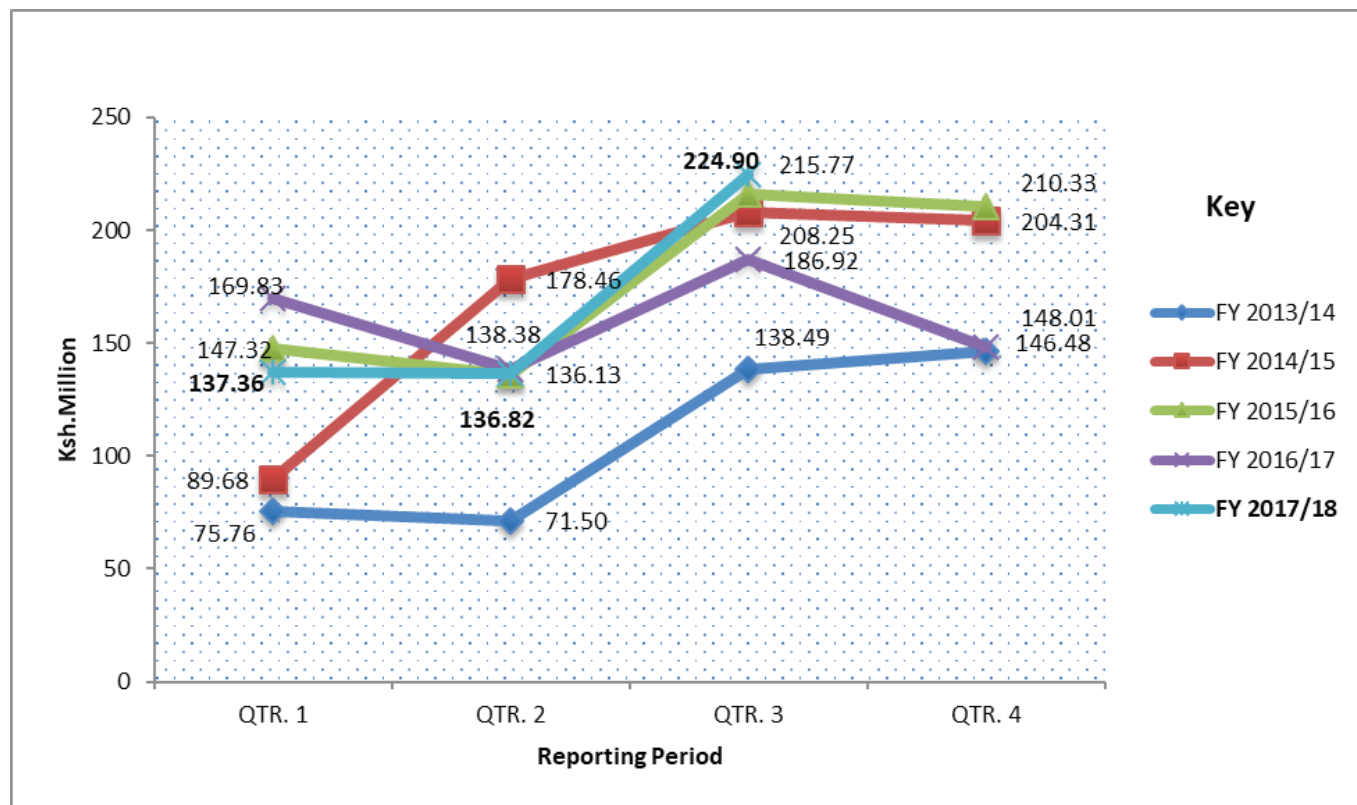
The conditional grants comprise of Kshs.407.86 million (48.4 per cent) for Nyeri Level 5 Hospital, Kshs.189.57 million (22.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.7 million (1.6 per cent) as Compensation for User Fee Foregone, Kshs.12.85 million (1.5 per cent) from DANIDA, Kshs.40.85 million (4.9 per cent) for the World Bank Kenya Devolution Support Program, Kshs.42.21 million (5.6 per cent) for Development of Youth Polytechnics, and Kshs.22 million (2.6 per cent) as World Bank Loan for Transforming Health System for Universal Care System

3.36.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.76 billion as equitable share of revenue raised nationally, Kshs.338.17 million as total conditional grants, raised Kshs.499.07 million from own source revenue, and had a cash balance of Kshs.1.28 billion from FY 2016/17. The total available funds amounted to Kshs.4.89 billion.

Figure 3-106 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-106: Nyeri County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Nyeri County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.499.08 million, representing an increase of 0.8 per cent compared to Kshs.495.13 million generated in a similar period of FY 2016/17, and represented 49.9 per cent of the annual target.

3.36.3 Conditional Grants

Table 3-100 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-100: Nyeri County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No.	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Level-5 Hospitals	407,861,272	407,861,272	205,969,942	50.5
2	Road Maintenance Fuel Levy Fund	189,567,564	189,567,564	88,409,815	46.6
3	Leasing of Medical Equipment	95,744,681	-	-	-
4	Development of Youth Polytechnics	42,211,848	42,211,848	-	-
5	Kenya Devolution Support Programme (KDSP)	40,850,289	40,850,289	13,774,374	34
6	World Bank Loan for Transforming Health System for Universal Care System	22,000,000	22,000,000	10,000,000	45.5
7	Other Loans & Grants	17,065,212	-	-	-
8	Compensation for User Fee Foregone	13,701,379	13,701,379	7,173,832	52.4
9	DANIDA Grant	12,845,841	12,845,841	12,845,841	100
	Grand Total	841,848,086	729,038,193	338,173,804	40

Source: Nyeri County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from DANIDA, Compensation for User Fee Foregone, Level 5 Hospital, the Road Maintenance Fuel Levy Fund, World Bank loan to Health Facilities and Kenya Devolution Support Programme. The receipts accounted for 100 per cent, 52.4 per cent, 50.5 per cent, 46.6 per cent, 45.5 per cent and 34 per cent of annual allocation respectively.

3.36.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.3.59 billion from the CRF account, which was 45.2 per cent of the Approved Supplementary Budget. This amount represented a decline of 7.3 per cent from Kshs.3.88 billion approved in a similar period of FY 2016/17 and comprised of Kshs.3.35 billion (93.2 per cent) for recurrent expenditure and Kshs.243.45 million (6.8 per cent) for development activities.

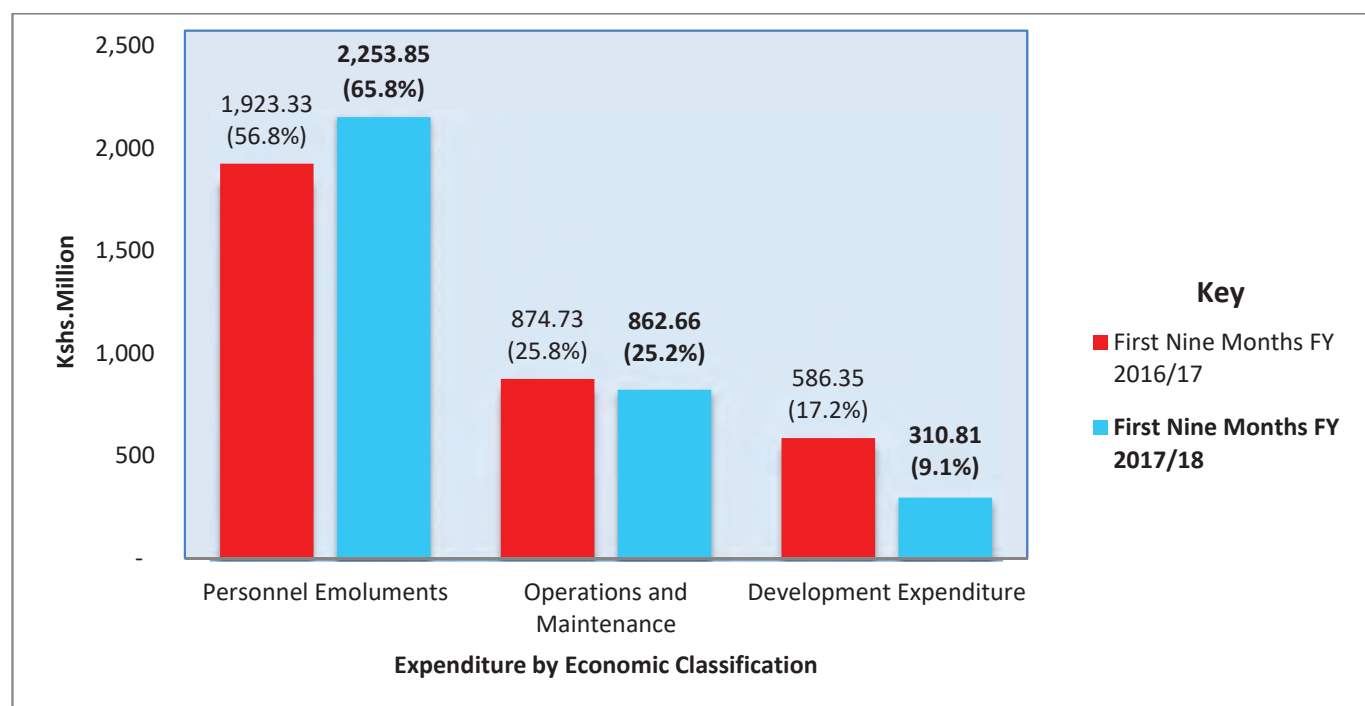
3.36.5 Overall Expenditure Review

The County incurred Kshs.3.43 billion, which was 95.3 per cent of the total funds released for operations. This was an increase of 1.5 per cent from Kshs.3.38 billion incurred in a similar period of FY 2016/17.

A total of Kshs.3.12 billion was spent on recurrent activities while Kshs.310.81 million was spent on development activities. The recurrent expenditure was 95.3 per cent of the funds released for recurrent activities, while development expenditure was 127.7 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.242.77 million for development activities and Kshs.122.46 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 56.6 per cent of the annual recurrent budget, a decrease from 57.4 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 12.7 per cent, which was a decrease from 25.4 per cent attained in the first nine months of FY 2016/17. Figure 3-107 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-107: Nyeri County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



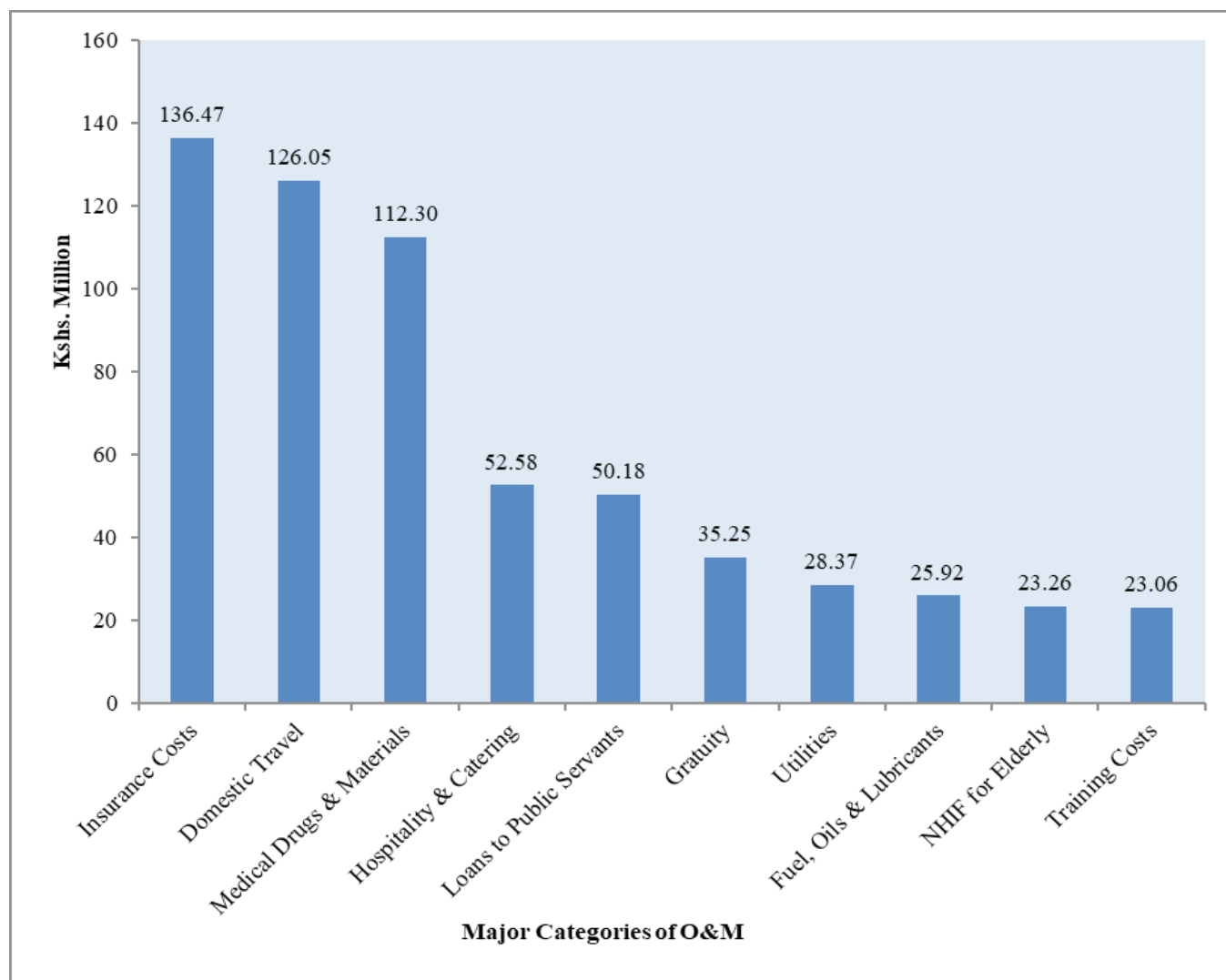
Source: Nyeri County Treasury

3.36.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.12 billion comprised of Kshs.2.25 billion (72.1 per cent) incurred on personnel emoluments and Kshs.862.66 million (27.9 per cent) on operations and maintenance as shown in Figure 3-107.

Expenditure on personnel emoluments represented an increase of 17.2 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.92 billion, and was 72.1 per cent of total expenditure in the first nine months of FY 2017/18. Figure 3-108 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-108: Nyeri County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Nyeri County Treasury

The County incurred Kshs.7.86 million on committee sitting allowances to the 45 MCAs against the annual budget allocation of Kshs.46.8 million. This was a decline of 78.2 per cent compared to Kshs.35.99 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.19,418 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.126.05 million and comprised of Kshs.90.50 million spent by the County Assembly and Kshs.37.76 million by the County Executive. This represented 4.1 per cent of total recurrent expenditure and was an increase of 16.3 per cent compared to Kshs.110.29 million spent in the first nine months of FY 2016/17.

3.36.7 Development Expenditure Analysis

The total development expenditure of Kshs.310.81 million represented 12.7 per cent of the annual development budget of Kshs.2.45 billion. Table 3-101 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-101: Nyeri County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Annual project budget (Kshs.)	First nine months project expenditure (Kshs.)	Absorption rate (%)
1	Roads improvement	County-wide	59,259,581	59,259,581	100
2	Kabiru-ini Show Ground improvement	Kiganjo/ Mathari ward	26,561,035	26,561,035	100
3	Roads improvement	Endarasha ward	15,573,535	15,573,535	100
4	Roads improvement	Gatarakwa ward	12,101,601	12,101,601	100
5	Water works	County-wide	9,060,998	9,060,998	100
6	Roads improvement	Mweiga ward	7,934,247	7,934,247	100
7	Supply of Milk Cooling Tanks	Iria-ini ward	6,626,712	6,626,712	100
8	Roads improvement	Rugi ward	5,714,708	5,714,708	100
9	Roads improvement	Iria-ini ward	5,258,431	5,258,431	100
10	Roads improvement	Konyu ward	4,796,416	4,796,416	100

Source: Nyeri County Treasury

3.36.8 Budget and Budget Performance Analysis by Department

Table 3102 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3102: Nyeri County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	132.04	22.52	92.20	-	68.96	-	74.8	-	52.2	-
Office of the County Secretary	314.24	-	149.92	-	124.02	-	82.7	-	39.5	-
Finance and Economic Planning	587.82	528.95	255.20	196.30	164.26	244.43	64.4	124.5	27.9	46.2
Lands, Physical Planning, Housing & Urbanization	54.29	91.91	34.36	-	21.39	-	62.3	-	39.4	-
Health, Public Health & Sanitation Services	2,418.14	270.44	1,609.44	-	1,771.06	-	110.0	-	73.2	-
Gender and Social Services	124.64	138.42	78.47	-	38.79	-	49.4	-	31.1	-
County Public Service, Administration & Youth Affairs	300.89	27.75	261.81	-	180.58	-	69.0	-	60.0	-
Agriculture, Livestock & Fisheries Development	319.42	228.07	207.02	43.35	183.50	50.1	88.6	115.6	57.4	22.0
Trade, Culture, Tourism & Cooperative Development	65.00	114.82	24.97	-	9.60	-	38.4	-	14.8	-
Education, Science & Technology	179.03	100.23	126.56	-	45.93	4.96	36.3	-	25.7	5.0

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Water, Environment & Natural Resources	133.69	300.60	97.56	1.43	55.28	6.80	56.7	476.7	41.4	2.3
County Assembly	676.01	61.75	314.64	-	391.65	1.29	124.5	-	57.9	2.1
County Public Service Board	37.30	-	24.35	-	17.21	-	70.7	-	46.1	-
Transport, Public Works, Infrastructure & Communication	160.92	569.10	72.70	2.37	41.84	3.21	57.6	135.4	26.0	0.6
Energy	0.03	-	2.82	-	2.45	-	86.7	-	78.9	-
TOTAL	5,506.53	3,352.01	243.45	3,116.52	310.81	310.97	90.1	10	31.1	93

Source: Nyeri County Treasury

Analysis of budget performance by department shows that the Department of Energy attained the highest percentage of recurrent expenditure to recurrent budget at 78.9 per cent, followed by the Department of County Public Service, Administration and Youth Affairs at 60 per cent. The Department of Finance and Economic Planning had the highest percentage of expenditure to its development budget at 46.2 per cent.

3.36.9 Key Observations and Recommendations

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

- Timely submission of expenditure returns to the office of the Controller of Budget in line with section 166 of the PFM Act, 2012.

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

- Delay by the National Treasury to disburse the equitable share of revenue raised nationally, which affected implementation of the development budget.
- Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 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;

- 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.*
- The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
- The County should develop a supplementary budget to align conditional grants the CARA, 2017.*

3.37 Samburu County

3.37.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.4.83 billion, comprising of Kshs.3.38 billion (70 per cent) and Kshs.1.45 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.09 billion (90 per cent) as equitable share of revenue raised nationally, Kshs.530.69 million (3.7 per cent) as total conditional grants, generate Kshs.301.23 million (6.7 per cent) from own revenue sources, and Kshs.182.47 million (4 per cent) cash balance brought forward from FY 2016/17.

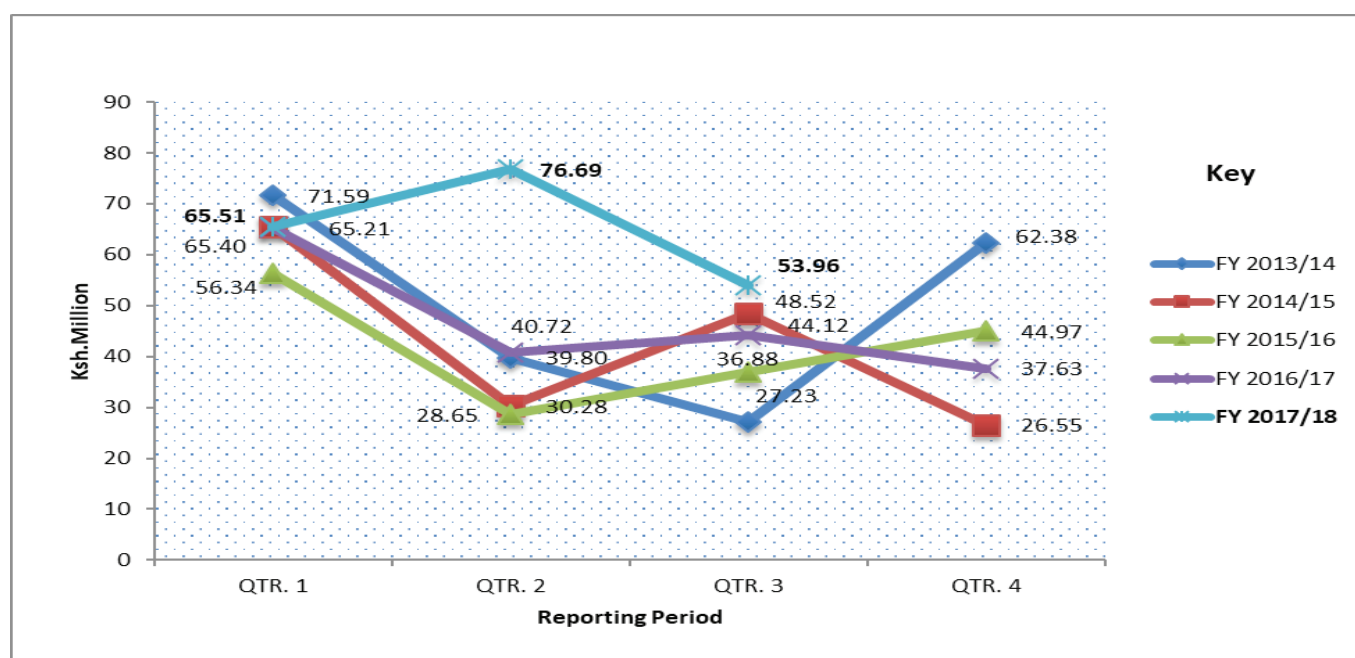
The conditional grants contained in the CARA, 2017 comprise of Kshs.151.37 million (28.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.33 million (1 per cent) as Compensation for User Fee Foregone, Kshs.10.26 million (1.9 per cent) from DANIDA, Kshs.53.13 million (10 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.36.73 million (6.9 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.25.36 million (4.8 per cent) for Development of Youth Polytechnics, Kshs.66.79 million (12.6 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (38.9 per cent) as European Union (EU) grant the County also budgeted to receive Kshs.50.61 million as grant for National Agricultural & Rural Inclusive Growth Project Programme, which is not contained in the CARA, 2017.

3.37.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.68 billion as equitable share of revenue raised nationally, Kshs.125.96 million as total conditional grants, raised Kshs.196.16 million from own sources of revenue, and had a cash balance of Kshs.182.47 million from FY 2016/17. The total available funds amounted to Kshs.3.18 billion.

Figure 3-109 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-109: Samburu County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Samburu County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.196.16 million, representing an increase of 30.7 per cent compared to Kshs.150.03 million generated in a similar period of FY 2016/17, and represented 65.1 per cent of the annual own source revenue target.

3.37.3 Conditional Grants

Table 3-103 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-103: Samburu County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No.	Grants	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	151,365,222	151,365,222	70,593,149	47
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	EU Grant for Devolution Support	66,000,000	-	-	-
4	World Bank loan to supplement financing of County Health facilities	53,125,000	53,125,000	30,357,317	57
5	Kenya Devolution Support Programme (KDSP)	36,731,596	36,731,596	12,092,957	33
6	Compensation for User Fee Foregone	5,325,578	5,325,578	2,660,928	50
7	DANIDA Grant	10,256,191	10,256,191	10,256,191	100
8	Development of Youth Polytechnics	25,356,891	25,356,891	-	-
9	Conditional Allocation - Other Loans & Grants	35,998,283	35,998,283	-	-
10	World Bank Loan for Transforming Health System for universal Care Project	66,786,231	66,786,231	-	-
11	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	-	-
Total		596,689,673	530,689,673	125,960,542	24

Source: Samburu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from DANIDA, World Bank loan to Health Facilities, Compensation for user fees forgone, the Road Maintenance Fuel Levy Fund and Kenya Devolution Support Programme. The receipts accounted for 100 per cent, 57 per cent, 50 per cent, 47 per cent and 33 per cent of annual allocation respectively.

3.37.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.2.42 billion from the CRF account, which was 53.6 per cent of the Approved Supplementary Budget. This amount represented a decline of 17.9 per cent from Kshs.2.95 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.21 billion (91per cent) for recurrent expenditure and Kshs.218.75 million (9 per cent) for development activities.

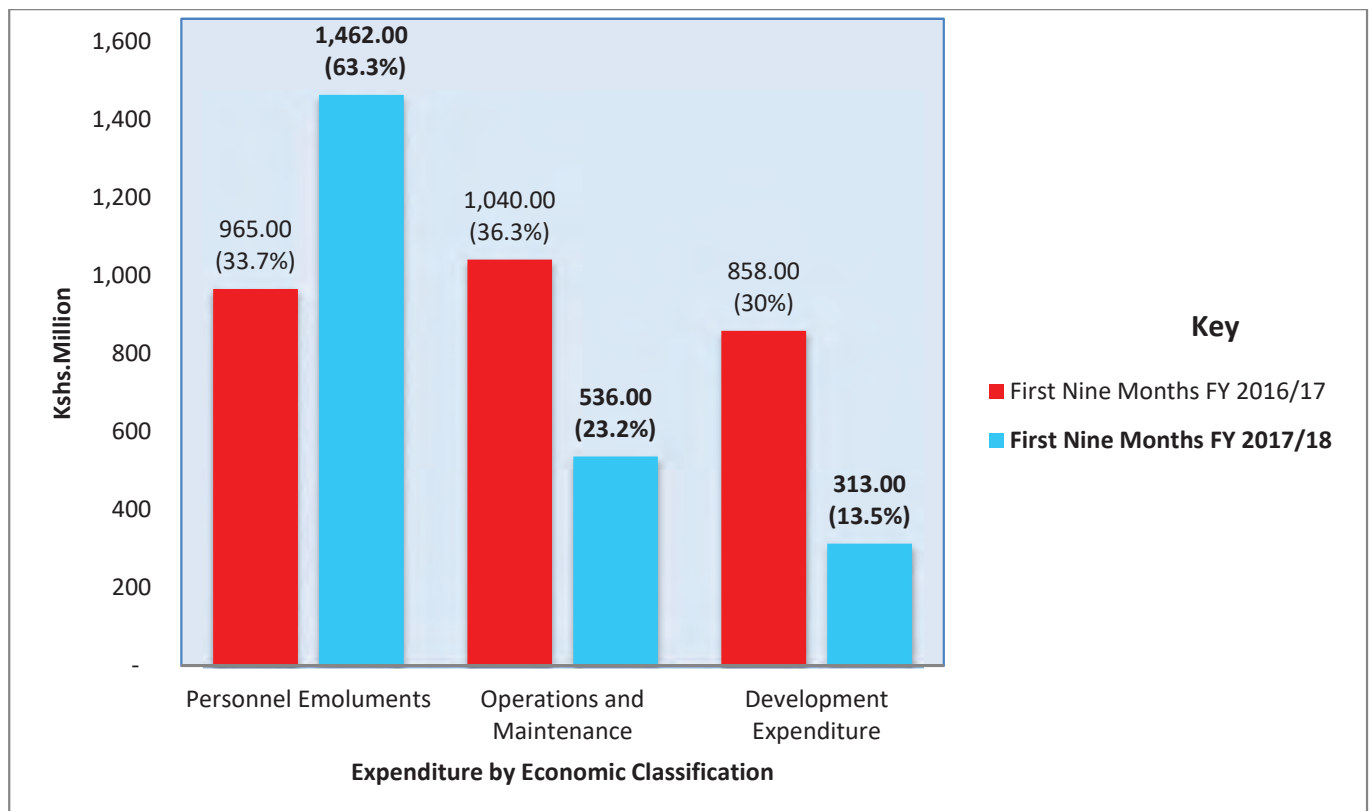
3.37.5 Overall Expenditure Review

The County spent Kshs.2.31 billion, which was 98.8per cent of the total funds released for operations. This was decline of 16.7 per cent from Kshs.2.87 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2 billion was spent on recurrent activities while Kshs.313 million was spent on development activities. The recurrent expenditure was 90.6 per cent of the funds released for recurrent activities, while development expenditure was 143.1 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.9.28 million for development activities and Kshs.694.27 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 65.2 per cent of the annual recurrent budget, a decrease from 67.9per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 21.4 per cent, which was an increase from 53.3per cent attained in the first nine months of FY 2016/17. Figure 3-110 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-110: Samburu County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



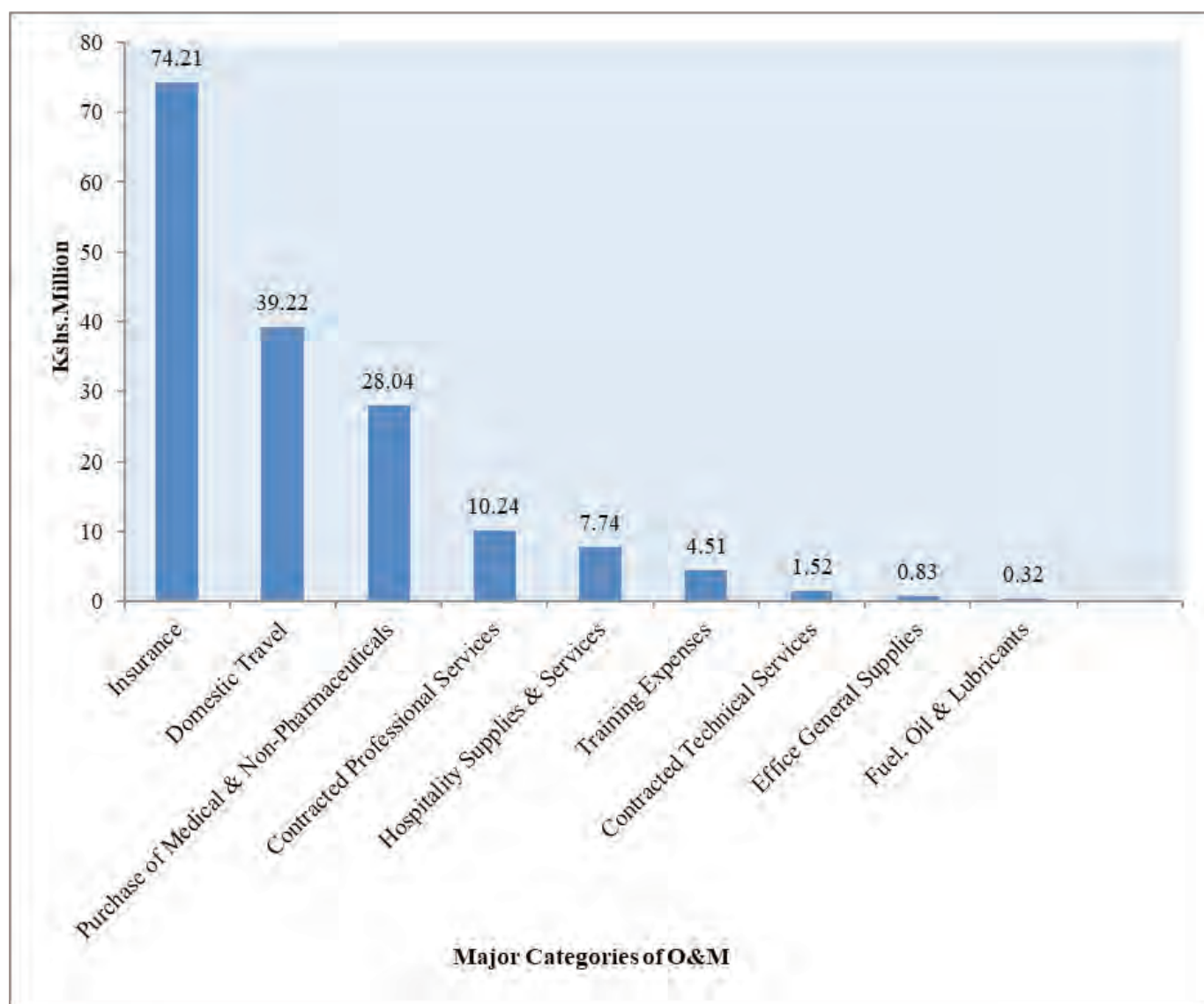
Source: Samburu County Treasury

3.37.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2 billion comprised of Kshs.1.46 billion (63.3 per cent) incurred on personnel emoluments and Kshs.536 million (23.2 per cent) on operations and maintenance as shown in Figure 3-110.

