



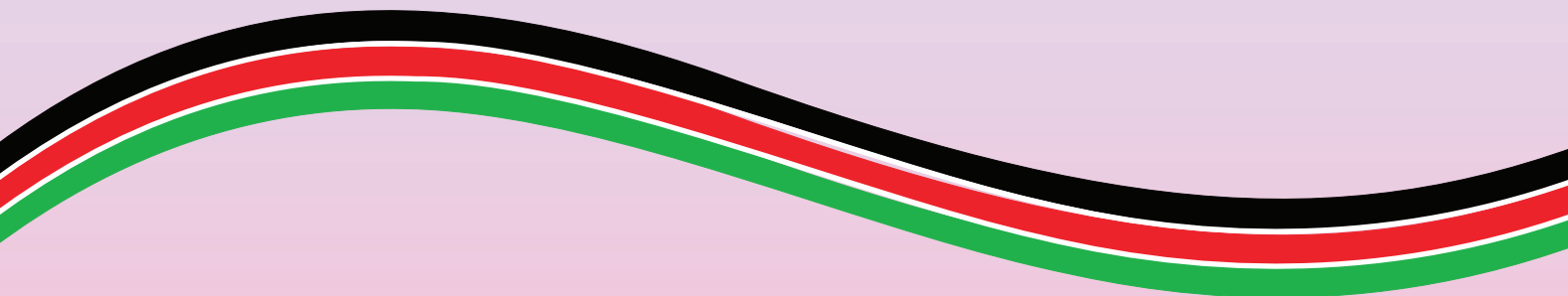
REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

**COUNTY GOVERNMENTS BUDGET
IMPLEMENTATION REVIEW REPORT**

**FIRST QUARTER
FY 2018/19**

NOVEMBER, 2018





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OFFICE OF THE CONTROLLER OF BUDGET

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PREFACE

I am pleased to present the County Governments Budget Implementation Review Report (CBIRR) for the first quarter of the Financial Year (FY) 2018/19. This report has been prepared in conformity with Article 228(6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget (COB) Act, 2016, which require the Controller of Budget to submit to each House of Parliament a report on the implementation of the budgets of the national and county governments every four months.

This report covers the period from July to September, 2018 and presents information on the status of budget implementation by each of the forty seven county governments. It contains vital information on revenue and expenditure performance, and also identified the challenges faced by the counties in the course of budget implementation during the period under review. The report is largely based on analysis of expenditure reports submitted by the County Treasuries in line with Section 166 and 168 of the Public Finance Management (PFM) Act, 2012 and data generated from the Integrated Financial Management System (IFMIS). Further, the report is also informed by data from continuous monitoring of budget execution and records by the Office of the Controller of Budget (OCOB) on exchequer requisitions and performance trends from prior reporting periods.

The production of this report would not have been possible without an active and dedicated staff at OCOB and county governments. I take this opportunity to acknowledge and appreciate all those who have contributed to the production of this report.

This budget implementation review report is particularly significant as it is one of the tools the Office uses to disseminate information on budget implementation as stipulated under Section 39(8) of the PFM Act, 2012. The Office expect that information contained in this report will not only be useful to the legislature, but also the executive and the public in enhancing awareness on budget implementation and in advancing effective management of public resources.



Mrs. Agnes Odhiambo, CBS

CONTROLLER OF BUDGET

TABLE OF CONTENTS

PREFACE	II
ACRONYMS	XV
EXECUTIVE SUMMARY	XVII
KEY HIGHLIGHTS.....	XIX
1 INTRODUCTION	1
2 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION IN THE FIRST QUARTER.....	2
2.1 Introduction.....	2
2.2 Revenue Analysis.....	2
2.3 Revenue Out-turn.....	2
2.4 Own Source Revenue	3
2.5 Funds Released to the Counties.....	5
2.6 Expenditure Analysis.....	7
3 BUDGET PERFORMANCE BY COUNTY.....	15
3.1 Baringo County	15
3.2 Bomet County	20
3.3 Bungoma County.....	25
3.4 Busia County	31
3.5 Elgeyo Marakwet County.....	36
3.6 Embu County.....	42
3.7 Garissa County.....	48
3.8 Homa Bay County	54
3.9 Isiolo County.....	59
3.10 Kajiado County	64
3.11 Kakamega County	70
3.12 Kericho County	75
3.13 Kiambu County.....	81
3.14 Kilifi County	86
3.15 Kirinyaga County	92
3.16 Kisii County.....	98
3.17 Kisumu County	104
3.18 Kitui County.....	109
3.19 Kwale County	114
3.20 Laikipia County	120
3.21 Lamu County.....	125
3.22 Machakos County.....	131

3.23	Makueni County.....	136
3.24	Mandera County	141
3.25	Marsabit County	146
3.26	Meru County.....	151
3.27	Migori County	156
3.28	Mombasa County	161
3.29	Murang'a County	166
3.30	Nairobi City County	171
3.31	Nakuru County.....	177
3.32	Nandi County.....	182
3.33	Narok County	187
3.34	Nyamira County.....	193
3.35	Nyandarua County.....	199
3.36	Nyeri County.....	204
3.37	Samburu County	209
3.38	Siaya County	214
3.39	Taita Taveta County.....	219
3.40	Tana River County.....	224
3.41	Tharaka Nithi County	226
3.42	Trans Nzoia County	231
3.43	Turkana County	237
3.44	Uasin Gishu County	242
3.45	Vihiga County.....	247
3.46	Wajir County	252
3.47	West Pokot County.....	258
4	KEY CHALLENGES AND RECOMMENDATIONS	264
4.1	High Expenditure on Personnel Emoluments.....	264
4.2	Delay in Submission of Financial Reports to the Office of the Controller of Budget.....	264
4.3	Under-Performance in Own Source Revenue Collection.....	264
4.4	IFMIS Challenges	265
4.5	Delay by the National Treasury to Disburse the Equitable Share of Revenue Raised Nationally.....	265
5	CONCLUSION	266

LIST OF TABLES

Table 2.1 :	Monthly Own Source Revenue Collection for the Period July-September 2018.....	3
Table 2.2 :	The Exchequer Issues to the County Assembly and the County Executive for the First Quarter of FY 2018/19	5
Table 2.3 :	Expenditure by Economic Classification in the First Quarter of FY 2018/19	7
Table 2.4 :	County Budget Allocation, Expenditure and Absorption Rate in the First Quarter of FY 2018/19	8
Table 2.5 :	Budget Allocation, Expenditure and Absorption Rate of MCAs Committee Sitting Allowance in the First Quarter of FY 2018/19.....	11
Table 2.6 :	Expenditure on Domestic and Foreign Travels by the County Assembly and the County Executive in the First Quarter of FY 2018/19 (Kshs. Million).....	12
Table 3.1:	Baringo County, Budget Performance by Department	19
Table 3.2:	Bomet County, List of Development Projects	24
Table 3.3:	Bomet County, Budget Performance by Department	24
Table 3.4:	Bungoma County, Budget Performance by Department	30
Table 3.5:	Busia County, Budget Performance by Department	35
Table 3.6:	Elgeyo Marakwet County, Budget Performance by Department.....	41
Table 3.7:	Embu County, Analysis of Conditional Grants Received in the first quarter of FY 2018/19.....	44
Table 3.8:	Embu County, List of Development Projects.....	47
Table 3.9:	Embu County, Budget Performance by Department	47
Table 3.10:	Garissa County, Budget Performance by Department	53
Table 3.11:	Homa Bay County, Budget Performance by Departments.....	58
Table 3.12:	Isiolo County, Budget Performance by Department	63
Table 3.13:	Kajiado County, Budget Performance by Department	69
Table 3.14:	Kakamega County, List of Development Projects	74
Table 3.15:	Kakamega County, Budget Performance by Department	74
Table 3.16 :	Kericho County, Budget Performance by Department	80
Table 3.17:	Kiambu County, List of Development Projects.....	85
Table 3.18:	Kiambu County, Budget Performance by Department	85
Table 3.19:	Kilifi County, Analysis of Conditional Grants Received in the first quarter of FY 2018/19.....	88
Table 3.20:	Kilifi County, Budget Performance by Department	91
Table 3.21:	Kirinyaga County, List of Development Projects with the Highest Expenditure in the FY 2018/19.....	97
Table 3.22:	Kirinyaga County, Budget Performance by Department	97

Table 3.23:	Kisii County, Budget Performance by Department	103
Table 3.24:	Kisumu County, Budget Performance by Department	108
Table 3.25:	Kitui County, List of Development Projects	113
Table 3.26:	Kitui County, Budget Performance by Department	113
Table 3.27:	Kwale County, Budget Performance by Department	119
Table 3.28:	Laikipia County, Budget Performance by Department	124
Table 3.29:	Lamu County, Budget Performance by Department	130
Table 3.30:	Machakos County, Budget Performance by Department	135
Table 3.31:	Makueni County, Budget Performance by Department	140
Table 3.32:	Mandera County, Budget Performance by Department	145
Table 3.33:	Marsabit County, Budget Performance by Department	150
Table 3.34 :	Meru County, Budget Performance by Department	155
Table 3.35:	Migori County, Budget Performance by Department	160
Table 3.37:	Murang'a County, List of Development Projects	170
Table 3.38:	Murang'a County, Budget Performance by Department	170
Table 3.39:	Nairobi City County, Budget Performance by Department	176
Table 3.40:	Nakuru County, Budget Performance by Department	181
Table 3.41:	Nandi County, List of Development Projects	186
Table 3.42:	Nandi County, Budget Performance by Department	186
Table 3.43:	Narok County, List of Development Projects	192
Table 3.44:	Narok County, Budget Performance by Department	192
Table 3.45:	Nyamira County, Budget Performance by Department	198
Table 3.46:	Nyandarua County, Budget Performance by Department	203
Table 3.47:	Nyeri County, Budget Performance by Department	208
Table 3.48:	Samburu County, Budget Performance by Department	213
Table 3.49:	Siaya County, Budget Performance by Department	218
Table 3.50:	Taita Taveta County, Budget Performance by Department	223
Table 3.51:	Tharaka Nithi County, Budget Performance by Department	230
Table 3.52:	Trans Nzoia County, Budget Performance by Department	236
Table 3.53:	Turkana County, Budget Performance by Department	241
Table 3.54:	Uasin Gishu County, Budget Performance by Department	246
Table 3.55:	Vihiga County, List of Development Projects	251

Table 3.56:	Vihiga County, Budget Performance by Department	251
Table 3.57:	Wajir County, Budget Performance by Department	257
Table 3.58:	West Pokot County, Budget Performance by Department	262

LIST OF FIGURES

Figure 2.1 :	Monthly Own Source Revenue Collection for the First Quarter of FY2017/18 and the First Quarter of FY 2018/19 (Kshs. Billion).....	3
Figure 3.1:	Baringo County Expected Sources of Budget Financing in FY 2018/19.....	15
Figure 3.2:	Baringo County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	16
Figure 3.3:	Baringo County, Expenditure by Economic Classification.....	17
Figure 3.4:	Baringo County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19....	18
Figure 3.5:	Bomet County Expected Sources of Budget Financing in FY 2018/19	20
Figure 3.6:	Bomet County, Trend in Own Source Revenue Collection from the First Quarter of FY 2013/14 to the First Quarter of FY 2018/19	21
Figure 3.7:	Bomet County, Expenditure by Economic Classification.....	22
Figure 3.8:	Bomet County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	23
Figure 3.9:	Bungoma County Expected Sources of Budget Financing in FY 2018/19.....	26
Figure 3.10:	Bungoma County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	27
Figure 3.11:	Bungoma County, Expenditure by Economic Classification.....	28
Figure 3.12:	Bungoma County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	29
Figure 3.13:	Busia County Expected Sources of Budget Financing in FY 2018/19.....	31
Figure 3.14:	Busia County, Trend in Own Source Revenue Collection from the First Quarter of FY 2013/14 to FY 2018/19.....	32
Figure 3.15:	Busia County, Expenditure by Economic Classification	33
Figure 3.16:	Busia County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19.....	34
Figure 3.17 :	Elgeyo Marakwet Expected Sources of Financing the Budget in FY 2018/19	37
Figure 3.18:	Elgeyo Marakwet County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19.....	38
Figure 3.19:	Elgeyo Marakwet County, Expenditure by Economic Classification.....	39
Figure 3.20:	Elgeyo Marakwet County, Operations and Maintenance Expenditure by Major Categories in the FY First Quarter 2018/19.....	40
Figure 3.21:	Embu County Expected Sources of Budget Financing in FY 2018/19	42
Figure 3.22:	Embu County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19.....	43
Figure 3.23:	Embu County, Expenditure by Economic Classification.....	45
Figure 3.24:	Embu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	46
Figure 3.25:	Garissa County Expected Sources of Budget Financing in FY 2018/19.....	49
Figure 3.26:	Garissa County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	50
Figure 3.27:	Garissa County, Expenditure by Economic Classification.....	51

Figure 3.28:	Garissa County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19.....	52
Figure 3.29:	Homa Bay County Expected Sources of Budget Financing in FY 2018/19	54
Figure 3.30:	Homa Bay County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19.....	55
Figure 3.31:	Homa Bay County, Expenditure by Economic Classification in FY 2017/18 and the FY 2018/19	56
Figure 3.32:	Homa Bay County, Operations and Maintenance Expenditure by Major Categories in the FY 2018/19	57
Figure 3.33:	Isiolo County Expected Sources of Budget Financing in FY 2018/19	59
Figure 3.34:	Isiolo County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	60
Figure 3.35:	Isiolo County, Expenditure by Economic Classification.....	61
Figure 3.36:	Isiolo County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	62
Figure 3.37:	Kajiado County Expected Sources of Budget Financing in FY 2018/19	65
Figure 3.38:	Kajiado County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19.....	66
Figure 3.39:	Kajiado County, Expenditure by Economic Classification.....	67
Figure 3.40:	Kajiado County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	68
Figure 3.41:	Kakamega County Expected Sources of Budget Financing in FY 2018/19.....	70
Figure 3.42:	Kakamega County, Trend in Own Source Revenue Collection from the First Quarter of FY 2013/14 to the First Quarter of FY 2018/19.....	71
Figure 3.43:	Kakamega County, Expenditure by Economic Classification	72
Figure 3.44:	Kakamega County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	73
Figure 3.45:	Kericho County Expected Sources of Budget Financing in FY 2018/19.....	76
Figure 3.46 :	Kericho County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	77
Figure 3.47:	Kericho County, Expenditure by Economic Classification	78
Figure 3.48:	Kericho County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19...	79
Figure 3.49:	Kiambu County Expected Sources of Budget Financing in FY 2018/19.....	81
Figure 3.50:	Kiambu County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	82
Figure 3.51:	Kiambu County, Expenditure by Economic Classification.....	83
Figure 3.52:	Kiambu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19 ..	84
Figure 3.53:	Kilifi County Expected Sources of Budget Financing in FY 2018/19	86
Figure 3.54:	Kilifi County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	87
Figure 3.55:	Kilifi County, Expenditure by Economic Classification.....	89
Figure 3.56:	Kilifi County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	90
Figure 3.57:	Kirinyaga County Expected Sources of Budget Financing in FY 2018/19	93
Figure 3.58:	Kirinyaga County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19....	94
Figure 3.59:	Kirinyaga County, Expenditure by Economic Classification	95

Figure 3.60:	Kirinyaga County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	96
Figure 3.61:	Kisii County Expected Sources of Budget Financing in FY 2018/19	99
Figure 3.62:	Kisii County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	100
Figure 3.63:	Kisii County, Expenditure by Economic Classification.....	101
Figure 3.64:	Kisii County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	102
Figure 3.65:	Kisumu County Expected Sources of Budget Financing in FY 2018/19.....	104
Figure 3.66:	Kisumu County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	105
Figure 3.67:	Kisumu County, Expenditure by Economic Classification.....	106
Figure 3.68:	Kisumu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	107
Figure 3.69:	Kitui County Expected Sources of Budget Financing in FY 2018/19.....	109
Figure 3.70:	Kitui County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	110
Figure 3.71:	Kitui County, Expenditure by Economic Classification	111
Figure 3.72:	Kitui County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19.....	112
Figure 3.73:	Kwale County Expected Sources of Budget Financing in FY 2018/19.....	115
Figure 3.74:	Kwale County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	116
Figure 3.75:	Kwale County, Expenditure by Economic Classification.....	117
Figure 3.76:	Kwale County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19.....	118
Figure 3.77:	Laikipia County Expected Sources of Budget Financing in FY 2018/19	120
Figure 3.78:	Laikipia County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	121
Figure 3.79:	Laikipia County, Expenditure by Economic Classification.....	122
Figure 3.80:	Laikipia County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	123
Figure 3.81:	Lamu County Expected Sources of Budget Financing in FY 2018/19	126
Figure 3.82:	Lamu County, Trend in Own Source Revenue Collection from the First Quarter of FY 2013/14 to FY 2018/19.....	127
Figure 3.83:	Lamu County, Expenditure by Economic Classification.....	128
Figure 3.84:	Lamu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	129
Figure 3.85:	Machakos County Expected Sources of Budget Financing in FY 2018/19.....	131
Figure 3.86:	Machakos County, Trend in Own Source Revenue Collection by Quarter from FY 2013/14 to the FY 2018/19.....	132
Figure 3.87 :	Machakos County, Expenditure by Economic Classification	133
Figure 3.88:	Machakos County, Operations and Maintenance Expenditure by Major Categories for the FY 2018/19	134
Figure 3.89:	Makueni County Expected Sources of Budget Financing in FY 2018/19	136
Figure 3.90:	Makueni County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19....	137
Figure 3.91:	Makueni County, Expenditure by Economic Classification	138

Figure 3.92:	Makueni County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	139
Figure 3.93:	Mandera County Expected Sources of Budget Financing in FY 2018/19	141
Figure 3.94:	Mandera County, Trend in Own Source Revenue Collection from the First Quarter of FY 2013/14 to the First Quarter of FY 2018/19	142
Figure 3.95:	Mandera County, Expenditure by Economic Classification	143
Figure 3.96:	Mandera County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	144
Figure 3.97:	Marsabit County Expected Sources of Budget Financing in FY 2018/19	146
Figure 3.98:	Marsabit County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	147
Figure 3.99:	Marsabit County, Expenditure by Economic Classification.....	148
Figure 3.100:	Marsabit County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	149
Figure 3.101:	Meru County Expected Sources of Budget Financing in FY 2018/19	151
Figure 3.102:	Meru County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	152
Figure 3.103:	Meru County, Expenditure by Economic Classification.....	153
Figure 3.104:	Meru County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	154
Figure 3.105:	Migori County, Expected Sources of Budget Financing in FY 2018/19	156
Figure 3.106:	Migori County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	157
Figure 3.107:	Migori County, Expenditure by Economic Classification	158
Figure 3.108:	Migori County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19.....	159
Figure 3.109:	Mombasa County Expected Sources of Budget Financing in FY 2018/19	161
Figure 3.110:	Mombasa County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	162
Figure 3.111:	Mombasa County, Expenditure by Economic Classification.....	163
Figure 3.112:	Mombasa County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	164
Figure 3.113:	Murang'a County Expected Sources of Budget Financing in FY 2018/19	166
Figure 3.114:	Murang'a County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	167
Figure 3.115:	Murang'a County, Expenditure by Economic Classification	168
Figure 3.116:	Murang'a County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	169
Figure 3.117:	Nairobi City County Expected Sources of Budget Financing in FY 2018/19	172
Figure 3.118:	Nairobi City County, Trend in Own Source Revenue Collection from the First Quarter of FY 2013/14 to the First Quarter of FY 2018/19	173

Figure 3.119:	Nairobi City County, Expenditure by Economic Classification.....	174
Figure 3.120:	Nairobi City County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	175
Figure 3.121:	Nakuru County Expected Sources of Budget Financing in FY 2018/19	177
Figure 3.122:	Nakuru County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19.....	178
Figure 3.123:	Nakuru County, Expenditure by Economic Classification.....	179
Figure 3.124:	Nakuru County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	180
Figure 3.125:	Nandi County Expected Sources of Budget Financing in FY 2018/19	182
Figure 3.126:	Nandi County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19.....	183
Figure 3.127:	Nandi County, Expenditure by Economic Classification	184
Figure 3.128:	Nandi County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	185
Figure 3.129:	Narok County Expected Sources of Budget Financing in FY 2018/19	188
Figure 3.130:	Narok County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19.....	189
Figure 3.131:	Narok County, Expenditure by Economic Classification	190
Figure 3.132:	Narok County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	191
Figure 3.133:	Nyamira County Expected Sources of Budget Financing in FY 2018/19	194
Figure 3.134:	Nyamira County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	195
Figure 3.135:	Nyamira County, Expenditure by Economic Classification.....	196
Figure 3.136:	Nyamira County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	197
Figure 3.137:	Nyandarua County Expected Sources of Budget Financing in FY 2018/19	199
Figure 3.138:	Nyandarua County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19.....	200
Figure 3.139:	Nyandarua County, Expenditure by Economic Classification.....	201
Figure 3.140:	Nyandarua County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	202
Figure 3.141:	Nyeri County Expected Sources of Budget Financing in FY 2018/19	204
Figure 3.142:	Nyeri County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19.....	205
Figure 3.143:	Nyeri County, Expenditure by Economic Classification	206
Figure 3.144:	Nyeri County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19.....	207
Figure 3.145:	Samburu County Expected Sources of Budget Financing in FY 2018/19.....	209

Figure 3.146:	Samburu County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	210
Figure 3.147:	Samburu County, Expenditure by Economic Classification	211
Figure 3.148:	Samburu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	212
Figure 3.149:	Siaya County Expected Sources of Budget Financing in FY 2018/19	214
Figure 3.150:	Siaya County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	215
Figure 3.151:	Siaya County, Expenditure by Economic Classification.....	216
Figure 3.152:	Siaya County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	217
Figure 3.153:	Taita Taveta County Expected Sources of Budget Financing in FY 2018/19.....	219
Figure 3.154:	Taita Taveta County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	220
Figure 3.155:	Taita Taveta County, Expenditure by Economic Classification	221
Figure 3.156:	Taita Taveta County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	222
Figure 3.157:	Tana River County Expected Sources of Budget Financing in FY 2018/19.....	224
Figure 3.158:	Tana River County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	225
Figure 3.159:	Tharaka Nithi County Expected Sources of Budget Financing in FY 2018/19	226
Figure 3.160:	Tharaka Nithi County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19.....	227
Figure 3.161:	Tharaka Nithi County, Expenditure by Economic Classification.....	228
Figure 3.162:	Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	229
Figure 3.163:	Trans Nzoia County Expected Sources of Budget Financing in FY 2018/19.....	232
Figure 3.164:	Trans Nzoia County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19.....	233
Figure 3.165:	Trans Nzoia County, Expenditure by Economic Classification.....	234
Figure 3.166:	Trans Nzoia County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	235
Figure 3.167:	Turkana County Expected Sources of Budget Financing in FY 2018/19	237

Figure 3.168:	Turkana County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	238
Figure 3.169:	Turkana County, Expenditure by Economic Classification.....	239
Figure 3.170:	Turkana County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	240
Figure 3.171:	Uasin Gishu County Expected Sources of Budget Financing in FY 2018/19	242
Figure 3.172:	Uasin Gishu County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19.....	243
Figure 3.173:	Uasin Gishu County, Expenditure by Economic Classification.....	244
Figure 3.174:	Uasin Gishu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	245
Figure 3.175:	Vihiga County Expected Sources of Budget Financing in FY 2018/19	247
Figure 3.176:	Vihiga County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19.....	248
Figure 3.177:	Vihiga County, Expenditure by Economic Classification	249
Figure 3.178:	Vihiga County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19...	250
Figure 3.179:	Wajir County Expected Sources of Budget Financing in FY 2018/19	253
Figure 3.180:	Wajir County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	254
Figure 3.181:	Wajir County, Expenditure by Economic Classification.....	255
Figure 3.182:	Wajir County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	256
Figure 3.183:	West Pokot County Expected Sources of Budget Financing in FY 2018/19	258
Figure 3.184:	West Pokot County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19	259
Figure 3.185:	West Pokot County, Expenditure by Economic Classification.....	260
Figure 3.186:	West Pokot County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19	261

ACRONYMS

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

KShs	Kenya Shillings
MCA	Member of County Assembly
NARIGP	National Agricultural and Rural Inclusive Growth Project
O&M	Operations and Maintenance
OCOB	Office of the Controller of Budget
PE	Personnel Emoluments
PFM	Public Finance Management
SRC	Salaries and Remuneration Commission
WSDP	Water & Sanitation Development Project

EXECUTIVE SUMMARY

This County Budget Implementation Review Report (CBIRR) covers the first three months of the Financial Year (FY) 2018/19. It 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 and highlights status of budget implementation by the counties by presenting information on revenue and expenditure performance against annual budget and similar performance in the first three months of FY 2017/18.

Expenditure information is based on actual spending reported by County Treasuries and is also augmented with reports generated from the Integrated Financial Management System (IFMIS). The prior period report by the Office of the Controller of Budget is used to enable performance comparison.

The aggregate budget estimates for the 47 County Governments in FY 2018/19 is Kshs.450.2 billion comprising of Kshs.272.59 billion (60.5 per cent) for recurrent expenditure and Kshs.177.61 billion (39.5 per cent) for development activities. In order to finance the budget, county governments expect to receive Kshs.314 billion as equitable share of revenue raised nationally, Kshs.25.5 billion as conditional grants from the National Government, Kshs.33.24 billion as conditional grants from Development Partners, generate Kshs.50.06 billion from own sources of revenue, and Kshs.48.36 billion cash balance from FY 2017/18.

The total funds available to the County Governments in the first quarter of FY 2018/19 amounted to Kshs.79.3 billion. This amount consisted of Kshs.23.53 billion as equitable share of revenue raised nationally and grants to Level 5 Hospitals from the National Government, Kshs.7.41 billion as revenue raised from own sources, and Kshs.48.36 billion cash balance from FY 2017/18. The aggregate revenue raised by County Governments was 14.8 per cent of the annual target of Kshs.50.06 billion, and was an improvement of 55 per cent compared to Kshs.4.82 billion generated in a similar period of FY 2017/18, which was 8.6 per cent of the annual revenue target.

During the reporting period, the Controller of Budget (COB) authorised withdrawal of Kshs.56.05 billion from the County Revenue Funds (CRF) to the various County Operational Accounts. This amount comprised of Kshs.52.41 billion (93.5 per cent) for recurrent expenditure and Kshs.3.64 billion (6.5 per cent) for development activities. The authorised withdrawal was an improvement of 48.1 per cent from Kshs.37.82 billion released in a similar period of FY 2017/18. The Nairobi City County received the highest amount from its CRF account to the operational accounts at Kshs.3.52 billion followed by Narok and Kiambu at Kshs.2.44 billion and Kshs.2.42 billion respectively. Tana River did not receive any funds for operations during the period due to delays in approval of its FY 2018/19 budget.

The total expenditure in the first three months of FY 2018/19 was Kshs.50.97 billion representing an absorption rate of 11.3 per cent of the total annual County Governments' budgets. This was an improvement from an absorption rate of 9.5 per cent attained in a similar period of FY 2017/18 where total expenditure was Kshs.35.43 billion. The expenditure comprised of Kshs.47.45 billion for recurrent expenditure (17.4 per cent of the annual recurrent budget) and Kshs.3.51 billion for development expenditure (2 per cent of the annual development budget).

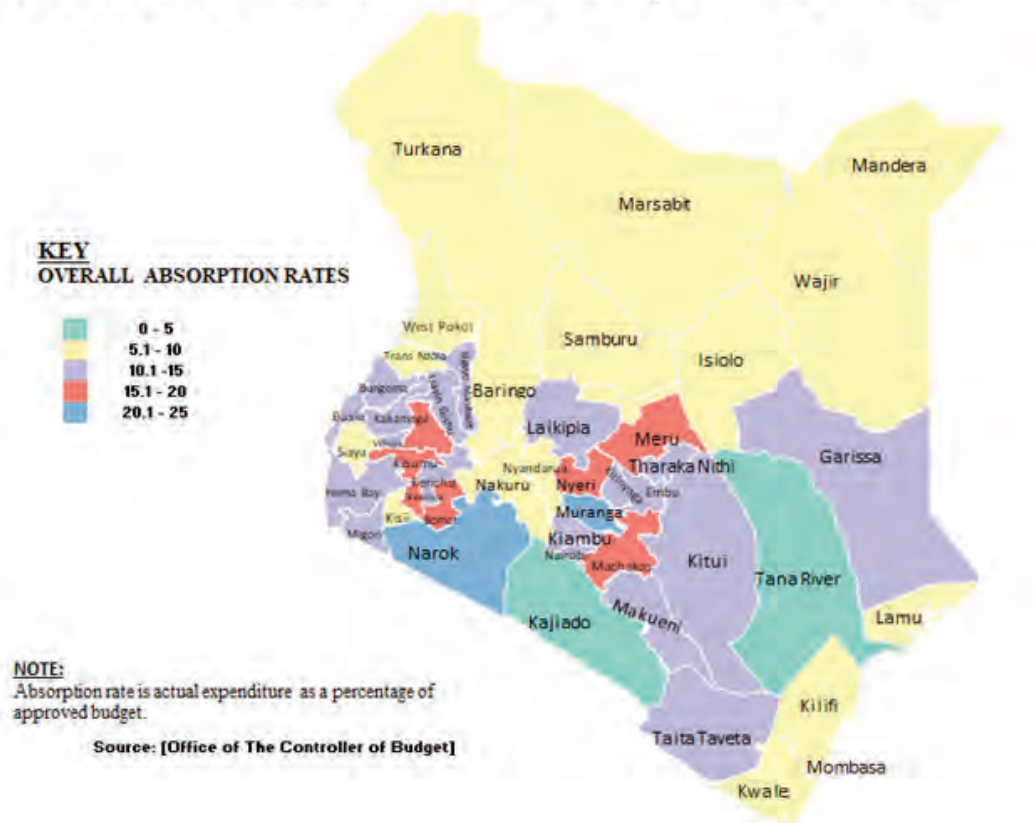
Analysis of expenditure by economic classification shows that Kshs.37.13 billion (72.8 per cent) was spent on personnel emoluments, Kshs.10.33 billion (20.3 per cent) on operations and maintenance, and Kshs.3.51 billion (6.9 per cent) on development activities. The personnel emoluments of Kshs.37.13 billion was an increase from Kshs.27.75 billion incurred in the first quarter of FY 2017/18. Analysis of personnel emoluments as a percentage of total expenditure by county shows that Garissa, Baringo and Nakuru recorded the highest percentage at 91.8 per cent, 91.7 per cent and 90.4 per cent respectively.

The key challenges identified by the Office as hindering effective budget execution by County Governments included; high expenditure on personnel emoluments, delay in submissions of financial reports to the Office of the Controller of Budget by County Treasuries contrary to Section 166 and 168 of the PFM Act, 2012, under-performance of own source revenue collection when compared to annual target, IFMIS connectivity challenges, and delay by the National Treasury to disburse the equitable share of revenue raised Nationally.

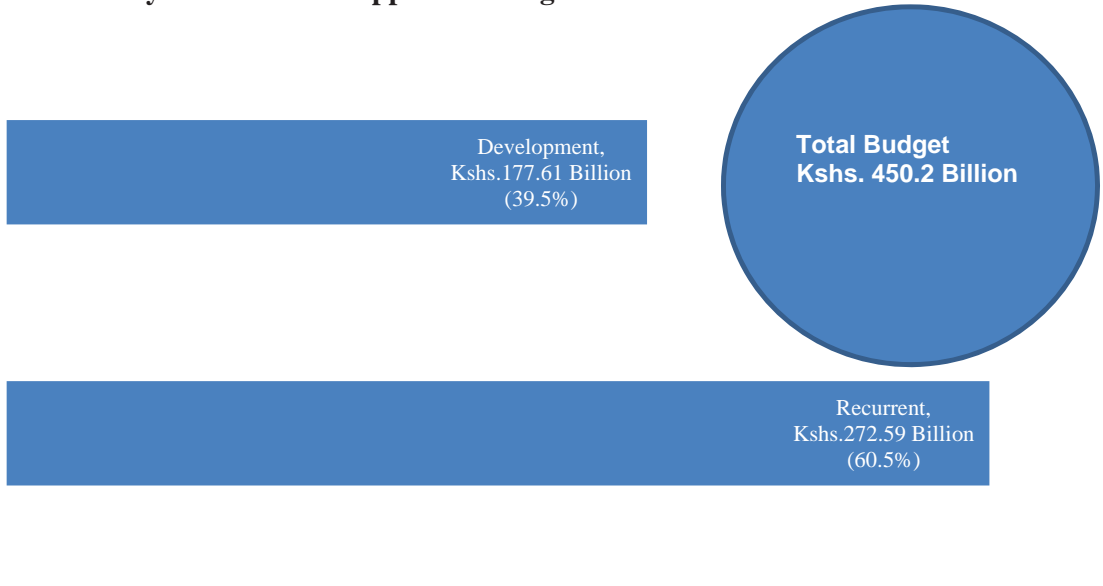
The Office recommends that the County Governments should establish an optimal staffing level to ensure that personnel costs is within the set limit of 35 per cent of the County's total revenue as provided in Regulation 25 (1) of the Public Finance Management (County Governments) Regulations, 2015. County Treasuries should develop and implement strategies to enhance own source revenue collection, and ensure compliance with PFM Act, 2012 on submission of financial and non-financial expenditure returns to the OCOB. Further, the IFMIS Directorate should strengthen the IFMIS system to address the frequent connectivity challenges encountered by users, and finally, the National Treasury should disburse the equitable share of revenue raised nationally in line with the CARA, 2018 Disbursement Schedule.

KEY HIGHLIGHTS

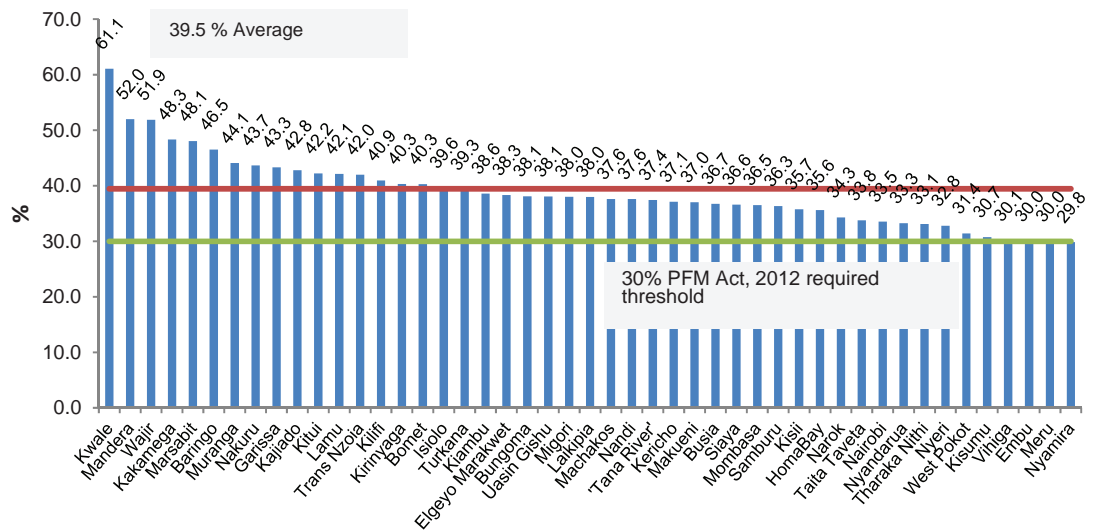
OVERALL ABSORPTION RATES FOR THE FIRST QUARTER OF FY 2018/19



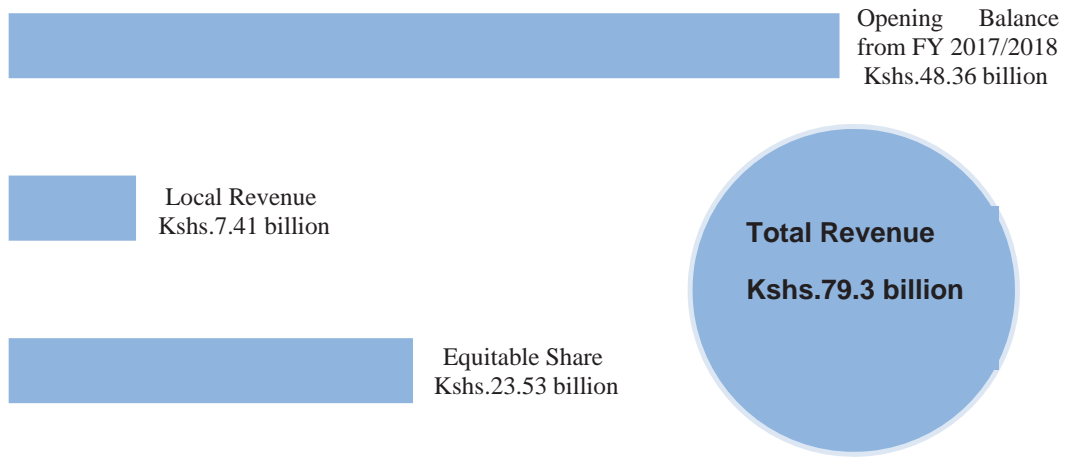
County Governments Approved Budgets for FY 2018/19



FY 2018/19 County Governments' Development Budget Allocation as a Percentage of Total Budget



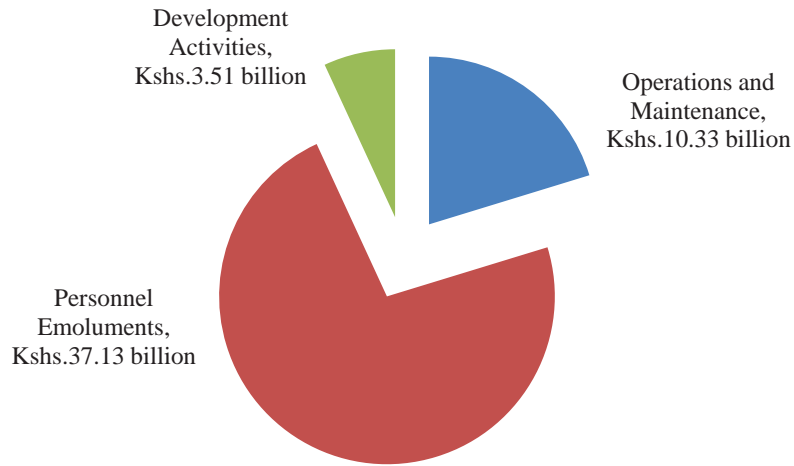
Total Revenue Available in the First Quarter of FY 2018/19



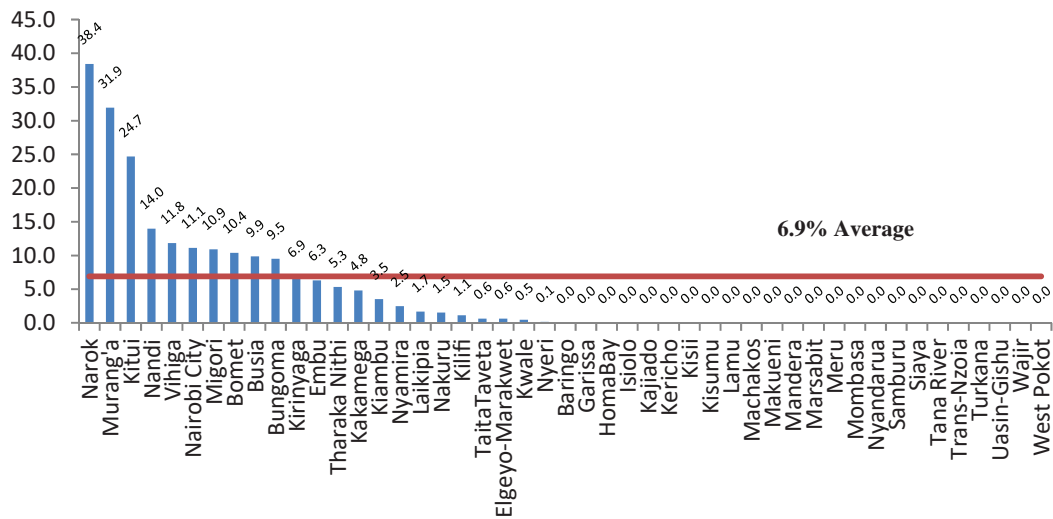
Exchequer Issues in the First Quarter of FY 2018/19



Expenditure by Economic Classification in the First Quarter of FY 2018/19



Development Expenditure as a Percentage of Total Expenditure in the First Quarter of FY 2018/19



1 INTRODUCTION

Article 228 of the Constitution of Kenya, 2010 established the Office of the Controller of Budget (OCOB) to oversee the implementation of the budgets of the national and county governments by authorizing withdrawals from public funds, and submit a report to each House of Parliament on the implementation of budgets every four months.

This County Budget Implementation Review Report (CBIRR) for the first quarter of FY 2018/19 has been prepared in fulfilment of Article 218(6) of the Constitution and covers the period July to September, 2018. It presents status of budget execution by the 47 county governments and provides information on own source revenue raised by counties, disbursement of equitable share of revenue raised nationally, transfers received from the National Government and Development Partners, and total expenditure during the reporting period. Expenditure is disaggregated into recurrent and development spending and compared against set annual targets. The report is useful to oversight institutions such as the Senate, County Assemblies, the National Treasury, Constitutional Commissions, Development Partners, and members of the public who are interested in monitoring budget execution.

The structure of this report proceeds as follows; Introduction is captured in chapter one while chapter two presents highlight of revenue and expenditure performance by counties in budget implementation. In the review of budget performance, emphasis is placed on expenditure against budget estimates both for individual counties and aggregates. Expenditure is classified into recurrent and development. Chapter three presents individual county performance and proceeds to identify the issues that affected budget execution during the period and also contains recommendations aimed at promoting prudent financial management. Challenges and key recommendations cutting across the County Governments are presented in chapter four. Lastly, the conclusion is offered in chapter five of this report.

2 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION IN THE FIRST QUARTER

2.1 Introduction

This chapter presents analysis of the aggregate budget performance by the counties in the first three months of FY 2018/19.

2.2 Revenue Analysis

In FY 2018/19, the combined county governments' budgets approved by the County Assemblies amounted to Kshs.450.2 billion and comprised of Kshs.272.59 billion (60.5 per cent) allocated to recurrent expenditure and Kshs.177.61 billion (39.5 per cent) for development activities.

In order to finance the budgets, county governments expect to receive Kshs.314 billion as equitable share of revenue raised nationally, Kshs.25.5 billion as total conditional grants from the National Government, Kshs.33.24 billion as conditional grants from Development Partners, generate Kshs.50.06 billion from own sources of revenue, and Kshs.48.36 billion cash balance from FY 2017/18. The conditional grants from the National Government comprise of Kshs.9.4 billion for Leasing of Medical Equipment, Kshs.4.33 billion for Level 5 Hospitals, Kshs.8.27 billion from the Road Maintenance Fuel Levy Fund, Kshs.900 million for compensation of User Fee Foregone, Kshs.2 billion for Rehabilitation of Village Polytechnics, Kshs.605 million for Construction of County Headquarters in Isiolo, Lamu, Nyandarua, Tana River and Tharaka Nithi Counties.

The Conditional grants from the Development Partners comprise of Kshs.2.64 billion for Transforming Health Systems for Universal Car Project (World Bank), Kshs.2.95 billion for International Development Association (World Bank) credit, National Agricultural and Rural Inclusive Growth Project (NARIGP), Kshs.3.04 billion for International Development Association (World Bank)- Kenya Climate Smart Agriculture Project (KCSAP), Kshs.2.3 billion for International Development Association (World Bank) credit: Kenya Devolution Support Project (KDSP) "Level 1 grant", Kshs.11.46 billion International Development Association (World Bank) credit: Kenya Urban Support Project (KUSP), Kshs.1.01 billion as Danish International Development Agency Grant (Universal Healthcare in Devolved System Program), Kshs.1.04 billion as European Union Grant (Instruments for Devolution Advice and Support IDEAS), Kshs.3.8 billion for International Development Association (World Bank) credit: Water & Sanitation Development Project (WSDP), and Kshs.4 billion International Development Association (World Bank) credit: Kenya Devolution Support Project (KDSP) "Level 2 grant".

2.3 Revenue Out-turn

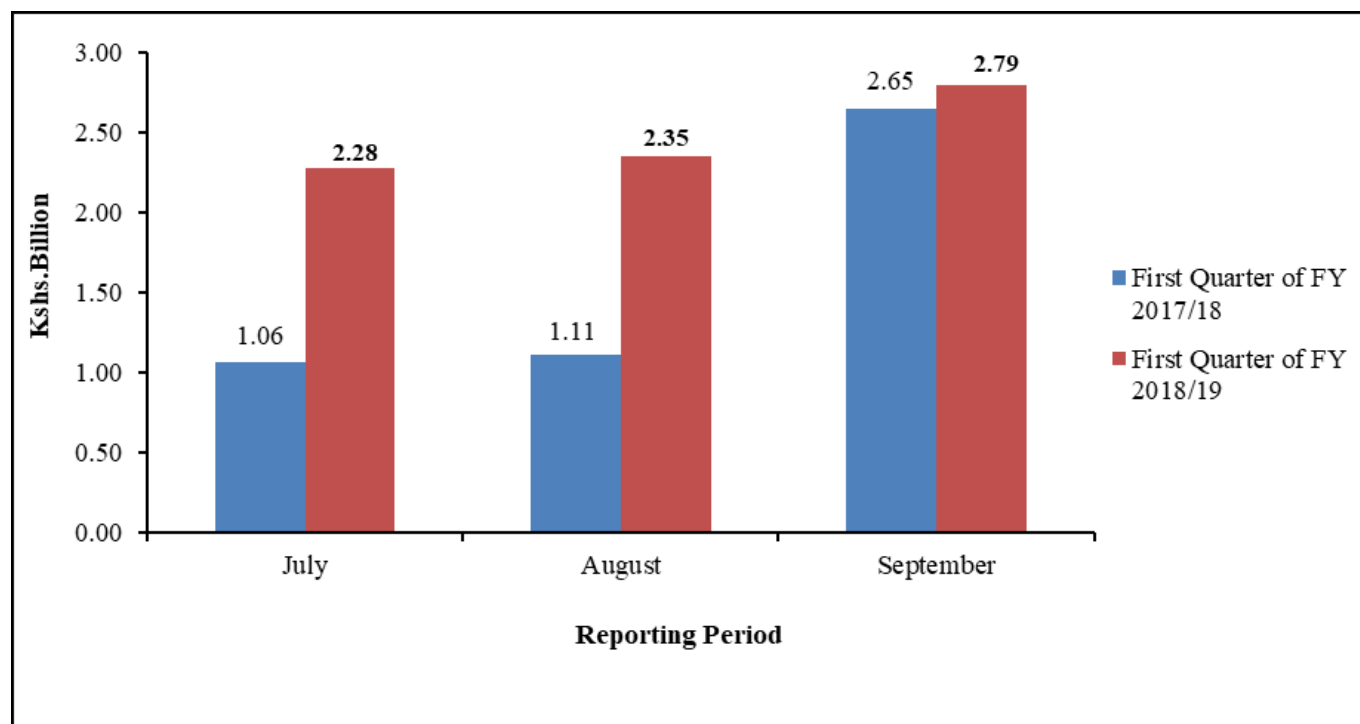
The total funds available to the County Governments in the first quarter of FY 2018/19 amounted to Kshs.79.3 billion. This amount consisted of Kshs.23.53 billion from equitable share of revenue raised nationally and grants to Level 5 Hospitals from the National Government, Kshs.7.41 billion as revenue raised from own sources, and Kshs.48.36 billion cash balance from FY 2017/18.

2.4 Own Source Revenue

The aggregate annual own source revenue target for FY 2018/19 is Kshs.50.06 billion. During the reporting period, counties generated a total of Kshs.7.41 billion, which was 14.8 per cent of the annual target. This was an increase of 55 per cent compared to Kshs.4.82 billion generated in a similar period of FY 2017/18, which was 8.6 per cent of the annual revenue target.

The monthly own source revenue collection in the first quarter of FY 2017/18 and in a similar period of FY 2018/19 is shown in Figure 2.1.

Figure 2.1 : Monthly Own Source Revenue Collection for the First Quarter of FY2017/18 and the First Quarter of FY 2018/19 (Kshs. Billion)



Source: County Treasuries

The monthly own source revenue collection for the period July to September 2018 is shown in Table 2.1.

Table 2.1 : Monthly Own Source Revenue Collection for the Period July-September 2018

County Title	First Quarter of FY 2018/19 Own Source Revenue Collection (Kshs.)				Annual Own Source Revenue Target for FY 2018/19 (Kshs.)	% of Own Source Revenue Against Annual Target
	July-2018	August-2018	September-2018	Total		
Baringo	48,938,310	52,773,502	25,773,808	127,485,620	371,147,448	34.3
Bomet	7,773,867	11,622,284	7,180,465	26,576,616	210,221,723	12.6
Bungoma	57,134,782	42,932,331	37,671,590	137,738,703	1,101,000,000	12.5
Busia	17,480,088	16,944,291	16,876,229	51,300,608	452,519,667	11.3
Elgeyo/Marakwet	8,229,289	10,336,541	12,578,770	31,144,600	130,000,000	24.0
Embu	48,440,212	43,737,693	36,959,739	129,137,644	950,000,000	13.6
Garissa	9,221,715	9,811,820	6,855,419	25,888,954	250,000,000	10.4
Homa Bay	3,300,000	6,300,000	5,200,000	14,800,000	172,996,417	8.6

County Title	First Quarter of FY 2018/19 Own Source Revenue Collection (Kshs.)				Annual Own Source Revenue Target for FY 2018/19 (Kshs.)	% of Own Source Revenue Against Annual Target
	July-2018	August-2018	September-2018	Total		
Isiolo	21,160,581	20,242,268	12,615,380	54,018,229	150,861,337	35.8
Kajiado	70,350,595	64,193,047	55,224,089	189,767,731	1,583,856,996	12.0
Kakamega	28,826,785	52,971,077	34,535,132	116,332,994	1,043,624,284	11.1
Kericho	14,210,161	11,123,721	12,905,559	38,239,441	762,935,000	5.0
Kiambu	-	-	443,119,237	443,119,237	2,736,734,640	16.2
Kilifi	43,531,737	33,402,361	40,370,224	117,304,323	1,345,066,521	8.7
Kirinyaga	21,297,360	20,616,545	26,275,188	68,189,093	650,000,000	10.5
Kisii	19,887,890	20,949,235	18,604,603	59,441,728	950,000,000	6.3
Kisumu	51,493,736	61,631,640	40,737,992	153,863,368	1,382,567,120	11.1
Kitui	35,051,628	23,469,110	40,458,594	98,979,332	500,000,000	19.8
Kwale	7,423,291	18,244,545	20,978,037	46,645,873	303,112,305	15.4
Laikipia	61,540,339	61,949,366	40,821,414	164,311,119	550,000,000	29.9
Lamu	2,819,820	1,275,539	2,252,989	6,348,348	70,000,000	9.1
Machakos	-	-	210,000,629	210,000,629	1,720,061,674	12.2
Makueni	26,565,355	26,351,352	23,546,655	76,463,362	620,000,000	12.3
Mandera	4,901,240	7,136,700	5,813,000	17,850,940	169,787,568	10.5
Marsabit	7,405,970	4,376,470	4,923,815	16,706,255	140,000,000	11.9
Meru	69,047,559	30,100,641	31,860,315	131,008,515	983,869,960	13.3
Migori	25,363,849	22,157,862	21,680,893	69,202,604	450,000,000	15.4
Mombasa	91,417,758	131,852,605	75,372,653	298,643,016	3,877,215,398	7.7
Murang'a	47,281,353	43,903,076	40,109,736	131,294,165	1,000,000,000	13.1
Nairobi City	608,010,993	585,572,722	600,853,103	1,794,436,818	15,208,873,206	11.8
Nakuru	199,017,022	171,577,585	174,968,097	545,562,704	2,000,000,000	27.3
Nandi	13,890,991	16,077,721	11,354,238	41,322,950	459,293,246	9.0
Narok	359,540,058	508,191,313	326,127,536	1,193,858,907	2,485,210,000	48.0
Nyamira	5,818,775	3,561,778	8,876,487	18,257,040	255,566,158	7.1
Nyandarua	24,765,318	20,142,543	19,029,930	63,937,791	410,000,000	15.6
Nyeri	58,707,813	51,206,035	60,350,229	170,264,077	1,000,000,000	17.0
Samburu	-	-	87,248,352	87,248,352	254,031,228	34.3
Siaya	11,575,983	9,011,811	7,040,490	27,628,284	275,000,000	10.0
Taita/Taveta	28,260,912	16,484,592	22,082,018	66,827,522	300,000,000	22.3
Tana River	3,679,220	3,379,613	2,463,461	9,522,294	60,000,000	15.9
Tharaka -Nithi	21,271,793	6,606,418	16,469,000	44,347,211	300,000,000	14.8
Trans Nzoia	11,830,147	13,603,037	10,801,445	36,234,629	500,000,000	7.2
Turkana	15,008,834	7,515,540	13,837,237	36,361,611	250,000,000	14.5
Uasin Gishu	45,545,049	59,673,657	52,002,116	157,220,822	1,200,000,000	13.1
Vihiga	10,707,829	11,176,965	8,366,957	30,251,751	153,669,000	19.7
Wajir	3,608,340	4,530,705	4,553,995	12,693,040	200,000,000	6.3
West Pokot	10,286,567	8,519,883	8,237,625	27,044,075	122,370,189	22.1
Total	2,281,620,914	2,347,237,541	2,785,964,469	7,414,822,924	50,061,591,086	14.8

Source: County Treasuries

During the period under review, the Nairobi City County generated the highest amount of own source revenue at Kshs.1.79 billion, followed by Narok and Nakuru at Kshs.1.19 billion and Kshs.543.56 million respectively. The Counties that generated the lowest amounts were; Wajir, Tana River, and Lamu at Kshs.12.69 million, Kshs.9.52 million and Kshs.6.35 million respectively.

Analysis of own source revenue as a proportion of the annual target indicates that Narok and Isiolo Counties recorded the highest proportions at 48 per cent and 35.8 per cent respectively. Conversely, the counties that recorded the lowest proportion of own source revenue against annual targets were; Wajir at 6.3 per cent, Kisii at 6.2 per cent and Kericho at 5 per cent.

2.5 Funds Released to the Counties

2.5.1 Funds released to counties from the Consolidated Fund

The Controller of Budget (COB) approved transfer of Kshs.23.53 billion from the Consolidated Fund to the various County Revenue Funds (CRFs) as equitable share of revenue raised nationally and grants to Level 5 Hospitals, in accordance with Article 206 (4) of the Constitution.

2.5.2 Funds Released to the County Operational Accounts

The COB authorised withdrawals of Kshs.56.05 billion from the County Revenue Funds to County Operational Accounts of the County Government in the reporting period. The transfers comprised of Kshs.52.41 billion (93.5 per cent) for recurrent expenditure and Kshs.3.64 billion (6.5 per cent) for development expenditure. The authorised withdrawal was an improvement of 48.1per cent from Kshs.37.82 billion released in a similar period of FY 2017/18.

From the Kshs.52.41 billion released for recurrent activities, Kshs.6.15 billion was for the County Assemblies while Kshs.46.27 billion went to County Executives. On the other hand, out of Kshs.3.64 billion released towards development activities, the County Executive and the County Assemblies received Kshs.3.43 billion and Kshs.205.67 million respectively.

The exchequer issues to the County Assembly and the County Executive in the first three months of FY 2018/19 are shown in Table 2.2.

Table 2.2 : The Exchequer Issues to the County Assembly and the County Executive for the First Quarter of FY 2018/19

Exchequer Releases from CRF to County Operations Accounts, First Quarter of FY 2018/19 (Kshs.Million)									
County	County Assembly			County Executive			Combined Exchequer Issues		
	Rec (Kshs)	Dev (Kshs)	Total	Rec (Kshs)	Dev (Kshs)	Total	Rec (Kshs)	Dev (Kshs)	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Baringo	80.06	-	80.06	564.05	-	564.05	644.11	-	644.11
Bomet	112.50	-	112.50	1,142.02	122.60	1,264.62	1,254.52	122.60	1,377.12
Bungoma	177.36	23.07	200.43	1,259.10	76.28	1,335.37	1,436.46	99.34	1,535.80
Busia	150.00	-	150.00	802.00	124.57	926.57	952.00	124.57	1,076.57
Elgeyo/ Marakwet	116.10	-	116.10	571.74	4.48	576.21	687.84	4.48	692.32
Embu	109.55	-	109.55	764.50	-	764.50	874.05	-	874.05
Garissa	132.96	-	132.96	936.16	-	936.16	1,069.12	-	1,069.12
Homa Bay	78.00	-	78.00	805.00	-	805.00	883.00	-	883.00
Isiolo	40.00	-	40.00	419.00	-	419.00	459.00	-	459.00
Kajiado	109.57	-	109.57	701.21	-	701.21	810.78	-	810.78

Exchequer Releases from CRF to County Operations Accounts, First Quarter of FY 2018/19 (Kshs.Million)									
County	County Assembly			County Executive			Combined Exchequer Issues		
	Rec (Kshs)	Dev (Kshs)	Total	Rec (Kshs)	Dev (Kshs)	Total	Rec (Kshs)	Dev (Kshs)	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Kakamega	184.98	-	184.98	1,344.31	83.63	1,427.95	1,529.29	83.63	1,612.93
Kericho	112.86	-	112.86	675.18	-	675.18	788.04	-	788.04
Kiambu	122.83	-	122.83	2,299.91	-	2,299.91	2,422.74	-	2,422.74
Kilifi	97.86	10.00	107.86	855.18	55.00	910.18	953.04	65.00	1,018.04
Kirinyaga	155.70	-	155.70	696.89	62.72	759.61	852.59	62.72	915.31
Kisii	139.47	-	139.47	959.73	-	959.73	1,099.20	-	1,099.20
Kisumu	129.00	-	129.00	1,547.10	7.12	1,554.22	1,676.10	7.12	1,683.22
Kitui	159.61	-	159.61	1,376.87	300.50	1,677.37	1,536.48	300.50	1,836.98
Kwale	99.52	-	99.52	1,271.71	254.95	1,526.65	1,371.22	254.95	1,626.17
Laikipia	63.00	-	63.00	909.59	71.05	980.64	972.59	71.05	1,043.64
Lamu	70.72	-	70.72	302.90	-	302.90	373.62	-	373.62
Machakos	137.36	-	137.36	1,812.03	-	1,812.03	1,949.39	-	1,949.39
Makueni	151.59	-	151.59	897.36	-	897.36	1,048.95	-	1,048.95
Mandera	174.56	-	174.56	1,052.18	-	1,052.18	1,226.74	-	1,226.74
Marsabit	120.00	-	120.00	890.00	-	890.00	1,010.00	-	1,010.00
Meru	151.98	-	151.98	1,591.12	-	1,591.12	1,743.10	-	1,743.10
Migori	648.02	140.00	788.02	40.00	-	40.00	688.02	140.00	828.02
Mombasa	55.73	-	55.73	1,745.99	80.38	1,826.37	1,801.7	80.38	1,882.1
Murang'a	103.00	-	103.00	1,127.17	639.73	1,766.89	1,230.17	639.73	1,869.89
Nairobi City	151.29	-	151.29	3,354.97	15.39	3,370.36	3,506.26	15.39	3,521.65
Nakuru	167.12	20.69	187.81	1,430.19	26.00	1,456.19	1,597.32	46.69	1,644.00
Nandi	187.69	-	187.69	954.50	437.92	1,392.43	1,142.19	437.92	1,580.11
Narok	120.00	10.00	130.00	1,465.00	847.00	2,312.00	1,585.00	857.00	2,442.00
Nyamira	141.36	-	141.36	803.60	-	803.60	944.96	-	944.96
Nyandarua	110.93	-	110.93	527.18	-	527.18	638.11	-	638.11
Nyeri	129.05	1.72	130.77	898.94	-	898.94	1,027.99	1.72	1,029.71
Samburu	66.81	-	66.81	543.06	-	543.06	609.87	-	609.87
Siaya	139.20	-	139.20	661.20	-	661.20	800.40	-	800.40
Taita/Taveta	67.32	-	67.32	675.00	30.34	705.34	742.32	30.34	772.65
Tana River	-	-	-	-	-	-	-	-	-
Tharaka- Nithi	54.24	-	54.24	667.93	35.00	702.92	722.17	35.00	757.17
Trans Nzoia	153.52	-	153.52	936.23	-	936.23	1,089.75	-	1,089.75
Turkana	226.00	-	226.00	1,209.52	-	1,209.52	1,435.52	-	1,435.52
Uasin Gishu	134.78	-	134.78	822.13	-	822.13	956.91	-	956.91
Vihiga	151.80	-	151.80	740.30	30.18	770.48	892.10	30.18	922.28
Wajir	67.25	-	67.25	638.58	-	638.58	705.83	-	705.83
West Pokot	96.00	-	96.00	579.02	125.35	704.37	675.02	125.35	800.37
Total	6,148.23	205.47	6,353.70	46,267.37	3,430.17	49,697.54	52,415.60	3,635.64	56,051.24

Source: County Treasuries and OCOB

Nairobi City County received the highest amount from its CRF account to the operational accounts at Kshs.3.52 billion followed by Narok and Kiambu at Kshs.2.44 billion and Kshs.2.42 billion

respectively. The Counties that received the least amounts were Isiolo at Kshs.459 million, Lamu at Kshs.373.62 million while Tana River did not receive any funds for operations during the period due to delays in approval of their FY 2018/19 budgets.

2.6 Expenditure Analysis

The total expenditure was Kshs.50.97 billion representing an absorption rate of 11.3 per cent of the total annual County Governments' Budgets. This was an improvement from an absorption rate of 9.5 per cent attained in a similar period of FY 2017/18 where total expenditure was Kshs.35.43 billion.

Recurrent expenditure was Kshs.47.45 billion, representing 17.4 per cent of the annual recurrent budget, and an increase from 14.3 per cent reported in a similar period of FY 2017/18. Development expenditure amounted to Kshs.3.51 billion, representing an absorption rate of 2 per cent, and an increase from 0.9 per cent attained in the first quarter of FY 2017/18 where total development expenditure was Kshs.1.15 billion. The analysis of expenditure by economic classification in the first quarter of FY 2018/19 is provided in Table 2.3 .

Table 2.3 : Expenditure by Economic Classification in the First Quarter of FY 2018/19

County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Baringo	527,228,146	47,772,296	-	575,000,442
Bomet	860,311,283	221,725,048	125,482,153	1,207,518,484
Bungoma	1,116,487,298	187,109,719	136,877,620	1,440,474,637
Busia	675,583,151	240,554,851	100,224,764	1,016,362,766
Elgeyo/Marakwet	587,379,349	122,097,283	4,478,035	713,954,667
Embu	785,971,389	77,423,008	58,189,009	921,583,406
Garissa	981,346,934	87,772,699	-	1,069,119,633
Homa Bay	517,513,550	275,843,691	-	793,357,241
Isiolo	351,394,521	59,913,717	-	411,308,238
Kajiado	67,230,846	142,849,418	-	210,080,264
Kakamega	1,261,097,044	139,750,818	70,755,080	1,471,602,942
Kericho	631,795,432	149,309,363	-	781,104,795
Kiambu	1,094,791,038	445,634,022	56,307,190	1,596,732,250
Kilifi	721,450,159	143,304,444	9,851,300	874,605,903
Kirinyaga	643,746,420	208,841,454	62,721,098	915,308,972
Kisii	898,858,838	153,571,695	-	1,052,430,533
Kisumu	1,101,308,208	583,940,782	-	1,685,248,990
Kitui	981,909,223	289,352,245	416,479,456	1,687,740,924
Kwale	515,224,275	231,016,022	3,500,000	749,740,297
Laikipia	728,847,401	188,640,855	15,540,051	933,028,307
Lamu	192,025,208	60,860,672	-	252,885,880
Machakos	1,647,132,950	311,197,847	-	1,958,330,797
Makueni	860,270,891	201,591,987	-	1,061,862,878
Mandera	579,742,113	157,365,757	-	737,107,870
Marsabit	592,060,000	174,960,000	-	767,020,000
Meru	1,446,801,317	208,628,926	-	1,655,430,243
Migori	634,835,306	307,207,003	115,521,508	1,057,563,817
Mombasa	899,727,077	219,732,923	-	1,119,460,000
Murang'a	967,091,740	263,075,960	577,036,487	1,807,204,187

County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Nairobi City	3,385,751,239	886,475,303	534,972,009	4,807,198,551
Nakuru	1,483,819,638	132,433,123	25,032,004	1,641,284,765
Nandi	841,949,222	300,240,928	185,690,000	1,327,880,149
Narok	860,017,000	497,933,232	847,478,847	2,205,429,079
Nyamira	897,243,935	107,336,662	25,410,000	1,029,990,597
Nyandarua	451,325,958	121,507,445	-	572,833,403
Nyeri	1,033,844,056	133,755,939	1,718,013	1,169,318,008
Samburu	449,717,596	75,615,297	-	525,332,893
Siaya	554,985,424	97,888,663	-	652,874,086
Taita/Taveta	566,802,960	235,896,067	5,176,150	807,875,177
Tana River	-	-	-	-
Tharaka -Nithi	492,798,636	127,425,815	34,998,500	655,222,951
Trans Nzoia	595,929,272	155,552,502	-	751,481,774
Turkana	255,719,131	1,096,890,869	-	1,352,610,000
Uasin Gishu	807,896,527	100,162,060	-	908,058,587
Vihiga	552,758,448	178,195,780	98,054,348	829,008,576
Wajir	620,655,601	85,165,441	-	705,821,042
West Pokot	405,534,060	95,104,917	-	500,638,976
Total	37,125,909,810	10,328,624,547	3,511,493,622	50,966,027,979

Source: County Treasuries and OCOB

The Counties that attained the highest total expenditure in absolute terms were; Nairobi City at Kshs.4.81 billion, Narok at Kshs.2.21 billion, and Machakos at Kshs.1.96 billion. The lowest expenditure was recorded by Isiolo, Lamu and Kajiado counties at Kshs.411.31 million, Kshs.252.89 million and Kshs.210.08 million respectively. Tana River County did not report any expenditure during the period.

Review of cumulative expenditure by economic classification showed that Kshs.37.13 billion (72.8 per cent) was incurred on personnel emoluments, Kshs.10.33 billion (20.3 per cent) on operations and maintenance, and Kshs.3.51 billion (6.9 per cent) on development activities.

2.6.1 Development Expenditure

County governments incurred Kshs.3.51 billion on development activities, representing an absorption rate of 2 per cent of the annual development budget, which is an improvement from 0.9 per cent, reported in a similar period of FY 2017/18 when development expenditure was Kshs.1.15 billion.

Analysis of county budgets and expenditure in the first quarter of FY 2018/19 is provided in Table 2.4.

Table 2.4 : County Budget Allocation, Expenditure and Absorption Rate in the First Quarter of FY 2018/19

County Title	Budget Estimates (Kshs.Million)			Expenditure (Kshs.Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E			
Baringo	4,296.12	3,733.25	8,029.37	575.00	-	575.00	13.4	-	7.2
Bomet	4,399.93	2,969.87	7,369.80	1,082.04	125.48	1,207.52	24.6	4.2	16.4
Bungoma	8,052.68	4,956.84	13,009.52	1,303.60	136.88	1,440.47	16.2	2.8	11.1
Busia	4,444.35	2,581.77	7,026.12	916.14	100.22	1,016.36	20.6	3.9	14.5

County Title	Budget Estimates (Kshs.Million)			Expenditure (Kshs.Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E			
Elgeyo/Marakwet	3,096.02	1,924.00	5,020.01	709.48	4.48	713.95	22.9	0.2	14.2
Embu	4,507.47	1,933.08	6,440.55	863.39	58.19	921.58	19.2	3.0	14.3
Garissa	5,760.03	4,402.57	10,162.60	1,069.12	-	1,069.12	18.6	-	10.5
Homa Bay	4,976.89	2,755.20	7,732.09	793.36	-	793.36	15.9	-	10.3
Isiolo	2,854.21	1,873.42	4,727.63	411.31	-	411.31	14.4	-	8.7
Kajiado	5,444.39	4,069.65	9,514.04	210.08	-	210.08	3.9	-	2.2
Kakamega	7,499.28	7,008.47	14,507.75	1,400.85	70.76	1,471.60	18.7	1.0	10.1
Kericho	4,518.23	2,665.89	7,184.12	781.10	-	781.10	17.3	-	10.9
Kiambu	9,595.65	6,027.43	15,623.08	1,540.43	56.31	1,596.73	16.1	0.9	10.2
Kilifi	8,154.67	5,653.10	13,807.77	864.75	9.85	874.61	10.6	0.2	6.3
Kirinyaga	3,671.39	2,481.53	6,152.92	852.59	62.72	915.31	23.2	2.5	14.9
Kisii	7,708.07	4,288.73	11,996.80	1,052.43	-	1,052.43	13.7	-	8.8
Kisumu	6,384.89	2,833.00	9,217.89	1,685.25	-	1,685.25	26.4	-	18.3
Kitui	6,805.63	4,969.60	11,775.23	1,271.26	416.48	1,687.74	18.7	8.4	14.3
Kwale	4,764.23	7,468.68	12,232.92	746.24	3.50	749.74	15.7	0.05	6.1
Laikipia	4,052.92	2,483.38	6,536.31	917.49	15.54	933.03	22.6	0.6	14.3
Lamu	2,604.90	1,897.47	4,502.38	252.89	-	252.89	9.7	-	5.6
Machakos	7,630.30	4,600.80	12,231.11	1,958.33	-	1,958.33	25.7	-	16.0
Makueni	5,619.53	3,306.33	8,925.86	1,061.86	-	1,061.86	18.9	-	11.9
Mandera	6,423.74	6,955.00	13,378.75	737.11	-	737.11	11.5	-	5.5
Marsabit	4,062.54	3,758.00	7,820.54	767.02	-	767.02	18.9	-	9.8
Meru	7,197.93	3,082.47	10,280.39	1,655.43	-	1,655.43	23.0	-	16.1
Migori	5,294.41	3,245.60	8,540.01	942.04	115.52	1,057.56	17.8	3.6	12.4
Mombasa	8,626.12	4,965.65	13,591.77	1,119.46	-	1,119.46	13.0	-	8.2
Murang'a	4,927.54	3,883.24	8,810.78	1,230.17	577.04	1,807.20	25.0	14.9	20.5
Nairobi City	21,473.79	10,836.45	32,310.24	4,272.23	534.97	4,807.20	19.9	4.9	14.9
Nakuru	10,319.90	7,995.85	18,315.75	1,616.25	25.03	1,641.28	15.7	0.3	9.0
Nandi	5,106.58	3,077.66	8,184.24	1,142.19	185.69	1,327.88	22.4	6.0	16.2
Narok	6,264.42	3,269.62	9,534.04	1,357.95	847.48	2,205.43	21.7	25.9	23.1
Nyamira	4,578.54	1,947.89	6,526.43	1,004.58	25.41	1,029.99	21.9	1.3	15.8
Nyandarua	4,217.28	2,102.37	6,319.64	572.83	-	572.83	13.6	-	9.1
Nyeri	5,155.89	2,516.17	7,672.06	1,167.60	1.72	1,169.32	22.6	0.1	15.2
Samburu	3,382.21	1,929.91	5,312.11	525.33	-	525.33	15.5	-	9.9
Siaya	4,442.42	2,565.17	7,007.59	652.87	-	652.87	14.7	-	9.3
Taita/Taveta	3,870.33	1,975.30	5,845.63	802.70	5.18	807.88	20.7	0.3	13.8
Tana River	4,573.56	2,736.65	7,310.21	-	-	-	-	-	-
Tharaka-Nithi	3,241.19	1,603.59	4,844.78	620.22	35.00	655.22	19.1	2.2	13.5
Trans Nzoia	4,437.33	3,214.43	7,651.76	751.48	-	751.48	16.9	-	9.8
Turkana	8,218.31	5,317.15	13,535.46	1,352.61	-	1,352.61	16.5	-	10.0
Uasin Gishu	5,220.31	3,207.77	8,428.08	908.06	-	908.06	17.4	-	10.8
Vihiga	4,502.56	1,938.08	6,440.64	730.95	98.05	829.01	16.2	5.1	12.9
Wajir	6,342.70	6,832.99	13,175.69	705.82	-	705.82	11.1	-	5.4

County Title	Budget Estimates (Kshs.Million)			Expenditure (Kshs.Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E			
West Pokot	3,869.26	1,772.93	5,642.19	500.64	-	500.64	12.9	-	8.9
Total	272,590.65	177,613.98	450,204.63	47,454.53	3,511.49	50,966.03	17.4	2.0	11.3

Source: County Treasuries and OCOB

Analysis of development expenditure as a proportion of approved annual development budget shows that Narok, Murang'a, and Kitui Counties attained the highest absorption rate at 25.9 per cent, 14.9 per cent, and 8.4 per cent respectively. A total of 24 counties did not incur any expenditure on development activities during the reporting period. An analysis of the development projects implemented by the counties is provided in chapter three.

2.6.2 Recurrent Expenditure

The Counties incurred an aggregate of Kshs.47.45 billion or 93.1 per cent of the total expenditure on recurrent activities. This expenditure represents 17.4 per cent of the annual county governments' budget for recurrent activities, and an improvement from 14.3 per cent recorded in a similar period of FY 2017/18 when expenditure stood at Kshs.34.27 billion.

Analysis of expenditure in absolute terms shows that Nairobi City County attained the highest expenditure on recurrent activities at Kshs.4.27 billion, followed by Machakos and Kisumu Counties at Kshs.1.96 billion and Kshs.1.69 billion respectively

2.6.1.2 Personnel Emoluments

The County Governments incurred a total of Kshs.37.13 billion on personnel emoluments, representing 78.2 per cent of the total recurrent expenditure and 72.8 per cent of total expenditure. This expenditure was an increase from Kshs.27.75 billion incurred in the first quarter of FY 2017/18 when the personnel expenditure translated to 78.3 per cent of the total expenditure.

Nairobi City County reported the highest expenditure on personnel emoluments at Kshs.3.39 billion, followed by Machakos and Nakuru Counties at Kshs.1.65 billion and Kshs.1.48 billion respectively. Those with the lowest expenditure on personnel emoluments included Turkana, Lamu and Kajiado counties at Kshs.255.72 million, Kshs.192.05 million and Kshs.67.23 million respectively.

Analysis of personnel emoluments as a percentage of total expenditure by county shows that Garissa, Baringo and Nakuru counties recorded the highest percentage at 91.8 per cent, 91.7 per cent and 90.4 per cent respectively.