Expenditure on personnel emoluments represented an increase of 18.11 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.965 billion, and was 51.5 per cent of total expenditure. Figure 3-111 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-111: Samburu County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Samburu County Treasury

The County incurred Kshs.20.9 million on committee sitting allowances to the 28 MCAs against the annual budget allocation of Kshs.42.5 million. This was a decline of 29.2 per cent compared to Kshs.29.5 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.82,921 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.39.22 million and comprised of Kshs.22.53 million spent by the County Assembly and Kshs.13.41 million by the County Executive. This represented 1.9 per cent of total recurrent expenditure and was a decrease of 66.5 per cent compared to Kshs.113.1 million spent in the first nine months of FY 2016/17.

3.37.7 Development Expenditure Analysis

The total development expenditure of Kshs.313 million represented 21.4 per cent of the annual development budget of Kshs.1.46 billion. Table 3-104 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-104: Samburu County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	First Nine Months of FY2017/18 Project Expenditure (Kshs.)
1	Capital grants to semi-autonomous government	Samburu West,North & East	80,000,000	70,147,732
2	Infrastructure and civil works	County Wide	92,000,000	43,659,101
3	Non-Residential buildings (Offices and schools)	County Wide	126,609,696	27,911,660
4	Refurbishment of buildings	Maralal	36,000,000	10,784,710
5	Purchase of office furniture and Fittings	Maralal	19,000,000	9,750,200
6	Purchase of animals and breeding stock	Samburu North And East	26,500,000	6,984,000

Source: Samburu County Treasury

3.37.8 Budget and Budget Performance Analysis by Department

Table 3-105 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18

Table 3-105: Samburu County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	544.04	60.00	345.84	-	276.99	-	80.1	-	50.9	-
County Executive	463.53	35.90	320.01	8	298.78	8.00	93.4	100	64.5	22.3
Finance & Economic Planning	505.80	20.03	330.01	2	303.99	0.32	92.1	15.9	60.1	1.6
Agriculture, Livestock, Veterinary & Fisheries	210.38	184.84	135.87	22	99.75	12.76	73.4	58	47.4	6.9
Environment & Natural Resources	149.04	259.41	117.30	5.75	43.11	1.85	36.8	32.2	28.9	0.7
Education, Youth Affairs & Social Development	320.14	140.95	303.63	21.4	285.69	40.7	94.1	190.2	89.2	28.9
Health Services	788.71	183.94	514.57	25	481.89	23.43	93.6	93.7	61.1	12.7
Lands, Physical Planning and Urban Development	78.45	62.36	59.29	18	45.69	1.2	77.1	6.7	58.2	1.9
Transport, Public Works and Water Services	83.92	348.21	64.60	84	106.05	155.89	164.2	185.6	126.4	44.8
Trade, Tourism, Cooperatives and Enterprise Development	154.06	136.30	119.11	29.6	100.51	70.62	84.4	238.6	65.2	51.8
Culture, Social Services and Gender	81.24	21.32	53.88	3	33.90	0.13	62.9	4.2	41.7	0.6
TOTAL	3,379	1,453	2,364	219	2,076	315	87.8	144	61.4	21.7

Source: Samburu County Treasury

Analysis of budget performance by department shows that, the Department of Trade, Tourism and Co-Operative Development attained the highest absorption rate of development budget at 51.8 per cent while the County Assembly, and the Office of the Governor did not incur any development expenditure. The Department of Transport, Public Works and Water Services had the highest percentage of recurrent expenditure to its recurrent budget at 126.4 per cent while the Department of Environment and Natural Resources had the lowest at 28.9 per cent.

3.37.9 Key Observations and Recommendations

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

- i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- ii. Adoption of IFMIS in processing financial transactions and financial reporting.

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

1. Late submission of financial reports to the COB by the County Treasury which affected timely preparation of the budget implementation review report.
2. Delay by Fund Administrators to submit expenditure reports on established County Funds contrary to Section 168 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of the PFM Act, 2012.*
2. *All Fund Administrators should ensure timely submission of expenditure reports on established County Funds in line with Section 168 of the PFM Act, 2012.*

3.38 Siaya County

3.38.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.6.85 billion, comprising of Kshs.4.3 billion (62.8 per cent) and Kshs.2.55 billion (37.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.53 billion (80.7 per cent) as equitable share of revenue raised nationally, Kshs.549.62 million (8 per cent) as total conditional grants, generate Kshs.270 million (3.9 per cent) from own revenue sources, and Kshs.499.12 million (7.3 per cent) cash balance brought forward from FY 2016/17.

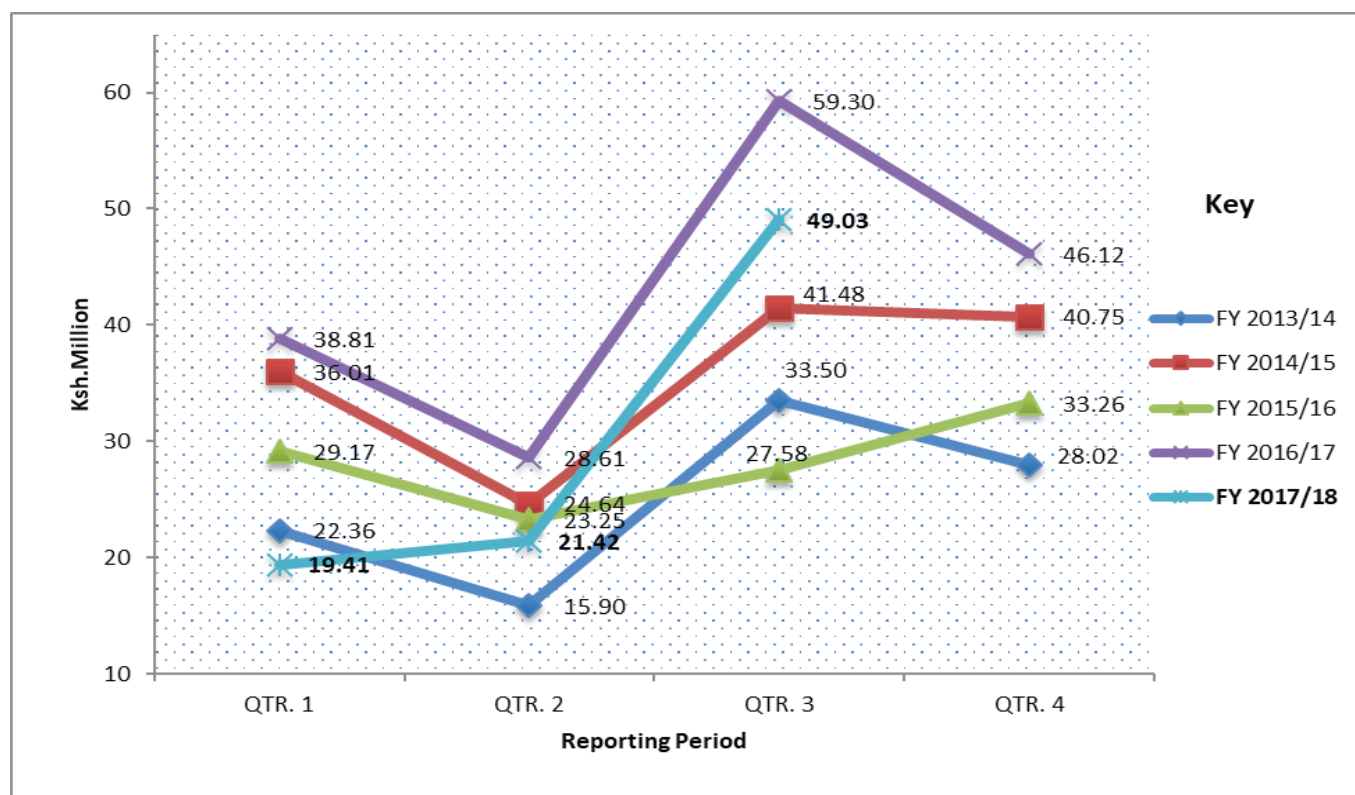
Conditional grants contained in the CARA, 2017 comprise of Kshs.212.83 million (40.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (18.1 per cent) as Leasing of Medical Equipment, Kshs.43.03 million (8.2 per cent) for the World Bank Kenya Devolution Support Program, Kshs.38 million (7.2 per cent) as Conditional Allocation-Other Loans and Grants, Kshs.18.19 million (3.4 per cent) as Compensation for User Fee Foregone, Kshs.56.76 million (10.8 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.13.4 million (2.4 per cent) for Agricultural Sector Development Support Program (ADSP), Kshs.23.08 million (4.2 per cent) from DANIDA and Kshs.40.65 million (7.4 per cent) for the Development of Youth Polytechnics.

3.38.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.85 billion as equitable share of revenue raised nationally, Kshs.155.43 million as total conditional grants, raised Kshs.89.85 million from own source revenue, and had a cash balance of Kshs.499.12 million from FY 2016/17. The total available funds amounted to Kshs.3.61 billion.

Figure 3-112 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-112: Siaya County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Siaya County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.89.85 million, representing a decline of 29.1 per cent compared to Kshs.126.72 million generated in a similar period of FY 2016/17, and represented 33.3 per cent of the annual own source revenue target.

3.38.3 Conditional Grants

Table 3-106 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-106: Siaya County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No.	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual CARA(%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	212,834,314	212,834,314	99,260,876	47
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	Kenya Devolution Support Programme (KDSP)	43,031,378	43,031,378	14,476,276	34
4	Conditional Allocation - Other Loans & Grants	38,000,000	63,669,291	-	-
5	Conditional Grants - Compensation for User Fee Foregone	18,194,808	18,194,808	9,528,654	52
6	World Bank Loan for Transforming Health System for Universal Care System	56,758,153	39,021,230	14,422,487	25
7	DANIDA Grant	22,354,855	23,075,979	17,736,923	79
8	Agricultural Sector development Support Program	-	13,400,000	-	-
9	Conditional Grants to Development of Youth Polytechnics	40,647,137	40,647,137	-	-
	Total	527,565,326	549,618,818	155,425,216	29

Source: Siaya County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from DANIDA, Compensation for User Fee Foregone, the Road Maintenance Fuel Levy Fund, Kenya Devolution Support Program (KDSP), and World Bank loan to Health Facilities. These receipts accounted for 79 per cent, 52 per cent, 47 per cent, 34 per cent and 25 per cent of annual allocation respectively.

3.38.4 Exchequer Issues

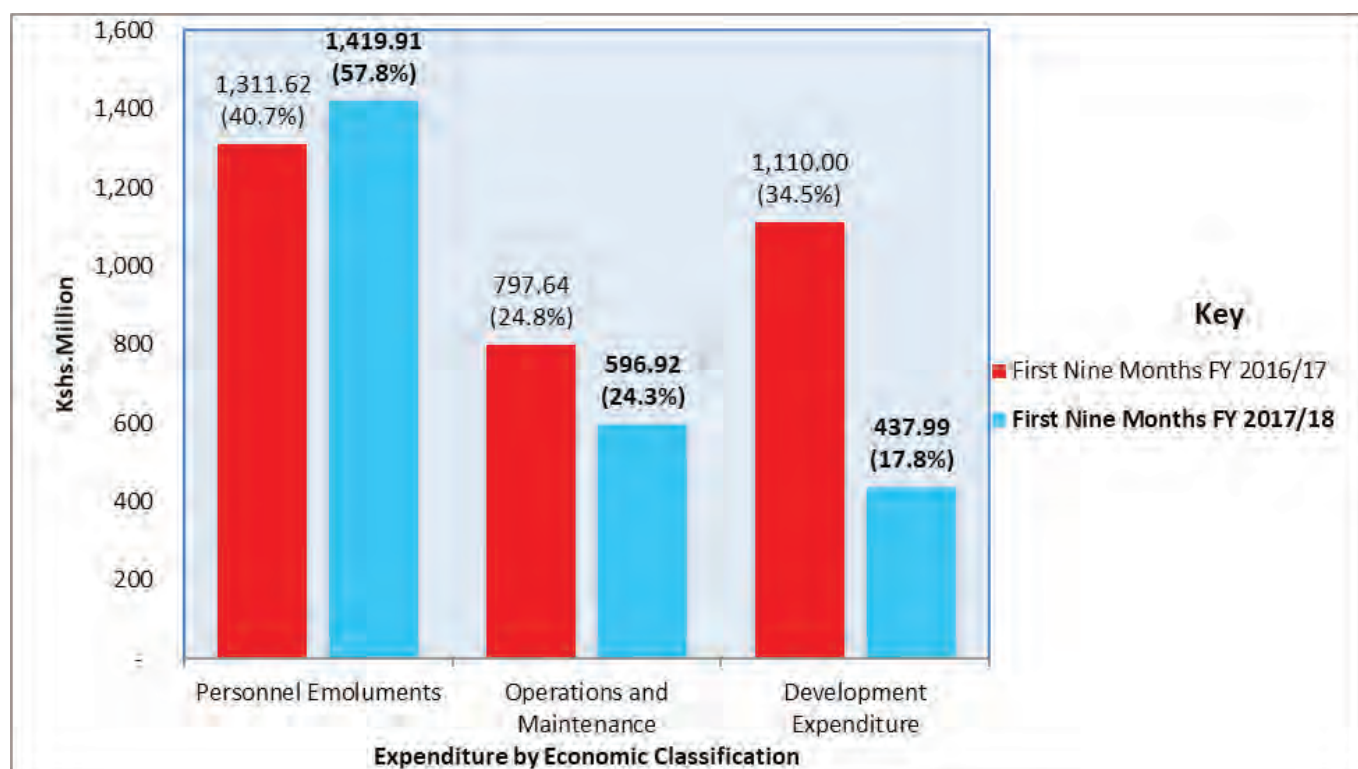
During the period under review, the Controller of Budget approved withdrawal of Kshs.2.53 billion from the CRF account, which was 36.9 per cent of the Supplementary Budget. This amount represented a decline of 39.4 per cent from Kshs.4.17 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.34 billion (92.6 per cent) for recurrent expenditure and Kshs.187 million (7.4 per cent) for development activities.

3.38.5 Overall Expenditure Review

The County spent Kshs.2.45 billion, which was 97.2 per cent of the total funds released for operations. This was a decline of 23.7 per cent from Kshs.3.22 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.02 billion was spent on recurrent activities while Kshs.437.99 million was spent on development activities. The recurrent expenditure was 86.3 per cent of the funds released for recurrent activities, while development expenditure was 234.2 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.292.4 million for development activities and Kshs.169.06 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 46.9 per cent of the annual recurrent budget, a decrease from 54.9 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 17.2 per cent, which was a decrease from 31.8 per cent attained in the first nine months of FY 2016/17. Figure 3-113 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18. Figure 3-113: Siaya County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



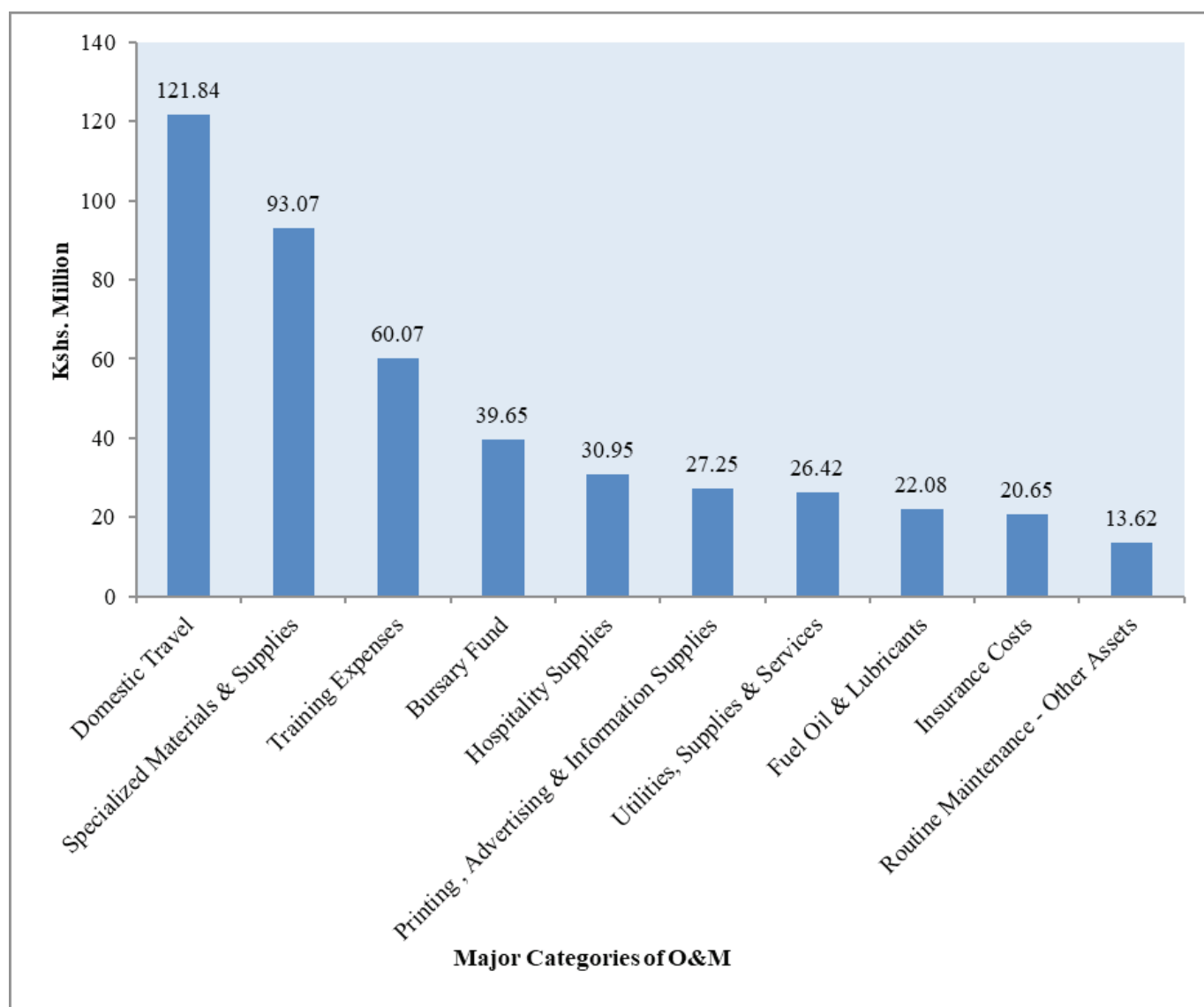
Source: Siaya County Treasury

3.38.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.02 billion comprised of Kshs.1.42 billion (70.4 per cent) incurred on personnel emoluments and Kshs.596.92 million (29.6 per cent) on operations and maintenance as shown in Figure 3-113.

Expenditure on personnel emoluments represented an increase of 8.3 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.31 billion, and was 57.8 per cent of total expenditure. Figure 3-113 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-114: Siaya County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Siaya County Treasury

The County incurred Kshs.9.61 million on committee sitting allowances to the 42 MCAs and the speaker against the annual budget allocation of Kshs.26.72 million. This was a decline of 78.2 per cent compared to Kshs.44.08 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.24,832 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.121.84 million and comprised of Kshs.62.49 million spent by the County Assembly and Kshs.59.35 million by the County Executive. This represented 6.6 per cent of total recurrent expenditure and was a decline of 25 per cent compared to Kshs.176.85 million spent in the first nine months of FY 2016/17.

3.38.7 Development Expenditure Analysis

The total development expenditure of Kshs.437.99 million represented 17.2 per cent of the annual development budget of Kshs.2.55 billion. Table 3-107 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-107: Siaya County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	First Nine Months of FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Provision of Wide Area Network Connectivity And Internet Bandwidth	Head Quarters	18,002,002	13,094,866	73
2	Routine maintenance of Kipasi Wagusu Road	South Sakwa	9,863,944	9,567,360	97
3	Maintenance of Kowako Ralum Road	Ugunja	7,110,051	4,977,035	70
4	Routine maintenance of Akala Nyagongo Road	West Gem	9,230,723	4,934,547	53
5	Maintenance of Barding Kogello Road	South East Alego	6,558,906	4,836,136	74
6	Routine maintenance of Koyaya Wagusu Road	South Sakwa	7,239,096	4,160,804	57
7	Maintenance of Rock Adongo Adeya Uhuru Road	South East Alego	5,491,706	4,098,437	75
8	Maintenance of Rangengni Kobare Beach Road	Uyoma	4,992,176	4,070,208	82
9	Routine maintenance of Migowa Kogado Koro Beach Road	North Uyoma	3,950,658	3,870,658	98
10	Maintenance of Siger Kochieng Aila Nyamor Road	West Asenbo	4,029,509	3,831,940	95

Source: Siaya County Treasury

3.38.8 Budget and Budget Performance Analysis by Department

Table 3-108 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-108: Siaya County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	552.10	4.77	301.28	-	266.26	-	88.4	-	48.2	-
Finance, Planning and Vision 2030	669.43	23.47	352.26	5	357.74	-	101.6	-	53.4	-
Agriculture, Livestock & Fisheries	267.56	147.61	142.47	10.40	93.34	29.92	65.5	287.7	34.9	20.3
Water, Environment & Natural Resources	98.59	214.35	37.07	14	36.71	3.88	99.0	27.7	37.2	1.8
Education, Youth Affairs, Sports & Social Services	328.17	464.22	110.75	26.90	127.88	47.96	115.5	178.3	39	10.3
Health Services	1,549.71	364.62	934.59	31.44	743.43	10.08	79.5	32.1	48	2.8
Lands, Housing, Physical Planning & Survey	50.57	31.35	36.11	-	21.62	10.16	59.9	-	42.8	32.4
Trade, Industry and Cooperative Development	48.16	154.08	33.15	9.38	20.30	18.70	61.3	199.4	42.2	12.1
Tourism and ICT	52.24	55.77	36.04	10	20.28	21.29	56.3	212.9	38.8	38.2
Roads, Transport & Public Works	89.85	785.35	57.3	79.88	30.65	287.82	53.5	360.3	34.1	36.6
County Assembly	592.66	300.68	297	-	298.61	8.18	100.5	-	50.4	2.7
TOTAL	4,299.05	2,546.29	2,338	187.00	2,016.82	437.99	86.3	234.2	46.9	17.2

Source: Siaya County Treasury

Analysis of budget performance by department shows that, the Department of Tourism and ICT attained the highest absorption rate of development budget at 38.2 per cent while the County Executive and the Department of Finance, Planning and Vision 2030 did not incur any development expenditure. The Department of Finance, Planning and Vision 2030 had the highest percentage of recurrent expenditure to its recurrent budget at 53.4 per cent while the Department of Roads, Transport & Public Works had the lowest at 34.1 per cent.

3.38.9 Observations and Recommendations

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

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

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Under-performance in own-source revenue collection, which declined by 29.1 per cent from Kshs.89.85 million in the first nine months of FY 2016/17 to Kshs.126.72 million in the first nine months of FY 2017/18 and represented 33.3 per cent of annual target.
3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. Delay by Fund Administrators to submit expenditure reports of all the established County Funds contrary to Section 168 of the PFM Act, 2012.
6. Failure to constitute a County Budget and Economic Forum (CBEF) as per the requirement of Section 137 of the PFM Act, 2012 for consultation in the budget process.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA 2017 Disbursement Schedule.*
2. *The County Treasury should formulate strategies to enhance own-source revenue collection.*
3. *The County should liaise with the IFMIS Directorate to address IFMIS connectivity challenges.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
6. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*

3.39 Taita Taveta County

3.39.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.4.72 billion, comprising of Kshs.3.33 billion (70 per cent) and Kshs.1.4 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.9 billion (82.5 per cent) as equitable share of revenue raised nationally, Kshs.428.99 million (9.1 per cent) as total conditional grants and generate Kshs.398.47 million (8.4 per cent) from own revenue sources. The County did not budget for Kshs.123 million brought forward from FY 2016/2017.

The conditional grants contained in the CARA, 2017 comprise of Kshs.14.81 million (1.2 per cent) from DANIDA, Kshs.31.8 million (7.4 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.36.73 million (8.6 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.47.56 million (11.1 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (15.4 per cent) as European Union (EU) grant and Kshs.36.03 million (8.4 per cent)

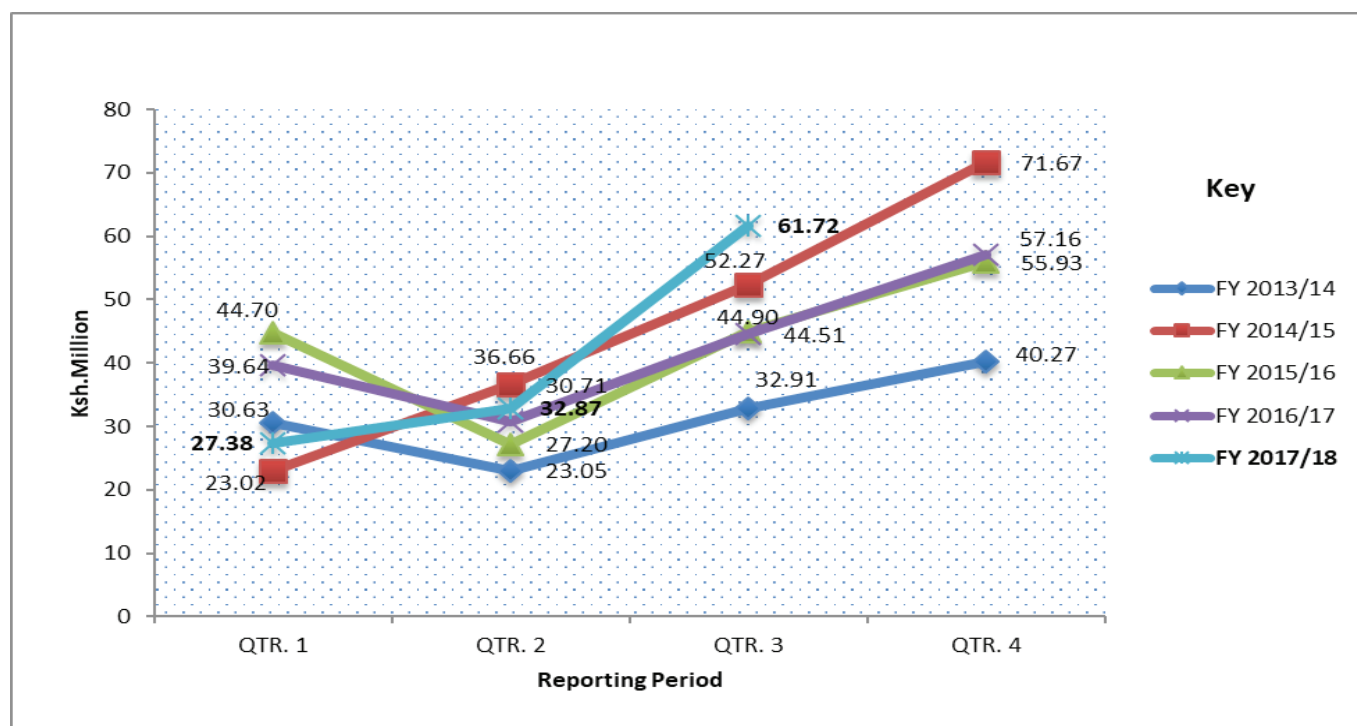
as Other Loans and Grants, Kshs.141.01 million (32.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.3 million (1.2 per cent) as Compensation for User Fee Foregone, Kshs.49.75 million (11.6 per cent) for Development of Youth Polytechnics.

3.39.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.68 billion as equitable share of revenue raised nationally, Kshs.142.28 million as total conditional grants, raised Kshs.122.02 million from own source revenue, and had a cash balance of Kshs.123 million from FY 2016/17 which was not budgeted. The total available funds amounted to Kshs.2.95 billion.

Figure 3-115 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-115: Taita Taveta County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Taita Taveta County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.122 million, representing an increase of 6.2 per cent compared to Kshs.114 million generated in a similar period of FY 2016/17, and represented 30.6 per cent of the annual own source revenue target.

3.39.3 Conditional Grants

Table 3-109 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-109: Taita Taveta County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Leasing of Medical Equipment	95,744,681	-	-	-
2	Road Maintenance Fuel Levy Fund	141,010,523	141,010,523	65,763,963	46.6
3	EU Grant	66,000,000	66,000,000	-	-
4	Development of Youth Polytechnics	49,747,167	49,747,167	-	-
5	World Bank Loan for Transforming Health System for Universal Care Project	32,699,643	47,563,117	14,863,473	45.5
6	Other Loans & Grants	20,118,958	36,034,216	36,034,216	179.1
7	Kenya Devolution Support Programme (KDSP)	36,728,875	36,728,875	12,747,774	35
8	World Bank loan to supplement financing of County Health facilities	31,797,500	31,797,500	-	-
9	DANIDA Grant	9,555,425	14,810,909	9,555,425	100
10	Compensation for User Fee Foregone	5,296,305	5,296,305	3,315,550	62.6
	Grand Total	488,699,077	428,988,612	142,280,401	25

Source: Taita Taveta County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from: Other loans and grants, DANIDA, Compensation for User Fee Foregone, Road Maintenance Fuel Levy Fund, World Bank Loan for Transforming Health System for Universal Care Project and Kenya Devolution Support Programme (KDSP). The receipts accounted for 179.1 per cent, 65.3 per cent, 62.6 per cent, 46.6 per cent, 45.5 per cent and 35 per cent of annual allocation respectively.

3.39.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.2.59 billion from the CRF account, which was 54.7 per cent of the Approved Supplementary Budget. This amount represented a decline of 13.1 per cent from Kshs.2.98 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.42 billion (93.6 per cent) for recurrent expenditure and Kshs.165.76 million (6.4 per cent) for development activities.

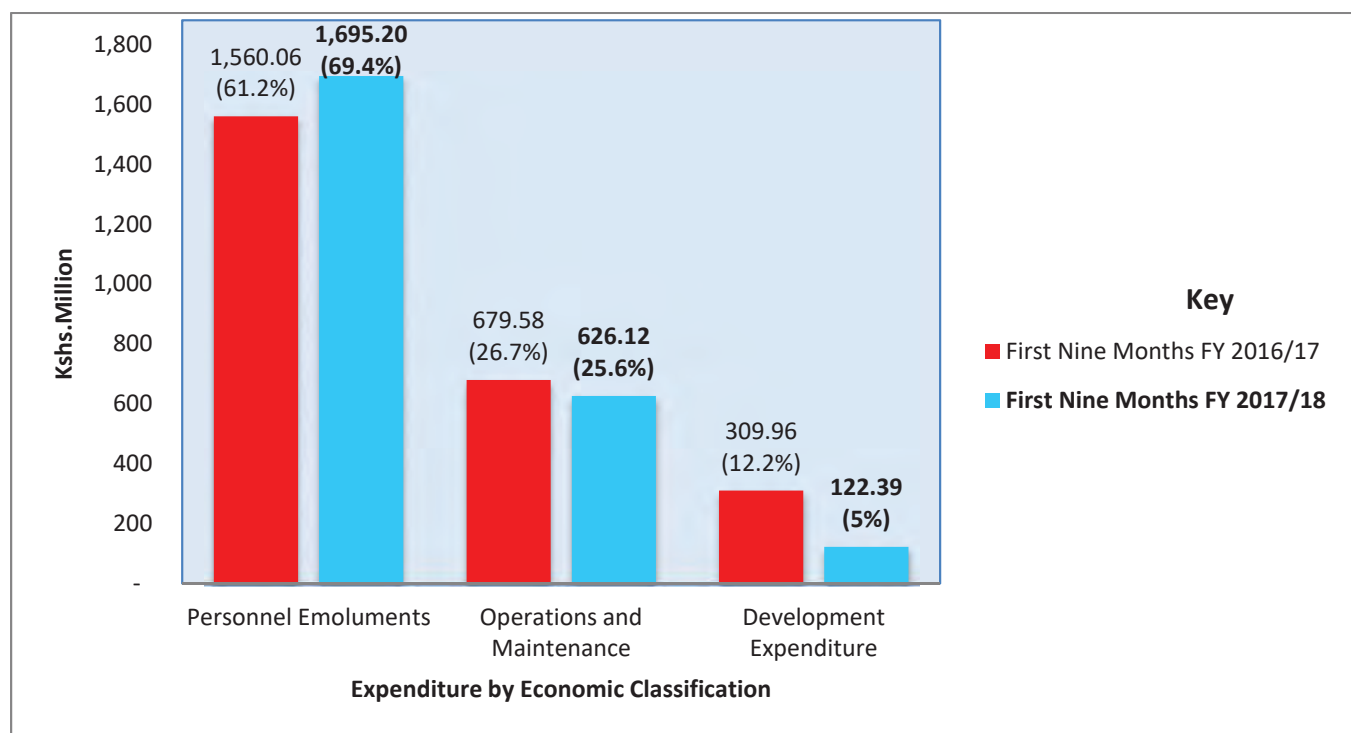
3.39.5 Overall Expenditure Review

The County incurred Kshs.2.44 billion, which was 94.5 per cent of the total funds released for operations. This was a decline of 4.2 per cent from Kshs.2.55 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.32 billion was spent on recurrent activities while Kshs.122.4 million was spent on development activities. The recurrent expenditure was 95.9 per cent of the funds released for recurrent activities, while development expenditure was 73.8 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.5.24 million for development activities and Kshs.102.08 million for recurrent expenditure.

The recurrent expenditure represented 69.8 per cent of the annual recurrent budget, a decrease from 71.8 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 8.8 per cent, which was a decrease from 19.8 per cent attained in the first nine months of FY 2016/17. Figure 3-116 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-116: Taita Taveta County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



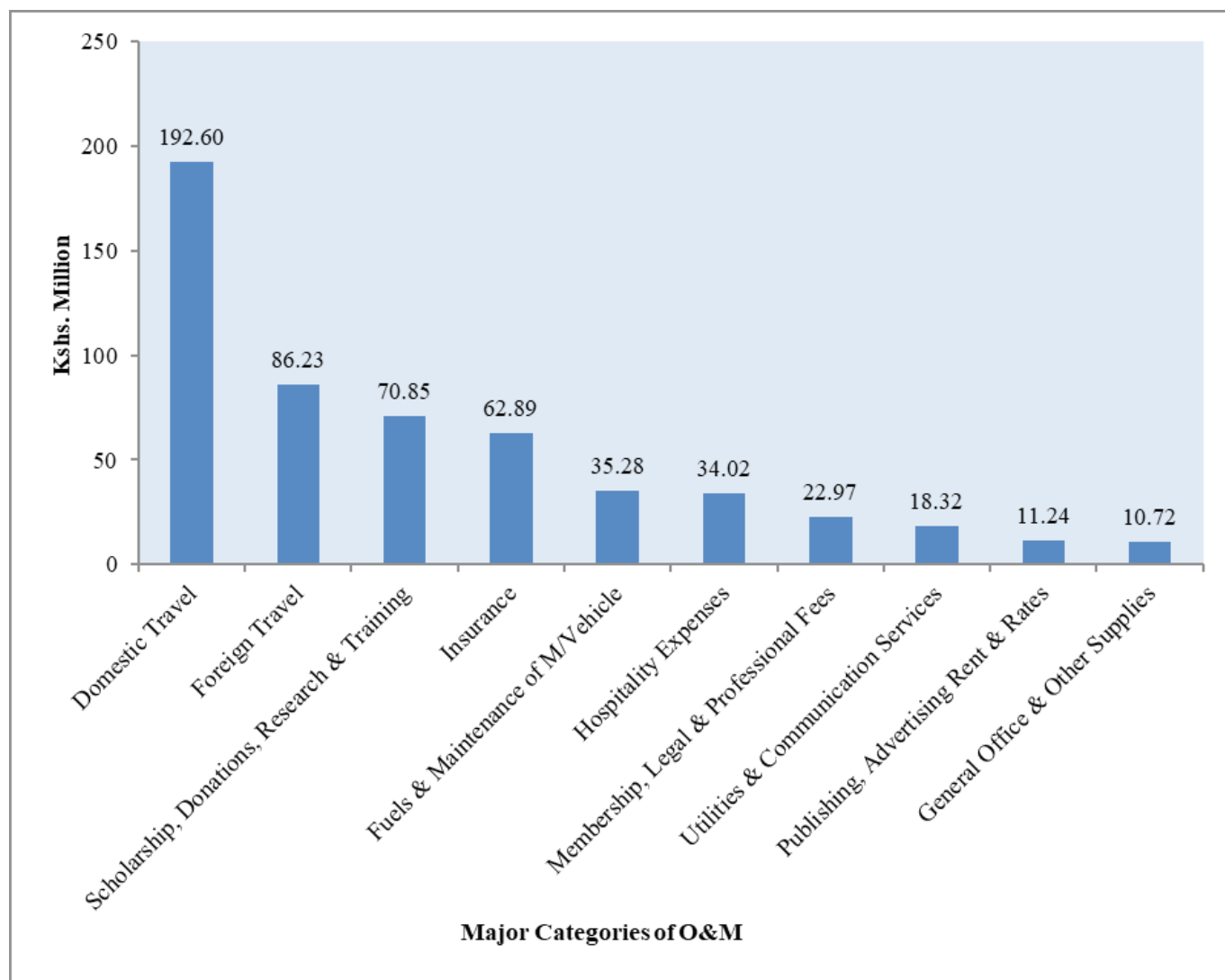
Source: Taita Taveta County Treasury

3.39.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.32 billion comprised of Kshs.1.7 billion (70.9 per cent) incurred on personnel emoluments and Kshs.626.12 million (29.9 per cent) on operations and maintenance as shown in Figure 3-116.

Expenditure on personnel emoluments represented an increase of 8.7 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.56 billion, and was 69.4 per cent of total expenditure in the first nine months of FY 2017/18. Figure 3-117 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-117: Taita Taveta County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Taita Taveta County Treasury

The County incurred Kshs.20.4 million on committee sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.35.44 million. This was a decline of 14.8 per cent compared to Kshs.25.12 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.69,934 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.278.83 million and comprised of Kshs.74.1 million spent by the County Assembly and Kshs.204.73 million by the County Executive. This represented 12 per cent of total recurrent expenditure and was an increase of 8.8 per cent compared to Kshs.256.19 million spent in the first nine months of FY 2016/17.

3.39.7 Development Expenditure Analysis

The total development expenditure of Kshs.122.39 million represented 8.8 per cent of the annual development budget of Kshs.1.4 billion. Table 3-110 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-110: Taita Taveta County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	Q3 FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Construction and refurbishment of ECD Centers and Polytechnics	County Wide	95,934,558	56,257,628	59
2	Purchase of medicines and other Hospital supplies	County Wide	50,580,000	20,538,378	41
3	Supply of Clean water through pipes and bore holes	Bura ,Mwatate	25,465,000	17,587,283	69
4	Construction and maintenance of County roads	County Wide	76,400,650	14,528,283	19
5	Refurbishment of County Head quarters	Head Office Wundanyi	16,798,977	9,509,039	57
6	Improvement of livestock husbandry	County Wide	11,650,000	3,670,000	32
7	Conservation of Natural resources	County Wide	4,500,000	300,800	7

Source: Taita Taveta County Treasury

3.39.8 Budget and Budget Performance Analysis by Department

Table 3-111 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-111: Taita Taveta County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	579.72	23.22	161.17	-	361.42	-	224.2	-	62.3	-
Administration and Devolution	1,729.34	20.30	1,616.70	3.81	1,443.38	9.51	89.3	249.8	83.5	46.8
The Governor's and Deputy Governor's Office	135.93	66.00	92.69	-	82.81	-	89.3	-	60.9	-
Finance and Planning	329.96	55.00	234.51	2.55	282.03	-	120.3	-	85.5	-
Agriculture, Livestock and Fisheries	38.86	106.68	19.29	9.49	5.97	3.67	31	38.7	15.4	3.4
Water and Irrigation	11.20	247.56	9.02	35.99	5.03	17.59	55.8	48.9	44.9	7.1
Education and Libraries	136.09	183.31	51.81	8.95	41.94	56.26	80.9	628.3	30.8	30.7
Health	254.19	157.52	152.17	17.08	70.59	20.54	46.4	120.2	27.8	13
Trade and Community Affairs	21.21	70.78	26.14	16.60	7.99	-	30.6	-	37.7	-
County Public Service Board	14.25	-	10.92	-	9.43	-	86.4	-	66.2	-
Infrastructure and Public Works	16.54	314.30	12.16	69.79	3.39	14.53	27.9	20.8	20.5	4.6
Lands and Mining	33.04	27.57	21.86	0.45	3.97	-	18.2	-	12	-
Industrialization, Energy, Research and ICT	23.80	24.71	10.35	1.05	3.37	0.30	32.6	28.6	14.2	1.2
Youth, Gender, Sports, Culture and Social Services	3.62	98.54	0.77	-	-	-	-	-	-	-
TOTAL	3,327.75	1,395.51	2,419.55	165.76	2,321.32	122.39	95.9	73.8	69.8	8.8

Source: Taita Taveta County Treasury

Analysis of budget performance by department shows that, the Department of Administration and Devolution had the highest absorption rate of development budget at 46.8 per cent, followed by the Department of Education and Libraries at 30.7 per cent. The Department of Administration and Devolution had the highest percentage of recurrent expenditure to its recurrent budget at 83.5 per cent while the Department of Department of Youth, Gender, & Sports Culture and Social Service did not incur any expenditure

3.39.9 Key Observations and Recommendations

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

- i. Improved capacity of technical staff, especially under the Country Treasury, through continuous training.
- ii. Improvement in the use of IFMIS to process financial transactions.

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

1. Late submission of financial reports to the Controller of Budget, affected timely preparation of the budget implementation review report, contrary to section 166 of the PFM Act, 2012.
2. A high wage bill that increased by 8.7 per cent from Kshs.1.56 billion in the first nine months of FY 2016/17 to Kshs.1.7 billion during the period under review and represented 69.4 per cent of total expenditure.
3. Delay by the Fund Administrators to submit expenditure reports on established County Funds in time contrary to Section 168 of the PFM Act, 2012.
4. IFMIS connectivity challenges which slowed down processing of financial transaction.

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

1. *The County should ensure timely preparation and submission of financial reports in line with Section 166 of the PFM Act, 2012.*
2. *The County Public Service Board should establish and implement an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *All Fund Administrators should ensure timely submission of expenditure reports on established County Funds in line with Section 168 of the PFM Act, 2012.*
4. *The County Treasury should liaise with the IFMIS Directorate for support in the use of IFMIS.*

3.40 Tana River County

3.40.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.5.80 billion comprising of Kshs.3.34 billion (57.6 per cent) and Kshs.2.46 billion (42.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.35 billion (90.4 per cent) as equitable share of revenue raised nationally, Kshs.538.36 million (10.1 per cent) as total conditional grants, generate Kshs.30 million (0.5 per cent) from own revenue sources, and Kshs.20.38 million (0.3 per cent) cash balance brought forward from FY 2016/17.

The conditional grants contained in the CARA, 2017 comprise of Kshs.169.77 million (28.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.68 million (1 per cent) as Compensation for User Fee Foregone, Kshs.17.83 million (3 per cent) from DANIDA, Kshs.24.73 million (4.1 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.41.09 million (6.9 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.27.36 million (4.6 per cent) for Development of Youth Polytechnics,

Kshs.103.6 million (17.4 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (11.1 per cent) as European Union (EU) grant, Kshs.121 million (20.3 per cent) for the Construction of County Headquarters, Kshs.41.1 million (6.9 per cent) for the Kenya Devolution Support Programme.

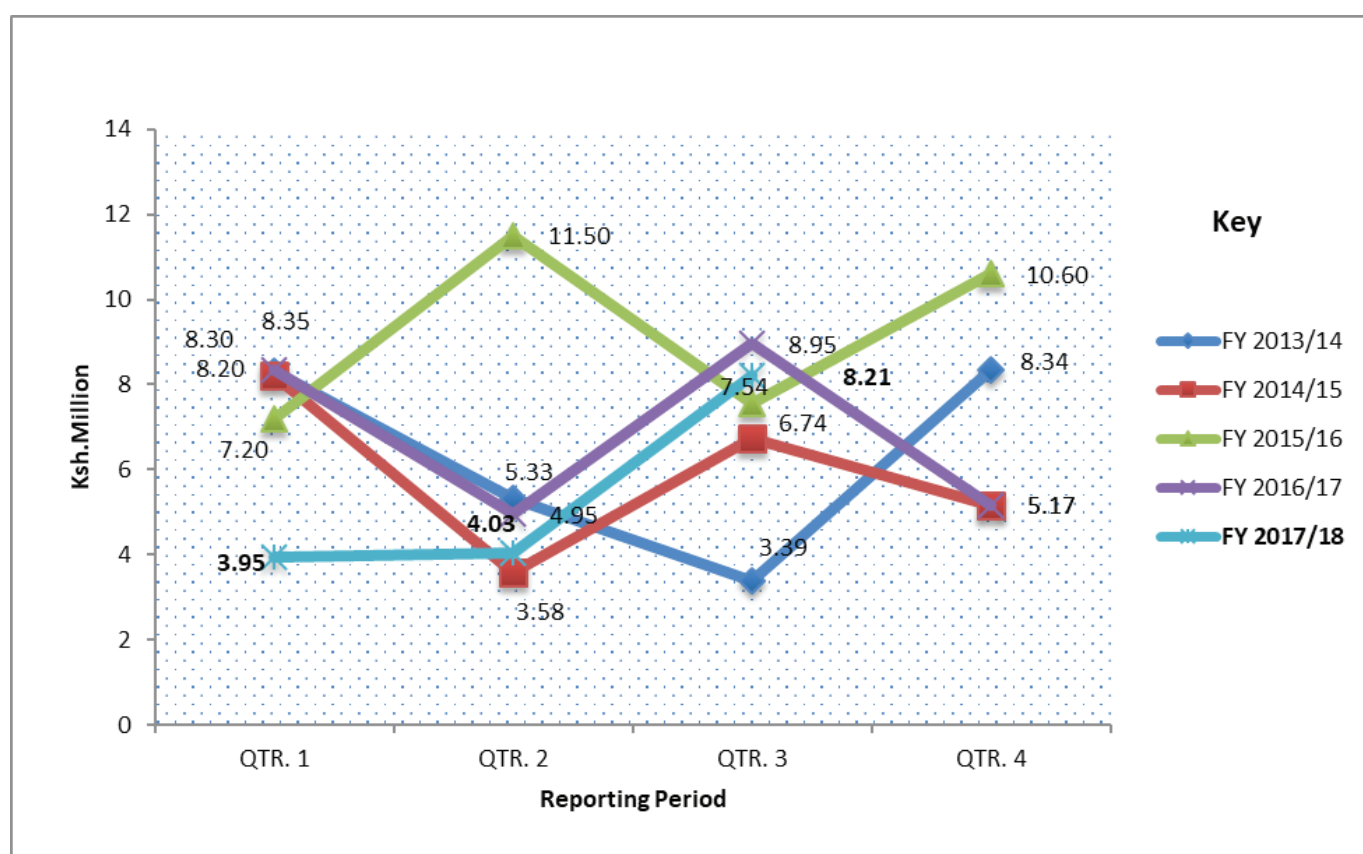
Further, the County has budgeted to receive a grant of Kshs.20 million from the World Bank for the Kenya Urban Support Programme, which is not contained in the CARA, 2017.

3.40.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.77 billion as equitable share of revenue raised nationally, Kshs.130.69 million as total conditional grants, raised Kshs.16.19 million from own revenue sources, and had a cash balance of Kshs.20.38 million from FY 2016/17. The total available funds amounted to Kshs.2.99 billion.

Figure 3-118 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-118: Tana River County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Tana River County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.16.19 million representing a decrease of 27.3 per cent compared to Kshs.22.25 million generated in a similar period of FY 2016/17, and represented 54 per cent of the annual own source revenue target.

3.40.3 Conditional Grants

Table 3-112 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-112: Tana River County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No.	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	169,770,271	169,770,271	79,176,827	47
2	World Bank loan to supplement financing of County Health facilities	24,725,000	24,725,000	24,725,000	100
3	Kenya Devolution Support Programme (KDSP)	41,095,762	41,095,762	15,283,649	37
4	Compensation for User Fee Foregone	5,682,537	5,682,537	2,849,925	50.2
5	DANIDA	11,504,299	11,504,299	11,504,299	100
6	Construction of County Headquarters	121,000,000	121,000,000	-	-
7	World Bank loan for Transforming Health System for Universal Care Project	71,224,457	71,224,457	32,374,753	45.5
8	EU grant for devolution, advice and support	66,000,000	66,000,000	-	-
9	Development of Youth Polytechnics	27,360,819	27,360,819	-	-
10	World Bank Grant for Kenya Urban Support Programme	-	20,000,000	-	-
Total		518,363,145	538,363,145	130,689,775	22

Source: Tana River County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from the World Bank loan to supplement financing of County Health facilities, DANIDA Grant for Universal Healthcare in Devolved system Programme, Compensation for User Fee Foregone, the Road Maintenance levy Fund, World Bank loan for Transforming Health System for Universal Care Project and Kenya Devolution Support Programme (KDSP). The receipts accounted for 100 per cent, 100 per cent, 50.2 per cent, 47 per cent, 45.5 and 37 per cent of annual allocation respectively.

3.40.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.2.03 billion from the CRF account, which was 34.4 per cent of the Approved Supplementary Budget. This amount represented a decline of 43.2 per cent from Kshs.3.58 billion approved in a similar period of FY 2016/17 and comprised of Kshs.1.63 billion (79.1 per cent) for recurrent expenditure and Kshs.404.77 million (19.9 per cent) for development activities.

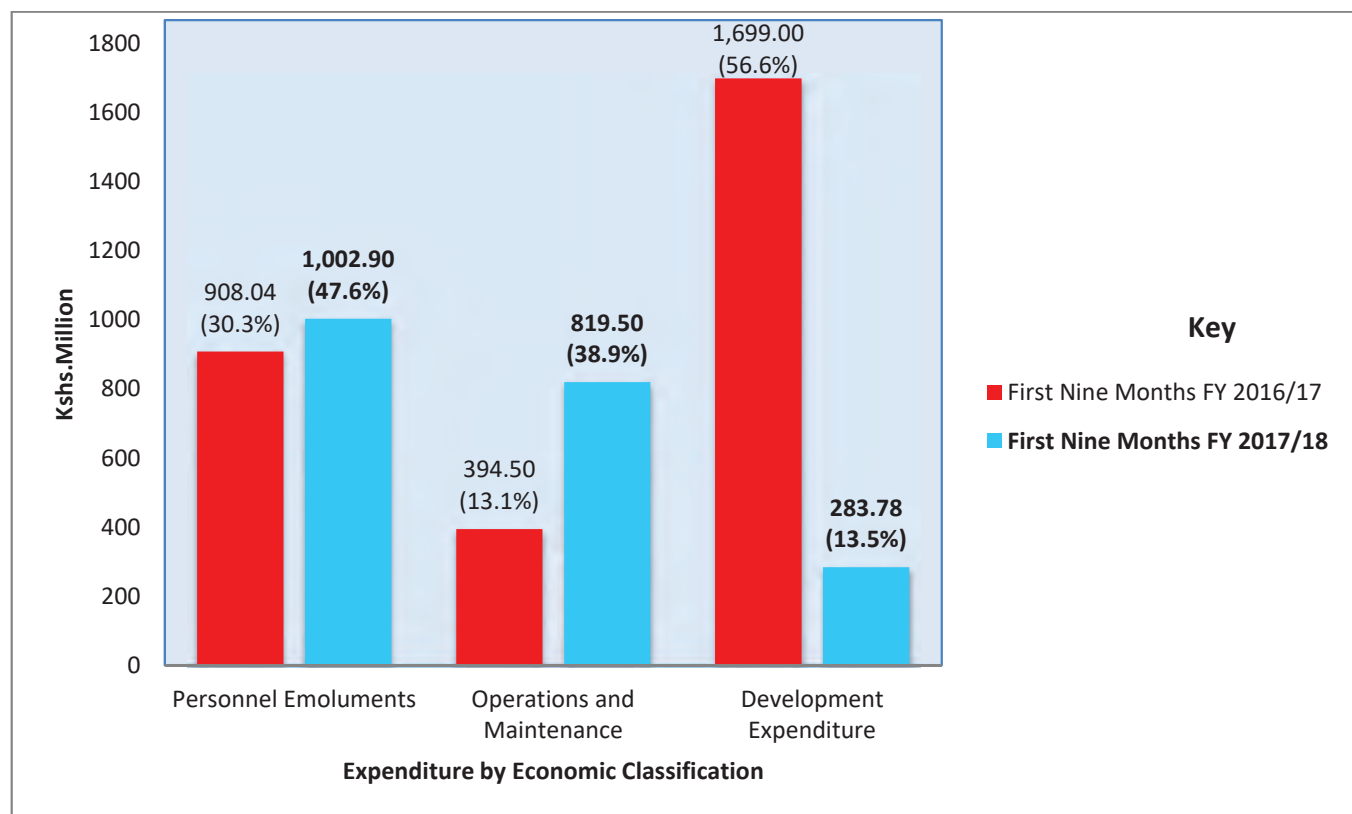
3.40.5 Overall Expenditure Review

The County spent Kshs.2.03 billion which was 100 per cent of the total funds released for operations. This was a decline of 32.6 per cent from Kshs.3.02 billion incurred in a similar period of FY 2016/17.

A total of Kshs.1.82 billion was spent on recurrent activities while Kshs.283.78 million was spent on development activities. The recurrent expenditure was 111.8 per cent of the funds released for recurrent activities, while development expenditure was 70.1 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.1.7 billion for development activities and Kshs.77.5 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 54.6 per cent of the annual recurrent budget, a decrease from 74.8 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 11.5 per cent, which was a decrease from 72.1 per cent attained in the first nine months of FY 2016/17. Figure 3-2 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-119: Tana River County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



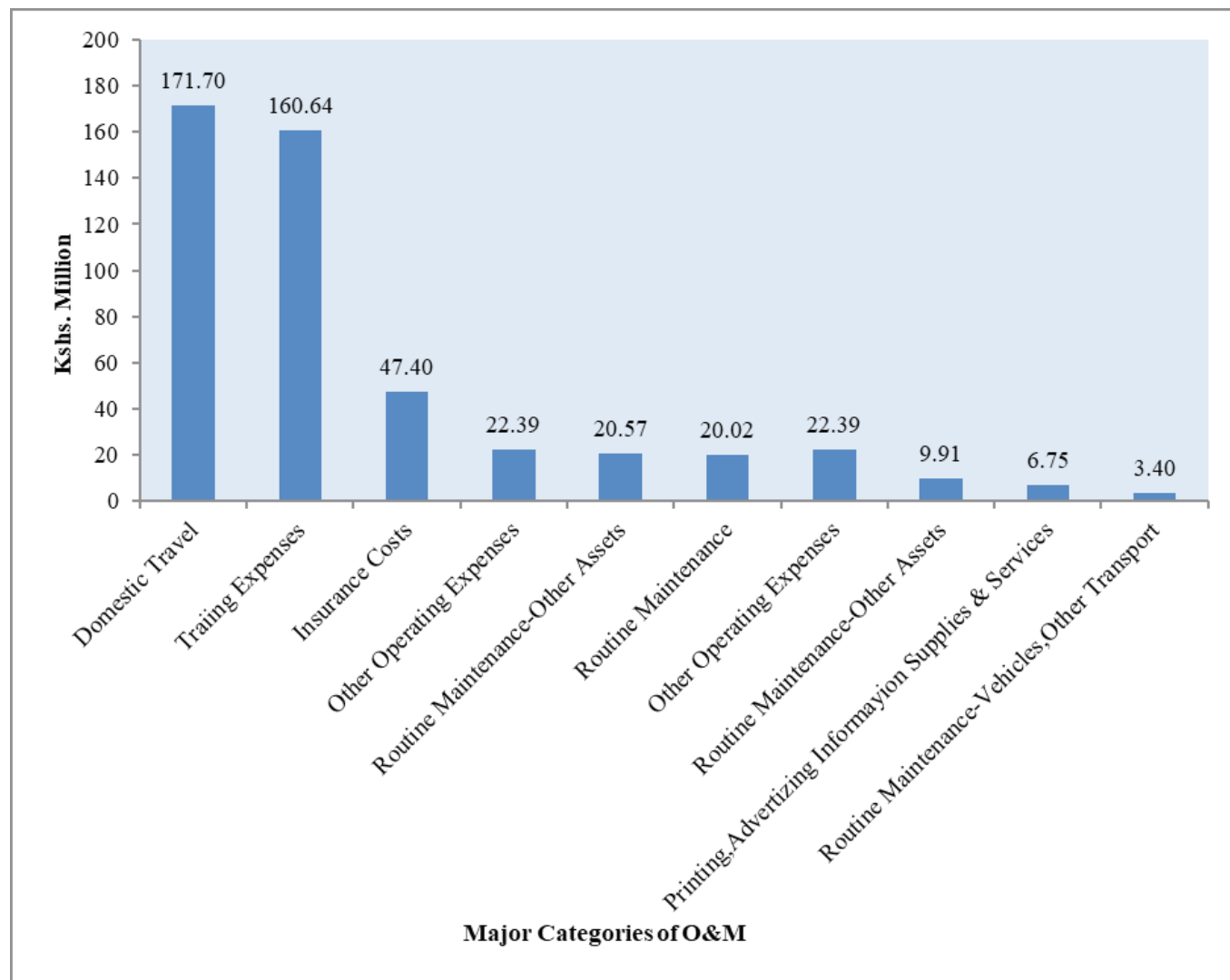
Source: Tana River County Treasury

3.40.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.82 billion comprised of Kshs.1 billion (55 per cent) incurred on personnel emoluments and Kshs.819.46 million (45 per cent) on operations and maintenance as shown in Figure 3-119.

Expenditure on personnel emoluments represented an increase of 10.5 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.908 million, and was 49.3 per cent of total expenditure in the first nine months of FY 2017/18. Figure 3-120 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-120: Tana River County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Tana River County Treasury

The County incurred Kshs.5.63 million on committee sitting allowances to the 24 MCAs against the annual budget allocation of Kshs.47.12 million. This was an increase of 154.6 per cent compared to Kshs.13.58 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.26,051 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.171.7 million and comprised of Kshs.44.05 million spent by the County Assembly and Kshs.127.65 million by the County Executive. This represented 9.4 per cent of total recurrent expenditure and was an increase of 7 per cent compared to Kshs.160.44 million spent in the first nine months of FY 2016/17.

3.40.7 Development Expenditure Analysis

The total development expenditure of Kshs.283.78 million represented 11.5 per cent of the annual development budget of Kshs.2.46 billion. The County did not provide a list of projects implemented in the period under review.