2.6.1.3 Operations and Maintenance Expenditure

A total of Kshs.10.33 billion was incurred on operations and maintenance (O&M) during the reporting period, which translated to 20.3 per cent of the total expenditure. Counties that reported the highest expenditure on operations and maintenance in absolute terms were; Turkana at Kshs.1.09 billion, Nairobi City at Kshs.886.48 million and Kisumu at Kshs.583.94 million. Conversely, Lamu, Isiolo and Baringo counties reported the least expenditure on O&M at Kshs.60.86 million, Kshs.59.91 million and Kshs.47.77 million respectively.

2.6.1.2 Review of MCAs Committee Sitting Allowances

County Assemblies spent Kshs.423.31 million on MCAs committee sitting allowances against an approved budget allocation of Kshs.2.87 billion. This expenditure translates to 14.8 per cent of the approved MCAs committee sitting allowance budget, and a significant increase from 5 per cent attained in FY 2017/18 when Kshs.152.39 million was incurred.

Table 2.5 shows the County budgetary allocation and expenditure on MCAs committee sitting allowances in the first three months of FY 2018/19.

Table 2.5 : Budget Allocation, Expenditure and Absorption Rate of MCAs Committee Sitting Allowance in the First Quarter of FY 2018/19

County	MCAs Committee Sitting Allowances				
	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption %	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/3
Baringo	30,000,000	236,000	0.8	46	1,710
Bomet	22,732,800	7,110,350	31.3	37	64,057
Bungoma	113,691,719	18,640,700	16.4	61	101,862
Busia	106,329,600	16,004,400	15.1	54	98,793
Elgeyo/Marakwet	43,097,328	8,833,500	20.5	34	86,603
Embu	31,500,000	5,945,306	18.9	35	56,622
Garissa	126,589,200	358,322	0.3	49	2,438
Homa Bay	98,342,000	10,150,400	10.3	61	55,467
Isiolo	23,944,000	1,210,000	5.1	18	22,407
Kajiado	34,500,000	885,000	2.6	42	7,024
Kakamega	134,784,000	26,964,000	20.0	88	102,136
Kericho	81,535,200	5,914,127	7.3	48	41,070
Kiambu	100,000,000	25,119,900	25.1	94	89,078
Kilifi	86,492,284	7,423,000	8.6	56	44,185
Kirinyaga	80,000,000	5,580,330	7.0	34	54,709
Kisii	94,822,400	20,100,800	21.2	70	95,718
Kisumu	55,106,000	7,972,900	14.5	49	54,237
Kitui	65,936,000	9,935,380	15.1	55	60,214
Kwale	59,456,000	11,084,175	18.6	34	108,668
Laikipia	15,000,000	5,930,600	39.5	25	79,075
Lamu	18,000,000	2,410,300	13.4	19	42,286
Machakos	80,214,903	9,222,780	11.5	60	51,238
Makueni	76,606,000	13,935,200	18.2	49	94,797
Mandera	41,760,000	9,109,300	21.8	49	61,968
Marsabit	35,489,098	5,268,000	14.8	31	56,645
Meru	101,935,200	579,600	0.6	69	2,800
Migori	-	20,695,492	0.0	57	121,026
Mombasa	43,705,600	11,613,400	26.6	43	90,026
Murang'a	66,955,200	11,880,989	17.7	50	79,207
Nairobi City	176,509,992	31,770,647	18.0	128	82,736
Nakuru	111,000,000	7,852,120	7.1	79	33,131
Nandi	38,103,996	7,061,600	18.5	40	58,847

County	MCAs Committee Sitting Allowances				
	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption %	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/3
Narok	53,813,760	5,909,150	11.0	48	41,036
Nyamira	66,643,200	4,095,175	6.1	37	36,893
Nyandarua	57,219,200	11,744,064	20.5	40	97,867
Nyeri	80,371,200	12,095,200	15.0	45	89,594
Samburu	23,232,000	4,472,000	19.2	28	53,238
Siaya	47,929,600	13,928,000	29.1	43	107,969
Taita/Taveta	32,448,000	4,945,000	15.2	35	47,095
Tana River	-	-			-
Tharaka –Nithi	28,370,400	2,873,141	10.1	21	45,605
Trans Nzoia	69,297,600	7,111,100	10.3	40	59,259
Turkana	86,948,000	4,825,300	5.5	48	33,509
Uasin Gishu	37,509,389	9,784,300	26.1	48	67,947
Vihiga	44,678,400	7,921,700	17.7	39	67,707
Wajir	23,751,000	2,793,200	11.8	46	20,241
West Pokot	21,156,314	4,011,800	19.0	34	39,331
Total	2,867,506,583	423,307,749	14.8	2216	63,674

Source: County Treasuries and OCOB

A total of fourteen County Assemblies reported higher expenditure on committee sitting allowance than the SRC's recommended monthly maximum of Kshs.80,000. These Assemblies were: Migori, Kwale, Siaya, Kakamega, Bungoma, Busia, Nyandarua, Kisii, Makueni, Mombasa, Nyeri, Kiambu, Elgeyo Marakwet, and Nairobi City.

2.6.1.5 Review of Expenditure on Domestic and Foreign Travels

The County Governments incurred Kshs.2.67 billion on domestic and foreign travel during the reporting period. This amount comprised of Kshs.2.33 billion on domestic travel and Kshs.340.94 million on foreign travel, and was an increase compared to Kshs.1.02 billion spent in a similar period of FY 2017/18. The expenditure on domestic and foreign travels by both the County Assembly and the County Executive in the first quarter of FY2018/19 is presented in Table 2.6.

Table 2.6 : Expenditure on Domestic and Foreign Travels by the County Assembly and the County Executive in the First Quarter of FY 2018/19 (Kshs. Million)

County	County Assembly			County Executive			Total Expenditure		
	Domestic Travel Expenditure	Foreign Travel Expenditure	Total	Domestic Travel Expenditure	Foreign Travel Expenditure	Total	Domestic Travel Expenditure	Foreign Travel Expenditure	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Baringo	12.68	19.12	31.80	6.01	2.14	8.15	18.68	21.26	39.94
Bomet	30.88	5.71	36.59	14.31	0.57	14.88	45.19	6.28	51.47
Bungoma	1.60	0.54	2.14	47.33	4.76	52.09	48.93	5.30	54.23
Busia	17.37	-	17.37	35.01	6.65	41.65	52.37	6.65	59.02
Elgeyo/Marakwet	24.99	3.52	28.51	3.60	0.31	3.91	28.59	3.83	32.43

County	County Assembly			County Executive			Total Expenditure		
	Domestic Travel Expenditure	Foreign Travel Expenditure	Total	Domestic Travel Expenditure	Foreign Travel Expenditure	Total	Domestic Travel Expenditure	Foreign Travel Expenditure	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Embu	36.84	-	36.84	2.37	-	2.37	39.22	-	39.22
Garissa	23.38	-	23.38	17.70	-	17.70	41.08	-	41.08
Homa Bay	11.63	-	11.63	75.34	-	75.34	86.97	-	86.97
Isiolo	0.19	-	0.19	14.40	-	14.40	14.60	-	14.60
Kajiado	35.30	5.90	41.20	37.54	2.80	40.35	72.84	8.71	81.55
Kakamega	21.68	-	21.68	15.31	0.03	15.34	36.99	0.03	37.02
Kericho	35.13	6.06	41.19	18.86	0.60	19.46	54.00	6.65	60.65
Kiambu	7.50	5.65	13.15	35.51	10.58	46.09	43.01	16.23	59.24
Kilifi	34.10	2.87	36.97	15.28	3.33	18.61	49.38	6.20	55.59
Kirinyaga	32.75	13.51	46.26	10.45	1.32	11.77	43.20	14.83	58.03
Kisii	24.56	1.10	25.66	56.58	2.30	58.87	81.14	3.40	84.54
Kisumu	14.07	4.52	18.59	33.94	6.07	40.01	48.02	10.59	58.60
Kitui	23.39	-	23.39	67.29	-	67.29	90.69	-	90.69
Kwale	19.89	-	19.89	27.40	4.33	31.73	47.29	4.33	51.62
Laikipia	8.21	0.00	8.21	24.56	0.00	24.56	32.77	0.00	32.77
Lamu	10.65	0.59	11.24	13.09	0.92	14.01	23.73	1.51	25.24
Machakos	69.90	2.43	72.33	38.88	9.02	47.90	108.78	11.45	120.23
Makueni	14.59	0.56	15.15	12.83	2.94	15.78	27.43	3.51	30.93
Mandera	5.97	-	5.97	6.55	-	6.55	12.52	-	12.52
Marsabit	18.34	-	18.34	30.53	2.64	33.17	48.87	2.64	51.51
Meru	43.35	10.71	54.07	15.80	0.65	16.45	59.15	11.36	70.52
Migori	20.64	-	20.64	112.22	2.62	114.84	132.85	2.62	135.48
Mombasa	6.34	-	6.34	4.27	6.95	11.22	10.61	6.95	17.56
Murang'a	39.22	-	39.22	49.70	0.65	50.34	88.91	0.65	89.56
Nairobi City	30.68	50.92	81.60	38.92	6.94	45.85	69.60	57.86	127.46
Nakuru	13.54	1.47	15.01	14.22	3.65	17.87	27.76	5.12	32.89
Nandi	16.39	10.08	26.47	41.09	12.17	53.26	57.48	22.25	79.73
Narok	30.51	1.15	31.66	32.78	6.68	39.46	63.29	7.83	71.12
Nyamira	31.25	0.59	31.84	15.25	2.27	17.52	46.51	2.85	49.36
Nyandarua	13.35	0.21	13.55	19.09	0.06	19.15	32.44	0.26	32.70
Nyeri	45.48	7.30	52.78	7.76	0.55	8.31	53.24	7.85	61.09
Samburu	5.45	9.56	15.01	2.74	7.75	10.49	8.18	17.31	25.50
Siaya	17.04	0.02	17.07	41.82	4.86	46.68	58.86	4.89	63.75
Taita/Taveta	38.41	-	38.41	80.67	24.45	105.12	119.08	24.45	143.53
Tana River	-	-	-	-	-	-	-	-	-
Tharaka-Nithi	12.57	1.09	13.66	10.10	2.20	12.30	22.68	3.29	25.96
Trans Nzoia	34.75	4.97	39.72	6.84	9.40	16.24	41.59	14.37	55.96
Turkana	52.48	0.35	52.83	9.11	-	9.11	61.59	0.35	61.94
Uasin Gishu	24.40	8.69	33.08	18.51	2.54	21.05	42.91	11.23	54.14
Vihiga	40.67	-	40.67	17.52	0.22	17.73	58.19	0.22	58.41
Wajir	1.89	-	1.89	12.37	-	12.37	14.26	-	14.26
West Pokot	26.39	4.21	30.60	35.41	1.65	37.06	61.80	5.87	67.66
Total	1,080.44	183.39	1,263.83	1,246.85	157.55	1,404.41	2,327.29	340.94	2,668.24

Source: County Treasuries and OCOBS

In absolute terms, Taita Taveta County incurred the highest expenditure of domestic and foreign travel at Kshs.143.53 million, followed by Migori County at Kshs.135.48 million and Nairobi City County at Kshs.127.46 million. Counties that incurred the lowest expenditure were; Isiolo, Wajir and Mandera at Kshs.14.6 million, Kshs.14.26 million, and Kshs.12.52 million respectively.

3 BUDGET PERFORMANCE BY COUNTY

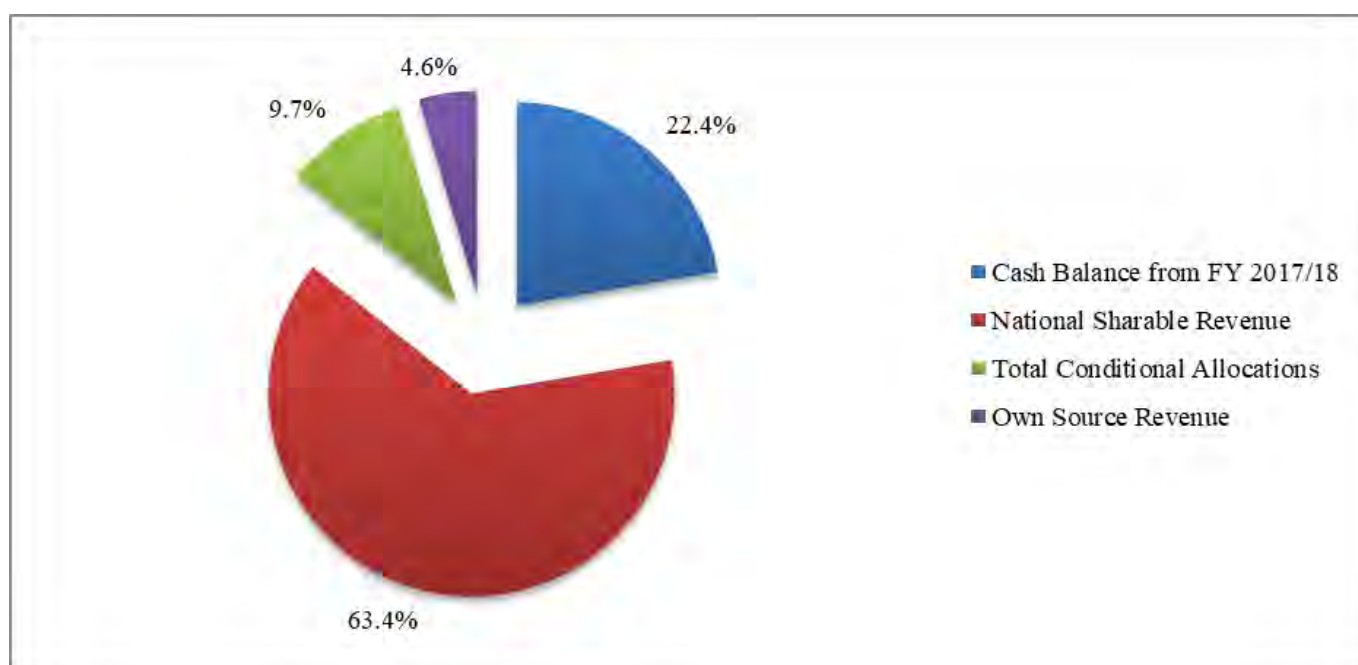
3.1 Baringo County

3.1.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.8.03 billion, comprising of Kshs.4.3 billion (53.5 per cent) and Kshs.3.73 billion (46.5 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.09 billion (63.4 per cent) as equitable share of revenue raised nationally, Kshs.776.42 million (9.7 per cent) as total conditional grants, generate Kshs.371.15 million (4.6 per cent) from own source revenue, and add Kshs.1.79 billion (22.4 per cent) cash balance from FY 2017/18.

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



Source: Baringo County Treasury

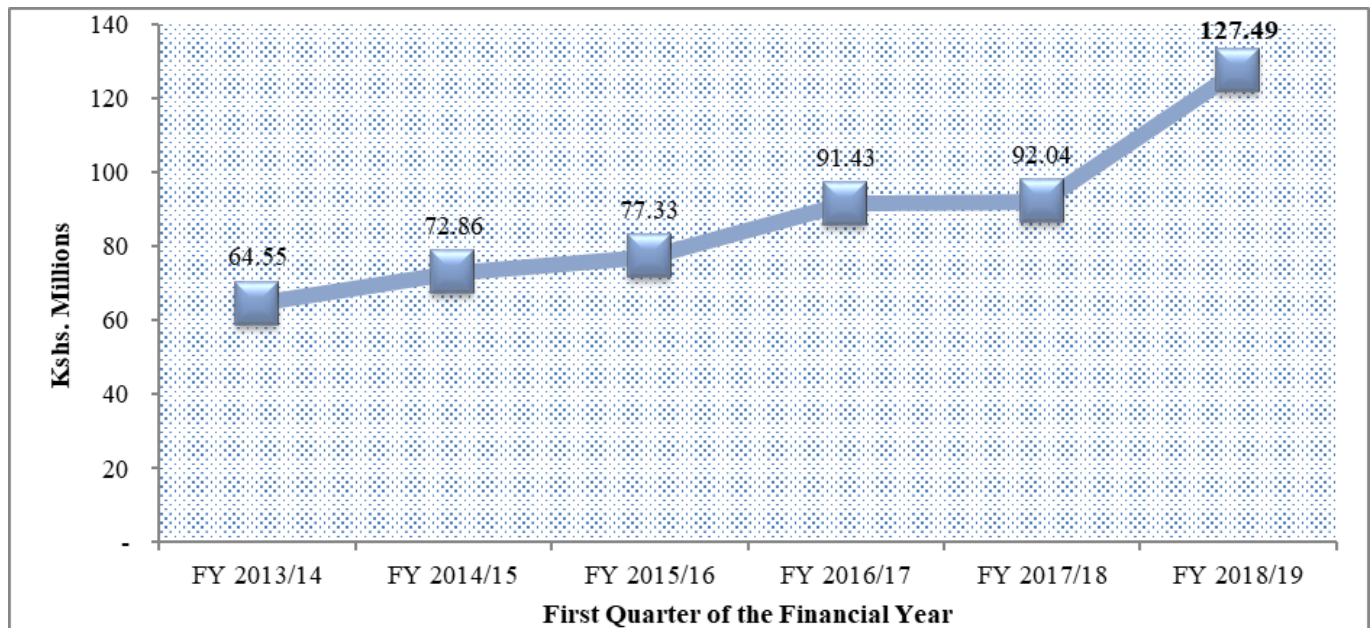
The conditional grants are in line with the CARA,2018 and consisted of Kshs.78.9 million (10.2 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (15.1 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.43.73 million (5.6 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.52.36 million (6.7 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.16.71 million (2.2 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.85 million (10.9 per cent) as grant from EU for Instruments for Devolution Advice and Support- (IDEAS), Kshs.13.19 million (1.7 per cent) as Compensation for User Fees Foregone, Kshs.200 million (25.8 per cent) for Leasing of Medical Equipment, Kshs.133.93 million (17.2 per cent) from the Road Maintenance Fuel Levy, and Kshs.35.61 million (4.6 per cent) for Rehabilitation of Village Polytechnics

3.1.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.254.34 million as equitable share of revenue raised nationally Kshs.127.49 million from own source revenue, and had a cash balance of Kshs.1.60 billion from FY 2017/18. The total available funds amounted to Kshs.1.98 billion.

Figure 3.2 shows the quarterly trend in own source revenue collection for the first quarter from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.2: Baringo County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Baringo County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.127.48 million, representing an increase of 38.5 per cent compared to Kshs.92.04 million generated in the first quarter of FY 2017/18, which was 34.3 per cent of the annual target.

3.1.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.1.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.644.11 million from the CRF account, which was 8 per cent of the Approved Budget. This amount represented a decline of 24.4 per cent from Kshs.851.87 million approved in the first quarter of FY 2018/19. The entire amount was for recurrent expenditure.

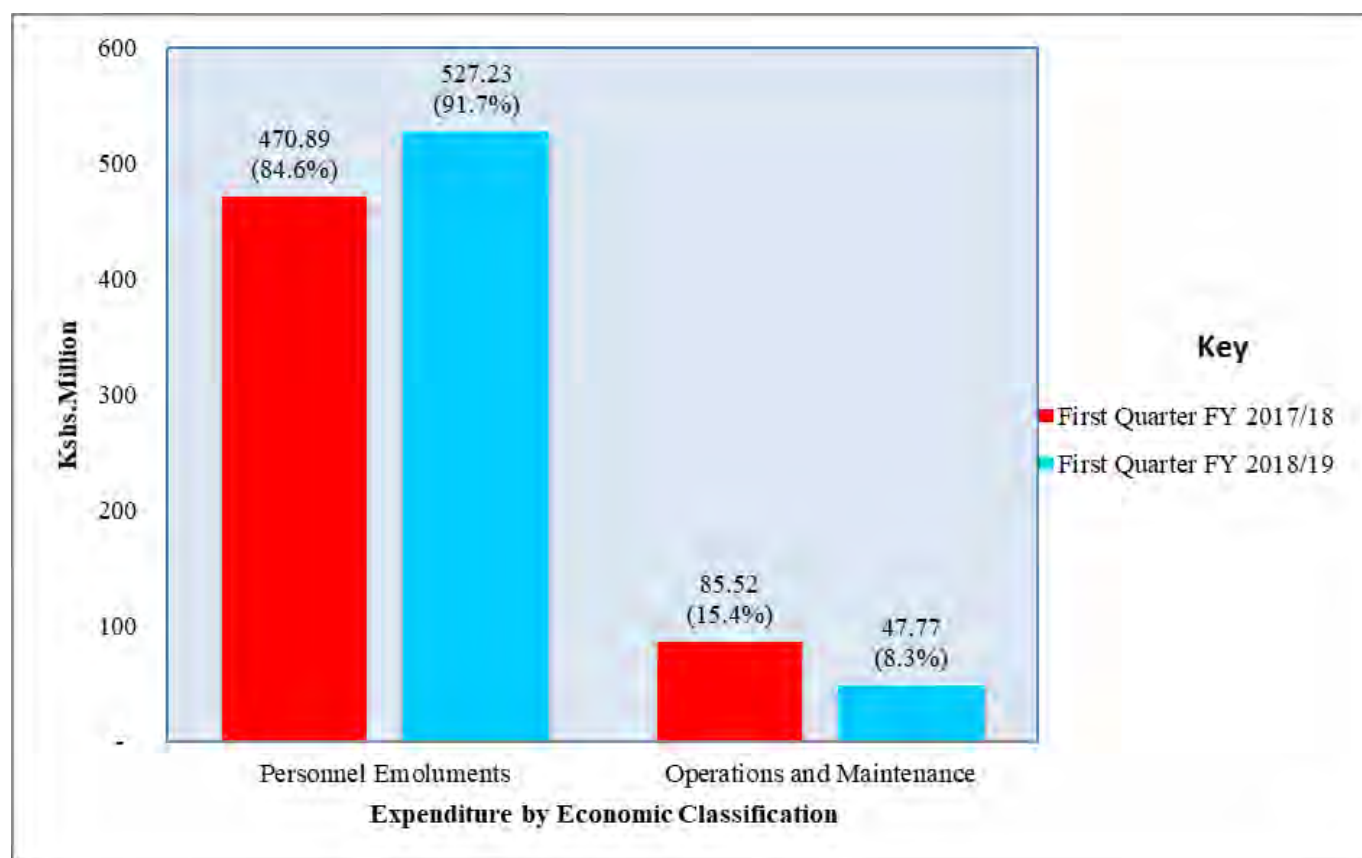
3.1.5 Overall Expenditure Review

The County spent Kshs.575 million, which was 89.3 per cent of the total funds released for operations. This was an increase of 3.3 per cent from Kshs.556.31 million spent in the first quarter of FY 2017/18.

The entire expenditure of Kshs.575 million was spent on recurrent activities while there was no expenditure on development activities and represented 89.3 per cent and of the funds released. The expenditure excluded outstanding commitments which amounted to Kshs.150.58 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 13.4 per cent of the annual recurrent budget, a decrease from 14 per cent recorded in the first quarter of FY 2017/18. Figure 3.3 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.3: Baringo County, Expenditure by Economic Classification



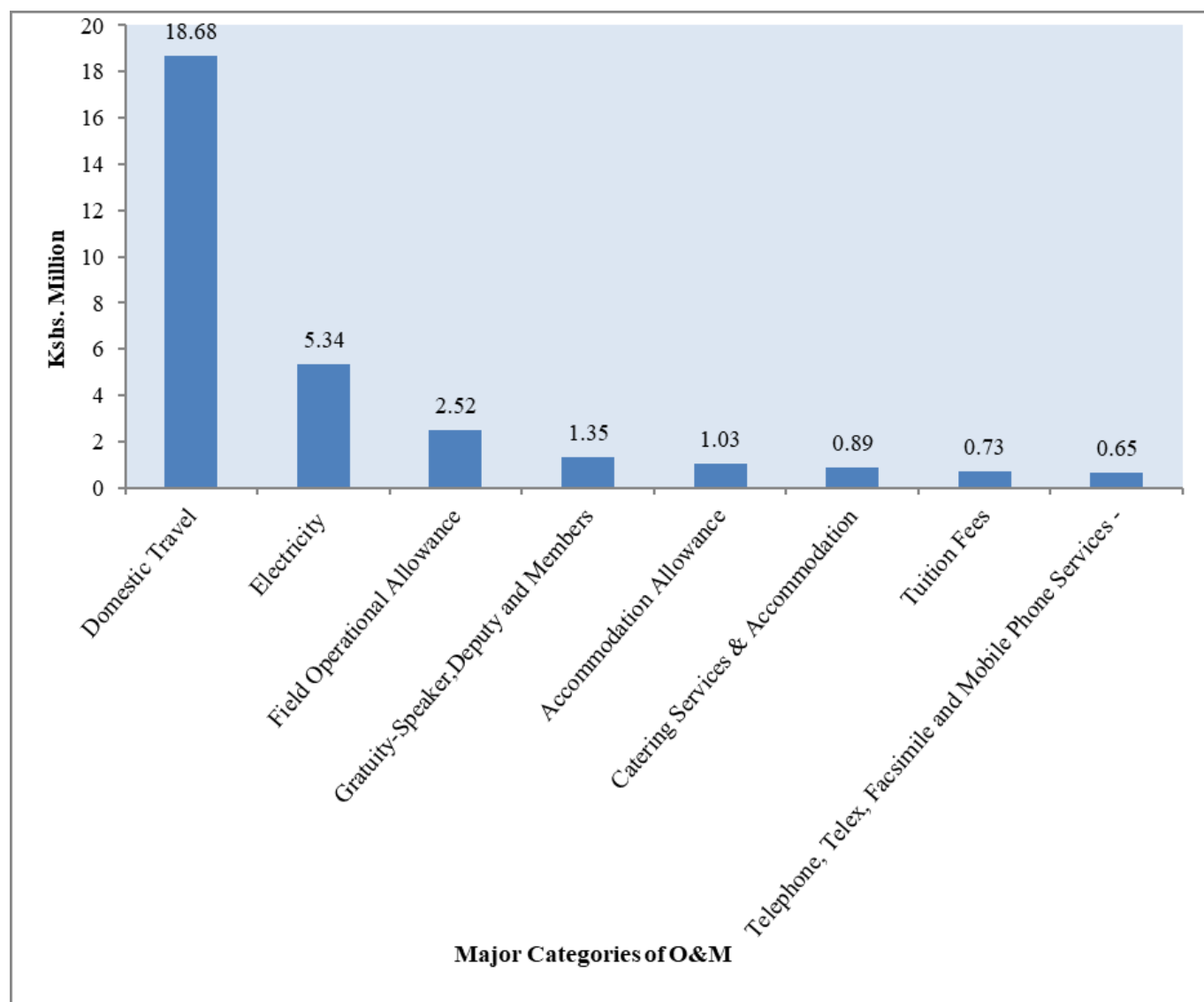
Source: Baringo County Treasury

3.1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.575 million comprised of Kshs.527.23 million (91.7 per cent) incurred on personnel emoluments and Kshs.47.77 million (8.3 per cent) on operations and maintenance as shown in Figure 3.3.

Expenditure on personnel emoluments represented an increase of 12.0 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs. 470.89 million (84.6 per cent), and was 527.23 million (91.7 per cent) of total expenditure in the first quarter of FY 2018/19. Figure 3.4 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Baringo County Treasury

The County spent Kshs.236,000 on committee sitting allowances to the 46 MCAs against the annual budget allocation of Kshs.30 million. This was a decline of 95.9 per cent compared to Kshs.5.76 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was translated to Kshs.5,130 per MCA against the the to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.18.68 million and comprised of Kshs.12.67 million spent by the County Assembly and Kshs.6 million by the County Executive. This represented 3.2 per cent of total recurrent expenditure and was an increase of 19.7 per cent compared to Kshs.15.6 million spent in the first quarter of FY 2017/18.

3.1.7 Development Expenditure Analysis

The County did not report any development expenditure in the period under review.

3.1.8 Budget Performance by Country Departments

Table 3.1 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.1: Baringo County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	655.24	45	80.06	-	67.93	-	84.8	-	10.4	-
The Governor's Office	435.37	93.42	52.45	-	43.89	-	83.7	-	10.1	-
County Finance and Economic Planning	274.17	12.60	30.32	-	49.42	-	163.0	-	18	-
Roads, Transport, Energy and Public Works	61.47	851.84	10.05	-	7.77	-	77.3	-	12.6	-
Trade, Cooperatives and Industrialisation	77.63	70.69	11.63	-	-	-	-	-	-	-
Education and Vocational training	344.48	337.41	26.49	-	13.17	-	49.7	-	3.8	-
Youth Affairs, Sports, Culture, Gender and Social Services	30.60	105.47	3.67	-	2.59	-	70.4	-	8.5	-
Health Services	1,940.71	767.72	355.29	-	300.23	-	84.5	-	15.5	-
Lands, Housing & Urban Development	77.18	210.56	12.22	-	1.78	-	14.6	-	2.3	-
Agriculture, Livestock, and Fisheries Management	246.89	467.76	39.30	-	49.48	-	125.9	-	20	-
Water and Irrigation	119.65	709.27	17.66	-	27.56	-	156.1	-	23	-
Tourism, Wildlife Management, Natural Resources and Mining	32.72	61.50	4.97	-	11.18	-	224.8	-	34.1	-
TOTAL	4,296.12	3,733.25	644.11	-	575.00	-	89.3	-	13.4	-

Source: Baringo County Treasury

Analysis of budget performance by department shows that, the Department of Tourism, Wildlife Management, Natural Resources and Mining attained the highest percentage of recurrent expenditure to recurrent budget at 34.1 per cent while the Department of Trade, Cooperatives and Industrialisation did not incur any expenditure during the period.

3.1.9 Key Observations and Recommendations

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

- i. 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. Establishment of an Internal Audit Committee by the County government in compliance with Section 155 (5) of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. IFMIS connectivity challenges which slowed down approval of procurement requests and payment to suppliers.
3. Delay by Fund Administrators to submit expenditure reports on established County Funds to the OCOB.
4. Failure to constitute the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation in the budget process.
5. High expenditure on personnel emoluments which increased by 12 per cent from Kshs.470.89 million in first quarter of FY 2017/18 to Kshs.527.23 million in the reporting period, and was 91.7 per cent

of total expenditure for the first quarter of FY 2018/19.

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

1. *The County Treasury should liaise with the National Treasury to ensure timely release of funds in line with the approved funds Disbursement Schedule.*
2. *The County should liaise with the IFMIS Directorate for support in use of IFMIS.*
3. *All Fund Administrators should submit quarterly financial returns in line with Section 168 of the PFM Act, 2012.*
4. *The County should establish the CBEF in line with Section 137 of the PFM Act, 2012.*
5. *The County Public Service Board should devise strategies to contain expenditure on personnel costs within 35 per cent of the County’s total revenue in line with Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015.*

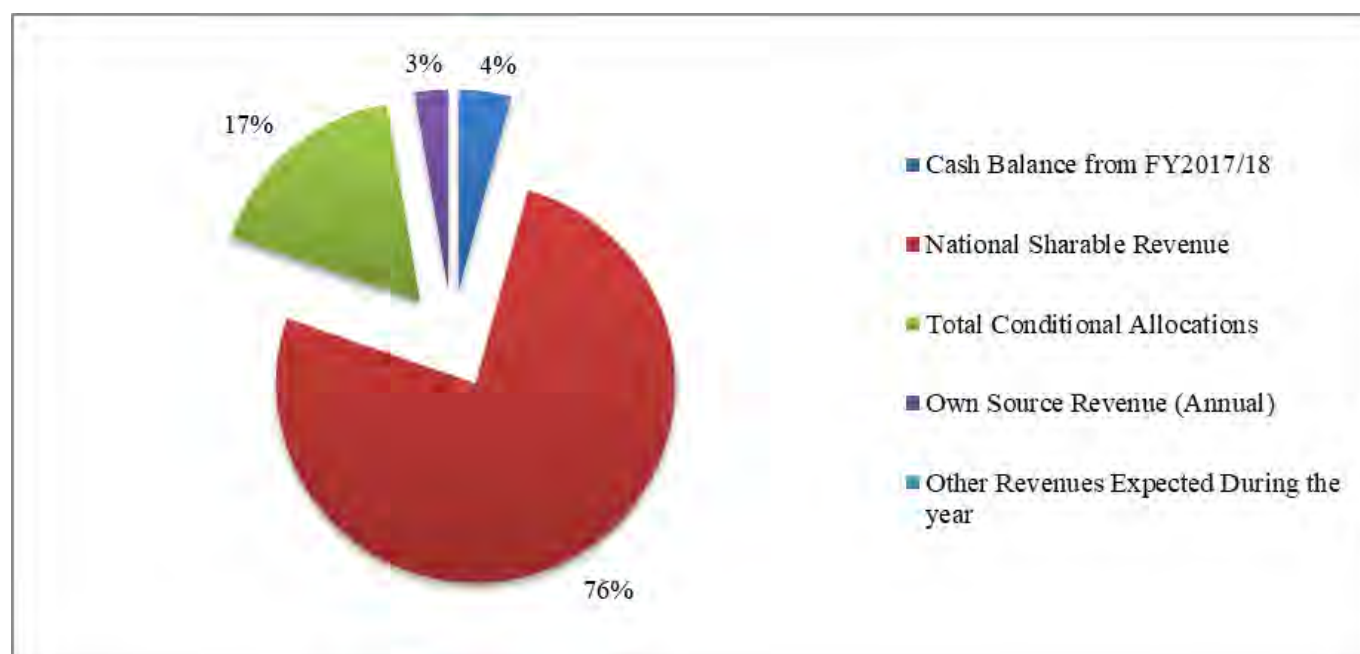
3.2 Bomet County

3.2.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.7.37 billion, comprising of Kshs.4.40 billion (59.9 per cent) and Kshs.2.97 billion (40.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.93 billion (76 per cent) as equitable share of revenue raised nationally, Kshs.1.33 billion (17 per cent) as total conditional grants, generate Kshs.210 million (3 per cent) from own source revenue sources, and Kshs.329.89 million (4 per cent) cash balance from FY 2017/18.

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



Source: Bomet County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.86.41 million (6.5 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (8.8 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.44.89 million (3.4 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level

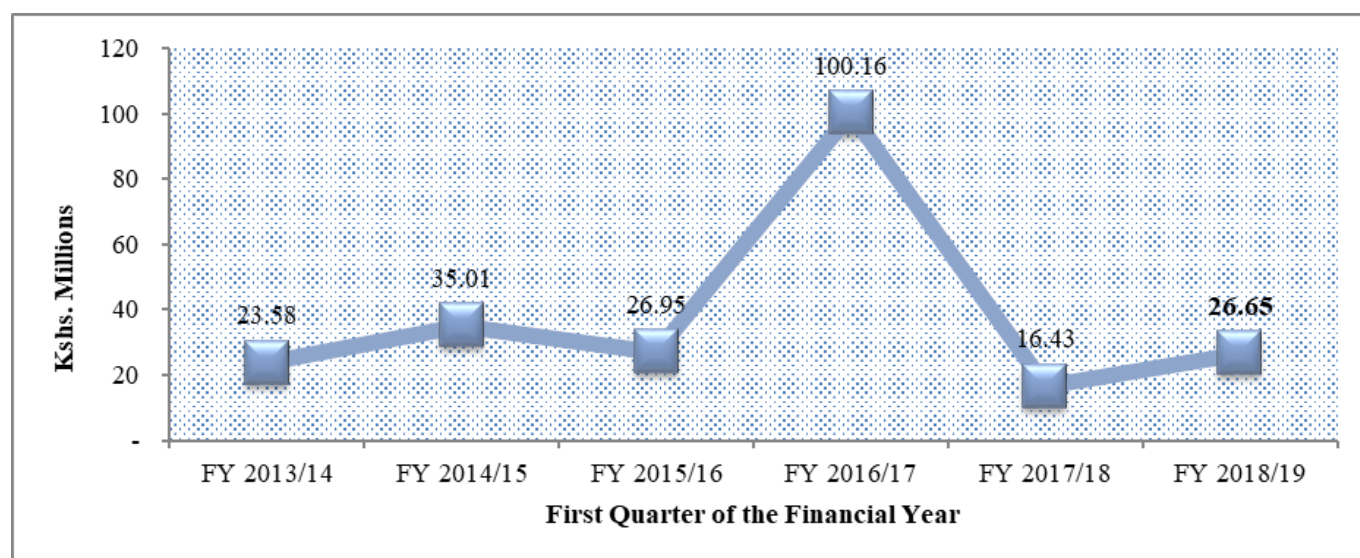
1 grant”, Kshs.208.33 million (15.7 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.17.62 million (1.3 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.16.71 million (1.3 per cent) as Compensation for User Fees Foregone, Kshs.200 million (15 per cent) for Leasing of Medical Equipment, Kshs.156.25 million (11.8 per cent) from the Road Maintenance Fuel Levy, and Kshs.47.88 million (3.6 per cent) for Rehabilitation of Village Polytechnics

3.2.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.296.73 million as equitable share of revenue raised nationally, raised Kshs.26.65 million from own source revenue, and had a cash balance of Kshs.1.07 billion from FY 2017/18. The total available funds amounted to Kshs.1.39 billion.

Figure 3.6 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.6: Bomet County, Trend in Own Source Revenue Collection from the First Quarter of FY 2013/14 to the First Quarter of FY 2018/19



Source: Bomet County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.26.65 million, representing an increase of 62.2 per cent compared to Kshs.16.43 million generated in the first quarter of FY 2017/18, which was 12.7 per cent of the annual target.

3.2.3 Conditional Grants

Analysis of revenue from conditional grants indicates that the County did not receive any funds from conditional grants.

3.2.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.1.38 billion from the CRF account, which was 18.72 per cent of the Approved Budget. This amount represented an increase of 76.9 per cent from Kshs.771.38 million approved in the first quarter of FY 2017/18 and comprised of Kshs.1.25 billion (91.1 per cent) for recurrent expenditure and Kshs.122.60 million (8.9 per cent) for development activities.

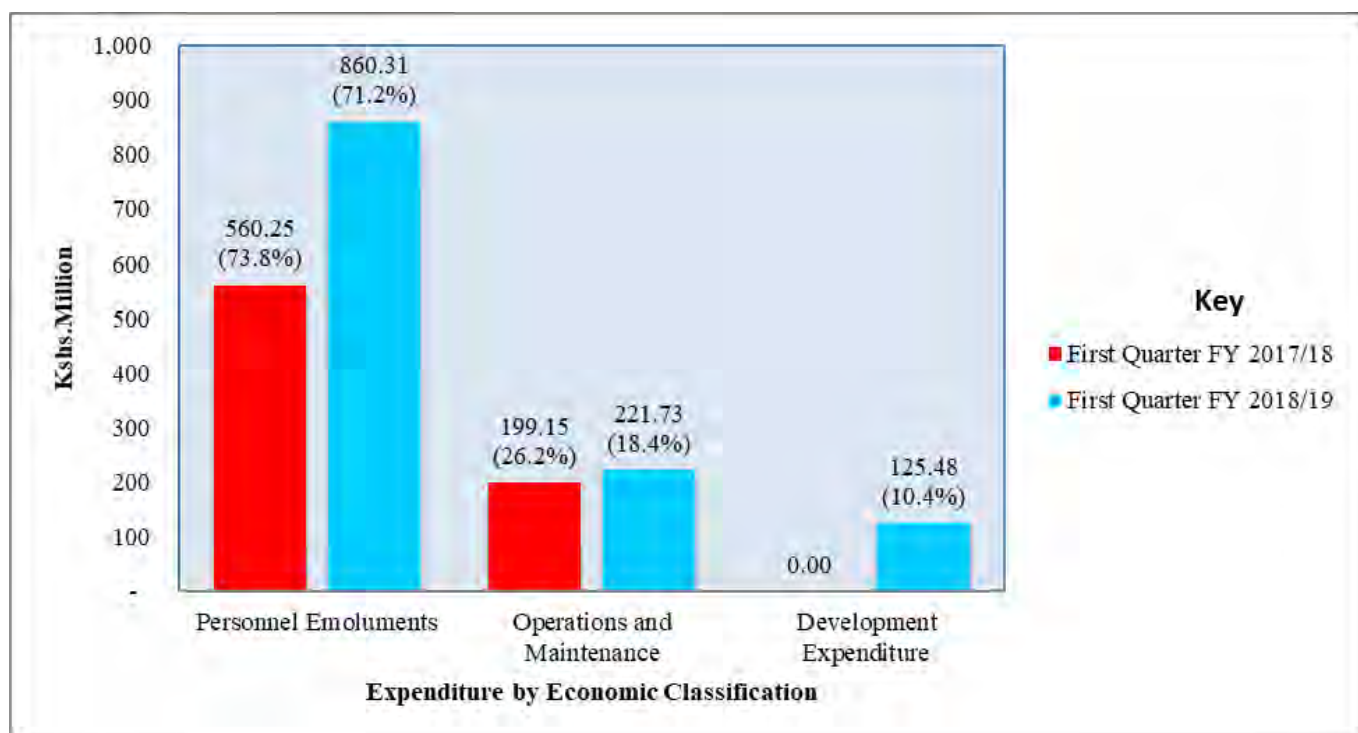
3.2.5 Overall Expenditure Review

The County spent Kshs.1.21 billion, which was 87.7 per cent of the total funds released for operations. This was an increase of 59.4 per cent from Kshs.758.78 million spent in the first quarter of FY 2017/18.

A total of Kshs.1.08 billion was spent on recurrent activities while Kshs.125.48 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 102.4 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.938.22 million for development activities and Kshs.251.44 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 24.6 per cent of the annual recurrent budget, an increase from 18.6 per cent recorded in the first quarter of FY 2017/18. Figure 3.7 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of FY 2017/18.

Figure 3.7: Bomet County, Expenditure by Economic Classification



Source: Bomet County Treasury

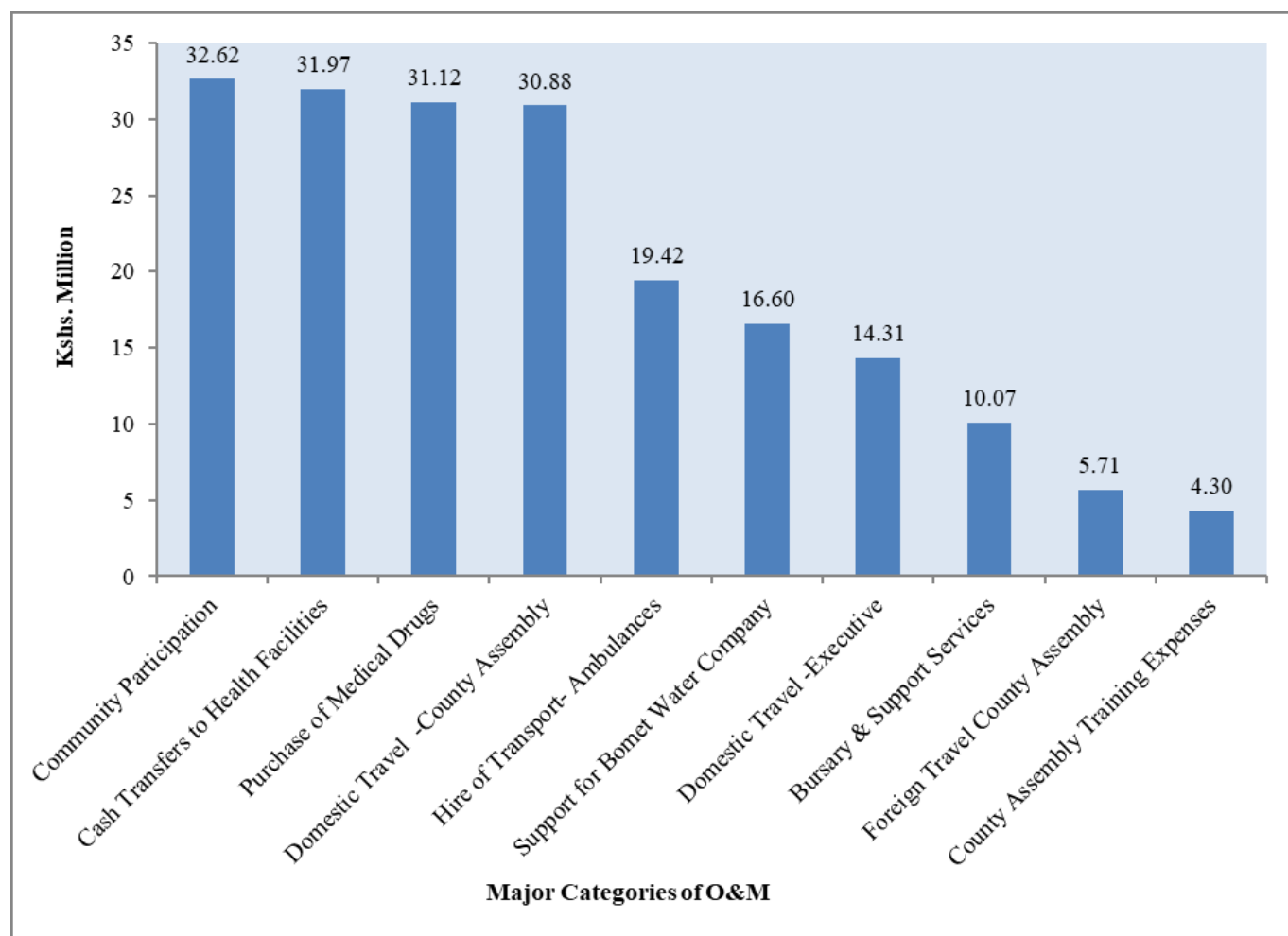
3.2.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.08 billion comprised of Kshs.860.31 million (79.5 per cent) incurred on personnel emoluments and Kshs.221.73 million (20.5 per cent) on operations and maintenance as shown in Figure 3.7.

Expenditure on personnel emoluments represented an increase of 53.6 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.560 million, and was 62.78 per cent of total expenditure in the first quarter of FY 2018/19.

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

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



Source: Bomet County Treasury

The County spent Kshs.7.11 million on committee sitting allowances to the 37 MCAs against the annual budget allocation of Kshs.22.73 million. This was an increase of 361.3 per cent compared to Kshs.1.54 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.64,057 per MCA against the SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.45.19 million and comprised of Kshs.30.88 million spent by the County Assembly and Kshs.14.31 million by the County Executive. This represented 4.2 per cent of total recurrent expenditure and was an increase of 28.63 per cent compared to Kshs.32.25 million spent in the first quarter of FY 2017/18.

3.2.7 Development Expenditure Analysis

The total development expenditure of Kshs.125.48 million represented 4.2 per cent of the annual development budget of Kshs.2.97 billion. Table 3.2 provides a summary of development projects with the highest expenditure in the first quarter of the financial year.

Table 3.2: Bomet County, List of Development Projects

S/No.	Project Name	Project location	Project budget (Kshs.)	Project Expenditure in First Quarter of FY 2018/19 (Kshs.)	Absorption rate (%)
1	Construction of Roads	Across County Wards	350,074,413	65,990,828	18.9
2	Purchase of Ambulance	Longisa Hospital	30,000,000	15,000,000	50.0
3	Development of Water Supply	Sotik, Chepalungu, Konoin, Bomet East, Bomet Central	255,361,471	7,623,857	3.0
4	Construction of Building Veterinary offices	Kongasis, Ndanai, Koiwo, Merigi, Kiplelejin	13,500,000	3,712,155	27.5
5	Development of ICT Infrastructure	Merigi, Kiptenden, Embomos, Kapkures	10,000,000	1,597,400	16.0
6	Industrial Development- Jua kali	Kametori, Kipraisi, Nyatembe, Chelion etc	20,000,000	1,375,728	6.9
7	Construction of Street lights	Nyongores /Bomet Town	15,000,000	795,307	5.3
8	Hospital/ Dispensary Development	Bomet Maternity wing,, Mulot Dispensary	68,000,000	539,071	0.8

Source: Bomet County Treasury

3.2.8 Budget Performance by County Departments

Table 3.1 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.3: Bomet County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	526.71	-	134.23	-	91.39	-	68.1	-	17.4	-
Public Service Board	59.72	-	15.86	-	2.70	-	17	-	4.5	-
Administration	274.88	184.97	114.99	5.24	89.89	3.93	78.2	75.1	32.7	2.1
ICT	46.20	-	13.89	-	3.50	-	25.2	-	7.6	-
Finance	280.21	10.43	77.26	-	83.83	-	108.5	-	29.9	-
Economic Planning	151.39	-	18.81	-	6.91	-	36.7	-	4.6	-
Lands, Public and Environment	167.49	312.73	41.91	0.79	51.73	-	123.4	-	30.9	-
Youth, Sports, Gender And Culture	161.94	91	20.53	-	13.39	-	65.2	-	8.3	-
Agriculture, Livestock and Cooperatives	228.08	304.40	62.33	7.04	60.88	6.80	97.7	96.5	26.7	2.2
Education and Vocational Trainings	464.26	153.99	166.05	-	139.99	-	84.3	-	30.2	-
Trade, Energy, Tourism and Industry	68.18	208.71	15.48	7.36	6.16	6.17	39.8	83.9	9	3
Water, Sanitation and Environment	128.38	360.56	54.15	14.27	26.73	7.62	49.4	53.4	20.8	2.1
Medical Services and Public Health	1,077.59	386.76	375.01	23.32	332.35	34.96	88.6	149.9	30.8	9
Roads, Transport and Public Works	171.33	656.33	31.52	64.58	28.63	65.99	90.8	102.2	16.7	10.1
County Assembly	593.55	300	112.5	-	143.96	-	128	-	24.3	-
TOTAL	4,399.93	2,969.87	1,254.52	122.60	1,082.04	125.48	86.3	102.4	24.6	4.2

Source: Bomet County Treasury

Analysis of budget performance by department shows that, the Department of Roads, Transport and Public Works attained the highest absorption rate of development budget at 10.1 per cent. The Department of Administration had the highest percentage of recurrent expenditure to recurrent budget at 32.7 per cent while the Department of Economic Planning had the lowest at 4.6 per cent.

3.2.9 Key Observations and Recommendations

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

- i. Improvement in own source revenue generation by 62.2 per cent from Kshs.16.43 million in the first quarter of FY 2017/18 to Kshs.26.65 million in the reporting period.
- ii. Improvement in the use of IFMIS and the Internet Banking platform to process financial transactions and make supplier payments.

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

1. High wage bill that has risen by 53.6 per cent from Kshs.560 million in the first quarter of FY 2017/18 to Kshs.860.31 million during the reporting period.
2. 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 Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the approved Disbursement Schedule.*

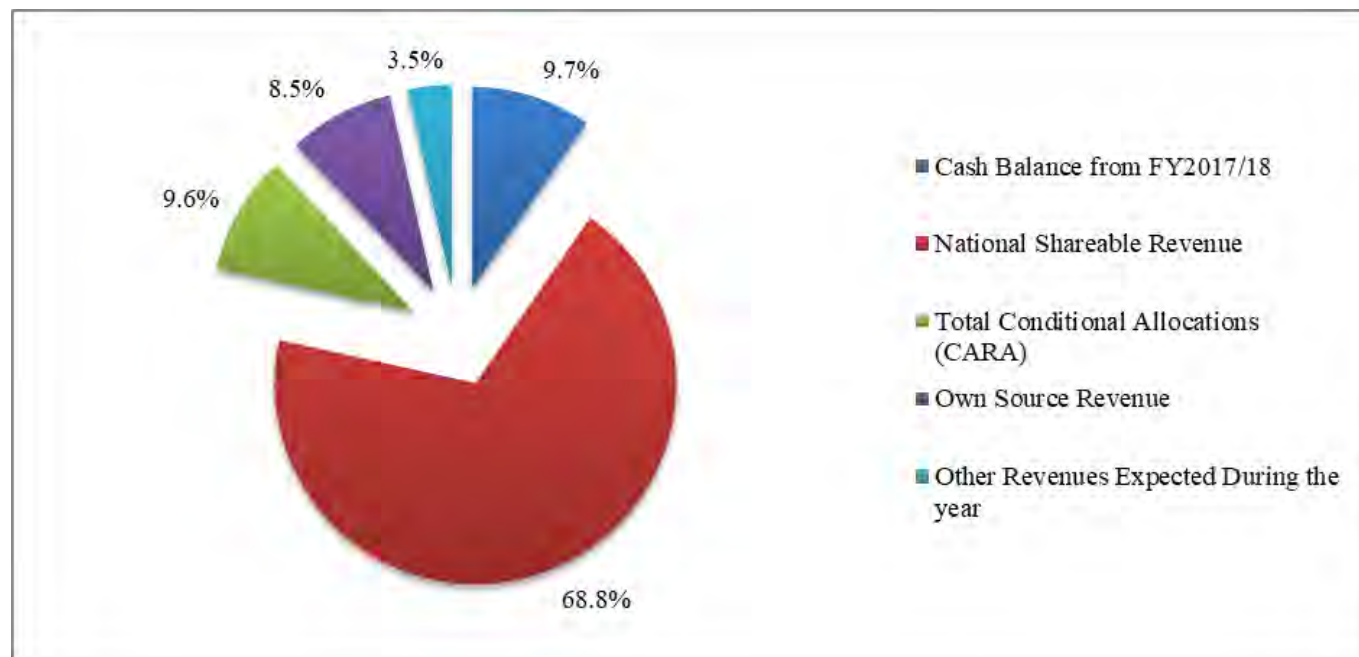
3.3 Bungoma County

3.3.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.13.01 billion, comprising of Kshs.8.05 billion (61.9 per cent) and Kshs.4.96 billion (38.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.95 billion (68.8 per cent) as equitable share of revenue raised nationally, Kshs.1.70 billion (13.1 per cent) as total conditional grants, generate Kshs.1.10 billion (8.5 per cent) from own source revenue, Kshs.456.52 million (3.5 per cent) as from other revenue sources, and Kshs.1.26 billion (9.7 per cent) cash balance from FY 2017/18.

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



Source: Bungoma County Treasury

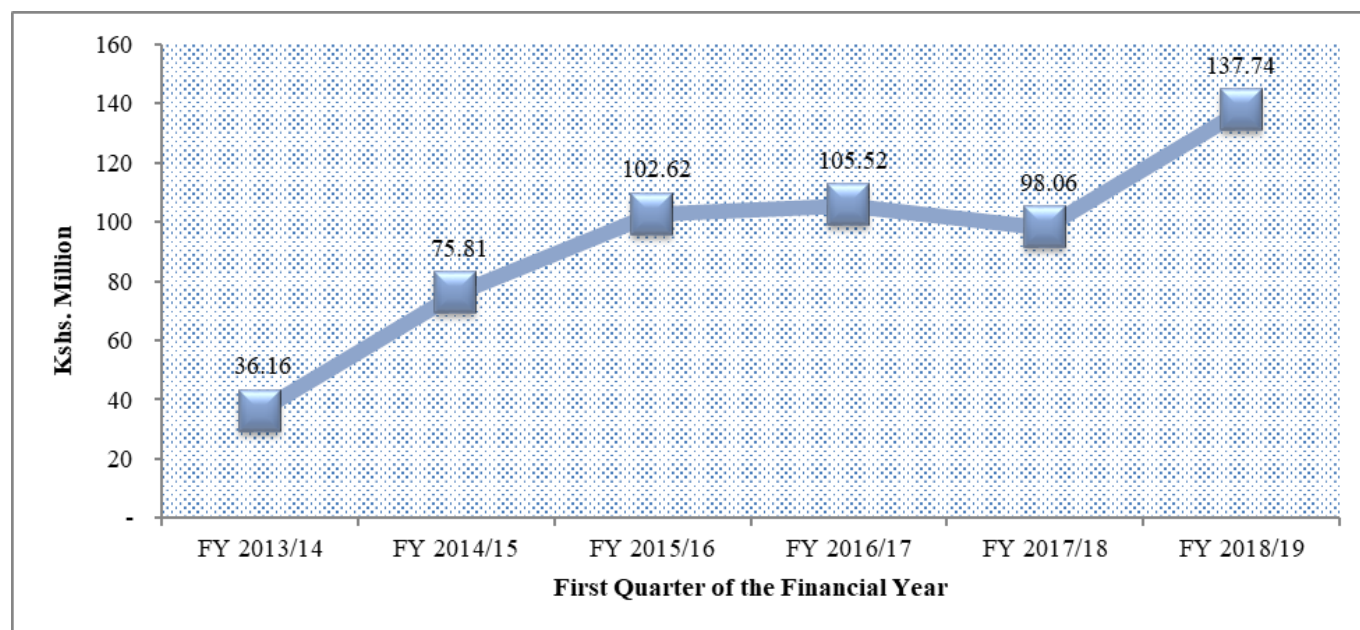
The conditional grants are in line with the CARA,2018 and consisted of Kshs.115.39 million (6.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (8.2 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.74.74 million (1.9 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.340.98 million (20 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.41.55 million (2.4 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.32.84 million (1.9 per cent) as Compensation for User Fees Foregone, Kshs.200 million (11.7 per cent) for Leasing of Medical Equipment, Kshs.235.62 million (13.8 per cent) from the Road Maintenance Fuel Levy, and Kshs.65.50 million (3.8 per cent) for Rehabilitation of Village Polytechnics in addition, the County budgeted to receive Kshs.41.12 million as grant for Agriculture, Livestock, Fisheries and Co-operative Development (NARGP) programme, Kshs.76.28 million as grant for Development of youth polytechnics, Kshs.239.13 million as grant for Roads and Public Works: RMLF, Kshs.99.99 million as grant for Sirisia Hospital grant which are not contained in the CARA, 2018.

3.3.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.447.45 million as equitable share of revenue raised nationally, raised Kshs.137.74 million from own source revenue, and had a cash balance of Kshs.1.26 billion from FY 2017/18. The total available funds amounted to Kshs.1.84 billion.

Figure 3.10 shows the quarterly trend in own source revenue collection from the first quarter from FY 2013/14 to FY 2018/19.

Figure 3.10: Bungoma County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Bungoma County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.137.74 million, representing an increase of 40.5 per cent compared to Kshs.98.06 million generated in the first quarter of FY 2017/18, which was 12.5 per cent of the annual target.

3.3.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.3.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.1.54 billion from the CRF account, which was 11.8 per cent of the Approved Budget. This amount represented an increase of 81.1 per cent from Kshs.848.16 million approved in the first quarter of FY 2018/19 and comprised of Kshs.1.44 billion (93.5 per cent) for recurrent expenditure and Kshs.99.34 million (6.5 per cent) for development activities.

3.3.5 Overall Expenditure Review

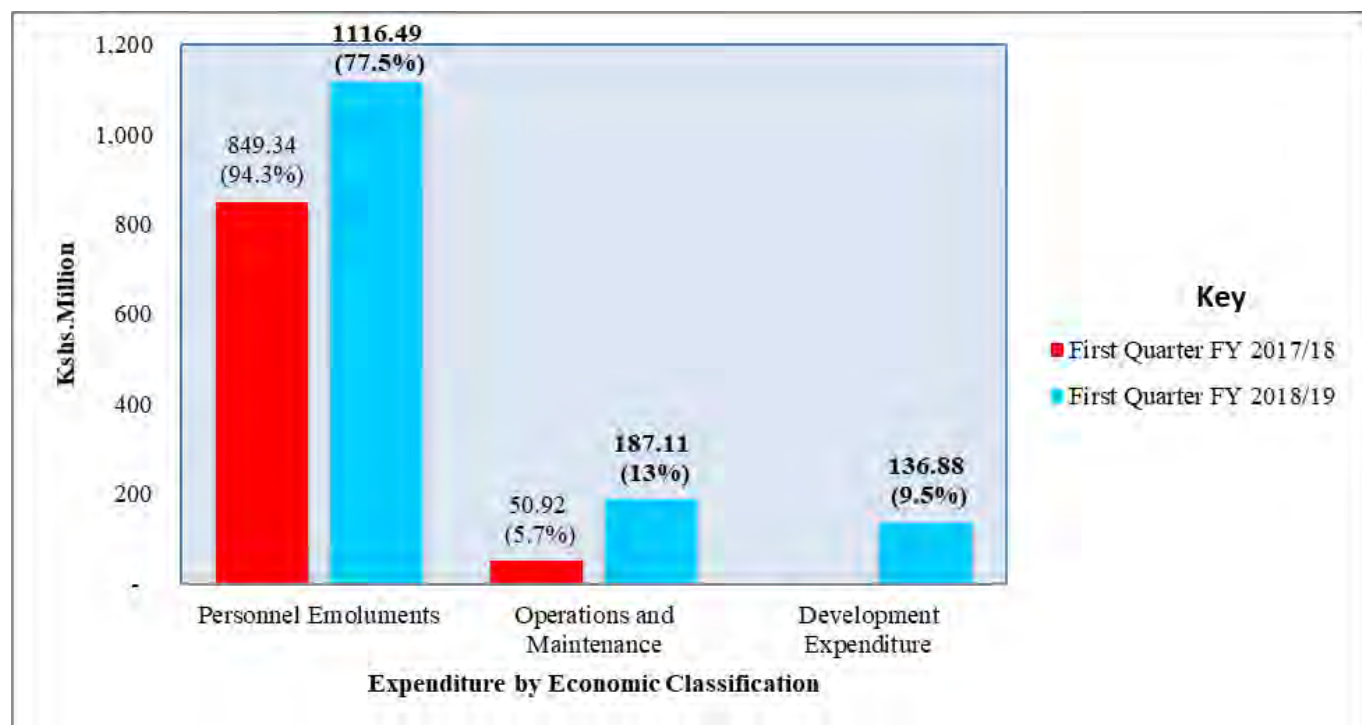
The County spent Kshs.1.44 billion, which was 93.8 per cent of the total funds released for operations. This was an increase of 60 per cent from Kshs.900.24 million spent in the first quarter of FY 2017/18.

A total of Kshs.1.30 billion was spent on recurrent activities while Kshs.136.88 million was spent on development activities. The recurrent expenditure was 90.8 per cent of the funds released for recurrent activities, while development expenditure was 137.8 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.399.90 million for development activities and Kshs.146.52 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 16.2 per cent of the annual recurrent budget, an increase from 16.2 per cent recorded in the first quarter of FY 2017/18. Development expenditure recorded

an absorption rate of 2.8 per cent, while there was no development expenditure in the first quarter of FY 2017/18. Figure 3.11 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.11: Bungoma County, Expenditure by Economic Classification



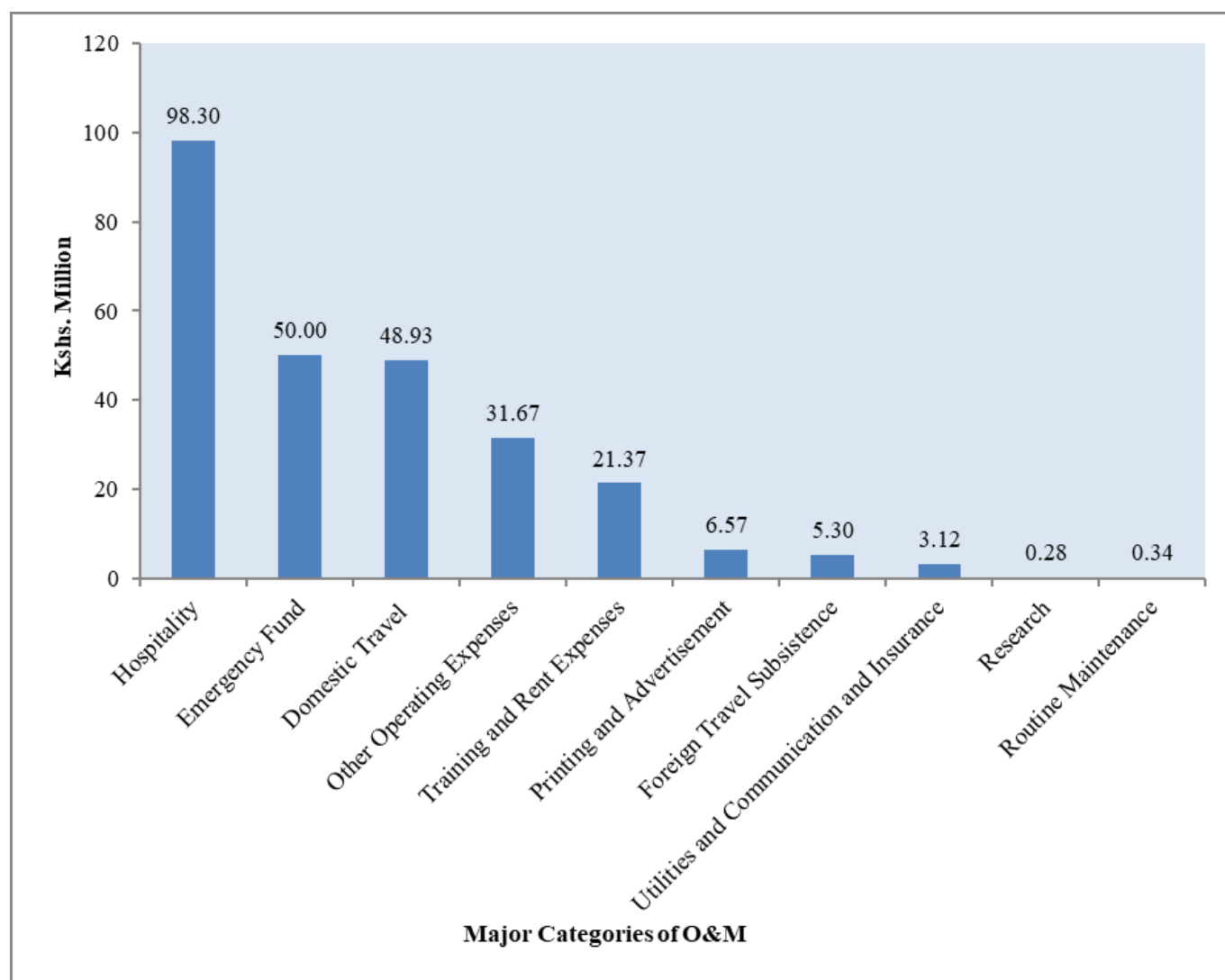
Source: Bungoma County Treasury

3.3.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.30 billion comprised of Kshs.1.12 billion (85.7 per cent) incurred on personnel emoluments and Kshs.187.11 million (14.3 per cent) on operations and maintenance as shown in Figure 3.11.

Expenditure on personnel emoluments represented an increase of 31.5 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.849.34 million, and was 77.5 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.12 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Bungoma County Treasury

The County spent Kshs.18.64 million on committee sitting allowances to the 61 MCAs against the annual budget allocation of Kshs.113.69 million. This was a decrease of 34.3 per cent compared to Kshs.20.59 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.101,862 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.48.93 million and comprised of Kshs.1.60 million spent by the County Assembly and Kshs.47.33 million by the County Executive. This represented 3.8 per cent of total recurrent expenditure and was an increase of 3204 per cent compared to Kshs1.64 million spent in the first quarter of FY 2017/18.

3.3.7 Development Expenditure Analysis

The total development expenditure of Kshs.136.88 million represented 2.8 per cent of the annual development budget of Kshs.4.96 billion. The expenditure consisted of Kshs.115.79 million on routine maintenance of roads and Kshs.21.08 million on refurbishment of chambers and construction of office blocks.

3.3.8 Budget Performance by County Departments

Table 3.4 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.4: Bungoma County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, livestock, Fisheries and Co-operative Development	461.50	574.63	75.15	-	75.88	-	101	-	16.4	-
Tourism, Forestry, Environment, Water and Natural Resources	164.16	505.42	14.45	-	16.07	-	111.2	-	9.8	-
Roads and Public Works	187.36	1,678.94	19.79	-	19.67	115.80	99.4	-	10.5	6.9
Education, Sports and Youth Affairs	1,048.13	491.56	216.69	76.27	216.74	-	100	-	20.7	-
Health	2,984.68	337.39	504.57	-	498.10	-	98.7	-	16.7	-
Trade, Energy and Industrialization	49.31	252.17	7.17	-	3.48	-	48.5	-	7.0	-
Land, Urban and Physical Planning	126.87	510.70	6.90	-	9.51	-	137.8	-	7.5	-
Gender, Culture	121.64	173.54	27.28	-	26.37	-	96.7	-	21.7	-
Finance and Planning	969.62	27.39	220.42	-	154.40	-	70.0	-	15.9	-
County Public Service	49.57		4.16	-	2.67	-	64.2	-	5.4	-
Governors & D/Governor's office	442.42		84.82	-	79.99	-	94.3	-	18.1	-
Public Administration & County Secretary	543.01	79.32	74.01	-	63.41	-	85.7	-	11.7	-
Housing	26.28	28.45	3.56	-		-	-	-	-	-
Sanitation	2.16	40.83	-	-		-	-	-	-	-
County Assembly	874.98	256.51	177.36	23.07	137.29	21.08	77.4	91.4	15.7	8.2
TOTAL	8,051.67	4,956.84	1,436.33	99.33	1,303.59	136.88	90.8	137.8	16.2	2.8

Source: Bungoma County Treasury

Analysis of budget performance by department shows that, the County Assembly attained the highest absorption rate of development budget at 8.2 per cent. The Department of Education, Sports and Youth Affairs had the highest percentage of recurrent expenditure to recurrent budget at 20.7 per cent while the Department of Housing and the Department of Sanitation did not report expenditure in the reporting period. .

3.3.9 Key Observations and Recommendations

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

- i. Improvement in own source revenue collection from Kshs.98.06 million in the first quarter of FY 2017/18 to Kshs.137.74 million in the reporting period.
- ii. 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.

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

1. Failure by Fund Administrators to submit expenditure reports of the Women Empowerment Fund, Youth Empowerment Fund and People with Disability 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 Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

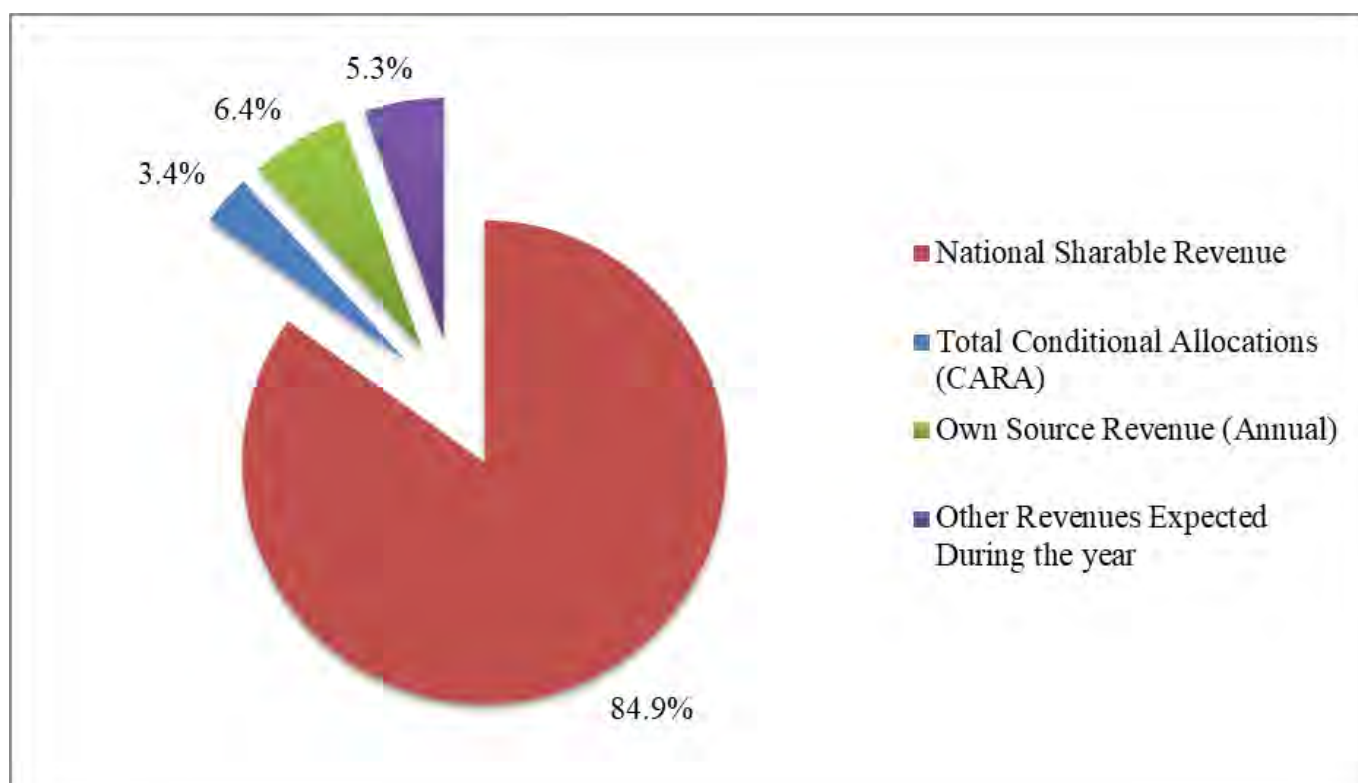
3.4 Busia County

3.4.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.7.03 billion, comprising of Kshs.2.58 billion (36.7 per cent) and Kshs.4.44 billion (63.3 per cent) allocation for development and recurrent expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.97 billion (84.9 per cent) as equitable share of revenue raised nationally, Kshs.235.97 million (3.4 per cent) as total conditional grants, and generate Kshs.452.52 million (6.4 per cent) from own source. The County did not budget for unspent cash balance from FY 2017/18 which amounted to Kshs.1.69 billion.

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



Source: Busia County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.86.62 million (8.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (11.9 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.47.39 million (4.8 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level

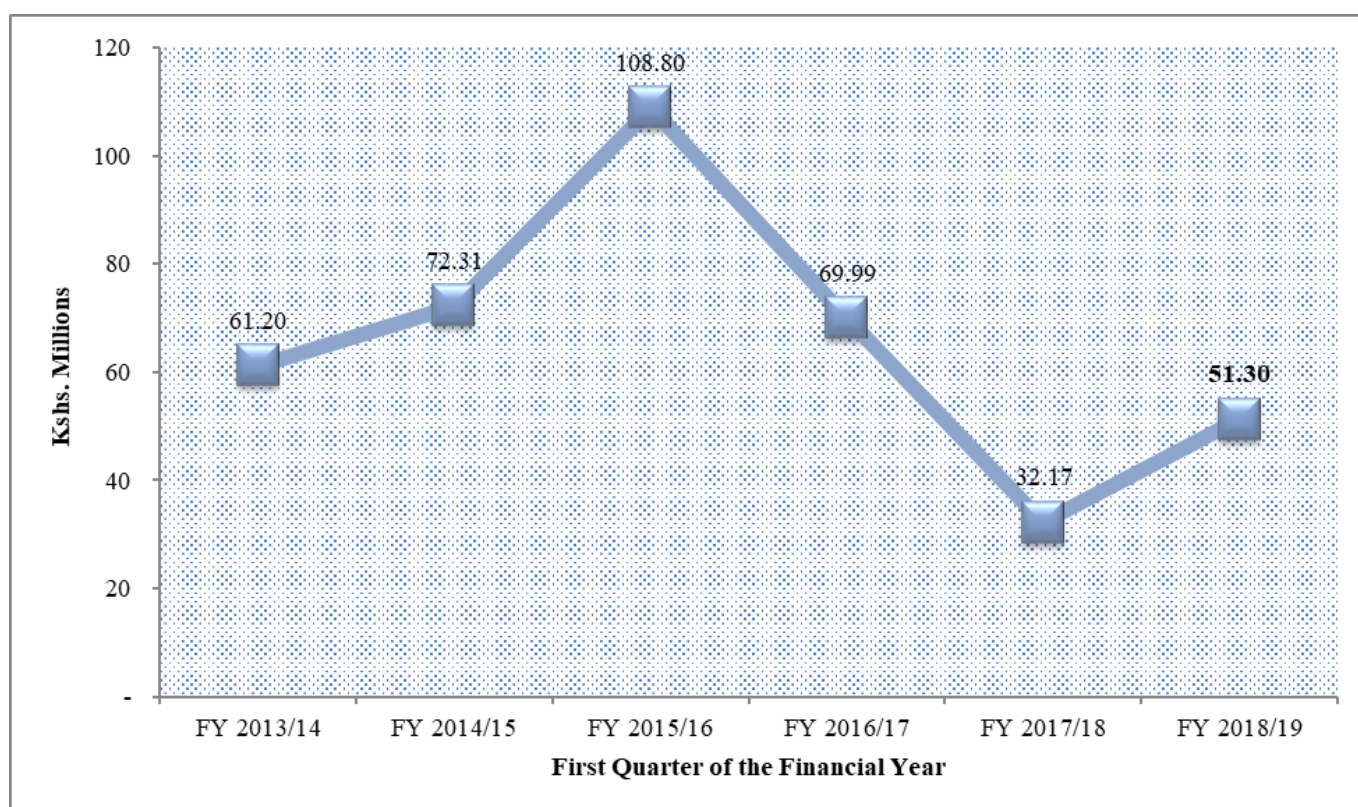
1 grant”, Kshs.101.07 million (10.3 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.19.54 million (2 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.16.93 million (1.7 per cent) as Compensation for User Fees Foregone, Kshs.157.62 million (16 per cent) from the Road Maintenance Fuel Levy, and Kshs.61,96 million (6.3 per cent) for Rehabilitation of Village Polytechnics.

3.4.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.298.30 million as equitable share of revenue raised nationally, raised Kshs.51.3 million from own source revenue, and had a cash balance of Kshs.1.69 billion from FY 2017/18. The total available funds amounted to Kshs.2.04 billion.

Figure 3.14 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.14: Busia County, Trend in Own Source Revenue Collection from the First Quarter of FY 2013/14 to FY 2018/19



Source: Busia County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.51.30 million, representing an increase of 59.5 per cent compared to Kshs.32.17 million generated in the first quarter of FY 2017/18, which was 11.3 per cent of the annual target.

3.4.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.4.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.1.08 billion from the CRF account, which was 15.3 per cent of the Approved Budget. This amount represented an increase of 8 per cent from

Kshs.996.60 million approved in the first quarter of FY 2017/18 and comprised of Kshs.952 million (88.4 per cent) for recurrent expenditure and Kshs.124.56 million (11.6 per cent) for development activities.

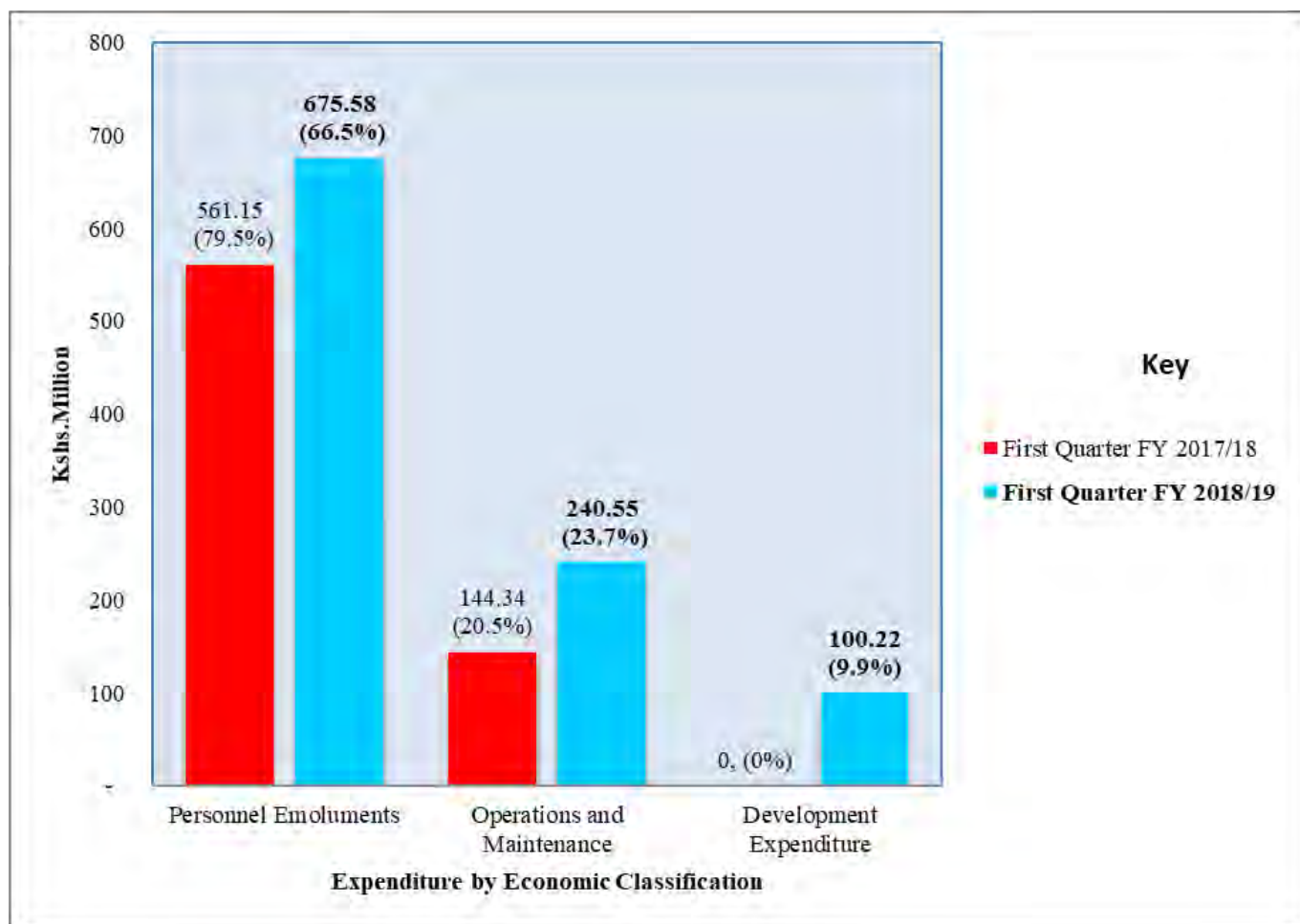
3.4.5 Overall Expenditure Review

The County spent Kshs.1.02 billion, which was 94.4 per cent of the total funds released for operations. This was an increase of 44.1 per cent from Kshs.705.48 million spent in the first quarter of FY 2017/18.

A total of Kshs.916.14 million was spent on recurrent activities while Kshs.100.22 million was spent on development activities. The recurrent expenditure was 96.2 per cent of the funds released for recurrent activities, while development expenditure was 80.5 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.603.49 million for development activities and Kshs.373.89 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 20.6 per cent of the annual recurrent budget, an increase from 14.1 per cent recorded in the first quarter of FY 2017/18. Development expenditure recorded an absorption rate of 3.9 per cent, while there was no development expenditure in the first quarter of FY 2017/18. Figure 3.15 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of FY 2017/18.

Figure 3.15: Busia County, Expenditure by Economic Classification



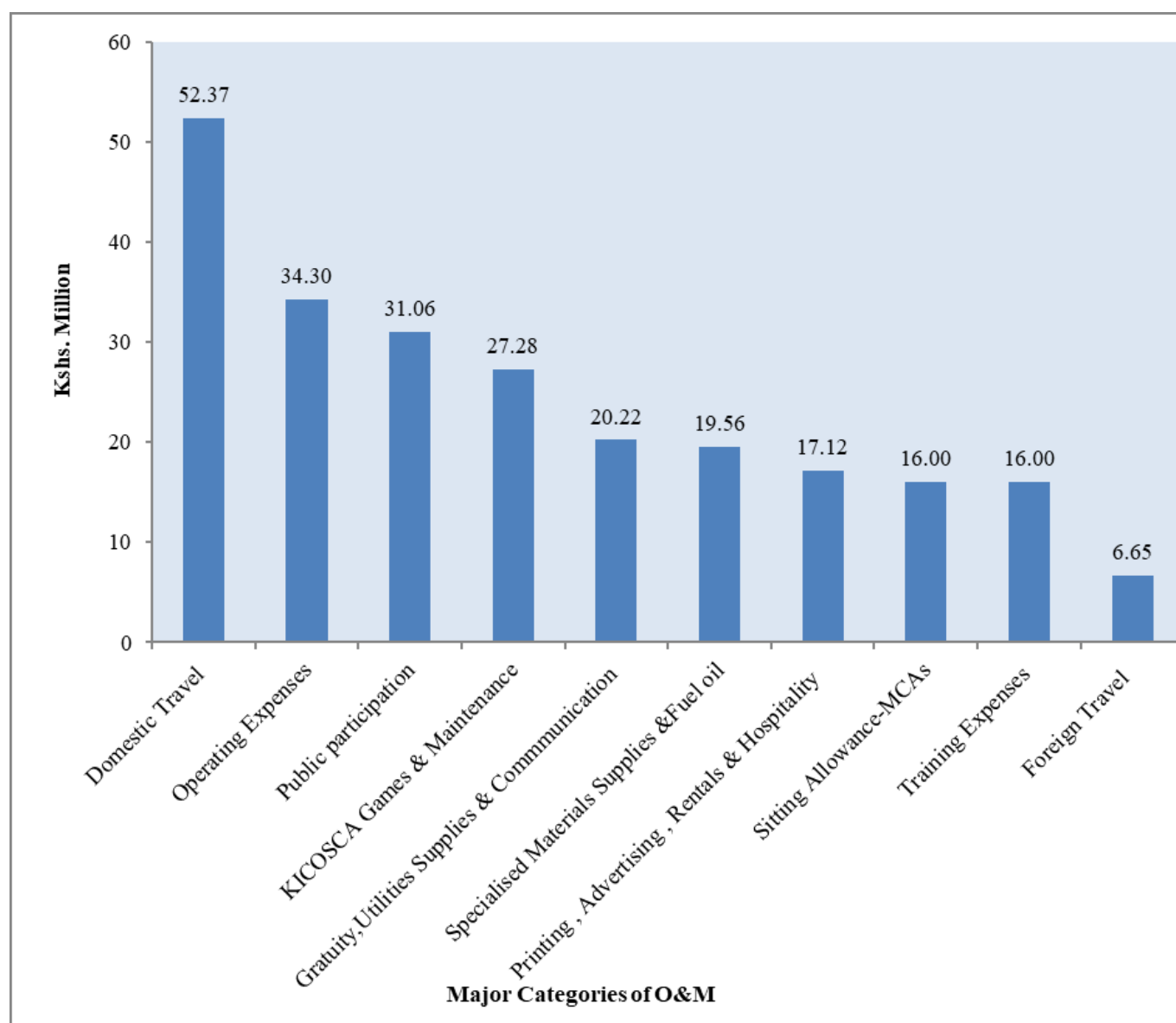
Source: Busia County Treasury

3.4.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.916.14 million comprised of Kshs.675.58 million (73.7 per cent) incurred on personnel emoluments and Kshs.240.55 million (26.3 per cent) on operations and maintenance as shown in Figure 3.15 .

Expenditure on personnel emoluments represented an increase of 20.4 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.561.15 million, and was 66.5 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.16 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Busia County Treasury

The County spent Kshs.16 million on committee sitting allowances to the 54 MCAs against the annual budget allocation of Kshs.106.33 million. This was an increase of 4,041.9 per cent compared to Kshs.386,400 spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.98,793 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.52.37 million and comprised of Kshs.17.37 million spent by the County Assembly and Kshs.35 million by the County Executive. This represented 5.7 per cent of total recurrent expenditure and was an increase of 49.2 per cent compared to Kshs.26.71 million spent in the first quarter of FY 2017/18.

3.4.7 Development Expenditure Analysis

The total development expenditure of Kshs.100.22 million represented 3.9 per cent of the annual development budget of Kshs.2.58 billion which comprised Kshs.81.8 million on major roads and Kshs.18.42 million on non-residential buildings (offices, schools, hospitals etc).

3.4.8 Budget Performance by County Departments

Table 3.5 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.5: Busia County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture and Animal Resources	220.61	247.60	57.18	-	2.22	-	3.9	-	1.0	-
Trade, Co-operatives and Industrialization	57.91	150.70	12.33	-	5.02	-	40.7	-	8.7	-
Education and Vocational Training	405.13	241.21	68.33	15.93	2.85	18.42	4.2	115.7	0.7	7.6
Finance and ICT	872.06	30.50	115.94	-	261.82	-	225.8	-	30.0	-
Youth, Culture, Sports, Tourism and Social Services	95.00	158.95	34.85	-	20.08	-	57.6	-	21.1	-
Public Works, Roads, Transport and Energy	79.34	645.79	18.12	100.00	3.82	81.80	21.1	81.8	4.8	12.7
Public Service Management	51.51	-	10.16	-	1.38	-	13.6	-	2.7	-
Land, Housing and Urban Development	93.97	222.73	13.40	-	2.58	-	19.3	-	2.8	-
Water, Environment and Natural Resources	129.27	410.50	24.89	-	5.84	-	23.5	-	4.5	-
Health and Sanitation	1383.44	330.20	383.08	8.64	435.37	-	113.6	-	31.5	-
County Public Service Board	49.14	-	9.77	-	2.24	-	22.9	-	4.6	-
The Governorship	278.48	88.60	53.94	-	28.39	-	52.6	-	10.2	-
County Assembly	728.50	55.00	150.00	-	144.54	-	96.4	-	19.8	-
TOTAL	4,444.35	2,581.77	952.00	124.57	916.14	100.22	96.2	80.5	20.6	3.9

Source: Busia County Treasury

Analysis of budget performance by department shows that, the Department of Public Works, Roads Transport and Energy attained the highest absorption rate of development budget at 12.7 per cent. The Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 31.5 per cent while the Department of Education and Vocational Training had the lowest at 0.7 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. Increase in own revenue generation by 59.5 per cent from Kshs.32.17 million in the first quarter of FY 2017/18 to Kshs.51.30 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 that hampered implementation of development activities in the reporting period.
2. High personnel emoluments which increased by 20 per cent from Kshs.561.15 million to 675.58 million, and accounted for 66.5 per cent of overall total expenditure during the reporting period.
3. Delay in the approval of the County Integrated Development Plan (CIDP) by the County Assembly, thereby affecting preparation of other key county planning documents and the smooth implementation of the budget.

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.*
2. *The County Public Service Board should develop and implement an optimal staffing structure to address the escalating wage bill.*
3. *The County Assembly should accelerate consideration and approval the CIDP in order to enhance effective budgeting..*

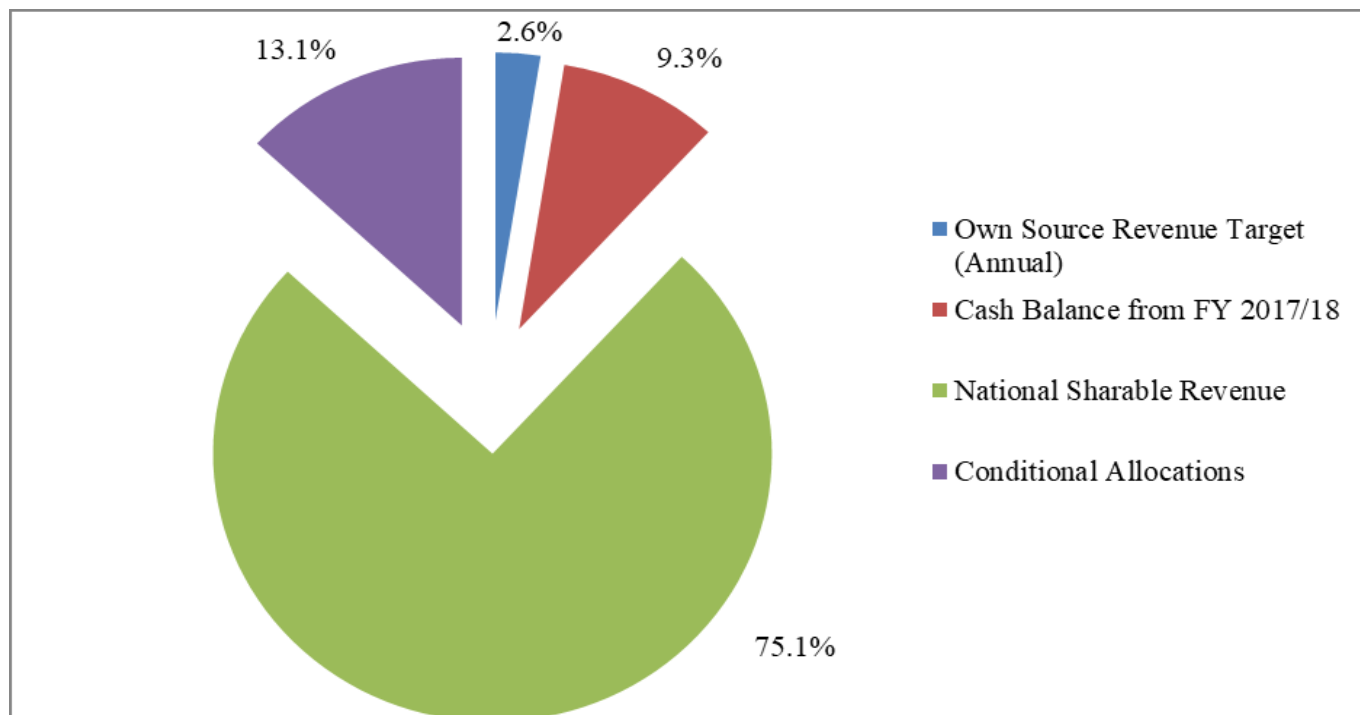
3.5 Elgeyo Marakwet County

3.5.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.5.02 billion, comprising of Kshs.3.10 billion (61.7 per cent) and Kshs.1.92 billion (38.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.77 billion (75.1 per cent) as equitable share of revenue raised nationally, Kshs.657.30 million (13.1 per cent) as total conditional grants, generate Kshs.130 million (2.6 per cent) from own source revenue, and Kshs.464.71 million (9.3 per cent) cash balance from FY 2017/18. Figure 3.17 shows the expected sources of financing the budget in the first quarter of FY 2018/19

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



Source: Elgeyo Marakwet County Treasury

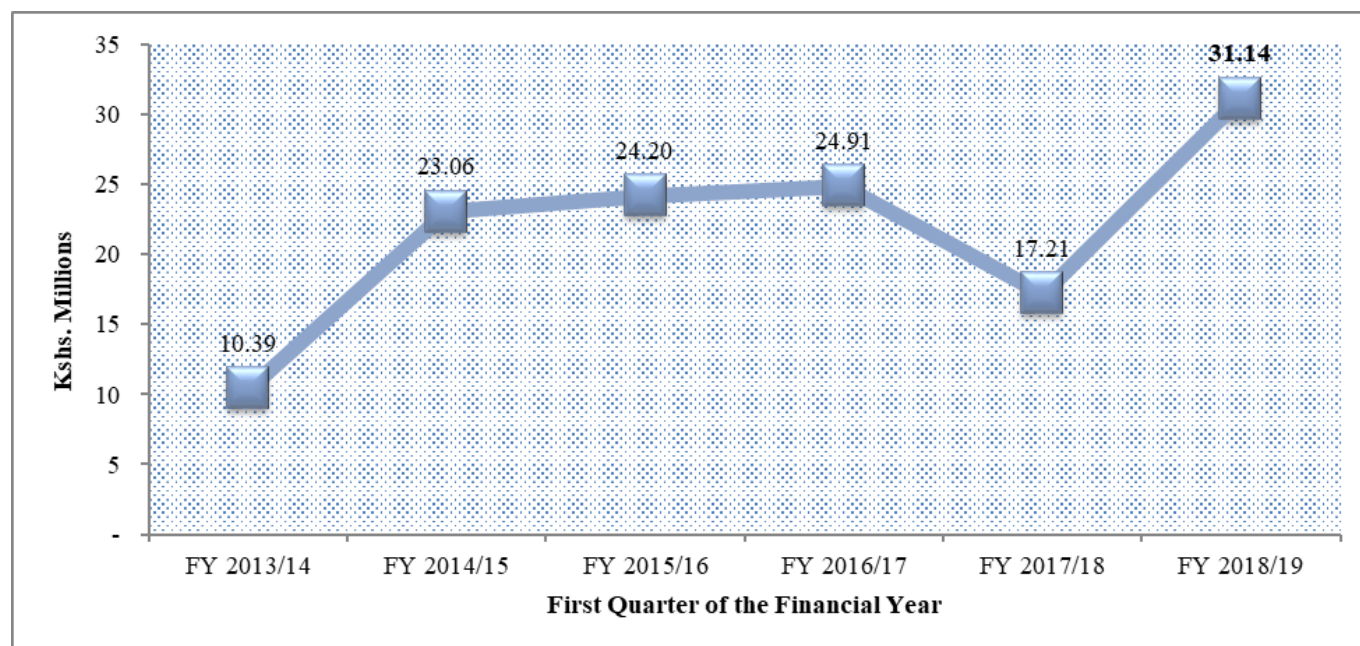
The conditional grants are in line with the CARA,2018 and consisted of Kshs.200 million (30.4 per cent) for Leasing of Medical Equipment, Kshs.99.21 million (15.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.8 million (1.3 per cent) as Compensation for User Fee Foregone, Kshs.12.15 million (1.8 per cent) from DANIDA, Kshs.38.55 million (5.9 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.89.8 million (13.7 per cent) for the World Bank Kenya Urban Support Programme, Kshs.117 million (17.8 per cent) for the World bank Kenya Climate Smart Agricultural project, Kshs.41.8 million (6.4 per cent) for Development of Youth Polytechnics, and Kshs.50 million (7.6 per cent) as World Bank loan for Transforming Health System for Universal Care Project.

3.5.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.452.16 million as equitable share of revenue raised nationally, raised Kshs.31.14 million from own source revenue, and had a cash balance of Kshs.464.71 million from FY 2017/18. The total available funds amounted to Kshs.948.02 million.

Figure 3.18 shows the quarterly trend in own source revenue collection from first quarter of FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.18: Elgeyo Marakwet County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Elgeyo Marakwet County Treasury

The total own source revenue collected in the first quarter of FY 2018/19 amounted to Kshs.31.14 million, representing an increase of 81 per cent compared to Kshs.17.21 million generated in the first quarter of FY 2017/18, which was 24 per cent of the annual target.

3.5.3 Conditional Grants

The County did not receive any funds from conditional grants in the reporting period.

3.5.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.692.32 million from the CRF account, which was 13.8 per cent of the Approved Budget. This amount represented a significant increase of 26.7 per cent from Kshs.546.61 million approved in first quarter of FY 2017/18 and comprised of Kshs.687.84 million (99.4 per cent) for recurrent expenditure and Kshs.4.48 million (0.6 per cent) for development activities.

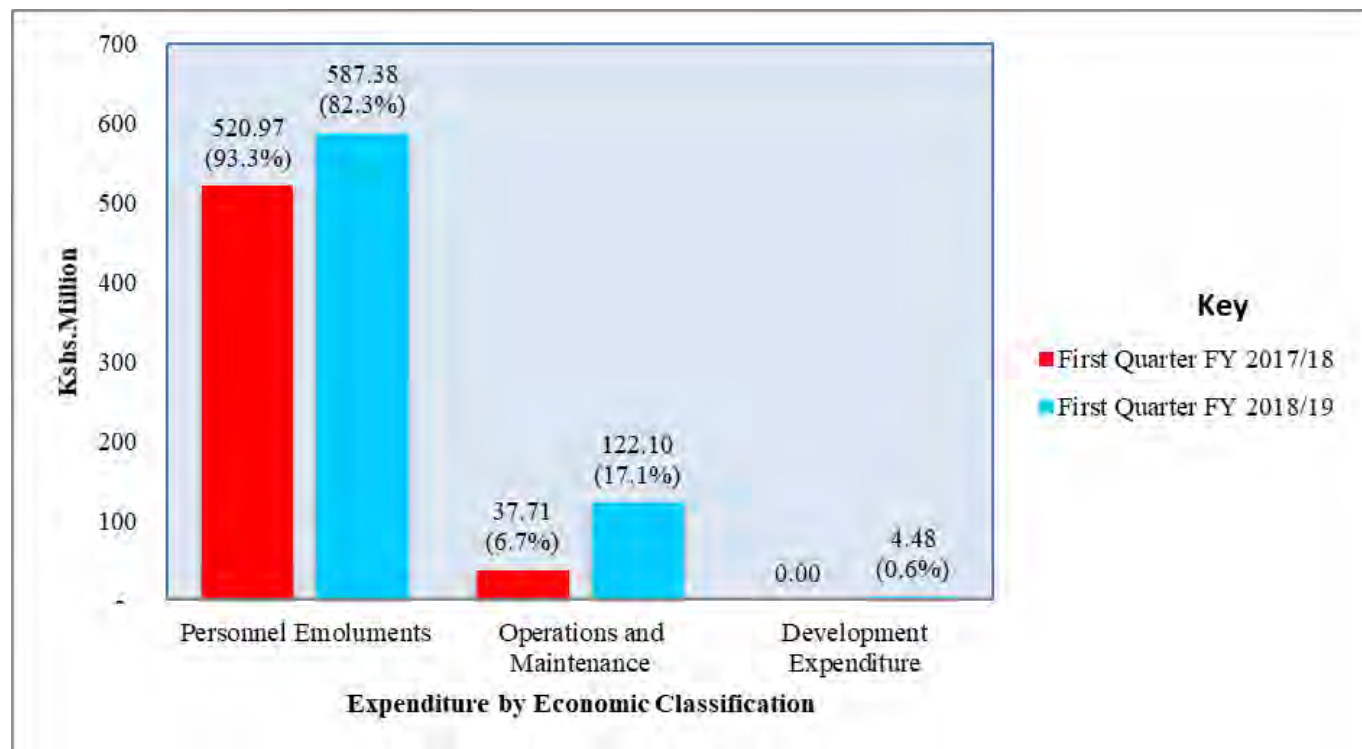
3.5.5 Overall Expenditure Review

The County spent Kshs.713.95 million, which was 103.1 per cent of the total funds released for operations. This was a significant increase of 27.8 per cent from Kshs.558.68 million spent in first quarter of FY 2017/18.

A total of Kshs.709.48 million was spent on recurrent activities while Kshs.4.48 million was spent on development activities. The recurrent expenditure was 103.1 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 total commitments which amounted to Kshs.3.37 million for recurrent activities as at September 30, 2018.

The recurrent expenditure represented 22.9 per cent of the annual recurrent budget, a marginal increase from 21.2 per cent recorded in a similar period of FY 2017/18. Figure 3.19 presents a comparison between the total expenditure in the first quarter of FY 2017/18 and the first quarter of FY 2018/19 by economic classification.

Figure 3.19: Elgeyo Marakwet County, Expenditure by Economic Classification



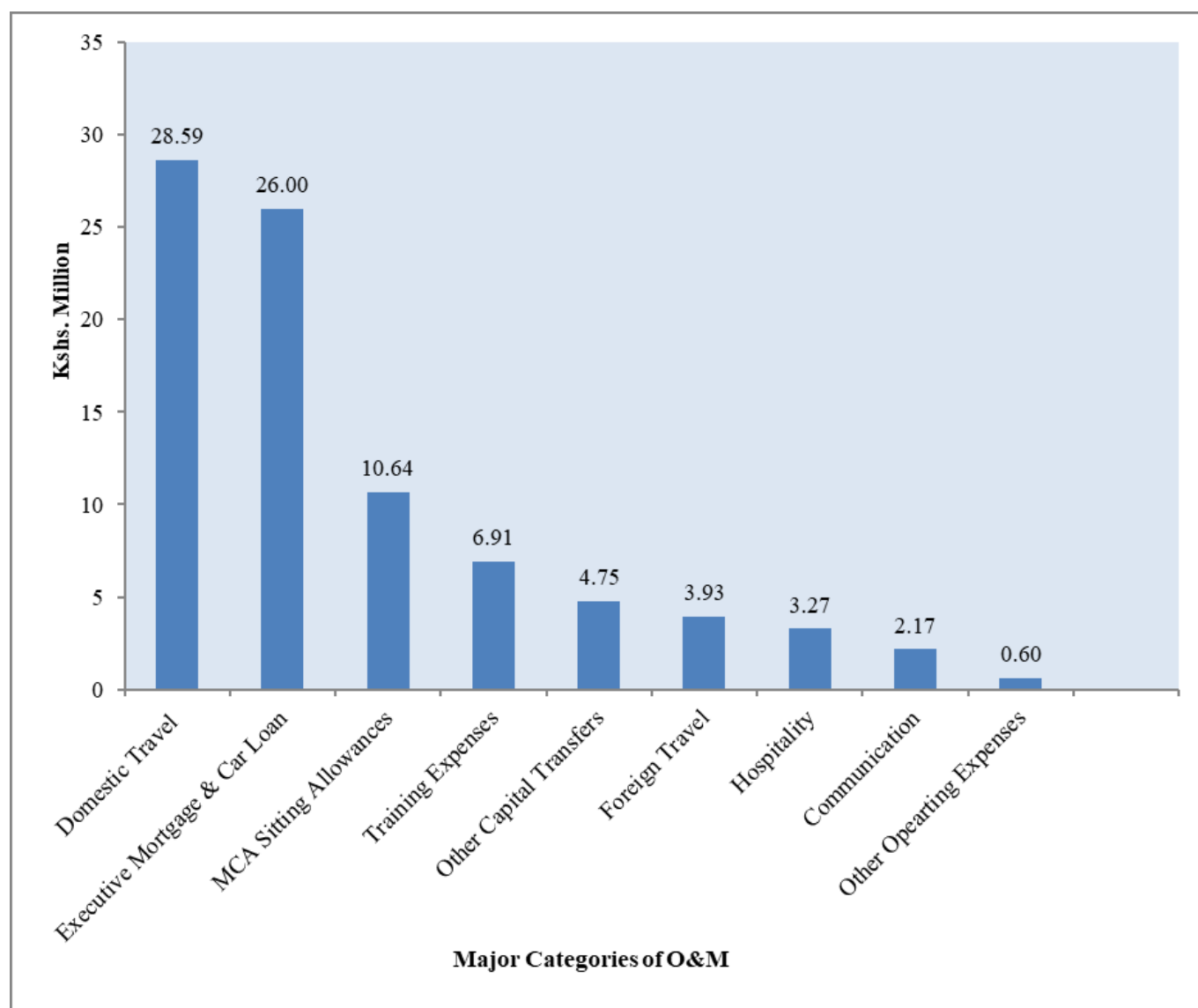
Source: Elgeyo Marakwet County Treasury

3.5.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.709.48 million comprised of Kshs.587.38 million (82.8 per cent) incurred on personnel emoluments and Kshs.122.10 million (17.2 per cent) on operations and maintenance as shown in Figure 3.19.

Expenditure on personnel emoluments represented an increase of 12.7 per cent compared to the FY 2017/18 when the County spent Kshs.520.97 million, and was 82.3 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.20 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Elgeyo Marakwet County Treasury

The County spent Kshs.8.83 million on committee sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.43.10 million. This was a significant increase of 166.0 per cent compared to Kshs.3.32 million spent in the FY 2017/18. The average monthly sitting allowance was Kshs.86,603 per MCA against the SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.28.59 million and comprised of Kshs.24.99 million spent by the County Assembly and Kshs.3.60 million by the County Executive. This represented 4.0 per cent of total recurrent expenditure and was a significant increase of 200 per cent compared to Kshs.9.53 million spent in the FY 2017/18.

3.5.7 Development Expenditure Analysis

The total development expenditure of Kshs.4.48 million represented 0.2 per cent of the annual development budget of Kshs.1.92 billion, which was spent on user fees foregone by the Department of Health and Sanitation.

3.5.8 Budget and Budget Performance by County Departments

Table 3.6 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.6: Elgeyo Marakwet County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	566.84	-	116.10	-	139.26	-	119.9	-	24.6	-
Office of the Governor	158.23	-	28.69	-	29.80	-	103.9	-	18.8	-
Finance and Economic planning	212.43	-	45.02	-	40.91	-	90.9	-	19.3	-
Agriculture, and Irrigation	108.93	231.87	28.75	-	28.76	-	100.0	-	26.4	-
Education and Tech. Training	213.67	276.64	40.83	-	40.92	-	100.2	-	19.2	-
Health and Sanitation	1,356.07	496.88	317.89	4.48	316.47	4.48	99.6	100	23.3	0.9
Water, Lands, Environment & Climate Change	73.72	371.73	15.31	-	15.65	-	102.2	-	21.2	-
Roads, Public Works and Transport	64.50	333.80	13.20	-	13.82	-	104.7	-	21.4	-
Tourism, Culture, Wildlife, Trade & Industry	34.00	28.46	6.89	-	6.93	-	100.6	-	20.4	-
Youth Affairs, Sports, ICT & Social Services	34.91	90.63	6.76	-	6.82	-	100.9	-	19.5	-
Public Service Management & County Administration	114.80	52.27	41.86	-	41.77	-	99.8	-	36.4	-
County Public Service Board	59.53	-	12.25	-	11.24	-	91.8	-	18.9	-
Livestock Production, Fisheries & Cooperative Development	98.38	41.72	14.28	-	17.12	-	119.9	-	17.4	-
TOTAL	3,096.02	1,924.00	687.84	4.48	709.48	4.48	103.1	100	22.9	0.2

Source: Elgeyo Marakwet County Treasury

Analysis of budget performance by department shows that, the Department of Health Services attained the highest absorption rate of development budget at 0.9 per cent while the other departments did not spend on development activities. The Department of Public Service Management and County Administration had the highest percentage of recurrent expenditure to recurrent budget at 36.4 per cent followed by the Department of Agriculture and Irrigation and County Assembly at 26.4 per cent and 24.6 per cent respectively while the Department of Livestock Production, Fisheries and Cooperative Development had the lowest at 17.4 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. Improvement in own source collection by 81 per cent to Kshs.31.14 million in the first quarter of FY 2018/19 from Kshs.17.2 million in a similar period of FY 2017/18.
- ii. 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.

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

1. Slow uptake of development funds which stood at 0.2 per cent of the annual development budget compared to an expected rate of 25 per cent by close of the period.

2. 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 should identify and address the underlying causes of low absorption of development funds in order to enhance service delivery to citizens.
2. The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.

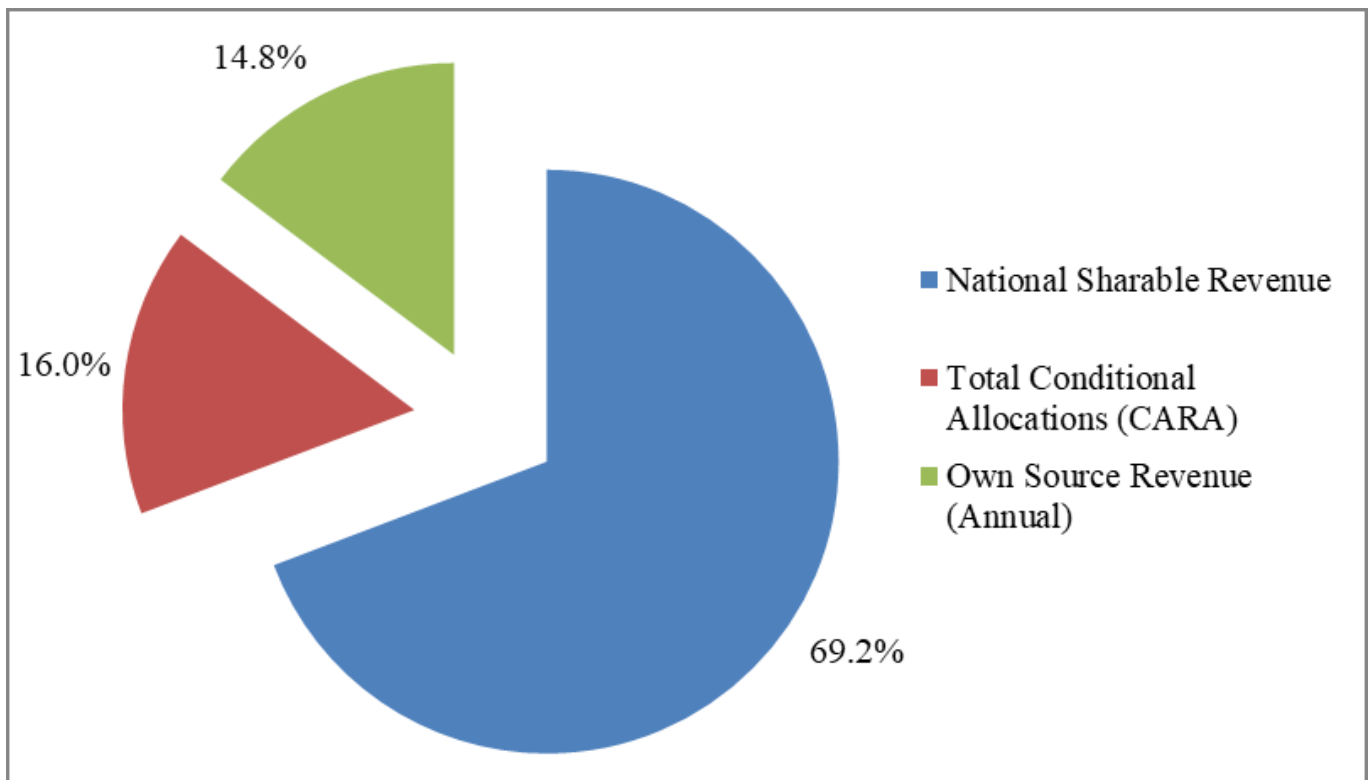
3.6 Embu County

3.6.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.6.44 billion, comprising of Kshs.4.51 billion (70 per cent) and Kshs.1.93 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.46 billion (69.2 per cent) as equitable share of revenue raised nationally, Kshs.1.03 billion (16 per cent) as total conditional grants and generate Kshs.950 million (14.8 per cent) from own source revenue.

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



Source: Embu County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.50 million (4.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (13.6 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.40.60 million (3.9 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.119.89 million (11.6 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.13.77 million (1.3 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.301.04 million (29.2 per cent) to Embu

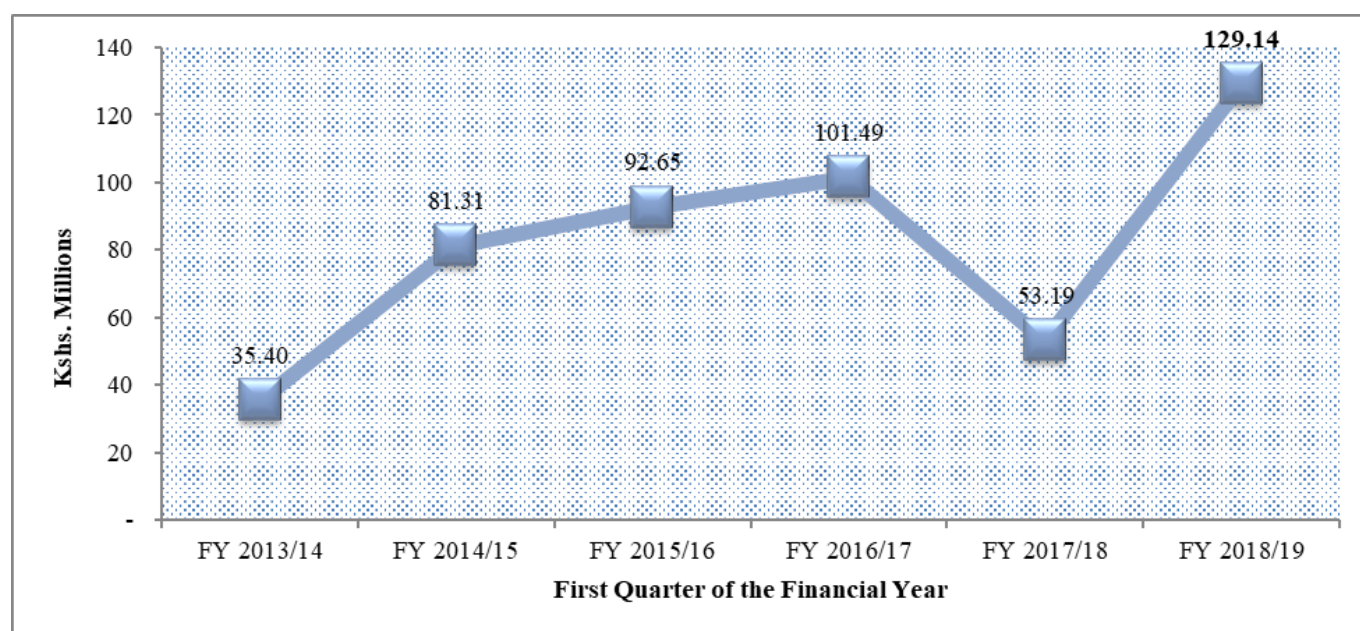
Level-5 Hospital, Kshs.10.72 million (1 per cent) as Compensation for User Fees Foregone, Kshs.200 million (19.4 per cent) for Leasing of Medical Equipment, Kshs.117.40 million (11.4 per cent) from the Road Maintenance Fuel Levy, and Kshs.37.90 million (3.7 per cent) for Rehabilitation of Village Polytechnics.

3.6.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.511.60 million as equitable share of revenue raised nationally, Kshs.52.25 million as total conditional grants, raised Kshs.129.14 million from own source revenue, and had a cash balance of Kshs.264.77 million from FY 2017/18. The total available funds amounted to Kshs.957.75 million.

Figure 3.22 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.22: Embu County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Embu County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.129.14 million, representing an increase of 142.8 per cent compared to Kshs.53.19 million generated in the first quarter of FY 2017/18, and represented 13.6 per cent of the annual target.

3.6.3 Conditional Grants

Table 3.7 shows an analysis of conditional grants disbursed in the first quarter of FY 2018/19.

Table 3.7: Embu County, Analysis of Conditional Grants Received in the first quarter of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in the First Quarter of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Embu Level - 5 Hospital	301,040,462	301,040,462	38,507,562	12.8
2	Leasing of Medial Equipment	200,000,000	200,000,000	-	-
3	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	-	-
4	Kenya Urban Support Project (KUSP)	119,892,100	119,892,100	-	-
5	Road Maintenance Fuel Levy	117,396,321	117,396,321	-	-
6	Transforming Health Systems for Universal Care Project (WB)	50,000,000	50,000,000	13,743,329	27.5
7	Kenya Devolution Support Project (KDSP) "Level 1 grant"	40,595,727	40,595,727	-	-
8	Rehabilitation of Village Polytechnics	37,900,000	37,900,000	-	-
9	DANIDA Grant	13,770,000	13,770,000	-	-
10	Compensation for User Fee Foregone	10,724,225	10,724,225	-	-
Grand Total		1,031,753,998	1,031,753,998	52,250,891	5.1

Source: Embu County Treasury

Analysis of revenue from conditional grants in the period under review indicates that, the County received funds from grants to the Embu Level - 5 Hospital, and Transforming Health Systems for Universal Care Project (WB). The receipts accounted for 12.8 per cent, and 27.5 per cent of the annual allocation respectively.

3.6.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.874.05 million from the CRF account, which was 13.6 per cent of the Approved Budget. This amount represented an increase of 12.1 per cent from Kshs.779.89 million approved in the first quarter of FY 2018/19. The entire amount was for recurrent expenditure.

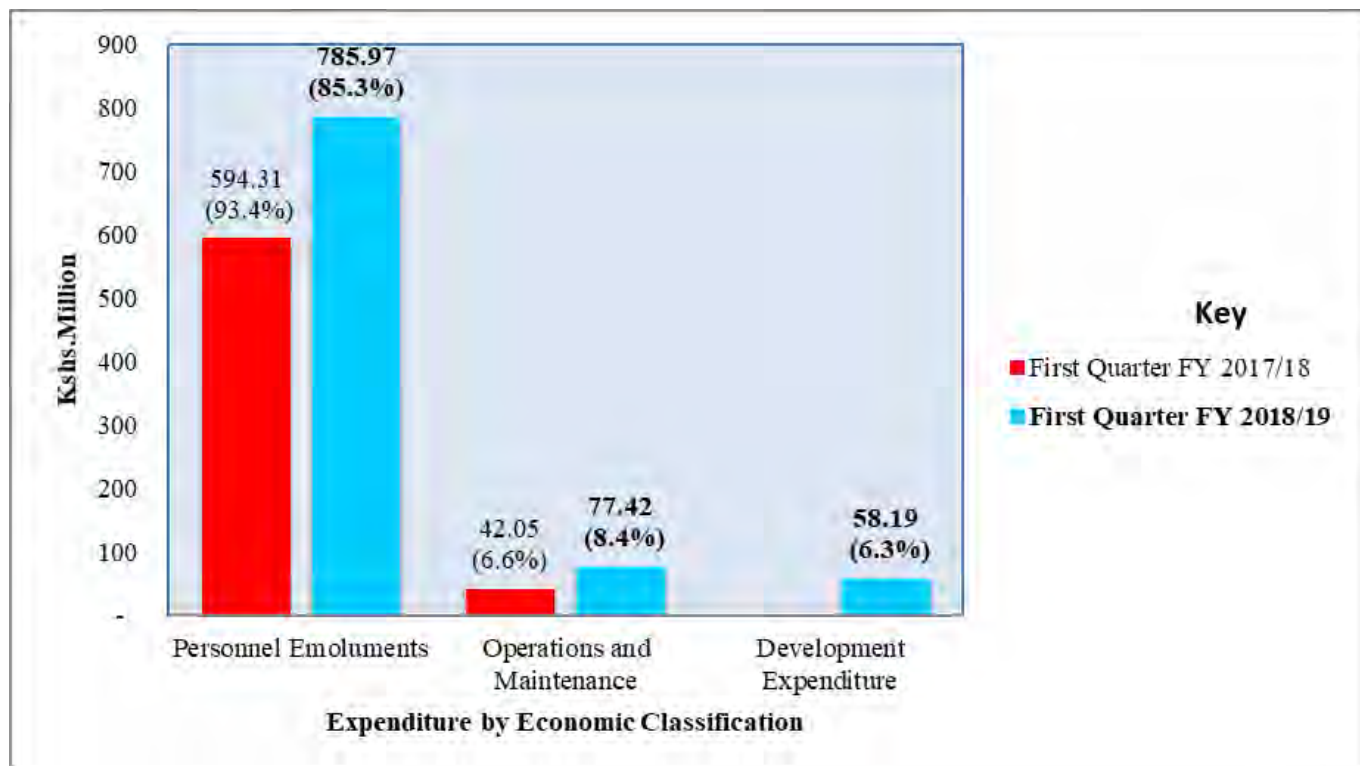
3.6.5 Overall Expenditure Review

The County spent Kshs.921.58 million, which was 105.4 per cent of the total funds released for operations. This was an increase of 44.8 per cent from Kshs.636.36 million spent in the first quarter of FY 2017/18.

A total of Kshs.863.39 million was spent on recurrent activities while Kshs.58.19 million was spent on development activities. The recurrent expenditure was 98.8 per cent of the funds released for recurrent activities, while development expenditure was incurred yet no funds had been released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.740.16 million for development activities and Kshs.532 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 19.2 per cent of the annual recurrent budget, an increase from 16.6 per cent recorded in the first quarter of FY 2017/18. Figure 3.23 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.23: Embu County, Expenditure by Economic Classification



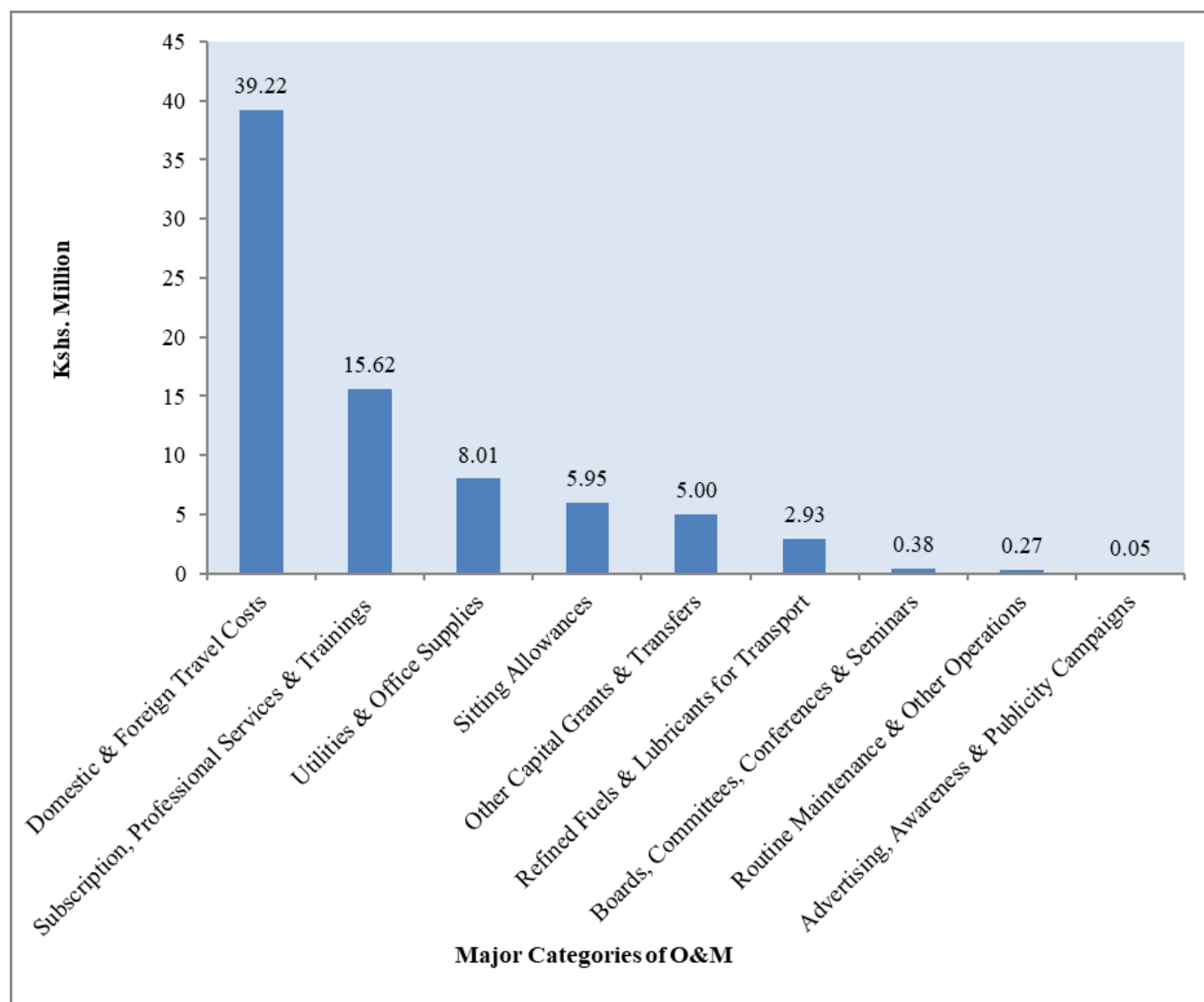
Source: Embu County Treasury

3.6.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.863.39 million comprised of Kshs.785.97 million (91 per cent) incurred on personnel emoluments and Kshs.77.42 million (9 per cent) on operations and maintenance as shown in Figure 3.23.

Expenditure on personnel emoluments represented an increase of 32.3 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.594.31 million, and was 85.3 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.24 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Embu County Treasury

The County spent Kshs.5.95 million on committee sitting allowances to the 34 MCAs and the speaker, against the annual budget allocation of Kshs.31.5 million. This was an increase of 193.7 per cent compared to Kshs.2.02 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.56,622 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.39.22 million and comprised of Kshs.36.84 million spent by the County Assembly and Kshs.2.37 million by the County Executive. This represented 4.5 per cent of total recurrent expenditure and was an increase of 96.3 per cent compared to Kshs.19.97 million spent in the first quarter of FY 2017/18.

3.6.7 Development Expenditure Analysis

The total development expenditure of Kshs.58.19 million represented 3.0 per cent of the annual development budget of Kshs.1.93 billion. Table 3.2 provides a list of development projects expenditure in the first quarter of the financial year.

Table 3.8: Embu County, List of Development Projects

S/No.	Project Name	Project location	Project Expenditure in First Quarter of FY 2018/19 (Kshs.)
1	Completion Of Tarmacking (Phase 2)– Kavutiri	Kavutiti	3,005,548
2	Construction of Irengi Drift - Muminji	Muminji	3,426,567
3	Construction of Proposed Mianjatiri - Thura Drift	Mianjatiri	2,468,577
4	Upgrading to Bitumen - Kwa Mutoi - Nduuri Road	Mutoi	49,288,317

Source: Embu County Treasury

3.6.8 Budget Performance by County Departments

Table 3.1 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.9: Embu County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	592.7	45	109.6	-	73.1	-	66.7	-	12.3	-
Office of Governor	159.4	-	47.5	-	44	-	92.6	-	27.6	-
County Public Service Board	34.1	-	2.5	-	4.3	-	174.2	-	12.7	-
Finance, Economic Planning	138.5	16	10.6	-	3.4	-	32.3	-	2.5	-
Education, Youth Empowerment & Sports	559.1	185.8	48.7	-	50.3	-	103.3	-	9	-
Health & Sanitation	1,806.9	214.8	230	-	414.4	-	180.2	-	22.9	-
Infrastructure, Public Works, Housing & Energy	67.5	615.1	3.1	-	8.5	58.2	276.8	-	12.6	9.5
Trade, Tourism, Investment & Industrialization.	24	92.5	1.3	-	2.3	-	178.1	-	9.7	-
Agriculture, Livestock, Fisheries & Co-op Devt	326.3	150.7	35.8	-	63.6	-	177.6	-	19.5	-
Water, Environment & Natural Resources	60.9	157.4	4.9	-	13.2	-	272	-	21.7	-
Lands, Physical Planning & Urban Development	58.7	137.1	2.9	-	4.1	-	139.1	-	7	-
Gender, Culture, Children & Social Services	10.9	61.1	2.4	-	1	-	42.1	-	9.3	-
Public Service & Administration	474.4	21.1	369.3	-	175.8	-	47.6	-	37.1	-
Embu Level 5 Hospital	193.9	236.5	5.4	-	5.1	-	95.4	-	2.6	-
Grand Total	3,915	1,888	765	-	790	58	103.4	-	20.2	3.1

Source: Embu County Treasury

Analysis of budget performance by department shows that, the Department of Infrastructure, Public Works, Housing & Energy attained the highest absorption rate of development budget at 9.5 per cent while the rest of the departments did not incur any development expenditure. The Department of Public Service and Administration had the highest percentage of recurrent expenditure to recurrent budget at 37.1 per cent while the Department of Finance, Economic Planning had the lowest at 2.5 per cent.

3.6.9 Key Observations and Recommendations

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

- i. Improvement in the collection of own source revenue by 142.8 per cent from Kshs.53.19 million to

Kshs.129.14 million when compared to a similar period of FY 2017/18.

- ii. Improvement in absorption of development budget to 3 per cent when compared to a similar period FY 2017/18 when the County did not report any expenditure on development activities.

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

1. Failure to constitute the County Budget and Economic Forum (CBEF) contrary to Section 137 of the PFM Act, 2012 for consultation in the budget process.
2. A high wage bill that increased by 32.3 per cent from Kshs.594.31 million in the first quarter of FY 2017/18 to Kshs.785.97 in the period under review.
3. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury which affected implementation of the development budget.
4. Delay in approval of the County Integrated Development Plan (CIDP) for 2018-2022, which may hinder effective budgeting and planning by the County in the FY 2018/19.

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

1. *The County should establish the CBEF for consultation in the budget and economic process in line with Section 137 of the PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staffing structure to ensure a sustainable wage bill.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
4. *The County should ensure the CIDP for 2018-2022 is approved by the County Assembly to enhance smooth budget execution.*

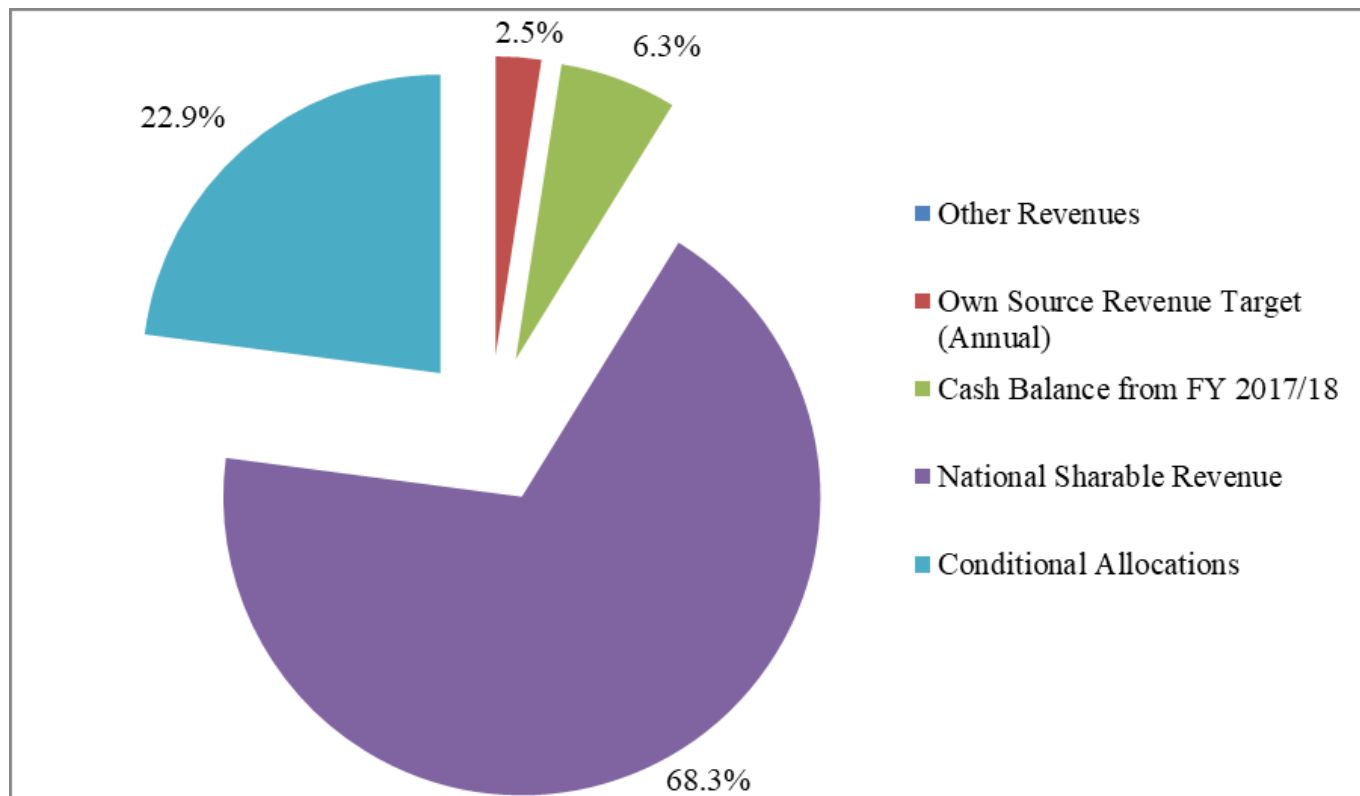
3.7 Garissa County

3.7.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.10.16 billion, comprising of Kshs.5.76 billion (56.7 per cent) and Kshs.4.4 billion (43.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.94 billion (68.3 per cent) as equitable share of revenue raised nationally, Kshs.2.33 billion (22.9 per cent) as total conditional grants, generate Kshs.250 million (2.5 per cent) from own source revenue, and Kshs.644 million (6.3 per cent) cash balance from FY 2017/18.

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



Source: Garissa County Treasury

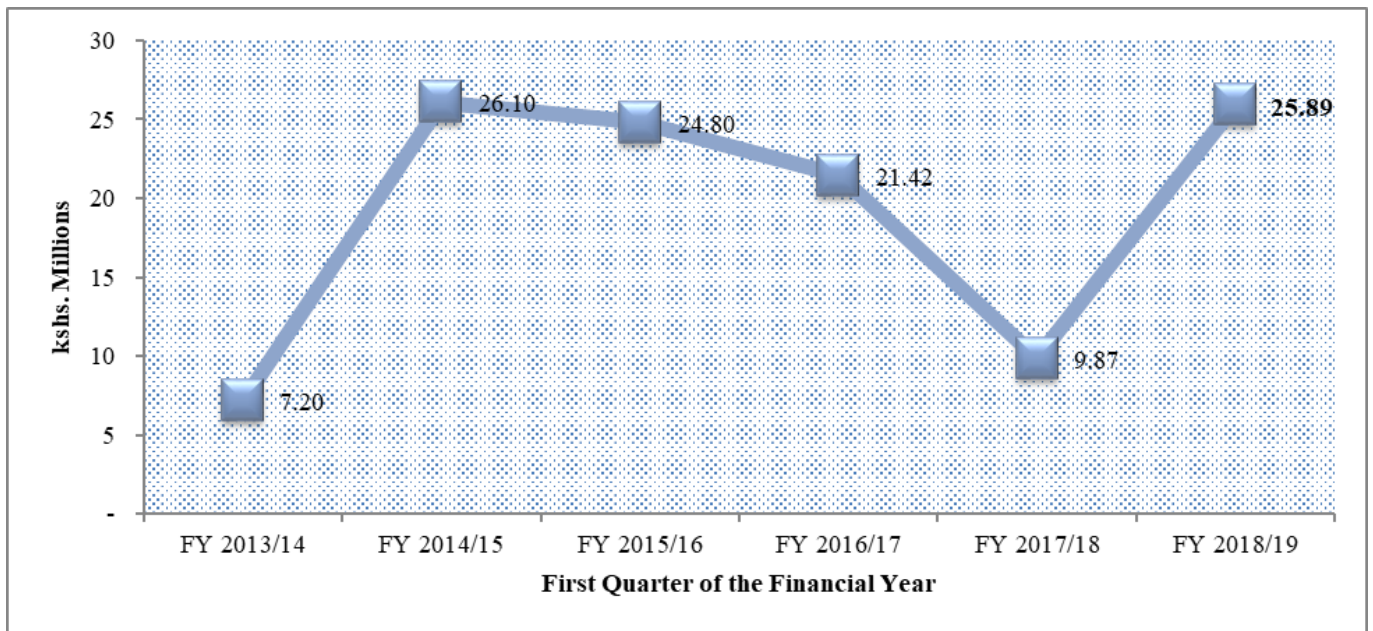
The conditional grants are in line with the CARA,2018 and consisted of Kshs.100 million (4.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.150 million (6.4 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.47.74 million (2 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.233.51 million (10 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.22.33 million (1 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.1billion (42.9 per cent from IDA (World Bank) as credit for Water & Sanitation Development Project (WSDP), Kshs.344.74 million (14.8 per cent) to Level-5 Hospital, Kshs.12.96 million (0.6 per cent) as Compensation for User Fees Foregone, Kshs.200 million (8.6 per cent) for Leasing of Medical Equipment, Kshs.182.71 million (7.8 per cent) from the Road Maintenance Fuel Levy, and Kshs.35.36 million (1.5 per cent) for Grants to Youth Polytechnics and Kshs.22.33 (1 per cent) from DANIDA.

3.7.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.849.96 million as equitable share of revenue raised nationally, raised Kshs.25.89 million from own source revenue, and had a cash balance of Kshs.1.12 billion from FY 2017/18. The total available funds amounted to Kshs.1.51 billion.

Figure 3.26 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.26: Garissa County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Garissa County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.25.89 million, representing an increase of 162.2 per cent compared to Kshs.9.87 million generated in the first quarter of FY 2017/18, which was 10.4 per cent of the annual target.

3.7.3 Conditional Grants

The County did not receive any funds from conditional grants in the reporting period.

3.7.4 Exchequer Issues

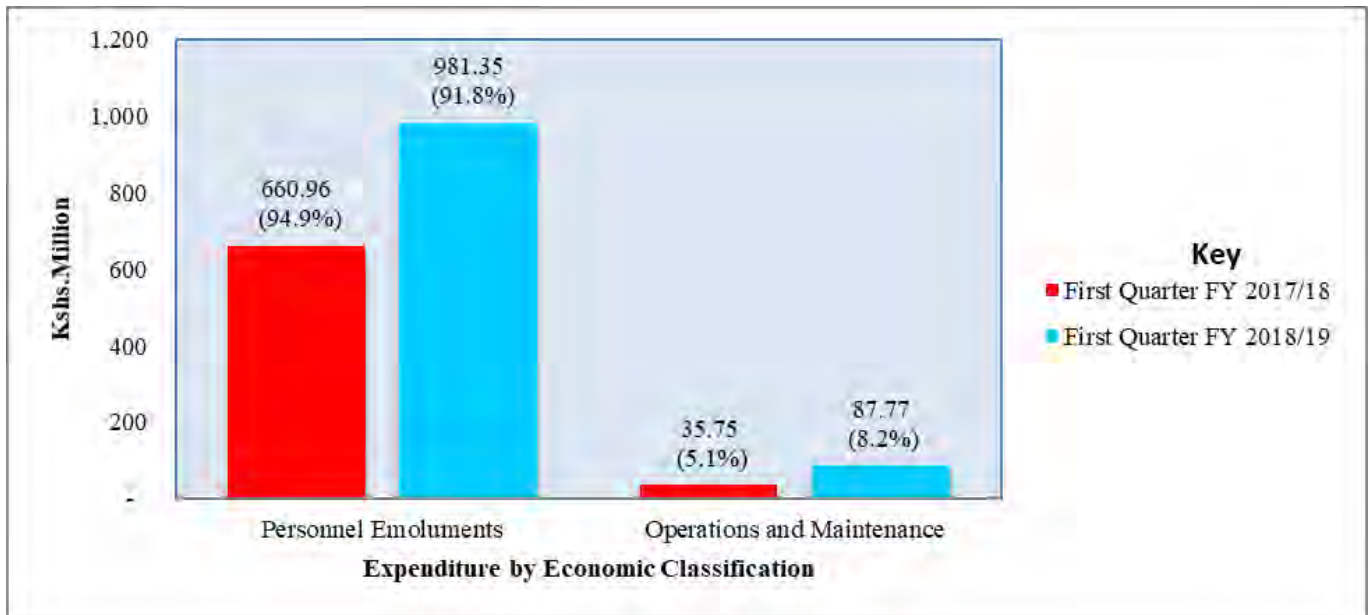
The Controller of Budget approved withdrawal of Kshs.1.08 billion from the CRF account, which was 10.8 per cent of the Approved Budget. This amount represented an increase of 55 per cent from Kshs.696.71 million approved in the first quarter of FY 2018/19 and was entirely for recurrent expenditure.

3.7.5 Overall Expenditure Review

The County spent Kshs.1.06 billion, which was 99.9 per cent of the total funds released for operations. This was an increase of 52.1 per cent from Kshs.696.71 million spent in the first quarter of FY 2017/18. The entire expenditure was incurred on recurrent activities. The expenditure excluded outstanding commitments which amounted to Kshs.250.80 million for development activities and Kshs.234.89 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 18.5 per cent of the annual recurrent budget an increase from 12.9 per cent recorded in the first quarter of FY 2017/18. Figure 3.27 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.27: Garissa County, Expenditure by Economic Classification



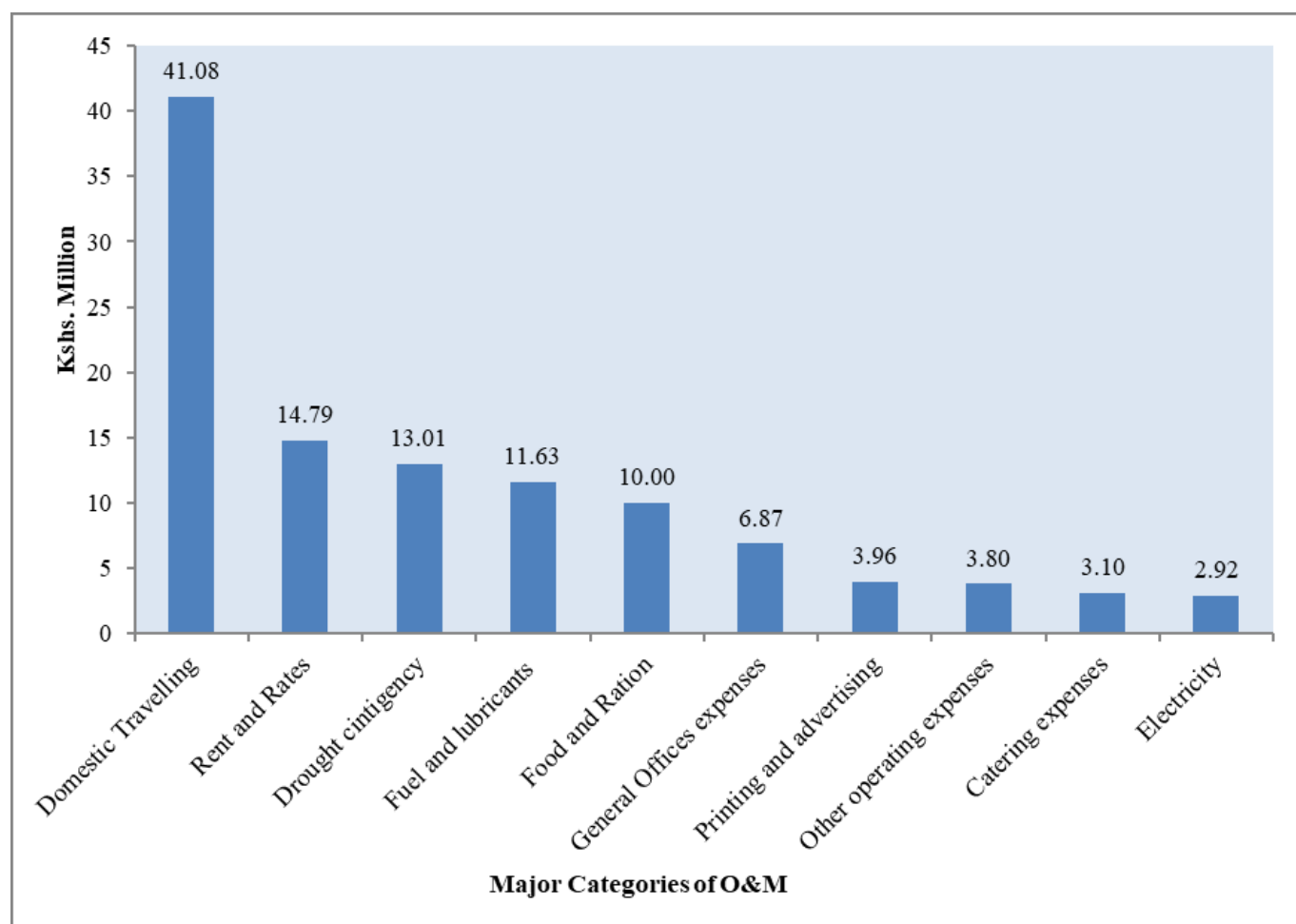
Source: Garissa County Treasury

3.7.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.06 billion comprised of Kshs.981.35 million (91.8 per cent) incurred on personnel emoluments and Kshs.88.77 million (8.2 per cent) on operations and maintenance as shown in Figure 3.28.

Expenditure on personnel emoluments represented an increase of 48.5 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.660.96 million, and was 91.8 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.28 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Garissa County Treasury

The County spent Kshs.17.56 million on committee sitting allowances to the 49 MCAs against the annual budget allocation of Kshs.126.59 million. The average monthly sitting allowance was Kshs.119,440 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.41.07 million and comprised of Kshs.23.38 million spent by the County Assembly and Kshs.17.70 million by the County Executive. This represented 3.9 per cent of total recurrent expenditure and was an increase of 381.5 per cent compared to Kshs.8.53 million spent in the first quarter of FY 2017/18.

3.7.7 Development Expenditure Analysis

The County did not spend any fund on development activities in the period under review.

3.7.8 Budget Performance by County Departments

Table 3.10 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.10: Garissa County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Cooperatives	210.27	370.00	79.00	-	79.00	-	100	-	37.6	-
Environment Energy & Natural Resources	52.50	30.00	2.36	-	2.36	-	100	-	4.5	-
Roads and Transport	83.36	282.71	5.98	-	5.98	-	100.	-	7.2	-
Trade, Enterprises Development & Tourism	88.94	170.00	14.70	-	14.70	-	100	-	16.5	-
Health and Sanitation	2,161.47	520.00	481.57	-	481.07	-	99.9	-	22.3	-
Education and Labour	653.15	75.36	78.59	-	78.38	-	99.7	-	12	-
County Assembly	711.00	70.00	139.25	-	132.96	-	98.4	-	19.3	-
Executive Services	276.34	180.00	46.00	-	45.10	-	98.0	-	16.3	-
Finance and Economic	979.72	300.00	69.76	-	69.76	-	100	-	7.1	-
Gender and Social services	76.59	281.00	104.26	-	103.36	-	99.1	-	13.5	-
Water and Irrigation Services	171.61	1,680.00	17.10	-	16.10	-	94.2	-	9.4	-
Land, Housing and Urban Development	244.19	443.51	34.15	-	34.15	-	100	-	14	-
County Public Service Board	51.04	-	2.70	-	2.20	-	81.5	-	4.3	-
TOTAL	5,760.18	4,402.58	1,075.42	-	1,069.12	-	99.9	-	18.5	-

Source: Garissa County Treasury

Analysis of budget performance by department shows that The Department of Agriculture, Livestock & Co-operatives had the highest percentage of recurrent expenditure to recurrent budget at 37.6 per cent while the County Public Service Board had the lowest at 4.3 per cent.

3.7.9 Key Observations and Recommendations

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

- Improvement in generation of own source revenue by 162.2 per cent when compared to a similar period of FY 2017/18
- Timely submission of financial reports by the County Treasury to the Controller of Budget in line with Section 166 of the PFM Act, 2012.

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

- Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
- High personal emolument costs which accounted 91.8 per cent of total expenditure during the reporting period, which may constrain implementation of development projects.
- IFMIS connectivity challenges and delay in issue of IFMIS rights by the IFMIS Directorate affected implementation of the budget.