3.40.8 Budget and Budget Performance Analysis by Department

Table 3-113 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-113: Tana River County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	454.50	98	257.28	-	257.28	-	100	-	56.6	-
Office of the Governor	489.69	73.53	307.13	9.73	385.01	-	125.4	-	78.6	-
Finance & Economic Planning	266.24	20	103.81	2.65	164.65	-	158.6	-	61.8	-
Gender, Culture & Social Services	24.77	33.59	15.53	4.44	9.03	-	58.1	-	36.5	-
County Public Service Board	65.95	-	40.89	-	37.92	-	92.7	-	57.5	-
Trade, Tourism & Industry	51.52	156	32.32	20.64	28.49	41.62	88.2	201.7	55.3	26.7
Health & Water	705.57	324.95	435.32	42.98	479.54	97.53	110.2	226.9	68	30
Roads & Public Works	87.91	594.85	55.14	104.65	35.96	11.71	65.2	11.2	40.9	2.
Agriculture, Lands, Livestock, Veterinary, Fisheries, Marketing & Urban Development	363.80	408.1	267.38	53.98	88.80	11.64	33.2	21.6	24.4	2.9
Cohesion & Special Programmes	285.53	40.37	179.09	5.34	70.2	10.37	39.2	194.2	24.6	25.7
Education, Vocational Training & Sports	363.39	247.25	227.92	29.30	186.73	-	81.9	-	51.4	-
Water, Environment & Natural Resources	178.60	46.68	112.01	61.07	38.35	110.92	34.2	181.6	21.5	237.6
TOTAL	3,336.71	2,458.32	1,630.51	404.77	1,822.39	283.78	111.8	70.1	54.6	11.5

Source: Tana River County Treasury

Analysis of budget performance by department shows that, the Department of Environment and Natural Resources attained the highest absorption rate of development budget at 237.6 per cent while the County Assembly, the Office of the Governor, the Department of Finance and Economic Planning, the Department of Gender, Culture and Social Services, and the Department of Education, Vocational Training and Sports did not incur any development expenditure. The Office of the Governor had the highest percentage of recurrent expenditure to its recurrent budget at 78.6 per cent while the Department of Water, Environment and Natural Resources had the lowest at 21.5 per cent.

3.40.9 Key Observations and Recommendations

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

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

Despite the above progress, the following 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 in the appointment of Chief Officers for spending units, which may derail budget implementation and effective delivery of services.

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

2. *Chief Officers for the spending units should be fast tracked in order to avoid delays in budget execution.*

3.41 Tharaka Nithi County

3.41.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.4.63 billion, comprising of Kshs.3.04 billion (65.6 per cent) and Kshs.1.6 billion (34.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expect to receive Kshs.3.68 billion (79.5 per cent) as equitable share of revenue raised nationally, Kshs.480.37 million (10.4 per cent) as total conditional grants, generate Kshs.179.92 million (3.9 per cent) from own revenue sources, and Kshs.287.55 million (6.2 per cent) cash balance brought forward from FY 2016/17.

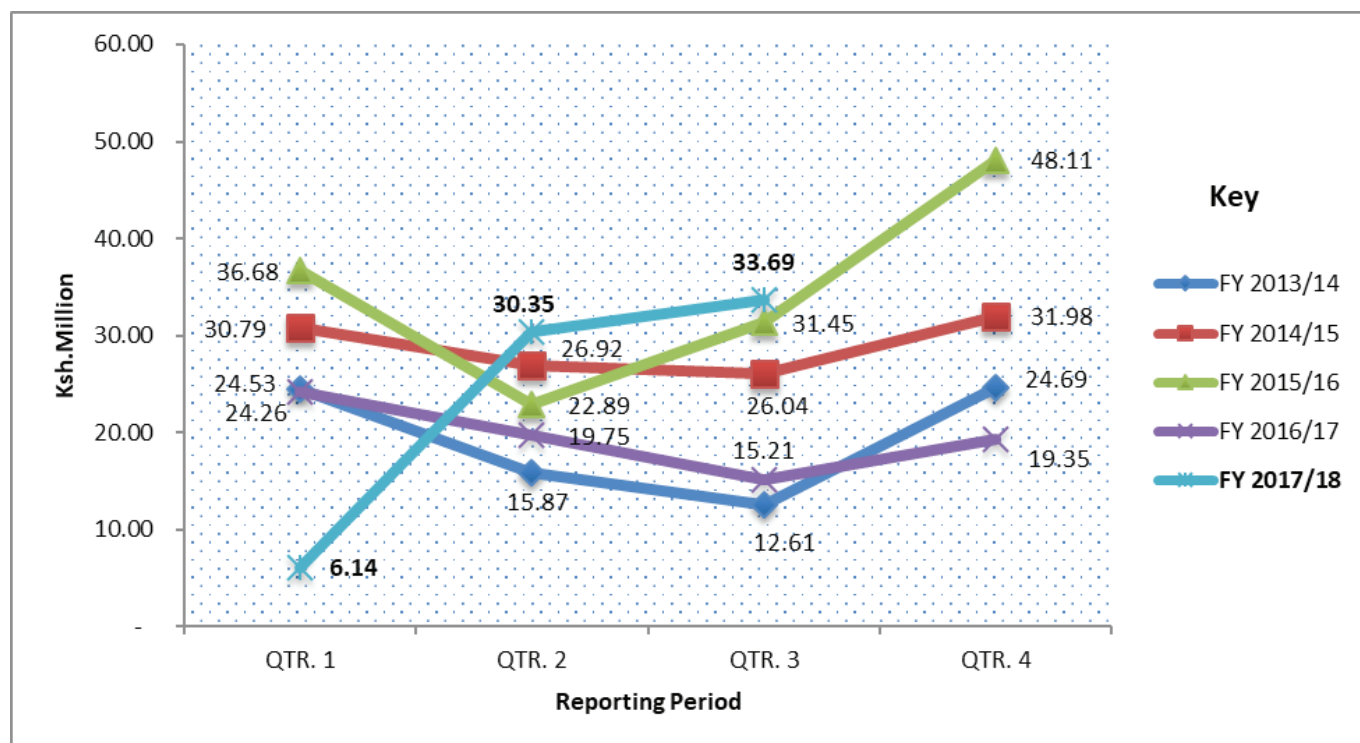
The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (19.2 per cent) for Leasing of Medical Equipment, Kshs.133.68 million (26.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.22 million (1.7 per cent) as compensation for User Fee Foregone, Kshs.9.06 million (1.8 per cent) from DANIDA, Kshs.18.77 million (3.8 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.38.12 (7.7 per cent) for Development of Youth Polytechnic, Kshs.35.99 million (7.2 per cent) for the World Bank Kenya Devolution Support Program, Kshs.22 million (4.4 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.121 million (24.3 per cent) for Construction of County Headquarters, and Kshs.14.98 million (3 per cent) as Other Loan and Grants.

3.41.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.19 billion as equitable share of revenue raised nationally, Kshs.142.74 million as total conditional grants, raised Kshs.70.18 million from own source revenues, and had a cash balance of Kshs.287.55 million from FY 2016/17. The total available funds amounted to Kshs.2.71 billion.

Figure 3-121 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-121: Tharaka Nithi County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Tharaka Nithi County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.70.18 million, representing an increase of 18.5 per cent compared to Kshs.59.22 million generated in a similar period of FY 2016/17, and represented 39 per cent of the annual own source revenue target.

3.41.3 Conditional Grants

Table 3-114 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-114: Tharaka Nithi County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants or Loan Details	Annual CARA, 2017 Allocation in Kshs)	Annual Budget Allocation in Kshs)	Actual receipts in First Nine Months 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	133,682,063	133,682,063	62,346,143	47
2	World Bank loan to supplement financing of County Health facilities	18,767,500	28,767,500	-	-
3	Kenya Devolution Support Programme (KDSP)	35,989,349	59,889,349	12,475,095	35
4	Compensation for User Fee Foregone	8,218,119	8,218,119	4,209,598.50	51.2
5	DANIDA Grant	9,058,820	9,053,820	9,058,820	100
6	Conditional Allocation other loans grants	14,982,351	14,982,351	-	-
7	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
8	Development of Youth Polytechnics	38,121,638	38,121,638	-	-
9	World Bank Loan for Transforming Health System for Universal Care System	22,000,000	66,650,000	54,654,343	248.4
10	Leasing of Medical Equipment	95,744,681	-	-	-

S/No	Grants or Loan Details	Annual CARA, 2017 Allocation in Kshs)	Annual Budget Allocation in Kshs)	Actual receipts in First Nine Months of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained in the CARA, 2017				
Grand Total		497,564,521	480,369,840	142,744,000	29

Source: Tharaka Nithi County Treasury

Analysis of the conditional grants released during the period under review indicates that, the World Bank loan for Transforming Health System for Universal Care System recorded the highest receipt at 248 per cent of annual allocation (the receipt included balances of FY 2016/17), followed by DANIDA grant, Compensation for User Fee Foregone, the Road Maintenance Fuel Levy Fund and the Kenya Devolution Support Programme (KSDP) which recorded 100 per cent, 51.2 per cent, 47 per cent and 35 per cent of annual target respectively.

3.41.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.2.36 billion from the CRF account, which was 48.8 per cent of the Approved Supplementary Budget. This amount represented a decline of 8.2 per cent from Kshs.2.57 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.09 billion (88.6 per cent) for recurrent expenditure and Kshs.267.85 million (11.4 per cent) for development activities.

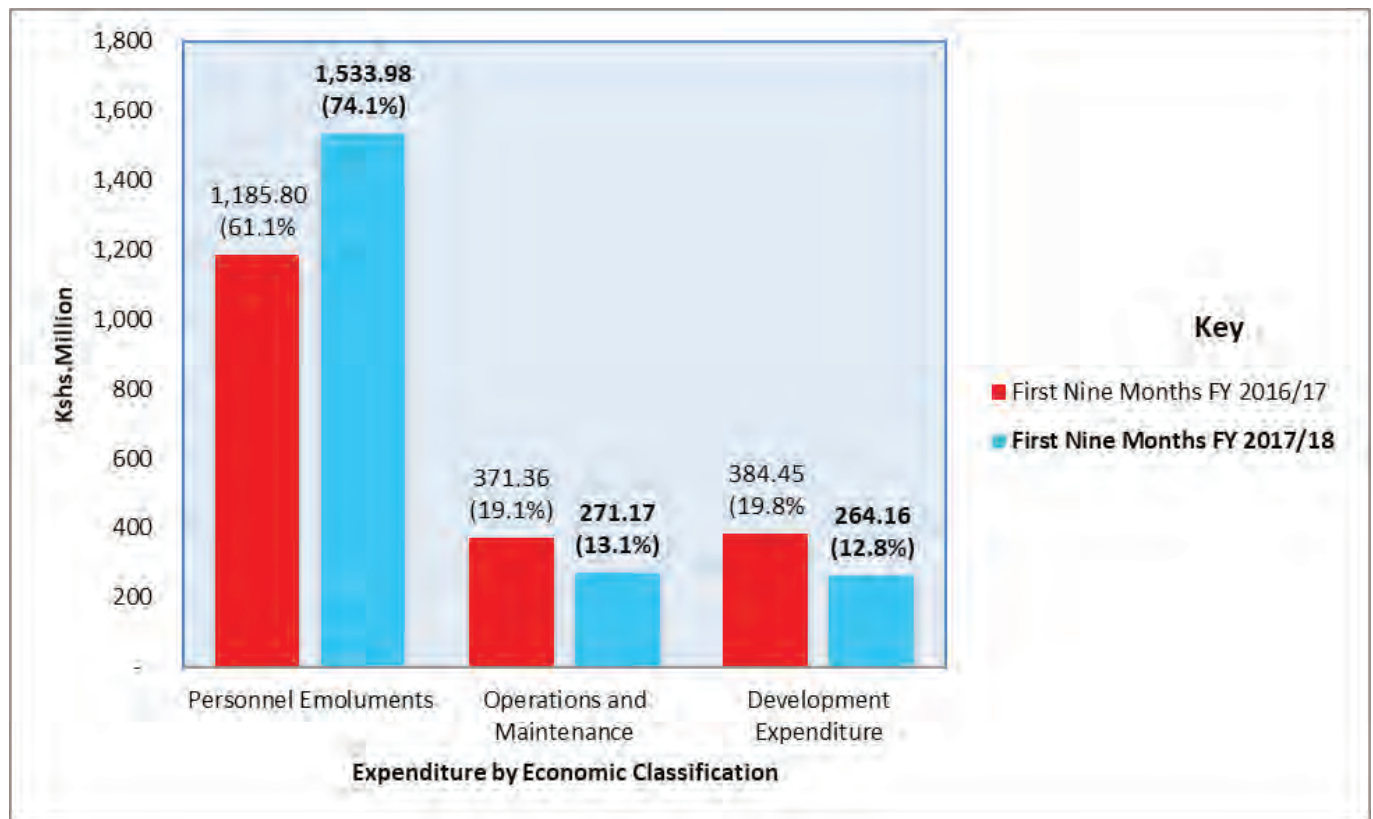
3.41.5 Overall Expenditure Review

The County spent Kshs.2.07 billion, which was 87.7 per cent of the total funds released for operations. This was an increase of 6.7 per cent from Kshs.1.94 billion incurred in a similar period of FY 2016/17.

A total of Kshs.1.81 billion was spent on recurrent activities while Kshs.264.16 million was spent on development activities. The recurrent expenditure was 86.6 per cent of the funds released for recurrent activities, while development expenditure was 98.6 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.43.15 million for development activities and Kshs.28.5 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 59.5 per cent of the annual recurrent budget, an increase from 58 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 16.5 per cent, which was a decrease from 30 per cent attained in the first nine months of FY 2016/17. Figure 3-122 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-122: Tharaka Nithi County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



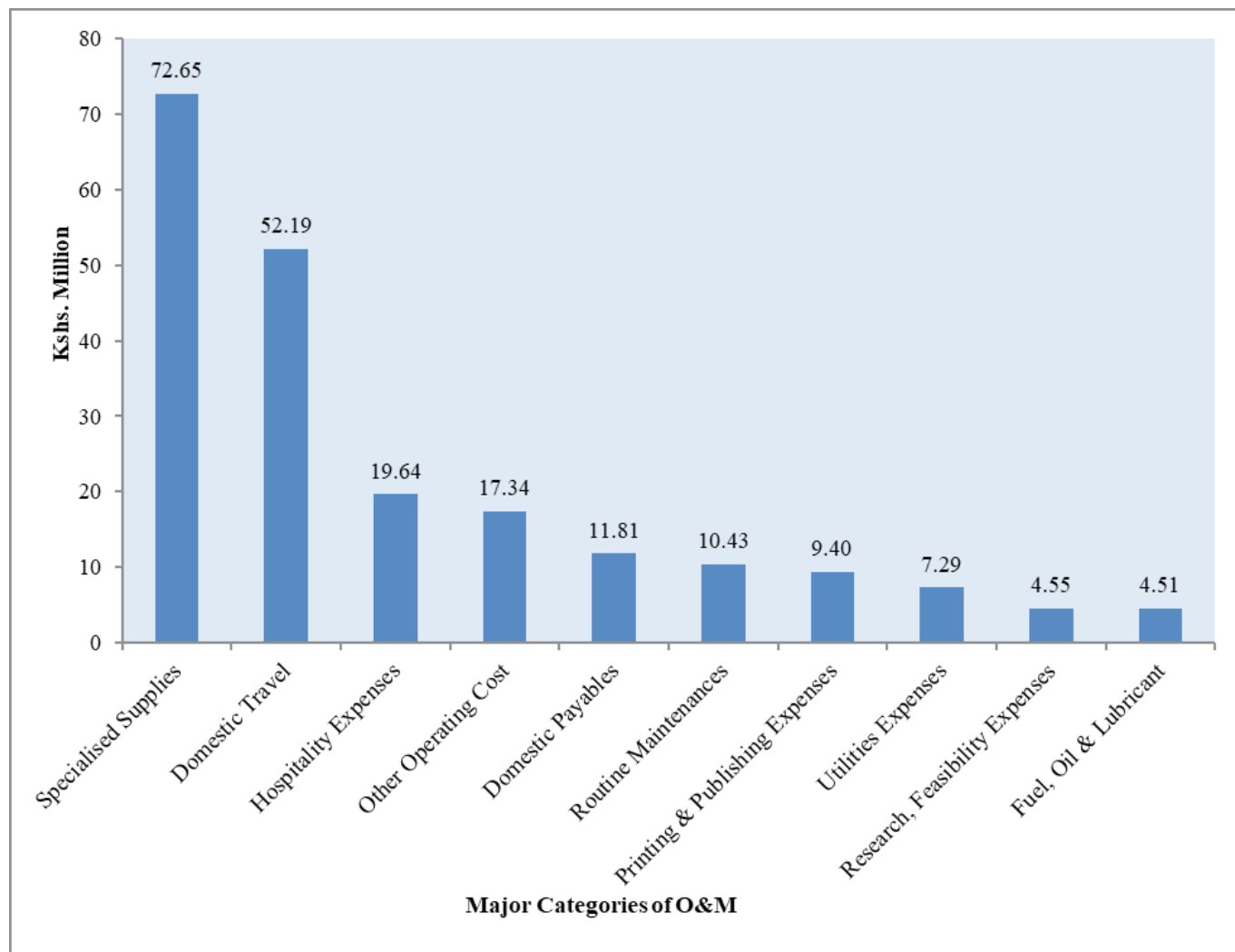
Source: Tharaka Nithi County Treasury

3.41.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.81 billion comprised of Kshs.1.53 billion (85 per cent) incurred on personnel emoluments and Kshs.271.67 million (15 per cent) on operations and maintenance as shown in Figure 3-122.

Expenditure on personnel emoluments represented an increase of 29.4 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.18 billion, and was 74.1 per cent of total recurrent expenditure. Figure 3-123 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-123: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Tharaka Nithi County Treasury

The County incurred Kshs.3.66 million on committee sitting allowances to the 20 MCAs and Speaker against the annual budget allocation of Kshs.15.95 million. This was a decline of 75.2 per cent compared to Kshs.14.76 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.19,339 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.52.19 million and comprised of Kshs.30.21 million spent by the County Assembly and Kshs.21.97 million by the County Executive. This represented 33.6 per cent of total recurrent expenditure and was a decrease of 36.8 per cent compared to Kshs.96.26 million spent in the first nine months of FY 2016/17.

3.41.7 Development Expenditure Analysis

The total development expenditure of Kshs.264.16 million represented 16.5 per cent of the annual development budget of Kshs.1.6 billion. Table 3-115 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-115: Tharaka Nithi County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	First Nine Months Project Expenditure (Kshs.)	Absorption rate (%)
1	Rehabilitation of Boreholes (15 Boreholes)	Headquarters	105,500,000	63,471,883	60
2	Electrification of Rungu/Khangacini	Tharaka	27,800,000	27,800,000	100
3	Purchase of Graders	Headquarters	20,000,000	19,915,548	100
4	Farms Inputs	County wide	22,500,000	17,852,025	79
5	Nguruki –Kieni-Karuini-Muragara-Kaare Roads	Mwimbi	19,576,840	16,759,680	86
6	Katharaka-Mukui-Mumbui Roads	Ganga	16,762,100	15,611,164	93
7	Kibugua-Magenka-Ituguru Roads (15kms)	Magumoni	14,921,499	13,141,988	88
8	Construction of Executive Block (Offices)	Headquarters	28,000,000	11,707,744	42
9	Junction/Kabuuni/Materi Girls –Mutonga Bridge-Kaare Roads(7.3kms)	Chiakariga	10,938,980	11,574,248	106
10	Baragu-Mwiria-Kirumi Roads	Mwimbi	10,401,704	10,155,568	98

Source: Tharaka Nithi County Treasury

3.41.8 Budget and Budget Performance Analysis by Department

Table 3-116 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-116: Tharaka Nithi County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	384.90	100	183.59	-	156.74	-	85.4	-	40.7	-
County Executive	174.19	-	110.88	-	105.55	-	95.2	-	60.6	-
Finance and Economic Planning	466.43	79.4	277.55	-	135.29	5.62	48.7	-	29	7.1
Agriculture	261.62	107.83	209.69	9.05	156.56	21.85	74.7	241.4	59.8	20.3
Environment and Natural Resources	28.81	59	7.35	33.56	23.06	7.13	313.8	21.2	80.1	12.1
Education, Vocational Training and Social Services	196.84	106.05	138.90	9.15	81.13	3.37	58.4	36.8	41.2	3.2
Medical Services	1,091.55	106.75	927.64	-	999.01	-	107.1	-	91.5	-
Lands, Physical Planning and Urban Development	30.10	48.25	22.95	-	10.21	-	44.5	-	33.4	-
Transport, Infrastructure and Public Works	56.03	508.60	34.40	128.36	15.39	134.92	44.7	105.1	27.5	26.5
Administration and Public Services	150.64	-	105.16	-	94.13	-	89.5	-	62.5	-
Trade, Industry and Cooperatives	54.73	143	27.6	-	11.25	-	40.8	-	20.6	-
Water services and Irrigation	19.43	232.4	2.5	63.01	2.98	63.47	119.2	100.7	15.3	27.3
County Public services Board	22.4	-	15.5	-	6.56	-	42.3	-	29.3	-

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Livestock, Veterinary and Fisheries Development	13.16	-	-	-	0.21	-	-	-	1.6	-
Public Health and Sanitation	22.91	-	10	-	0.18	-	18	-	0.8	-
Energy and ICT	47.86	104.9	13.85	24.71	6.88	27.80	49.7	112.5	14.4	26.5
Youth, Culture, Sports and Tourism	14.47	-	-	-	0.05	-	-	-	0.01	-
TOTAL	3,036.06	1,596.18	2,087.54	267.85	1,805.15	264.16	86.6	98.6	59.5	16.5

Source: Tharaka Nithi County Treasury

Analysis of budget performance by department shows that, the Department of Water Services and Irrigation attained the highest absorption of development budget at 27.3 per cent, followed by the Departments of Transport, Infrastructure and Public Works, and Energy and ICT which attained an absorption rate at 26.5 per cent. The Department of Medical Services had the highest percentage of recurrent expenditure to its recurrent budget at 91.5 per cent while the Department of Youth, Culture, Sport and Tourism had the lowest at 0.01 per cent.

3.41.9 Key Observations and Recommendation.

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

- i. Improvement in the use of IFMIS in processing financial transaction.

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. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 16.5 per cent compared to 30 per cent in a similar period in FY 2016/17.
3. The County has not constituted the County Budget and Economic Forum as per the requirement of Section 137 of the PFM Act, 2012 for consultation in the budget process.

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

1. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
2. *The County should formulate strategies to enhance absorption of development funds.*
3. *The County should establish the CBEF for consultation in the county budget and economic process in line with Section 137 of the PFM Act, 2012.*

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 (64.8 per cent) and Kshs.2.39 billion (35.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.65 billion (83.1 per cent) as equitable share of revenue raised nationally, Kshs.575.73 million (7.5 per cent) as total conditional grants, generate Kshs.600 million (8.8 per cent) from own revenue sources, and Kshs.36.89 million (0.5 per cent) cash balance from FY 2016/17.

Conditional grants contained in the CARA, 2017 comprise of Kshs.217.28 million (39.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.21.30 million (3.9 per cent) as Compensation for User Fee Foregone, Kshs.22.82 million (4.1 per cent) from DANIDA, Kshs.43.39 million (7.9 per cent) for the World Bank Kenya Devolution Support Program, Kshs.39.11 million (7.1 per cent) for Development of Youth Polytechnic, Kshs.113.92 million (20.7 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (9.1 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, and Kshs.43.70 million (7.8 per cent) as Other Loans and Grants.

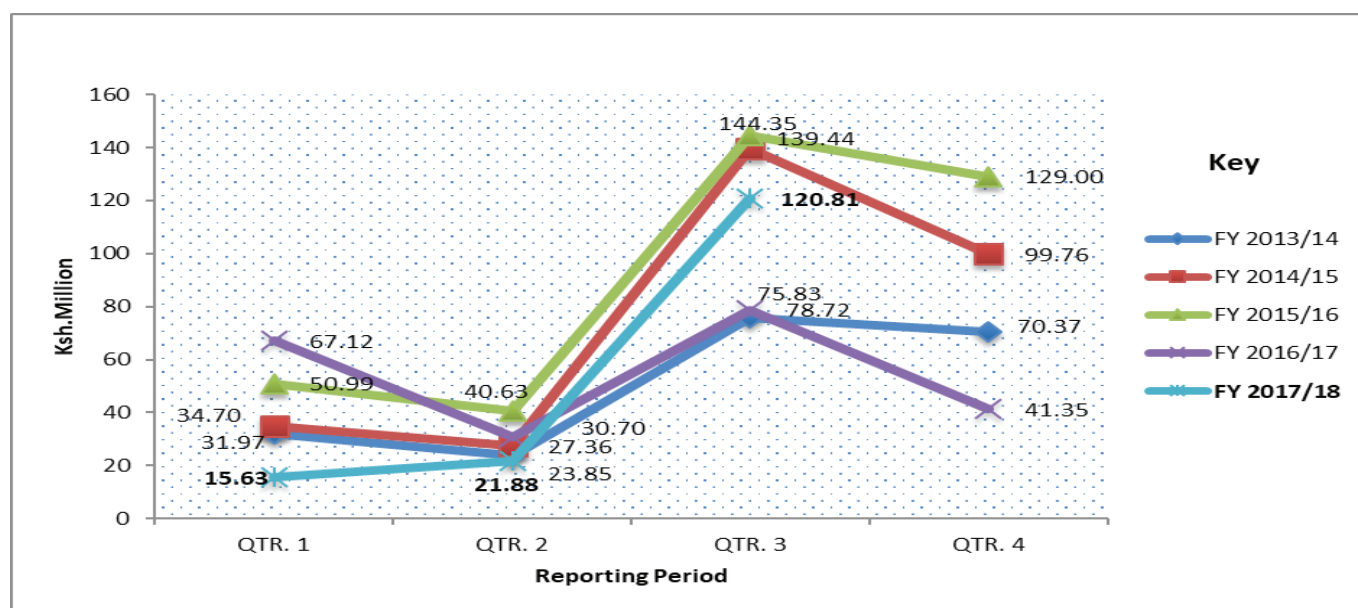
The county budgeted to receive Kshs.67.91 million for Free Maternal Healthcare, although this is not contained in CARA, 2017.

3.42.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.3.94 billion as equitable share of the revenue raised nationally, Kshs.191.32 million as total conditional allocations, raised Kshs.158.13 million from own sources of revenue, and had Kshs.36.89 million cash balance brought forward from FY 2016/17. The total available funds amounted to Kshs.4.3 billion.

Figure 3-124 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to first nine months of FY 2017/18.

Figure 3-124: Trans-Nzoia County, Trend in Own-Source Revenue Collection by Quarter from first Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Trans-Nzoia County Treasury

The total local revenue collected in the first nine months of FY 2017/18 amounted to Kshs.158.13 million, representing a decline of 10.4 per cent compared to Kshs.176.55 million generated in a similar period FY 2016/17, and represented 26.3 per cent of the annual local revenue target.

3.42.3 Conditional Grants

Table 3-117 shows an analysis of conditional grants released in the first nine months of FY 2017/18.

Table 3-117: Trans-Nzoia County Analysis of Conditional Grants Released in First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (Kshs.)	Annual Budget Allocation (Kshs.)	Actual receipts in First Nine Months of FY 2017/18 (Kshs.)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained in CARA, 2017				
1	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101.2
2	Kenya Devolution Support Programme	43,386,482	43,386,482	14,545,635	34
3	DANIDA Grant	22,821,679	14,723,664	14,723,664	64.5
4	Compensation for User Fee Foregone	21,304,915	21,304,915	10,104,577	47.4
5	Road Maintenance Fuel Levy Fund	217,278,809	217,278,809	101,333,683	46.6
6	Bank Loan for Transforming Health System for Universal Care System	113,923,776	78,322,596	35,601,180	31
7	Other Loans & Grants	43,699,195	43,699,195	-	-
8	Development of Youth Polytechnics	39,109,877	39,109,877	-	-
Sub Total		551,524,733	507,825,538	191,317,414	44
B	Other Grants Not Contained in CARA, 2017				
9	Free Maternal Healthcare	-	67,908,400	-	-
Sub Total		-	67,908,400	-	-
Grand Total		551,524,733	575,733,938	191,317,414	44

Source: Trans-Nzoia County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from the World Bank Loan for National Agricultural and Rural Inclusive Project, DANIDA, Compensation for User Fee Foregone, Road Maintenance Fuel Levy Fund, the Road Maintenance Fuel Levy Fund, Kenya Devolution Support Programme, and World Bank Loan for Transforming Health System for universal Care System. The receipts accounted for 101.2 per cent, 64.5 per cent, 47.4 per cent, 46.6 per cent 34 per cent and 31.3 per cent of annual allocation respectively.

3.42.4 Exchequer Issues

During the period, the Controller of Budget authorized withdrawal of Kshs.3.59 billion from the CRF account, which was 52.6 per cent of the Approved Budget. This amount represented a decline of 15 per cent from Kshs.4.22 billion authorized in a similar period FY 2016/17 and consisted of Kshs.3.13 billion (87.2 per cent) for recurrent expenditure and Kshs.459.06 million (12.8 per cent) for development activities.