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

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

3. The County Treasury should liaise with the IFMIS directorate to address the IFMIS connectivity challenge..

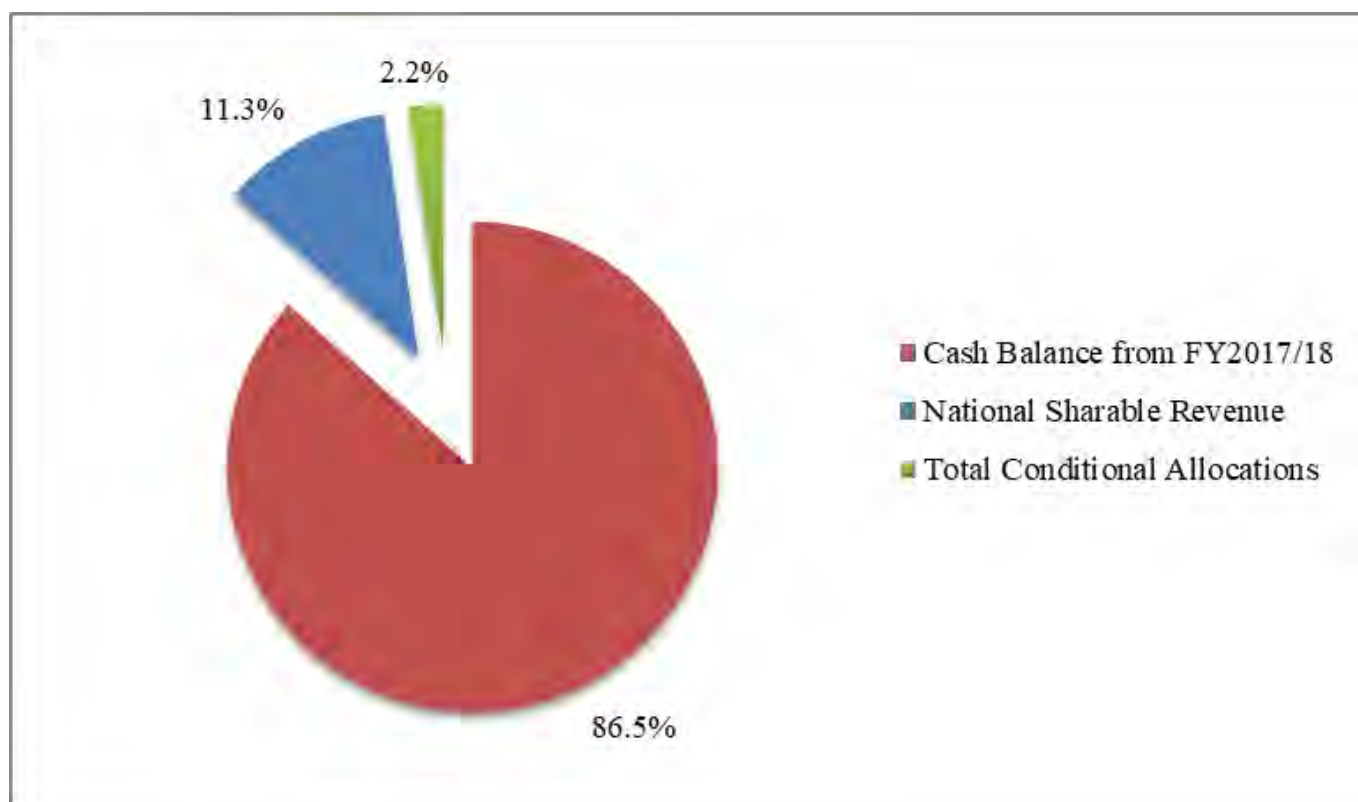
3.8 Homa Bay County

3.8.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.7.73 billion, comprising of Kshs.4.97 billion (64.4 per cent) and Kshs.2.76 billion (35.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.69 billion (86.5 per cent) as equitable share of revenue raised nationally, Kshs.870.89 million (11.3 per cent) as total conditional grants and generate Kshs.173 million (2.2 per cent) from own source revenue. The County did not budget for cash balance from FY 2017/18 which amounted to Kshs.591.07 million.

Figure3.29: Homa Bay County Expected Sources of Budget Financing in FY 2018/19



Source: Homa Bay County Treasury

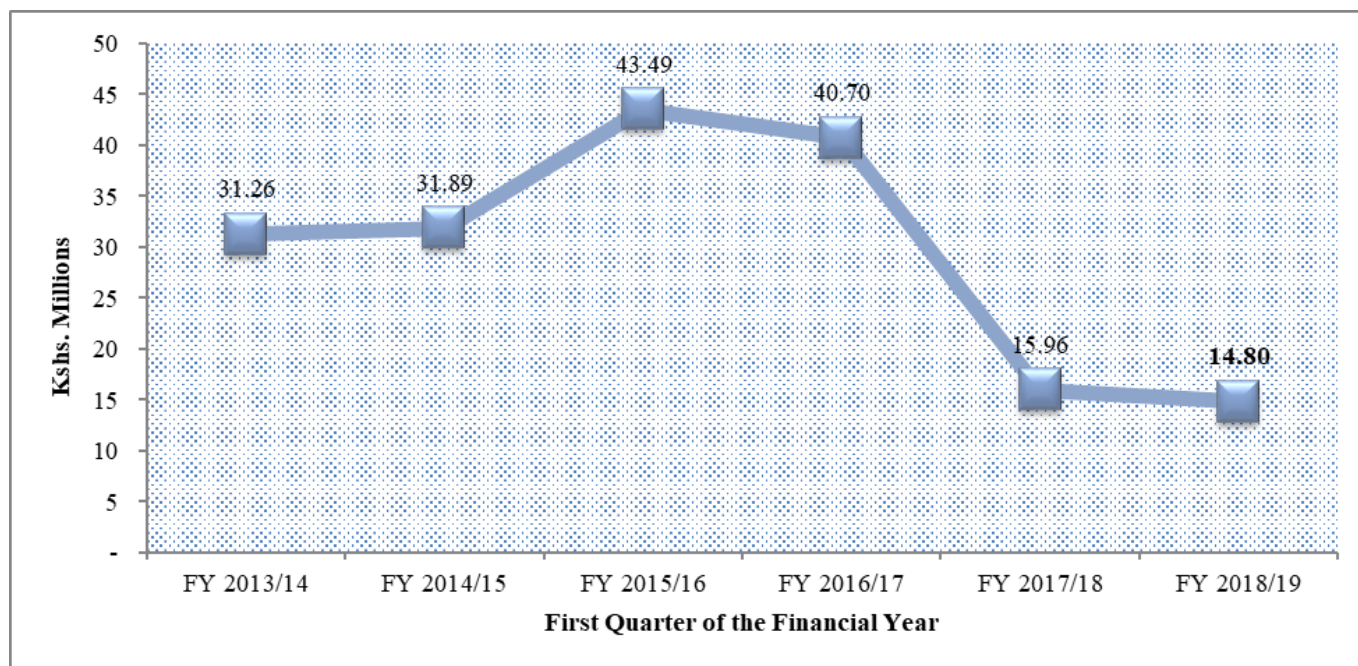
The conditional grants are in line with the CARA,2018 and consisted of Kshs.200 million (23 per cent) for Leasing of Medical Equipment, Kshs.176.09 million (20.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.140.44 million (16.1 per cent) as World Bank loan for National Agriculture and Rural Inclusive Growth Project ,Kshs.119.36 million (13.8 per cent) as Kenya Urban Support Project, Kshs.85.82 million (9.9 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.49.5 million (5.7 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.46.68 million (5.4 per cent) for Rehabilitation of Village Polytechnics, Kshs.30.82 million (3.5 per cent) from DANIDA and Kshs.22.18 million (2.5 per cent) as Compensation for User Fee Foregone.

3.8.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.334.41 million as equitable share of revenue raised nationally, raised Kshs.14.80 million from own source revenue, and had a cash balance of Kshs.591.07 million from FY 2017/18. The total available funds amounted to Kshs.940.28 million.

Figure 3.30 shows the quarterly trend in own source revenue collection for the first quarter from FY 2013/14 to the FY 2018/19.

Figure 3.30: Homa Bay County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Homa Bay County Treasury

The total own source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.14.80 million, representing a decline of 7.3 per cent compared to Kshs.15.96 million generated in FY 2017/18, and represented 8.6 per cent of the annual own source revenue target.

3.8.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19

3.8.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.883 million from the CRF account, which was 11.4 per cent of the Approved Budget. This amount represented a decrease of 1.6 per cent from Kshs.897.5 million approved in FY 2017/18. The entire amount was for recurrent expenditure.

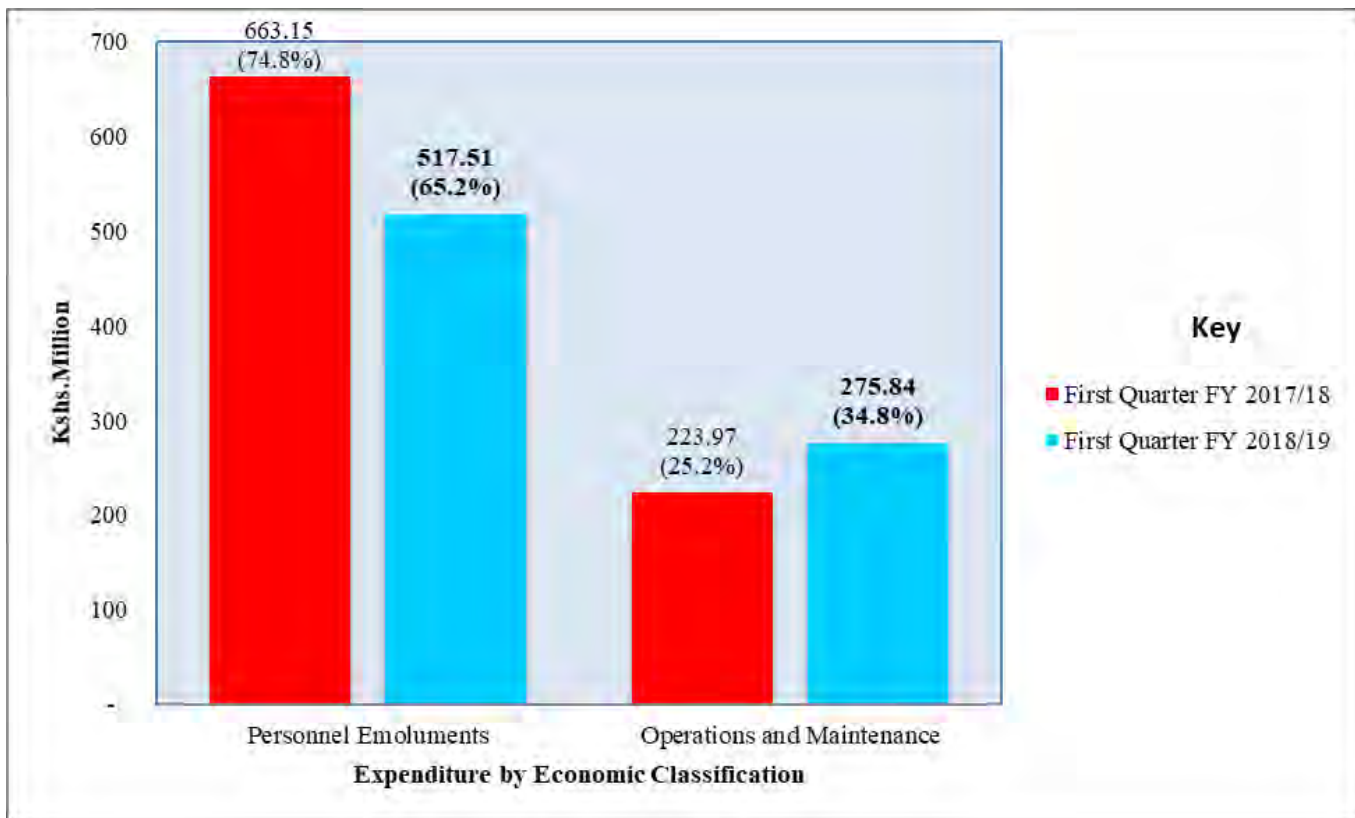
3.8.5 Overall Expenditure Review

The County spent Kshs.793.36 million, which was 89.8 per cent of the total funds released for operations. This was a decline of 10.6 per cent from Kshs.887.11 million spent in FY 2017/18. The expenditure excluded outstanding commitments which amounted to Kshs.666.21 million for development activities and Kshs.61.75 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 15.9 per cent of the annual recurrent budget, a decrease from 17.8 per cent recorded in the first quarter of FY 2017/18. There was no development expenditure during the first quarter of FY 2018/19.

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

Figure 3.31: Homa Bay County, Expenditure by Economic Classification in FY 2017/18 and the FY 2018/19



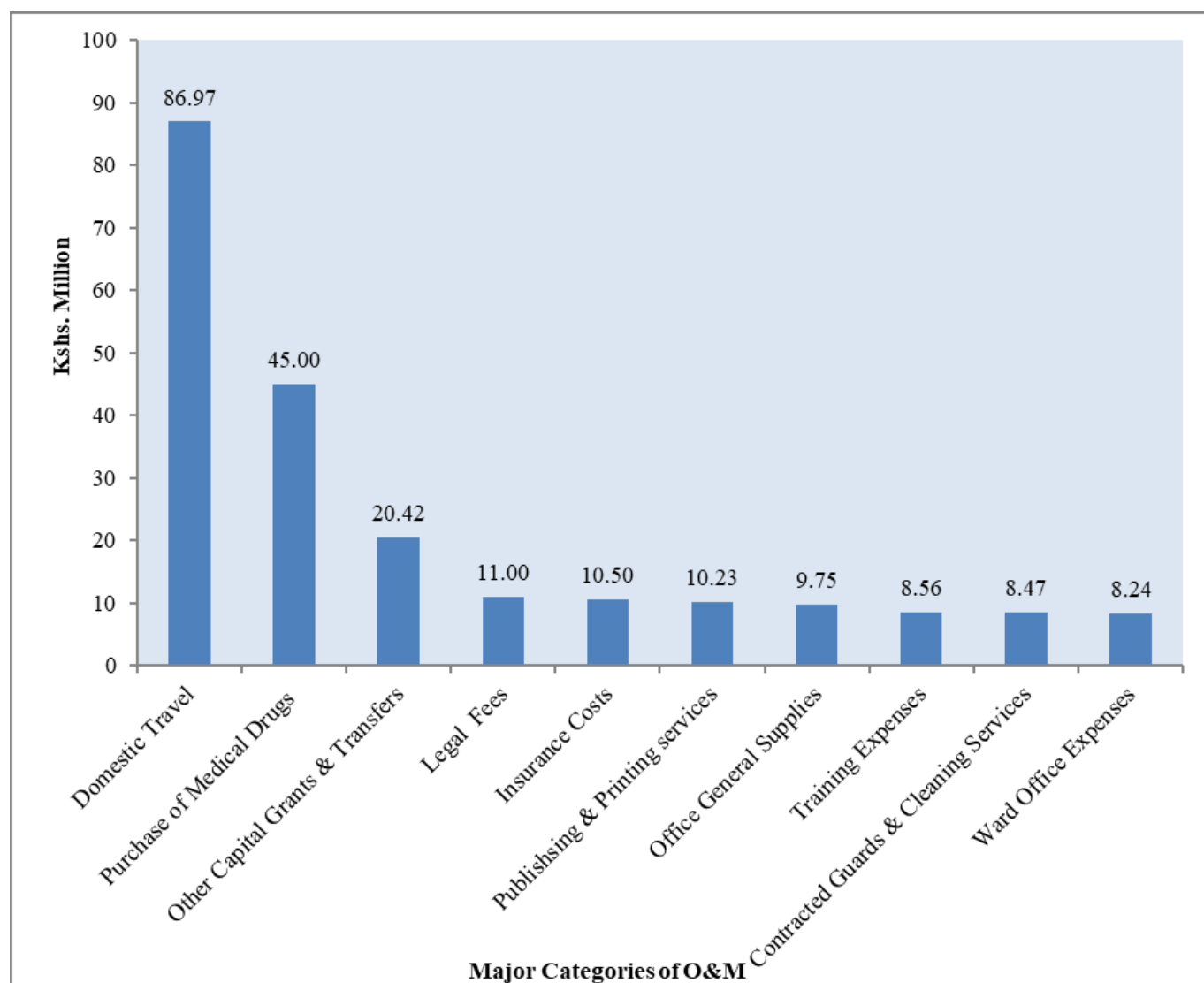
Source: Homa bay County Treasury

3.8.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.793.36 million comprised of Kshs.517.51 million (65.2 per cent) incurred on personnel emoluments and Kshs.275.84 million (34.8 per cent) on operations and maintenance as shown in Figure 3.31.

Expenditure on personnel emoluments represented a decrease of 22 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.663.14 million, and was 65.2 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.32 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Homa Bay County Treasury

The County spent Kshs.10.15 million on committee sitting allowances to the 61 MCAs against the annual budget allocation of Kshs.98.34 million. This was an increase of 640.9 per cent compared to Kshs.1.37 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.55,467 per MCA against the SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.86.97 million and comprised of Kshs.11.63 million spent by the County Assembly and Kshs.75.34 million by the County Executive. This represented 11 per cent of total recurrent expenditure and was an increase of 61.4 per cent compared to Kshs.53.87 million spent in the first quarter of FY 2017/18.

3.8.7 Budget Performance by County Departments

Table 3.11 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.11: Homa Bay County, Budget Performance by Departments

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries and Food Security	193.18	202.54	39.4	-	58.03	-	147.3	-	30.0	-
Tourism, Sports, Youth Gender, Culture and Social Services	69.50	106.71	19	-	18.36	-	96.6	-	26.4	-
Roads, Transport and Public Works	72.74	501.80	31	-	21.34	-	68.9	-	29.3	-
Energy and Mining	34.74	75.46	13.70	-	14.81	-	108.1	-	42.6	-
Education and ICT	534.2	119.60	112.00	-	38.27	-	34.2	-	7.2	-
Health Services	2,073.69	440.39	359.20	-	253.79	-	70.7	-	12.2	-
Lands, Housing, Urban Development and Physical Planning	68.12	204.86	18.30	-	9.53	-	52.1	-	14.0	-
Trade, Industrialization, Cooperatives and Enterprise Development	192.18	150.41	44.50	-	49.39	-	111.0	-	25.7	-
Water, Environment and Natural Resources	152.77	311.99	52.90	-	39.08	-	73.9	-	25.6	-
Finance, Economic Planning and Service Delivery	111.15	503.12	27.90	-	28.08	-	100.6	-	25.3	-
Office of the Governor	533.92	78.00	83.00	-	175.17	-	211.0	-	32.8	-
County Public Service Board	33.43	1.00	4.10	-	9.70	-	236.6	-	29.0	-
County Assembly	907.26	59.32	78.00	-	77.80	-	99.7	-	8.6	-
TOTAL	4,976.89	2,755.20	883.00	-	793.36	-	89.8	-	15.9	-

Source: Homa Bay County Treasury

Analysis of budget performance by department shows that, the Department of Energy and Mining had the highest percentage of recurrent expenditure to recurrent budget at 42.6 per cent followed by the Office of the Governor at 32.8 per cent while the Department of Education and Information Communication Technology (ICT) had the lowest at 7.2 per cent.

3.8.8 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. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- ii. Containment of MCA sitting allowances within the ceilings recommended by the Salaries and Remuneration Commission.

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

1. Failure by the County to budget for unspent cash balance from FY 2017/18 amounting to Kshs.591.07

million which affected payment of pending bills from the previous financial year.

2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
3. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
4. Under-performance in own source revenue collection, which declined by 7.3 per cent from Kshs.15.96 million in the first quarter of FY 2017/18 to Kshs.14.80 million in the first quarter of FY 2017/18.

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

1. *The County should budget for the unspent cash balance from FY 2017/18 in the supplementary budget.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
3. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
4. *The County Treasury should formulate and implement strategies to enhance own source revenue collection.*

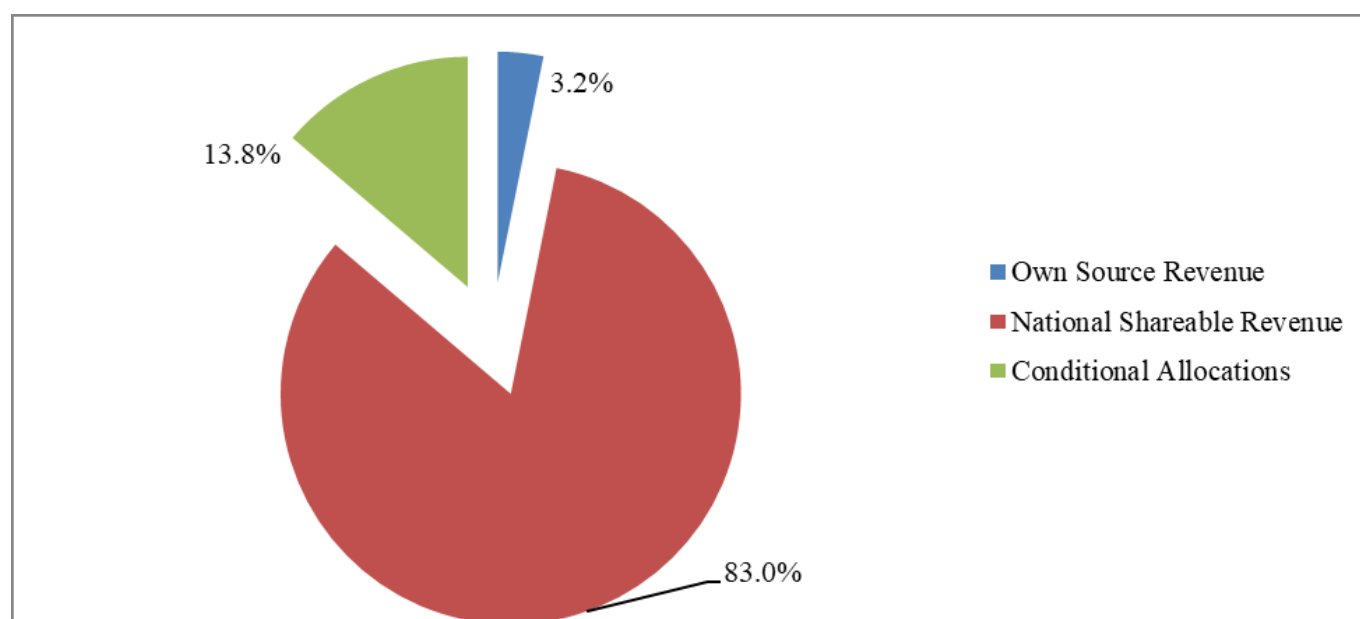
3.9 Isiolo County

3.9.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.4.73 billion, comprising of Kshs.2.85 billion (60.4 per cent) and Kshs.1.87 billion (39.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.93 billion (83 per cent) as equitable share of revenue raised nationally, Kshs.651.77 million (13.8 per cent) as total conditional grants, generate Kshs.150.86 million (3.2 per cent) from own source revenue.

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



Source: Isiolo County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.66.23 million (10.2 per cent) for Transforming Health Systems for Universal Care Project, Kshs.150 million (23 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.38.67 million (5.9 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.135.17 million (20.7 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.12.66 million (1.9 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.121 million (18.6 per cent) as Supplement for Construction of County Headquarters, Kshs.3.47 million (0.5 per cent) as Compensation for User Fees Foregone, Kshs.103.34 million (15.9 per cent) from the Road Maintenance Fuel Levy, and Kshs.21.24 million (3.3 per cent) for Rehabilitation of Village Polytechnics.

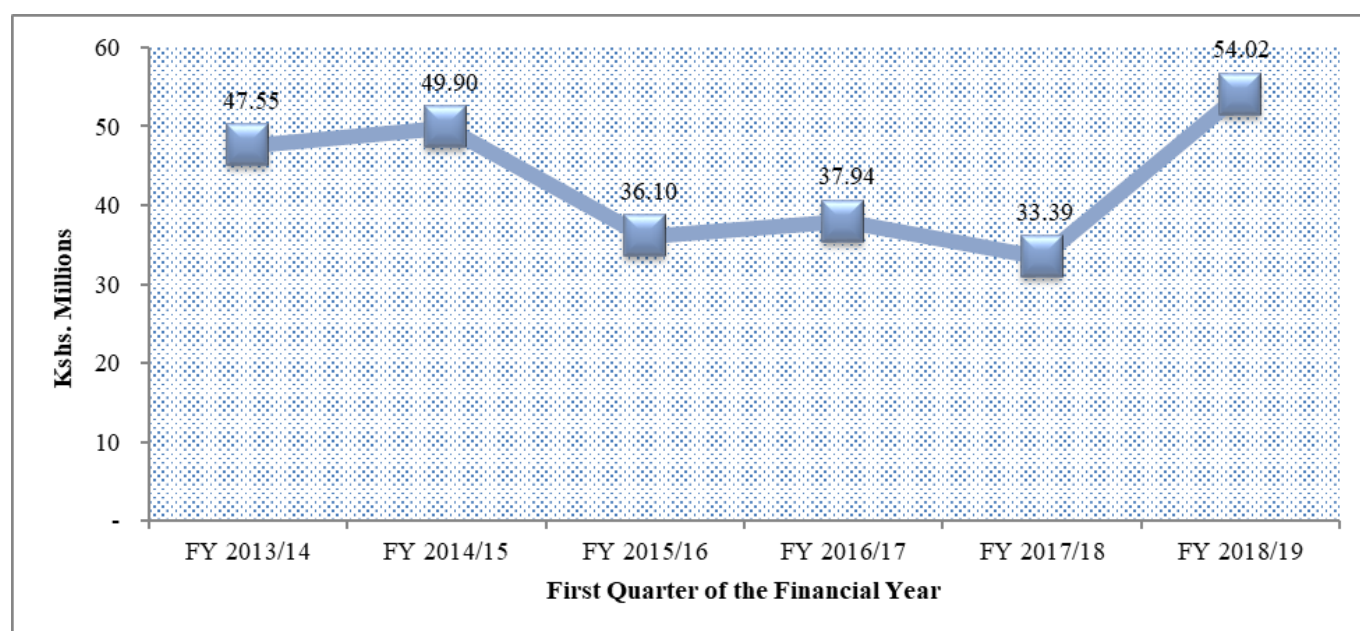
The County also budgeted to receive Kshs.41 million as grant for Kenya Urban Support Programme Recurrent Expenditure, which is not contained in the CARA, 2018.

3.9.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.471 million as equitable share of revenue raised nationally, raised Kshs.54.02 million from own source revenue, and had a cash balance of Kshs.417.7 million from FY 2017/18. The total available funds amounted to Kshs.942.72 million.

Figure 3.34 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.34: Isiolo County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Isiolo County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.54.02 million, representing an increase of 61.8 per cent compared to Kshs.33.39 million generated in the first quarter of FY 2017/18, which was 35.8 per cent of the annual target.

3.9.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY2018/2019.

3.9.4 Exchequer Issues

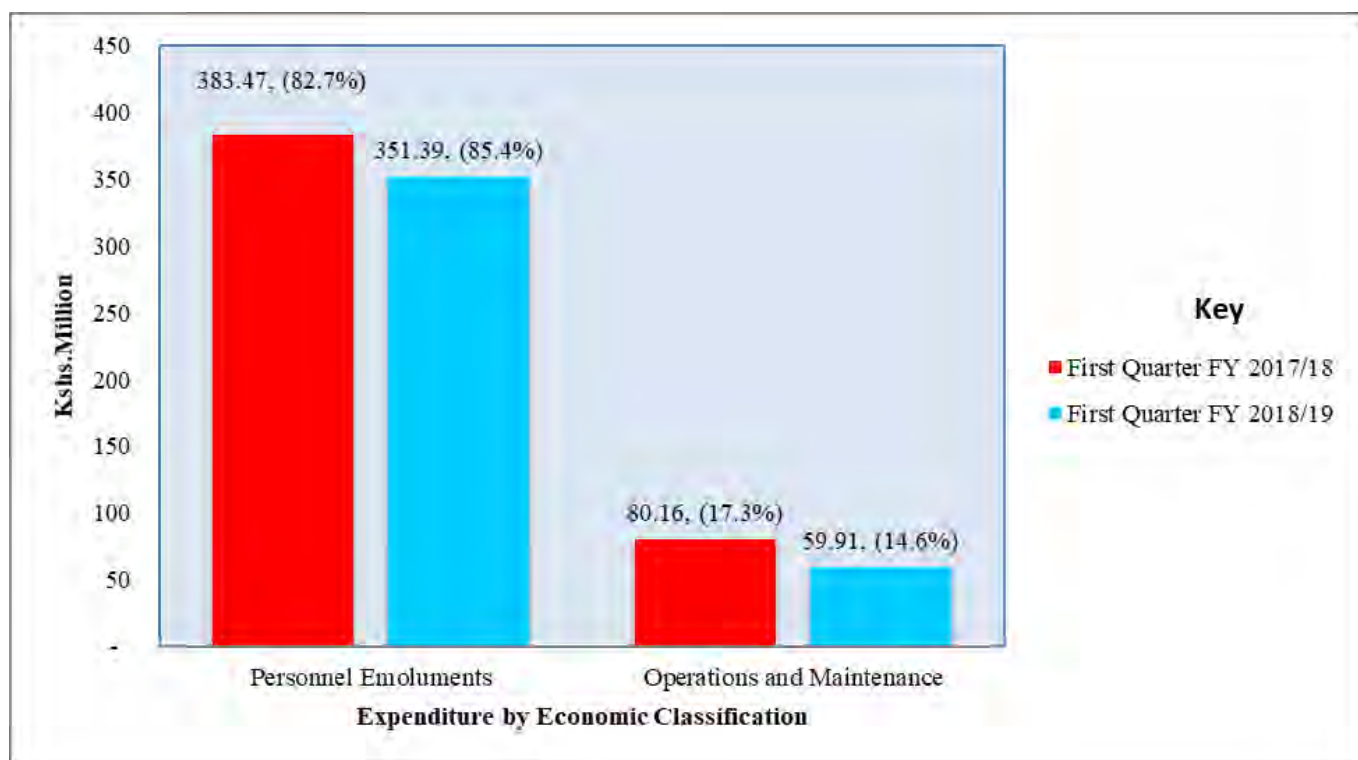
The Controller of Budget approved withdrawal of Kshs.459 million from the CRF account, which was 9.7 per cent of the Approved Budget. This amount represented a decrease of 5.7 per cent from Kshs.487 million approved in the first quarter of FY 2017/18. The entire amount was for recurrent expenditure.

3.9.5 Overall Expenditure Review

The County spent Kshs.411.31 million, which was 89.6 per cent of the total funds released for operations. This was a decline of 11.3 per cent from Kshs.463.64 million spent in the first quarter of FY 2017/18. The entire expenditure was on recurrent activities.

The recurrent expenditure represented 14.4 per cent of the annual recurrent budget, a decrease from 16.8 per cent recorded in the first quarter of FY 2017/18. Figure 3.35 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.35: Isiolo County, Expenditure by Economic Classification



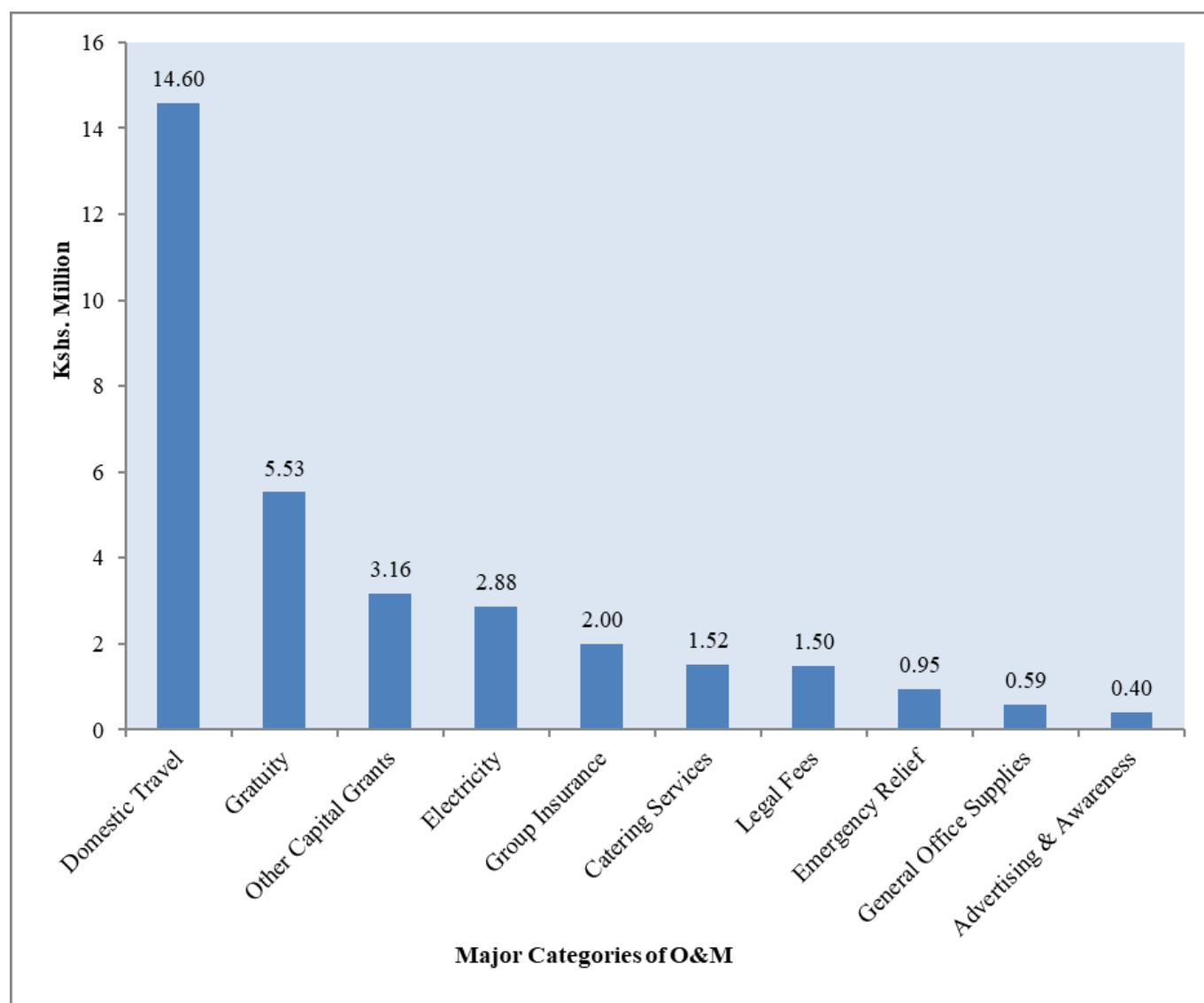
Source: Isiolo County Treasury

3.9.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.411.31 million comprised of Kshs.351.39 million (85.4 per cent) incurred on personnel emoluments and Kshs.59.91 million (14.6 per cent) on operations and maintenance as shown in Figure 3.35.

Expenditure on personnel emoluments represented a decrease of 8.4 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.383.47 million, and was 85.4 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.36 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Isiolo County Treasury

The County spent Kshs.1.21 million on committee sitting allowances to the 18 MCAs against the annual budget allocation of Kshs.23.94 million. This was an increase of 28.4 per cent compared to Kshs.942,180 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.22,407 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.14.6 million and comprised of Kshs.192,572 spent by the County Assembly and Kshs.14.4 million by the County Executive. This represented 3.5 per cent of total recurrent expenditure and was a decline of 46.8 per cent compared to Kshs.27.44 million spent in the first quarter of FY 2017/18.

3.9.7 Development Expenditure Analysis

There was no development expenditure during the reporting period.

3.9.8 Budget Performance by County Departments

Table 3.12 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.12: Isiolo County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	415.28	75	40	-	39.64	-	99.1	-	9.5	-
Office of the Governor	271.24	60.56	38	-	27.49	-	72.4	-	10.1	-
County Public Service Board	69.28	-	9.10	-	10.81	-	118.8	-	15.6	-
County Secretary	19.99	-	2.09	-	1.84	-	88.1	-	9.2	-
Administration and PSM	35.92	13	6.33	-	7.56	-	119.5	-	21.1	-
Delivery Unit	8.02	-	0.68	-	-	-	-	-	-	-
Office of the Deputy Governor	24.00	-	-	-	0.26	-	-	-	1.1	-
Cohesion, Intergovernmental Relations, Aid coordination, Disaster Management	38.06	-	4.53	-	1.41	-	31	-	3.7	-
Finance and Economic Planning	276.07	296.54	35.65	-	26.63	-	74.7	-	9.6	-
Special Programmes and ICT	160.06	56.95	1.30	-	0.95	-	73.3	-	0.6	-
Lands and Physical Planning	22.69	41.00	2.52	-	2.76	-	109.5	-	12.2	-
Roads and Infrastructure	9.57	168.18	0.64	-	1.01	-	158.9	-	10.6	-
Public Works and Housing	18.35	-	3.33	-	3.83	-	115.1	-	20.9	-
Municipal Administration	53.07	257.97	2.03	-	0.72	-	35.2	-	1.3	-
Agriculture	49.21	23.11	9.26	-	9.87	-	106.7	-	20.1	-
Livestock, Veterinary and Fisheries	95.11	236.89	21.32	-	19.17	-	89.9	-	20.2	-
Education and Vocational Training	188.43	45.00	34.46	-	33.14	-	96.2	-	17.6	-
Youth and Sports	10.18	188.00	1.36	-	0.91	-	66.5	-	8.9	-
Culture and Social Services	10.57	15.00	1.51	-	0.12	-	7.7	-	1.1	-
Tourism and Wildlife Management	115.87	28.00	25.74	-	16.60	-	64.5	-	14.3	-
Trade, Industries, Cooperatives	22.40	14.00	2.53	-	1.79	-	70.9	-	8.0	-
Water and Irrigation	56.80	119.00	19.10	-	7.85	-	41.1	-	13.8	-
Environment and Natural Resources	36.76	25.00	6.45	-	3.61	-	56.0	-	9.8	-
Health Services	847.27	210.23	191.08	-	193.33	-	101.2	-	22.8	-
Total	2,854.21	1,873.42	459.00	-	411.31	-	89.6	-	14.4	-

Source: Isiolo County Treasury

Analysis of budget performance by department shows that, the Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 22.8 per cent while the Governor's Delivery Unit did not spend during the reporting period.

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. Timely preparation and approval of the County's planning documents such as the Annual Development Plan (ADP), County Fiscal Strategy Paper (CFSP) and Budget Estimates for FY 2018/19

- ii. Improvement in own source revenue collection by 61.8 per cent when compared to a similar period of FY 2017/18.

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

1. Failure to budget for unspent cash balance from the previous financial year, which amounted to Kshs.417.70 million.
2. Failure by Fund Administrators to submit expenditure reports of the County Assembly Members Car Loan Fund, and the County Bursary Funds contrary to Section 168 of the PFM Act, 2012.
3. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of Budget Implementation Review Report.
4. Failure to establish an Internal Audit Committee to oversee financial operations contrary to Section 155 of PFM Act 2012.
5. The County has not constituted the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012 for consultation in the budget making process.

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

1. *The county treasury should capture the unspent cash balances from the previous financial year in the budget through a Supplementary budget.*
2. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
4. *The County should establish the CBEF in line with Section 137 of the PFM Act, 2012.*
5. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

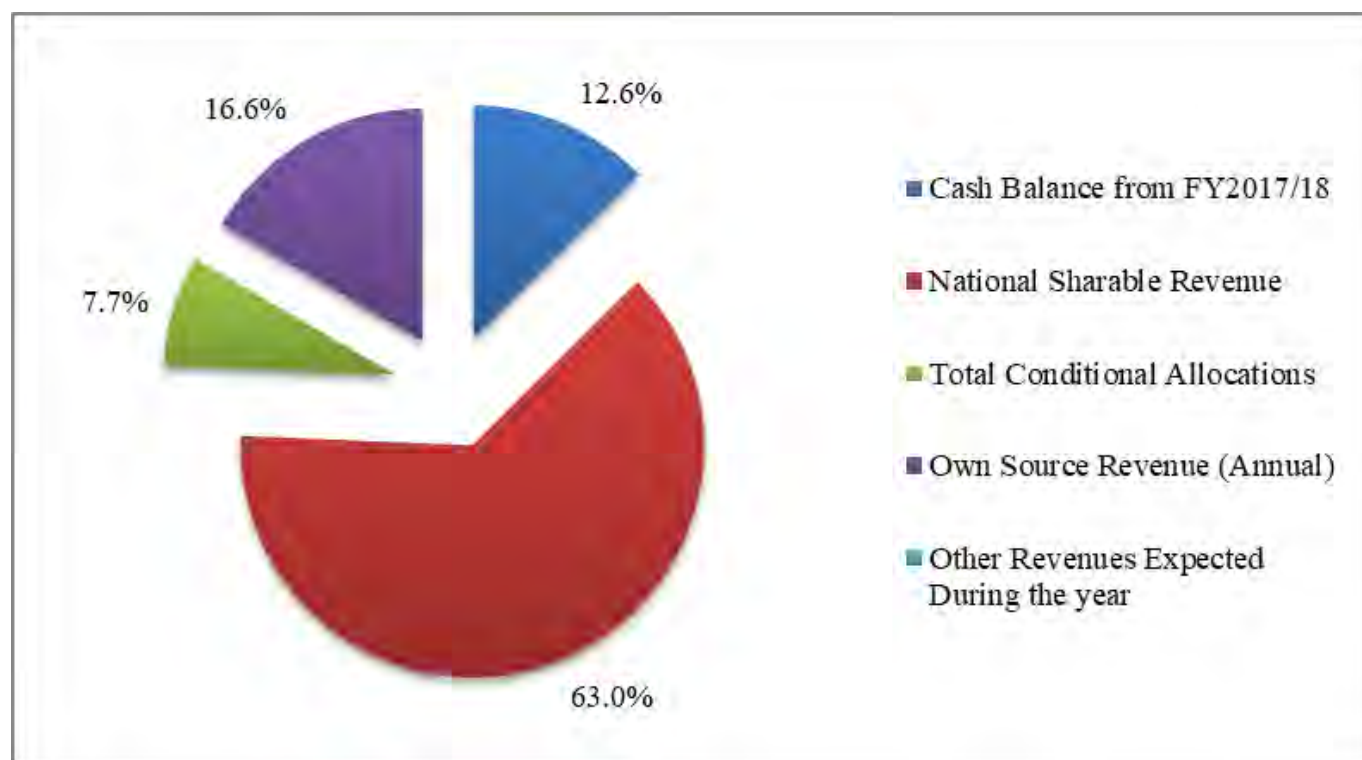
3.10 Kajiado County

3.10.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.9.51 billion, comprising of Kshs.5.44 billion (57.2 per cent) and Kshs.4.07 billion (42.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6 billion (63 per cent) as equitable share of revenue raised nationally, Kshs.732.78 million (7.7 per cent) as total conditional grants, generate Kshs.1.58 billion (16.6 per cent) from own source revenue, and Kshs.1.20 billion (12.6 per cent) cash balance from FY 2017/18.

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



Source: Kajiado County Treasury

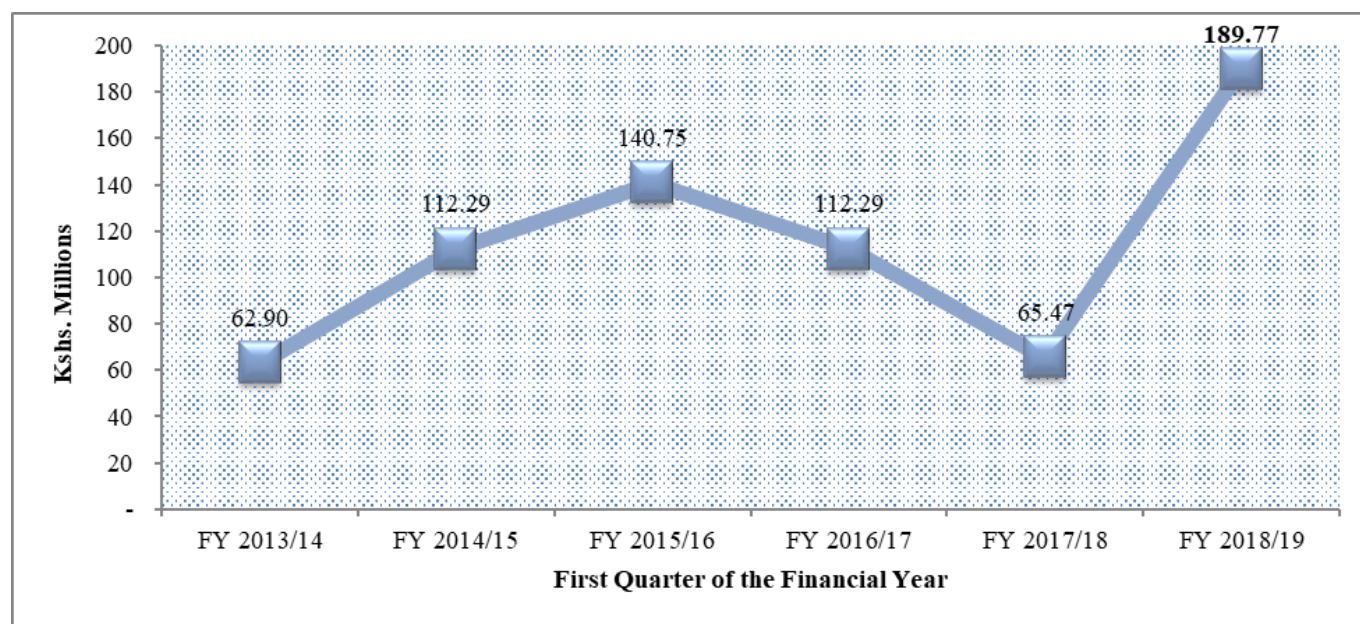
The conditional grants are in line with the CARA,2018 and consisted of Kshs.62.48 million (8.5 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (16 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.45.86 million (6.3 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.265.95 million (36.3 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.19.34 million (3.6 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.16.96 million (2.3 per cent) as Compensation for User Fees Foregone, Kshs.157.91 million (21.5 per cent) from the Road Maintenance Fuel Levy, and Kshs.40.35 million (5.5 per cent) for Rehabilitation of Village Polytechnics.

3.10.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.299.87 million as equitable share of revenue raised nationally, raised the County raised Kshs.189.77 million from own source revenue, and had a cash balance of Kshs.1.20 billion from FY 2017/18. The total available funds amounted to Kshs.1.69 billion.

Figure 3.38 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.38: Kajiado County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Kajiado County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.189.77 million, representing an increase of 73.9 per cent compared to Kshs.65.47 million generated in the first quarter of FY 2017/18, which was 12 per cent of the annual target.

3.10.3 Conditional Grants

The County did not receive any funds from conditional grants during the reporting period.

3.10.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.810.78 million from the CRF account, which was 8.5 per cent of the Approved Budget. This amount represented an increase of 95.7 per cent from Kshs.414.23 million approved in the first quarter of FY 2018/19. The entire amount was for recurrent activities only.

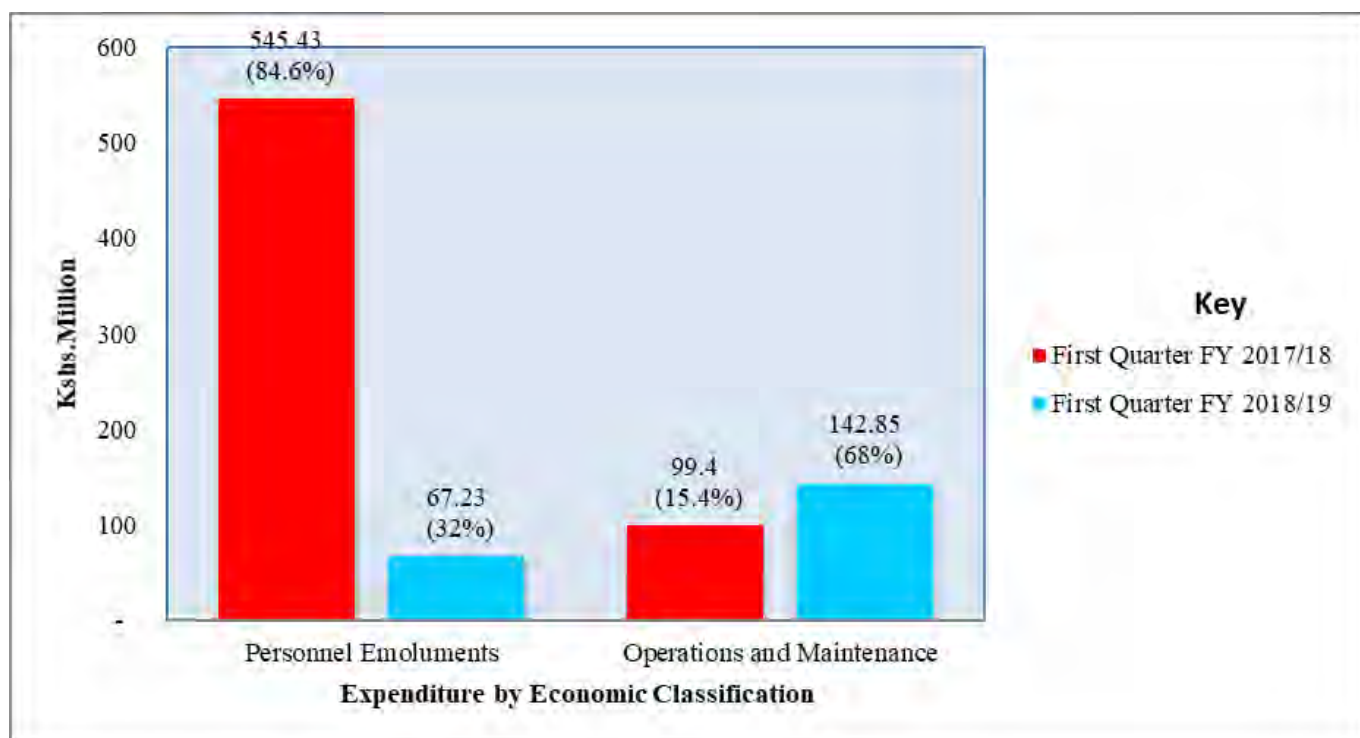
3.10.5 Overall Expenditure Review

The County spent Kshs.210.08 million, which was 25.9 per cent of the total funds released for operations. This was a decline of 67.4 per cent from Kshs.644.82 million spent in the first quarter of FY 2017/18.

The total of Kshs.210.08 million was spent on recurrent activities and represented 25.9 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments which amounted to Kshs.400.19 million for development activities and Kshs.385.72 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 3.9 per cent of the annual recurrent budget, a decrease from 14.8 per cent recorded in the first quarter of FY 2017/18. Figure 3.39 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.39: Kajiado County, Expenditure by Economic Classification



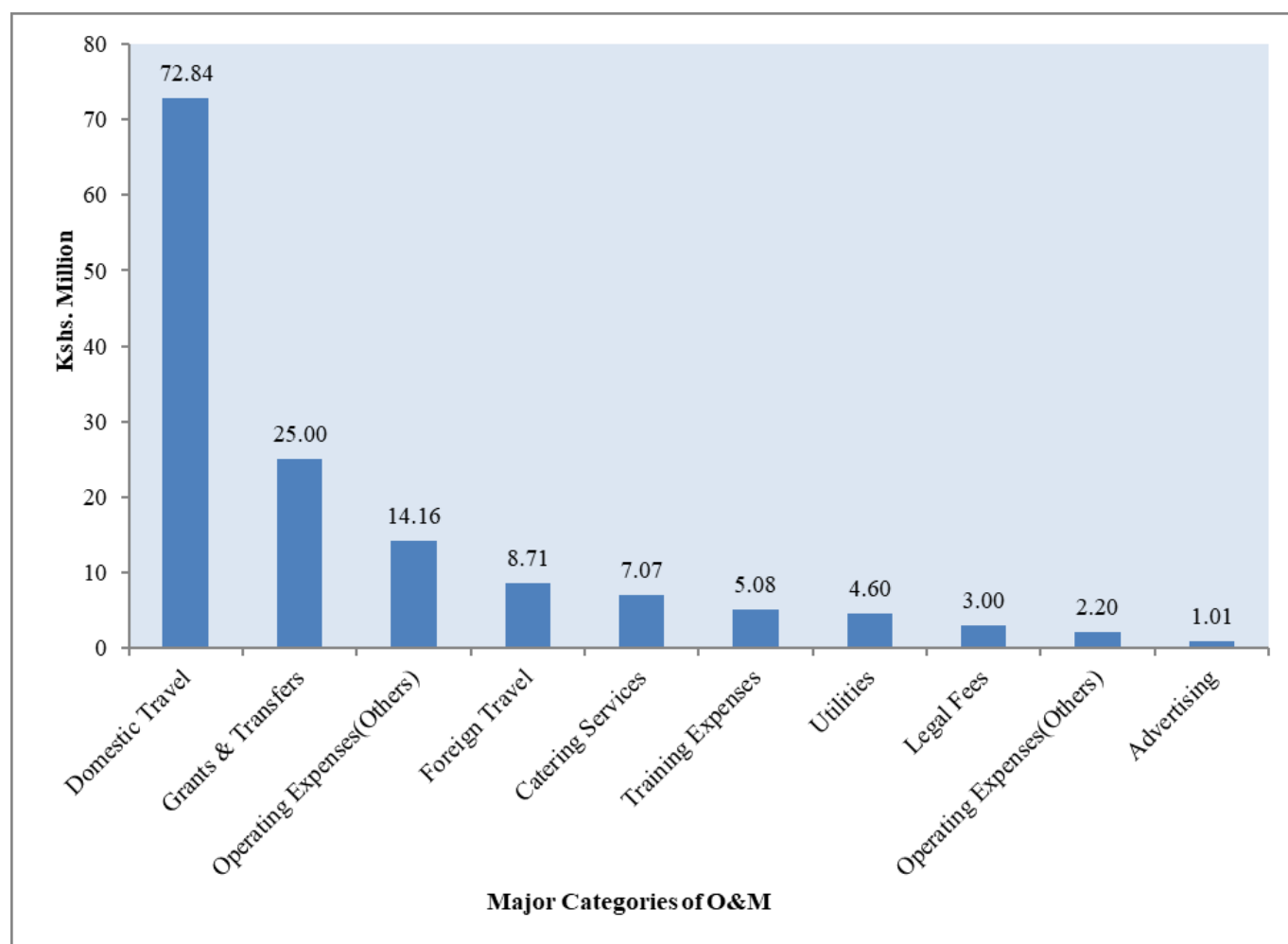
Source: Kajiado County Treasury

3.10.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.210.08 million comprised of Kshs.67.23 million (32 per cent) incurred on personnel emoluments and Kshs.142.85 million (68 per cent) on operations and maintenance as shown in figure 3.39.

Expenditure on personnel emoluments represented a decrease of 87.7 per cent compared to the first quarter of FY 2017/18 when the county spent Kshs.545.43 million, which was 32 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.40 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Kajiado County Treasury

The County spent Kshs.885,000 on committee sitting allowances to the 42 MCAs against the annual budget allocation of Kshs.34.50 million. The average monthly sitting allowance was Kshs.7,024 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.72.84 million and comprised of Kshs.35.3 million spent by the County Assembly and Kshs.37.54 million by the County Executive. This represented 34.7 per cent of total recurrent expenditure and was an increase of 164.2 per cent compared to Kshs.30.87 million spent in the first quarter of FY 2017/18.

3.10.7 Development Expenditure Analysis

The county did not incur any expenditure on development activities during the reporting period.

3.10.8 Budget Performance by County Departments

Table 3.13 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.13: Kajiado County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	303.6	-	43.7	-	10.73	-	24.6	-	3.5	-
County Public Service Board	98.9	-	16.1	-	2.88	-	17.9	-	2.9	-
Education & Vocational Training	453.6	291.8	84.0	-	1.20	-	1.4	-	0.3	-
Medical Services, Public Health & Sanitation	1,986.4	386.5	364.6	-	5.11	-	1.4	-	0.3	-
Youth, Sports, Gender & Social Services	146.0	31.5	13.3	-	27.11	-	203.4	-	18.6	-
Agriculture, Livestock, Fisheries & Cooperative Development	340.5	266	67.4	-	2.23	-	3.3	-	0.7	-
Water, Irrigation, Environment & Natural Resources	198.3	371	41.3	-	4.57	-	11.1	-	2.3	-
Roads, Transport, Public Works, Housing & Energy	144.2	831.9	33.3	-	4.67	-	14.0	-	3.2	-
Public Service, Administration & Citizen Participation	438.9	30	54.6	-	4.85	-	8.9	-	1.1	-
County Treasury	551.7	1,259.4	52.4	-	8.10	-	15.5	-	1.5	-
Trade, Culture, Tourism & Wildlife	76.3	103.5	10.6	-	3.19	-	29.9	-	4.2	-
Lands & Physical Planning	79.0	398	9.8	-	1.55	-	15.7	-	2	-
County Assembly	627.1	100	109.6	-	133.89	-	122.2	-	21.3	-
TOTAL	5,444.4	4,069.7	900.8	-	210.08	-	23.3	-	3.9	-

Source: Kajiado County Treasury

Analysis of budget performance by department shows that the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 21.3 per cent.

3.10.9 Key Observations and Recommendations

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

- i. Improvement in own source revenue collection by 73.4 per cent from Kshs.65.47 million generated in the first quarter of FY 2017/18 to Kshs.189.77 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. Delay in approval of the County Integrated Development Plan (CIDP) for 2018-2022, which may hinder effective budgeting, planning and implementation.

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 are released in a timely manner.*

2. The County should ensure the CIDP for 2018-2022 is developed and approved in order to ensure smooth budget execution.

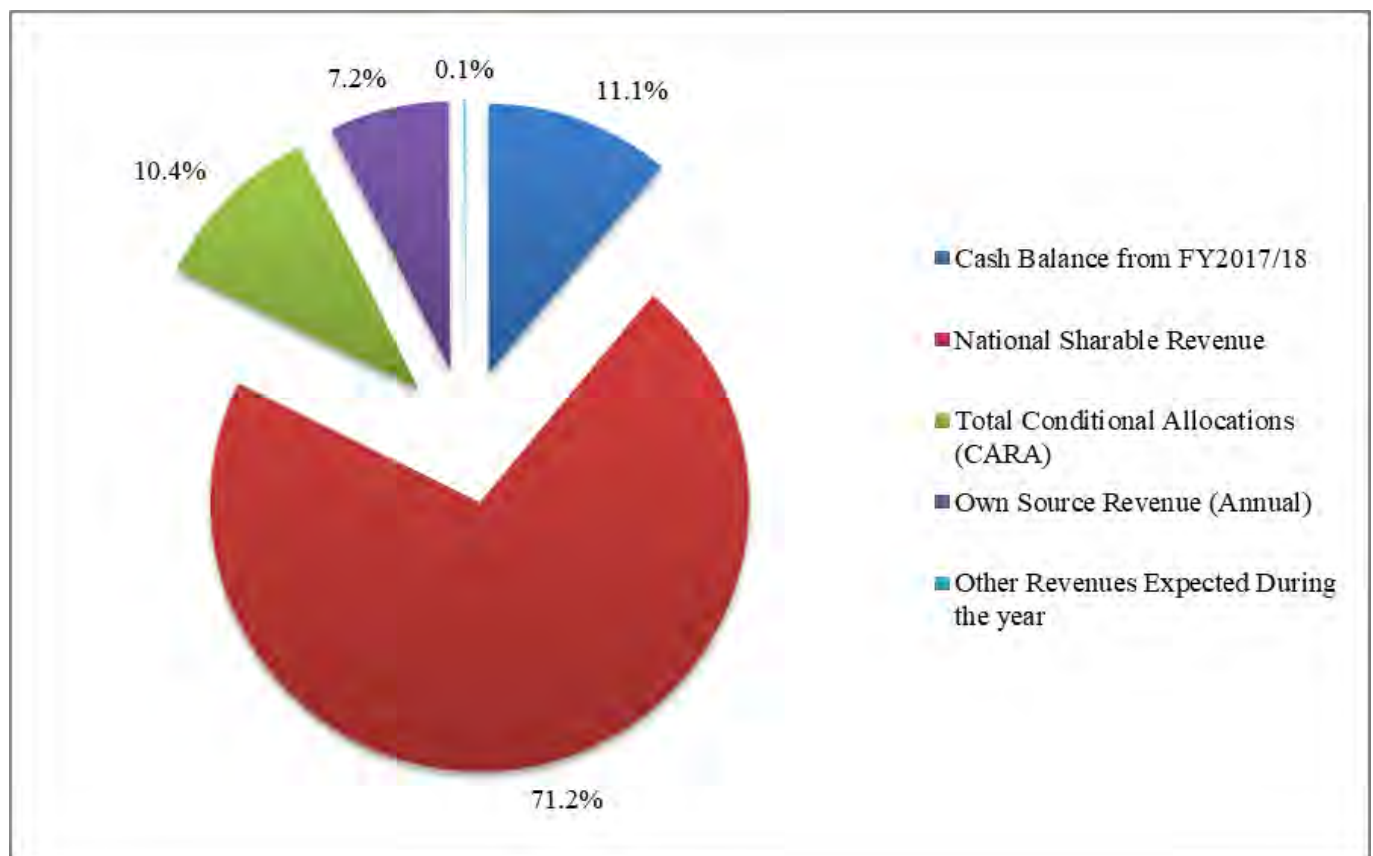
3.11 Kakamega County

3.11.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.14.51 billion, comprising of Kshs.7.50 billion (51.7 per cent) and Kshs.7.01 billion (48.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.33 billion (71.2 per cent) as equitable share of revenue raised nationally, Kshs.1.51 billion (10.4 per cent) as total conditional grants, generate Kshs.1.04 billion (7.2 per cent) from own source revenue, Kshs.14.43 million (0.1 per cent) as other revenues, and Kshs.1.61 billion (11.1 per cent) cash balance from FY 2017/18.

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



Source: Kakamega County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.100 million (6.6 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (7.7 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.63.51 million (4.2 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.389.12 million (25.5 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.33.31 million (2.2 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.427.28 million (28 per cent) to Level-5 Hospital, Kshs.37.79 million (2.5 per cent) as Compensation for User Fees Foregone, Kshs.272 million (17.8 per cent) from Road Maintenance Fuel Levy, and Kshs.69.91 million (4.6 per cent) for Rehabilitation of Village Polytechnics.

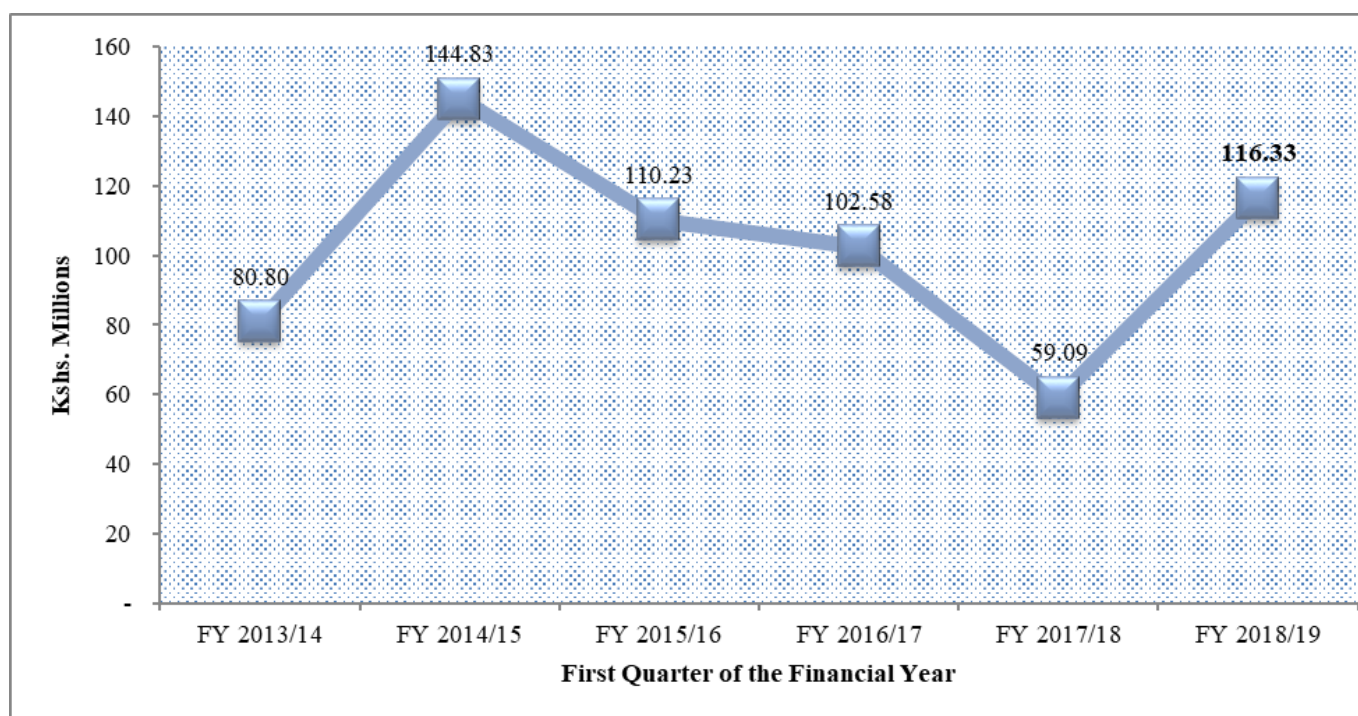
The County also budgeted to receive Kshs.14.43 million as grant for Kenya Agricultural Support Programme (KASP), which is not contained in the CARA, 2018.

3.11.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.537.90 million as equitable share of revenue raised nationally, raised Kshs.116.33 million from own source revenue and had a cash balance of Kshs.1.30 billion from FY 2017/18.

Figure 3.42 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.42: Kakamega County, Trend in Own Source Revenue Collection from the First Quarter of FY 2013/14 to the First Quarter of FY 2018/19



Source: Kakamega County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.116.33 million, representing an increase of 99.3 per cent compared to Kshs.59.09 million generated in the first quarter of FY 2017/18, which was 11.1 per cent of the annual target.

3.11.3 Conditional Grants

The County did not receive any funds from conditional grants.

3.11.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.1.61 billion from the CRF account, which was 11.1 per cent of the Approved Budget. This amount represented an increase of 55.4 per cent from Kshs.1.04 billion approved in the first quarter of FY 2017/18 and comprised of Kshs.1.53 billion (94.8 per cent) for recurrent expenditure and Kshs.83.63 million (5.2 per cent) for development activities.

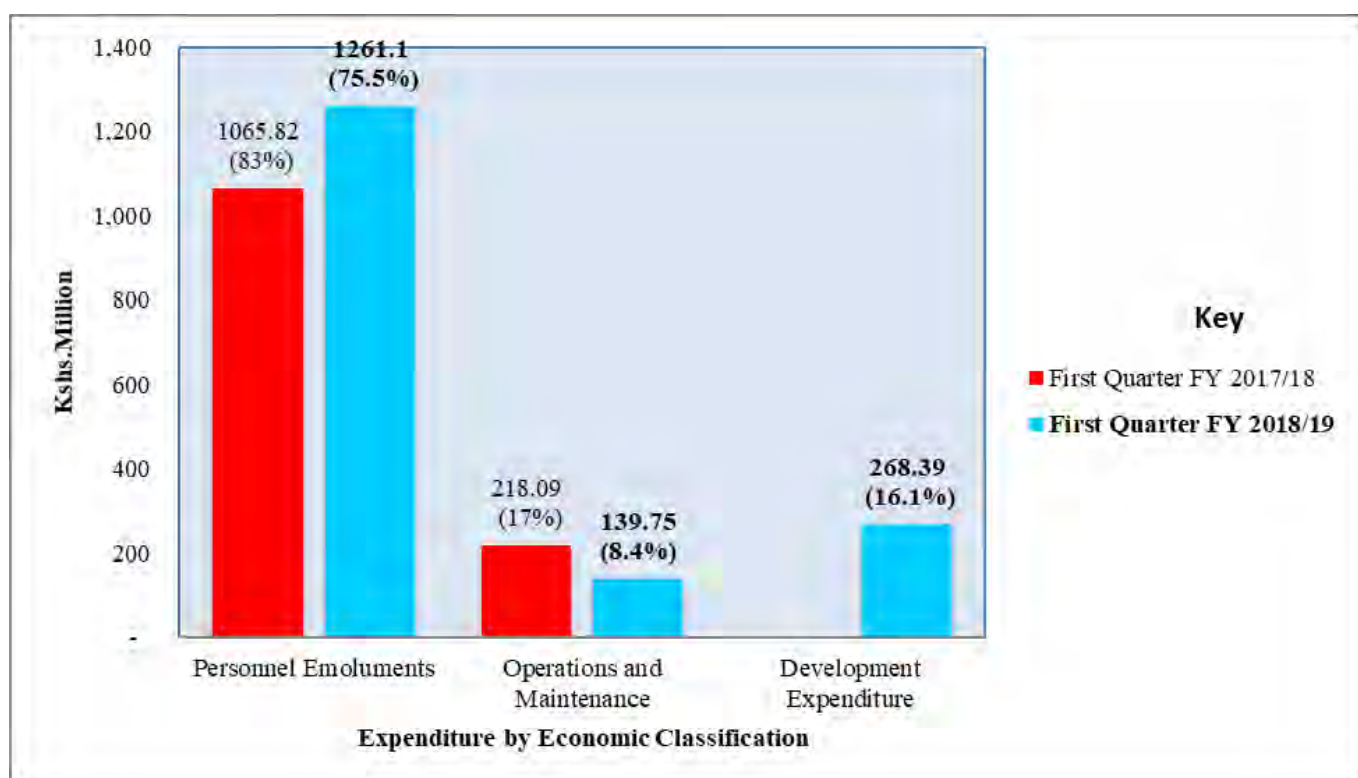
3.11.5 Overall Expenditure Review

The County spent Kshs.1.47 billion, which was 91.3 per cent of the total funds released for operations. This was an increase of 14.6 per cent from Kshs.1.04 billion spent in the first quarter of FY 2017/18.

A total of Kshs.1.40 billion was spent on recurrent activities while Kshs.70.76 million was spent on development activities. The recurrent expenditure was 91.6 per cent of the funds released for recurrent activities, while development expenditure was 84.6 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.634.74 million for development activities and Kshs.801.42 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 18.7 per cent of the annual recurrent budget, a decrease from 18.8 per cent recorded in the first quarter of FY 2017/18. Figure 3.43 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of FY 2017/18.

Figure 3.43: Kakamega County, Expenditure by Economic Classification



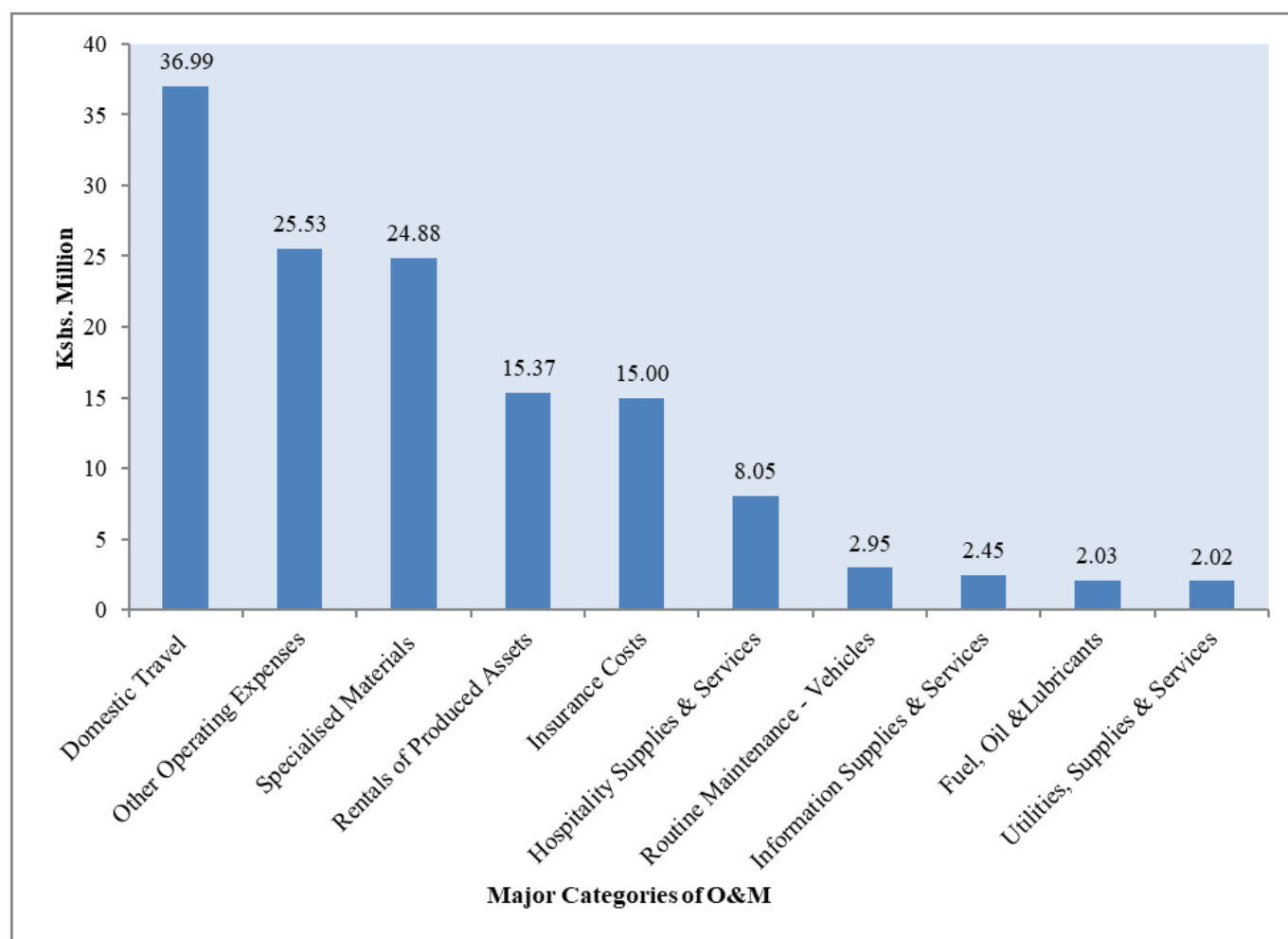
Source: Kakamega County Treasury

3.11.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.40 billion comprised of Kshs.1.26 billion (90 per cent) incurred on personnel emoluments and Kshs.139.75 million (10 per cent) on operations and maintenance as shown in Figure 3.43.

Expenditure on personnel emoluments represented an increase of 30 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.1.07 billion, and was 75.5 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.44 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Kakamega County Treasury

The County spent Kshs.26.96 million on committee sitting allowances to the 88 MCAs against the annual budget allocation of Kshs.134.78 million. This was an increase of 43.8 per cent compared to Kshs.18.75 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.102,136 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.36.99 million and comprised of Kshs.21.68 million spent by the County Assembly and Kshs.15.31 million by the County Executive. This represented 2.6 per cent of total recurrent expenditure and was a marginal increase of 1.8 per cent compared to Kshs.36.37 million spent in the first quarter of FY 2017/18.

3.11.7 Development Expenditure Analysis

The total development expenditure of Kshs.74.52 million represented 1.1 per cent of the annual development budget of Kshs.7.01 billion. Table 3.14 provides a summary of development projects with the highest expenditure in the first quarter of the financial year.