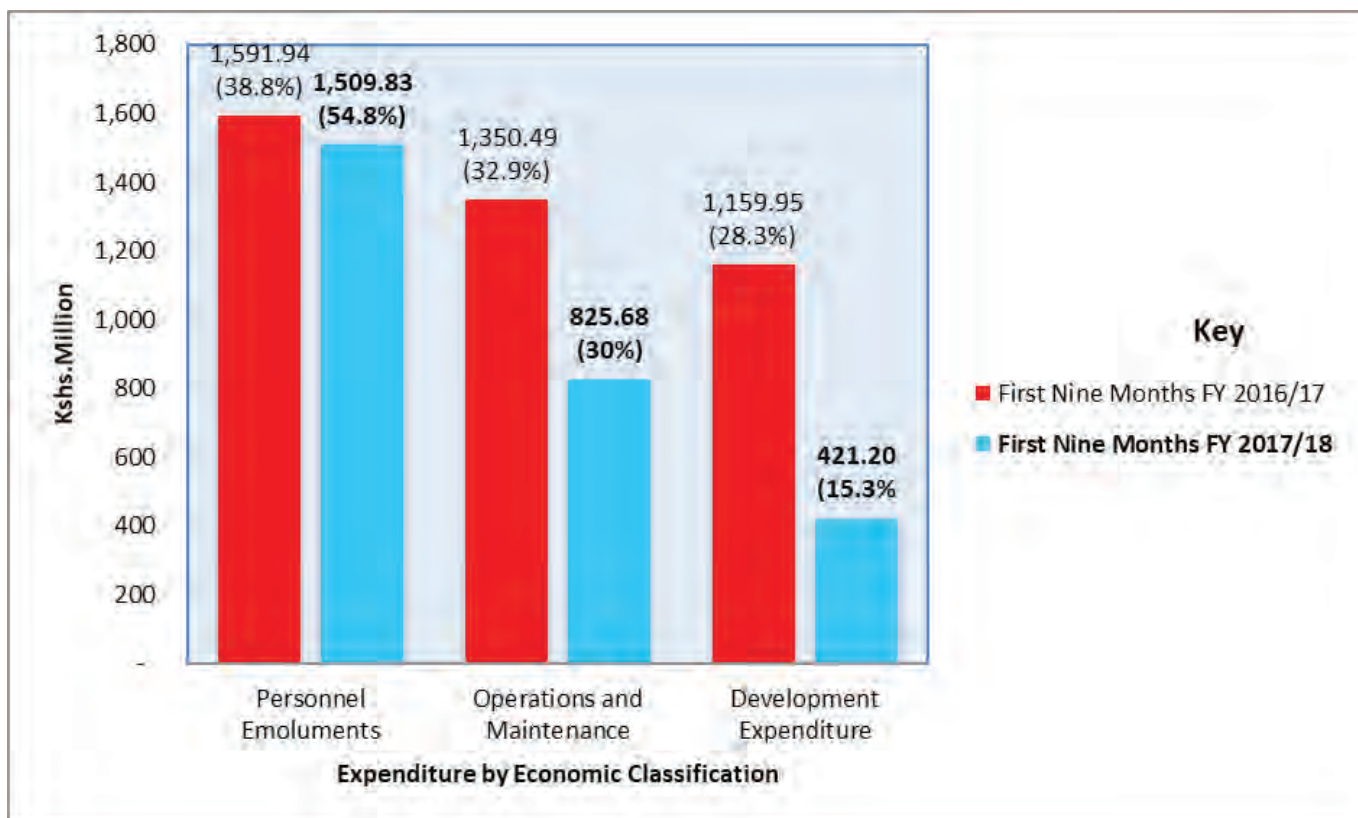
3.42.5 Overall Expenditure Review

The County incurred Kshs.2.76 billion, which was 76.8 per cent of the total funds released for operations. This was a decrease of 32.7 per cent from Kshs.4.10 billion incurred in the first nine months of FY 2016/17.

A total of Kshs.2.34 billion was spent on recurrent activities and represented 74.6 per cent of the funds released for recurrent activities, while Kshs.421.20 million was incurred on development activities and represented 91.8 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2018 that amounted to Kshs.28.20 million for recurrent expenditure.

The recurrent expenditure represented 52.7 per cent of the annual recurrent budget, a decrease from 69.7 per cent spent in a similar period FY 2016/17. Development expenditure recorded an absorption rate of 17.6 per cent, which was a decrease from 43.8 per cent attained in the first nine months of FY 2016/17. Figure 3-125 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and first nine months of FY 2017/18.

Figure 3-125: Trans-Nzoia County, Expenditure by Economic Classification in the First Nine Months FY 2016/17 and First Nine Months of FY 2017/18



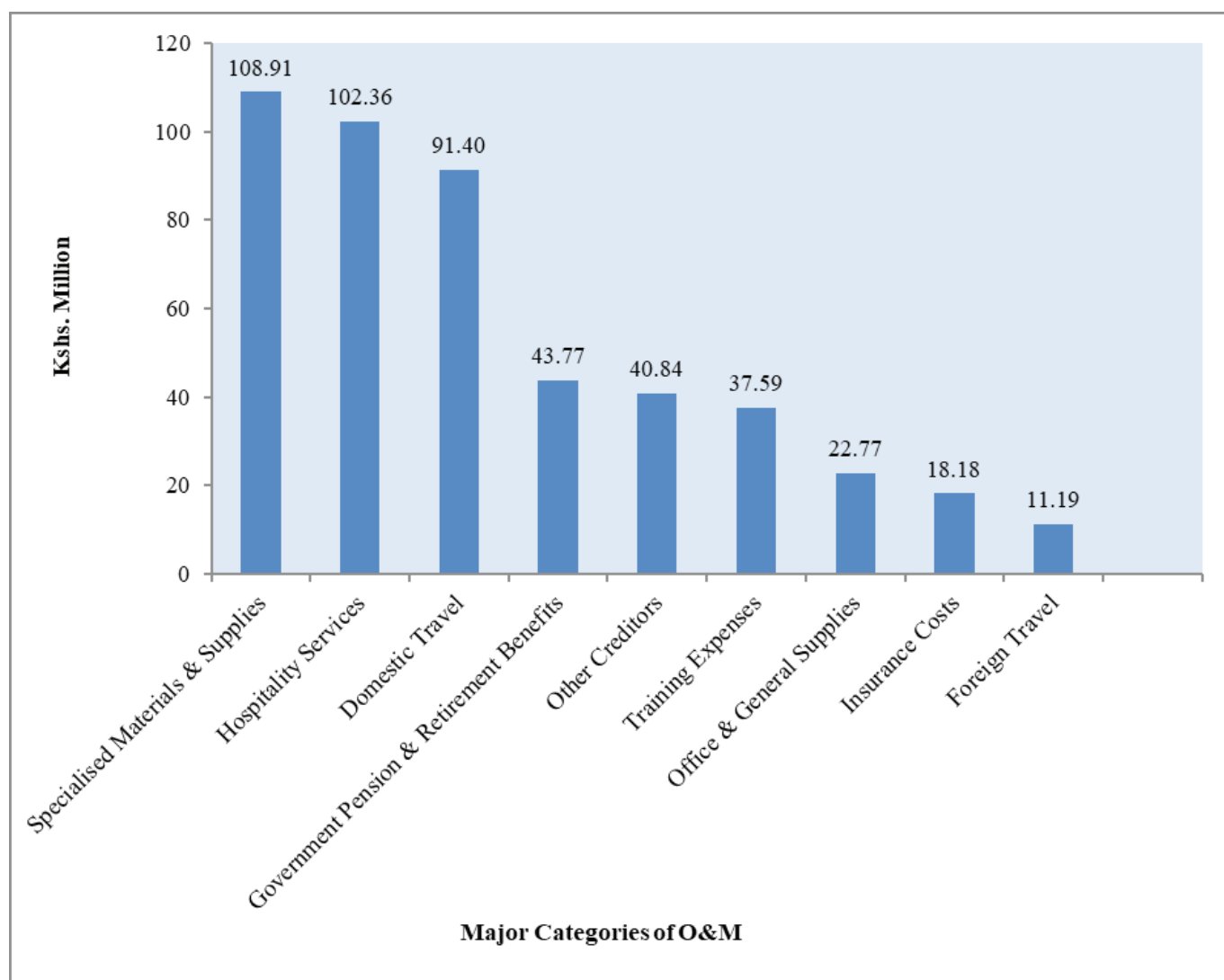
Source: Trans-Nzoia County Treasury

3.42.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.34 billion consisted of Kshs.1.51 billion (64.6 per cent) spent on personnel emoluments and Kshs.825.68 million (35.4 per cent) on operations and maintenance as shown in Figure 3-125.

Expenditure on personnel emoluments represented a decrease of 20.4 per cent compared to first nine months of FY 2016/17 when the County spent Kshs.1.59 billion. This expenditure was 54.8 per cent of overall total expenditure in the first nine months of FY 2017/18 and 64.6 per cent of total recurrent expenditure. Figure 3-126 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-126: Trans-Nzoia County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2017/18



Source: Trans-Nzoia County Treasury

The County spent Kshs.7.29 million on sitting allowances to the 40 MCAs and the Speaker against the annual budget allocation of Kshs.69.30 million. This was a decrease compared to Kshs.49.05 million spent in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.20,247 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.102.59 million and consisted of Kshs.66.89 million spent by the County Assembly and Kshs.35.7 million by the County Executive. It represented 4.4 per cent of total recurrent expenditure and was a decrease of 61.3 per cent compared to Kshs.265.01 million spent in the first nine months of FY 2016/17.

3.42.7 Development Expenditure Analysis

The total development expenditure of Kshs.421.20 million represented 17.6 per cent of the annual development budget of Kshs.2.39 billion. Table 3-118 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-118: Trans Nzoia County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Annual project budget (Kshs.)	Q3 project expenditure (Kshs.)	Absorption rate (%)
1	Supply of Polytechnics Materials and Equipments	Countywide	25,000,000	20,155,856	80.6
2	Routine road maintenance	Countywide	217,278,809	133,478,487	61.4
3	Construction of Dispensaries	Countywide	24,000,000	14,048,092	58.5
4	Levelling of Sport Fields	Countywide	25,000,000	10,020,904	40.1
5	Construction of County Referral Hospital	Matisi	250,000,000	81,372,214	32.5
6	Pipeline Extension	Countywide	72,387,000	18,390,763	25.4
7	Rehabilitation of Weonia water dam	Sikhendu	25,000,000	5,857,866	23.4
8	Renovation of Kachibora Subcounty Hospital	Cherangany	25,000,000	4,934,399	19.7
9	Borehole Installation	Countywide	50,736,837	4,681,022	9.2

Source: Trans-Nzoia County Treasury

3.42.8 Budget and Budget Performance Analysis by Department .

Table 3-119 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2016/17

Table 3-119: Trans-Nzoia County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the first nine months of FY 2017/18 (Kshs. Million)		Expenditure in the first nine months of FY 2017/18 (Kshs. Million)		Expenditure to Exchequer Issues (%) First Nine Months of FY 2017/18		Absorption rate (%) First Nine Months of FY 2017/18	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Veterinary & Fisheries	275.69	202.12	195.22	22.44	125.91	17.68	64.5	78.8	45.7	8.7
Economic Planning, Commerce & Industry	51.7	109.5	36.15	3.84	18.56	4.91	51.3	127.9	35.9	4.5
Water, Environment & Natural Resources	72.57	289.88	54.08	72.52	26.30	84.83	48.6	117	36.2	29.3
Public Works, Transport & Infrastructure	288.16	614.48	226.75	208.8	52.63	152.55	23.2	73.1	18.3	24.8
Health Services	1,667.33	537	1,282.96	94.91	1,102	100.35	85.9	105.7	66.1	18.7
Lands, Housing & Physical Planning	82.95	86.5	60.9	-	16.77	-	27.5	-	20.2	-
Gender, Youth, Sports, Culture & Tourism	99.34	103	54.01	7.38	46.06	10.02	85.3	135.8	46.4	9.7
Education, ECDE & Vocational Training	357.29	244.01	175.29	37.73	211.91	36.43	120.9	96.6	59.3	14.9
Governance & Public Service Management	383.56	68	269.9	11.02	204.11	11.09	75.6	100.6	53.2	16.3
County Public Service Board	35	20	26.62	-	4.85	-	18.2	-	13.9	-
Finance	585.61	70	417.76	0.42	195.91	3.34	46.9	795.2	33.5	4.8
County Assembly	530.45	48.99	329.56	-	330.50	-	100.3	-	62.3	-
TOTAL	4,429.65	2,393.48	3,129.20	459.06	2,335.51	421.20	72.7	93.4	52.7	17.6

Source: Trans-Nzoia County Treasury

Analysis of budget performance by department shows that the Department of Water, Environment and Natural Resources had the highest absorption rate of development budget at 29.3 per cent while the Department of Lands, Housing and Physical Planning, the County Public Service Board and the County Assembly did

not incur any development expenditure. The Department of Health had the highest percentage of recurrent expenditure to recurrent budget at 66.1 per cent while the Department of County Public Service Board had the lowest at 13.9 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:

- i. Improved capacity of technical staff especially under the country treasury through training.
- ii. Reduction in travel expenditure by 61.3 per cent from Kshs.265.01 million in the first nine months of FY 2016/17 to Kshs.102.59 million in the reporting period.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Late submission of financial reports to the OCOB by the County Treasury, which affected timely preparation of the budget implementation review report contrary to Section 166 of the PFM Act, 2012.
3. Under-performance in own-sources of revenue collection, which declined by 10.4 per cent from Kshs.176.55 million in the first nine months of FY 2016/17 to Kshs.158.13 million in the reporting period.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance own-sources of revenue collection.*

3.43 Turkana County

3.43.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.12.15 billion, comprising of Kshs.7.76 billion (63.9 per cent) and Kshs.4.39 billion (36.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.07 billion (82.9 per cent) as equitable share of revenue raised nationally, Kshs.913.98 million (7.5 per cent) as total conditional grants, generate Kshs.200 million (1.6 per cent) from own source revenue, and Kshs.965 million (7.9 per cent) cash balance brought forward from FY 2016/17.

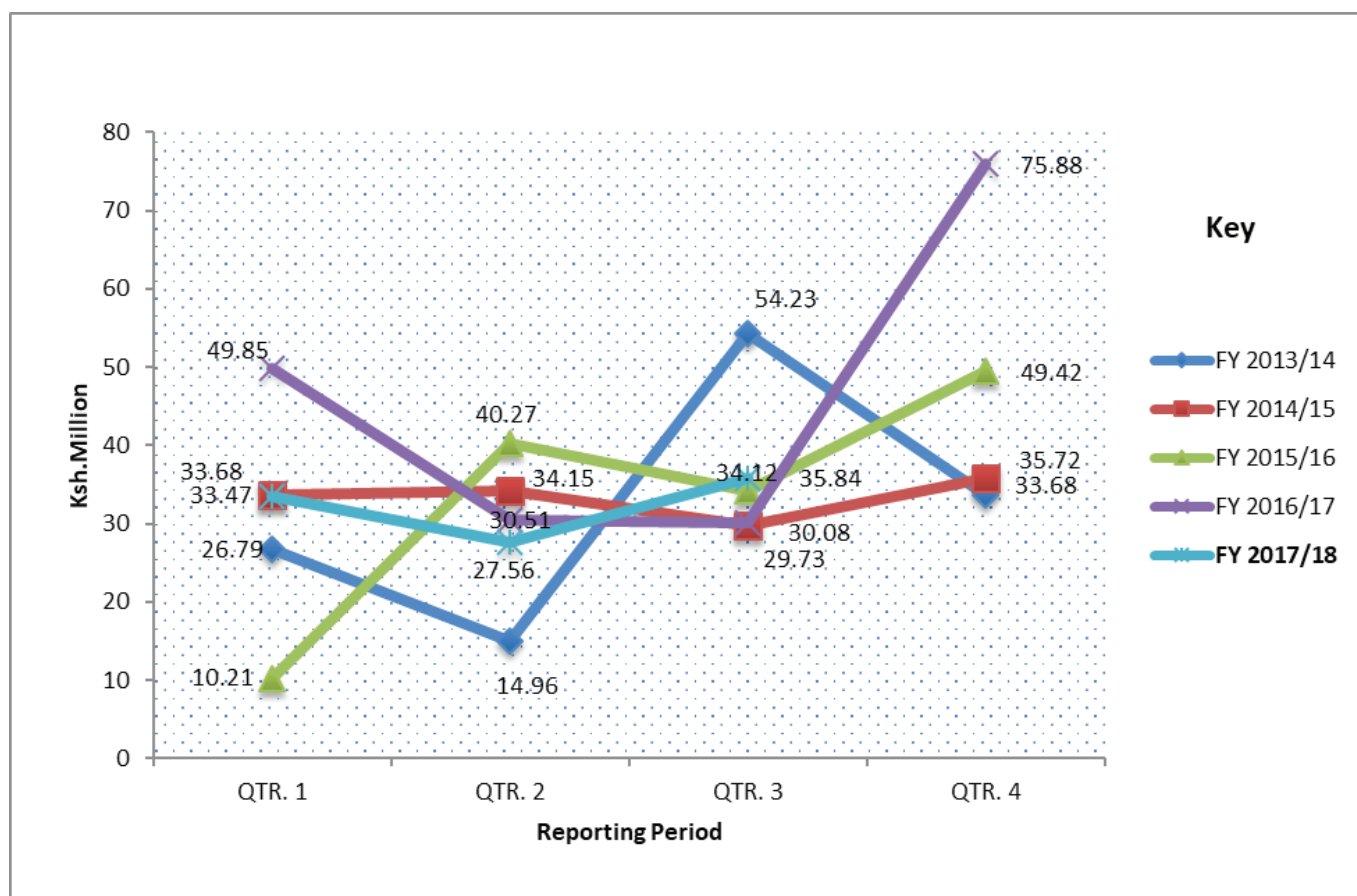
Conditional grants contained in the CARA, 2017 comprise of Kshs.446.48 million (47.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.25.63 million (2.7 per cent) as Compensation for User Fee Foregone, Kshs.30.26 million (3.2 per cent) from DANIDA, Kshs.24.2 million (2.6 per cent) as World Bank 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) as Leasing of Medical Equipment Union Grant, and Kshs.66.64 million (7.1 per cent) as Other Loans and Grants

3.43.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.5.26 billion as equitable share of revenue raised nationally, Kshs.437.09 million as total conditional grants, raised Kshs.96.87 million from own source revenue, and had a cash balance of Kshs.950 million from FY 2016/17. The total available funds amounted to Kshs.6.79 billion.

Figure 3-127 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-127: Turkana County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Turkana County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.96.87 million, representing a decline of 12.3 per cent compared to Kshs.110.44 million generated in a similar period of FY 2016/17, and represented 48.4 per cent of the annual own source revenue target.

3.43.3 Conditional Grants

Table 3-120 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-120: Turkana County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the 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	-	--	-
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	17,681,593	29
5	Compensation for User Fee Foregone	25,634,941	25,634,941	-	-
6	DANIDA Grant	30,255,192	52,930,548	43,316,552	143.2
7	Development of Youth Polytechnics	26,358,855	26,358,855	-	-
8	Other Loans & Grants	66,640,356	67,258,982	50,000,000	75
9	World Bank Loan for Transforming Health System for Universal Care Project	110,000,000	160,000,000	67,258,982	61.1
10	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	50,000,000	50,609,855	101.2
Total		936,429,293	913,978,594	437,094,374	47

Source: Turkana County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from DANIDA, World Bank Loan for National Agricultural & Rural Inclusive Project, Other Loans & Grants, World Bank Loan for Transforming Health System for Universal Care Project, Road Maintenance Fuel Levy Fund, and Kenya Devolution Support Programme (KDSP). The receipts accounted for 143.2 per cent, 101.1 per cent, 71.1 per cent, 61.1 per cent, 46.6 per cent and 29 per cent of annual allocation respectively.

3.43.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.5.73 billion from the CRF account, which was 47.1 per cent of the Approved Supplementary Budget. This amount represented a decline of 43.1 per cent from Kshs.10.07 billion approved in a similar period of FY 2016/17 and comprised of Kshs.4.34 billion (75.8 per cent) for recurrent expenditure and Kshs.1.39 billion (24.2 per cent) for development activities.

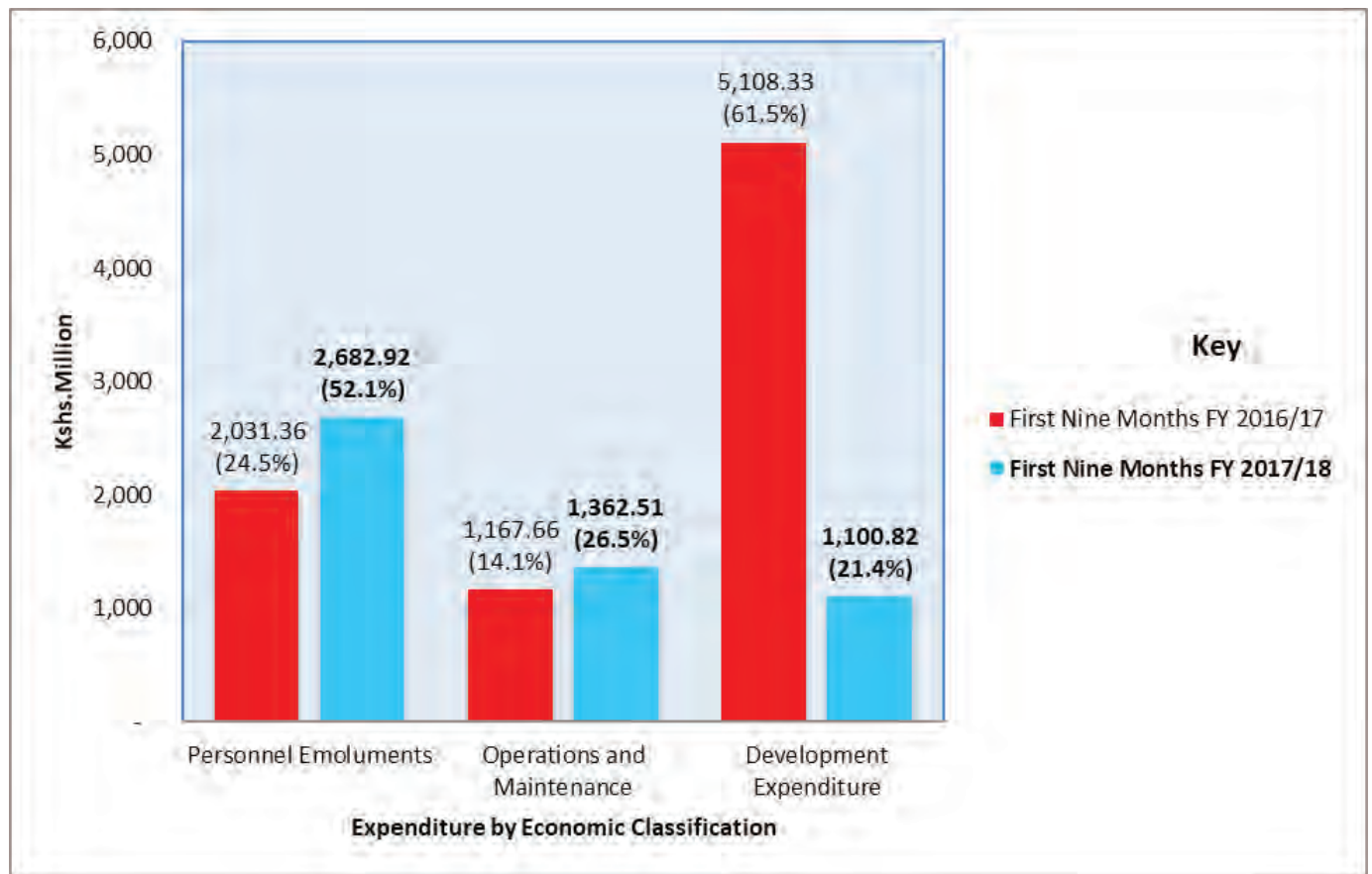
3.43.5 Overall Expenditure Review

The County incurred Kshs.5.15 billion, which was 89.9 per cent of the total funds released for operations. This was a decline of 38 per cent from Kshs.8.31 billion incurred in a similar period of FY 2016/17.

A total of Kshs.4.04 billion was spent on recurrent activities while Kshs.1.1 billion was spent on development activities. The recurrent expenditure was 93.2 per cent of the funds released for recurrent activities, while development expenditure was 79.4 per cent of funds released for development activities.

The recurrent expenditure represented 52.1 per cent of the annual recurrent budget, a decrease from 76 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 25.1 per cent, which was a decrease from 47.2 per cent attained in the first nine months of FY 2016/17. Figure 3-128 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-128: Turkana County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



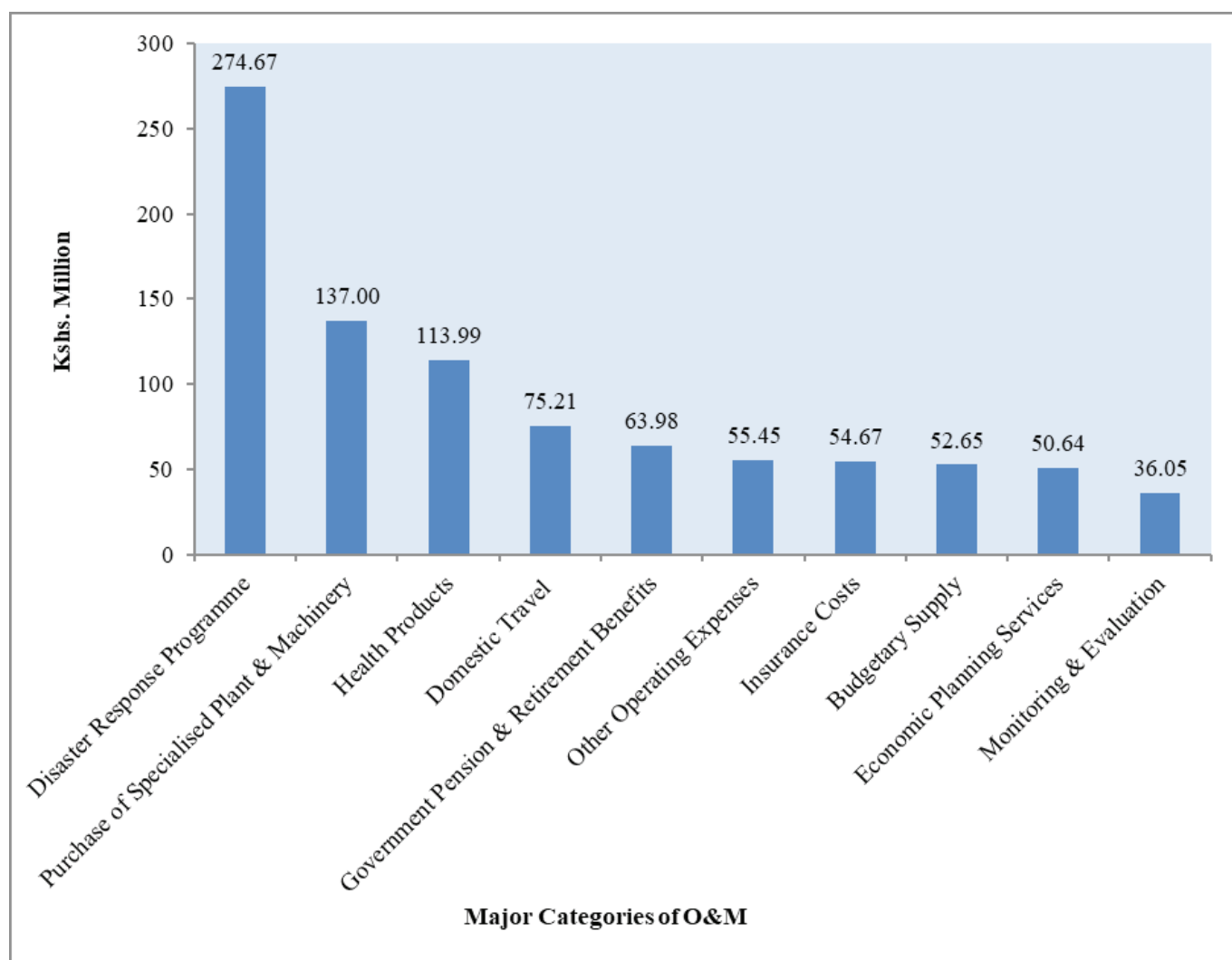
Source: Turkana County Treasury

3.43.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.04 billion comprised of Kshs.2.68 billion (66.3 per cent) incurred on personnel emoluments and Kshs.1.36 million (33.7 per cent) on operations and maintenance as shown in Figure 3-128.

Expenditure on personnel emoluments represented an increase of 29.6 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.2.03 billion, and was 52.1 per cent of total expenditure in the first nine months of FY 2017/18. Figure 3-129 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-129: Turkana County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Turkana County Treasury

The County incurred Kshs.35.97 million on committee sitting allowances to the 48 MCAs against the annual budget allocation of Kshs.38.44 million. This was an increase of 0.5 per cent compared to Kshs.35.77 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.83,255 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.81.44 million and comprised of Kshs.43.94 million spent by the County Assembly and Kshs.37.50 million by the County Executive. This represented 2 per cent of total recurrent expenditure, and was a decrease of 71.1 per cent compared to Kshs.281.5 million spent in the first nine months of FY 2016/17.

3.43.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.1 billion represented 25.1 per cent of the annual development budget of Kshs.4.39 billion. Table 3-121 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-121: Turkana County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	Q3 FY2017/18 Project Expenditure (Kshs.)
1	Payments for Construction of Water Supply Systems Commitments and Pending bills	County Wide	325,595,949	229,954,343
2	County Headquarters Offices	Lodwar	195,000,000	153,667,771
3	Maintenance of Rural Roads	County Wide	110,138,768	84,674,958
4	Upgrading to Bitumen standards roads-Ekaales centre Road	Ekaales	164,097,020	71,361,783
5	Spate Irrigation in 3 sites (Kalemngorok,Kobuin, Kibish)	Kalemngorok,Kobuin, Kibish	211,890,924	40,362,225
6	Completion of Ward Offices (Katilu, Lobei/Kotaruk, Kakuma, Nakalale, Kainuk, Kanamkemer)	Katilu, Lobei/Kotaruk, Kakuma, Nakalale, Kainuk, Kanamkemer	35,000,000	30,857,915
7	Renewable Energy Development (Stand Alone systems for Public Institutions and sites)	County Wide	26,543,509	27,247,135
8	Livestock Restocking	County Wide	20,000,000	26,000,000
9	Medical Equipment	County Wide	29,911,100	21,258,275

Source: Turkana County Treasury

3.43.8 Budget and Budget Performance Analysis by Department

Table 3-122 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-122: Turkana County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governance (Office of the Governor and Liaison)	412.20	-	191.00	-	223.93	-	117.2	-	54.3	-
Office of the Deputy Governor	21.14	-	14.92	288.01	5.56	-	37.3		26.3	-
Finance and Planning	310.03	446.57	191.98	377.61	230.19	195.61	119.9	51.8	74.2	43.8
Water Services, Environment and Mineral Resources	53.67	646.32	55.27	131.67	20.12	289.74	36.4	220	37.5	44.8
Health & Sanitation Services	1,146.52	266.43	604.19	65.57	220.76	75.55	36.5	115.2	19.3	28.4
Trade, Gender and Youth Affairs	104.33	256.41	40.22	43.00	51.67	43.44	128.5	101	49.5	16.9
Education, Sports and Social Protection	485.05	368.58	387.22	17.00	150.47	65.33	38.9	384	31	17.7
Public Services, Decentralized Administration & Disaster Management	3,741.64	55.00	2,001.08	283.87	2,465.91	43.49	123.2	15.3	65.1	79.1
Infrastructure, Transport and Public Works	43.95	1,181.72	32.07	81.03	18.54	186.42	57.8	230.1	42.2	15.8
Department of Agriculture Pastoral Economy and Fisheries	168.22	513.53	117.44	24.00	42.07	96.00	35.8	400	25	18.7
Tourism, Culture and Natural Resources	75.90	297	25.61	24.66	8.50	21.88	33.2	88.7	11.2	7.4

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Lands, Energy, Housing and Urban Areas Management	94.24	204.93	60.87	58.00	39.08	83.36	64.2	143.7	41.5	40.7
County Public Service Board	121.93	6.57	87.77	-	38.83	-	44.2	-	31.8	-
County Assembly	981.00	204.93	530	10.00	529.80	-	100	-	54	-
TOTAL	7,760	4,448	4,340	1,404	4,045	1,101	93.2	78.4	52.1	24.7

Source: Turkana County Treasury

Analysis of budget performance by department shows that, the department of Water Services, Environment, and Mineral Resources attained the highest absorption rate of development budget at 44.8 per cent while the Office of the Governor and Liaison, Office of the Deputy Governor, County Assembly, and County Public Service Board did not incur any development expenditure. The Department of Finance and Planning had the highest percentage of recurrent expenditure to recurrent budget at 74.2 per cent while the Department of Tourism, Culture and Natural Resources had the lowest at 11.2 per cent.