Table 3.14: Kakamega County, List of Development Projects

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual expenditure (Kshs.)	Absorption rate (%)
1	10km per ward roads-Ward based	County/ward-wide	300,000,000	17,195,096	5.7
3	Construction of markets	Countywide	140,000,000	12,095,203	8.6
4	Construction of sub county offices	Countywide	30,000,000	8,262,535	27.5
5	Polytechnic subsidy programme	Countywide	110,000,000	7,015,206	6.4
6	County HQ	Kakamega Town	40,000,000	3,153,815	7.9
7	Governor's residence	Lugari	76,000,000	2,793,486	3.7
10	Juakali shades	Countywide	35,000,000	843,088	2.4

Source: Kakamega County Treasury

3.11.8 Budget Performance by County Departments

Table 3.15 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.15: Kakamega County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	200.58	93.00	31.42	-	8.86	2.79	28.2	-	4.4	3.0
Public Service and Administration	5,209.01	159.51	1,182.25	-	1,147.18	14.56	97.0	-	22.0	9.1
County Treasury and Economic Planning	233.19	205.00	17.08	34.06	8.83	1.00	51.7	2.9	3.8	0.5
Environment, Natural Resources, Water & Forestry	41.56	361.00	1.75	-	1.47	-	84.3	-	3.5	-
Labour, Social Services, Youth and Sports	45.31	511.00	6.85	-	3.64	0.66	53.2	-	8.0	0.1
Transport, Infrastructure & Public Works	44.93	1,598.00	0.12	40.30	2.52	31.79	2123.5	78.9	5.6	2.0
Lands, Housing, Urban Areas and Physical Planning	136.07	566.62	23.06	-	8.40	-	36.4	-	6.2	-
Health Services	382.95	1,470.00	76.50	9.28	31.22	-	40.8	-	8.2	-
Agriculture, Livestock, Fisheries and Cooperatives	61.38	701.43	0.09	-	1.01	-	1141.9	-	1.6	-
Industrialization, Trade and Tourism	27.42	365.00	0.31	-	1.88	12.94	606.3	-	6.8	3.5
Education, Science & Technology & ICT	34.15	782.91	0.10	-	1.13	7.02	1136.0	-	3.3	0.9
Public service Board	29.82	-	4.50	-	-	-	0.0	-	0.0	-
ICT, E-government & Communication	54.20	145.00	0.29	-	-	-	0.0	-	0.0	-
County Assembly	998.72	50.00	184.98	-	184.71	-	99.9	-	18.5	-
TOTAL	7,499.28	7,008.47	1,529.29	83.64	1,400.85	70.76	91.6	84.6	18.7	1.0

Source: Kakamega County Treasury

Analysis of budget performance by department shows that, The Department of Public Service and Administration attained the highest absorption rate of development budget at 9.1 per cent. The Public Service and Administration had the highest percentage of recurrent expenditure to recurrent budget at 22 per cent while Public Service Board did not incur any 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 included:

- i. Improvement in own source revenue collection by 99.3 per cent from Kshs.58.37 million in the first quarter of FY 2017/18 to Kshs.116.33 million in the reporting period.

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

1. Failure by Fund Administrators to submit expenditure reports on the established County Funds contrary to Section 168 of the PFM Act, 2012.
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. *Fund Administrators should ensure timely submission of expenditure reports on the established County Funds in line with Section 168 of the PFM Act, 2012.*
2. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

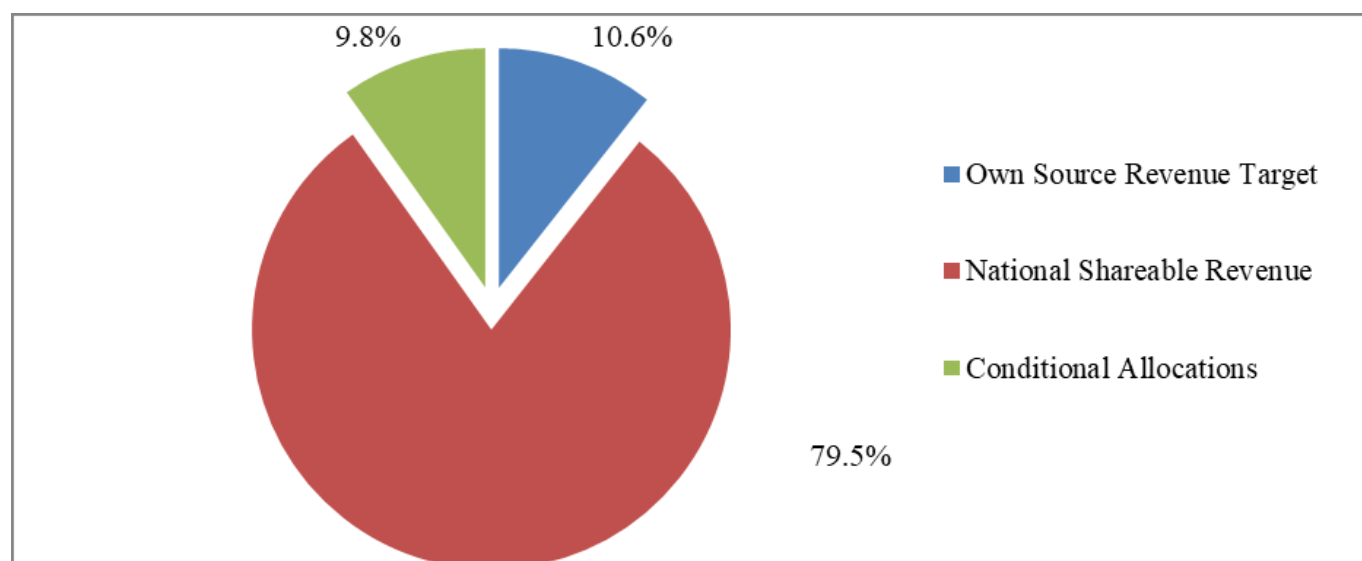
3.12 Kericho County

3.12.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.7.18 billion, comprising of Kshs.4.52 billion (62.9 per cent) and Kshs.2.67 billion (37.1per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.71 billion (79.5 per cent) as equitable share of revenue raised nationally, Kshs.706.38 million (9.8 per cent) as total conditional grants, and generate Kshs.762.94 million (10.6 per cent) from own source revenue. Additionally, the County had Kshs.1.13 billion cash balance from FY 2017/18 which was not incorporated in the FY 2018/19 budget.

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



Source: Kericho County Treasury

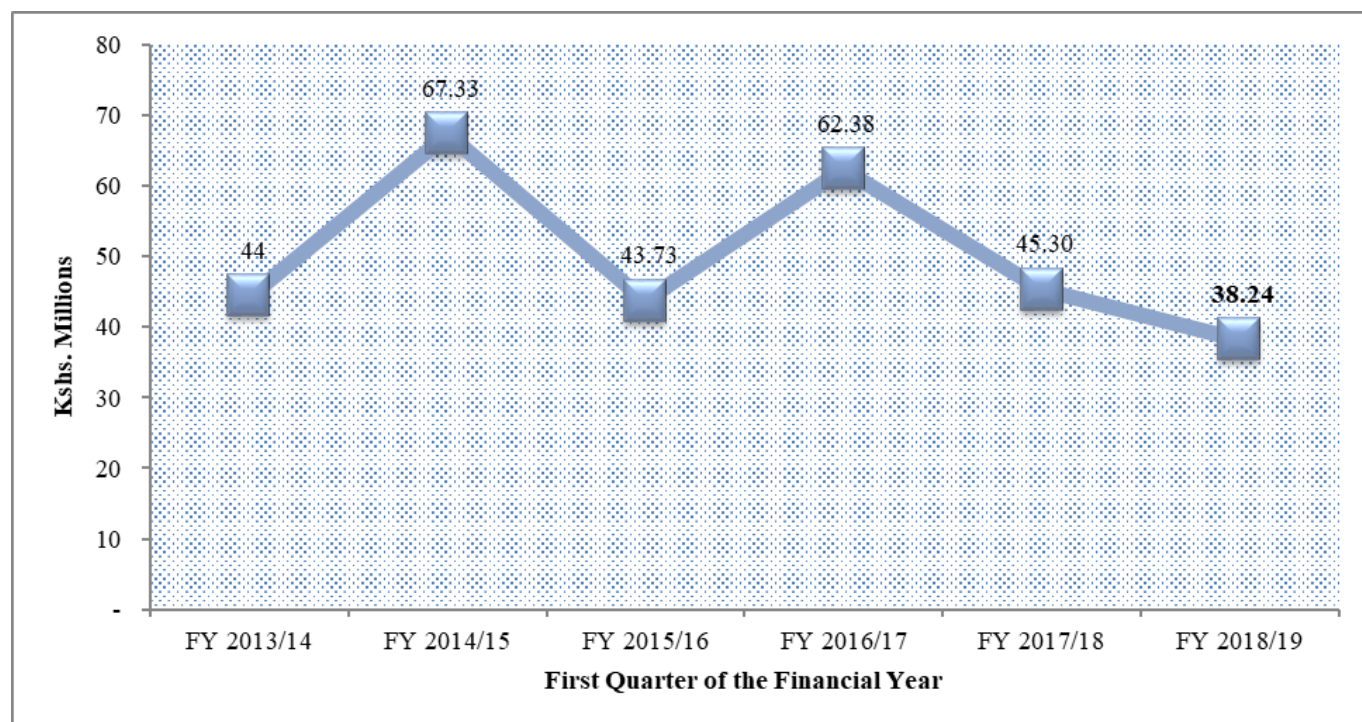
The conditional grants are in line with the CARA,2018 and consisted of Kshs.256.30 million (36.3 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.150.46 million (21.3 per cent) from the Road Maintenance Fuel Levy, Kshs.117 million (16.6 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.61.51 million (8.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.44.54 million (6.3 per cent) from IDA (World Bank) as credit for the Kenya Devolution Support Programme “Level 2 grant”, Kshs.41 million (5.8 per cent) for Rehabilitation of Youth Polytechnics, Kshs.18.05 million (2.6 per cent) as Compensation for User Fees Foregone, and Kshs.17.52 million (2.5 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme.

3.12.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.685.78 million as equitable share of revenue raised nationally, raised Kshs.38.24 million from own source of revenue, and had a cash balance of Kshs.1.13 billion from FY 2017/18. The total available funds amounted to Kshs.1.85 billion.

Figure 3.46 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.46 : Kericho County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Kericho County Treasury

The total own-source of revenue generated in the first quarter of FY 2018/19 amounted to Kshs.38.24 million, representing a decline of 15.6 per cent compared to Kshs.45.30 million generated in the first quarter of FY 2017/18, and represented 5 per cent of the annual target.

3.12.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.12.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.788.04 million from the CRF account, which was 11 per cent of the Approved Budget. This amount represented an increase of 20.1 per cent from Kshs.655.94 million approved in the first quarter of FY 2017/18. The entire amount was for recurrent expenditure.

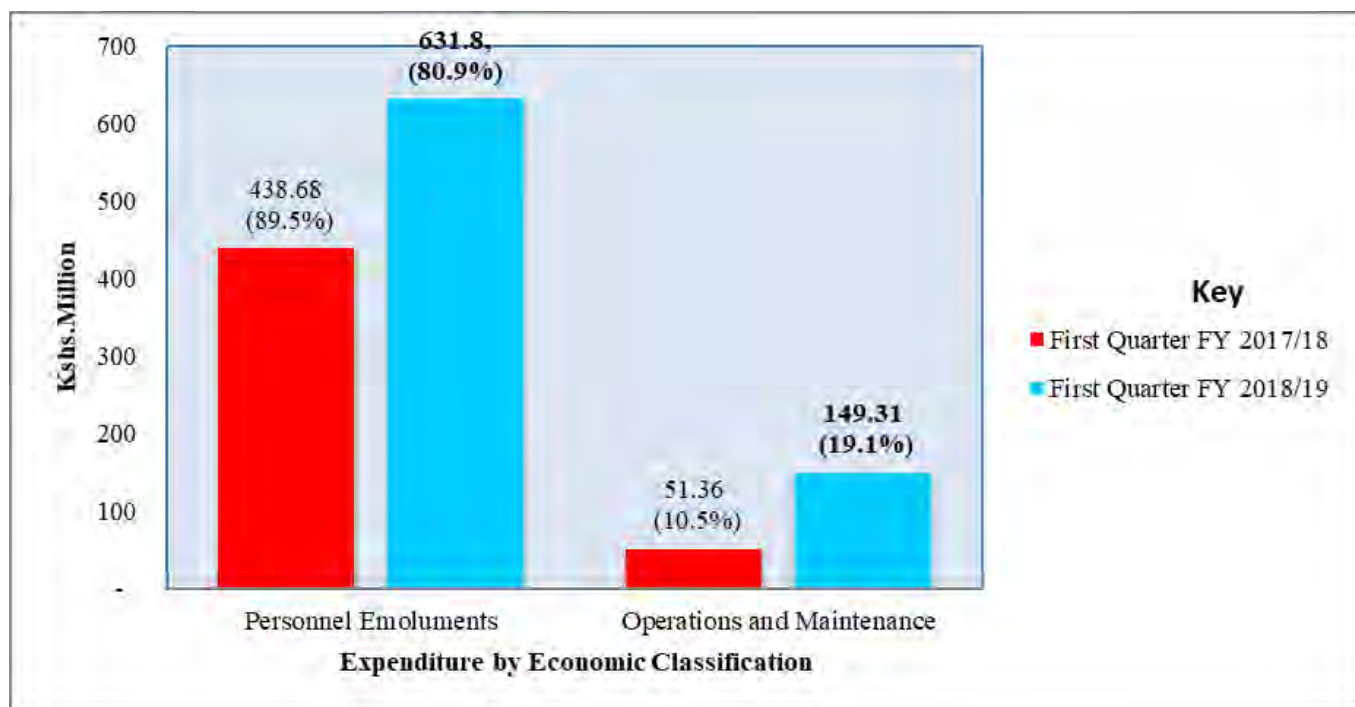
3.12.5 Overall Expenditure Review

The County spent Kshs.781.10 million, which was 99.1 per cent of the total funds released for operations. This was an increase of 59.4 per cent from Kshs.490.04 million spent in the first quarter of FY 2017/18.

The entire amount of Kshs.781.10 million was incurred on recurrent activities and represented 99.1 per cent of the funds released. The County did not report any outstanding commitments for both development activities and recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 17.3 per cent of the annual recurrent budget, an increase from 11 per cent recorded in the first quarter of FY 2017/18. Figure 3.47 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.47: Kericho County, Expenditure by Economic Classification



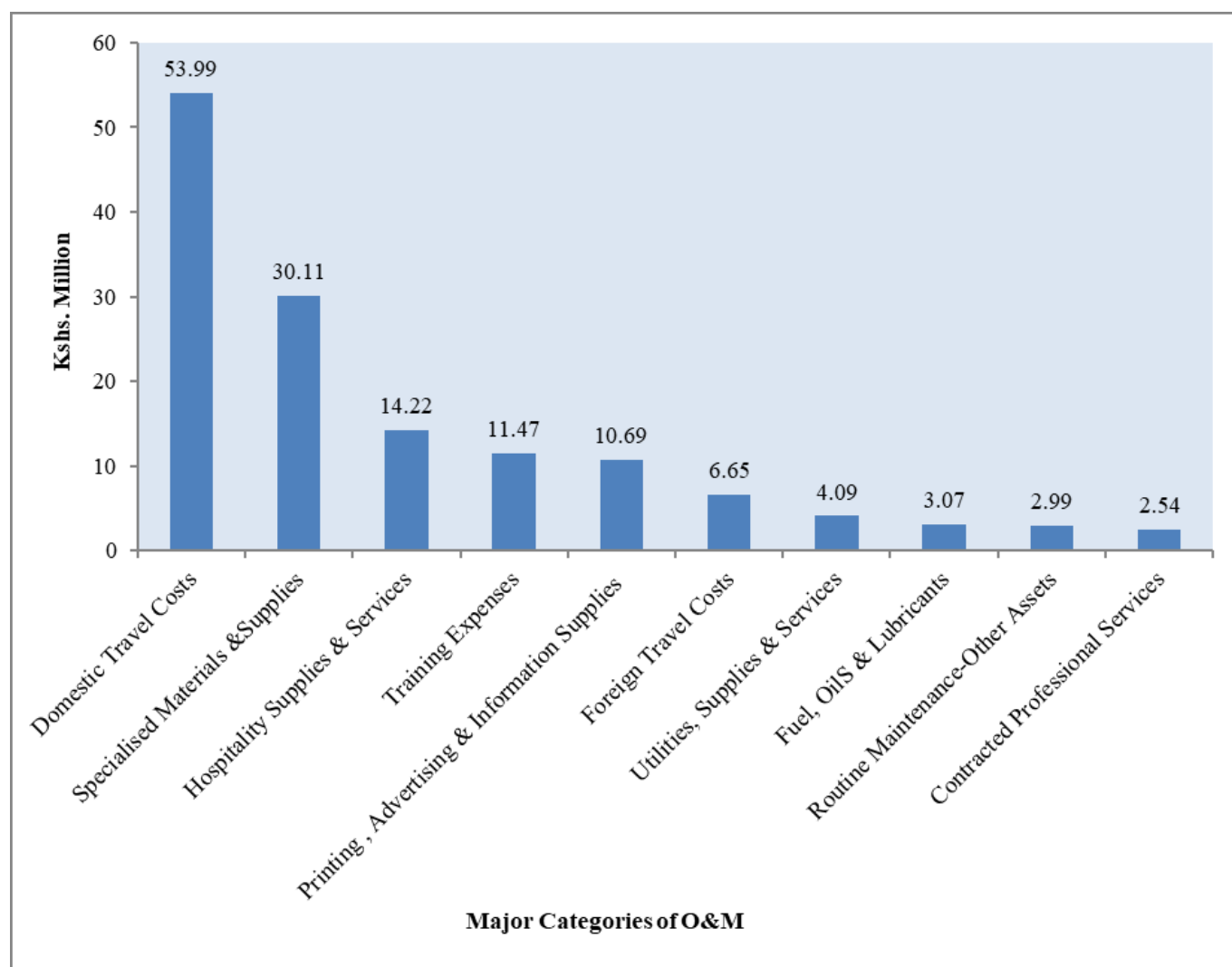
Source: Kericho County Treasury

3.12.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.781.10 million comprised of Kshs.631.80 million (80.9 per cent) incurred on personnel emoluments and Kshs.149.31 million (19.1 per cent) on operations and maintenance as shown in Figure 3.47.

Expenditure on personnel emoluments increased by 44 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.438.68 million, and was 80.9 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.48 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Kericho County Treasury

The County spent Kshs.5.91 million on committee sitting allowances to the 47 MCAs against the annual budget allocation of Kshs.81.54 million. This was an increase of 189.1 per cent compared to Kshs.2.05 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.41,070 per MCA against the SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.53.99 million and comprised of Kshs.35.13 million spent by the County Assembly and Kshs.18.86 million by the County Executive. This represented 6.9 per cent of total recurrent expenditure and was an increase of 532.3 per cent compared to Kshs.8.54 million spent in the first quarter of FY 2017/18.

3.12.7 Development Expenditure Analysis

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

3.12.8 Budget Performance by County Departments

Table 3.16 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.16 : Kericho County, Budget Performance by Department

Department /Entity	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	661.43	102	112.86	-	112.66	-	99.8	-	17	-
Public Service & Administration	284.03	10.23	48.84	-	48.94	-	100.2	-	17.2	-
Office of the Governor & Deputy Governor	130.98	-	22.42	-	23.81	-	106.2	-	18.2	-
County Public Service Board	61.59	-	11.14	-	7.38	-	66.2	-	12	-
Finance & Economic Planning	325.54	344.53	32.57	-	33.30	-	102.2	-	10.2	-
Agriculture, Livestock & Fisheries	205.36	191.09	39.41	-	34.05	-	86.4	-	16.6	-
Environment ,Water ,Energy & Natural Resources	131.77	214.30	23.69	-	18.40	-	77.7	-	14	-
Education, Youth, Culture & Social services	403.30	147	50.98	-	48.36	-	94.9	-	12	-
Health Services	1,985.36	380.04	407.47	-	412.30	-	101.2	-	20.8	-
Land, Housing & Physical Planning	76.07	475.98	8.58	-	8.42	-	98.2	-	11.1	-
Public Works, Roads & Transport	74.87	651.13	12.77	-	11.49	-	89.9	-	15.3	-
ICT & E-Government	107.20	118.56	4.56	-	11.21	-	246.2	-	10.5	-
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	70.73	31.02	12.76	-	10.79	-	84.6	-	15.3	-
TOTAL	4,518.23	2,665.89	788.04	-	781.10	-	99.1	-	17.3	-

Source: Kericho County Treasury

Analysis of budget performance by department shows that, all the departments did not incur any development expenditure. The Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 20.8 per cent while the Department of Finance & Economic Planning had the lowest at 10.2 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. Establishment of an Internal Audit Committee in line with Section 155(5) of the PFM Act ,2012
- ii. Timely submission of quarterly financial reports by the County Government entities in line with Section 166 of the PFM Act, 2012 and the COB Act, 2016.

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

1. High personnel emolument costs which increased by 44 percent from Kshs.438.68 million in the first quarter of FY 2017/18 to Kshs.631.80 million in the reporting period, and accounted for 80.9 per cent of the total expenditure in the reporting period.
2. Under-performance in own source revenue collection which declined by 15.6 per cent from Kshs.45.30 million in the first quarter of FY 2017/18 to Kshs.38.24 million in the reporting period and accounted for 5 per cent of the annual revenue target.
3. Failure to budget for cash balances of Kshs.1.13 billion from the FY2017/18 in the budget

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

1. The County Public Service Board should develop and implement an optimal staffing structure to

address the rising wage bill.

2. The County Treasury should formulate and implement strategies to enhance revenue collection
3. The County should expedite preparation of a Supplementary budget to include the unspent cash balances from FY 2017/18 in the budget for a smooth budget execution.

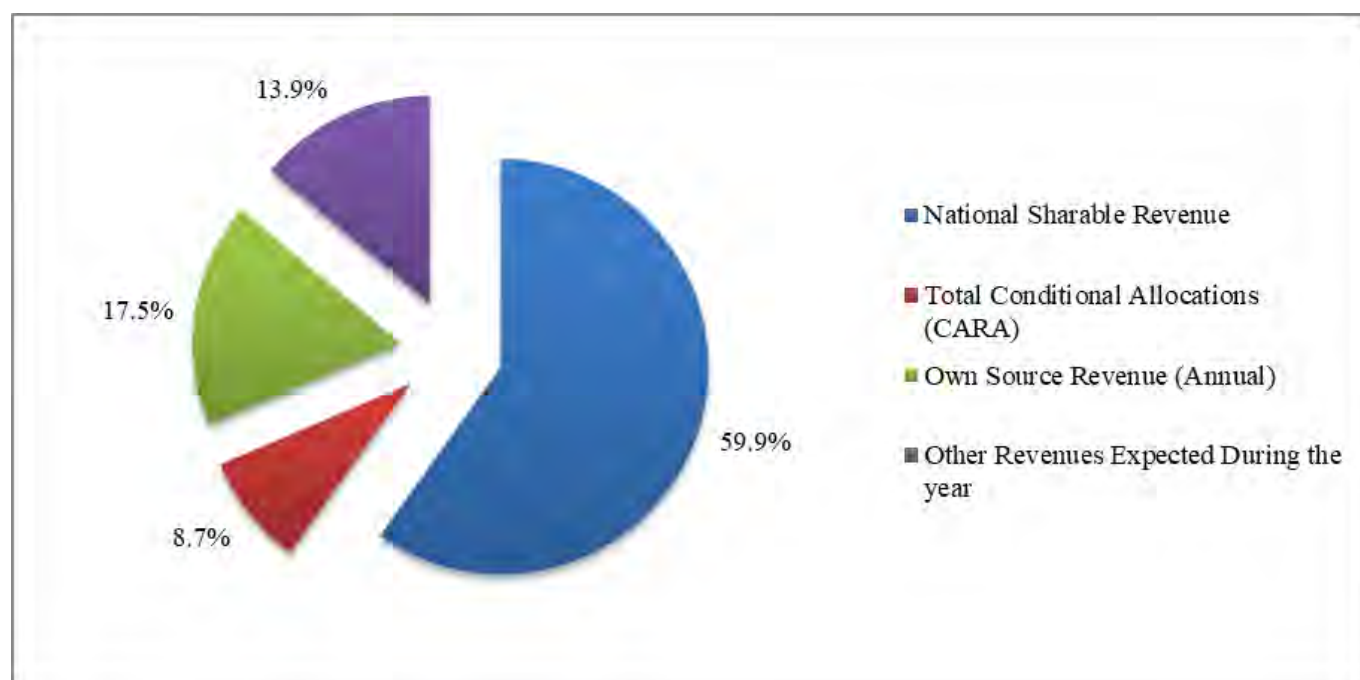
3.13 Kiambu County

3.13.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.15.62 billion, comprising of Kshs.9.60 billion (61.4 per cent) and Kshs.6.03 billion (38.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.36 billion (59.9 per cent) as equitable share of revenue raised nationally, Kshs.1.36 billion (8.7 per cent) as total conditional grants, generate Kshs.2.74 billion (17.5 per cent) from own source revenue, and Kshs.2.17 billion (13.9 per cent) as loans and grants which is not in CARA, 2018.

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



Source: Kiambu County Treasury

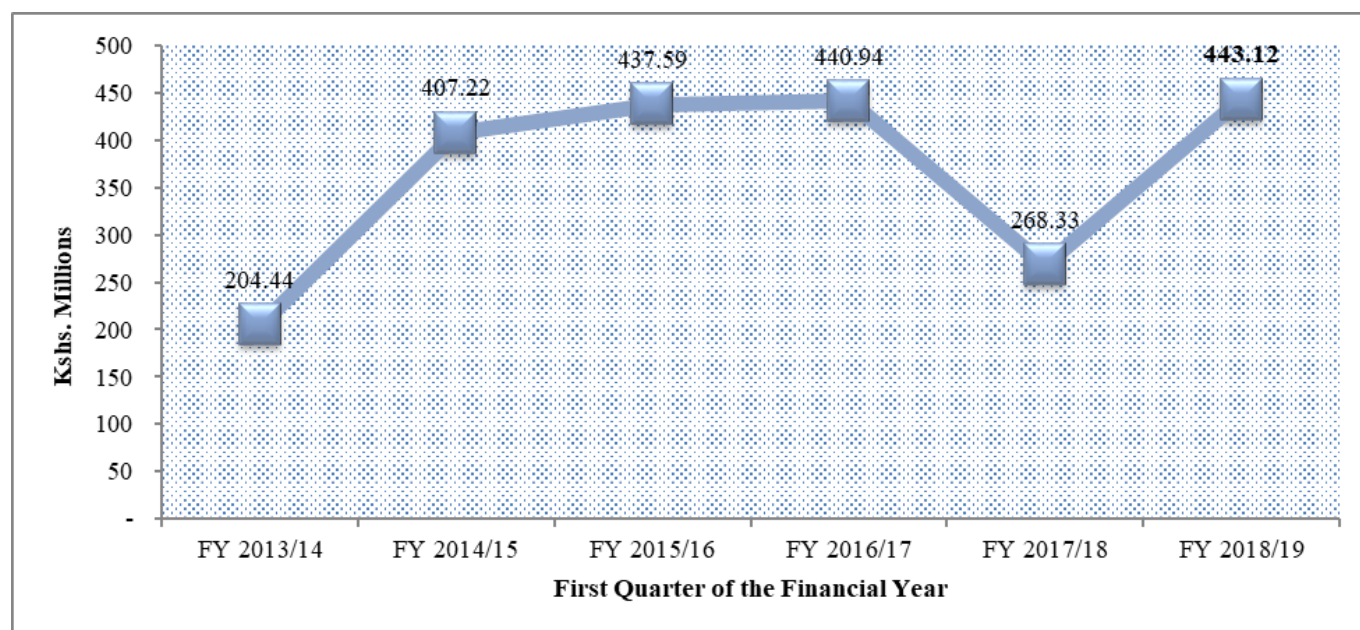
The conditional grants are in line with the CARA,2018 and consisted of Kshs.538.72 million (15.3 per cent) for Conditional Grants to Thika Level- 5 Hospital, Kshs.34.67 million (1 per cent) for Compensation for User Fee Foregone, Kshs.200 million (5.7 per cent) for Leasing of Medical Equipment, Kshs.246.37 million (7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.68.11 million (1.9 per cent) for Rehabilitation of Village Polytechnics, and Kshs.272 million (7.7 per cent) for IDA (World Bank) Kenya Devolution Support Programme “Level 1 grant”.

3.13.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.1.12 billion as equitable share of revenue raised nationally, Kshs.26.94 million as total conditional grants, raised Kshs.443.12 million from own source revenue, and had a cash balance of Kshs.774.03 million from FY 2017/18. The total available funds amounted to Kshs.2.81 billion.

Figure 3.50 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.50: Kiambu County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Kiambu County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.443.12 million, representing an increase of 65.1 per cent compared to Kshs.268.33 million generated in the first quarter of FY 2017/18, which was 16.2 per cent of the annual target.

3.13.3 Conditional Grants

Analysis of revenue from conditional grants in the period under review indicates that, the County received Kshs.26.9 million as Conditional Grants to Thika Level - 5 Hospital.

3.13.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.2.42 billion from the CRF account, which was 15.5 per cent of the Approved Budget. This amount represented an increase of 37.6 per cent from Kshs.1.76 billion approved in the first quarter of FY 2018/19. The entire amount was for recurrent expenditure.

3.13.5 Overall Expenditure Review

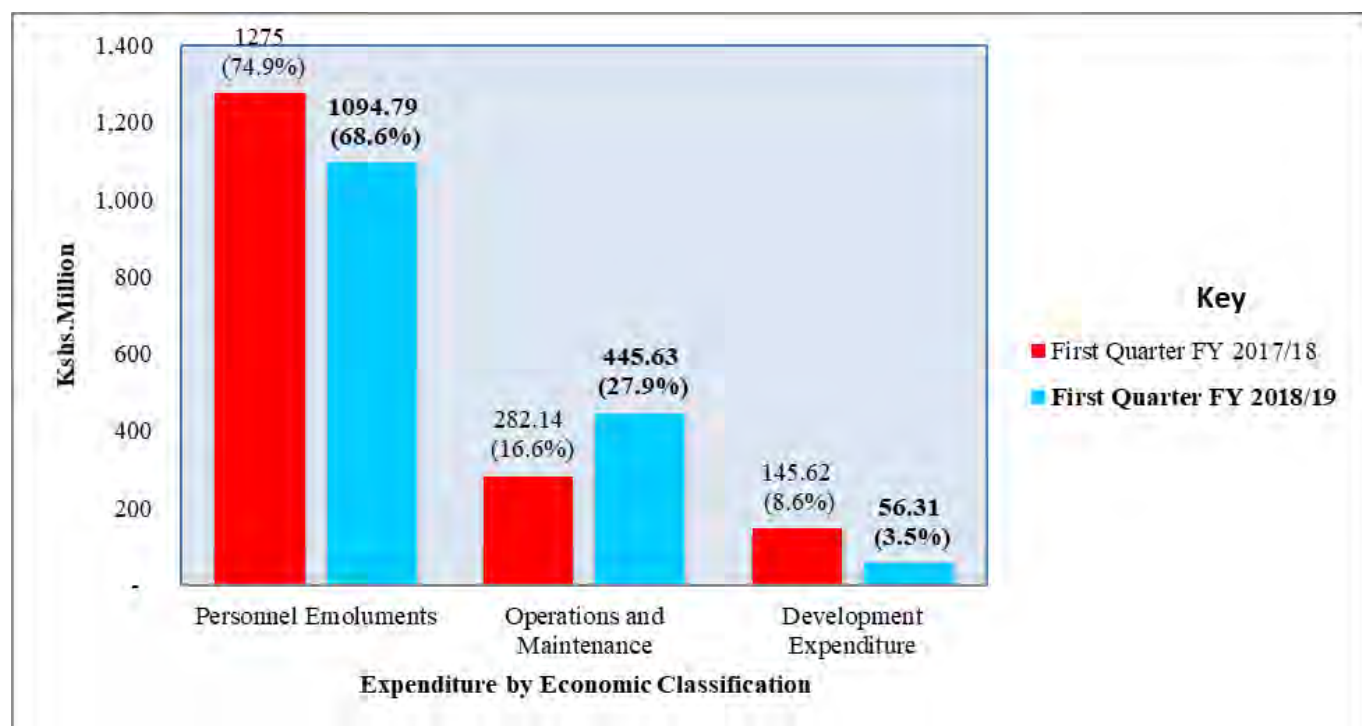
The County spent Kshs.1.60 billion, which was 65.9 per cent of the total funds released for operations. This was a decline of 6.2 per cent from Kshs.1.70 billion spent in the first quarter of FY 2017/18.

A total of Kshs.1.54 billion was spent on recurrent activities while Kshs.56.31 million was spent on development activities. The recurrent expenditure was 63.6 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments which amounted to Kshs.586.89 million for development activities and Kshs.191.91 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 16.1 per cent of the annual recurrent budget, a decrease from 16.5 per cent recorded in the first quarter of FY 2017/18. Development expenditure recorded an

absorption rate of 0.9 per cent, which was a decrease from 3.6 per cent attained in the first quarter of FY 2017/18. Figure 3.51 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of FY 2017/18.

Figure 3.51: Kiambu County, Expenditure by Economic Classification



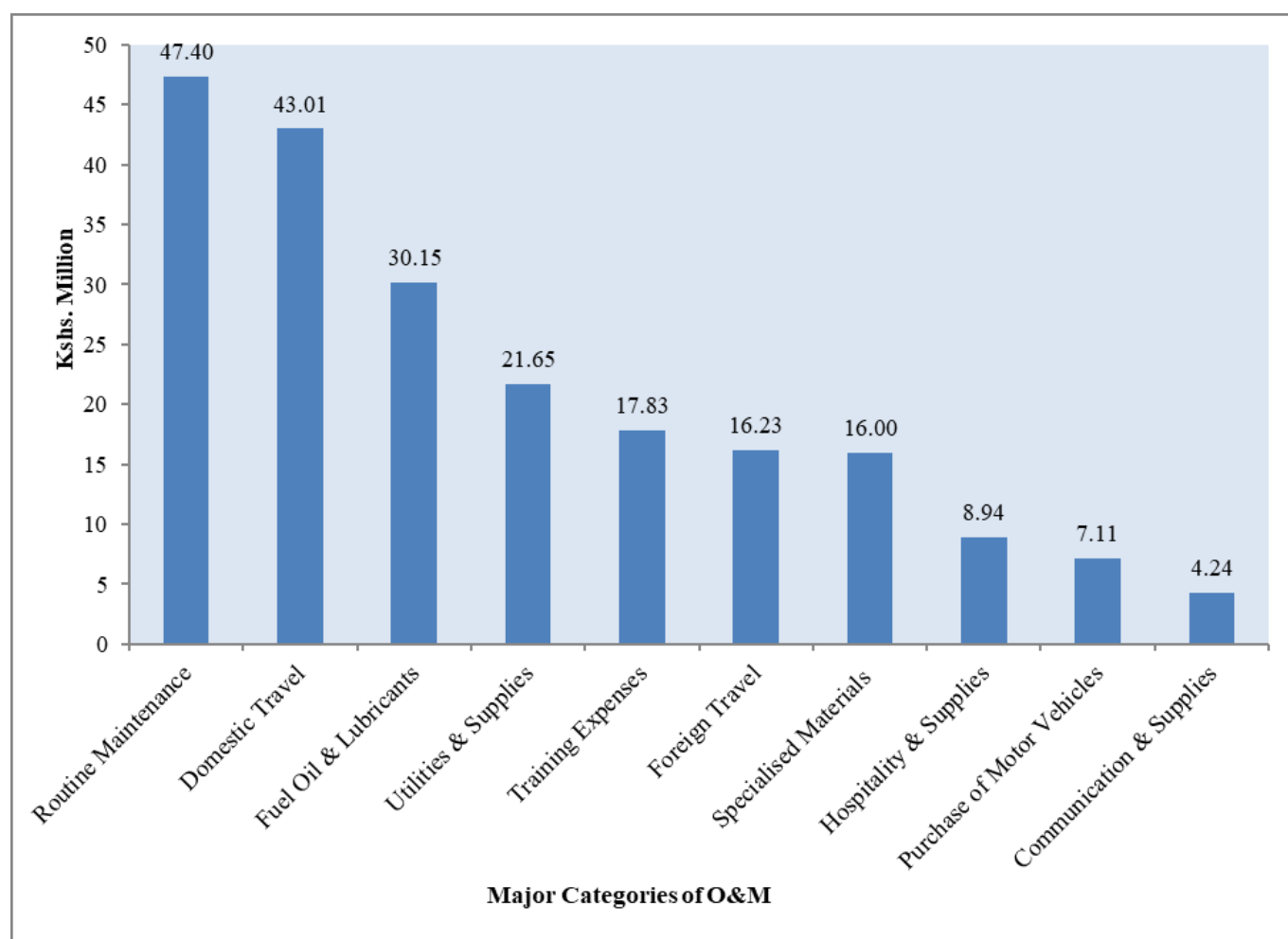
Source: Kiambu County Treasury

3.13.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.54 billion comprised of Kshs.1.09 billion (71.1 per cent) incurred on personnel emoluments and Kshs.445.63 million (28.9 per cent) on operations and maintenance as shown in Figure 3.51.

Expenditure on personnel emoluments represented a decrease of 14.1 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.1.27 billion, and was 68.6 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.52 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Kiambu County Treasury

The County spent Kshs.25.12 million on committee sitting allowances to the 94 MCAs against the annual budget allocation of Kshs.100 million. This was an increase of 17.3 per cent compared to Kshs.21.46 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.89,078 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.43.01 million and comprised of Kshs.7.50 million spent by the County Assembly and Kshs.35.51 million by the County Executive. This represented 2.5 per cent of total recurrent expenditure and was an increase of 5.5 per cent compared to Kshs.51.85 million spent in the first quarter of FY 2017/18.

3.13.7 Development Expenditure Analysis

The total development expenditure of Kshs.56.31 million represented 0.9 per cent of the annual development budget of Kshs.6.03 billion. Table 3.17 provides a summary of development projects with the highest expenditure in the first quarter of the financial year.

Table 3.17: Kiambu County, List of Development Projects

Project name	Project location	Annual expenditure (Kshs.)
Juja market - Compensation for Project Affected Persons (P.A.Ps)	Juja Sub-County	5,578,000
Refurbishment & Construction of a Wall at Bahati ECDE Phase I	Hospital	3,992,300
Construction of a Wall at Bahati ECDE Phase III	Hospital	3,840,240

Source: Kiambu County Treasury

3.13.8 Budget Performance by County Departments

Table 3.18 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.18: Kiambu County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	1,200.86	55.00	122.83	-	140.72	-	114.6	-	11.7	-
County Executive	332.52	8.56	91.96	-	63.30	-	68.8	-	19	-
County Public Service Board	74.32	-	25.99	-	5.32	-	20.5	-	7.2	-
Finance, ICT and Econ. Planning	1,267.52	121.71	197.45	-	322.72	-	163.4	-	25.5	-
Administration, Public Service and Communication	535.73	135.50	227.77	-	199.73	-	87.7	-	37.3	-
Agriculture, Crop production and irrigation	239.26	150.82	108.54	-	33.52	-	30.9	-	14	-
Water, Energy Environment & Natural Resources	237.47	325.94	88.75	-	63.04	-	71	-	26.5	-
Health Services	3,962.09	967.47	932.41	-	624.74	-	67	-	15.8	-
Education, Youth, Sports, Culture & Social Services	944.20	623.38	280.01	-	47.71	33.15	17	-	5.1	5.3
Lands, Physical Planning & Housing	146.15	2,067.37	56.49	-	5.81	8.26	10.3	-	4	0.4
Trade, Tourism, Industry & Cooperative	119.48	294.39	50.59	-	3.89	6.43	7.7	-	3.3	2.2
Roads, Transport & Public Works	296.80	1,126.47	130.20	-	29	8.46	22.3	-	9.8	0.8
Livestock, Fisheries and Marketing	239.26	150.82	109.74	-	0.92	-	0.8	-	0.4	-
TOTAL	9,595.65	6,027.43	2,422.74	-	1,540.43	56.31	63.6	-	16.1	0.9

Source: Kiambu County Treasury

Analysis of budget performance by department shows that, the Department of Education, Youth, Sports, Culture & Social Services attained the highest absorption rate of development budget at 5.3 per cent. The Department of Administration, Public Service and Communication had the highest percentage of recurrent expenditure to recurrent budget at 37.3 per cent while the Department of Livestock, Fisheries and Marketing had the lowest at 0.4 per cent.

3.13.9 Key Observations and Recommendations

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

- i. Improvement in own source revenue collection from Kshs.268.33 million in the first quarter of FY 2017/18 to Kshs.443.12 million in the reporting period.

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

1. The County did not budget for all the conditional grants as contained in the CARA, 2018. The conditional grants not budgeted for were; Transforming Health Systems for Universal Care Project (WB), National Agricultural and Rural Inclusive Growth Project (NARIGP), Kenya Urban Support Project (KUSP), and DANIDA Grant.
2. The County reported expenditure of Kshs.56.31 million on development projects despite not receiving any grant of credit from the Controller of Budget for development activities, which implies weak budgetary control by the County Treasury.
3. Late submission of financial reports to the Controller of Budget by County Treasury which affected timely preparation of budget implementation review report.

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

1. *The County should approve a Supplementary budget to factor in all revenue streams as contained in the CARA, 2018.*
2. *The County Treasury should strengthen its internal control mechanism to ensure expenditure is within approved work plans.*
3. *The County Treasury should ensure timely preparation and submission of financial returns in line with section 166 of the PFM Act, 2012.*

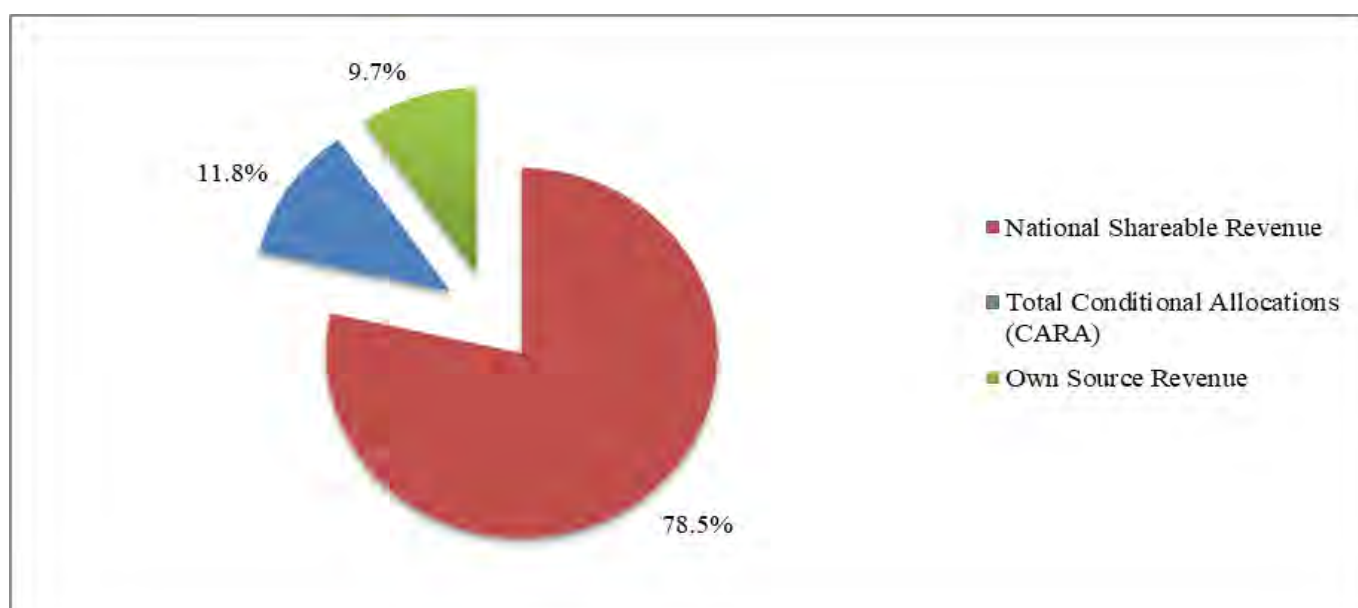
3.14 Kilifi County

3.14.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.13.81 billion, comprising of Kshs.8.15 billion (59.1 per cent) and Kshs.5.65 billion (40.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.83 billion (78.5 per cent) as equitable share of revenue raised nationally, Kshs.1.63 billion (11.8 per cent) as total conditional grants, and generate Kshs.1.35 billion (9.7 per cent) from own source revenue.

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



Source: Kilifi County Treasury

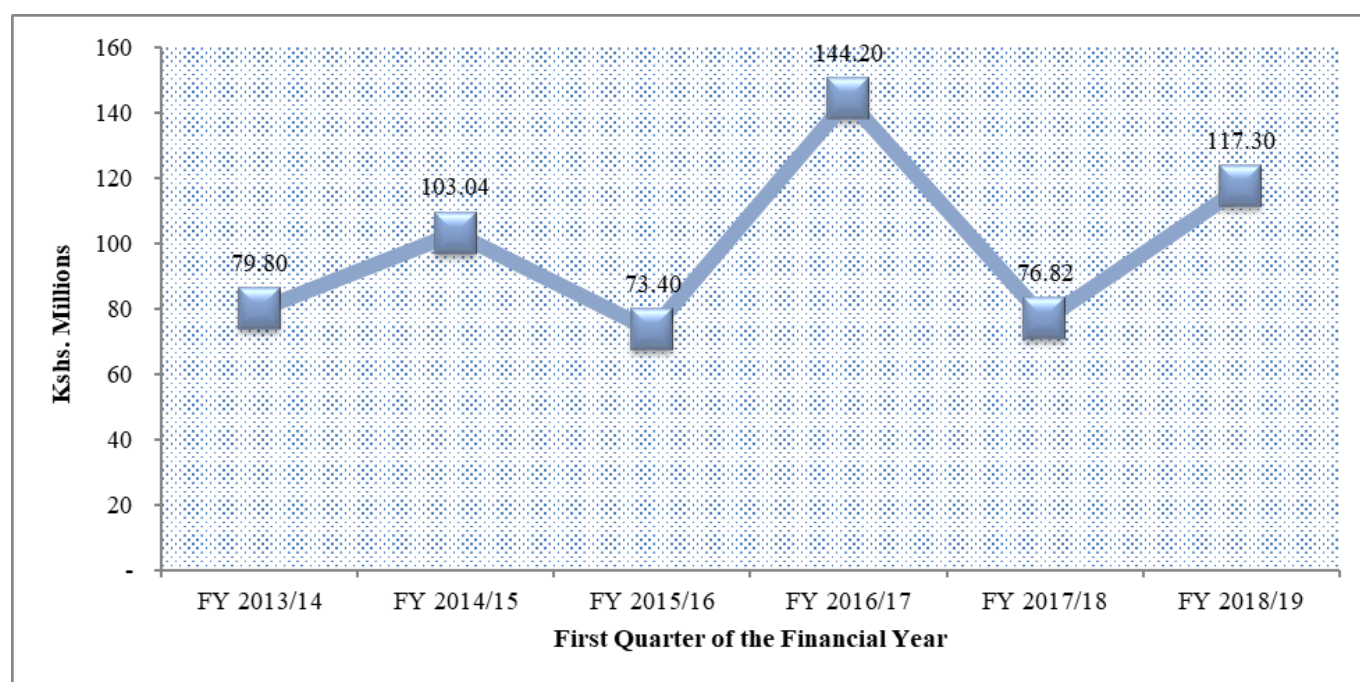
The conditional grants are in line with the CARA,2018 and consisted of Kshs.100 million (6.1 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (8.6 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.61.15 million (3.8 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.330.53 million (20.3 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.33.36 million (2 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.400 million (25.5 per cent) from IDA (World Bank) as credit for Water & Sanitation Development Project (WSDP), Kshs.25.97 million (1.6 per cent) as Compensation for User Fees Foregone, Kshs.200 million (12.3 per cent) for Leasing of Medical Equipment, Kshs.285.22 million (17.5 per cent) from the Road Maintenance Fuel Levy, and Kshs.53.04 million (3.3 per cent) for Rehabilitation of Village Polytechnics.

3.14.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.541.65 million as equitable share of revenue raised nationally, Kshs.25.01 million as total conditional grants, raised Kshs.117.3 million from own source revenue, and had a cash balance of Kshs.289.1 million from FY 2017/18. The total available funds amounted to Kshs.973.06 million.

Figure 3.54 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.54: Kilifi County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Kilifi County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.117.3 million, representing an increase of 52.7 per cent compared to Kshs.76.82 million generated in the first quarter of FY 2017/18, which was 8.7 per cent of the annual target.

3.14.3 Conditional Grants

Table 3.19 shows an analysis of conditional grants disbursed in the first quarter of FY 2018/19.

Table 3.19: Kilifi County, Analysis of Conditional Grants Received in the first quarter of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)	CARA Annual Allocation (%)
1	DANIDA Grant	33,361,875	33,361,875	11,816,404	35.4	2.0
2	Compensation for User Fee Foregone	25,969,864	25,969,864	13,196,299	50.8	1.6
Grand Total		1,629,707,963	1,629,707,963	25,012,703	1.5	100

Source: Kilifi County Treasury

Analysis of revenue from conditional grants in the period under review indicates that, the County received Kshs.11.81 million and Kshs.13.2 million from DANIDA Grant and Compensation for User Fee Foregone respectively. The receipts accounted for 35.4 per cent and 50.8 per cent of the annual allocation respectively.

3.14.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs1.02 billion from the CRF account, which was 7.4 per cent of the Approved Budget. This amount represented an increase of 12.6 per cent from Kshs.904.03 million approved in the first quarter of FY 2017/18 and comprised of Kshs.953.04 million (93.6 per cent) for recurrent expenditure and Kshs.65 million (6.4 per cent) for development activities.

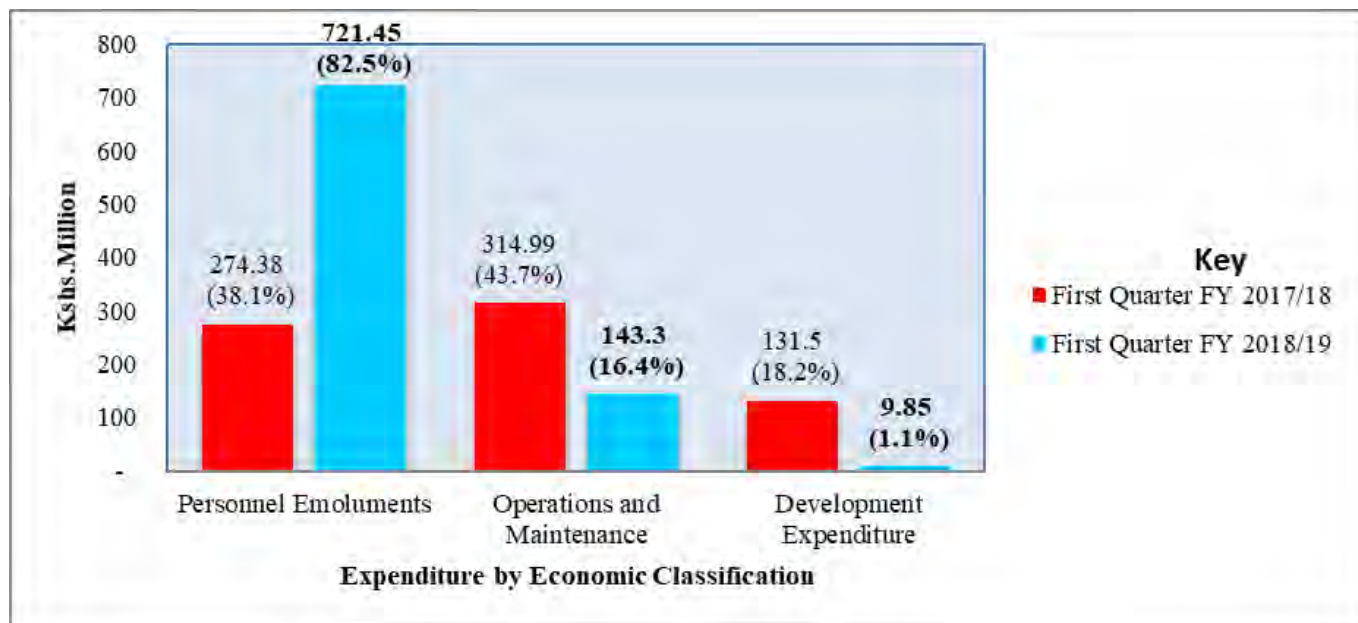
3.14.5 Overall Expenditure Review

The County spent Kshs.874.61 million, which was 85.9 per cent of the total funds released for operations. This was a decline of 19.5 per cent from Kshs.1.09 billion spent in the first quarter of FY 2017/18.

A total of Kshs.864.75 million was spent on recurrent activities while Kshs.9.85 million was spent on development activities. The recurrent expenditure was 90.7 per cent of the funds released for recurrent activities, while development expenditure was 15.2 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.61.17 million for development activities and Kshs.59.39 million for recurrent activities as at September, 2018.

The recurrent expenditure represented 10.6 per cent of the annual recurrent budget, an increase from 7.4 per cent recorded in the first quarter of FY 2017/18. Development expenditure recorded an absorption rate of 0.2 per cent, which was a decrease from 3.4 per cent attained in the first quarter of FY 2017/18. Figure 3.55 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of FY 2017/18.

Figure 3.55: Kilifi County, Expenditure by Economic Classification



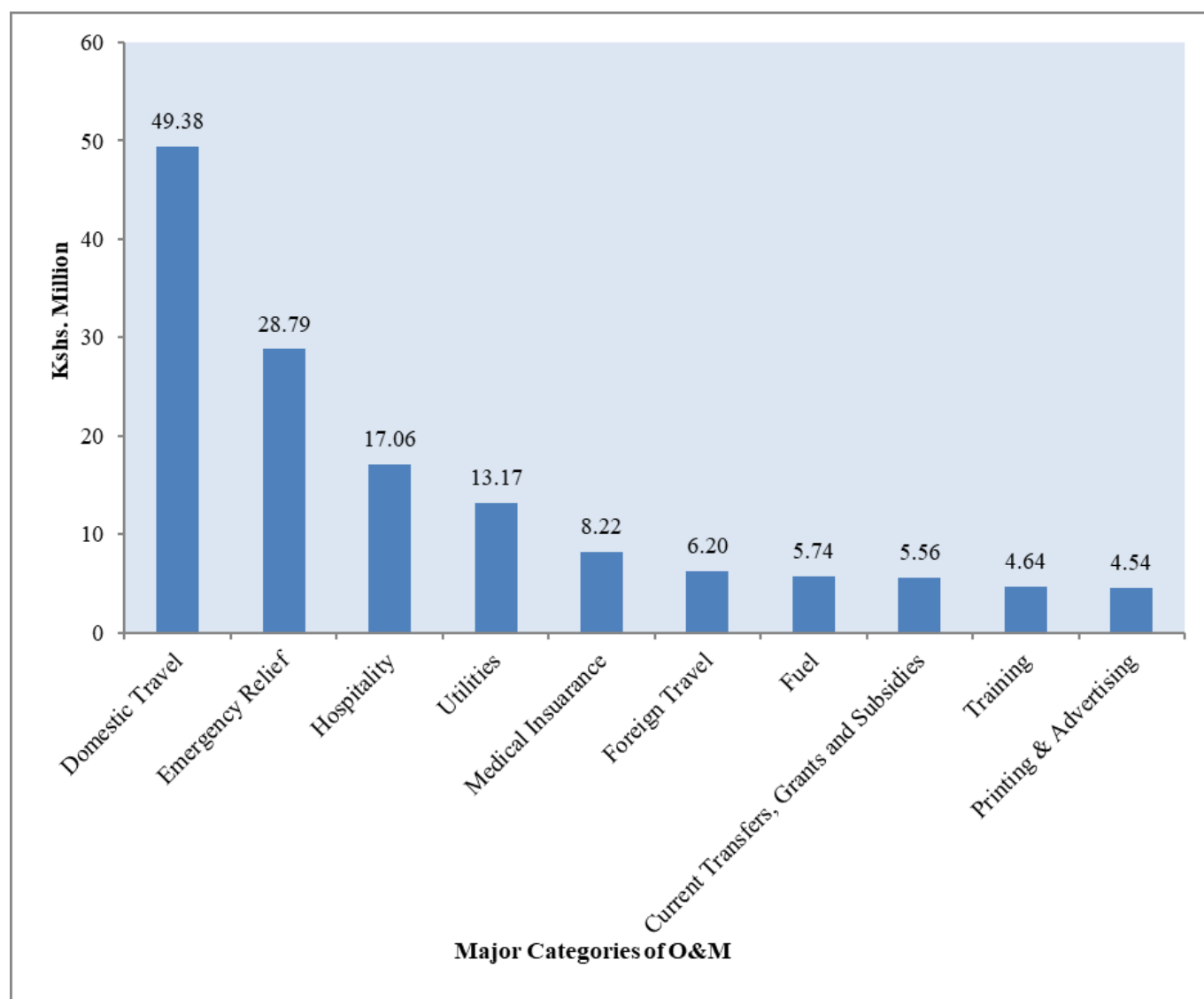
Source: Kilifi County Treasury and IFMIS Returns

3.14.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.864.75 million comprised of Kshs.721.45 million (83.4 per cent) incurred on personnel emoluments and Kshs.143.3 million (16.6 per cent) on operations and maintenance as shown in Figure 3.55.

Expenditure on personnel emoluments represented an increase of 12.7 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.640.12 million, and was 88.8 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.56 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Kilifi County Treasury

The County spent Kshs.7.42 million on committee sitting allowances to the 56 MCAs against the annual budget allocation of Kshs.86.49 million. This was an increase of 111.2 per cent compared to Kshs.3.51 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.44,185 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.55.59 million and comprised of Kshs.36.97 million spent by the County Assembly and Kshs.18.61 million by the County Executive. This represented 23.2 per cent of total recurrent expenditure.

3.14.7 Development Expenditure Analysis

The total development expenditure of Kshs.9.85 million represented 0.2 per cent of the annual development budget of Kshs.5.65 billion which was spent on construction of the Speaker's Office -Headquarters

3.14.8 Budget Performance by County Departments

Table 3.20 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.20: Kilifi County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	903.51	311.17	97.86	10.00	87.91	9.85	89.8	9.85	9.7	3.2
Office of The Governor	354.81	-	34.30	-	13.13	-	38.3	-	3.7	-
County Attorney	111.26	-	-	-	0.73	-	-	-	0.7	-
Finance	632.94	28.92	49.43	-	6.31	-	12.8	-	1.0	-
Economic Planning	33.83	-	-	-	-	-	-	-	-	-
Agriculture	320.19	362.29	55.84	55.00	7.51	-	13.4	-	2.3	-
Livestock	31.17	95.34	-	-	-	-	-	-	-	-
Fisheries	30.30	59.23	-	-	-	-	-	-	-	-
Water And Sanitation	187.83	950.63	48.50	-	29.94	-	61.7	-	15.9	-
Environment , Natural Resources And Wildlife	58.10	98.12	-	-	0.63	-	-	-	1.1	-
Education Sports & Youth Affairs	1,042.45	826.62	93.19	-	5.88	-	6.3	-	0.6	-
Information, Communication & Technology	37.00	10.00	-	-	-	-	-	-	-	-
Medical Services	2,699.45	847.79	455.65	-	29.65	-	6.5	-	1.1	-
Public Health	254.24	-	31.79	-	-	-	-	-	-	-
Roads, Transport And Public Works	442.47	1,013.16	28.21	-	14.60	-	51.7	-	3.3	-
lands and energy	144.43	46.50	9.90	-	0.68	-	6.8	-	0.5	-
Physical Planning ,Urban Development And Housing	52.36	498.41	-	-	-	-	-	-	-	-
Gender, Culture, Social Services And Sports	109.07	256.34	-	-	3.54	-	-	-	3.2	-
Trade And Tourism	96.34	180.75	-	-	1.12	-	-	-	1.2	-
Cooperatives Development	5.78	-	-	-	0.05	-	-	-	0.9	-
County Public Service Board	61.51	-	8.00	-	1.56	-	19.5	-	2.5	-
Devolution, Public Service And Disaster Management	545.62	67.84	40.37	-	47.50	-	117.7	-	8.7	-
TOTAL	8,154.67	5,653.10	953.04	65.00	250.75	9.85	26.3	15.2	3.1	0.2

Source: Kilifi County Treasury

Analysis of budget performance by department shows that, only the County Assembly reported expenditure on development which represented an absorption rate of 3.2 per cent while the Department of Water and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 15.9 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 own-source revenue collection by 52.7 per cent from Kshs.76.82 million generated in the first quarter of FY 2017/18 to Kshs.117.3 million in the reporting period

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

1. Delay in preparation and approval of key policy documents such as the County Integrated Development Plan, and the Annual Development Plan.
2. The Office noted inconsistencies between the IFMIS returns and manual returns submitted by the County Treasury. IFMIS returns showed total expenditure as Kshs.260.6 million while the manual returns had an expenditure of Kshs.743.91 million.
3. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury which occasioned low absorption of development budget.
4. Late submission of financial reports to the Controller of Budget 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 should put in place strategies to ensure key planning documents are approved within the stipulated time so as to enhance effective budgeting and implementation of plans.*
2. *The County Treasury should ensure all payments are processed through IFMIS and regularly reconciled to the manual vote books and ledgers.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
4. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

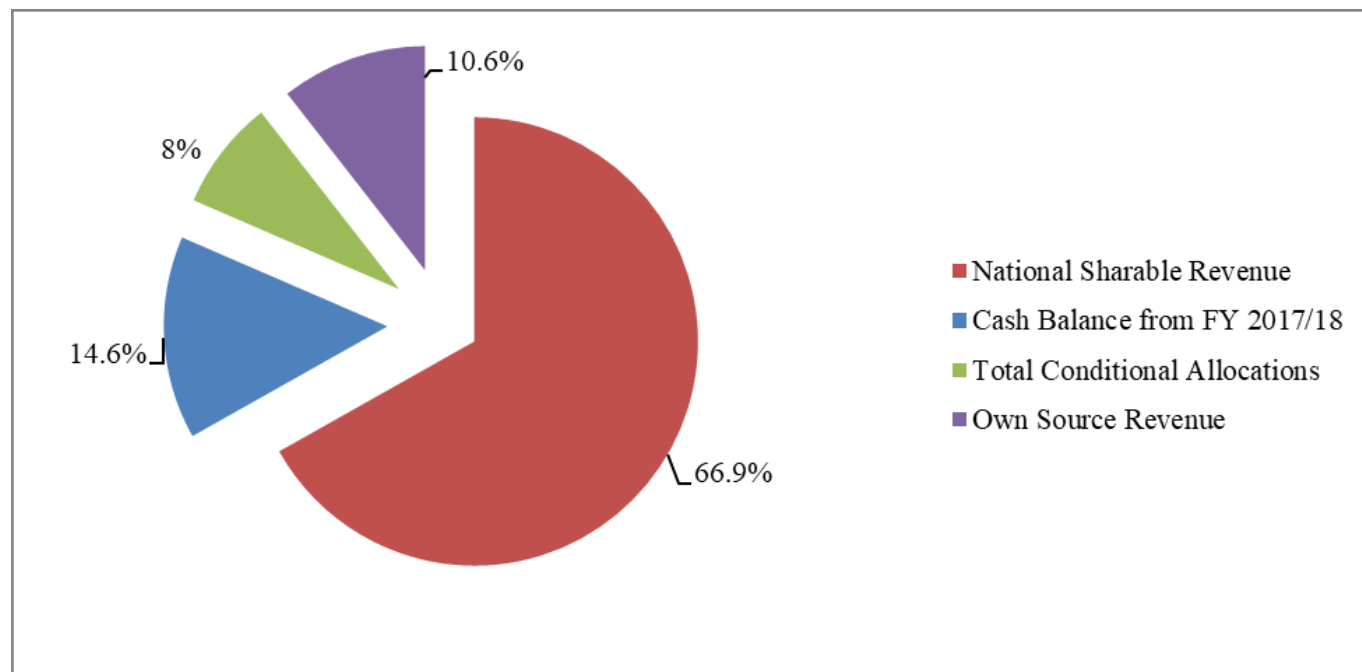
3.15 Kirinyaga County

3.15.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.6.15 billion, comprising of Kshs.3.67 billion (59.7 per cent) and Kshs.2.48 billion (40.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.11 billion (66.9 per cent) as equitable share of revenue raised nationally, Kshs.489.39 million (8 per cent) as total conditional grants, generate Kshs.650 million (10.6 per cent) from own source revenue, and Kshs.900.12 million (14.6 per cent) cash balance from FY 2017/18.

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



Source: Kirinyaga County Treasury

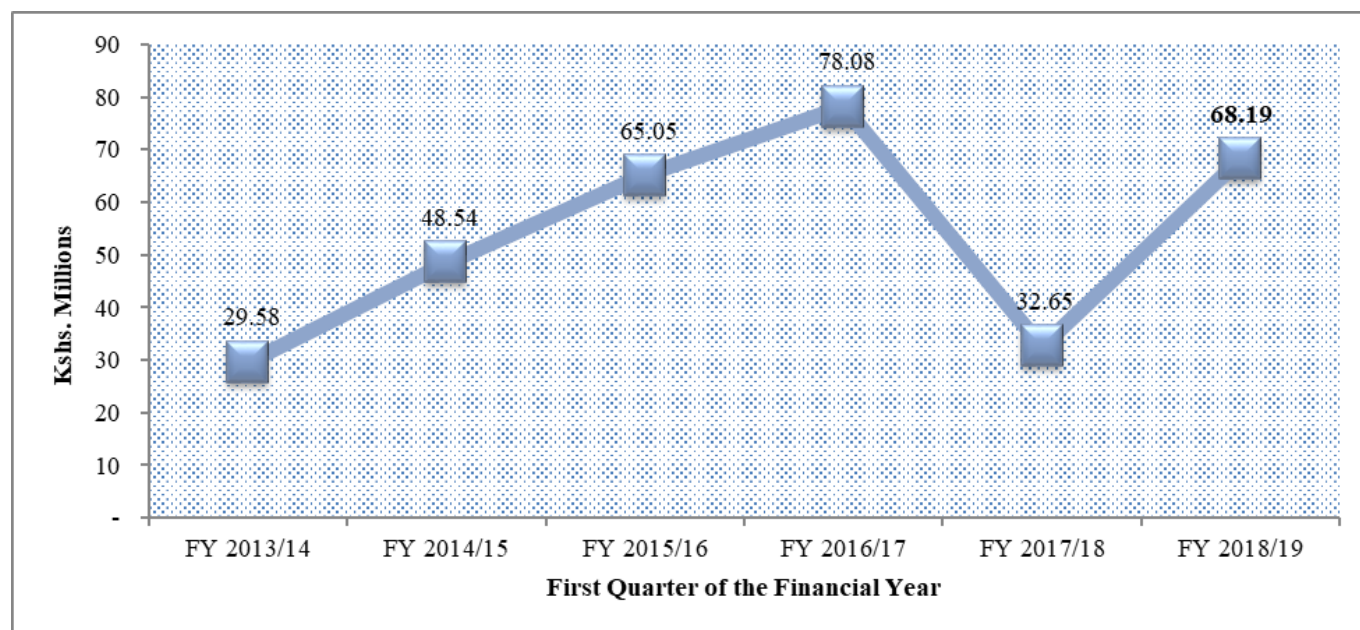
The conditional grants are in line with the CARA,2018 and consisted of Kshs.50 million (10.2 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (28.7 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.41.08 million (8.4 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.71.30 million (14.6 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.14.78 million (3.0 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.11.28 million (2.3 per cent) as Compensation for User Fees Foregone, Kshs.108.30 million (22.1 per cent) from the Road Maintenance Fuel Levy, and Kshs.52.21 million (10.7 per cent) for Rehabilitation of Village Polytechnics.

3.15.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.205.67 million as equitable share of revenue raised nationally, raised Kshs.68.19 million from own source revenue, and had a cash balance of Kshs.831.68 million from FY 2017/18. The total available funds amounted to Kshs.1.11 billion.

Figure 3.58 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.58: Kirinyaga County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Kirinyaga County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.68.19 million, representing an increase of 108.9 per cent compared to Kshs.32.65 million generated in the first quarter of FY 2017/18, which was 10.5 per cent of the annual target.

3.15.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of the FY 2018/19.

3.15.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.915.31 million from the CRF account, which was 14.9 per cent of the Approved Budget. This amount represented an increase of 23.9 per cent from Kshs.738.49 billion approved in the first quarter of FY 2017/18 and comprised of Kshs.852.59 million (93.1 per cent) for recurrent expenditure and Kshs.62.72 million (6.9 per cent) for development activities.

3.15.5 Overall Expenditure Review

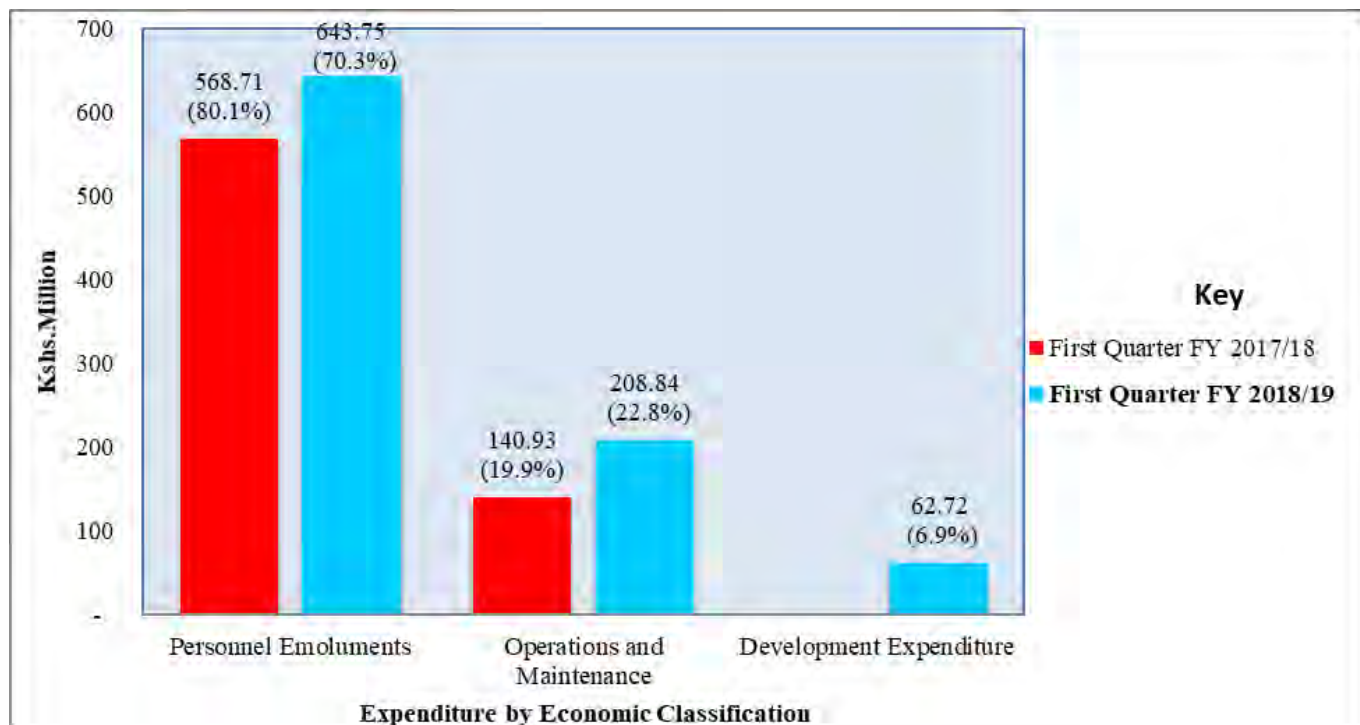
The County spent Kshs.915.31 million, which was 100 per cent of the total funds released for operations. This was an increase of 28.9 per cent from Kshs.709.63 million spent in the first quarter of FY 2017/18.

A total of Kshs.852.59 million was spent on recurrent activities while Kshs.62.72 million was spent on development activities. The recurrent expenditure was 100 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.25.18 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 23.2 per cent of the annual recurrent budget, an increase from 21.3 per cent recorded in the first quarter of FY 2017/18. Development expenditure recorded

an absorption rate of 2.5 per cent, while there was no development expenditure in the first quarter of FY 2017/18. Figure 3.59 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of FY 2017/18.

Figure 3.59: Kirinyaga County, Expenditure by Economic Classification



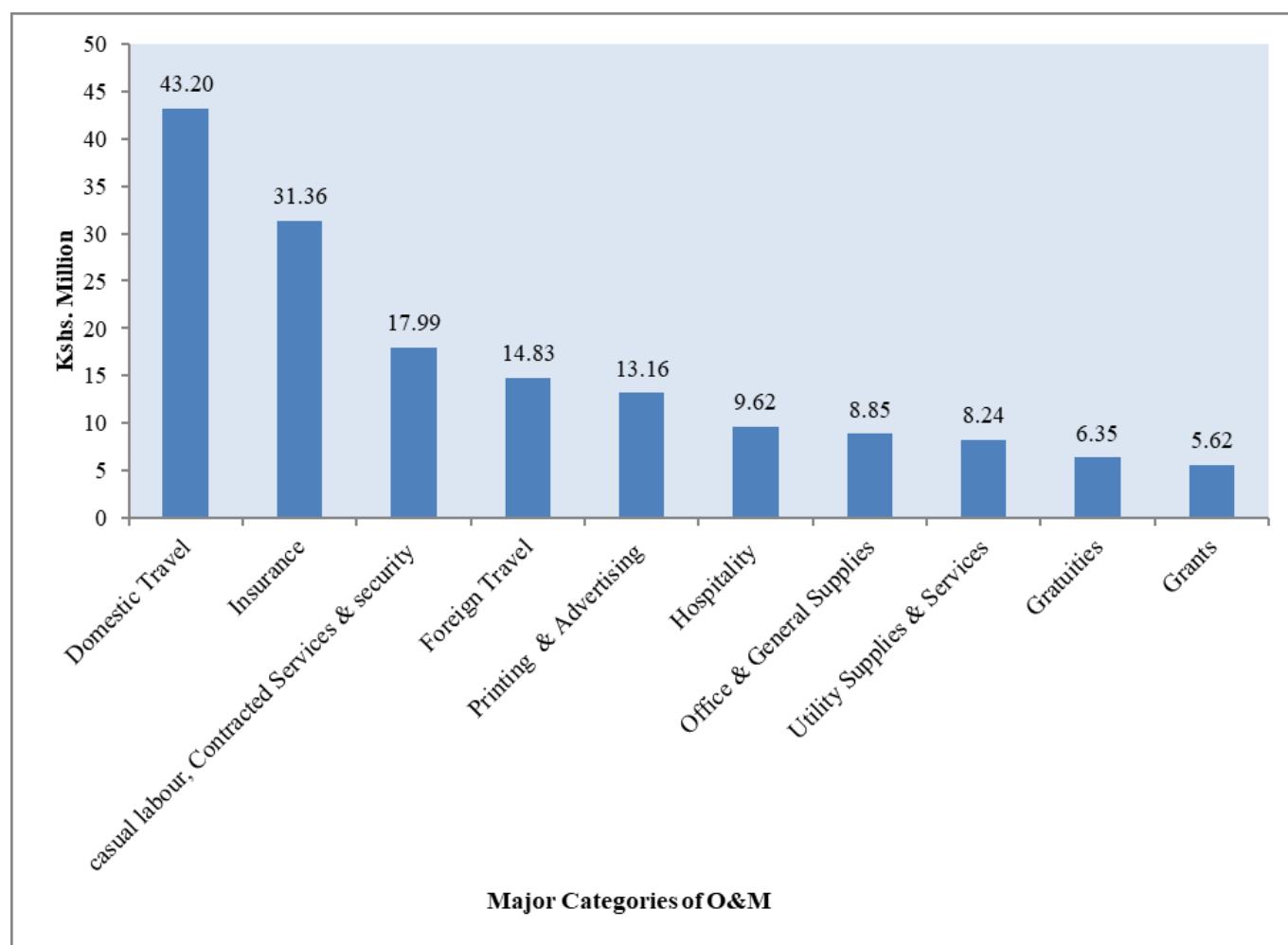
Source: Kirinyaga County Treasury

3.15.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.852.59 million comprised of Kshs.643.75 million (75.5 per cent) incurred on personnel emoluments and Kshs.208.84 million (24.5 per cent) on operations and maintenance as shown in Figure 3.59.