3.43.29 Key Observations and Recommendations

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

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

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

1. Late submission of financial reports by the County Treasury to the Office of the Controller of Budget, which affected timely preparation of the Budget Implementation Review Report, contrary to Section 166 of the PFM Act, 2012.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
3. Failure by Fund Administrators of the Bursary Fund, Emergency Fund, Car & Mortgage Fund and Youth and Women Development Programme (Grants) to submit expenditure returns to the Controller of Budget contrary to Section 168 of the PFM Act, 2012.
4. Under-performance in own revenue source collection which declined by 12.3 per cent from Kshs.110.44 million in the first nine months of FY 2017/18 to Kshs.96.87 million in the reporting period.
5. 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 ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
3. *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 formulate and implement strategies to enhance own-source revenue*

collection.

5. The County Treasury should liaise with IFMIS Directorate for support in application of IFMIS and E-procurement module.

3.44 Uasin Gishu County

3.44.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.8.06 billion, comprising of Kshs.5.02 billion (62.3 per cent) and Kshs.3.04 billion (37.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.71 billion (70.8 per cent) as equitable share of revenue raised nationally, Kshs.546.1.5 million (6.8 per cent) as total conditional grants, generate Kshs.850 million (10.5 per cent) from own revenue sources, and Kshs.958.25 million (11.9 per cent) cash balance brought forward from FY 2016/17.

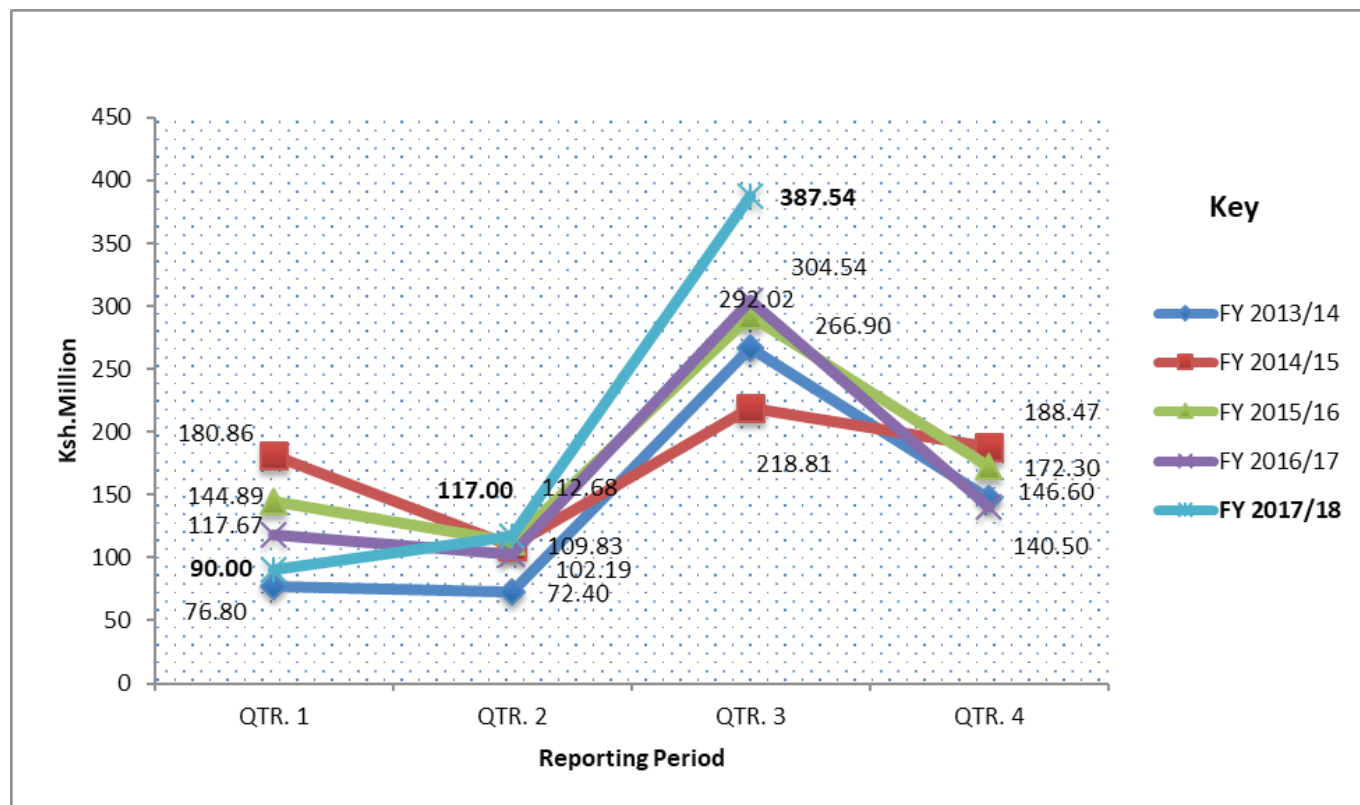
The conditional grants contained in the CARA, 2017 comprise of Kshs.221.17 million (40.5 per cent) for the Road Maintenance Fuel Levy Fund, Kshs.20.84 million (3.8 per cent) as Compensation for User Fee Foregone, Kshs.35.47 million (6.5 per cent) from Development of Youth Polytechnics, Kshs.81.89 million (15 per cent) from World Bank for Transforming Health System for Universal Care Project, Kshs.23.23 million (4.3 per cent) from DANIDA, Kshs.66 million (12.1 per cent) from EU Grants –IDAS, Kshs.43.65 (8.0 per cent) from Kenya Devolution Support Programme grant, Kshs.20 million (3.7 per cent) from Kenya Urban Support Programme and Kshs.33.83 million (6.2 per cent) as Other Loans and Grants.

3.44.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.95 billion as equitable share of revenue raised nationally, Kshs.14.56 million as total conditional grants, raised Kshs.593.55 million from own source revenue, and had a cash balance of Kshs.836.84 million from FY 2016/17. The total available funds amounted to Kshs.4.5 billion.

Figure 3-130 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-130: Uasin Gishu County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Uasin Gishu County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.593.55 million, representing an increase of 13.4 per cent compared to Kshs.524.40 million generated in a similar period of FY 2016/17, and represented 69.9 per cent of the annual own source revenue target.

3.44.3 Conditional Grants

Table 3-123 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-123: Uasin Gishu County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No.	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	221,167,426	221,167,426	103,147,241	32.7
2	World Bank loan for Transforming Health Systems for Universal Care Project	81,893,450	81,893,450	25,591,703	31.2
3	Kenya Devolution Support Programme (KDSP)	43,650,314	43,650,314	14,561,316	33
4	Compensation for User Fee Foregone	20,843,281	20,843,281	11,090,534	53.2
5	DANIDA grant	23,230,116	31,890,116	14,987,172	47
6	Conditional Allocation - Other Loans & Grants	33,834,647	33,834,647	-	-
7	World Bank loan for Development of Youth Polytechnics	35,472,610	35,472,610	-	-
8	EU grant	66,000,000	66,000,000	-	-
	Sub Total	526,091,844	629,464,418	14,561,316	3
B	Other Grants				

S/No.	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
9	Kenya Urban Support Programme	-	20,000,000	-	-
10	Free Maternity Healthcare		18,038,055		
	Sub Total	-	-	-	-
	Grand Total	526,091,844	667,502,473	14,561,316	3

Source: Uasin Gishu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received grants from the Road Maintenance Fuel Levy Fund, World Bank loan for Transforming Health Systems for Universal Care Project, Kenya Devolution Support Programme, Compensation for User Fees Foregone and DANIDA. The receipts accounted for 66.6 per cent, 53.2 per cent, 33 per cent, 32.7 per cent, and 31.2 per cent of annual allocation respectively.

3.44.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.3.59 billion from the CRF account, which was 44.6 per cent of the Approved Supplementary Budget. This amount represented a decline of 19.8 per cent from Kshs.4.48 billion approved in a similar period of FY 2016/17 and comprised of Kshs.3.35 billion (93.2 per cent) for recurrent expenditure and Kshs.242.71 million (6.8 per cent) for development activities.

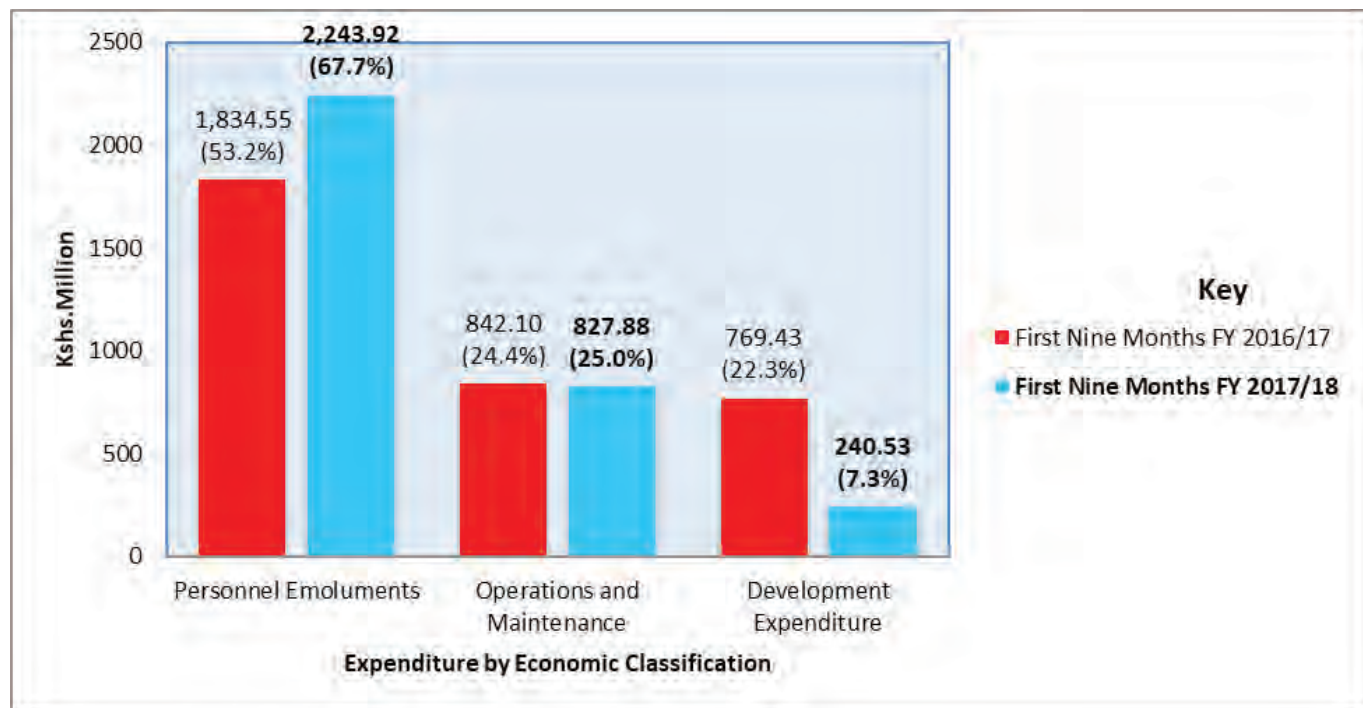
3.44.5 Overall Expenditure Review

The County spent Kshs.3.31 billion, which was 92.2 per cent of the total funds released for operations. This was a decline of 3.9 per cent from Kshs.3.45 billion incurred in a similar period of FY 2016/17.

A total of Kshs.3.07 billion was spent on recurrent activities while Kshs.240.53 million was spent on development activities. The recurrent expenditure was 91.7 per cent of the funds released for recurrent activities, while development expenditure was 99.1 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.66.26 million for development activities and Kshs.72.45 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 61.2 per cent of the annual recurrent budget, an increase from 53.1 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 7.9 per cent, which was a decrease from 28.8 per cent attained in the first nine months of FY 2016/17. Figure 3-131 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-131: Uasin Gishu County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



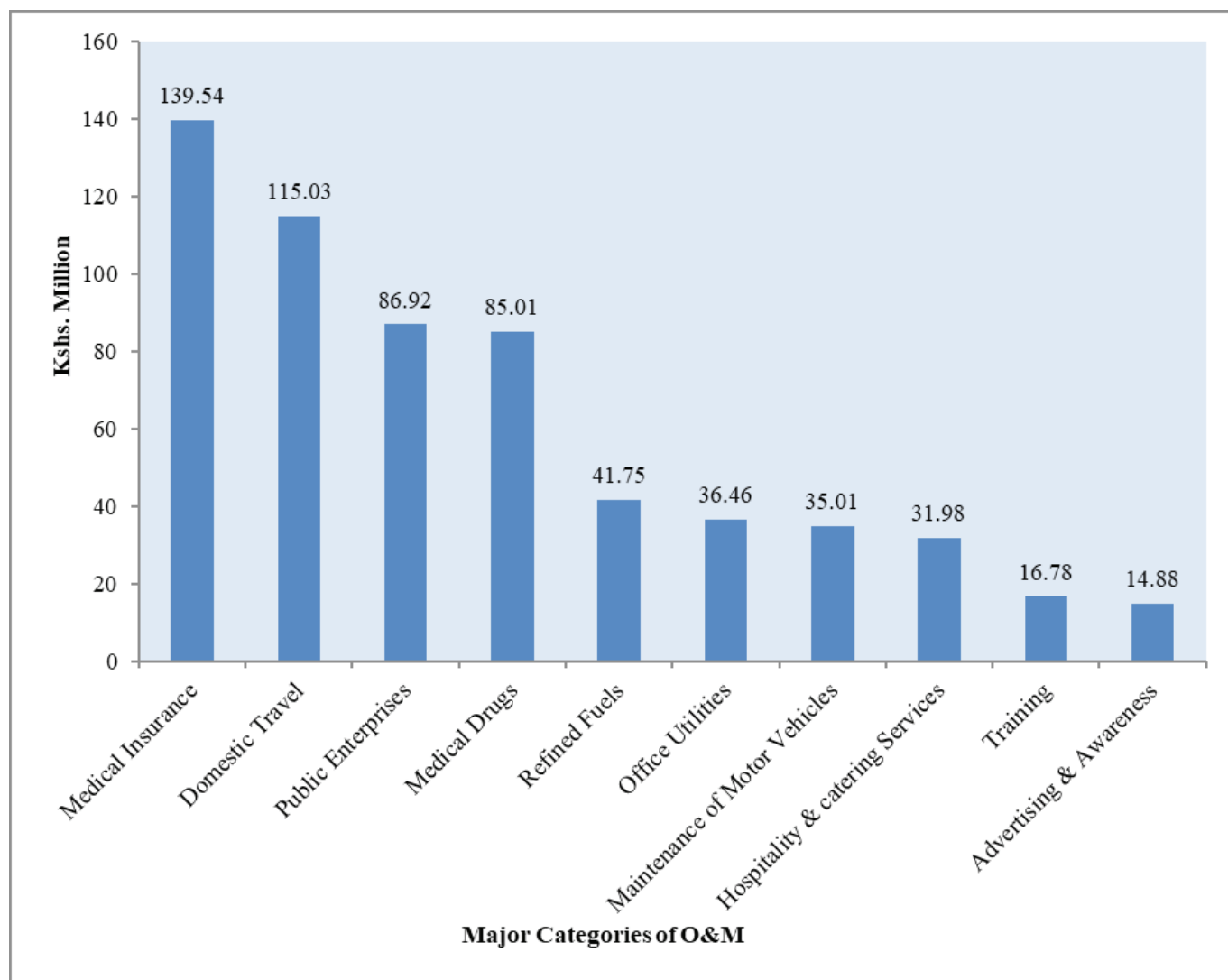
Source: Uasin Gishu County Treasury

3.44.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.07 billion comprised of Kshs.2.24 billion (67.7 per cent) incurred on personnel emoluments and Kshs.827.88 million (25 per cent) on operations and maintenance as shown in Figure 3-131.

Expenditure on personnel emoluments represented an increase of 22.4 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.83 billion, and was 67.7 per cent of total expenditure. Figure 3-132 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-132: Uasin Gishu County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Uasin Gishu County Treasury

The County incurred Kshs.8.57 million on committee sitting allowances to the 46 MCAs against the annual budget allocation of Kshs.30 million. This was a decline of 154.3 per cent compared to Kshs.33.37 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.20,704 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.115.03 million and comprised of Kshs.63.78 million spent by the County Assembly and Kshs.51.25 million by the County Executive. This represented 3.7 per cent of total recurrent expenditure and was a decrease of 22.8 per cent compared to Kshs.148.52 million spent in the first nine months of FY 2016/17.

3.44.7 Development Expenditure Analysis

The total development expenditure of Kshs.240.54 million represented 7.9 per cent of the annual development budget of Kshs.3.04 billion. Table 3-124 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-124: Uasin Gishu County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Annual project budget (Kshs.)	First nine months project expenditure (Kshs.)	Absorption rate (%)
1	Construction of Kileges Kongasis Bridge	Kaptagat Ward	18,118,513	8,580,326	47.4
2	Routine Maintenance and spot improvement of Mumetet –Kalyet Road	Segoit Ward	2,430,214	2,430,214	100
3	Construction of Kongnyalil (B) Bridge	Karuna Maibeki Ward	17,163,655	17,060,317	99.4
4	Construction of Besiobor Kosachei Bridge	Kapsagoi Ward	26,330,175	13,993,296.57	53.1
5	Construction of Chamalal –Kipkenyo Bridge	Kipkenyo Ward	21,310,940	5,989,776	28.1
6	Renovation of West Market	Kiplombe Ward	6,964,918	1,726,000	24.8
7	Fabrication of Modern Kiosks	County HQs –Eldoret Town	30,000,000	12,960,000	43.2
8	Construction of Modern Ablution blocks at Burnt Forest Market	Anabkoi/Olare	4,500,000	2,060,000	45.8
9	Upgrading of Schools Play Grounds	All Wards	15,000,000	4,000,000	26.7
10	Construction of Sesia Administration Block	Moiben Ward	4,100,000	1,530,000	97.6

Source: Uasin Gishu County Treasury

3.44.8 Budget and Budget Performance Analysis by Department

Table 3-125 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-125: Uasin Gishu County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	158.04	-	94.9	-	58.19	-	61.3	-	36.8	-
Finance	321.54	-	216.57	-	191.66	-	88.5	-	59.6	-
Economic Planning	97.21	-	45.69	-	18.98	-	41.5	-	19.5	-
Agriculture	249.97	187.43	165.99	8.99	169.63	9.97	102.2	110.9	67.9	5.3
Health Services	1,800.51	218.28	1,192.35	29.44	1,328	22.61	111.4	76.8	73.8	10.4
Water, Environment & Natural Resources	131.59	488.27	74.73	64.52	82.85	103.74	110.9	160.8	63.0	21.2
Trade, Tourism, Industry & Cooperatives Development	87.95	175.8	78.5	1.58	34.89	1.58	44.4	100.0	39.7	0.9
Roads & Public Works	336.7	724.42	275.76	123.1	246.44	84.16	89.4	68.4	73.2	11.6
Education, Social & Culture	386.7	116.16	241.7	-	169.72	0.3	70.2	-	43.9	0.3
Lands & Housing	38.65	279.3	36.98	7.21	23.24	7.21	62.8	100.0	60.1	2.6

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Service Management	401.12	22.45	294.1	-	284.97	-	96.9	-	71.0	-
ICT & E-Government	39.87	28.93	29.43	7.88	23.97	7.91	81.4	100.4	60.1	27.3
County Public Service Board	50.38	-	32.26	-	19.67	-	61.0	-	39.0	-
Public Administration & Coordination	184.74	69.9	143.48	-	42.66	-	29.7	-	23.1	-
Youth & Sports Development	112.26	184.85	51.81	-	6.34	3.06	12.2	-	5.6	1.7
County Assembly	568.75	50	374.1	-	370.38	-	99.0	-	65.1	-
Cooperatives and Enterprise Development	14.86	242.07	0.31	-	-	-	-	-	-	-
Physical Planning & Urban Development	30.25	58.26	0.31	-	-	-	-	-	-	-
Livestock Development & Fisheries	9.77	195.21	0.31	-	-	-	-	-	-	-
TOTAL	5,021	3,041	3,349	243	3,072	241	91.7	99.1	61.2	7.9

Source: Uasin Gishu County Treasury

Analysis of budget performance by department shows that, the Department of ICT & E-Government attained the highest absorption rate of development budget at 27.3 per cent. The Department of Health Services had the highest percentage of recurrent expenditure to its recurrent budget at 73.8 per cent, followed by the Department of Roads and Public works at 73.2 per cent.

3.44.9 Key Observations and Recommendations

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

- i. Approval of a supplementary budget which aligned the budgeted revenue to the CARA, 2017.
- ii. Automation of local revenue collection and building the capacity of enforcement officers to enhance revenue performance.
- iii. Timely submission of financial reports to the Office of the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012.

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

1. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 7.9 per cent compared to 28.8 per cent in similar period in FY 2016/17
2. Failure to establish an Internal Audit Committee contrary to Section 155 of the PFM Act, 2012.

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

1. The County should develop strategies to improve absorption of development budget.
2. The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.

3.45 Vihiga County

3.45.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.5.58 billion, comprising of Kshs.3.88 billion (69.6 per cent) and Kshs.1.70 billion (30.54 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.41 billion (79 per cent) as equitable share of revenue raised nationally, Kshs.425.13 million (7.6 per cent) as total conditional grants, generate Kshs.220 million (3.9 per cent) from own revenue sources, and Kshs.527.38 million (9.4 per cent) cash balance brought forward from FY 2016/17.

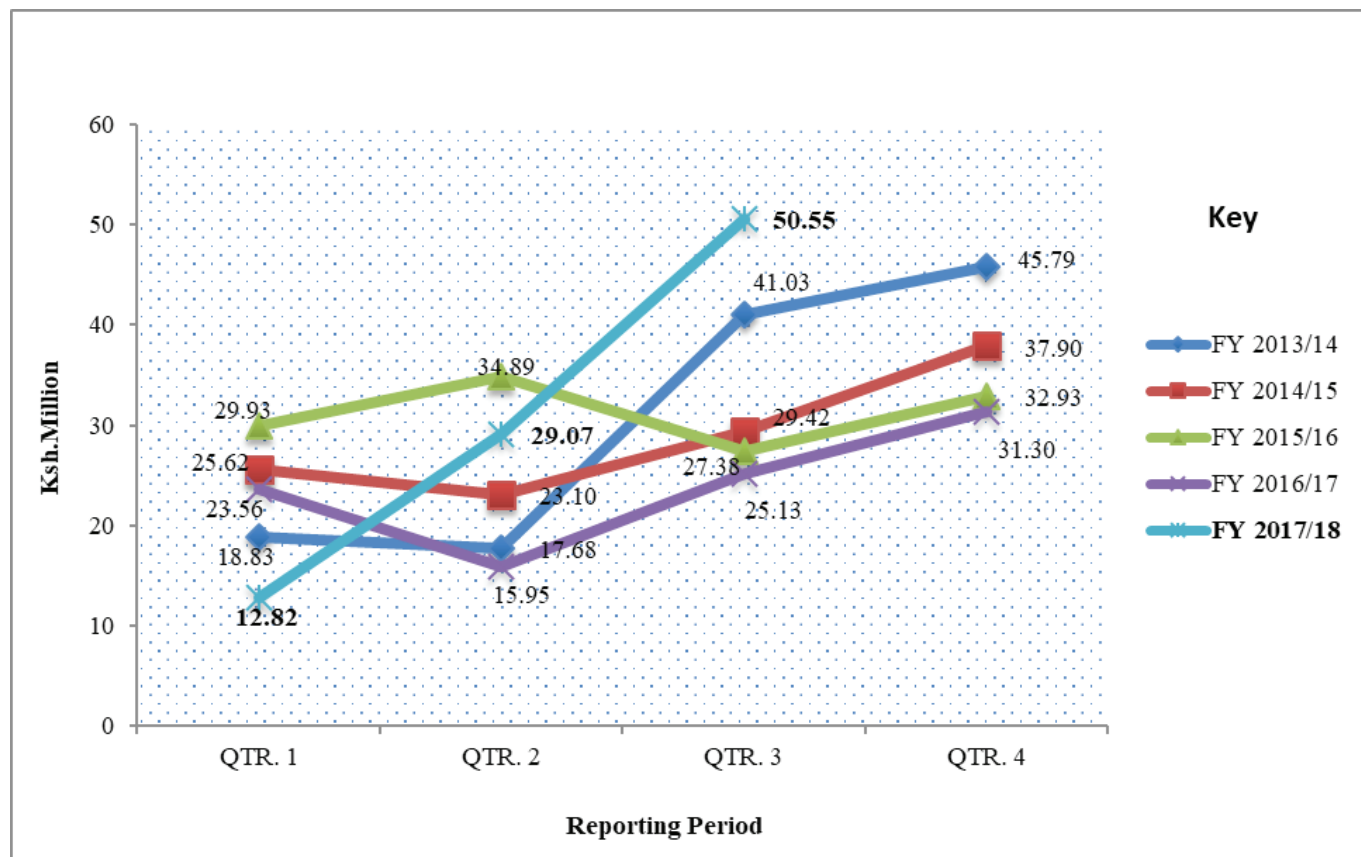
The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (18.4 per cent) for Leasing of Medical Equipment, Kshs.164.95 million (38.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.66 million (3 per cent) as Compensation for User Fee Foregone, Kshs.17.33 million (4.1 per cent) from DANIDA, Kshs.50 million (11.8 per cent) as World Bank loan for National Agriculture Growth & Rural Inclusive Growth Project, Kshs.38.85 million (9.1 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.50.89 million (12 per cent) for Development of Youth Polytechnics, Kshs.73.96 million (17.4 per cent) as World Bank loan for Transforming Health System for Universal Care Project and Kshs.16.5 million (3.9 per cent) as Other Loans and Grants.

3.45.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.33 billion as equitable share of revenue raised nationally, Kshs.181.68 million as total conditional grants, raised Kshs.92.44 million from own revenue sources, and had a cash balance of Kshs.527.38 million from FY 2016/17. The total available funds amounted to Kshs.3.15 billion.

Figure 3-133 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-133: Vihiga County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Vihiga County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.92.44 million, representing an increase of 42.8 per cent compared to Kshs.64.73 million generated in a similar period of FY 2016/17 and represented 42 per cent of the annual own source revenue target.

3.45.3 Conditional Grants

Table 3-126 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-126: Vihiga County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	164, 948, 954	164, 948, 954	76, 928, 280	46.6
2	Leasing of Medical Equipment	95, 744, 681	-	-	-
3	World Bank loan for Transforming Health System for Universal Care Project	73, 956, 777	73, 956, 777	23, 111, 493	31.3
4	Conditional Grants Youth Polytechnics	50, 886, 386	50, 886, 386	-	-
5	World Bank loan for National Agriculture & Rural Inclusive Growth project.	50, 000, 000	50, 000, 000	50, 609, 855	101.2
6	Kenya Devolution Support Programme (KDSP)	38, 854, 627	38, 854, 627	13,347,452	34
7	DANIDA Grant	17, 325, 260	17, 325, 260	11, 177, 587	64.5
8	Conditional Allocation - Other Loans & Grants	16, 500, 000	16, 500, 000	-	-

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
9	Compensation for User Fee Foregone	12, 657, 201	12, 657, 201	6, 501, 381	51.4
Total		425,129,205	425,129,205	181,676,048	43

Source: Vihiga County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received disbursements from the World Bank loan for National Agriculture & Rural Inclusive Growth Project, DANIDA, Compensation for User Fees Foregone, the Road Maintenance Fuel Levy Fund, Kenya Devolution Support Programme, and the World Bank loan to Health transforming Universal Health Care Project. The receipts accounted for 101.2 per cent, 64.5 per cent, 51.4 per cent, 46.6 per cent 34 per cent and 31.3 per cent of annual allocation respectively.

3.45.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.2.56 billion from the County Revenue Fund account, which was 45.8 per cent of the Approved Supplementary Budget. This amount represented a decline of 21.8 per cent from Kshs.3.27 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.46 billion (96.4 per cent) for recurrent expenditure and Kshs.92.23 million (3.6 per cent) for development activities.