Expenditure on personnel emoluments represented an increase of 13.2 per cent compared to the first quarter of FY 2017/18 when the county spent Kshs.568.71 million, and was 80.1 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.60 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Kirinyaga County Treasury

The County spent Kshs.5.58 million on committee sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.80 million. The average monthly sitting allowance was Kshs.54,709 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.43.20 million and comprised of Kshs.32.75 million spent by the County Assembly and Kshs.10.45 million by the County Executive. This represented 5.07 per cent of total recurrent expenditure and was an increase of 91.2 per cent compared to Kshs.22.59 million spent in the first quarter of FY 2017/18.

3.15.7 Development Expenditure Analysis

The total development expenditure of Kshs.62.72 million represented 2.5 per cent of the annual development budget of Kshs.2.48 billion. Table 3.21 provides a list of development projects expenditure in the first quarter of the financial year.

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

S/ No.	Project name	Project location	Annual project budget (Kshs.)	Q1 expenditure (Kshs.)	Absorption rate (%)
1	Design, development and commissioning of Integrated health management systems	County HQ	14,961,898	10,881,380	72.7
2	Design, development and commissioning of integrated performance management systems	County HQ	13,390,025	9,738,200	72.9
3	Road construction	Mutithi-Kiandegwa	6,966,999	6,966,999	100
4	Construction of a Maternity ward at South Ngaria-ma Dispensary	Ngariama	13,873,583	6,315,532	45.6
5	Paving & Marking of Kutus Matatu Parking	Kutus	45,506,916	6,173,639	13.4
6	Construction of Kagio Matatu Parking Phase 1– LOT 1	Kagio	30,097,476	3,872,949	12.86
7	Gachuria Moyo Bridge	Murinduko Ward	3,844,812	3,844,812	100
8	Spot Improvement of Kutus Kaberege	Kabare Ward	3,587,988	3,587,988	100
9	Wamugi Box Culvert	Murinduko Ward	2,326,108	2,326,108	100
10	Construction of Mahigaiini Bridge across Nyamindi River	County HQ	4,358,894	2,232,699	51.2

Source: Kirinyaga County Treasury

3.15.8 Budget Performance by County Departments

Table 3.22 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.22: Kirinyaga County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	601.73	158.32	155.70	-	155.70	-	100		25.9	-
Governor/County Executive services	461.17	250	79.51	23.51	81.78	32.05	102.9	136.4	17.7	12.8
Finance and Economic Planning	304.65	38.39	45.17	9.74	64.79	7.30	143.4	75.0	21.3	19
Transport and Infrastructure	64.29	685.01	20.88	12.28	15.09	10.05	72.3	81.8	23.5	1.5
Trade and Cooperative Development	43.13	165.08	6.60	-	7.38	-	111.9	-	17.1	-
Education	241.20	37.06	25.75	-	31.40	-	121.9	-	13	-
Medical Services	1628.82	598.17	425.76	17.20	416.24	13.32	97.8	77.4	25.6	2.2
Housing & Urban Development	19.69	115.91	4.71	-	3.60	-	76.5	-	18.3	-
Agriculture, Livestock, Fisheries & Marketing	173.43	191.18	47.09	-	43.54	-	92.5	-	25.1	-
Youth, and Sports	19.51	50.49	7.68	-	2.63	-	34.2	-	13.5	-
Gender, Culture and Social services	37.54	33.71	12.39	-	10.14	-	81.8	-	27	-
Environment & Natural Resources	76.23	158.22	21.34	-	20.31	-	95.2	-	26.6	-
TOTAL	3,671.39	2,481.53	852.59	62.72	852.59	62.72	104.4	125.4	24.3	3.2

Source: Kirinyaga 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 19 per cent. The Department of Medical Services and County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 25.6 per cent and 25.9 per cent respectively while the Department of Education had the lowest at 13.5 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. Timely preparation and approval of the County's budget documents such as the Annual Development Plan (ADP), County Fiscal Strategy Paper (CFSP) and Budget Estimates for FY 2018/19.
- ii. Improvement in own source revenue collection by 108.9 per cent from Kshs.32.65 million in the first quarter of FY 2017/18 to Kshs.68.19 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. Failure by the County Executive to establish an Internal Audit Committee in compliance to Section 155 (5) of the PFM Act, 2012.
3. Failure to budget for pending bills from the previous financial year.

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.*
2. *The County Executive should establish an Internal Audit Committee in compliance with Section 155 (5) of the PFM Act, 2012.*
3. *The County should budget for pending bills in a Supplementary budget to facilitate their payment.*

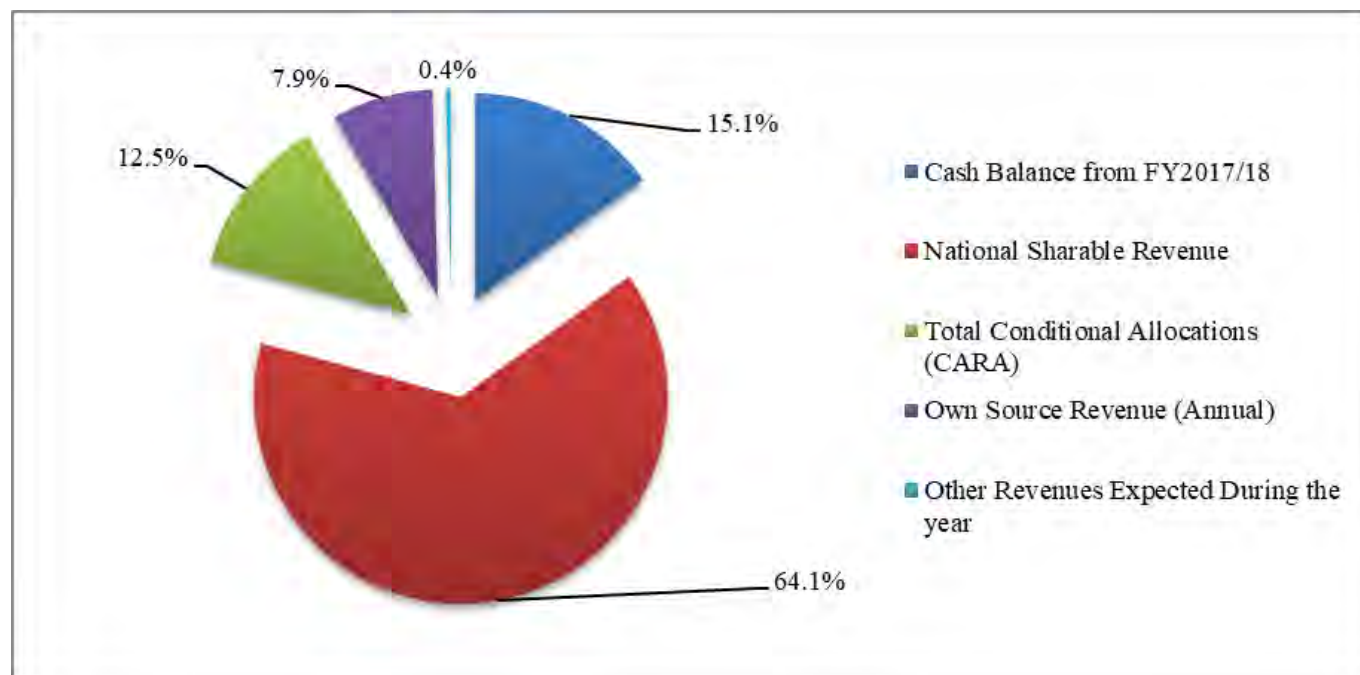
3.16 Kisii County

3.16.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.12 billion, comprising of Kshs.7.71 billion (64.3 per cent) and Kshs.4.29 billion (35.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.69 billion (64.1 per cent) as equitable share of revenue raised nationally, Kshs.1.54 billion (12.5 per cent) as total conditional grants, generate Kshs.950 million (7.9 per cent) from own source revenue, Kshs.48.46 million (0.4 per cent) from other revenue sources, and Kshs.1.81 billion (15.1 per cent) cash balance from FY 2017/18.

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



Source: Kisii County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.74.16 million (4.9 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (9.4 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.53.94 million (3.6 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.164.05 million (11 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.36.17 million (2.4 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.110 million (7.4 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.417.57 million (27.9 per cent) to Level-5 Hospital, Kshs.26.14 million (1.7 per cent) as Compensation for User Fees Foregone, Kshs.200 million (13.4 per cent) for Leasing of Medical Equipment, Kshs.203.38 million (13.6 per cent) from the Road Maintenance Fuel Levy, and Kshs.70.09 million (4.7 per cent) for Rehabilitation of Village Polytechnics.

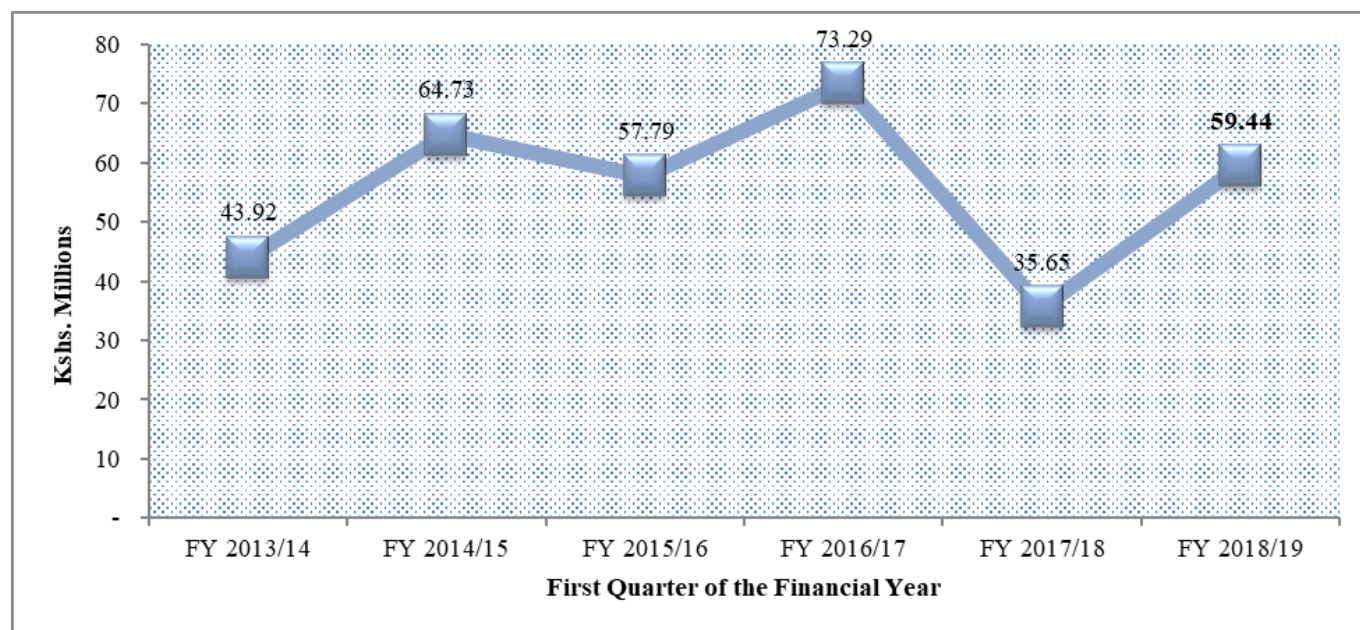
The County also budgeted to receive Kshs.40 million as Urban Institutional Grant and Kshs.8.46 million as ASDSP -SIDA programme, which are not contained in the CARA, 2018.

3.16.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.405.53 million as equitable share of revenue raised nationally, raised Kshs.59.44 million from own source revenue, and had a cash balance of Kshs.1.64 billion from FY 2017/18. The total available funds amounted to Kshs.2.10 billion.

Figure 3.62 shows the quarterly trend in own source revenue collection for the first quarter from FY 2013/14 to FY 2018/19.

Figure 3.62: Kisii County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Kisii County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.59.44 million, representing an increase of 66.7 per cent compared to Kshs.35.65 million generated in the first quarter of FY 2017/18, which was 6.3 per cent of the annual target.

3.16.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.16.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.1.10 billion from the CRF account, which was 9.2 per cent of the Approved Budget. This amount represented a decline of 16.8 per cent from Kshs.1.32 billion approved in the first quarter of FY 2018/19 and was entirely for recurrent expenditure.

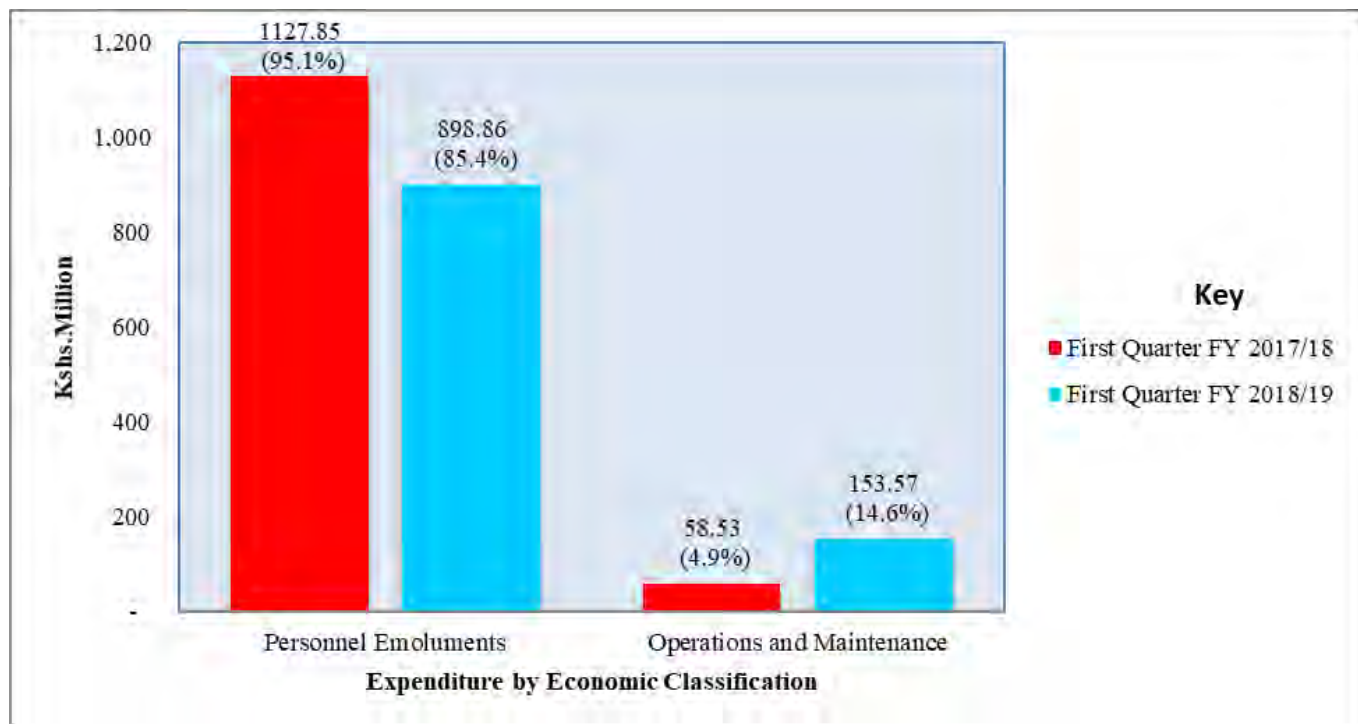
3.16.5 Overall Expenditure Review

The County spent Kshs.1.05 billion, which was 95.7 per cent of the total funds released for operations. This was a decline of 11.3 per cent from Kshs.1.19 billion spent in the first quarter of FY 2017/18.

The entire expenditure was spent on recurrent activities and excluded outstanding commitments which amounted to Kshs.697.76 million for development activities as at September 30, 2018.

The recurrent expenditure represented 13.7 per cent of the annual recurrent budget, a decrease from 18 per cent recorded in the first quarter of FY 2017/18. Figure 3.63 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.63: Kisii County, Expenditure by Economic Classification



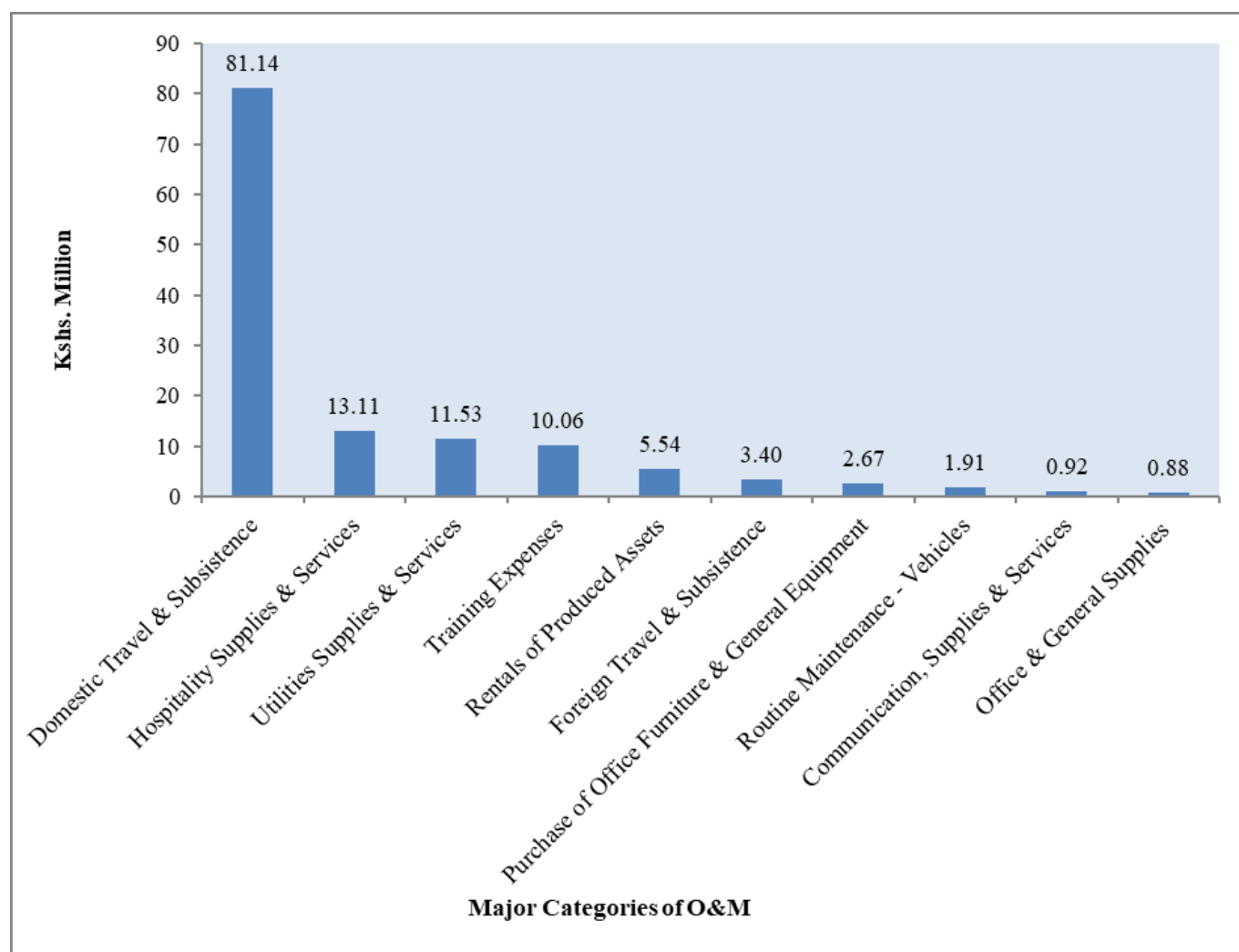
Source: Kisii County Treasury

3.16.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.05 billion comprised of Kshs.898.86 million (85.4 per cent) incurred on personnel emoluments and Kshs.153.57 million (14.6 per cent) on operations and maintenance as shown in Figure 3.63.

Expenditure on personnel emoluments represented a decrease of 20.3 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.1.13 billion, and was 85.4 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.64 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Kisii County Treasury

The County spent Kshs.20.10 million on committee sitting allowances to the 70 MCAs against the annual budget allocation of Kshs.94.82 million. The average monthly sitting allowance was Kshs.95,718 per MCA against the SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.81.14 million and comprised of Kshs.24.56 million spent by the County Assembly and Kshs.56.58 million by the County Executive. This represented 7.7 per cent of total recurrent expenditure and was an increase of 72.9 per cent compared to Kshs.46.92 million spent in the first quarter of FY 2017/18.

3.16.7 Development Expenditure Analysis

The County did not incur expenditure on development activities during the first three months of FY 2018/19.

3.16.8 Budget Performance by County Departments

Table 3.23 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.23: Kisii County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	961.84	250	139.47	-	138.21	-	99.1	-	14.4	-
Office of the Governor	460.48	25	78.80	-	72.31	-	91.8	-	15.7	-
Finance and Economic Planning	1,197.77	181.73	162.73	-	143.89	-	88.4	-	12	-
Agriculture and Co-operative Development	348.25	525.99	54.41	-	47.52	-	87.3	-	13.6	-
Energy, Water, Environment and Natural Resources	195.73	307.60	17.84	-	10.95	-	61.4	-	5.6	-
Education, Youth Affairs and Social Development	607.89	251.38	72.18	-	37.25	-	51.6	-	6.1	-
County Health Services	2,686.15	989.81	401.65	-	463.75	-	115.5	-	17.3	-
Lands, Physical Planning and Urban Development	108.20	247.40	17.63	-	4.11	-	23.3	-	3.8	-
Roads, Public Works & Transport	195.45	878.14	18.15	-	13.85	-	76.3	-	7.1	-
Trade Development, Industry & Tourism	94.58	147.96	9.45	-	4.94	-	52.3	-	5.2	-
Culture and Social Services	95	173	18.13	-	4.89	-	27.0	-	5.1	-
Kisii Town Urban Area	139.28	194.46	10.42	-	14.45	-	138.6	-	10.4	-
Administration & Stakeholder Management	617.45	116.25	98.34	-	96.30	-	97.9	-	15.6	-
TOTAL	7,708.07	4,288.73	1,099.20	-	1,052.43	-	95.7	-	13.7	-

Source: Kisii County Treasury

Analysis of budget performance by department shows that, the County Health Services Department had the highest percentage of recurrent expenditure to recurrent budget at 17.3 per cent while the Department of Lands, Physical Planning and Urban Development had the lowest at 3.8 per cent.

3.16.9 Key Observations and Recommendations

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

- i. Improvement in own source revenue collection by 66.7 per cent from Kshs.35.65 million collected in the first quarter of FY 2017/18 to Kshs.59.44 million collected in the period under review.
- ii. Timely submission of financial reports by the County Treasury to 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 equitable share of revenue raised nationally by the National Treasury.
2. Increased spending on domestic travel by 72.9 per cent from Kshs.46.92 million in the first three months of FY 2017/18 to Kshs.81.14 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 the funds allocated to the County are released in timely manner and as per the CARA, 2018.
2. The County should control expenditure on non-core areas in order to release resources for development projects.

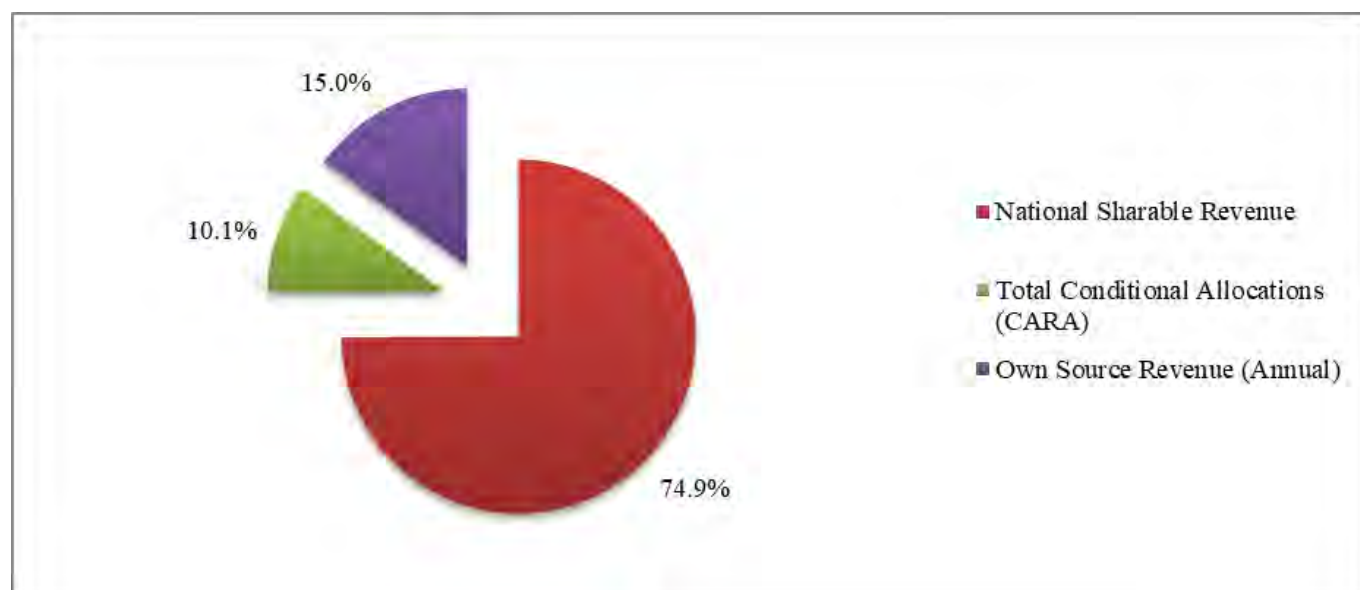
3.17 Kisumu County

3.17.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.9.22 billion, comprising of Kshs.6.38 billion (69.3 per cent) and Kshs.2.83 billion (30.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.91 billion (75 per cent) as equitable share of revenue raised nationally, Kshs.927.32 million (10 per cent) as total conditional grants, generate Kshs.1.38 million (15 per cent) from own source revenue. The County did not appropriate unspent balance from FY 2017/18 which was Kshs.1.44 billion.

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



Source: Kisumu County Treasury

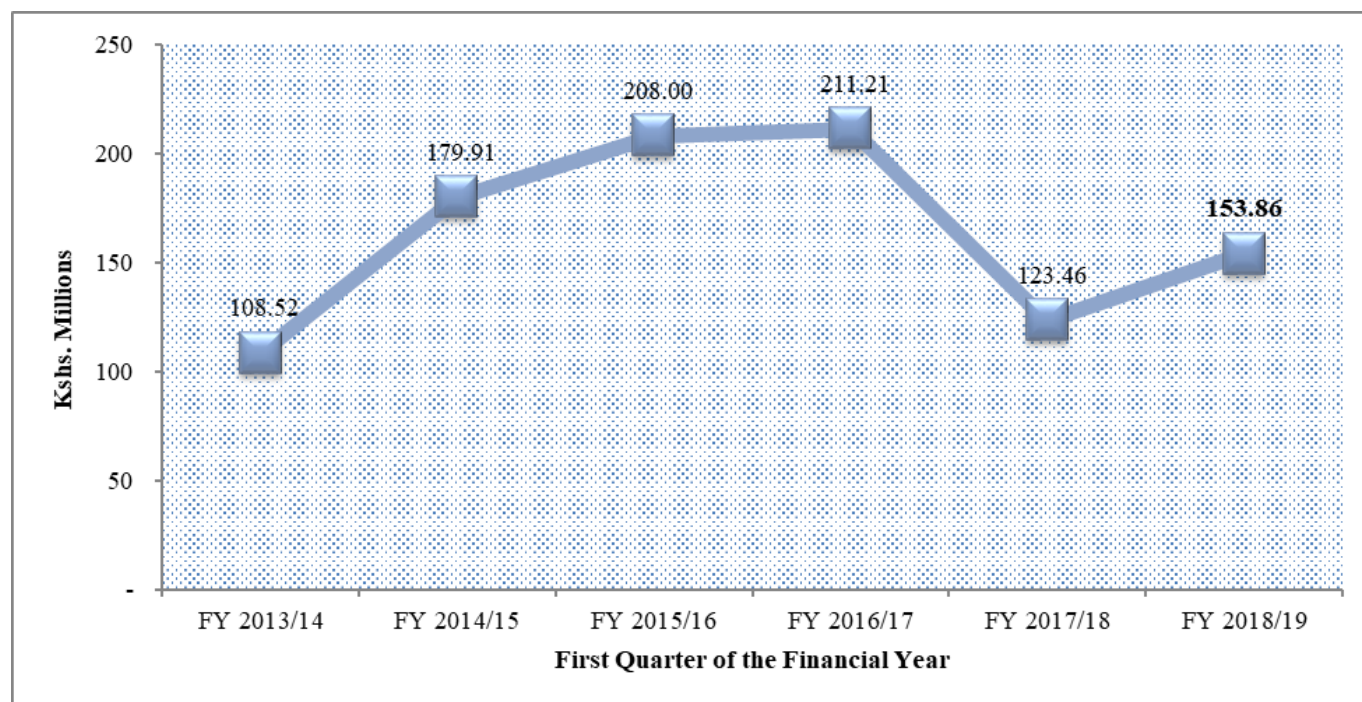
The conditional grants are in line with the CARA,2018 and consisted of Kshs.46.31 million (5 per cent) for Transforming Health Systems for Universal Care Project, Kshs.46.36 million (5 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.16.4 million (1.8 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.156 million (16.8 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.369.02 million (39.8 per cent) to Level-5 Hospital, Kshs.21.17 million (2.3 per cent) as Compensation for User Fees Foregone, Kshs.242.06 million (26.1 per cent) from the Road Maintenance Fuel Levy, and Kshs.30 million (3.2 per cent) for Rehabilitation of Village Polytechnics.

3.17.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.363.85 million as equitable share of revenue raised nationally, raised Kshs.153.86 million from own source revenue, and had a cash balance of Kshs.1.44 billion from FY 2017/18. The total available funds amounted to Kshs.1.95 billion.

Figure 3.66 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.66: Kisumu County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Kisumu County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.153.86 million, representing an increase of 24.6 per cent compared to Kshs.123.46 million generated in the first quarter of FY 2017/18, which was 11.1 per cent of the annual target.

3.17.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.17.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.1.68 billion from the CRF account, which was 18.3 per cent of the Approved Budget. This amount represented an increase of 161.1 per cent from Kshs.641.9 million approved in the first quarter of FY 2018/19 and comprised of Kshs.1.68 billion (99.6 per cent) for recurrent expenditure and Kshs.7.12 million (0.6 per cent) for development activities.

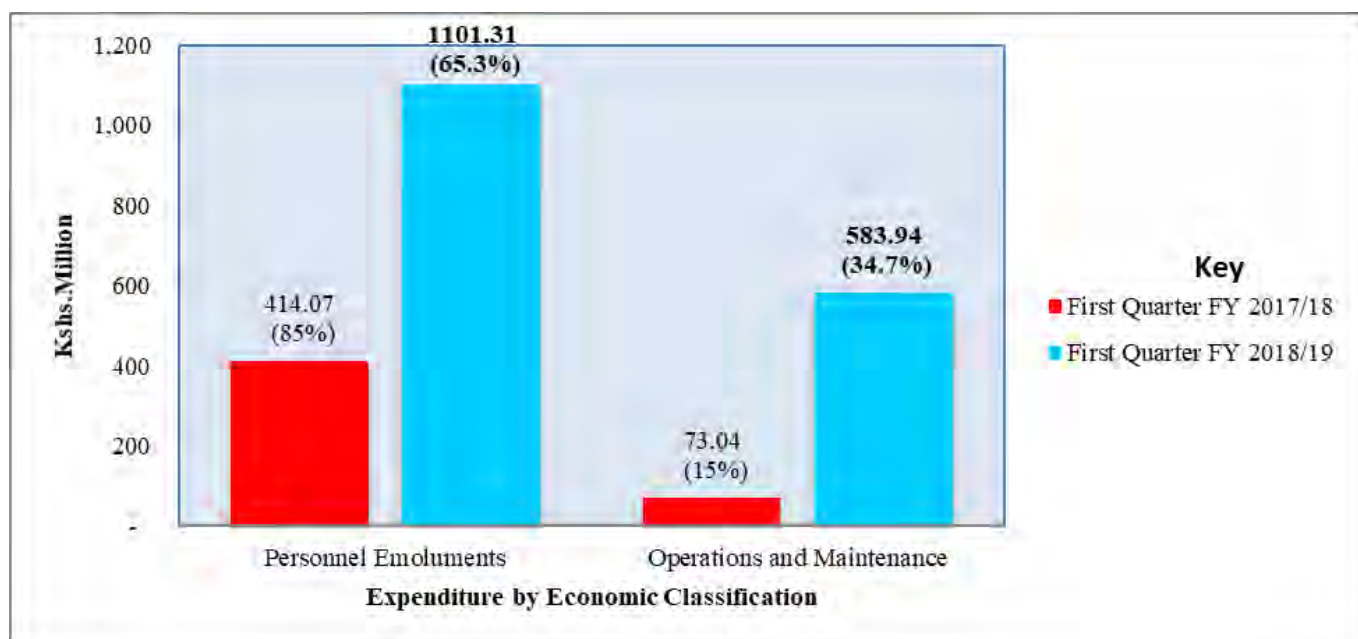
3.17.5 Overall Expenditure Review

The County spent Kshs.1.69 billion, which was 100.5 per cent of the total funds released for operations. This was an increase of 246 per cent from Kshs.487.1 million spent in the first quarter of FY 2017/18. The entire expenditure was on recurrent activities.

The County Government did not spend on development activities during the first quarter of FY2018/19. The recurrent expenditure was 100.5 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments which amounted to Kshs.240.2 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 26.4 per cent of the annual recurrent budget, an increase from 7.3 per cent recorded in the first quarter of FY 2017/18. Figure 3.67 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.67: Kisumu County, Expenditure by Economic Classification



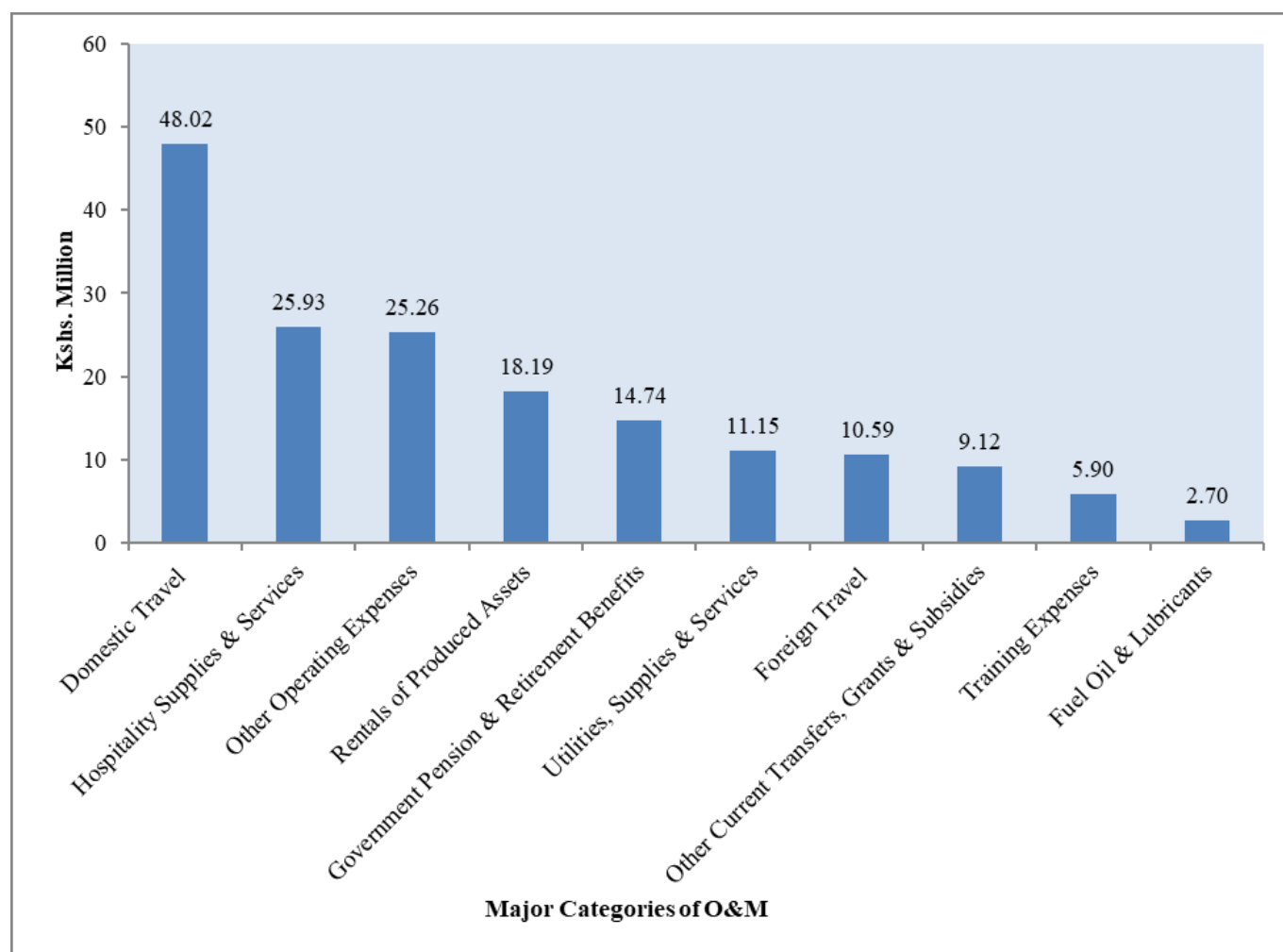
Source: Kisumu County Treasury

3.17.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.69 billion comprised of Kshs.1.1 billion (65.3 per cent) incurred on personnel emoluments and Kshs.583.94 million (34.7 per cent) on operations and maintenance as shown in Figure 3.67.

Expenditure on personnel emoluments represented an increase of 166 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.414.07 million, and was 65.3 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.68 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Kisumu County Treasury

The County spent Kshs.7.97 million on committee sitting allowances to the 49 MCAs and Speaker against the annual budget allocation of Kshs.55.11 million. This was an increase of 24.4 per cent compared to Kshs.6.41 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.54,237 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.48.02 million and comprised of Kshs.14.02 million spent by the County Assembly and Kshs.33.94 million by the County Executive. This represented 2.8 per cent of total recurrent expenditure and was an increase of 358.9 per cent compared to Kshs.12.77 million spent in the first quarter of FY 2017/18.

3.17.7 Development Expenditure Analysis

The County did not incur any development expenditure during the first quarter of FY 2018/2019.

3.17.8 Budget Performance by County Departments

Table 3.24 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.24: Kisumu County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Fisheries	282.84	104.40	63.20	-	15.42	-	24.4	-	5.5	-
City of Kisumu	693.01	267.86	177.14	-	-	-	-	-	-	-
Kisumu County Public Service Board	81.26	-	29.74	-	19.70	-	66.2	-	24.2	-
Education, Gender, Youth, Human Resource Development, ICT and Social Services	268.36	247.77	77.37	7.12	46.64	-	60.3	-	17.4	-
Office of the Governor and County Administration	442.75	199.76	135.24	-	122.23	-	90.4	-	27.6	-
Health Services	2,845.05	300.78	808.21	-	1,198.93	-	148.3	-	42.1	-
Economic Planning	66.96	74.17	22.64	-	-	-	-	-	-	-
Tourism, Culture, Sports and Information	89.08	77.10	18.27	-	2.81	-	15.4	-	3.1	-
Roads, Transport and Public Works	182.20	599.98	57.61	-	31.76	-	55.1	-	17.4	-
Lands, Housing and Physical Planning	43.89	116.90	14.36	-	0.40	-	2.8	-	0.9	-
Business, Energy and Industry	119.70	381.32	32.32	-	4.54	-	14.0	-	3.8	-
Finance	436.31	173.60	86.80	-	115.51	-	133.1	-	26.5	-
Water, Environment and Natural Resources	148.66	238.60	24.19	-	10.23	-	42.3	-	6.9	-
County Assembly	684.80	50.76	129	-	117.08	-	90.8	-	17.1	-
Total	6,384.89	2,833.00	1,676.10	7.12	1,685.25	-	100.5	-	26.4	-

Source: Kisumu County Treasury

The Health Services Department recorded the highest percentage of recurrent expenditure to recurrent budget at 42.1 per cent while the Department of City of Kisumu and the Department of Economic Planning did not incur any recurrent expenditure.

3.17.9 Key Observations and Recommendations

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

- i. Improvement in absorption of the budget from Kshs.487.1 million in the first three months of FY 2017/18 to Kshs.1.69 billion in the period under review.
- ii. Automation of own source revenue collection which is expected to enhance revenue performance.

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

1. Failure to use IFMIS in capturing expenditure incurred by hospitals and health centres financed through capital and current transfers.
2. Delay in disbursement of equitable share of revenue raised nationally by the National Treasury.
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 IFMIS Directorate to build capacity and ensure IFMIS adopted in capturing expenditure by hospitals and health centres.*
2. *The County Treasury should liaise with the National Treasury to ensure that the funds allocated to the County are released in timely manner.*
3. *The County Treasury should ensure timely preparation and submission of revenue and expenditure reports in line with Section 166 of the PFM Act, 2012.*

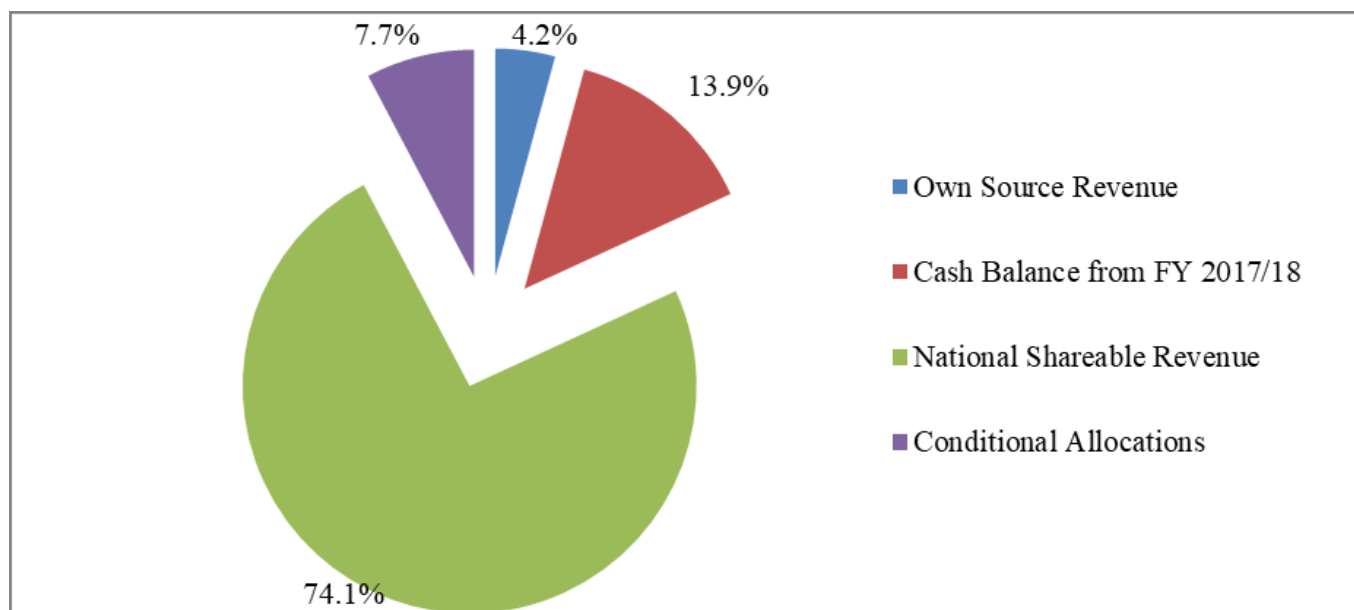
3.18 Kitui County

3.18.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.11.78 billion, comprising of Kshs.6.81 billion (57.8 per cent) and Kshs.4.97 billion (42.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.73 billion (74.1 per cent) as equitable share of revenue raised nationally, Kshs.910.08 million (7.7 per cent) as total conditional grants, generate Kshs.500 million (4.2 per cent) from own source revenue, and Kshs.1.64 billion (13.9 per cent) cash balance from FY 2017/18.

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



Source: Kitui County Treasury

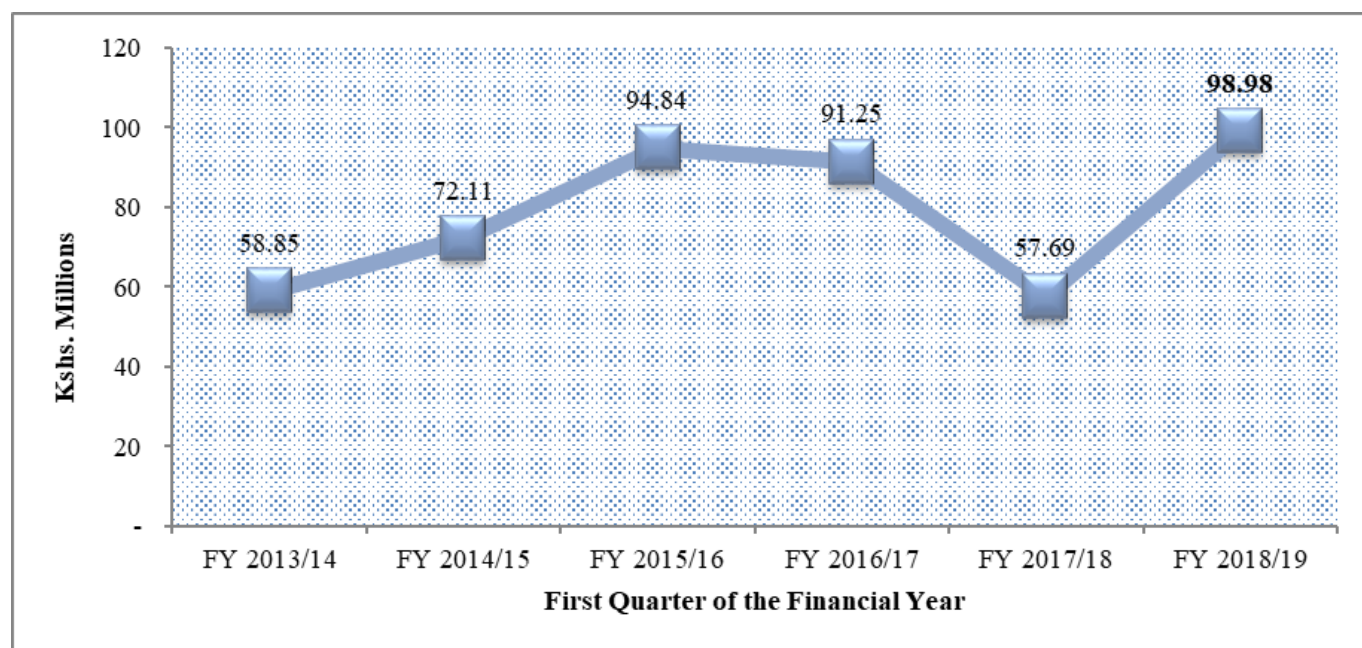
The conditional grants are in line with the CARA,2018 and consisted of Kshs.100 million (11 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (15.4 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.57.46 million (6.3 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.232.37 million (29.9 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.29 million (3.2 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.22.5 million (2.5 per cent) as Compensation for User Fees Foregone, Kshs.229.83 million (25.3 per cent) from the Road Maintenance Fuel Levy, and Kshs.58.47 million (6.4 per cent) for Rehabilitation of Village Polytechnics

3.18.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.1.05 billion as equitable share of revenue raised nationally, raised Kshs.98.98 million from own source revenue, and had a cash balance of Kshs.895.63 million from FY 2017/18. The total available funds amounted to Kshs.2.04 billion.

Figure 3.70 shows the quarterly trend in own source revenue collection for the first quarter from FY 2013/14 to FY 2018/19.

Figure 3.70: Kitui County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Kitui County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.98.98 million, representing an increase of 71.6 per cent compared to Kshs.57.69 million generated in the first quarter of FY 2017/18, which was 19.8 per cent of the annual target.

3.18.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.18.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.1.84 billion from the CRF account, which was 15.6 per cent of the Approved Budget. This amount represented an increase of 168.3 per cent from Kshs.684.64 million approved in the first quarter of FY 2017/18 and comprised of Kshs.1.54 billion (83.6 per cent) for recurrent expenditure and Kshs.300.5 million (16.4 per cent) for development activities.

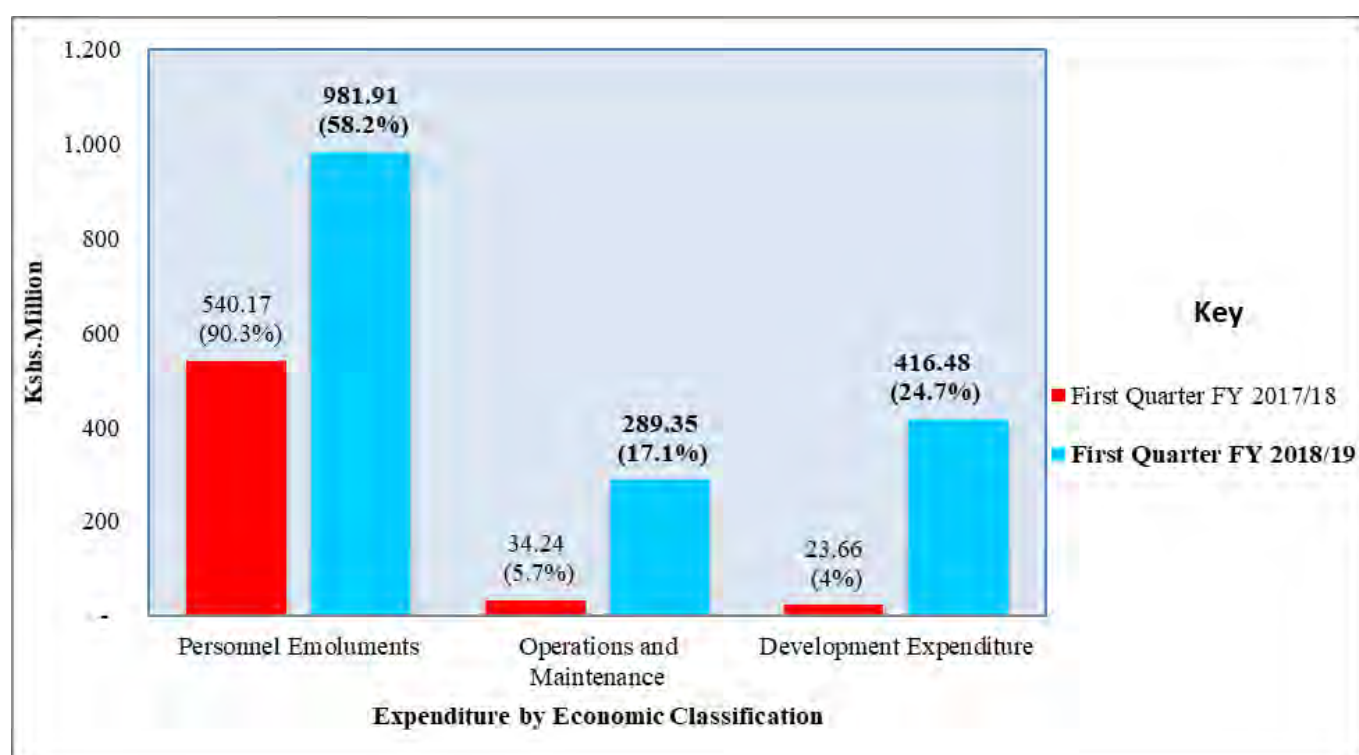
3.18.5 Overall Expenditure Review

The County spent Kshs.1.69 billion, which was 91.9 per cent of the total funds released for operations. This was an increase of 182.1 per cent from Kshs.598.07 million spent in the first quarter of FY 2017/18.

A total of Kshs.1.27 billion was spent on recurrent activities while Kshs.416.48 million was spent on development activities. The recurrent expenditure was 82.7 per cent of the funds released for recurrent activities, while development expenditure was 138.6 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.467.21 million for development activities and Kshs.204.20 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 18.7 per cent of the annual recurrent budget an increase from 9.2 per cent recorded in the first quarter of FY 2017/18. Development expenditure recorded an absorption rate of 8.4 per cent, which was an increase from 0.7 per cent attained in the first quarter of FY 2017/18. Figure 3.71 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.71: Kitui County, Expenditure by Economic Classification



Source: Kitui County Treasury

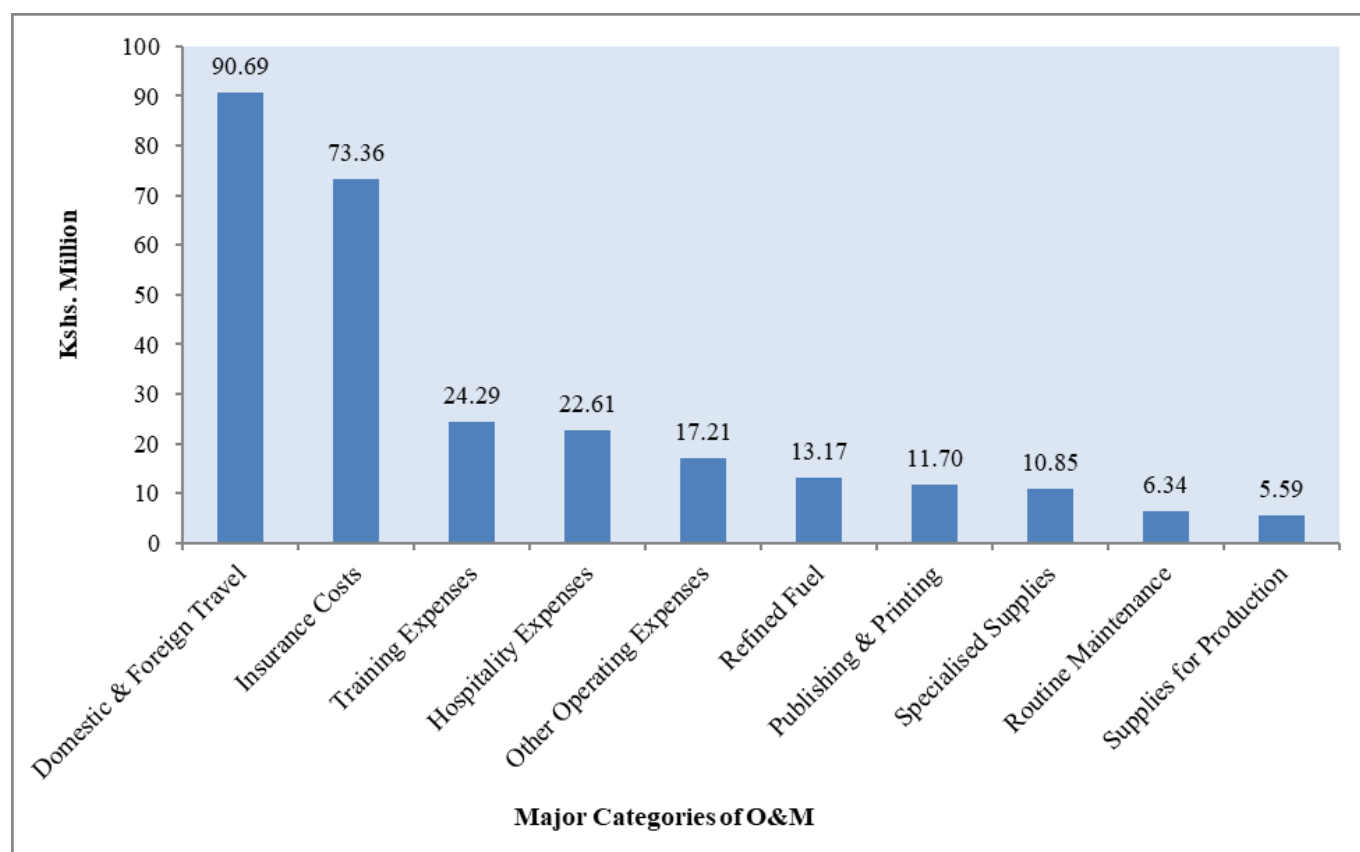
3.18.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.27 billion comprised of Kshs.981.91 million (77.3 per cent) incurred on personnel emoluments and Kshs.289.35 million (22.7 per cent) on operations and maintenance as shown in Figure 3.71.

Expenditure on personnel emoluments represented an increase of 81.8 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.540.17 million, and was 58.2 per cent of total expenditure in the first quarter of FY 2018/19.

Figure 3.72 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Kitui County Treasury

The County spent Kshs.9.94 million on committee sitting allowances to the 54 MCAs against the annual budget allocation of Kshs.65.94 million. The average monthly sitting allowance was Kshs.60,214 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.66.23 million and comprised of Kshs.23.39 million spent by the County Assembly and Kshs.67.29 million by the County Executive. This represented 7.1 per cent of total recurrent expenditure and was an increase of 353.6 per cent compared to Kshs.19.99 million spent in the first quarter of FY 2017/18.

3.18.7 Development Expenditure Analysis

The total development expenditure of Kshs.416.48 million represented 8.4 per cent of the annual development budget of Kshs.4.97 billion. Table 3.25 provides a list of development projects with the highest expenditure in the first quarter of the financial year.

Table 3.25: Kitui County, List of Development Projects

S/No.	Project name	Project location	Annual project budget (Kshs.)	Q1 expenditure (Kshs.)	Absorption rate (%)
1	Supply and installation of CT scan Machine and accessories	Kitui central	80,000,000	46,747,747	58.4
2	Opening of Maluku-Katakani road	Kitui Central	16,241,300	14,624,122	90
3	Supply and installation of two light resolution ultra sound	Kitui Central	12,000,000	12,000,000	100
4	Supply of advanced patient monitors	Kitui Central	10,971,000	10,971,000	100
5	Construction of Mandongoi-Kiseuni-Kaathini road	Kitui Rural	12,615,236	10,456,530	82.9
6	Supply of electricity for Masinga water treatment works	Kitui Central	10,278,679	10,278,679	100
7	Supply and installation of equipments on broken down boreholes	Kitui Central	7,929,413	7,929,413	100
8	Construction of 135 m ³ masonry tank at Mathuki	Mwingi Central	9,480,468	6,636,327	70
9	Construction and rehabilitation of Katotu pipeline	Mwingi West	5,912,123	5,912,123	100
10	Supply and installation of 100 m ³ pressed steel tank at Ikutha town	Kitui West	5,412,373	5,412,373	100

Source: Kitui County Treasury

3.18.8 Budget Performance by County Departments

Table 3.26 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.26: Kitui County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	583.43	825	145.98	53.87	185.96	81.7	127.4	151.7	31.8	9.9
Administration & Coordination of County Affairs	373.00	-	77.16	-	158.6	-	205.5	-	42.5	-
County Treasury	458.17	107.46	90.17	-	32.43	-	36.0	-	7.1	-
Health and Sanitation	2,420.27	506.98	566.17	21.46	635.31	49.71	112.2	231.6	26.3	9.8
Basic Education, ICT and Youth Development	548.37	160.47	139.99	7.55	51.21	22.21	36.6	294.2	9.3	13.8
Trade, Co-operatives and Investments	102.84	644.2	30.88	41.12	3.23	42.23	10.5	102.7	3.1	6.7
Lands, Infrastructure, Housing and Urban Development	325.45	789.07	109.53	57.16	36.56	90.6	33.4	158.5	11.2	11.5
Tourism, Sports and Culture	148.05	124.08	21.87	1.85	14.89	1.47	67.9	79.5	10.1	1.2
Agriculture, Water and Livestock	494.84	1,219.84	124.11	106.45	10.41	116.05	8.4	109.0	2.1	9.5
Environment and Natural Resources	141.46	115.13	25.69	10.57	8.85	7.96	34.4	75.3	5.6	6.9
County Public Service Board	61.14	-	12.30	-	5.56	-	45.2	-	9.1	-
County Assembly	904.80	130.00	159.61	-	112.28	-	70.3	-	12.4	-
Kitui Town	161.81	292.88	22.75	-	13.49	3.60	59.1	-	8.3	1.2
Mwingi Town	81.99	54.50	10.26	0.47	2.06	0.94	20.1	200.0	2.5	1.7

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
TOTAL	6,805.63	4,969.60	1,536.47	300.50	1,270.75	416.48	82.7	138.6	18.7	8.4

Source: Kitui County Treasury

Analysis of budget performance by department shows that the Department of Basic Education, ICT and Youth Development attained the highest absorption rate of development budget at 13.8 per cent followed by the Department of Lands, Infrastructure, Housing, and Urban Development at 11.5 per cent. The Department of Administration and Coordination of County Affairs had the highest percentage of recurrent expenditure to recurrent budget at 42.5 per cent followed by the Office of the Governor at 31.8 per cent.

3.18.9 Key Observations and Recommendations

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

- i. Improvement in own source revenue collection by 71.6 per cent from the Kshs.57.69 million achieved in the first quarter of FY 2017/18 to Kshs.98.98 million in the reporting period.
- ii. Improvement in the utilisation of budget by 182.1 per cent from Kshs.598.07 million in the first quarter of FY 2017/18 to Kshs.1.69 billion in the period under review.

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

1. High expenditure on personnel costs which increased by 81.8 per cent from Kshs.540.17 million in the first quarter of FY 2017/18 to Kshs.981.91 million in the reporting period. Personnel costs accounted for 58.2 per cent of the total expenditure in the reporting period.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*

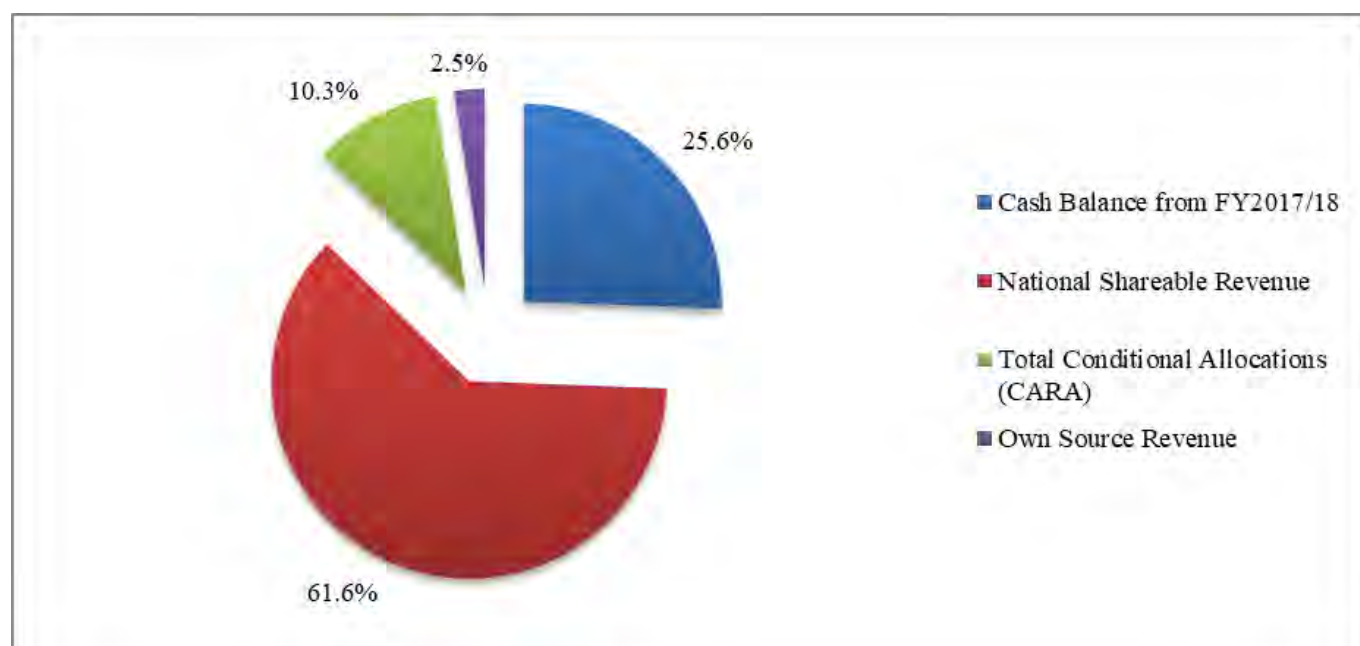
3.19 Kwale County

3.19.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.12.23 billion, comprising of Kshs.4.76 billion (38.9 per cent) and Kshs.7.47 billion (61.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.54 billion (61.6 per cent) as equitable share of revenue raised nationally, Kshs.1.26 billion (10.3 per cent) as total conditional grants, generate Kshs.303.11 million (2.5 per cent) from own source revenue, and Kshs.3.13 billion (25.6 per cent) cash balance from FY 2017/18.

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



Source: Kwale County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.98.18 million (7.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (11.1 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.50.75 million (4.0 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.50 million (4.0 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.24.30 million (1.9 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.45 million (3.6 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.400 million (31.6 per cent) from IDA (World Bank) as credit for Water & Sanitation Development Project (WSDP), Kshs.15.21 million (1.2 per cent) as Compensation for User Fees Foregone, Kshs.200 million (15.8 per cent) for Leasing of Medical Equipment, Kshs.198.42 million (15.7 per cent) from the Road Maintenance Fuel Levy, and Kshs.41.86 million (3.3 per cent) for Rehabilitation of Village Polytechnics

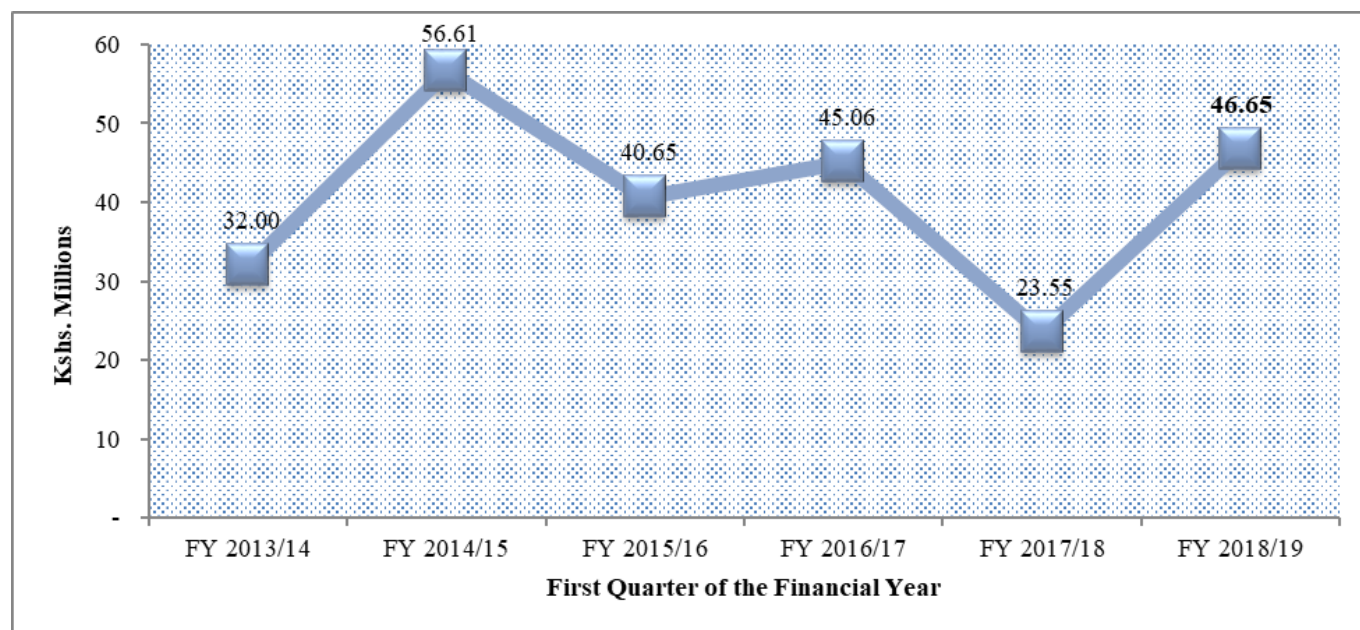
The County also budgeted to receive Kshs.110 million as EU grant for Construction of Kombani Market project, which is not contained in the CARA, 2018.

3.19.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.376.80 million as equitable share of revenue raised nationally, received Kshs.50.01 million as EU grant for Construction of Kombani Market, raised Kshs.46.65 million from own source revenue, and had a cash balance of Kshs.2.12 billion from FY 2017/18. The total available funds amounted to Kshs.2.59 billion.

Figure 3.74 shows the quarterly trend in own source revenue collection for the first quarter from FY 2013/14 to FY 2018/19.

Figure 3.74: Kwale County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Kwale County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.46.65 million, representing an increase of 98.1 per cent compared to Kshs.23.55 million generated in the first quarter of FY 2017/18, which was 15.4 per cent of the annual target.

3.19.3 Conditional Grants

The County received Kshs.50.01 million as conditional grant from EU for construction of Kombani Market during the period under review.

3.19.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.1.63 billion from the CRF account, which was 13.3 per cent of the Approved Budget. This amount represented an increase of 90.2 per cent from Kshs.855.15 million approved in the first quarter of FY 2018/19 and comprised of Kshs.1.37 billion (84.3 per cent) for recurrent expenditure and Kshs.254.95 million (15.7 per cent) for development activities.

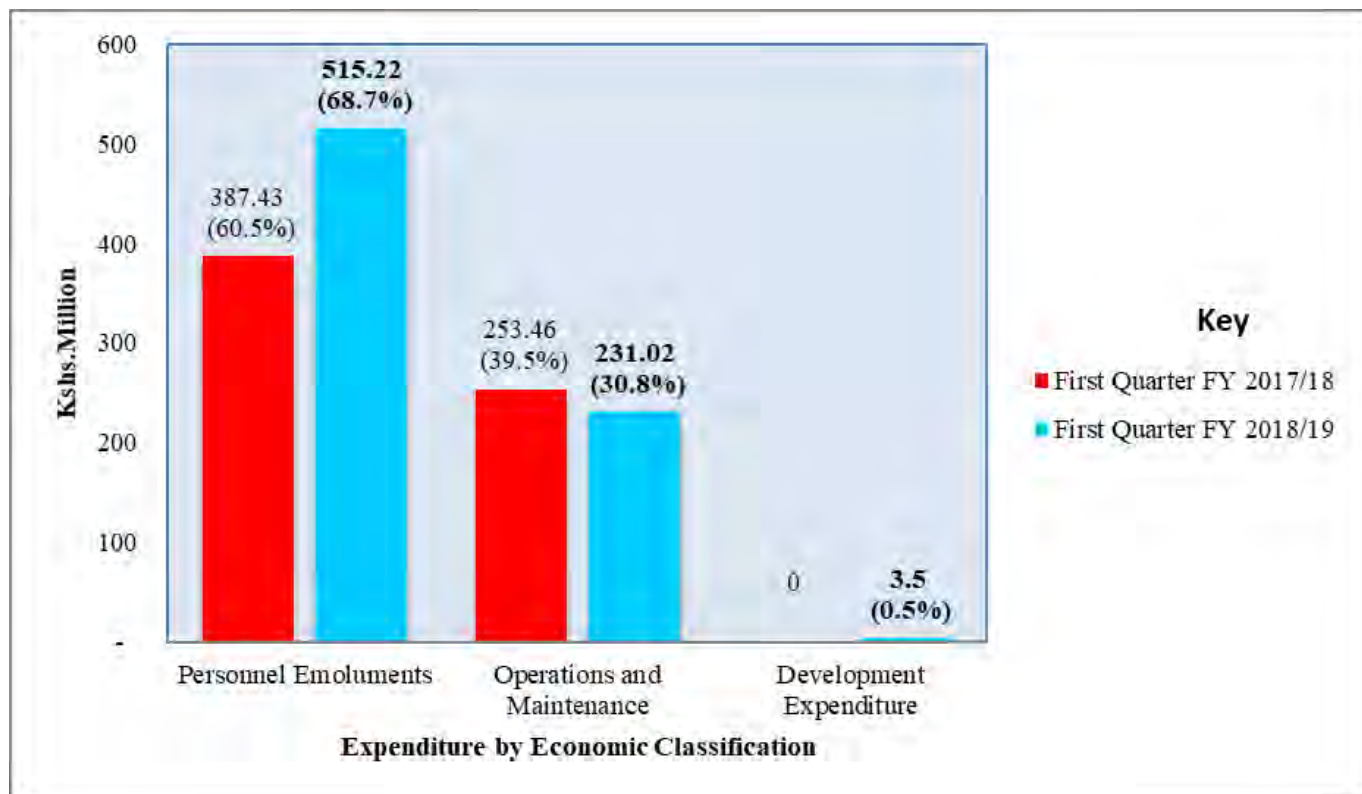
3.19.5 Overall Expenditure Review

The County spent Kshs.749.74 million, which was 46.1 per cent of the total funds released for operations. This was an increase of 17 per cent from Kshs.640.89 million spent in the first quarter of FY 2017/18.

A total of Kshs.746.24 million was spent on recurrent activities while Kshs.3.50 million was spent on development activities. The recurrent expenditure was 54.4 per cent of the funds released for recurrent activities, while development expenditure was 1.4 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.600,000 for development activities and Kshs.3.13 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 15.7 per cent of the annual recurrent budget, an increase from 13 per cent recorded in the first quarter of FY 2017/18. Figure 3.75 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.75: Kwale County, Expenditure by Economic Classification



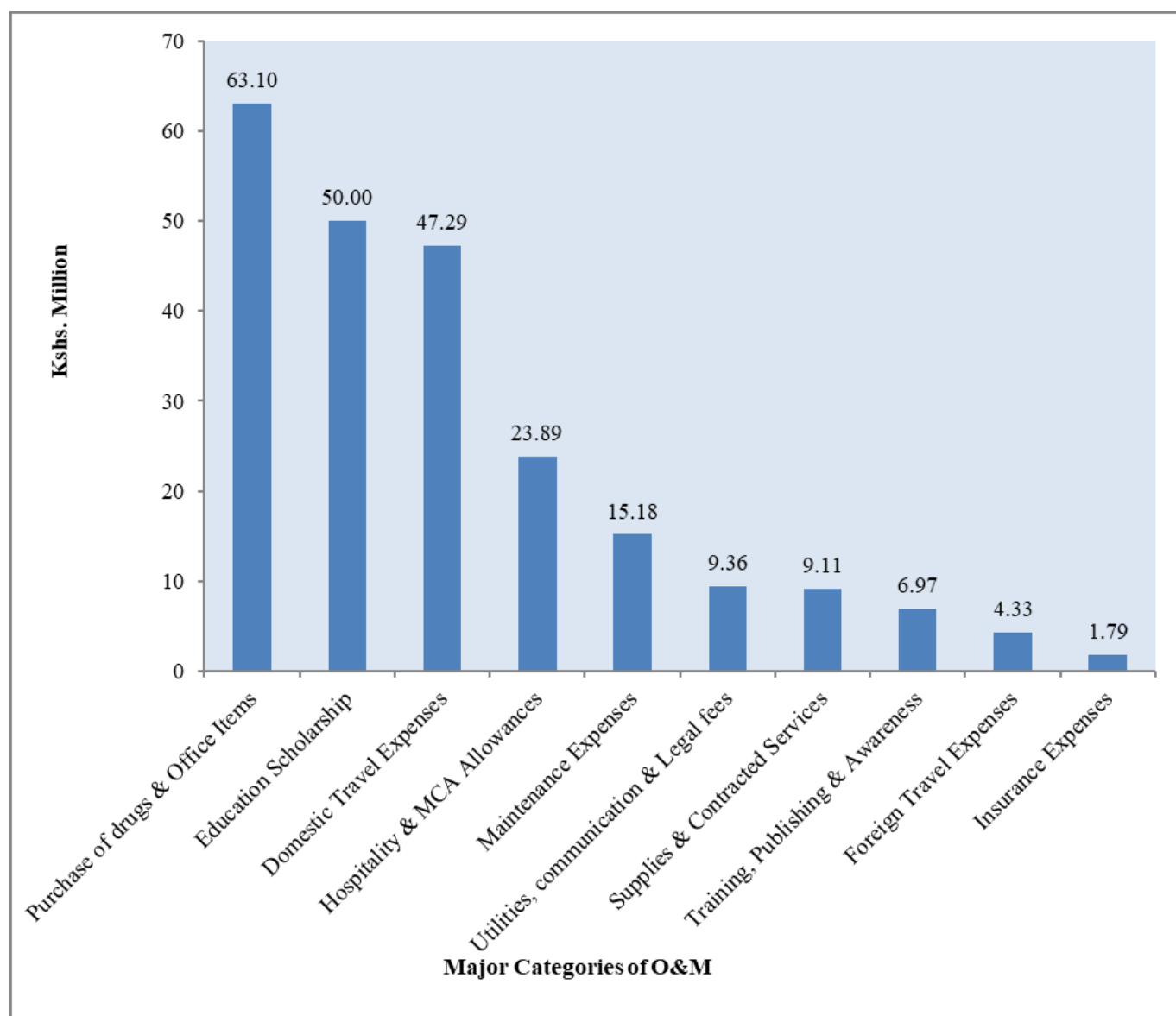
Source: Kwale County Treasury

3.19.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.746.24 million comprised of Kshs.515.22 million (60.5 per cent) incurred on personnel emoluments and Kshs.231.02 million (39.5 per cent) on operations and maintenance as shown in Figure 3.75.

Expenditure on personnel emoluments represented an increase of 33 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.387.43 million, and was 68.7 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.76 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Kwale County Treasury

The County spent Kshs.11.08 million on committee sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.59.46 million. This was an increase of 115.9 per cent compared to Kshs.5.13 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.108,668 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.47.29 million and comprised of Kshs.19.89 million spent by the County Assembly and Kshs.27.40 million by the County Executive. This represented 6.3 per cent of total recurrent expenditure and was an increase of 60.3 per cent compared to Kshs.32.2 million spent in the first quarter of FY 2017/18.

3.19.7 Development Expenditure Analysis

The total development expenditure of Kshs.3.50 million represented 0.9 per cent of the annual development budget of Kshs.7.47 billion.

3.19.8 Budget and Budget Performance by County Departments

Table 3.27 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.27: Kwale County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Executive Services	165.32	257.15	35.88	-	0.02	-	0.1	-	-	-
Public Service & Administration	275.65	75.94	115.40	-	-	-	-	-	-	-
Finance & Economic Planning	467.80	62.06	95.96	-	63.31	-	66.0	-	13.5	-
Agriculture ,Livestock And Fisheries	178.22	396.71	45.26	58.61	28.56	3.50	63.1	6.0	16.0	0.9
Education, Research And HR Development	760.69	1,294.94	376.96	43.76	100.88	-	26.8	-	13.3	-
Health Services	1,845.53	1,164.74	467.23	-	399.89	-	85.6	-	21.7	-
Trade And Cooperative Development	71.58	368.30	14.71	-	7.55	-	51.3	-	10.6	-
Tourism ,Investment and ICT	61.64	380.07	10.35	-	4.70	-	45.4	-	7.6	-
Social Services & Talent Management	117.97	1,194.33	29.83	-	18.19	-	61.0	-	15.4	-
Roads and Public Works	97.61	235.31	41.09	152.57	22.20	-	54.0	-	22.7	-
Environment and Natural Resources	51.65	1,809.35	9.38	-	7.96	-	84.9	-	15.4	-
Water Services	65.43	-	21.93	-	7.63	-	34.8	-	11.7	-
County Public Service Board	45.61	229.80	7.71	-	4.28	-	55.4	-	9.4	-
County Assembly	559.53	-	99.52	-	81.09	-	81.5	-	14.5	-
TOTAL	4,764.23	7,468.68	1,371.22	254.95	746.24	3.50	54.4	1.4	15.7	-

Source: Kwale County Treasury

Analysis of budget performance by department shows that, the Department of Roads and Public Works attained the highest percentage of recurrent expenditure to recurrent budget at 22.7 per cent while the Department of Public Service and Administration and the County Executive Services did not incur any expenditure.

3.19.9 Observations and Recommendations

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

- i. Improvement in own source revenue generation by 98.1 per cent from Kshs.23.55 million in the first quarter of FY 2017/18 to Kshs.46.65 million in the reporting period.

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

1. Frequent IFMIS down time which slowed down approval of procurement requests and payments to suppliers.
2. High wage bill that has risen by 33 per cent from Kshs.387.43 million in FY 2017/18 to Kshs.515.22

million during the reporting period.

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

1. *The County Treasury should liaise with the IFMIS Directorate for support in utilization of IFMIS and the E-procurement module.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

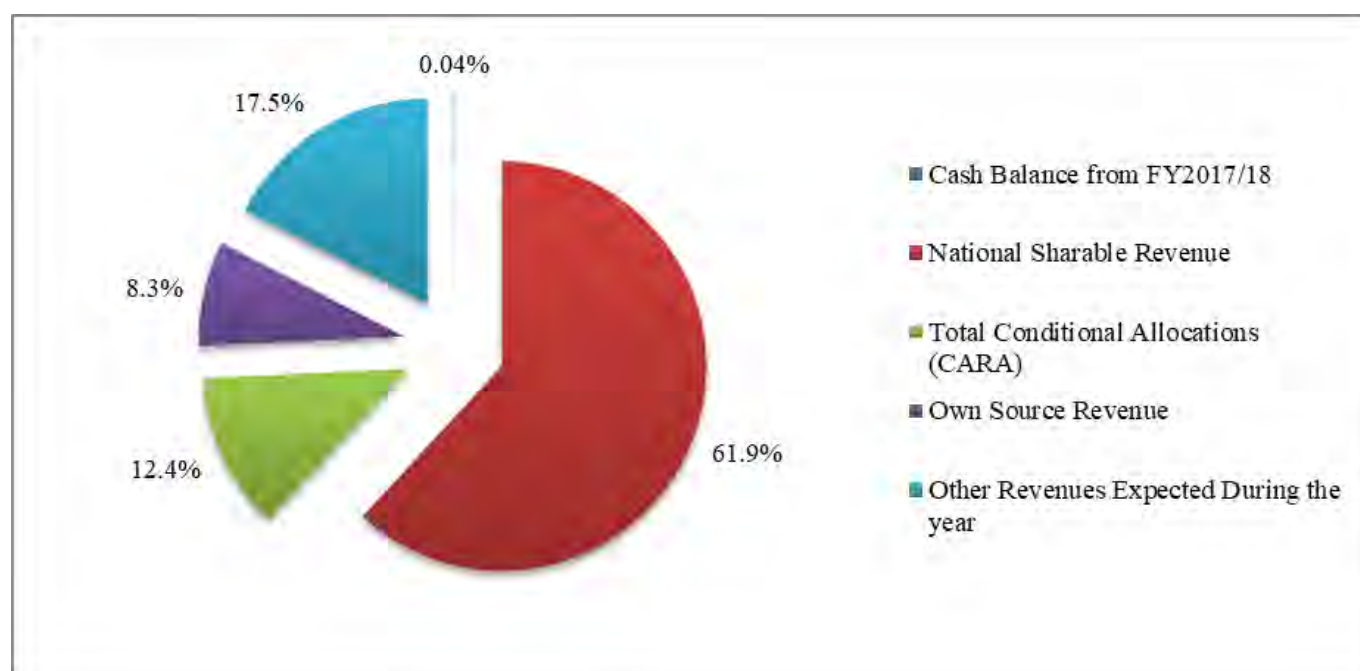
3.20 Laikipia County

3.20.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.6.54 billion, comprising of Kshs.4.05 billion (62 per cent) and Kshs.2.48 billion (38 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.11 billion (61.9 per cent) as equitable share of revenue raised nationally, Kshs.822.91 million (12.4 per cent) as total conditional grants, Kshs.1.16 billion (17.5 per cent) grant for Hospital Facility Improvement, generate Kshs.550 million (8.3 per cent) from own source revenue, and Kshs.2.58 million (0.04 per cent) cash balance from FY 2017/18.

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



Source: Laikipia County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.67.68 million (3.4 per cent) for Transforming Health Systems for Universal Care Project, Kshs.18 million (0.9 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.117 million (5.9 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.37 million (1.9 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.90 million (4.5 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.15.1 million (0.8 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.90 million (4.5 per cent) as grant from EU for Instruments

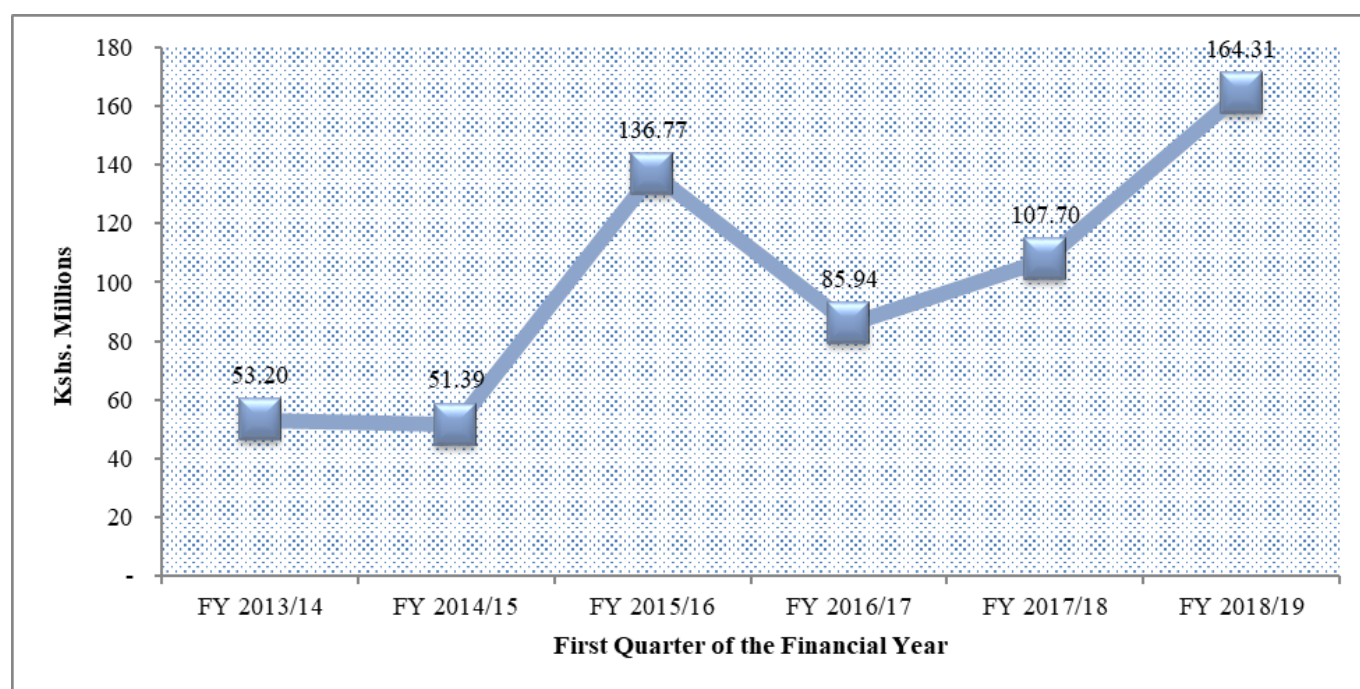
for Devolution Advice and Support- IDEAS), Kshs.37 million (1.9 per cent) from IDA (World Bank) as credit for the Kenya Devolution Support Programme “Level 2 grant”, and Kshs.9.9 million (0.5 per cent) as Compensation for User Fees Foregone, Kshs.200 million (10.1 per cent) for Leasing of Medical Equipment, Kshs.109.12 million (5.5 per cent) from the Road Maintenance Fuel Levy, and Kshs.28.5 million (1.4 per cent) for Rehabilitation of Village Polytechnics.

3.20.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.493.6 million as equitable share of revenue raised nationally, Kshs.116.32 million as total conditional grants, raised Kshs.164.31 million from own source revenue, and had a cash balance of Kshs.2.59 million from FY 2017/18. The total available funds amounted to Kshs.776.82 million.

Figure 3.78 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.78: Laikipia County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Laikipia County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.164.31 million, representing an increase of 52.6 per cent compared to Kshs.107.7 million in the first quarter of FY 2017/18 and was 29.9 per cent of the annual target. This amount comprised of Kshs.70.31 million as revenue from hospitals and Kshs.94 million from other sources.

In the FY 2017/18 Annual County Government Budget Implementation Review Report, the County’s own source revenue was under stated. The County has clarified that a total of Kshs.608.2 million was generated and not Kshs.352.09 million as published in the Annual CBIRR. The difference of Kshs.256.11 million consisted of revenue from hospitals, which was not included in the annual CBIRR for FY 2017/18. The own source revenue performance of Kshs.608.2 million in FY 2017/18 was an improvement of 31 per cent compared to Ksh.462.72 million generated in FY 2016/17.

3.20.3 Conditional Grants

During the reporting period, the County received Kshs.111.14 million for Kenya Devolution Support Project (KDSP) –Investment, and Kshs.5.18 million from UNICEF.

3.20.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.1.04 billion from the CRF account, which was 15.9 per cent of the Approved Budget. This amount represented an increase of 29.8 per cent from Kshs.731.65 million approved in the first quarter of FY 2017/18 and comprised of Kshs.972.59 million (93.2 per cent) for recurrent expenditure and Kshs.71.05 million (6.8 per cent) for development activities.

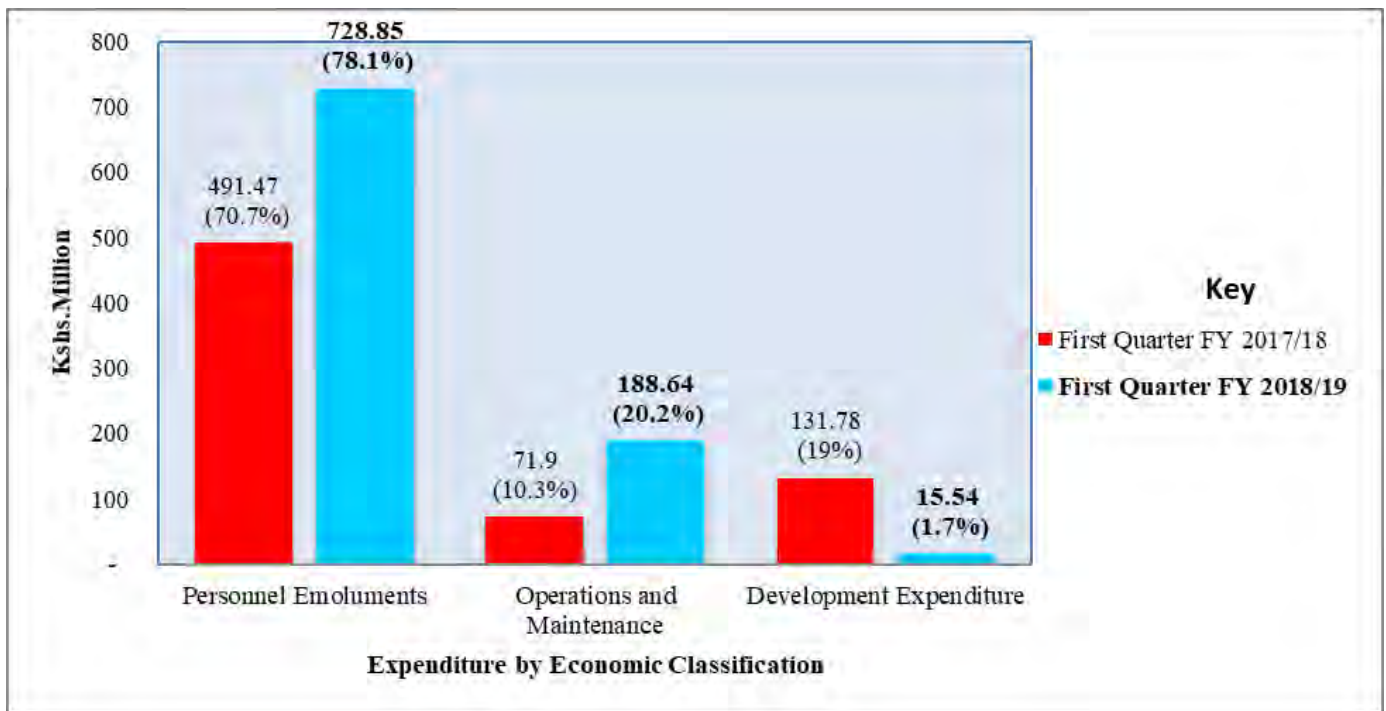
3.20.5 Overall Expenditure Review

The County spent Kshs.933.03 million, which was 89.4 per cent of the total funds released for operations. This was an increase of 34.2 per cent from Kshs.695.19 million spent in the first quarter of FY 2017/18.

A total of Kshs.917.49 million was spent on recurrent activities while Kshs.15.54 million was spent on development activities. The recurrent expenditure was 94.3 per cent of the funds released for recurrent activities, while development expenditure was 21.9 per cent of funds released for development activities.

The recurrent expenditure represented 22.6 per cent of the annual recurrent budget an increase from 16.2 per cent recorded in the first quarter of FY 2017/18. Development expenditure recorded an absorption rate of 0.6 per cent, which was a decrease from 6.3 per cent attained in the first quarter of FY 2017/18. Figure 3.79 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.79: Laikipia County, Expenditure by Economic Classification



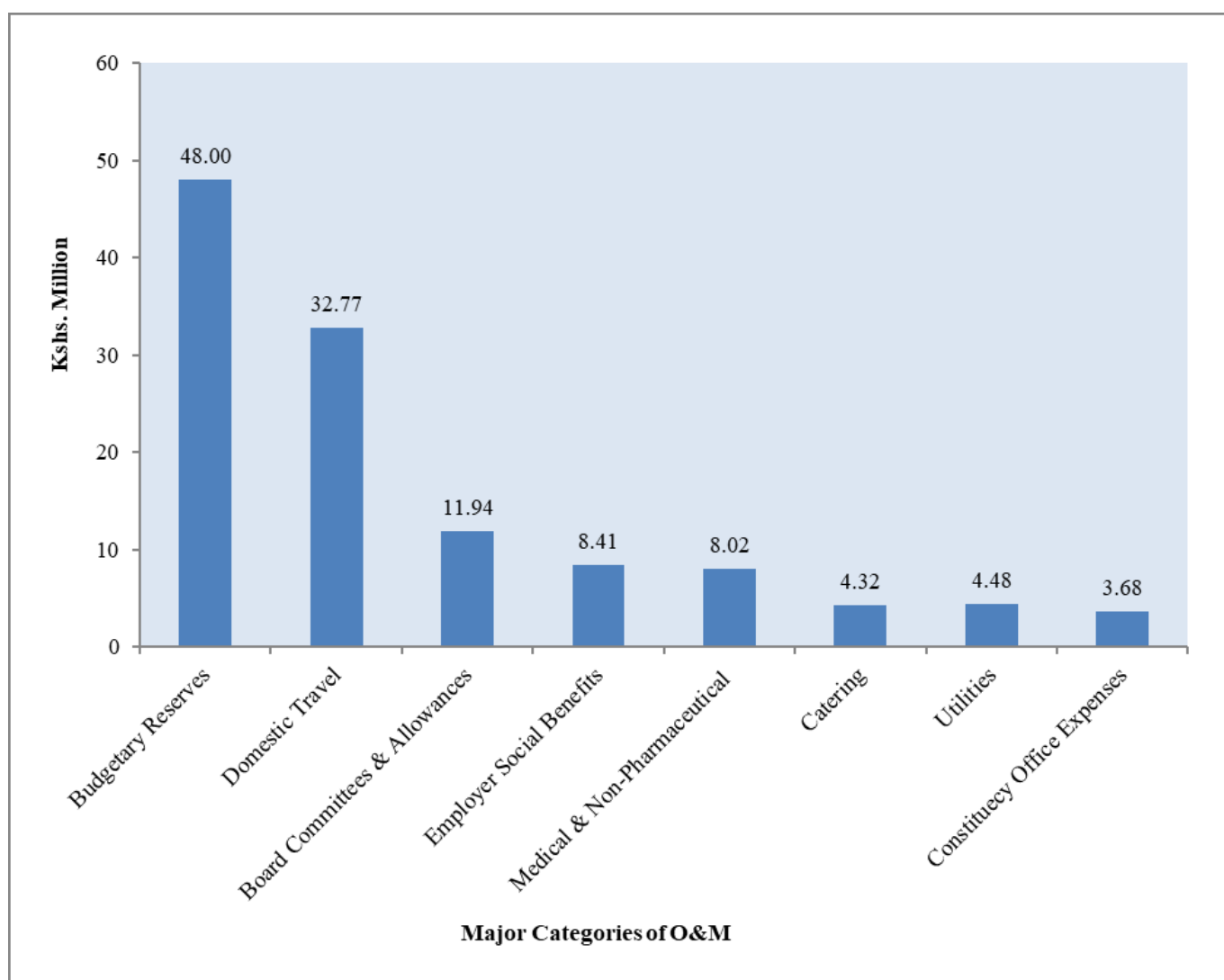
Source: Laikipia County Treasury

3.20.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.917.49 million comprised of Kshs.728.85 million (79.4 per cent) incurred on personnel emoluments and Kshs.188.64 million (20.6 per cent) on operations and maintenance as shown in Figure 3.79.

Expenditure on personnel emoluments represented an increase of 48.3 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.491.47 million, and was 78.1 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.80 shows a summary of operations and maintenance expenditure by major categories.

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



Source: Laikipia County Treasury

The County spent Kshs.5.93 million on committee sitting allowances to the 25 MCAs against the annual budget allocation of Kshs.15 million. The average monthly sitting allowance was Kshs.79,074 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.32.77 million and comprised of Kshs.8.2 million spent by the County Assembly and Kshs.24.56 million by the County Executive. This represented 27.3 per cent of total recurrent expenditure and was an increase of 48.1 per cent compared to Kshs.22.12 million spent in the first quarter of FY 2017/18.

3.20.7 Development Expenditure Analysis

The total development expenditure of Kshs.15.54 million represented 0.6 per cent of the annual development budget of Kshs.2.48 billion and comprised Kshs.6.94 million for medical drugs, Kshs.8.36 million as a grant to semi-autonomous government agencies, and Kshs.237,000 on rural water supply and sanitation.

3.20.8 Budget Performance by County Departments

Table 3.28 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.28: Laikipia County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Administration, Public Service and the Office of the Governor	2,735.64	68.9	736.56	-	731.45	-	99.3	-	26.7	-
Finance and Economic Planning	310.62	815.36	69.7	65.63	70.02	-	100.5	-	22.5	-
Health, Sanitation and Public Health	315.76	555.47	77.48	5.18	17.27	15.3	22.3	295.4	5.5	2.8
Agriculture, Livestock and Fisheries	41.9	309.5	6.71	-	5.04	-	75.1	-	12.0	-
Lands, Infrastructure and Urban Development	65.8	304.13	7.06	-	16.8	-	238.0	-	25.5	-
Education, Sports, ICT and Social Development	78.5	83.53	4.15	-	5.1	-	122.9	-	6.5	-
Trade, Tourism & Cooperatives	16.5	135	3.44	-	3.85	-	111.9	-	23.3	-
Water, Environment and Natural Resources	22.2	206.5	4.5	0.24	5.44	0.24	120.9	100.0	24.5	0.1
County Assembly	466	5	63	-	62.52	-	99.2	-	13.4	-
TOTAL	4,052.92	2,483.39	972.60	71.05	917.49	15.5	94.3	21.9	22.6	0.6

Source: Laikipia County Treasury

Analysis of budget performance by department shows that, the Department of Health, Sanitation and Public Health attained the highest absorption rate of development budget at 2.8 per cent, followed by the Department of Water, Environment and Natural Resources at 0.1 percent. All other departments did not incur development expenditure. The Department of Lands, Infrastructure and Urban Development had the highest percentage of recurrent expenditure to recurrent budget at 25.5 per cent while the Department of Health, Sanitation and Public Health had the lowest at 5.5 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 own source revenue collection by 52.6 per cent from Kshs.107.7 million in the first quarter of FY 2017/18 to Kshs.164.31 million in the reporting period.

- ii. Continued 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. Late submission of financial reports by the County Treasury to Controller of Budget, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
2. Delay by Fund Administrators of the County Executive Car & Mortgage Fund, Bursary and Scholarship Fund, Co-operative Fund, and Enterprise Fund to submit financial reports on the established County Funds contrary to Section 168 of the PFM Act, 2012.
3. High wage bill that increased by 48.3 per cent which represented 78.1 per cent of the total expenditure in the reporting period.
4. Delay to refund unspent funds at the end of the financial year into the County Revenue Account maintained at the Central Bank of Kenya contrary to Section 136(2) of the PFM Act, 2012

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 in line with Section 168 of the PFM Act, 2012.*
2. *All Fund Administrators should submit quarterly financial statements for County Funds in line with Section 168 of the PFM Act, 2012.*
3. *The County Public Service Board should establish and implement an optimal staffing structure in order to ensure a sustainable wage bill.*
4. *The County Treasury should put in mechanisms to ensure unspent balances at the end of each financial year are deposited into the County Revenue Fund Account in line with Section 136(2) of the PFM Act, 2012.*

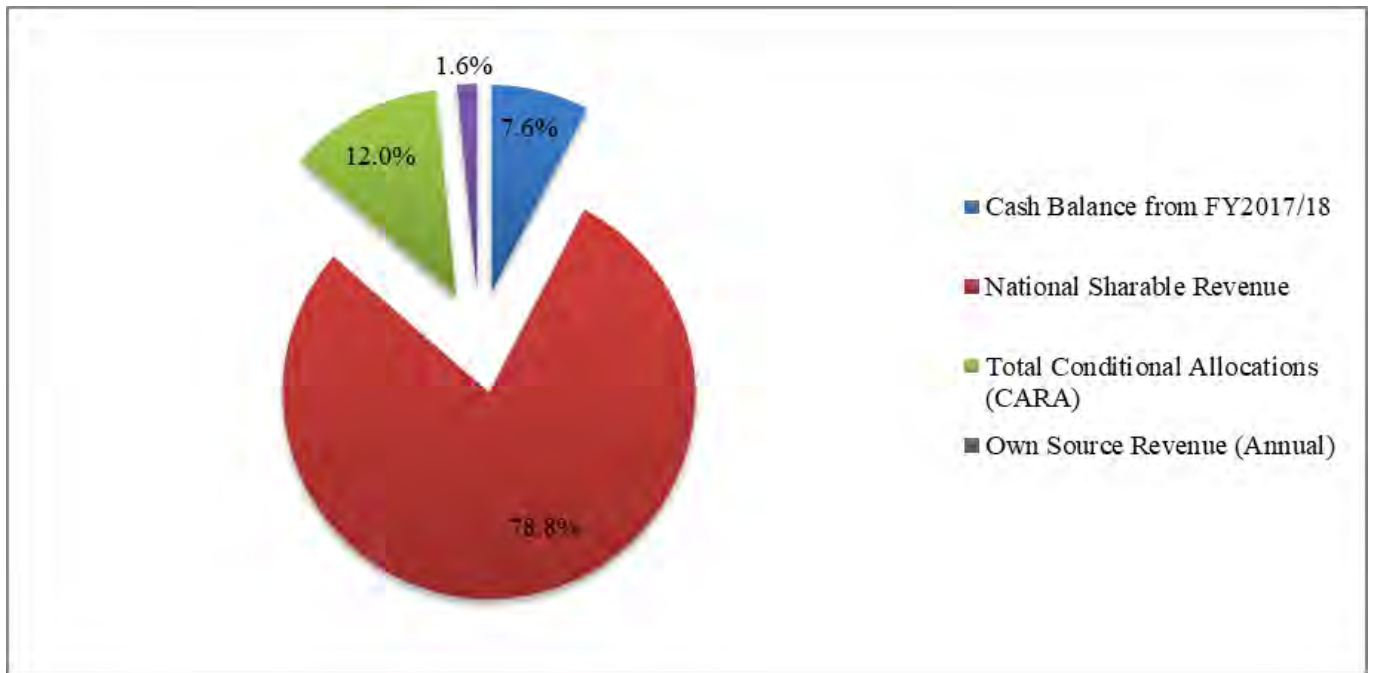
3.21 Lamu County

3.21.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.4.50 billion, comprising of Kshs.2.60 billion (57.9 per cent) and Kshs.1.90 billion (42.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.55 billion (78.8 per cent) as equitable share of revenue raised nationally, Kshs.540.18 million (12 per cent) as total conditional grants, generate Kshs.70 million (1.6 per cent) from own source revenue, and Kshs.344 million (7.6 per cent) cash balance from FY 2017/18.

Figure 3.81: Lamu County Expected Sources of Budget Financing in FY 2018/19



Source: Lamu County Treasury

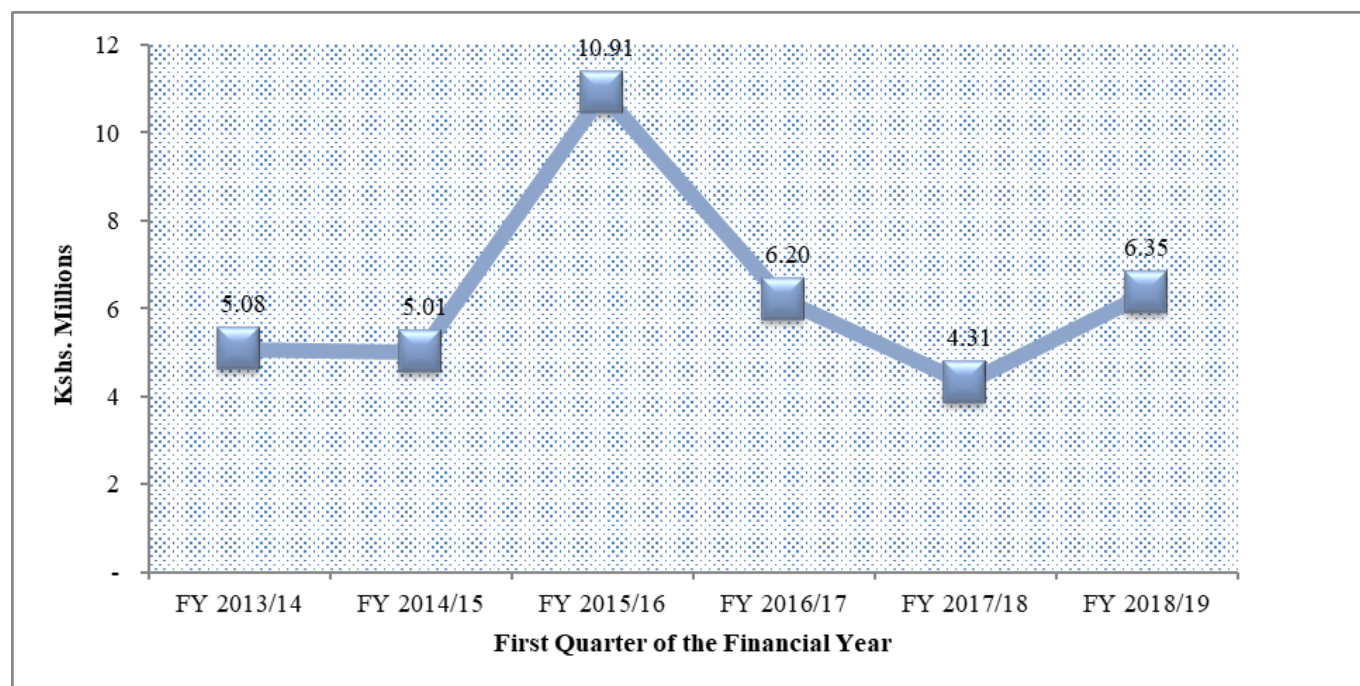
The conditional grants are in line with the CARA,2018 and consisted of Kshs.50 million (9.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.150 million (27.8 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.33.79 million (6.3 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.50 million (9.3 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.8.30 million (1.5 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.121 million (22.4 per cent) as Supplement for Construction of County Headquarters, Kshs.2.45 million (0.5 per cent) as Compensation for User Fees Foregone, Kshs.93.42 million (17.3 per cent) from the Road Maintenance Fuel Levy, and Kshs.31.21 million (5.8 per cent) for Rehabilitation of Village Polytechnics

3.21.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.425.78 million as equitable share of revenue raised nationally, raised Kshs.6.35 million from own source revenue, and had a cash balance of Kshs.344 million from FY 2017/18. The total available funds amounted to Kshs.776.13 million.

Figure 3.82 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.82: Lamu County, Trend in Own Source Revenue Collection from the First Quarter of FY 2013/14 to FY 2018/19



Source: Lamu County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.6.35 million, representing an increase of 47.3 per cent compared to Kshs.4.31 million generated in the first quarter of FY 2017/18, which was 9.1 per cent of the annual target.

3.21.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/2019.

3.21.4 Exchequer Issues

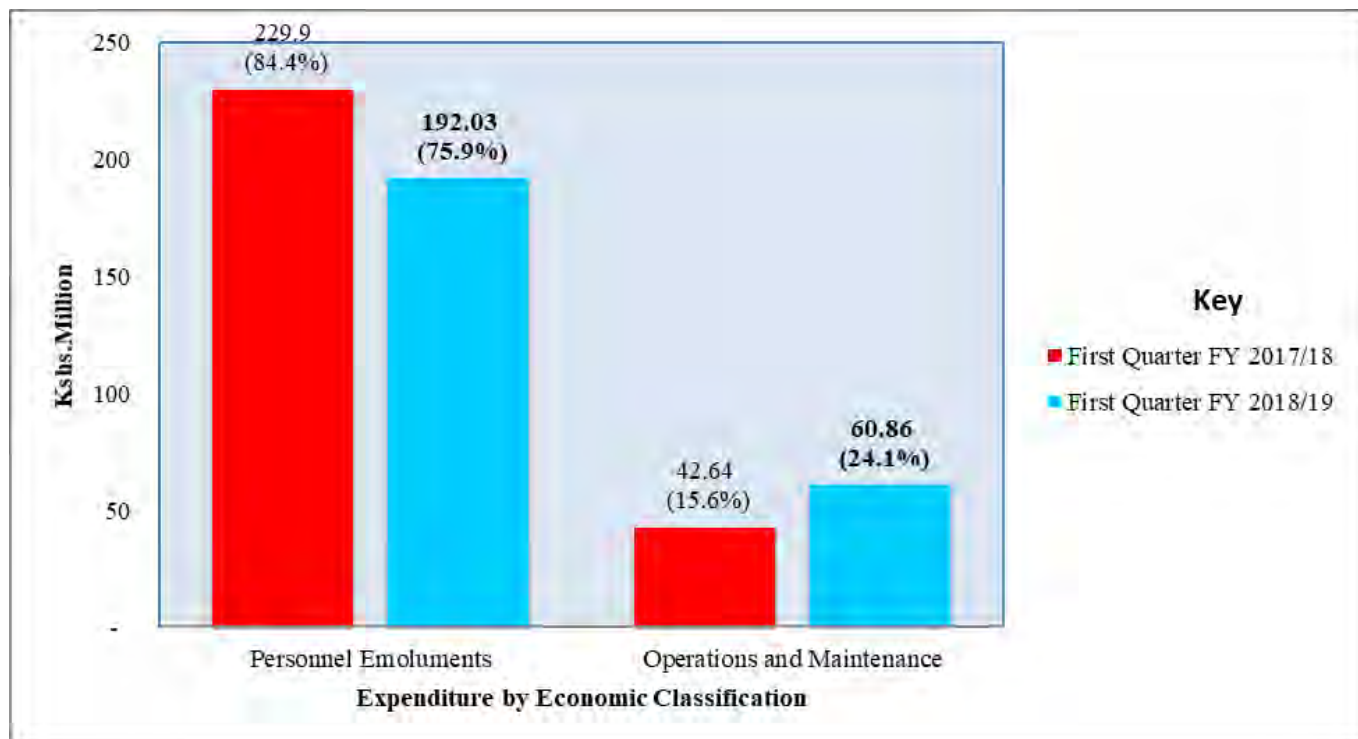
The Controller of Budget approved withdrawal of Kshs.373.62 million from the CRF account, which was 8.3 per cent of the Approved Budget. This amount represented an increase of 1.5 per cent from Kshs.368.12 million approved in the first quarter of FY 2018/19. The entire amount was for recurrent expenditure.

3.21.5 Overall Expenditure Review

The County spent Kshs.252.89 million, which was 67.7 per cent of the total funds released for operations. This was a decline of 7.2 per cent from Kshs.272.54 million spent in the first quarter of FY 2017/18. The expenditure excluded outstanding commitments which amounted to Kshs.1.95 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 9.7 per cent of the annual recurrent budget, a decrease from 14.5 per cent recorded in the first quarter of FY 2017/18. Figure 3.83 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.83: Lamu County, Expenditure by Economic Classification



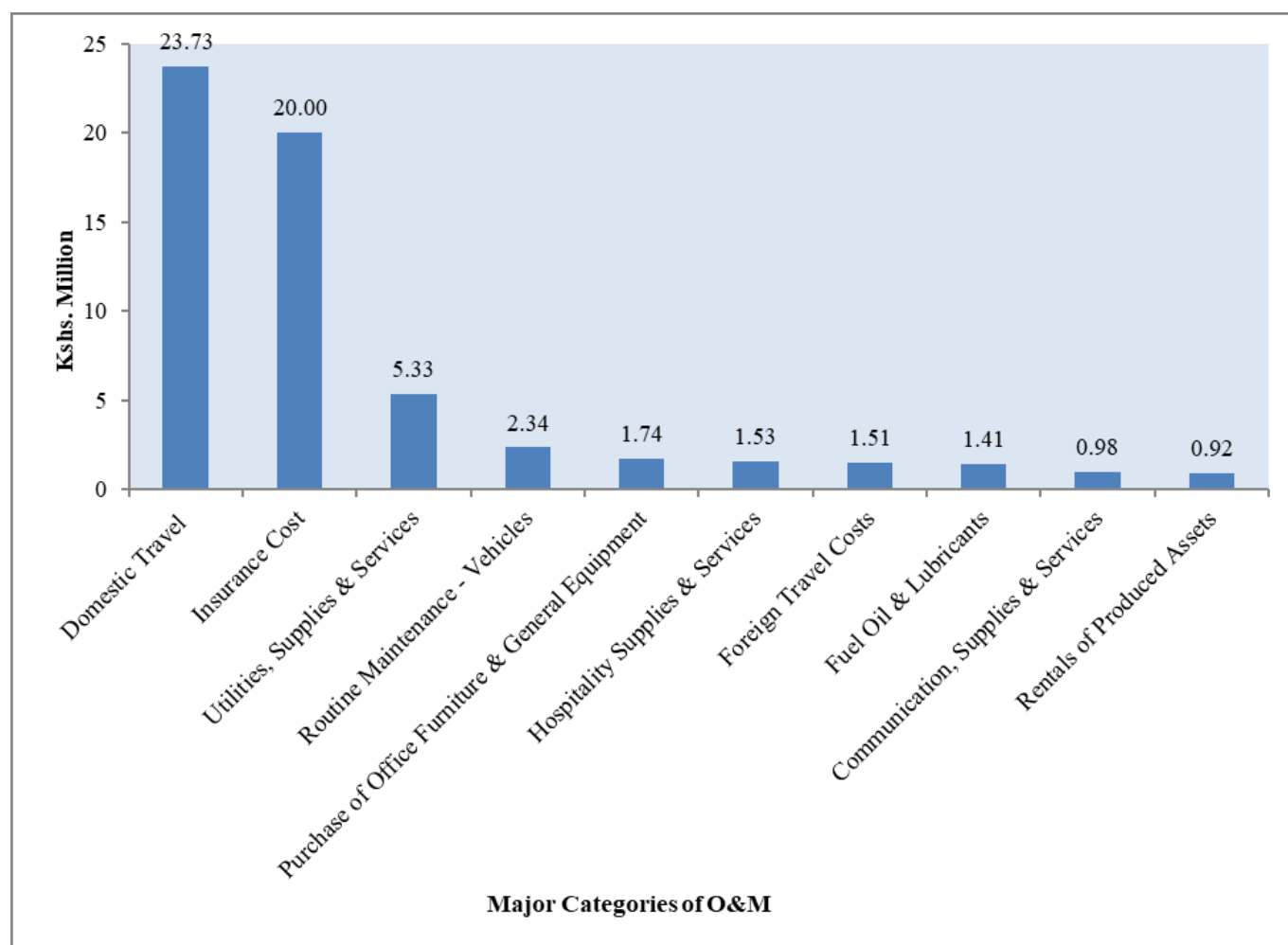
Source: Lamu County Treasury

3.21.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.252.89 million comprised of Kshs.192.03 million (75.9 per cent) incurred on personnel emoluments and Kshs.60.86 million (24.1 per cent) on operations and maintenance as shown in Figure 3.83.

Expenditure on personnel emoluments represented a decrease of 16.5 per cent compared to the first quarter of FY 2017/18 when the county spent Kshs.229.90 million, and was 75.9 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.84 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.84: Lamu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Lamu County Treasury

The County spent Kshs.2.41 million on committee sitting allowances to the 19 MCAs against the annual budget allocation of Kshs.18 million. This was an increase of 221.80 per cent compared to Kshs.749,000 spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.42,286 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.23.73 million and comprised of Kshs.10.65 million spent by the County Assembly and Kshs.13.09 million by the County Executive. This represented 16.8 per cent of total recurrent expenditure and was an increase of 130.79 per cent compared to Kshs.10.28 million spent in the first quarter of FY 2017/18.

3.21.7 Development Expenditure Analysis

The County did not incur any expenditure on development activities in the reporting period.

3.21.8 Budget Performance by County Departments

Table 3.29 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.29: Lamu County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	404	250	70.72	-	52.41	-	74.1	-	13	-
County Executive, County Public Service and Disaster Management	415.20	282.44	68.38	-	49.25	-	72	-	11.9	-
Finance, Strategy and Economic Planning	164.63	-	19.50	-	13.15	-	67.4	-	8.0	-
Agriculture and Irrigation	100.18	333.20	13.36	-	7.25	-	54.3	-	7.2	-
Lands, physical planning and Infrastructure Development	80.37	593.42	14.00	-	8.19	-	58.5	-	10.2	-
Education, Vocational Training, Youth Affairs, Culture, Gender and Social Services	318.79	128.21	16.39	-	9.42	-	57.5	-	3	-
Health, Environment, Natural resources and Sanitation	965.10	258.50	145.25	-	99.73	-	68.7	-	10.3	-
Fisheries, Livestock and Co-operative Development	82.10	31.70	14.79	-	6.99	-	47.3	-	8.5	-
Trade, Tourism and Industrialization	29.18	20	2.66	-	1.08	-	40.6	-	3.7	-
Public Service Board	45.35	-	8.57	-	5.42	-	63.2	-	12	-
TOTAL	2,604.90	1,897.47	373.62	-	252.89	-	67.7	-	9.7	-

Source: Lamu County Treasury

Analysis of budget performance by department shows that, the County Assembly attained the highest percentage of recurrent expenditure to recurrent budget at 13 per cent while the Department of Education, Vocational Training, Youth Affairs, Culture, Gender and Social Services had the lowest at 3 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 financial transactions.
- ii. Improvement in own-source revenue collection by 47.3 per cent from Kshs.4.31 million to Kshs.6.35 million in the reporting period.

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

1. Delay by the County in approval of key planning and policy documents such as the ADP, CFSP, CBROP and the CIDP.
2. Operational delays and IFMIS connectivity challenges, which slowed approvals of procurement requests and payment to suppliers.
3. 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.

- 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;

- The County should observe the timelines stipulated in law in the approval of key planning documents so as to facilitate smooth implementation of the budget.
- The County Treasury to liaise with the IFMIS Directorate for support in utilization of IFMIS and the E-procurement module.
- The County should establish the CBEF for consultation in the budget and economic process in line with Section 137 of the PFM Act, 2012.
- The County Treasury should ensure timely preparation and submission of financial reports to the Controller of Budget.

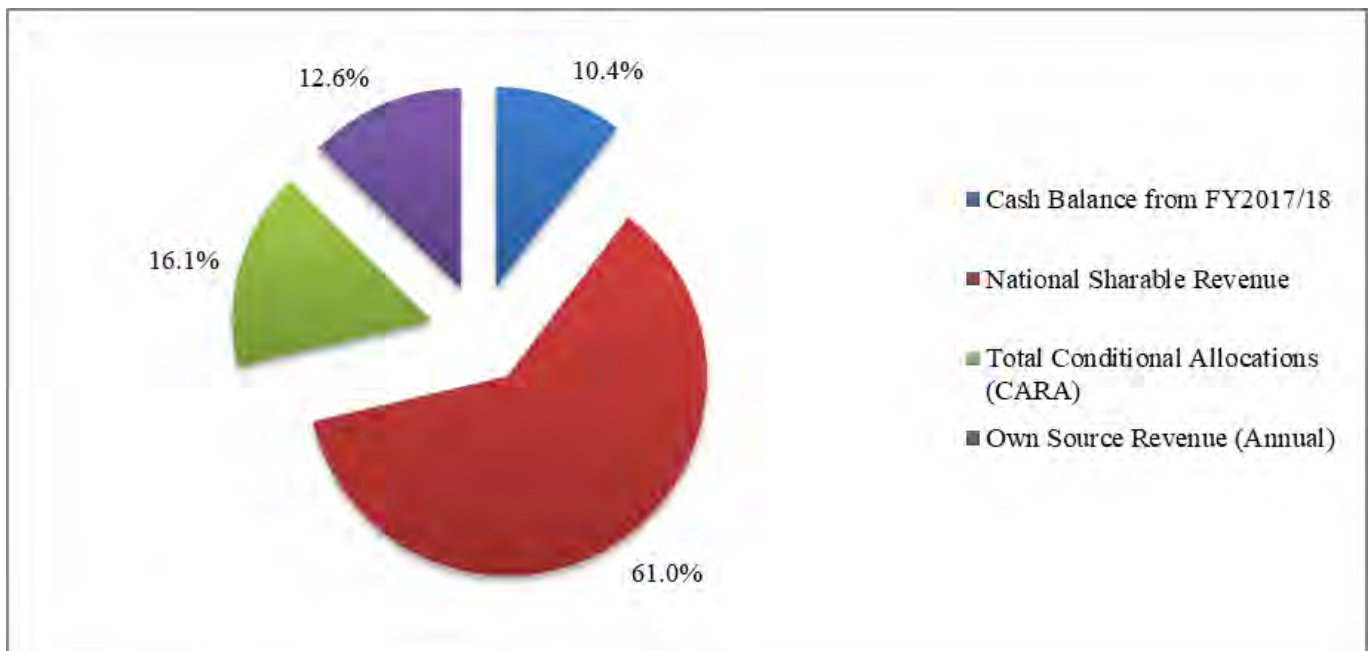
3.22 Machakos County

3.22.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.12.23 billion, comprising of Kshs.7.63 billion (62.4 per cent) and Kshs.4.60 billion (37.6 per cent) allocation for recurrent and development expenditures respectively.

To finance the budget, the County expects to receive Kshs.8.32 billion (61 per cent) as equitable share of revenue raised nationally, Kshs.2.19 billion (16.1 per cent) as total conditional grants, generate Kshs.1.72 billion (13 per cent) from own source revenue, and Kshs.1.41 billion (10 per cent) cash balance from FY 2017/18, which the County did not budget.

Figure 3.85: Machakos County Expected Sources of Budget Financing in FY 2018/19



Source: Machakos County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.1.02 billion (46.5 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.383.58 million (17.5 per cent) for Level-5 Hospitals, Kshs.219.08 million (10 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.200 million (9.1 per cent) for Leasing of Medical Equipment, Kshs.117 million (5.3

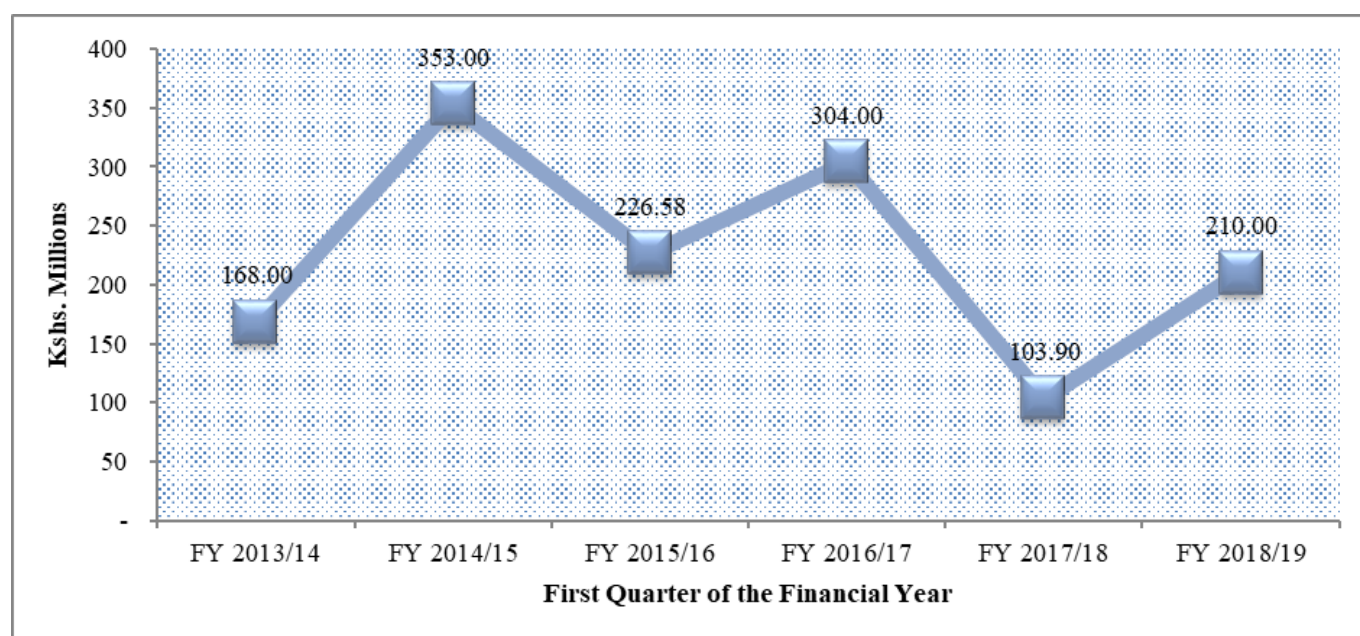
per cent) from IDA (World Bank) as credit for Kenya Climate Smart Agriculture Project (KCSAP), Kshs.95.4 million (4.4 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.54.30 million (2.5 per cent) for Rehabilitation of Village Polytechnics, Kshs.53.42 million (2.4 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.24.81 million (1.1 per cent) from DANIDA, and Kshs.24.13 million (1.1 per cent) as Compensation for User Fee Foregone.

3.22.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.435.23 million as equitable share of the revenue raised nationally, raised Kshs.210 million from own source revenue, and had a cash balance of Kshs.1.41 billion from FY 2017/18. The total available funds amounted to Kshs.2.43 billion.

Figure 3.86 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2017/18.

Figure 3.86: Machakos County, Trend in Own Source Revenue Collection by Quarter from FY 2013/14 to the FY 2018/19



Source: Machakos County Treasury

The total own source revenue collected in the FY 2018/19 amounted to Kshs.210 million, representing an increase of 102.2 per cent compared to Kshs.103.90 million generated in a similar period of FY 2017/18, which was 12.2 per cent of the annual own source revenue target.

3.22.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY2018/2019.

3.22.4 Exchequer Issues

During the period, the Controller of Budget authorised withdrawal of Kshs.1.96 billion from the CRF account, which was 15.9 per cent of the Approved Budget. This amount represents an increase of 79.6 per cent from Kshs.1.08 billion authorized in a similar period FY 2017/18 and was for recurrent expenditure.

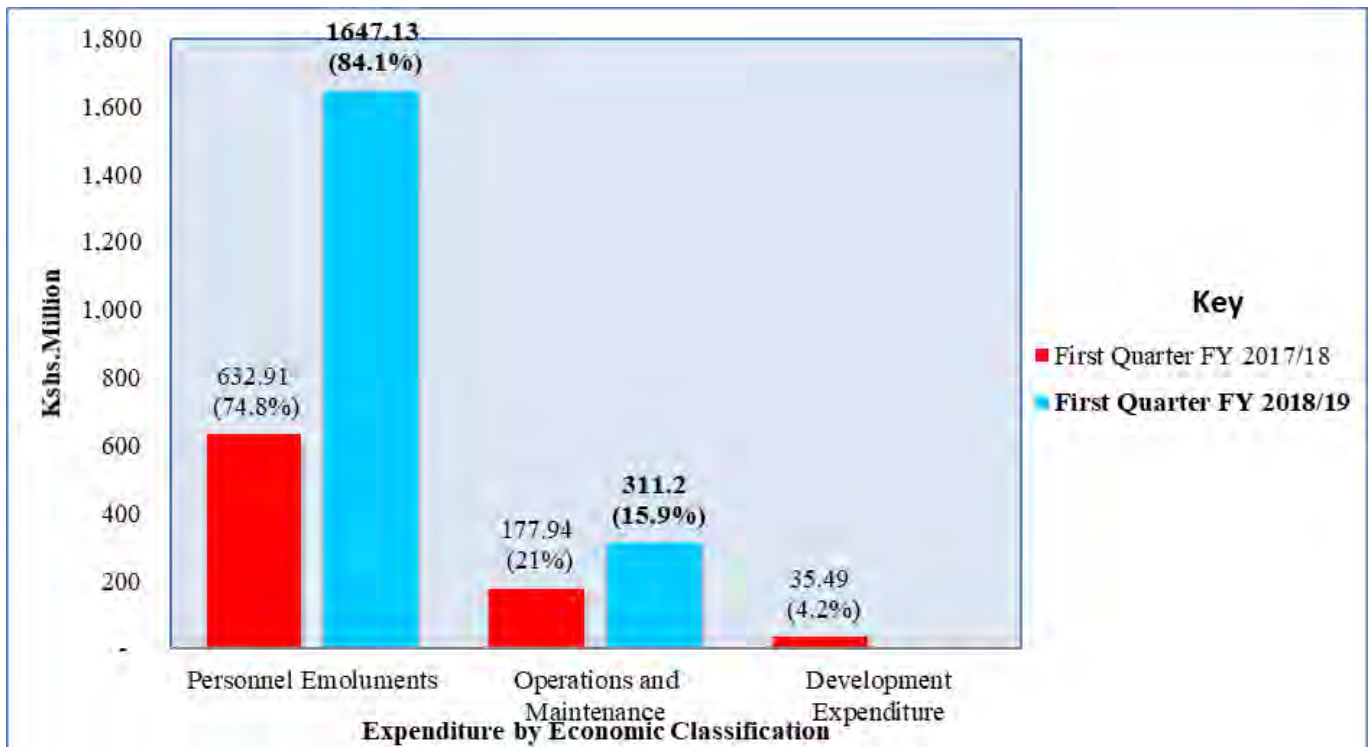
3.22.5 Overall Expenditure Review

The County spent Kshs.1.96 billion, which was 100.5 per cent of the total funds released for operations. This was an increase of 131.4 per cent from Kshs.846.34 million spent in the FY 2017/18.

The total expenditure of Kshs.1.96 billion was spent on recurrent activities. The expenditure excluded outstanding commitments which amounted to Kshs.762.91 million for development activities and Kshs.126.75 million for recurrent expenditure as at June 30, 2018.

The recurrent expenditure represented 25.7 per cent of the annual recurrent budget, an increase from 11.6 per cent spent in the first quarter of FY 2017/18. Figure 3.87 presents a comparison between the total expenditure in the first quarter of FY 2017/18 and the first quarter of FY 2018/19.

Figure 3.87 : Machakos County, Expenditure by Economic Classification



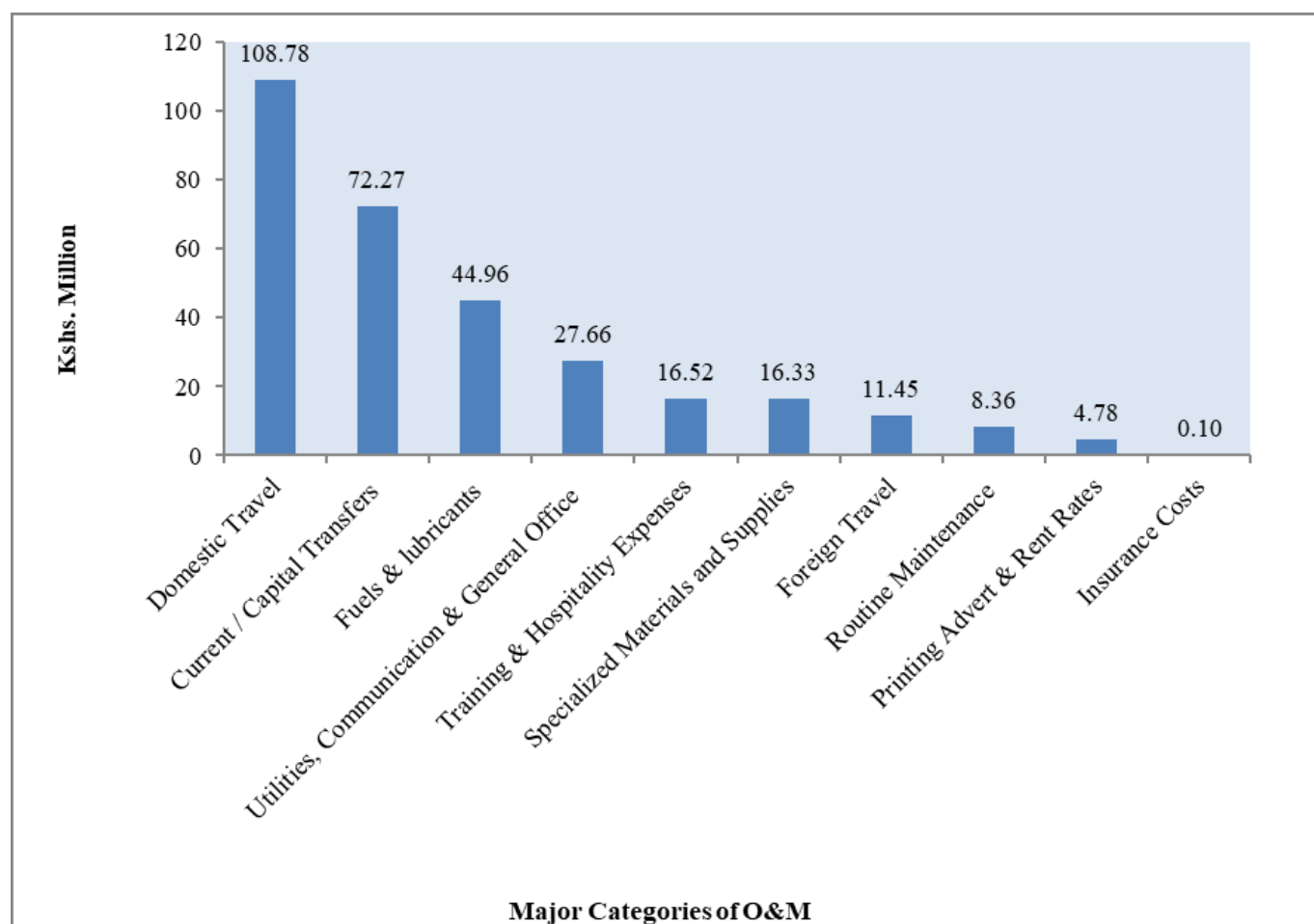
Source: Machakos County Treasury

3.22.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.96 billion consist of Kshs.1.65 billion (84.1 per cent) spent on personnel emoluments and Kshs.311.2 million (15.9 per cent) on operations and maintenance as shown in Figure 3.87.

Expenditure on personnel emoluments represented an increase of 160.2 per cent, compared to a similar period of FY 2017/18 when the County spent Kshs.632.91 million, which was 84.1 per cent of total expenditure in the reporting period. Figure 3.88 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.88: Machakos County, Operations and Maintenance Expenditure by Major Categories for the FY 2018/19



Source: Machakos County Treasury

The County spent Kshs.9.22 million on sitting allowances to the 59 MCAs and the Speaker against the annual budget allocation of Kshs.80.21 million. This was an increase of 1,640.1 per cent compared to Kshs.530,000 spent in a similar period in FY 2017/18. The average monthly sitting allowance was Kshs.153,713 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.120.23 million and consist of Kshs.72.33 million spent by the County Assembly and Kshs.47.90 million by the County Executive. It represented 11.9 per cent of total recurrent expenditure and was an increase of 243.2 per cent compared to Kshs.35.03 million spent in FY 2017/18.

3.22.7 Development Expenditure Analysis

The County did not incur any development expenditure.

3.22.8 Budget Performance by County Departments

Table 3.30 shows a summary of budget estimates and budget performance by department in the FY 2018/19.

Table 3.30: Machakos County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	605.72	6.83	106.24	-	81.75	-	76.9	-	13.5	-
Public Service, Labour and ICT	433.74	12.7	208.83	-	1,560.85	-	747.4	-	359.9	-
Trade, Investment, Economic Planning, Industrialization and Energy	135.11	91.58	32.02	-	1.66	-	5.2	-	1.2	-
Finance and Revenue Management	393.94	11.8	96.10	-	22.43	-	23.3	-	5.7	-
Decentralized Units, County Administration, Environment & Solid Waste mgt.	374.83	31	109.00	-	15.79	-	14.5	-	4.2	-
Agriculture, Livestock, Water & Irrigation Development	502.63	665.61	150.41	-	9.5	-	6.3	-	1.9	-
Health and Emergency Services	3,545.37	748.44	912.28	-	69.142	-	7.6	-	2.0	-
Transport, Roads, Public Works and Housing	187.1	1,436.30	58.82	-	22.46	-	38.2	-	12.0	-
Education, Youth and Social Welfare	295.22	289.3	55.26	-	3.48	-	6.3	-	1.2	-
Lands, Energy & Urban development	97.2	1054.32	37.08	-	11.13	-	30.0	-	11.5	-
Tourism, Sports and Culture	81.27	14.92	33.67	-	2.53	-	7.5	-	3.1	-
County Public Service Board	41.4	2.01	12.31	-	0.36	-	2.9	-	0.9	-
County Assembly	936.78	236	137.36	-	157.24	-	114.5	-	16.8	-
TOTAL	7,630.31	4,600.81	1,949.38	-	1,958.32	-	100.5	-	25.7	-

Source: Machakos County Treasury

Analysis of budget performance by department shows that the Department of Public Service, Labour & ICT had the highest percentage of recurrent expenditure to recurrent budget at 359.9 per cent followed by County Assembly at 16.8 per cent. The County did not incur any development expenditure.

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 Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
- ii. Improved performance in own source revenue collection by 102.1 per cent from Kshs.103.90 million in the first quarter of FY 2017/18 to Kshs.210 million in the reporting period.

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

1. A high wage bill that increased by 160.2 per cent from Kshs.632.91 million in the first quarter of FY 2017/18 to Kshs.1.65 billion in the first quarter of FY 2018/19.
2. Delays by the Fund Administrators of both the County Assembly and the County Executive's Car and Mortgage Funds to submit financial statements contrary to Section 168 of the PFM Act, 2012.
3. Late submission of financial reports to the Controller of Budget by the County Treasury, contrary to Section 166 of the PFM Act, 2012, which affected timely preparation of budget implementation review report.
4. Delay in approval of County Integrated Development Plan (CIDP) for 2018-2022, which may hinder effective budgeting and planning by the County in the FY 2018/19.

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 ballooning wage bill.*
2. *The CECM-F should ensure the Fund Administrators prepare and submit expenditure reports on the Funds in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should ensure timely preparation and submission of financial reports.*
4. *The County should ensure the CIDP for 2018-2022 is developed and approved by the County Assembly in order to ensure smooth budget execution.*

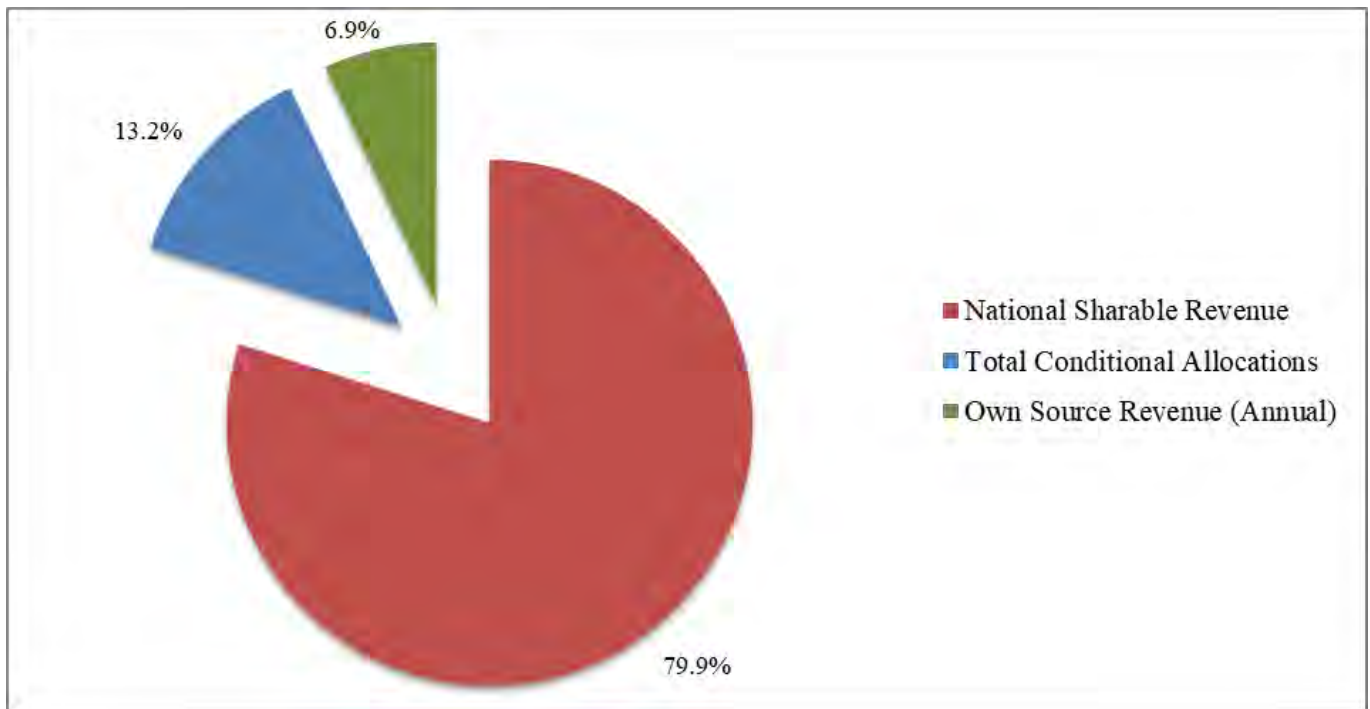
3.23 Makueni County

3.23.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.8.93 billion, comprising of Kshs.5.62 billion (63 per cent) and Kshs.3.31 billion (37 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.13 billion (79.9 per cent) as equitable share of revenue raised nationally, Kshs.1.18 billion (13.2 per cent) as total conditional grants, and generate Kshs.620 million (6.9 per cent) from own source revenue.

Figure 3.89: Makueni County Expected Sources of Budget Financing in FY 2018/19



Source: Makueni County Treasury

The conditional grants contained in the CARA, 2018 and consist of Kshs.100 million (8.5 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (11.9 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.50.75 million (4.3 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme (KDSP) “Level 1 grant”, Kshs.136.26 million (11.6 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.22.88 million (1.9 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.45 million (3.8 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.19.44 million (1.6 per

cent) as Compensation for User Fees Foregone, Kshs.200 million (17 per cent) for Leasing of Medical Equipment, Kshs.187.67 million (15.9 per cent) from the Road Maintenance Fuel Levy, and Kshs.31.57 million (2.7 per cent) for Rehabilitation of Village Polytechnics.

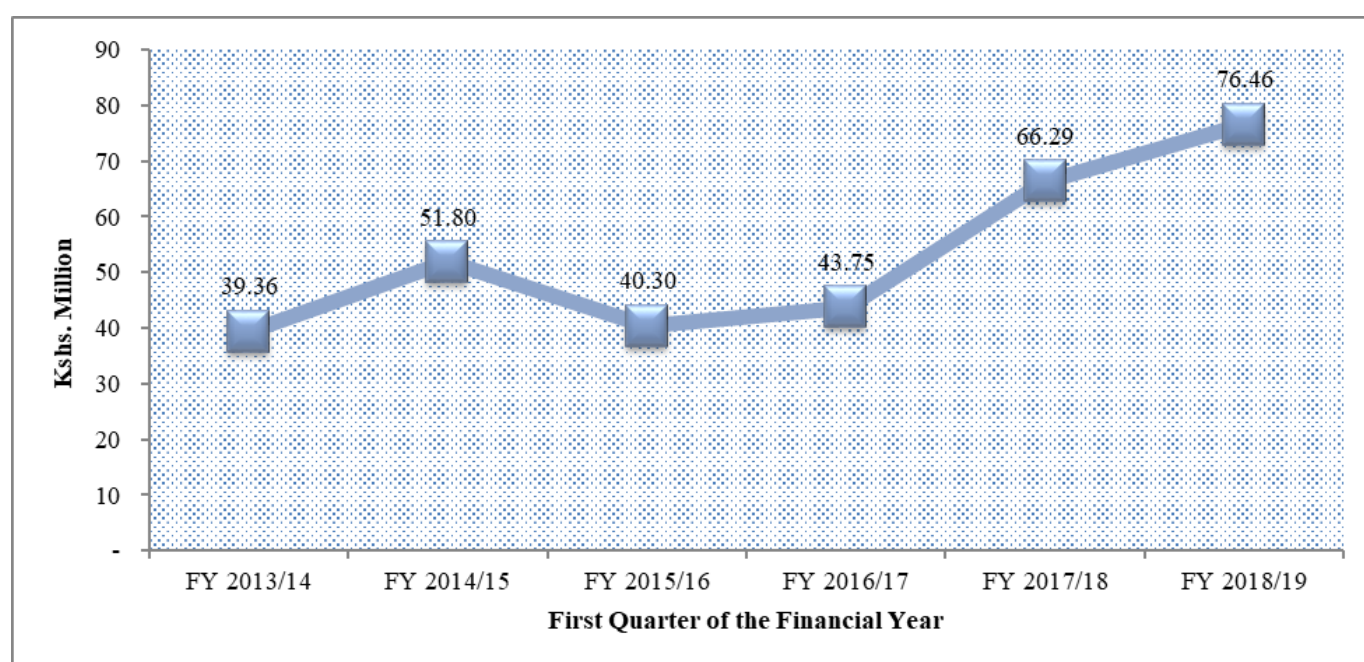
The County also budgeted to receive Kshs.9.48 million as DANIDA for Universal Healthcare to Devolved System Programme, Kshs.168.58 million as KDSP investment grant, and Kshs.66 million as EU grant which are not contained in the CARA, 2018.

3.23.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.356.39 million as equitable share of revenue raised nationally, Kshs.217.39 million from conditional grants, raised Kshs.76.46 million from own source revenue, and had a cash balance of Kshs.1.09 billion from FY 2017/18. The total available funds amounted to Kshs.1.74 billion.

Figure 3.90 shows the quarterly trend in own source revenue collection for the first quarter from FY 2013/14 to FY 2018/19.

Figure 3.90: Makueni County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Makueni County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.76.46 million, representing an increase of 15.4 per cent compared to Kshs.66.29 million generated in the first quarter of FY 2017/18, which was 12.3 per cent of the annual target.

3.23.3 Conditional Grants

Analysis of revenue from conditional grants in the period under review indicates that, the County received Kshs.168.58 million for Kenya Devolution Support Programme and Kshs.48.82 million from EU Grant Instrument for Devolution Advice and Support during the period under review.