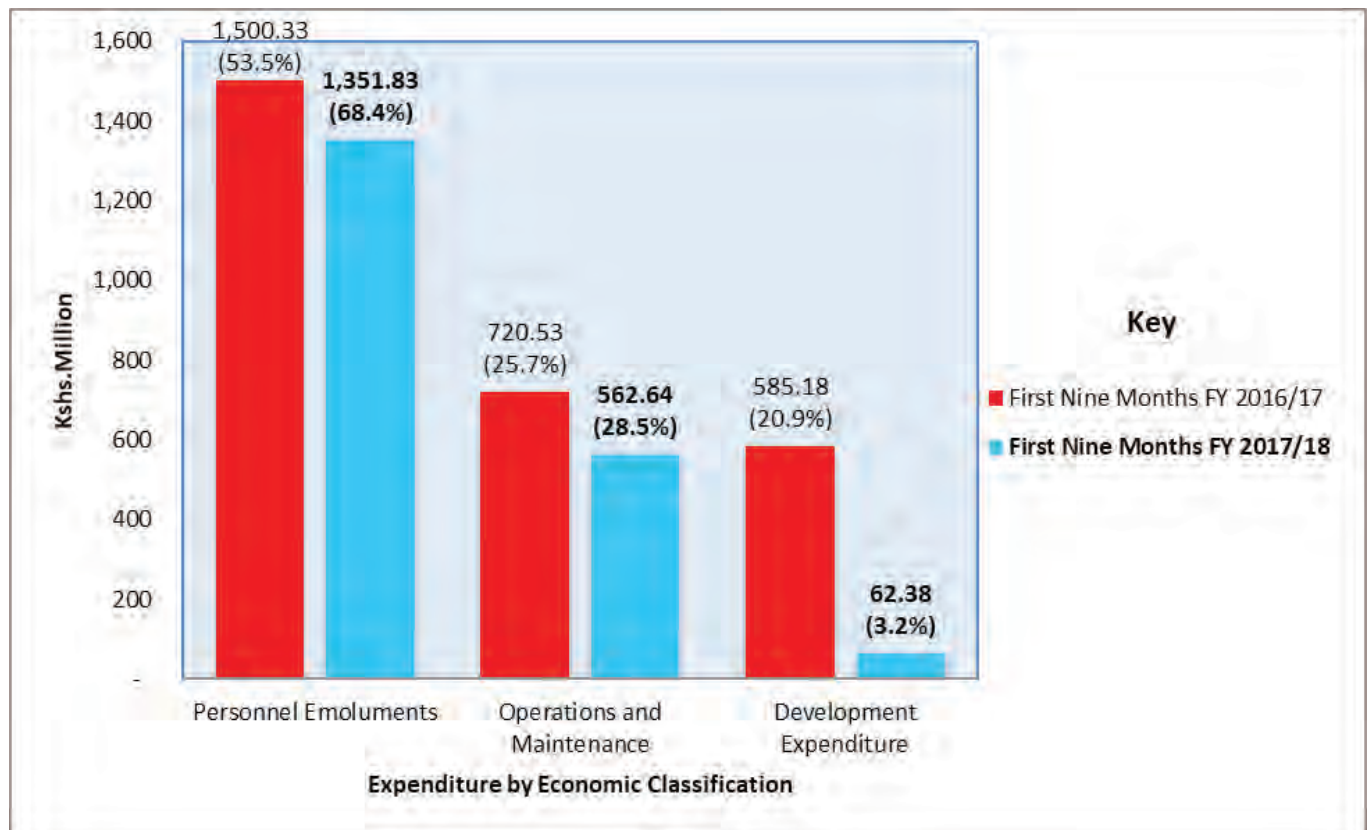
3.45.5 Overall Expenditure Review

The County spent Kshs.1.98 billion, which was 77.3 per cent of the total funds released for operations. This was a decline of 29.5 per cent from Kshs.3.27 billion incurred in a similar period of FY 2016/17.

A total of Kshs.1.91 billion was spent on recurrent activities while Kshs.62.34 million was spent on development activities. The recurrent expenditure was 77.7 per cent of the funds released for recurrent activities, while development expenditure was 67.6 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.96.37 million for development activities and Kshs.52.58 million for recurrent expenditure.

The recurrent expenditure represented 49.3 per cent of the annual recurrent budget, a decrease from 62.38 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 3.7 per cent, which was a decrease from 38.7 per cent attained in the first nine months of FY 2016/17. Figure 3-134 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-134: Vihiga County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



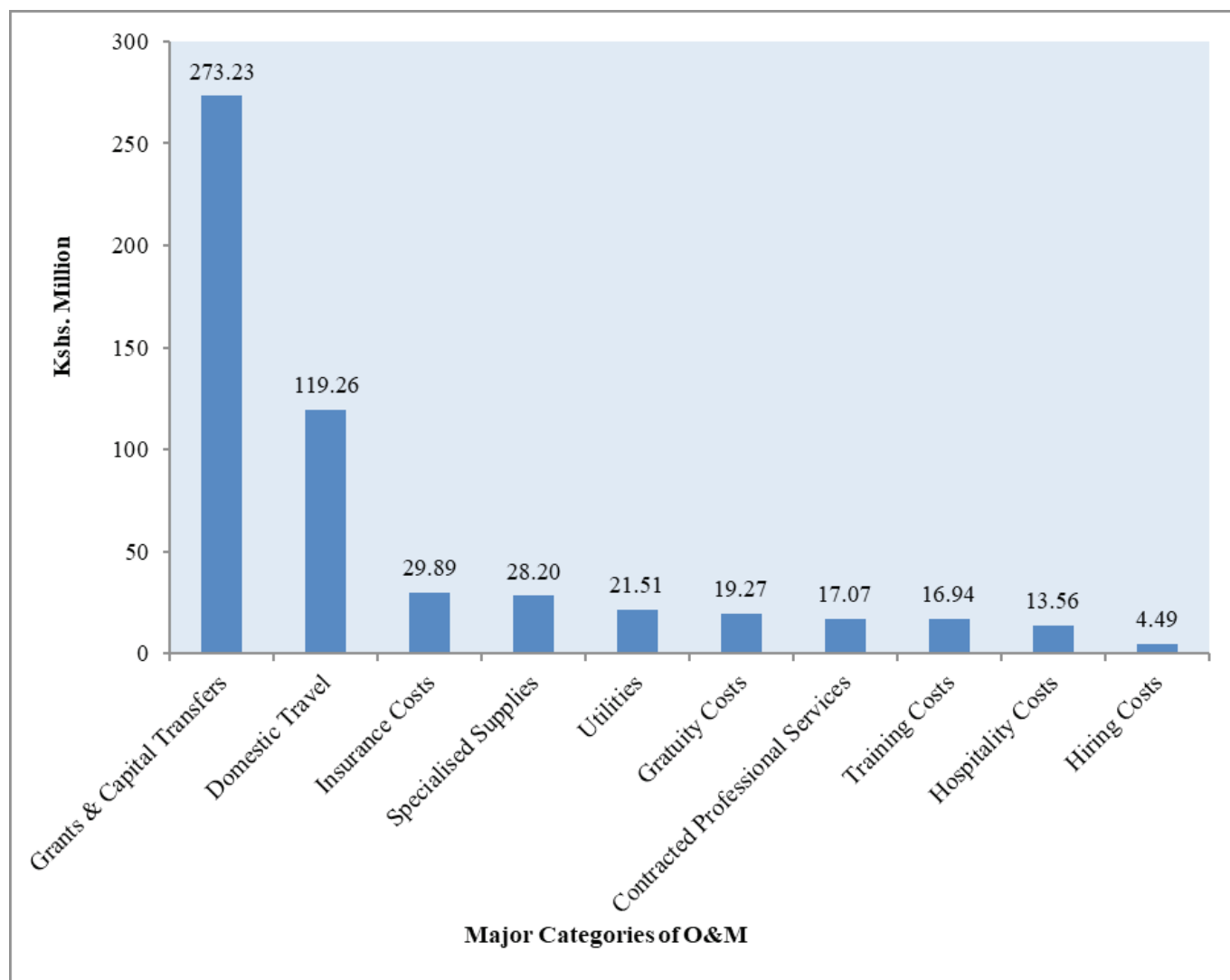
Source: Vihiga County Treasury

3.45.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.91 billion comprised of Kshs.1.35 billion (70.6 per cent) incurred on personnel emoluments and Kshs.562.64 million (29.4 per cent) on operations and maintenance as shown in Figure 3-134.

Expenditure on personnel emoluments represented a decrease of 9.9 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.5 billion, and was 68.4.6 per cent of total expenditure. Figure 3-135 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-135: Vihiga County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Vihiga County Treasury

The County incurred Kshs.26.12 million on committee sitting allowances to the 39 MCAs and the speaker against the annual budget allocation of Kshs.44.68 million. This was an increase of 232.7 per cent compared to Kshs.7.85 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.74,409 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.119.26 million and comprised of Kshs.70.67 million spent by the County Assembly and Kshs.48.59 million by the County Executive. This represented 6.2 per cent of total recurrent expenditure, and was a decrease of 43.8 per cent compared to Kshs.222.4 million spent in the first nine months of FY 2016/17.

3.45.7 Development Expenditure Analysis

The total development expenditure of Kshs.62.38 million represented 3.7 per cent of the annual development budget of Kshs.1.7 billion. Table 3-127 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-127: Vihiga County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project Location	Annual Project Budget (Kshs)	First Nine Months Project Expenditure (Kshs)	Absorption Rate (%)
1	The Hospital plaza	Vihiga County Referral Hospital	250,000,000	12,928,175	5
2	Epanga Bridge	Luanda Township Ward	8,938,920	4,111,903	46
3	Supply of Motor Vehicle	County HQ	4,225,280	4,225,280	100
4	St. Joseph TT-Kidunye Road	Central Maragoli Ward	2,801,400	1,453,248	52
5	Musitonyi-Mukhombe Road	Central Bunyore Ward	2,101,050	2,101,050	100
6	Kivagala-Mutambi Road	North Maragoli Ward	3,210,318	3,210,318	100
7	Vihiga Police Station –Boyani Road	Central Maragoli Ward	3,022,102	3,022,102	100
8	Kwa Sabatia –Shivembe Road	Shamakhokho Ward	3,796,517	3,192,767	84
9	Kwa stand Matope-Mshinyi Road	Emabungo	3,415,910	2,698,569	79

Source: Vihiga County Treasury

3.45.8 Budget and Budget Performance Analysis by Department

Table 3-128 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-128: Vihiga County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	364.97	54.78	217.89	-	110.97	-	50.9	-	30.4	-
County Treasury	246.78	102.19	199.15	-	63.53	-	31.9	-	25.7	-
Agriculture, Livestock, Veterinary, Fisheries	133.83	210.7	91.03	-	75.24	-	82.7	-	56.2	-
County Health	1,248.14	233.26	824.61	11.64	633.96	13.17	76.9	113.1	50.8	5.6
Education, Science & Technology	337.49	258.5	223.69	-	335.99	-	150.2	-	99.6	-
Gender, Culture, Youth & Sports	222.71	51.6	54.75	-	29.66	-	54.2	-	13.3	-
Trade, Industry & Tourism	142.36	70.53	32.35	-	12.77	-	39.5	-	9	-
Public Service Board	49.13	-	36.81	-	21.82	-	59.3	-	44.4	-
Environment, Water & Forestry	66.61	123.17	52.13	-	31.32	-	60.1	-	47.0	-
Transport & Infrastructure	141.63	436.14	77.40	80.59	23.97	45.84	31.0	56.9	16.9	10.5
Land, Housing & Physical planning	31.65	65.00	25.76	-	17.55	-	68.1	-	55.5	-
County Assembly	530.77	40.44	399.84	-	317.64	-	79.4	-	59.8	-
Public Service & Administration	365.98	53.26	229.05	-	238.60	3.36	104.2	-	65.2	6.3
TOTAL	3,882.05	1,699.58	2,464.45	92.23	1,914.48	62.38	77.6	67.6	49.3	3.7

Source: Vihiga County Treasury

Analysis of budget performance by department shows that, the Department of Transport and Infrastructure attained the highest absorption rate of development budget at 10.5 per cent, followed by the Department of

Public Service and Administration at 6.3 per cent. The Department of Education, Science and Technology attained the highest percentage of recurrent expenditure to its recurrent budget at 99.6 per cent while the Department of Trade, Industry Development and Tourism had the lowest at 9 per cent.

3.45.8 Key Observations and Recommendations

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

- i. Improvement in local revenue collection by 42.8 per cent from Kshs.64.73 million in the first nine months of FY 2016/17 to Kshs.92.44 million in the reporting period, representing 42.8 per cent of annual target.
- ii. Reduction in personnel emolument costs by 10 per cent from Kshs.1.5 billion in the first nine months of FY 2016/17 to Kshs.1.35 billion in the period under review, thus releasing funds to other key activities.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2017 Disbursement Schedule.*

3.46 Wajir County

3.46.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.9.36 billion, comprising of Kshs.5.69 billion (60.8 per cent) and Kshs.3.67 billion (39.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.14 billion (86.9 per cent) as equitable share of revenue raised nationally, Kshs.661.91 million (7.1 per cent) as total conditional grants, generate Kshs.150 million (1.6 per cent) from own source revenue, and Kshs.371.70 million (4 per cent) cash balance brought forward from FY 2016/17.

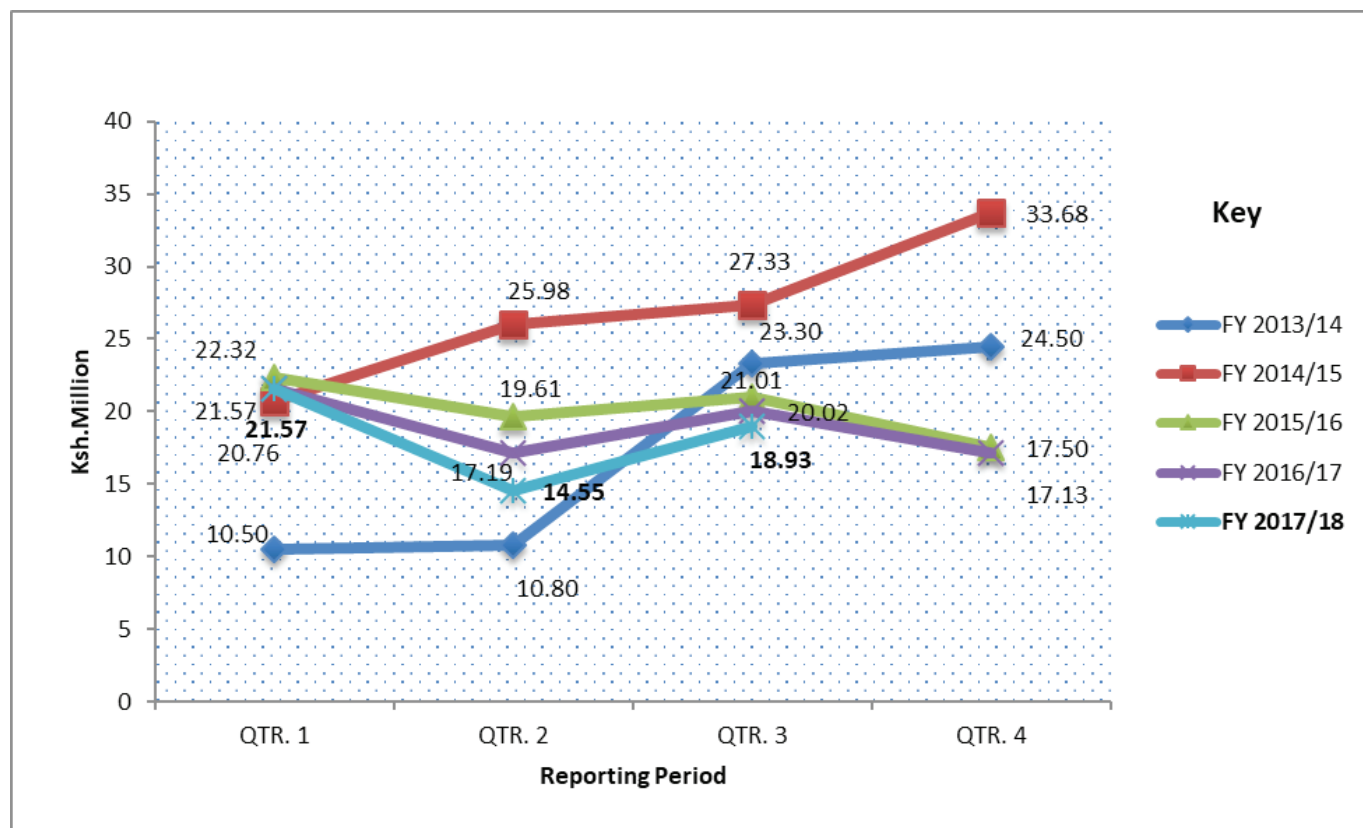
The conditional grants contained in the CARA, 2017 comprise of Kshs.308.16 million (40.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.78 million (2.1 per cent) as Compensation for User Fee Foregone, Kshs.20.88 million (2.8 per cent) from DANIDA, Kshs.45.04 million (5.9 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.49.87 million (6.6 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.110 million (14.5 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (8.7 per cent) as European Union (EU) grant, Kshs.95.79 million (12.6 per cent) for Leasing of Medical Equipment, and Kshs.46.17 million (6.1 per cent) for Other Loans & Grants.

3.46.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.4.21 billion as equitable share of revenue raised nationally, Kshs.158.94 million as total conditional grants, raised Kshs.55.06 million from own revenue source, and had a cash balance of Kshs.371.70 million from FY 2016/17. The total available funds amounted to Kshs.4.79 billion.

Figure3-136 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure3-136: Wajir County, Trend in Own-source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: Wajir County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.55.06 million, representing a decline of 6.3 per cent compared to Kshs.58.78 million generated in a similar period of FY 2016/17, and represented 36.7 per cent of the annual own source revenue target.

3.46.3 Conditional Grants

Table 3-129 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-129: Wajir County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	308,164,819	308,164,819	143,699,990	46.6
2	Leasing of Medical Equipment	95,744,681	-	-	-
3	World Bank loan to supplement financing of County Health facilities	45,040,000	45,040,000	22,000,000	48.8
4	Kenya Devolution Support Programme (KDSP)	49,871,995	49,871,995	15,243,128	31
5	Compensation for User Fee Foregone	15,784,997	15,784,997	-	-
6	DANIDA grant	20,882,450	20,882,450	20,630,000	98.8
7	Other Loans & Grants	46,166,458	46,166,458	-	-
8	World Bank loan for Transforming Health System for universal Care Project	110,000,000	110,000,000	-	-
9	EU grant	66,000,000	66,000,000	-	-

S/No	Grant or Loan Details	Annual CARA, 2017 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in the First Nine Months of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
Total		757,655,400	661,910,719	158,943,118	20

Source: Wajir County Treasury

Analysis of the conditional grants disbursed during the period under review indicates that, the County received grants from DANIDA, the World Bank loan to supplement financing of County Health facilities, the Road Maintenance Fuel Levy Fund and Kenya Devolution Support Programme. The receipts accounted for 98.8 per cent, 48.8 per cent, 46.6 per cent and 31 per cent of annual allocation respectively.

3.46.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.3.43 billion from the CRF account, which was 36.6 per cent of the Approved Supplementary Budget. This amount represented a decline of 33.8 per cent from Kshs.5.18 billion approved in a similar period of FY 2016/17 and comprised of Kshs.3.15 billion (91.9 per cent) for recurrent expenditure and Kshs.275.48 million (8.1 per cent) for development activities.

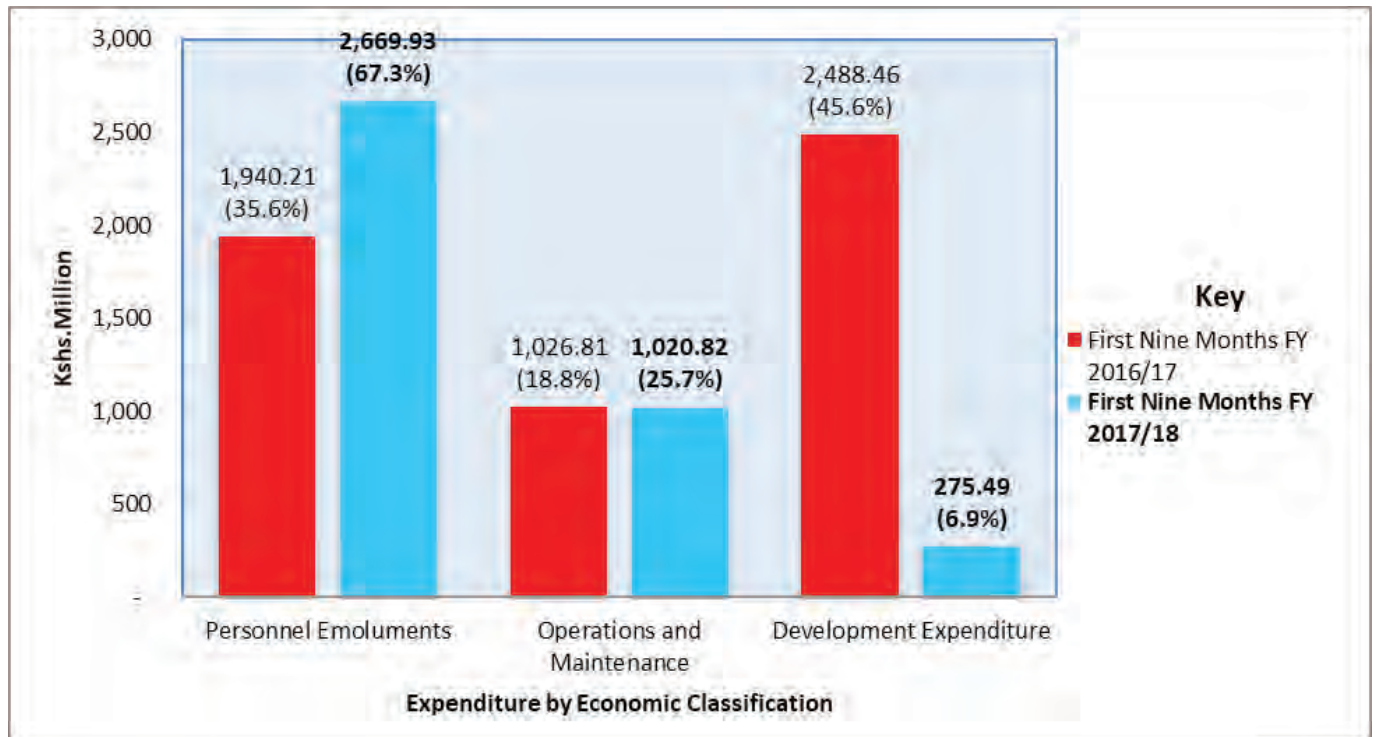
3.46.5 Overall Expenditure Review

The County spent Kshs.3.97 billion, which was 115.8 per cent of the total funds released for operations. This was a decline of 48.9 per cent from Kshs.7.77 billion incurred in a similar period of FY 2016/17.

A total of Kshs.3.69 billion was spent on recurrent activities while Kshs.275.49 million was spent on development activities. The recurrent expenditure was 117.1 per cent of the funds released for recurrent activities, while development expenditure was 100 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.755.51 million for development activities and Kshs.222.83 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 64.9 per cent of the annual recurrent budget, a slight increase from 64.6 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 8 per cent, which was a decrease from 57.8 per cent attained in the first nine months of FY 2016/17. Figure 3-137 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-137: Wajir County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



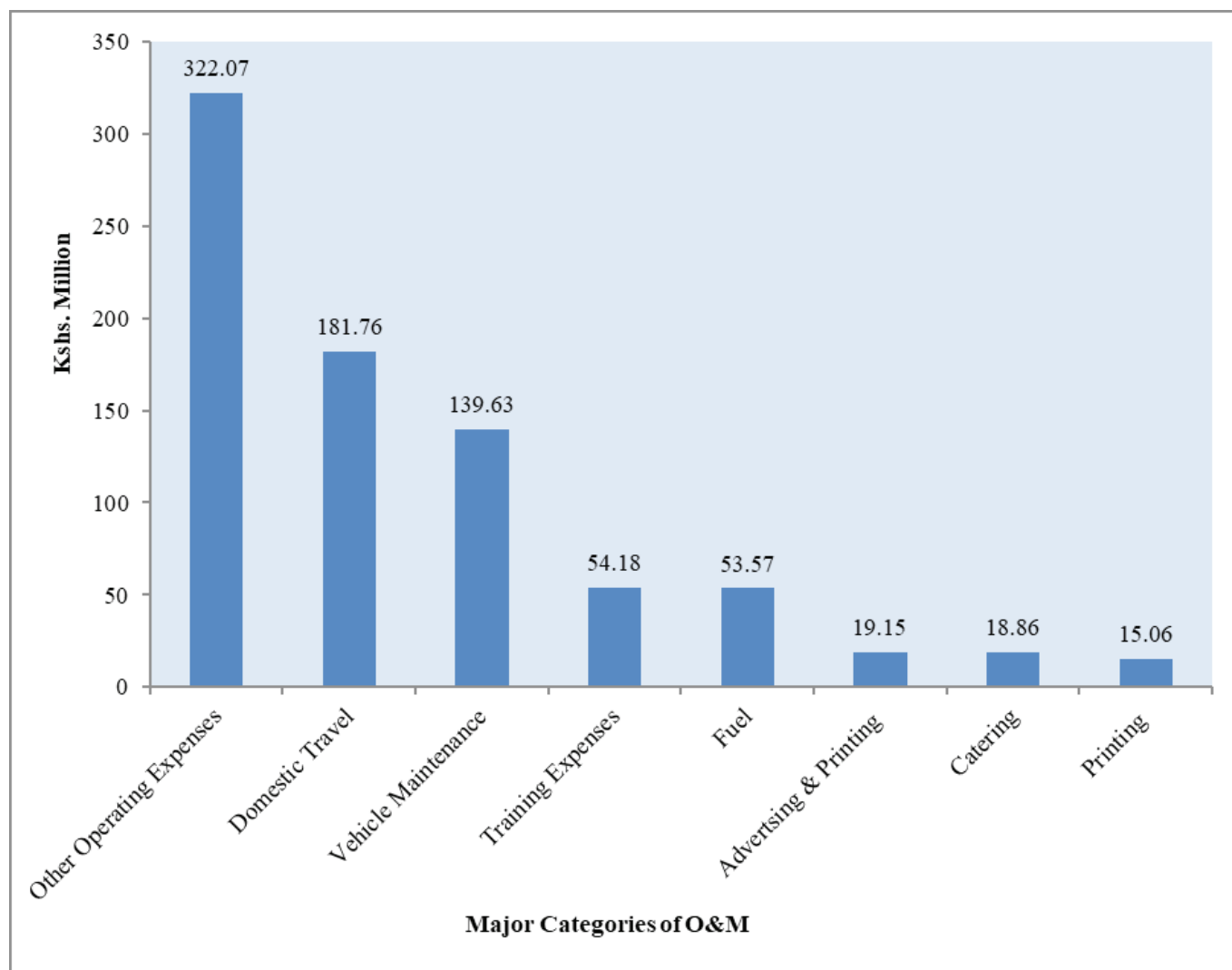
Source: Wajir County Treasury

3.46.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.69 billion comprised of Kshs.2.67 billion (72.4 per cent) incurred on personnel emoluments and Kshs.1.02 billion (27.6 per cent) on operations and maintenance as shown in Figure 3-137.

Expenditure on personnel emoluments represented an increase of 37.6 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.94 billion, and was 67.3 per cent of total expenditure. Figure 3-138 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-138: Wajir County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: Wajir County Treasury

The County incurred Kshs.14.73 million on committee sitting allowances to the 46 MCAs against the annual budget allocation of Kshs.26 million. This was a decline of 31.1 per cent compared to Kshs.21.38 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.35,588 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.181.76 million and comprised of Kshs.77.39 million spent by the County Assembly and Kshs.104.37 million by the County Executive. This represented 4.9 per cent of total recurrent expenditure, and was a decrease of 33 per cent compared to Kshs.271.3 million spent in the first nine months of FY 2016/17.

3.46.7 Development Expenditure Analysis

The total development expenditure of Kshs.275.49 million represented 8 per cent of the annual development budget of Kshs.3.67 billion. Table 3-130 provides a summary of development projects with the highest expenditure in the first nine months of FY 2017/18.

Table 3-130: Wajir County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2017/18

S/No.	Project name	Project location	Annual project budget (Kshs.)	First nine months project expenditure (Kshs.)	Absorption rate (%)
1	Grading and gravelling of Roads	Various	308,164,819	143,699,990	46.6
2	Overhaul of Water Supplies and Sewerage-desilting	Various	110,000,000	65,656,085	59.7
3	Overhaul of Roads and Bridge	Various	96,000,000	42,990,470	44.8
4	Bush clearing	Various	60,000,000	11,616,878	19.4

Source: Wajir County Treasury

3.46.8 Budget and Budget Performance Analysis by Department

Table3-131 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table3-131: Wajir County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in The First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive-Governor	456.23	-	366.51	-	386.45	-	105.4	-	84.7	-
County Assembly	643.96	-	407.96	-	409.8	-	100.5	-	63.6	-
County Treasury Services	634.36	-	392.24	-	450.6	-	114.9	-	71	-
Agriculture, Livestock & Fisheries	197.35	227.96	138.54	-	247.89	-	178.9	-	125.6	-
Health and Medical Services	1535.60	413.31	881.89	-	981.8	-	111.3	-	63.9	-
Roads and Transport	167.11	1052.66	75.84	202.20	120.4	202.20	158.8	100	72	19.2
Water Services	266.58	985.66	98.51	73.28	110.5	73.29	112.2	100	41.5	7.4
Public Services	810.23	37.72	358.52	-	422.35	-	117.8	-	52.1	-
Education	566.74	252.04	237.47	-	290.25	-	122.2	-	51.2	-
Trade and ICT	135.53	195.58	70.91	-	100.8	-	142.2	-	74.4	-
Public Works ,Land and Housing	85.18	161.04	45.71	-	60.71	-	132.8	-	71.3	-
Energy and Environment	67.33	-	31.47	-	50.47	-	160.4	-	75	-
WAJWASCO	49.99	123.02	17.74	-	20.52	-	115.7	-	41	-
County Public Service Board	72.74	-	27.94	-	38.20	-	136.7	-	52.5	-
TOTAL	5,688.93	3,673	3,151.25	275.48	3,690.74	275.49	117.1	100.0	64.9	8.0

Source: Wajir County Treasury

Analysis of budget performance by department shows that only two departments reported expenditure on their development budget namely; the Department of Roads and Transport with an absorption rate of 19.2 per cent, and the Department of Water Services at 7.4 per cent. The Department of Agriculture, Livestock & Fisheries had the highest percentage of recurrent expenditure to recurrent budget at 125.6 per cent while the Wajir Water and Sanitation Company (WAJWASCO) had the lowest at 41 per cent.

3.46.19 Key Observations and Recommendations

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

- i. Approval of the Supplementary Budget to align the budget estimates to CARA, 2017.
- ii. Improvement in the use of IFMIS to process financial transactions.

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

1. Late submission of financial reports by the County Treasury to the Office of the Controller of Budget, which affected timely preparation of the Budget Implementation Review Reports contrary to Section 166 of the PFM Act, 2012.
2. Under-performance in own-source revenue collection, which declined by 34.6 per cent from Kshs.66.25 million in the first nine months of FY 2016/17 to Kshs.43.31 million in the reporting period, and represented 28.9 per cent of the annual own source revenue target.

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

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

3.47 West Pokot County

3.47.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.5.65 billion, comprising of Kshs.3.85 billion (68.2 per cent) and Kshs.1.80 billion (31.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.73 billion (83.9 per cent) as equitable share of revenue raised nationally, Kshs.498.19 million (8.8 per cent) as total conditional grants, generate Kshs.111.24 million (2 per cent) from own revenue sources, and Kshs.298.27 million (5.3 per cent) cash balance brought forward from FY 2016/17.

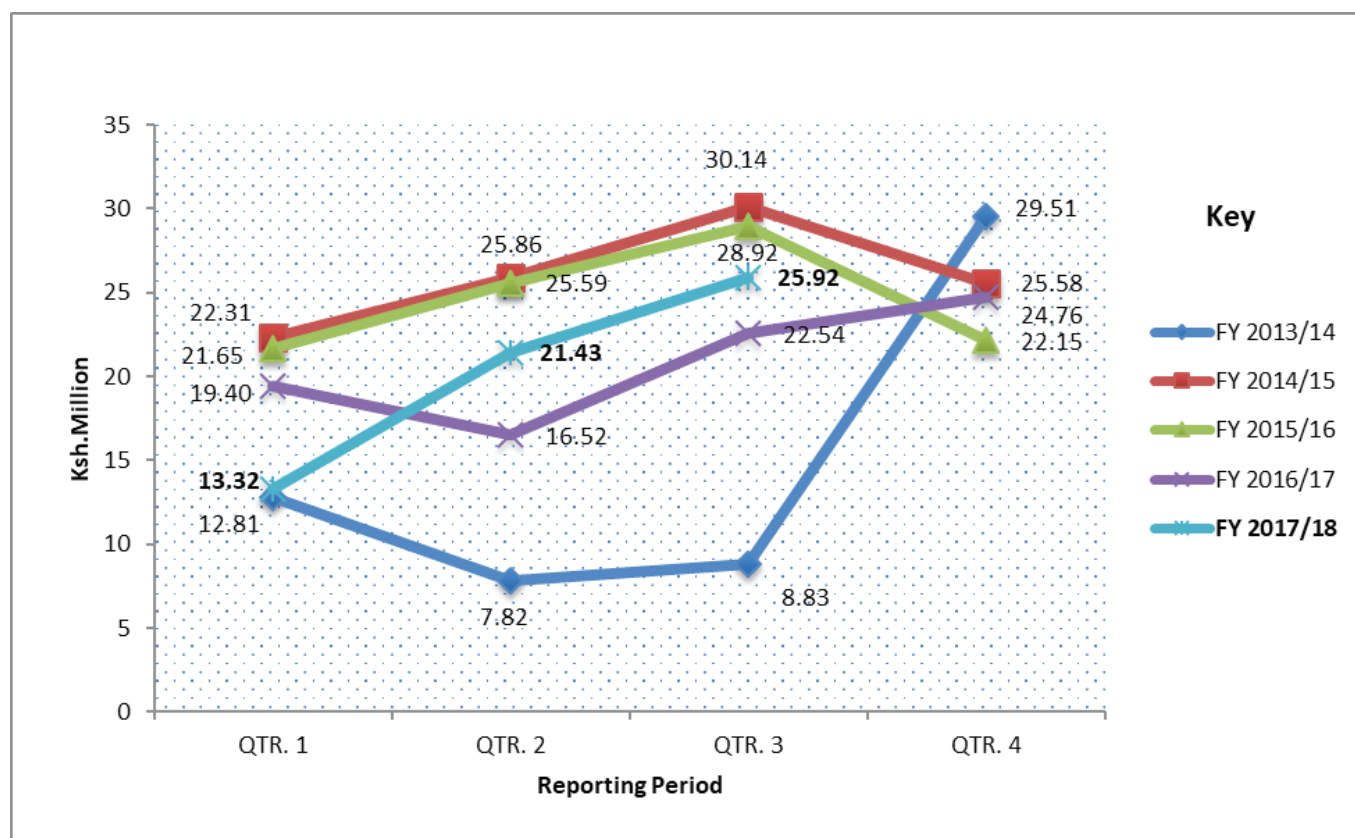
The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (15.0 per cent) for Leasing of Medical Equipment, Kshs.183.79 million (28.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.13 million (1.9 per cent) as Compensation for User Fee Foregone, Kshs.12.45 million (2 per cent) from DANIDA, Kshs.67.99 million (13 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.40.08 million (6.3 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.32.55 million (5.1 per cent) for Development of Youth Polytechnics, Kshs.83.20 million (13 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.66 million (10.3 per cent) as European Union (EU) grant and Kshs.44.67 million (7.0 per cent) as Other Loans and Grants.

3.47.2 Revenue Analysis

During the first nine months of FY 2017/18, the County received Kshs.2.47 billion as equitable share of revenue raised nationally, Kshs.211.57 million as total conditional grants, raised Kshs.60.67 million from own revenue sources, and had a cash balance of Kshs.298.27 million from FY 2016/17. The total available funds amounted to Kshs.2.96 billion.

Figure 3-139 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

Figure 3-139: West Pokot County, Trend in Own-source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18



Source: West Pokot County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.60.67 million, representing an increase of 3.8 per cent compared to Kshs.58.46 million generated in a similar period of FY 2016/17, and represented 54.5 per cent of the annual own source revenue target.

3.47.3 Conditional Grants

Table 3-132 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

Table 3-132: West Pokot County, Analysis of Conditional Grants Received in the First Nine Months of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	183,793,164	183,793,164	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	67,985,000	56,049,761	82.4

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Nine Months of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2017				
4	Kenya Devolution Support Programme (KDSP)	40,081,255	40,081,255	13,375,493	33
5	Compensation for User Fee Foregone	12,128,484	12,128,484	6,158,215	50.8
6	DANIDA Grant	12,454,545	12,454,545	12,454,545	100
7	Development of Youth Polytechnics	32,549,071	32,549,071	-	-
8	Conditional Allocation - Other Loans & Grants	44,669,544	-	-	-
9	World Bank Loan for Transforming Health System for Universal Care System	83,202,997	83,202,997	37,819,544	45.5
10	EU Grant	66,000,000	66,000,000	-	-
Total		638,608,741	498,194,516	211,574,330	33

Source: West Pokot County Treasury

Analysis of the conditional grants released during the period under review indicates that the County received disbursements from DANIDA, World Bank loan to supplement financing of County Health facilities, Compensation for User Fee Foregone, Road Maintenance Fuel Levy Fund, World Bank Loan for Transforming Health System for Universal Care System and Kenya Devolution Support Programme. The receipts accounted for 100 per cent, 82.4 per cent, 50.8 per cent, 46.6 per cent, 45.5 per cent and 33 per cent of annual allocation respectively.

3.47.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.2.44 billion from the CRF account, which was 43.2 per cent of the Approved Supplementary Budget. This amount represented a decline of 31.2 per cent from Kshs.3.55 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.33 billion (95.6 per cent) for recurrent expenditure and Kshs.108.72 million (4.4 per cent) for development activities.

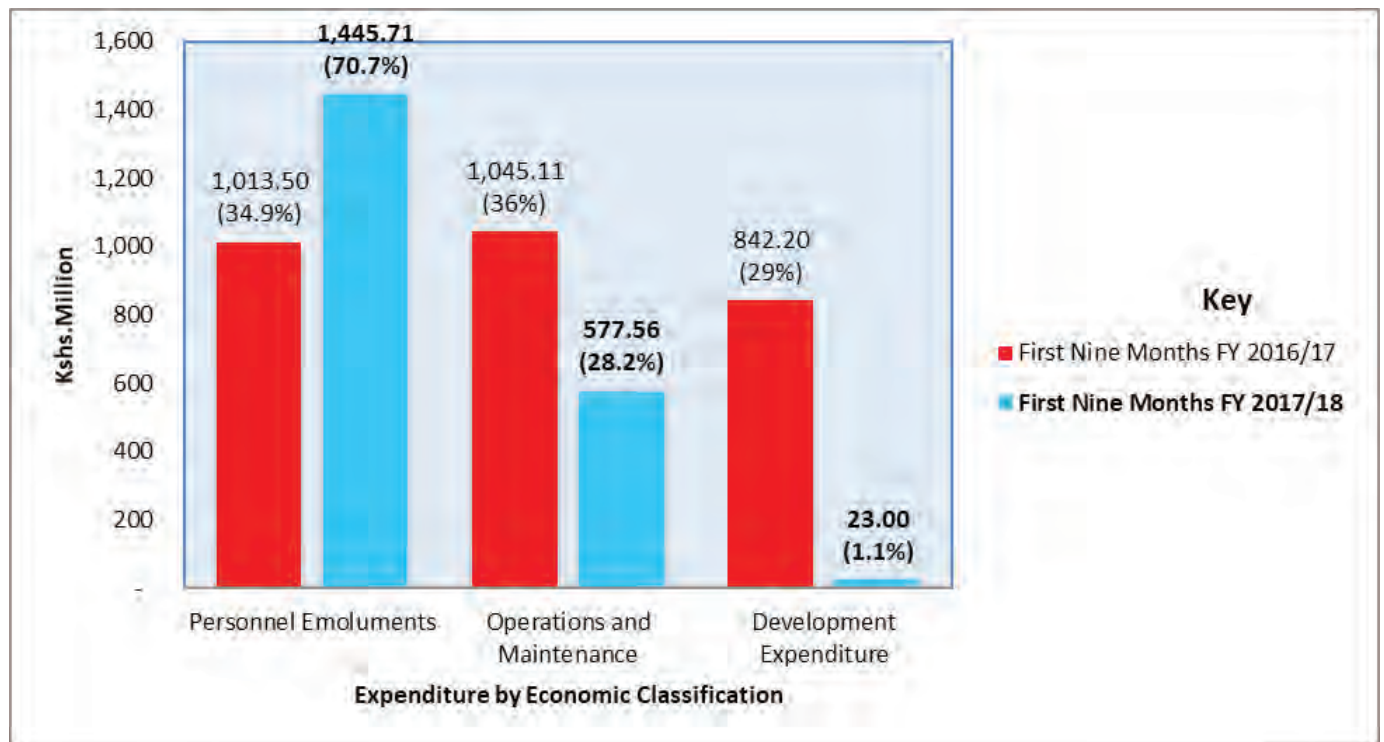
3.47.5 Overall Expenditure Review

The County spent Kshs.2.04 billion, which was 83.8 per cent of the total funds released for operations. This was a decline of 29.6 per cent from Kshs.2.90 billion incurred in a similar period of FY 2016/17.

A total of Kshs.2.02 billion was spent on recurrent activities while Kshs.23 million was spent on development activities. The recurrent expenditure was 86.7 per cent of the funds released for recurrent activities, while development expenditure was 21.2 per cent of funds released for development activities.

The recurrent expenditure represented 52.6 per cent of the annual recurrent budget, a decrease from 60.3 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 1.3 per cent, which was a decrease from 46 per cent attained in the first nine months of FY 2016/17. Figure 3-140 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

Figure 3-140: West Pokot County, Expenditure by Economic Classification in the First Nine Months of FY 2016/17 and the First Nine Months of FY 2017/18



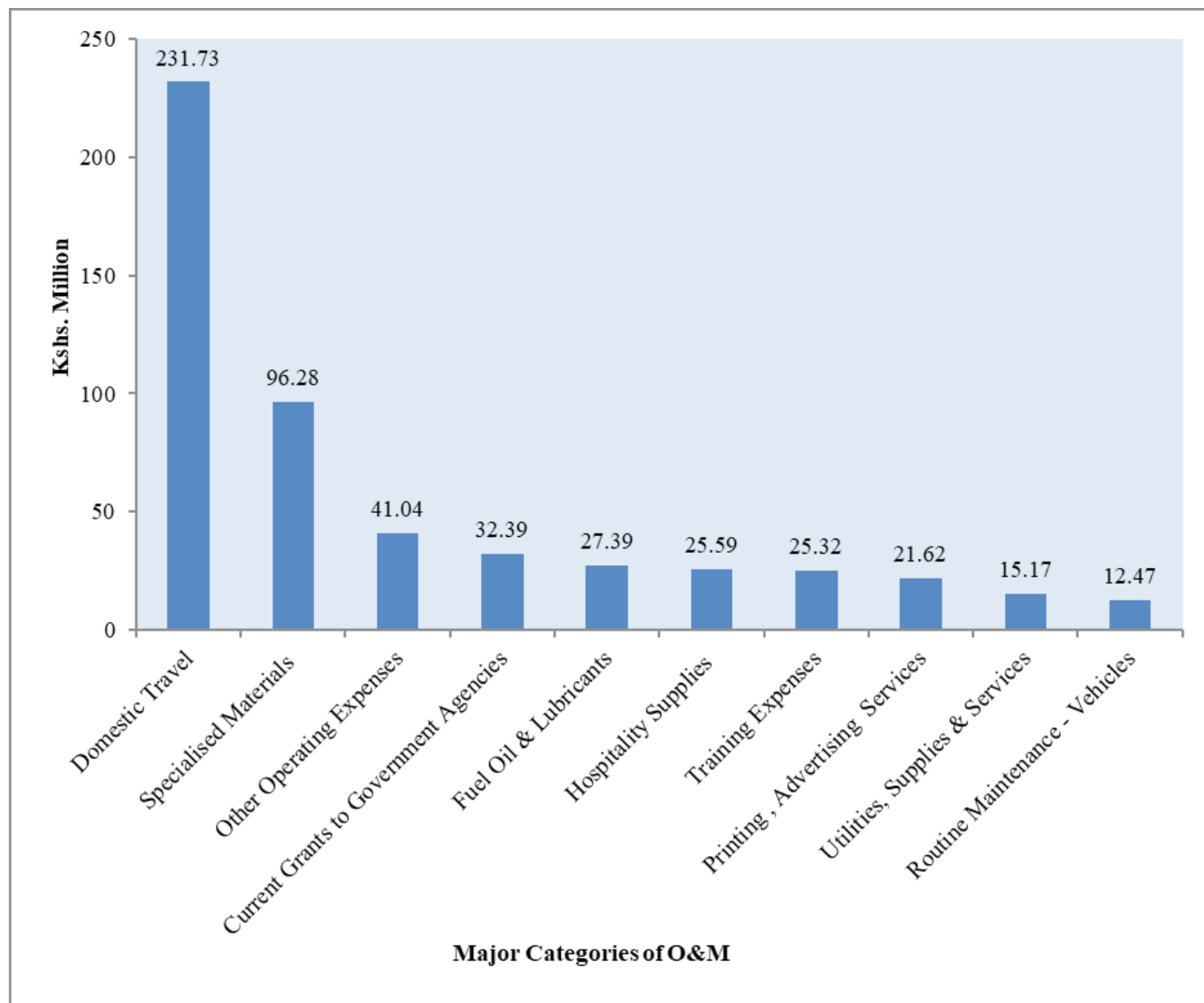
Source: West Pokot County Treasury

3.47.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.02 billion comprised of Kshs.1.45 billion (71.5 per cent) incurred on personnel emoluments and Kshs.577.56 million (28.5 per cent) on operations and maintenance as shown in Figure 3-140.

Expenditure on personnel emoluments represented an increase of 42.6 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.01 billion, and was 70.7 per cent of total expenditure. Figure 3-141 shows a summary of operations and maintenance expenditure by major categories.

Figure 3-141: West Pokot County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18



Source: West Pokot County Treasury

The County incurred Kshs.5.34 million on committee sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.46.29 million. This was a decline of 82.7 per cent compared to Kshs.30.83 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.17,444 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.231.73 million and comprised of Kshs.72.66 million spent by the County Assembly and Kshs.159.07 million by the County Executive. This represented 12.8 per cent of total recurrent expenditure and was a decline of 15.4 per cent compared to Kshs.287.58 million spent in the first nine months of FY 2016/17.

3.47.7 Development Expenditure Analysis

The total development expenditure of Kshs.23 million represented 1.3 per cent of the annual development budget of Kshs.1.80 billion. This was spent on construction of the County Assembly in Kapenguria.

3.47.8 Budget and Budget Performance Analysis by Department

Table 3-133 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

Table 3-133: West Pokot County, Budget Performance by Department in the First Nine Months of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	396.16	39.39	273.95	-	226.14	-	82.5		57.1	-
Finance and Economic Planning	228.30	35.26	156.36	-	119.40	-	76.4		52.3	-
Roads, Public Works and Transport	98.84	346.88	66.32	85.72	56.08	-	84.6		56.7	-
Health and Sanitation	1,298.66	319.51	821.48	-	800.18	-	97.4%		61.6	-
Education, Communication and ICT	402.58	308.48	354.44	-	160.03	-	45.2%		39.8	-
Agriculture and Irrigation	91.76	81.23	58.99	-	65.44	-	110.9%		71.3	-
Livestock, Fisheries and Veterinary Services	104.77	133.10	70.83	-	65.89	-	93	-	62.9	-
Trade, Industry and Cooperatives	51.20	48.57	34.23	-	25.42	-	74.3	-	49.6	-
Land, Physical Planning and Urban Development	73.17	65.77	49.01	-	47.02	-	95.9	-	64.3	-
Water Development, Environment and Natural Resources	66.39	147.04	44.34	-	35.72	-	80.6	-	53.8	-
Tourism, Culture, Sports, Youth and Gender Development	69.54	138.72	47.92	-	39.25	-	81.9	-	56.4	-
County Public Service Management	230.89	25.20	172.92	-	59.53	-	34.4	-	25.8	-
Special Programmes and Directorates	230.98	18.85	58.68	-	50.37	-	85.8		21.8	
County Assembly	506.88	91.00	315.00	23.00	272.79	23.00	86.6	100	53.8	25.3
TOTAL	3,850	1,799	2,524	108.72	2,023	23	80.1	21.2	52.6	1.3

Source: West Pokot County Treasury

Analysis of budget performance by department shows that only the County Assembly that incurred development expenditure. The Department of Agriculture and Irrigation had the highest percentage of recurrent expenditure to its recurrent budget at 71.3 per cent while the Department of Special Programmes and directorates had the lowest at 21.8 per cent.

3.47.8 Key Observations and Recommendations

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

- i. Use of IFMIS and internet banking to process financial transaction.
- ii. Approval of the Supplementary Budget to align the budget to CARA, 2017.

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

1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012
2. Delay by Fund Administrators of the Bursary Fund, Educational Development and Infrastructure Fund, Car Loan and Mortgage Fund, County Assembly Members Car Loan and Mortgage Fund, and

the Biashara Mashinani Fund to submit financial statements contrary to Section 168 of the PFM Act, 2012.

3. The County has not constituted a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
4. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
2. *All Fund Administrators should ensure timely submission of financial statements in line with Section 168 of the PFM Act, 2012.*
3. *The County should constitute a County Budget and Economic Forum (CBEF) as per the requirement of Section 137 of the PFM Act, 2012.*
4. *The County Treasury should liaise with IFMIS Directorate for support in application of IFMIS and E-procurement module.*

4 KEY CHALLENGES AND RECOMMENDATIONS

This section highlights cross-cutting issues that affected budget implementation in the first nine months of FY 2017/18 and makes appropriate recommendations aimed at addressing the challenges in order to enhance smooth budget execution. The cross-cutting challenges included:

4.1 Delays in Disbursement of the Equitable Share of Revenue by the National Treasury

The County Allocation of Revenue Act (CARA), 2017 provides that County Governments allocations shall be transferred to the respective County Revenue Fund, in accordance with a Disbursement Schedule approved by the Senate.

During the reporting period, the National Treasury did not fully adhere to the Disbursement Schedule, which affected execution of budgeted activities. The National Treasury should disburse funds to the Counties in line with the CARA, 2017 Disbursement Schedule in order to enhance effective budget implementation.

4.2 High Expenditure on Personnel Emoluments

Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 sets a limit of the County Government's expenditure on wages and benefits at 35 per cent of the County's total revenue.

On aggregate, county governments spent Kshs.108.04 billion on personnel emoluments (PE), which accounted for 58.8 per cent of the total expenditure for the period and an increase of 18.2 per cent from Kshs.91.39 billion incurred in a similar period of FY 2016/17 where personnel expenditure translated to 44 per cent of the total expenditure.

The Office notes that continued increase in wage bill is unsustainable and will reduce spending on development activities. County Governments should therefore, ensure that expenditure on personnel emoluments is contained at sustainable levels in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

4.3 Under-performance in own-source revenue Collection

Article 209 (3) of the Constitution allows County Governments to impose property rates, entertainment taxes and any other tax that a county is authorised to impose by an Act of Parliament.

During the reporting period, the County Governments generated a total of Kshs.22.23 billion, which was 42.3 per cent of the annual target of Kshs.52.52 billion. This was a decrease compared to Kshs.24.71 billion or 41.4 per cent of FY 2016/17 annual revenue target realised in a similar period of FY 2016/17. The Under-performance in own-source revenue implies that some of the planned activities may not be implemented in the financial year as the budgets have a hidden deficit.

Counties should formulate strategies to mobilize own source revenue collection.

4.4 Delays in Submission of Financial Reports to the Controller of Budget

The Office of the Controller of Budget noted that, some Counties did not submit quarterly financial reports within 15 days following end of the quarter ending 31st March, 2018 contrary to Section 166 (4) and 168 (3) of the PFM Act, 2012. In addition, some of the submitted reports were incomplete and had to be returned for correction. This resulted in late preparation of the Budget Implementation Review Report.

County Treasuries should ensure timely preparation and submission of financial reports in line with Section 166 (4) and 168 (3) of the PFM Act, 2012 and Section 16 of the Controller of Budget Act, 2016.

4.5 Establishment and Operationalization of County Budget and Economic Forums (CBEF)

Section 137 of the PFM Act, 2012 requires a county government to establish the County Budget and Economic Forum (CBEF) to provide means for consultation on matters pertaining to budgeting and financial management at the County level.

The OCOB noted that, eight counties, namely; Busia, Laikipia, Lamu, Marsabit, Meru, Siaya, Tharaka Nithi, and West Pokot were yet to establish these, while in those counties where the Forums have been established, they are yet to be fully operationalised. It is therefore, recommended that County Governments should comply with Section 137 of the PFM Act, 2012 by establishing the County Budget and Economic Forums.

5 CONCLUSION

This report provides information on budget implementation by the County Governments in the first nine months of the FY 2017/18 and is prepared in fulfilment of Article 228(6) of the Constitution of Kenya 2010 and Section 9 of the Controller of Budget Act, 2016.

The aggregate budget estimates for the 47 County governments in FY 2017/18 amounted to Kshs.413.63 billion and comprised of Kshs.266.98 billion (64.5 per cent) allocation for recurrent expenditure and Kshs.146.65 billion (35.5 per cent) for development expenditure. The development expenditure allocation conforms to Section 107 (2(b)) of the PFM Act, 2012, which requires that at least 30 per cent of budget be allocated to development programs.

During the first nine months of FY 2017/18, County Governments spent Kshs.183.66 billion, which translated to an overall absorption rate of 44.4 per cent but was a decline from 51.9 per cent attained in a similar period FY 2016/17. A total of Kshs.157.67 billion was spent on recurrent expenditure and Kshs.25.98 billion on development activities against the recurrent budget of Kshs.266.98 billion and development budget of Kshs.146.65 billion. Development expenditure translated to an absorption rate of 17.7 per cent while recurrent expenditure was 59.1 per cent of the annual budget for recurrent expenditure.

This report has identified challenges which hampered effective budget execution during the reporting period. These included; high expenditure on Personnel Emoluments, Under-performance in own-source revenue collection, delay in disbursement of the equitable share of revenue raised nationally by the National Treasury, late submission of quarterly financial reports to the Controller of Budget, and delay in establishment of County Budget and Economic Forums (CBEFs). In order to address these challenges, the National Treasury should disburse funds to the counties in line with the CARA, 2017 Disbursement Schedule and the counties should ensure that personnel emoluments are in line with regulation 25(1) (b) of the Public Finance Management (County Governments) Regulations, 2015 and should also formulate strategies to mobilize own-source revenue collection. In addition country treasuries should ensure timely preparation and submission of financial reports to the Controller of Budget and also establish the County Budget and Economic Forums.

The OCOB is committed on ensuring that there is prudent and effective use of public resources by County Governments. The Office will continue to provide regular reports on budget implementation with the aim of informing and influencing budget execution.

ANNEX I

Equitable Share and Level 5 Hospital Grant Disbursement Status as of 31st March 2018

County Code	County Name	Annual CARA, 2017 Estimates (Kshs.)	Expected Receipts as at 31/03/2018 (Kshs.)	Actual Disbursement as at 31/03/2018 (Kshs.)	Difference	Percentage of Actual Disbursements as at 31/03/2018 to CARA, 2017 Expected Receipts
001	Mombasa	8,542,439,306	6,449,541,676	5,052,176,561	1,397,365,115	78.3
002	Kwale	7,248,000,000	5,472,240,000	3,785,239,940	1,687,000,060	69.2
003	Kilifi	9,950,900,000	7,512,929,500	5,971,140,713	1,541,788,787	79.5
004	Tana River	5,345,400,000	4,035,777,000	2,769,118,165	1,266,658,835	68.6
005	Lamu	2,476,400,000	1,869,682,000	1,488,178,983	381,503,017	79.6
006	Taita/Taveta	3,895,800,000	2,941,329,000	2,678,064,999	263,264,001	91.0
007	Garissa	7,003,839,884	5,287,899,112	4,186,284,822	1,101,614,290	79.2
008	Wajir	8,138,900,000	6,144,869,500	4,215,655,822	1,929,213,678	68.6
009	Mandera	9,739,500,000	7,353,322,500	5,033,608,516	2,319,713,984	68.5
010	Marsabit	6,583,600,000	4,970,618,000	3,415,074,916	1,555,543,084	68.7
011	Isiolo	3,775,000,000	2,850,125,000	1,959,193,595	890,931,405	68.7
012	Meru	8,074,872,832	6,096,528,988	4,193,212,111	1,903,316,877	68.8
013	Tharaka - Nithi	3,684,400,000	2,781,722,000	2,197,947,074	583,774,926	79.0
014	Embu	4,408,240,462	3,328,221,549	2,675,928,762	652,292,786	80.4
015	Kitui	8,652,300,000	6,532,486,500	4,522,738,740	2,009,747,760	69.2
016	Machakos	7,782,583,815	5,875,850,780	4,635,536,478	1,240,314,302	78.9
017	Makueni	6,825,200,000	5,153,026,000	3,578,362,015	1,574,663,985	69.4
018	Nyandarua	4,771,600,000	3,602,558,000	2,458,783,178	1,143,774,822	68.3
019	Nyeri	5,360,661,272	4,047,299,260	2,757,055,699	1,290,243,561	68.1
020	Kirinyaga	4,409,200,000	3,328,946,000	2,322,072,727	1,006,873,273	69.8
021	Murang'a	6,191,000,000	4,674,205,000	4,284,534,078	389,670,922	91.7
022	Kiambu	10,076,716,763	7,607,921,156	6,919,196,097	688,725,059	90.9
023	Turkana	10,071,700,000	7,604,133,500	5,260,512,842	2,343,620,658	69.2
024	West Pokot	4,741,400,000	3,579,757,000	2,471,386,851	1,108,370,149	69.0
025	Samburu	3,805,200,000	2,872,926,000	2,684,372,062	188,553,938	93.4
026	Trans Nzoia	5,647,400,000	4,263,787,000	3,941,770,546	322,016,454	92.4
027	Uasin Gishu	5,707,800,000	4,309,389,000	2,952,106,873	1,357,282,127	68.5
028	Elgeyo/Marakwet	3,624,000,000	2,736,120,000	1,877,201,365	858,918,635	68.6
029	Nandi	5,103,800,000	3,853,369,000	2,700,046,440	1,153,322,560	70.1
030	Baringo	4,983,000,000	3,762,165,000	2,580,944,404	1,181,220,596	68.6
031	Laikipia	4,499,800,000	3,397,349,000	3,092,647,689	304,701,311	91.0
032	Nakuru	9,645,272,834	7,282,180,990	5,011,633,293	2,270,547,696	68.8
033	Narok	6,523,200,000	4,925,016,000	4,536,396,955	388,619,045	92.1
034	Kajiado	5,768,200,000	4,354,991,000	2,973,385,208	1,381,605,792	68.3
035	Kericho	5,224,600,000	3,944,573,000	2,697,828,697	1,246,744,303	68.4
036	Bomet	5,254,800,000	3,967,374,000	3,615,405,925	351,968,075	91.1
037	Kakamega	10,363,083,237	7,824,127,844	5,348,252,562	2,475,875,282	68.4

County Code	County Name	Annual CARA, 2017 Estimates (Kshs.)	Expected Receipts as at 31/03/2018 (Kshs.)	Actual Disbursement as at 31/03/2018 (Kshs.)	Difference	Percentage of Actual Disbursements as at 31/03/2018 to CARA, 2017 Expected Receipts
038	Vihiga	4,409,200,000	3,328,946,000	2,337,052,110	991,893,890	70.2
039	Bungoma	8,758,000,000	6,612,290,000	4,581,393,624	2,030,896,376	69.3
040	Busia	5,828,600,000	4,400,593,000	3,482,272,144	918,320,856	79.1
041	Siaya	5,526,600,000	4,172,583,000	2,851,647,512	1,320,935,488	68.3
042	Kisumu	6,922,417,341	5,226,425,092	3,563,693,541	1,662,731,551	68.2
043	Hama Bay	6,523,200,000	4,925,016,000	4,527,151,067	397,864,933	91.9
044	Migori	6,462,800,000	4,879,414,000	3,911,763,737	967,650,263	80.2
045	Kisii	7,846,772,254	5,924,313,052	4,091,137,311	1,833,175,740	69.1
046	Nyamira	4,620,600,000	3,488,553,000	2,435,216,505	1,053,336,495	69.8
047	Nairobi City	15,402,000,000	11,628,510,000	9,893,451,488	1,735,058,512	85.1
TOTAL		306,200,000,000	231,181,000,000	174,517,774,750	56,663,225,250	75.5

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