3.23.4 Exchequer Issues

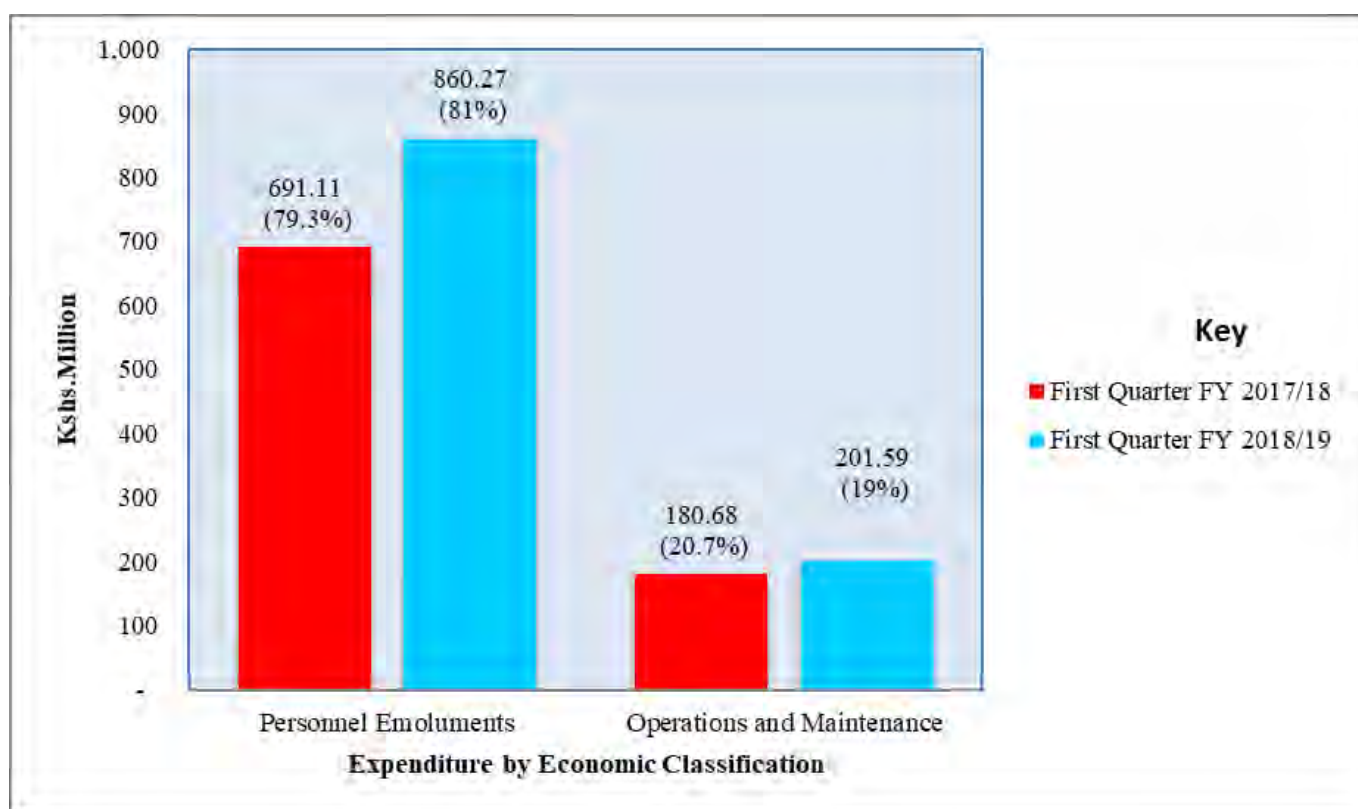
The Controller of Budget approved withdrawal of Kshs.1.05 billion from the CRF account, which was 11.8 per cent of the Approved Budget. This amount represented an increase of 20.9 per cent from Kshs.867.7 million approved in the first quarter of FY 2017/18 and was entirely for recurrent expenditure.

3.23.5 Overall Expenditure Review

The County spent Kshs.1.06 billion, which was 101.2 per cent of the total funds released for operations. This was an increase of 21.8 per cent from Kshs.871.79 million spent in the first quarter of FY 2017/18. The entire amount was spent on recurrent activities.

The recurrent expenditure represented 18.9 per cent of the annual recurrent budget, an increase from 16.8 per cent recorded in the first quarter of FY 2017/18. Figure 3.91 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.91: Makueni County, Expenditure by Economic Classification



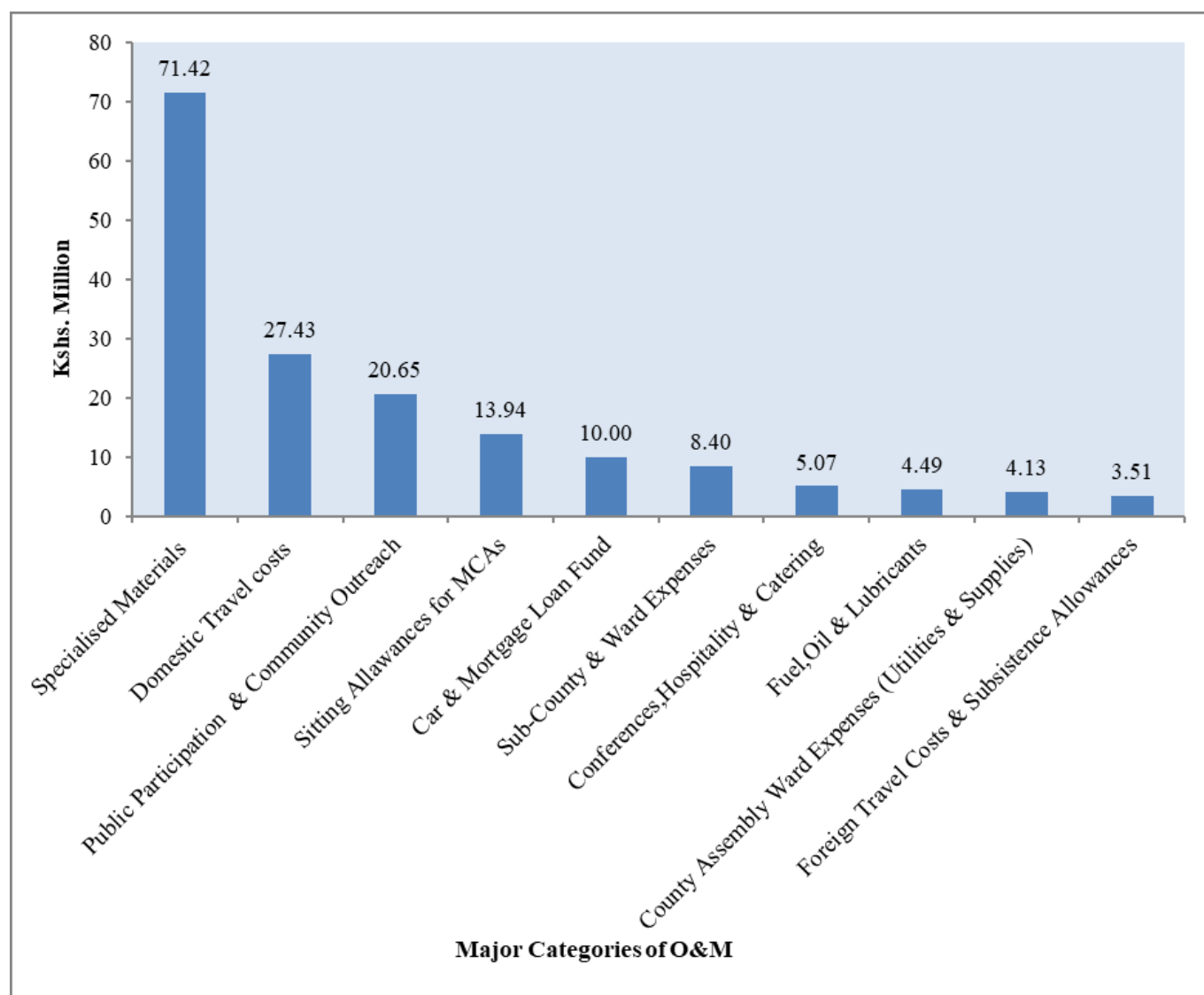
Source: Makueni County Treasury

3.23.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.06 billion comprised of Kshs.860.27 million (81 per cent) incurred on personnel emoluments and Kshs.201.59 million (19 per cent) on operations and maintenance as shown in Figure 3.91.

Expenditure on personnel emoluments represented an increase of 24.5 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.691.11 million, and was 81 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.92 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.92: Makueni County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Makueni County Treasury

The County spent Kshs.13.94 million on committee sitting allowances to the 49 MCAs against the annual budget allocation of Kshs.76.61 million. The County Assembly did not report any expenditure on committee sitting allowances in first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.94,797 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.27.43 million and comprised of Kshs.14.59 million spent by the County Assembly and Kshs.12.83 million by the County Executive. This represented 2.6 per cent of total recurrent expenditure and was an increase of 214.5 per cent compared to Kshs.8.72 million spent in the first quarter of FY 2017/18.

3.23.7 Budget Performance by County Departments

Table 3.31 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.31: Makueni County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Attorney's Office	31.09	-	1.00	-	0.82		81.5	-	2.6	-
County Public Service Board	62.74	10.00	13.73	-	13.67		99.6	-	21.8	-
Lands, Physical Planning & Mining	51.94	194.24	6.88	-	6.19		90.0	-	11.9	-
Office of Governor	170.83	-	20.66	-	26.23		127.0	-	15.4	-
Department of Trade, Tourism & Cooperatives	48.48	88.00	8.49	-	10.44		122.9	-	21.5	-
Department of Youth, Gender, Sports & Social services	73.04	88.00	11.25	-	7.98		70.9	-	10.9	-
County Secretary	291.73	-	26.23	-	49.42		188.4	-	16.9	-
Finance & Socio Economic Planning	462.50	680.33	56.81	-	119.14		209.7	-	25.8	-
Education & ICT	345.78	156.07	59.44	-	45.86		77.2	-	13.3	-
Transport & Infrastructure	186.15	404.58	18.31	-	22.28		121.7	-	12.0	-
Agriculture, Livestock & Fisheries Development	241.56	474.44	52.48	-	50.25		95.8	-	20.8	-
Water, Irrigation & Environment	129.77	474.39	19.43	-	14.98		77.1	-	11.5	-
Health	2,527.77	650.60	554.51	-	529.99		95.6	-	21.0	-
Devolution & Public Service	249.78	15.69	48.16	-	42.17		87.6	-	16.9	-
County Assembly	746.36	70.00	151.59	-	122.45		80.8	-	16.4	-
TOTAL	5,619.53	3,306.33	1,048.95	-	1,061.86	-	101.2	0.0	18.9	-

Source: Makueni County Treasury

Analysis of budget performance by department shows that, the Department of Finance and Socio Economic Planning had the highest percentage of recurrent expenditure to recurrent budget 25.8 per cent while the County Attorney's Office had the lowest at 2.6 per cent.

3.23.8 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. Increase in own source revenue collection from Kshs.66.29 million in the first quarter of FY 2017/18 to Kshs.79.46 million in the reporting period
- ii. Slight improvement in overall budget absorption rate from 11.0 per cent in first quarter of FY 2017/18 to 11.9 per cent in first quarter of FY 2018/19.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Failure by the County to budget for unspent cash balance for FY 2017/18, which amounted to Kshs.1.09 billion.

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

1. The County Treasury to liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.

2. The County Treasury should prepare a Supplementary budget for approval by the County Assembly to include the unspent cash balance from FY 2017/18 in the Appropriation Act.

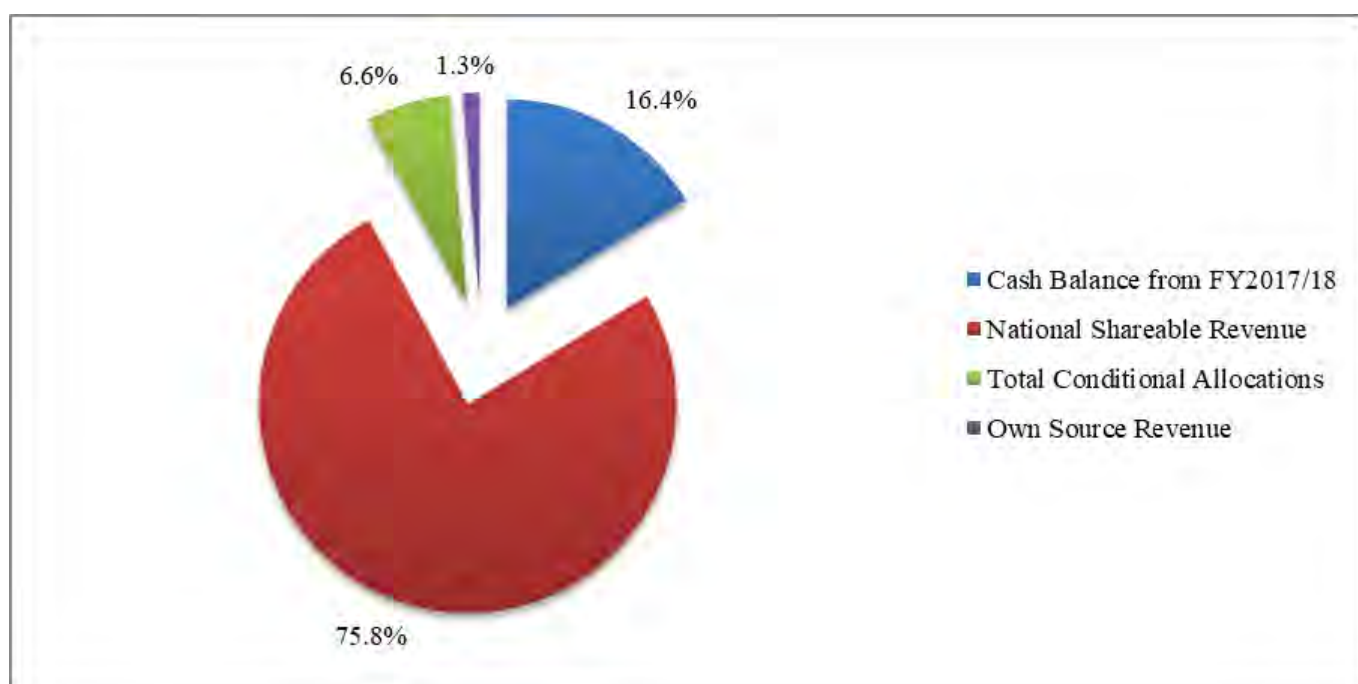
3.24 Mandera County

3.24.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.13.38 billion, comprising of Kshs.6.42 billion (48 per cent) and Kshs.6.96 billion (52 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.14 billion (75.8 per cent) as equitable share of revenue raised nationally, Kshs.877.90 million (6.6 per cent) as total conditional grants, generate Kshs.169.79 million (1.3 per cent) from local revenue sources, and Kshs.2.19 billion (16.4 per cent) cash balance brought forward from FY 2017/18.

Figure 3.93: Mandera County Expected Sources of Budget Financing in FY 2018/19



Source: Mandera County Treasury

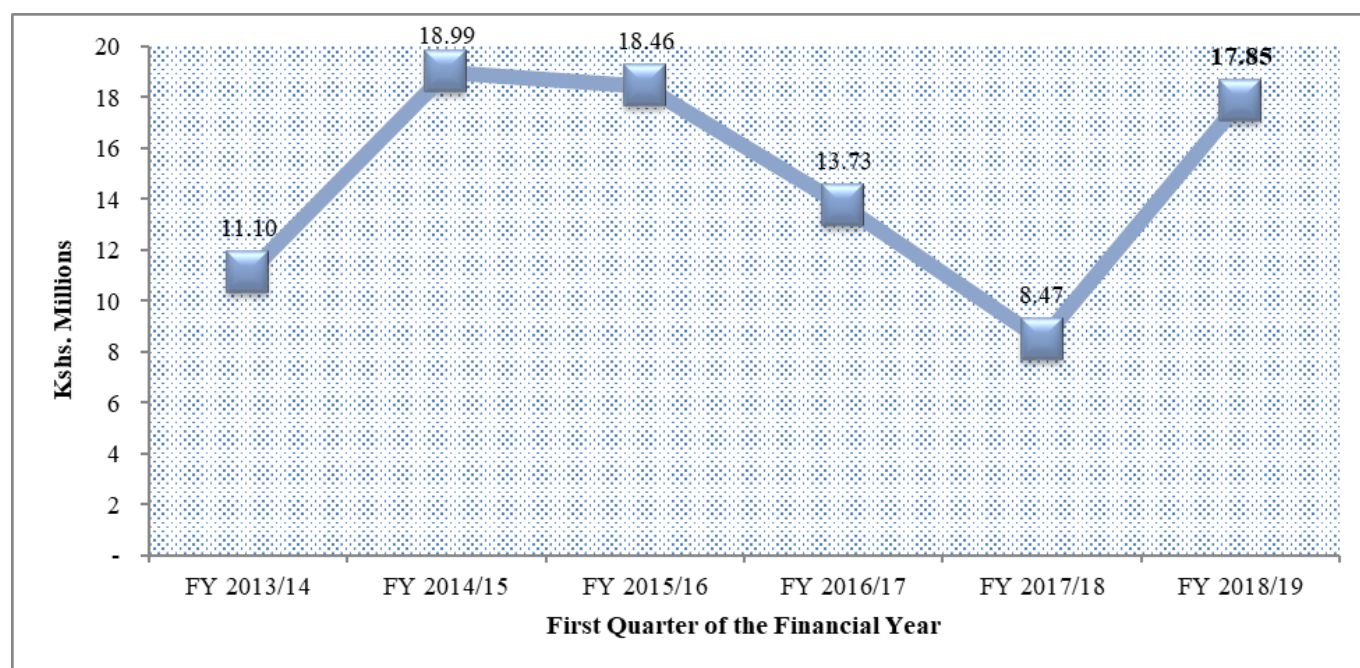
The conditional grants consist of Kshs.100.00 million (11.4 per cent) for Transforming Health Systems for Universal Care Project, Kshs.37.00 million (4.2 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.150.00 million (17.1 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.58.67 million (6.7 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.175.82 million (20.0 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.32.65 million (3.7 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.25.47 million (2.9 per cent) as Compensation for User Fees Foregone, Kshs.267.04 million (30.4 per cent) from Road Maintenance Fuel Levy, and Kshs.31.24 million (3.6 per cent) for Rehabilitation of Village Polytechnics.

3.24.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.507.11 million as equitable share of revenue raised nationally, raised Kshs.17.85 million from own source revenue, and had a cash balance of Kshs.2.42 billion from FY 2017/18. The total available funds amounted to Kshs.2.95 billion.

Figure 3.94 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY2018/19.

Figure 3.94: Mandera County, Trend in Own Source Revenue Collection from the First Quarter of FY 2013/14 to the First Quarter of FY 2018/19



Source: Mandera County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.17.85 million, representing a rise of 100.7 per cent compared to Kshs.8.47 million generated in the first quarter of FY 2017/18, which was 10.5 per cent of the annual target.

3.24.3 Conditional Grants

The County did not receive any conditional grant funds during the reporting period.

3.24.4 Exchequer Issues

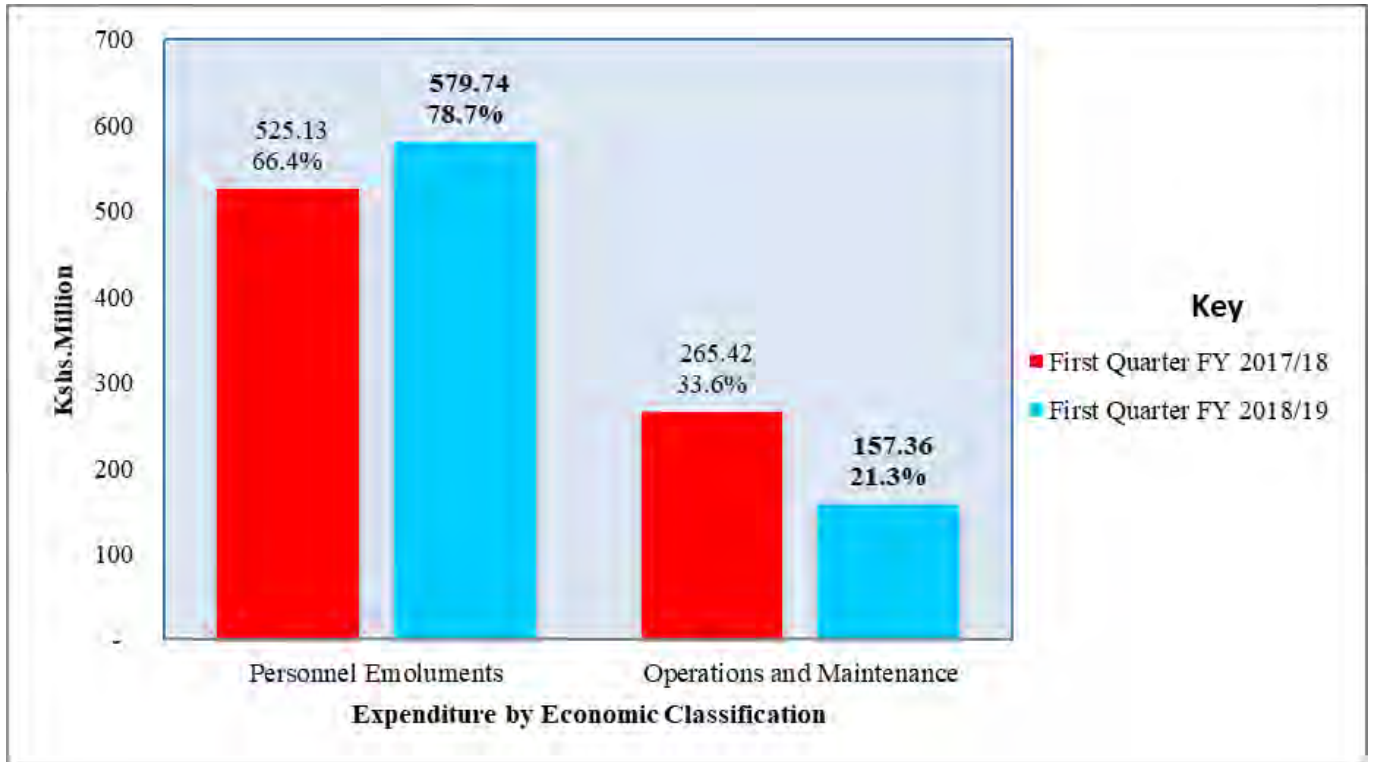
The Controller of Budget approved withdrawal of Kshs.1.23 billion from the CRF account, which was 9.2 per cent of the Approved Budget. This amount represented an increase of 19.9 per cent from Kshs.1.02 billion approved in the first quarter of FY 2018/19 and was for recurrent expenditure.

3.24.5 Overall Expenditure Review

The County spent Kshs.737.11 million, which was 60.1 per cent of the total funds released for operations. This was a decline of 6.8 per cent from Kshs.1.02 billion spent in the first quarter of FY 2017/18. The entire amount was spent on recurrent activities.

The recurrent expenditure represented 11.5 per cent of the annual recurrent budget, a decrease from 12.9 per cent recorded in the first quarter of FY 2017/18. Figure 3.95 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.95: Mandera County, Expenditure by Economic Classification



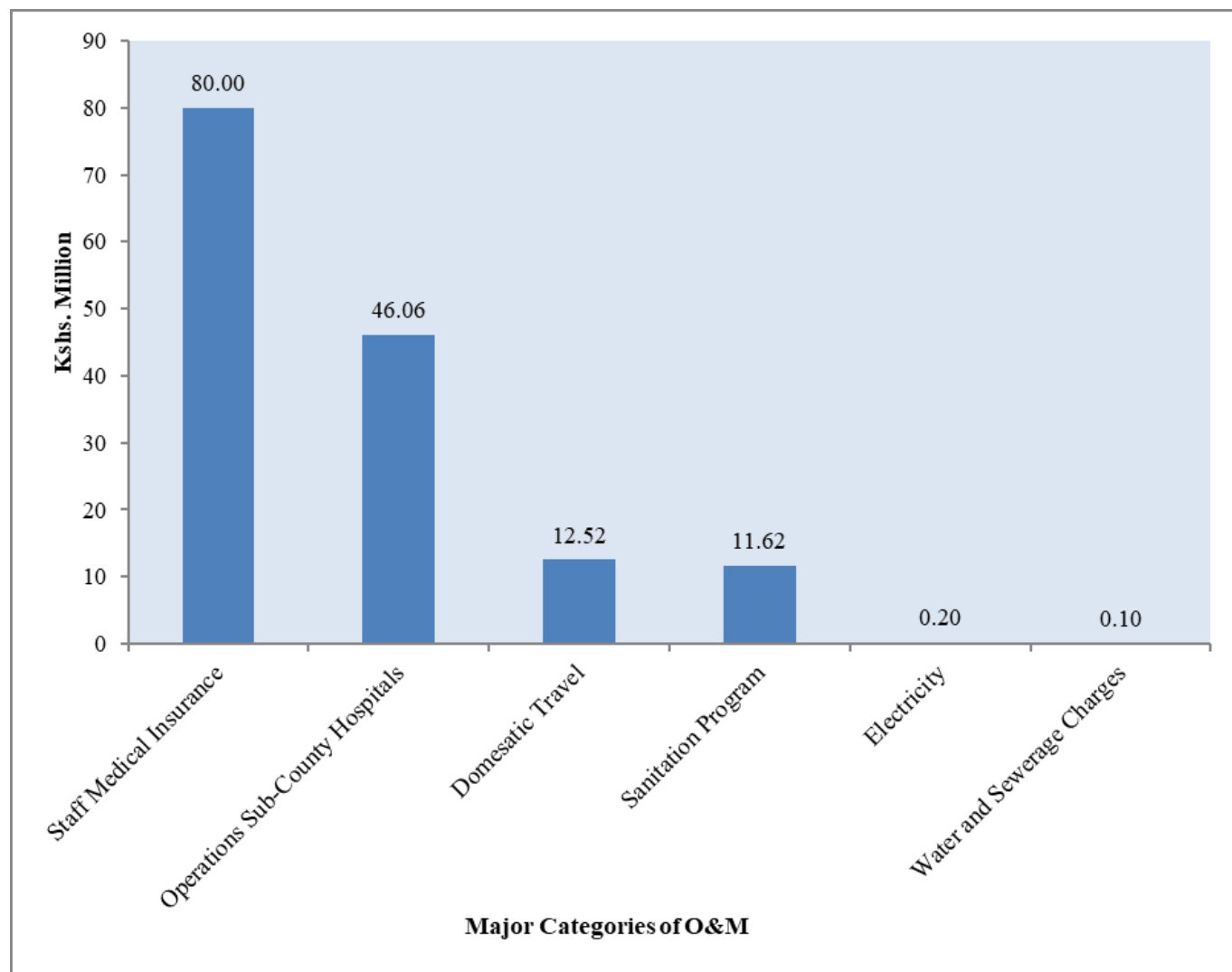
Source: Mandera County Treasury

3.24.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.737.11 million comprised of Kshs.579.74 million (78.7 per cent) incurred on personnel emoluments and Kshs.157.36 million (21.3 per cent) on operations and maintenance as shown in Figure 3.95.

Expenditure on personnel emoluments represented an increase of 10.4 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.525.13 million, and was 78.7 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.96 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.96: Mandera County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Mandera County Treasury

The County spent Kshs.9.11 million on committee sitting allowances to the 49 MCAs against the annual budget allocation of Kshs.41.77 million. This was an increase of 196.4 per cent compared to Kshs.3.07 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.61,968 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.12.52 million and comprised of Kshs.5.97 million spent by the County Assembly and Kshs.6.55 million by the County Executive. This represented 1.7 per cent of total recurrent expenditure and was an increase of 279.4 per cent compared to Kshs.3.30 million spent in the first quarter of FY 2017/18.

3.24.7 Development Expenditure Analysis

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

3.24.8 Budget and Budget Performance by County Departments

Table 3.32 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.32: Mandera County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture Livestock and Fisheries	222.59	612.06	50.63	-	30.92	-	61.1	-	13.9	-
Education, Culture and Sports	530.44	457.06	93.14	-	66.76	-	71.7	-	12.6	-
Gender, Youth and Social Service	76.20	99.35	7.96	-	2.17	-	27.3	-	2.8	-
Finance	677.83	137.92	63.61	-	38.62	-	60.7	-	5.7	-
Health Services	1,641.52	761.36	392.43	-	302.44	-	77.1	-	18.4	-
Trade, Investments Industrializations and Cooperative Development	35.06	198.43	5.33	-	3.60	-	67.5	-	10.3	-
County Assembly	850.63	211.26	174.56	-	56.85	-	32.6	-	6.7	-
Lands, Housing and Physical Planning	58.88	273.53	9.25	-	5.31	-	57.4	-	9.0	-
Office of the Governor and Deputy Governor	629.42	-	68.37	-	41.49	-	60.7	-	6.6	-
County Public Service Board	64.06	-	12.55	-	8.06	-	64.2	-	12.6	-
Public Service, Management and Devolved Unit	1,181.42	358.79	301.06	-	162.77	-	54.1	-	13.8	-
Public Works Roads and Transport	103.45	2,257.43	17.72	-	10.60	-	59.8	-	10.2	-
Water, Environment and Natural Resources	352.24	1,587.81	30.14	-	7.52	-	25.0	-	2.1	-
TOTAL	6,423.74	6,955.00	1,226.74	-	737.11	-	60.1	-	11.5	-

Source: Mandera County Treasury

Analysis of budget performance by department shows that the Department of Health Services had the highest percentage of recurrent expenditure to its recurrent budget at 18.4 per cent while the Department of Water, Environment and Natural Resources had the lowest at 2.1 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 quarterly financial reports to the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012.
- ii. Improvement in own-source revenue collection by 100.7 per cent from Kshs.8.47 million in the first quarter of FY 2017/18 to Kshs.17.85 million in the reporting period.

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

1. Failure by the National Treasury to disburse the equitable share of revenue raised nationally During the reporting period, which affected implementation of development programmes

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

1. *The National Treasury should expedite the release of the equitable share of revenue raised nationally to enable effective implementation of the County programmes.*

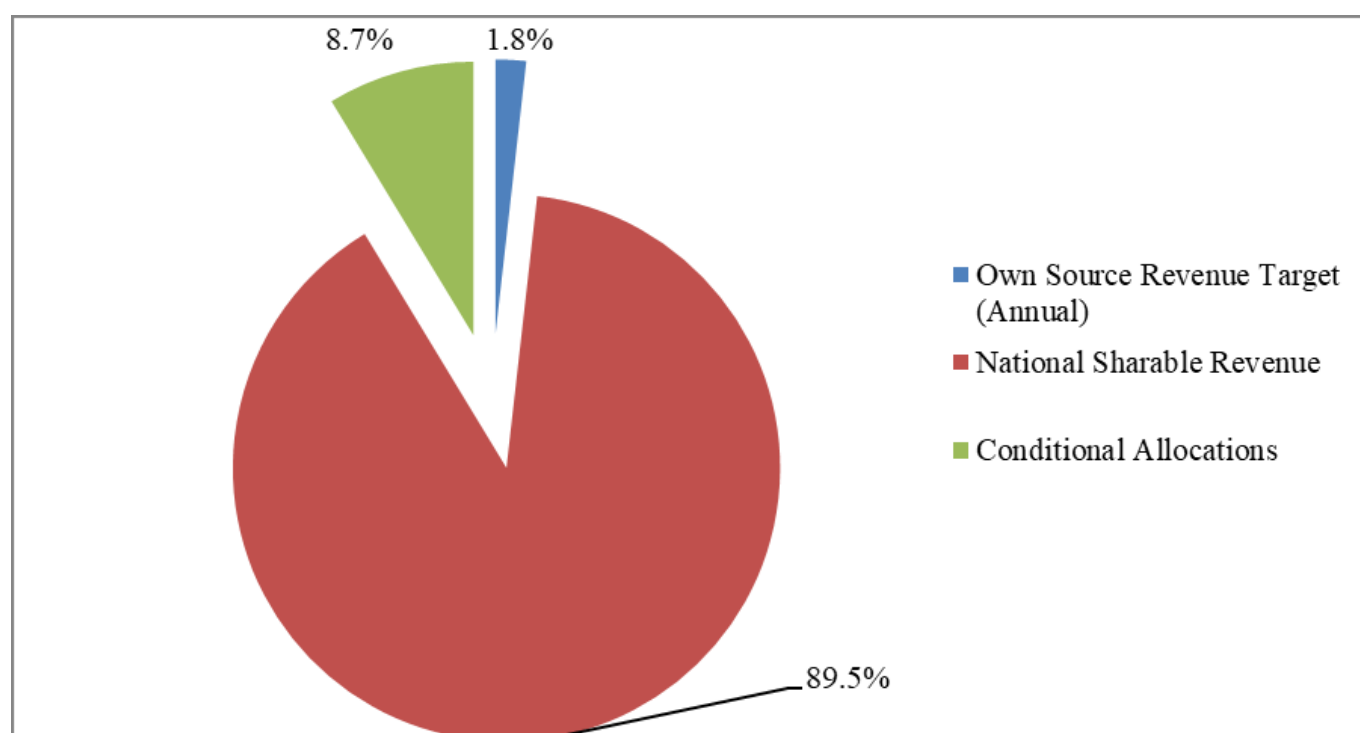
3.25 Marsabit County

3.25.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.7.82 billion, comprising of Kshs.4.06 billion (51.9 per cent) and Kshs.3.76 billion (48.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7 billion (89.5 per cent) as equitable share of revenue raised nationally, Kshs.678.34 million (8.7 per cent) as total conditional grants and generate Kshs.140 million (1.8 per cent) from own source revenue.

Figure 3.97: Marsabit County Expected Sources of Budget Financing in FY 2018/19



Source: Marsabit County Treasury

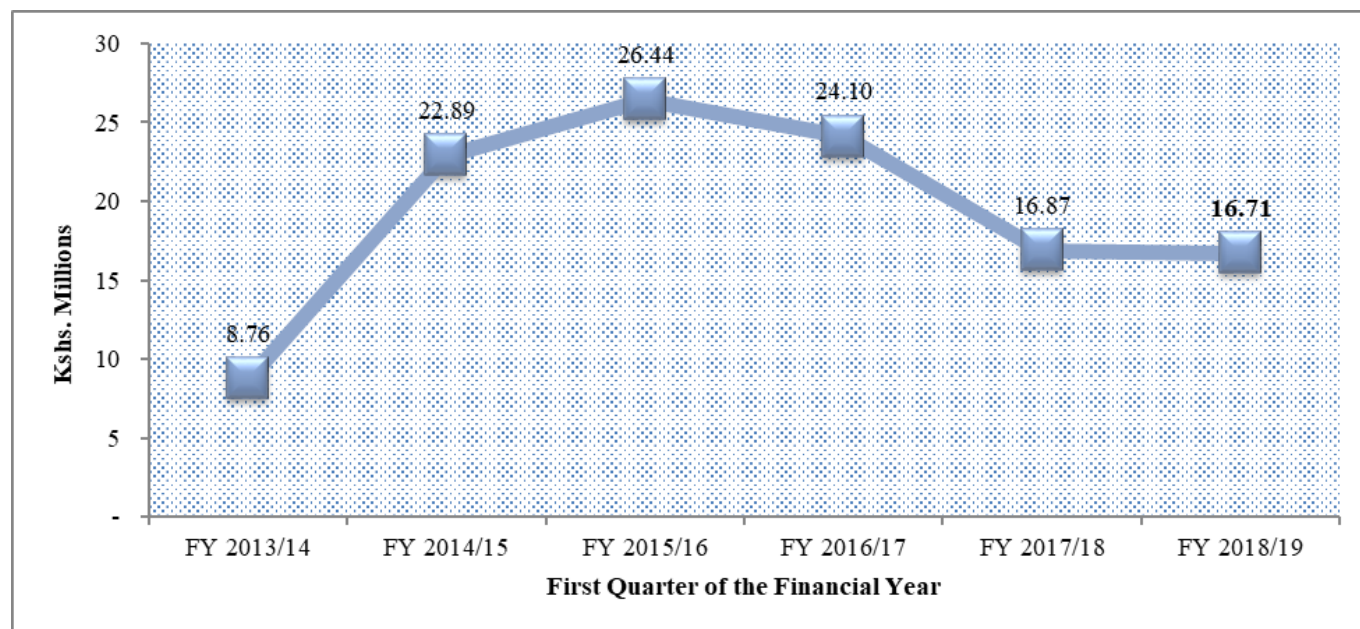
The conditional grants are in line with the CARA,2018 and consisted of Kshs.100 million (14.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.150 million (22.1 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.48.99 million (7.2 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.50 million (7.4 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.22.07 million (3.3 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.90 million (13.3 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.6.64 million (1 per cent) as Compensation for User Fees Foregone, Kshs.184.36 million (27.2 per cent) from the Road Maintenance Fuel Levy, and Kshs.26.28 million (3.9 per cent) for Rehabilitation of Village Polytechnics.

3.25.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.350.11 million as equitable share of revenue raised nationally, raised Kshs.16.71 million from own source revenue, and had a cash balance of Kshs.832.97 million from FY 2017/18. The total available funds amounted to Kshs.1.2 billion.

Figure 3.98 shows the quarterly trend in own source revenue collection for the first quarter from FY 2013/14 to FY 2018/19.

Figure 3.98: Marsabit County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Marsabit County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.16.71 million, representing a decline of 1 per cent compared to Kshs.16.87 million generated in the first quarter of FY 2017/18, which was 11.9 per cent of the annual target.

3.25.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.25.4 Exchequer Issues

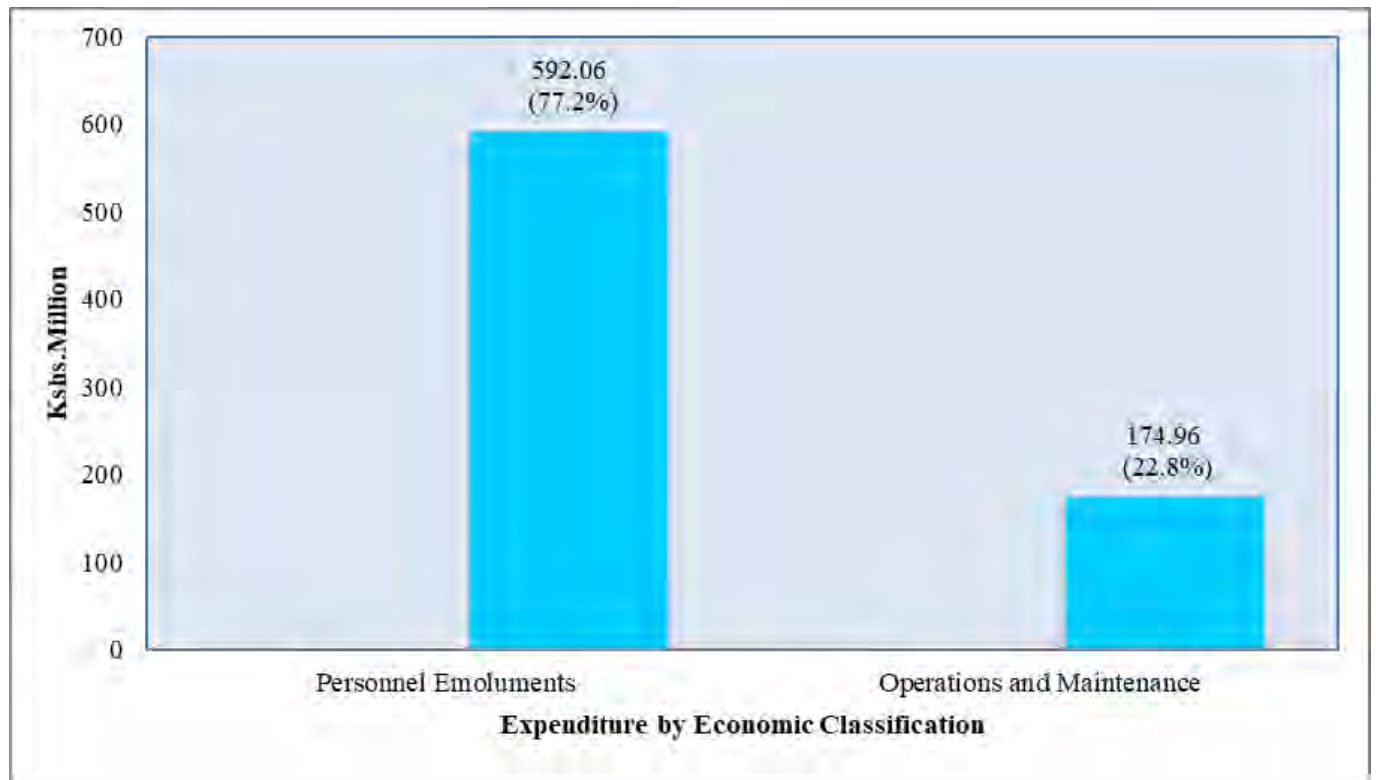
The Controller of Budget approved withdrawal of Kshs.1.01 billion from the CRF account, which was 12.9 per cent of the Approved Budget. The entire release was for recurrent expenditure. There was no exchequer disbursement in the comparative period of FY 2017/18.

3.25.5 Overall Expenditure Review

The County spent Kshs.767.02 million, which was 75.9 per cent of the total funds released for operations. There was no expenditure in a similar period of FY 2017/18.

The recurrent expenditure represented 18.9 per cent of the annual recurrent budget. Figure 3.99 presents the total expenditure in the first quarter of FY 2018/19 by economic classification.

Figure 3.99: Marsabit County, Expenditure by Economic Classification



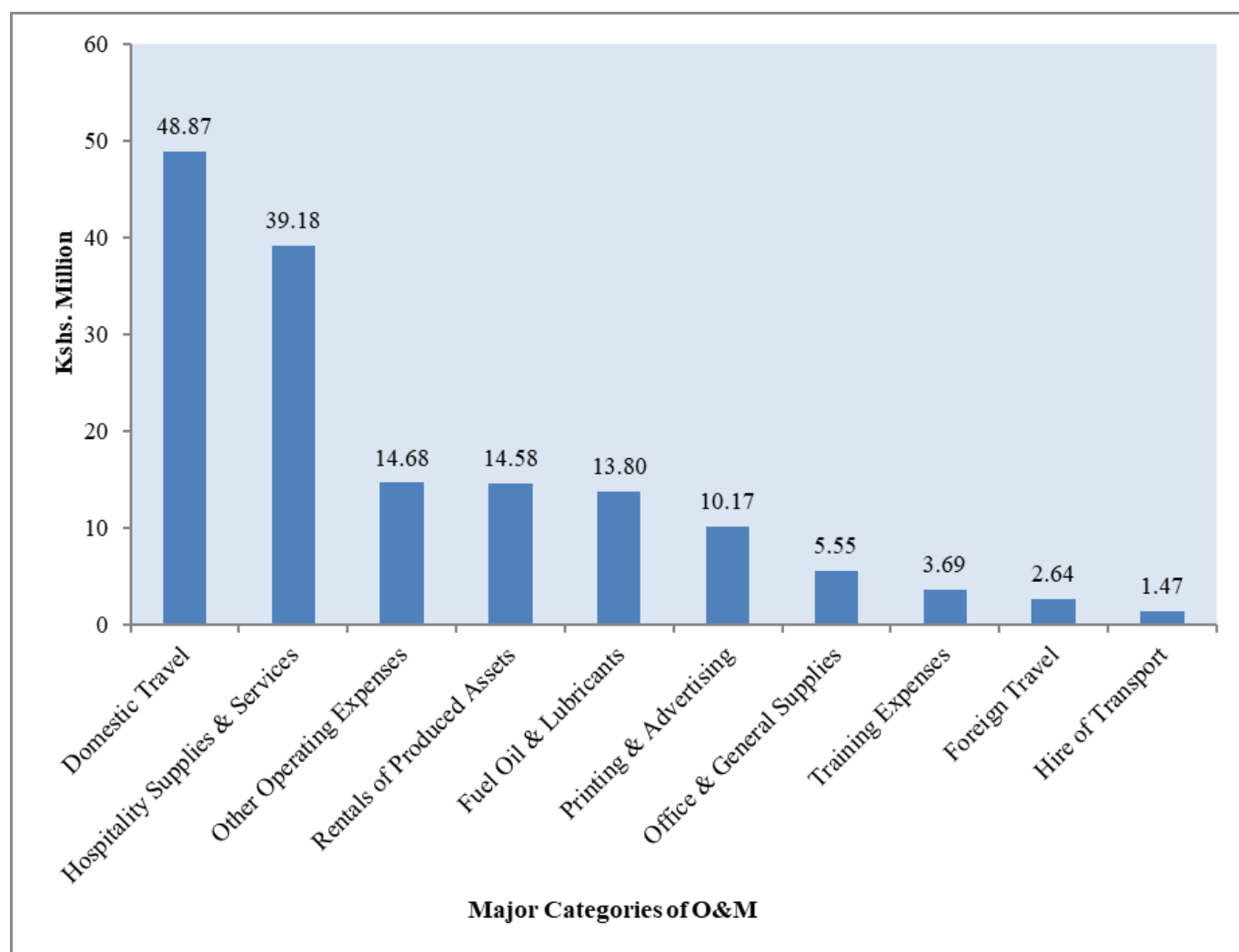
Source: Marsabit County Treasury

3.25.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.767.02 million comprised of Kshs.592.06 million (77.2 per cent) incurred on personnel emoluments and Kshs.174.96 million (22.8 per cent) on operations and maintenance as shown in Figure 3.99.

Figure 3.100 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.100: Marsabit County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Marsabit County Treasury

The County spent Kshs.5.27 million on committee sitting allowances to the 31 MCAs against the annual budget allocation of Kshs.35.49 million. The average monthly sitting allowance was Kshs.56,645 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.48.87 million and comprised of Kshs.18.34 million spent by the County Assembly and Kshs.30.53 million by the County Executive. This represented 6.4 per cent of total recurrent expenditure.

3.25.7 Development Expenditure Analysis

The county did not record any development expenditure during the reporting period.

3.25.8 Budget Performance by County Departments

Table 3.33 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.33: Marsabit County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	597	145	120	-	82.01	-	68.3	-	13.7	-
County Executive Services	531.44	360	144.31	-	139.11	-	96.4	-	26.2	-
Finance Management Services	368.99	40	81.28	-	43.13	-	53.1	-	11.7	-
Agriculture	186	410.82	58.29	-	37.55	-	64.4	-	20.2	-
County Public Service	90	-	14.94	-	13.66	-	91.4	-	15.2	-
Education Youth Affairs	259	355.83	61.97	-	48.55	-	78.3	-	18.7	-
County Health Services	1,181.07	766.96	297.08	-	290.76	-	97.9	-	24.6	-
Administration and ICT	346.50	15.95	90.25	-	39.84	-	44.1	-	11.5	-
Physical Planning and Development	140	255.65	34.17	-	17.53	-	51.3	-	12.5	-
Public Works	77	537.75	23.59	-	10.67	-	45.2	-	13.9	-
Water Services	130.04	645.14	41.78	-	21.44	-	51.3	-	16.5	-
Trade and Industry	83.50	104.60	21.67	-	12.55	-	57.9	-	15	-
Culture and Social Services	72	120.30	20.67	-	10.23	-	49.5	-	14.2	-
TOTAL	4,062.54	3,758	1,010	-	767.02	-	75.9	-	18.9	-

Source: Marsabit County Treasury

Analysis of budget performance by department shows that, the County Executive Services had the highest percentage of recurrent expenditure to recurrent budget at 26.2 per cent while the Department of Administration and ICT had the lowest at 11.5 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. Establishment of Internal Audit Committee in line with Section 155 of the PFM Act, 2012.

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

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, which affected timely preparation of budget implementation report
3. The County has not constituted the County Budget and Economic Forum (CBEF) in line with section 137 of the PFM Act, 2012 for consultation in the budget making process.
4. Delay in approval of County Integrated Development Plan (CIDP) for 2018-2022, which may hinder effective planning and budgeting.

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

1. The National Treasury should ensure timely disbursement of funds in a timely manner.
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 the CBEF in line with Section 137 of the PFM Act, 2012.
4. The County should ensure the CIDP for 2018-2022 is developed and approved in order to guide budget execution.

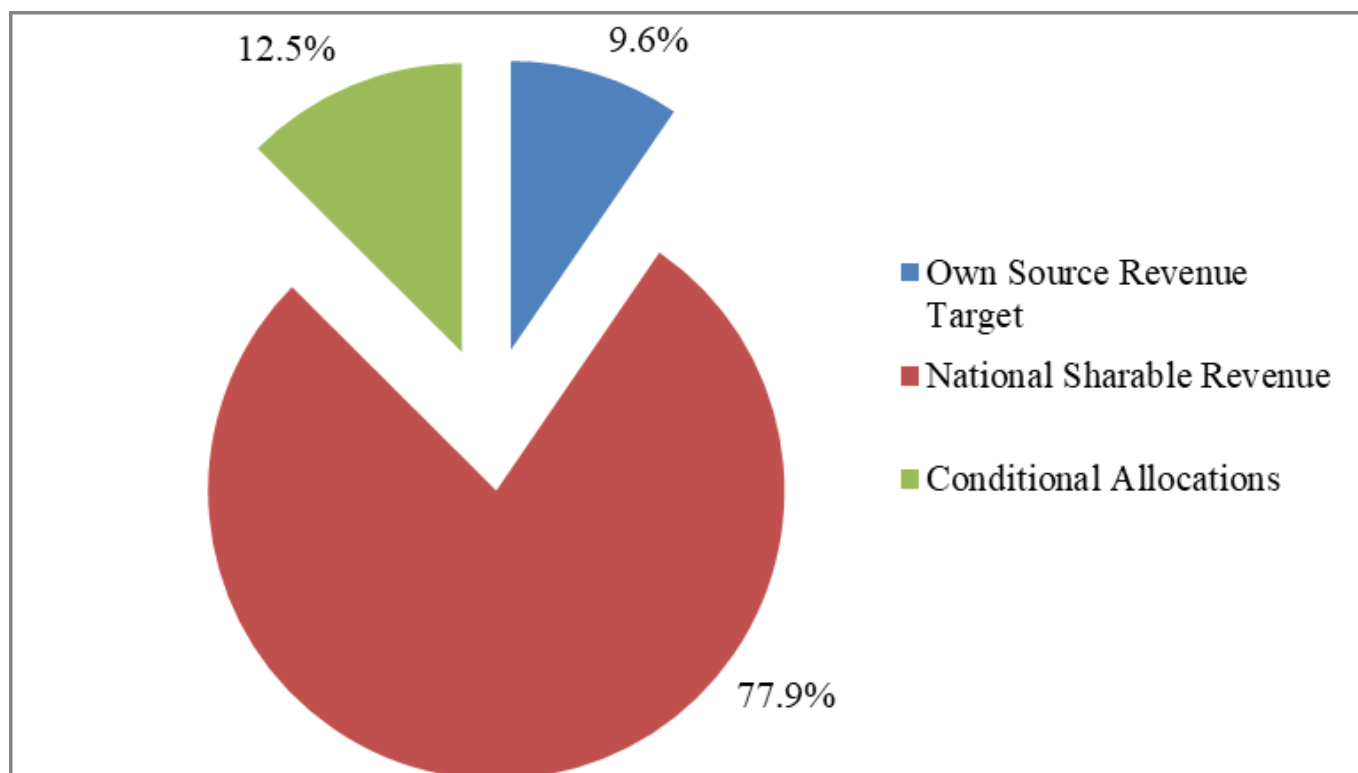
3.26 Meru County

3.26.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.10.28 billion, comprising of Kshs.7.2 billion (70 per cent) and Kshs.3.08 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.01 billion (77.9 per cent) as equitable share of revenue raised nationally, Kshs.1.29 billion (12.5 per cent) as total conditional grants and generate Kshs.983.87 million (9.6 per cent) from own source revenue.

Figure 3.101: Meru County Expected Sources of Budget Financing in FY 2018/19



Source: Meru County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.50 million (3.9 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (11.1 per cent) from IDA(World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.53.94 Million (4.2 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1grants”, Kshs.116.89 million (9.2 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.25.82 million (2 per cent) as grants from DANIDA for Universal Healthcare for Devolved System Programme, Kshs.373.87 million (29.5 per cent) for Meru Level-5 Hospital, Kshs.31.65 million (2.5 per cent) as Compensation for User Fees Foregone, Kshs.200 million (15.8 per cent) for Leasing of Medical Equipment, Kshs.210.82 million (16.6 per cent) from the Road Maintenance Fuel Levy and Kshs.66.03 million (5.2 per cent) for Rehabilitation of Village Polytechnics

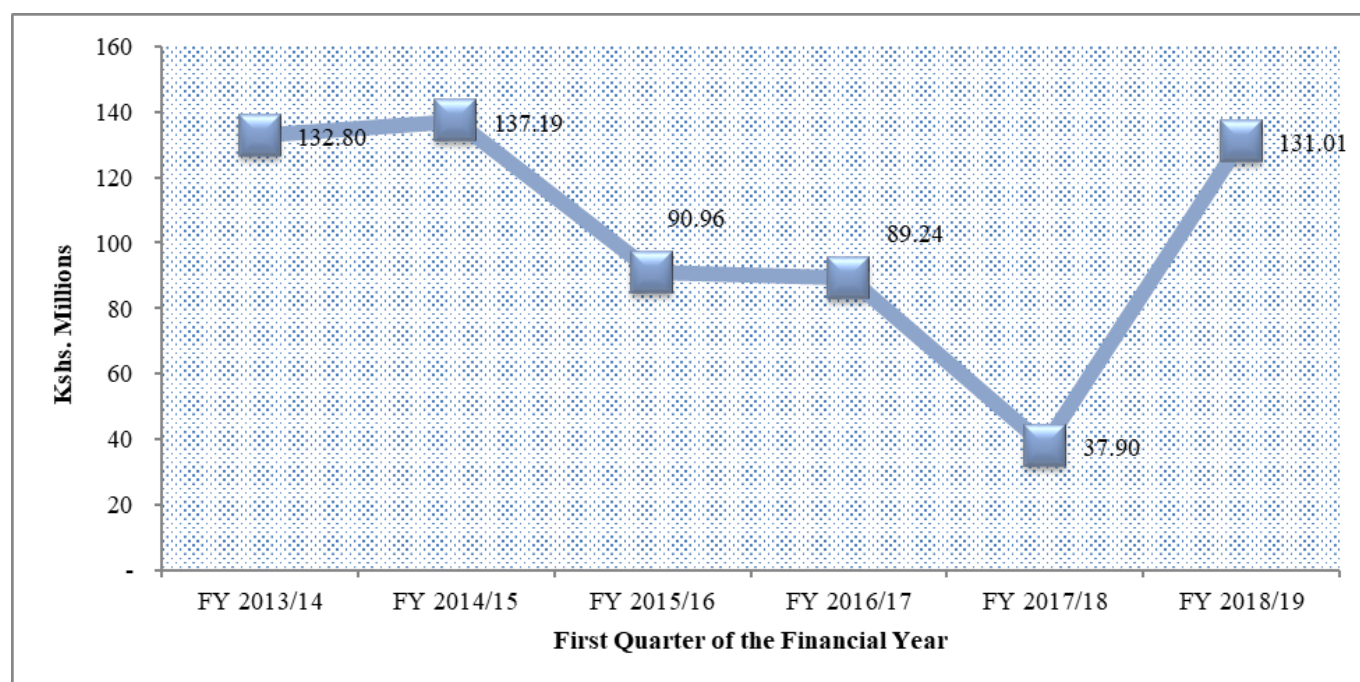
The County also budgeted to receive Kshs.20.08 million as grant for GoK-ASDSP programme, which is not contained in the CARA, 2018.

3.26.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.979.53 million as equitable share of revenue raised nationally, raised Kshs.131.01 million from own source revenue, and had a cash balance of Kshs.1.22 billion from FY 2017/18. The total available funds amounted to Kshs.2.33 billion.

Figure 3.102 shows the quarterly trend in own source revenue collection for the first quarter from FY 2013/14 to FY 2018/19.

Figure 3.102: Meru County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Meru County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.131.01 million, representing an increase of 245.7 per cent compared to Kshs.37.9 million generated in the first quarter of FY 2017/18, which was 13.3 per cent of the annual target.

3.26.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.26.4 Exchequer Issues

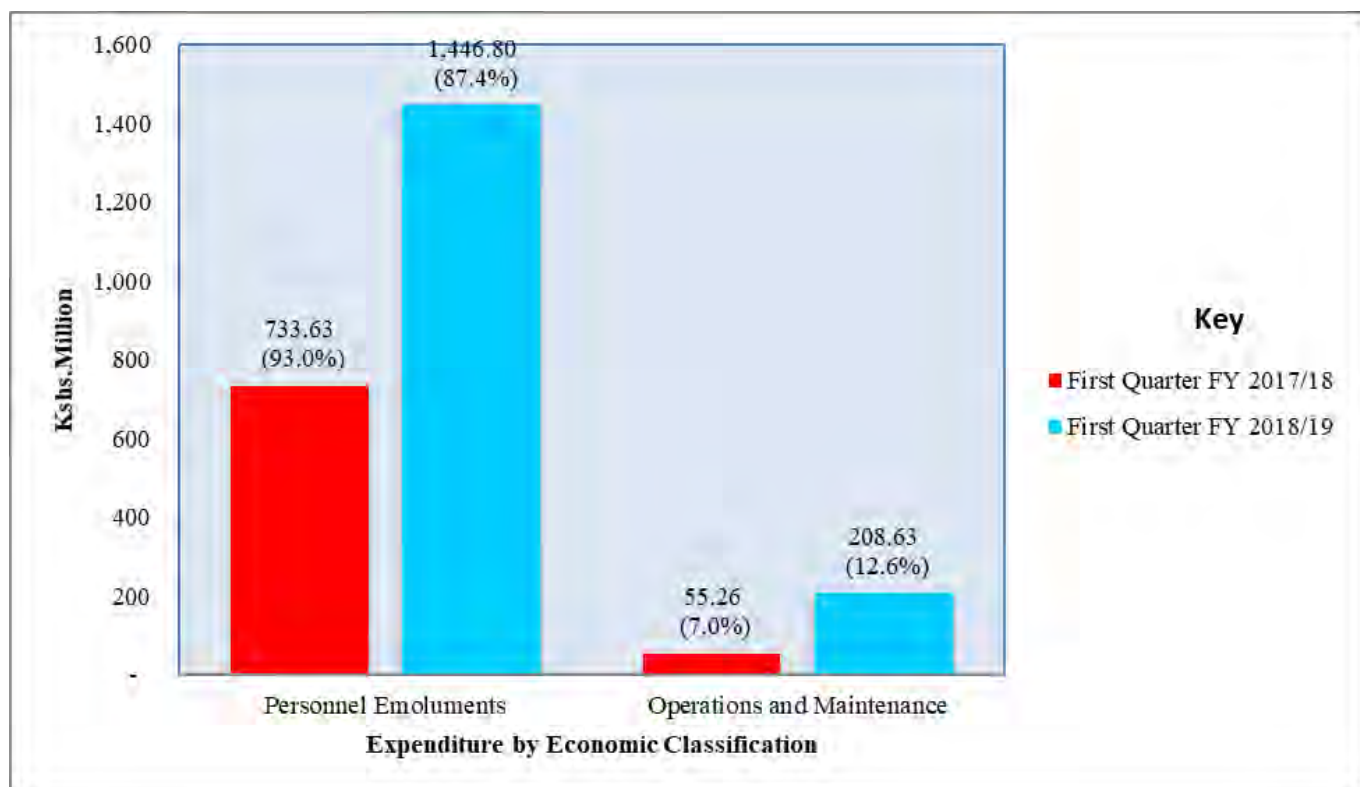
The Controller of Budget approved withdrawal of Kshs.1.74 billion from the CRF account, which was 16.9 per cent of the Approved Budget. This amount represented an increase of 80.4 per cent from Kshs.966.26 million approved in the first quarter of FY 2018/19. The entire amount was for recurrent expenditure.

3.26.5 Overall Expenditure Review

The County spent Kshs.1.66 billion, which was 95 per cent of the total funds released for operations. This was an increase of 109.8 per cent from Kshs.788.89 million spent in the first quarter of FY 2017/18. The expenditure excluded outstanding commitments which amounted to Kshs.4.82 million for recurrent expenditure only as at September 30, 2018.

The recurrent expenditure represented 23 per cent of the annual recurrent budget, an increase from 11.6 per cent recorded in the first quarter of FY 2017/18. Figure 3.103 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.103: Meru County, Expenditure by Economic Classification



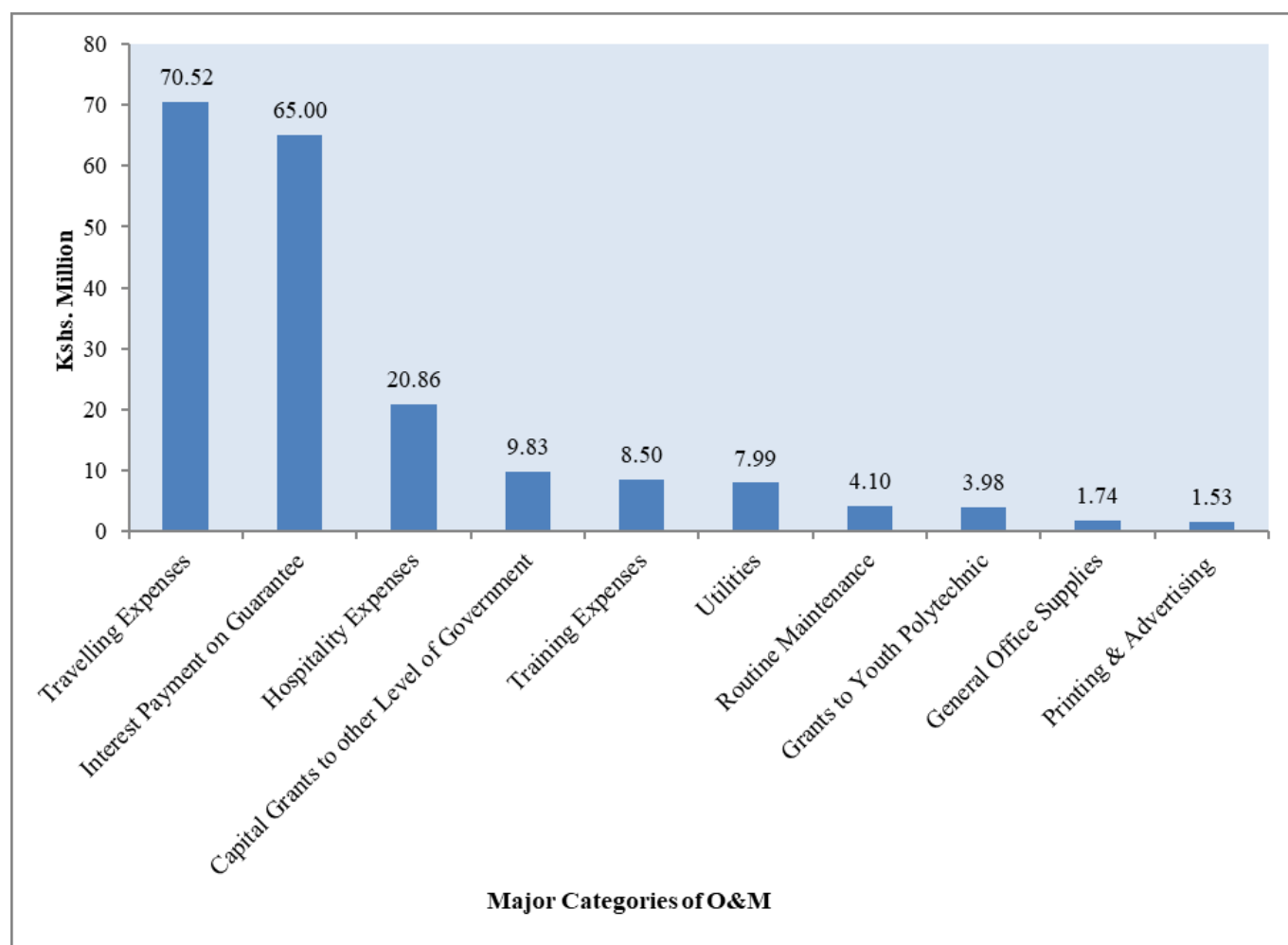
Source: Meru County Treasury

3.26.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.66 billion comprised of Kshs.1.45 billion (87.4 per cent) incurred on personnel emoluments and Kshs.208.63 million (12.6 per cent) on operations and maintenance as shown in Figure 3.103.

Expenditure on personnel emoluments represented an increase of 97.2 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.733.63 million, and was 87.3 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.104 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.104: Meru County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Meru County Treasury

The County spent Kshs.579,600 on committee sitting allowances to the 69 MCAs against the annual budget allocation of Kshs.101.94 million. The average monthly sitting allowance was Kshs.2, 800 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.70.52 million and comprised of Kshs.54.07 million spent by the County Assembly and Kshs.16.45 million by the County Executive. This represented 4.3 per cent of total recurrent expenditure and was an increase of 579 per cent compared to Kshs.10.39 million spent in the first quarter of FY 2017/18.

3.26.7 Development Expenditure Analysis

The county did not report any development expenditure in the period under review.

3.26.8 Budget Performance by County Departments

Table 3.34 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.34 : Meru County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	851.75	60.00	151.98	-	151.98	-	100	-	17.8	-
Office of the Governor	265.90	20.00	58.53	-	49.55	-	84.7	-	18.6	-
Finance, Economic Planning and ICT	890.40	185.00	163.54	-	141.05	-	86.2	-	15.8	-
Agriculture, Livestock and Fisheries	297.25	315.54	97.36	-	97.62	-	100.3	-	32.8	-
Water and Sanitation	91.33	713.90	36.86	-	19.98	-	54.2	-	21.9	-
Education Technology, Gender Culture and Social Development	814.55	187.88	220.66	-	183.49	-	83.2	-	22.5	-
Health Services	2,763.46	432.15	811.31	-	863.96	-	106.5	-	31.3	-
Lands, Physical Planning, Urban Development and Public Works	96.27	272.89	23.80	-	18.18	-	76.4	-	18.9	-
Legal Affairs, Public Service Management and Administration	785.44	0.00	106.28	-	77.11	-	72.6	-	9.8	-
Road, Transport and Energy	87.31	665.22	19.93	-	15.82	-	79.4	-	18.1	-
Trade, Investment, Industrialization, Tourism and Cooperative Development	61.25	109.30	22.68	-	20.59	-	90.8	-	33.6	-
Youth Affairs and Sport	136.26	49.13	16.84	-	11.25	-	66.8	-	8.3	-
Public Services Board	30.00	0.00	3.09	-	3.31	-	107.2	-	11	-
Environment, Wildlife and Natural Resources	26.75	71.47	10.23	-	1.55	-	15.1	-	5.8	-
TOTAL	7,197.93	3,082.47	1,743.10	-	1,655.43	-	95	-	23	-

Source: Meru County Treasury

Analysis of budget performance by department shows that the Department of Trade, Investment, Industrialization, Tourism and Cooperative Development had the highest percentage of recurrent expenditure to recurrent budget at 33.6 per cent while the Department of Environment, Wildlife and Natural Resources had the lowest at 5.8 per cent.

3.26.9 Key Observations and Recommendations

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

- i. Improvement in own source revenue collection by 245.7 per cent from Kshs.37.90 million collected in the first quarter of FY 2017/18 to Kshs.131.01 million during the period under review.
- 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. A high wage bill that increased by 97.2 per cent from Kshs.733.63 million in the first quarter of FY 2017/18 to Kshs.1.45 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.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

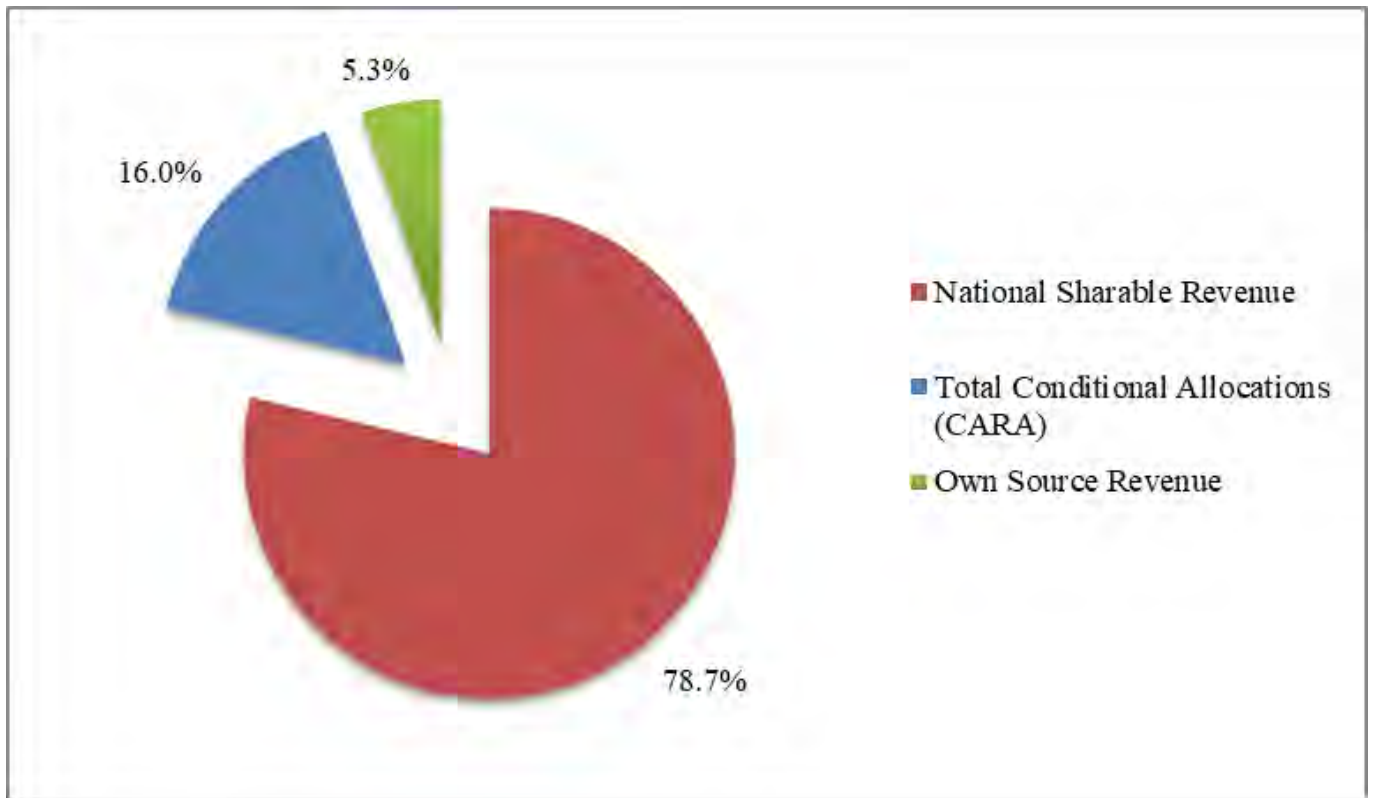
3.27 Migori County

3.27.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.8.54 billion, comprising of Kshs.5.29 billion (62 per cent) and Kshs.3.25 billion (38.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.72 billion (78.7 per cent) as equitable share of revenue raised nationally, Kshs.1.37 billion (16 per cent) as total conditional grants, and generate Kshs.450 million (5.3 per cent) from own source revenue.

Figure 3.105: Migori County, Expected Sources of Budget Financing in FY 2018/19



Source: Migori County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.100 million (7.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.43 million (10.2 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.49.61 million (3.6 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.558.37 million (40.7 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.21.67 million (1.6 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.70 million (5.1 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.21.66 million (1.6 per cent)

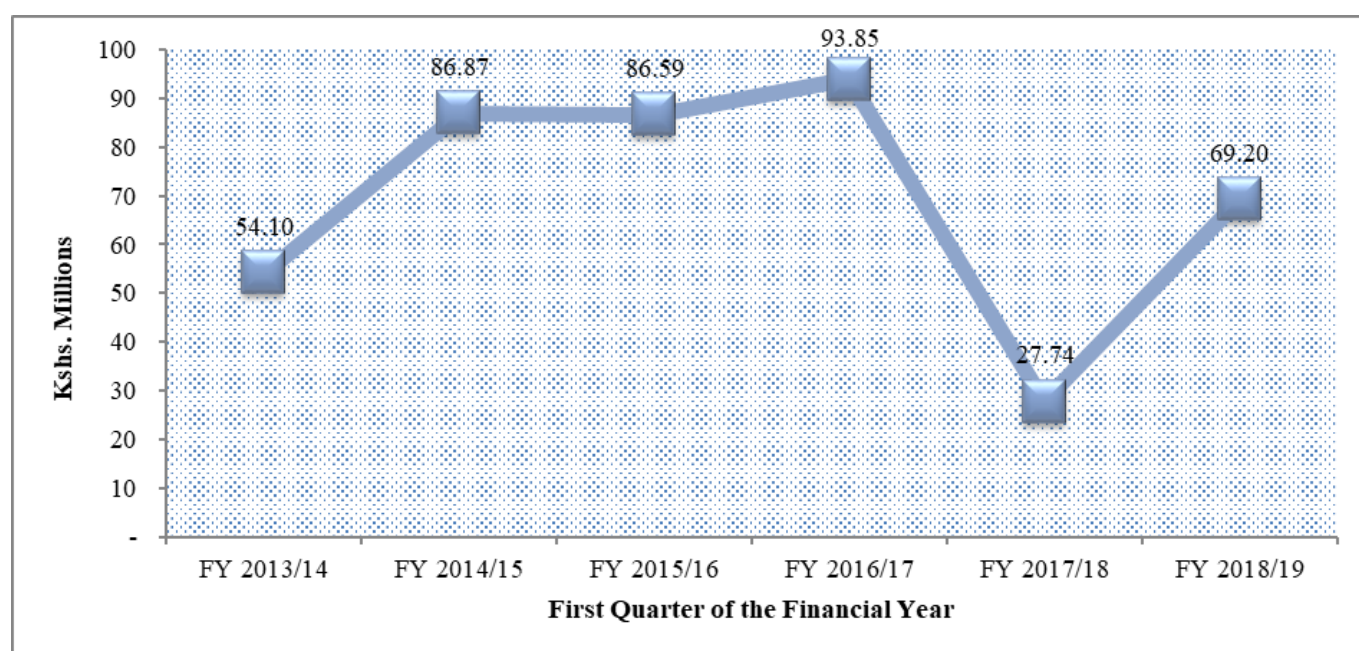
as Compensation for User Fees Foregone, Kshs.200 million (14.6 per cent) for Leasing of Medical Equipment, Kshs.176.92 million (12.9 per cent) from the Road Maintenance Fuel Levy, and Kshs.31.75 million (2.3 per cent) for Rehabilitation of Village Polytechnics

3.27.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.806.35 million as equitable share of revenue raised nationally, raised Kshs.69.20 million from own source revenue, and had a cash balance of Kshs.599.33 million from FY 2017/18. The total available funds amounted to Kshs.1.47 billion.

Figure 3.106 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.106: Migori County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Migori County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.69.20 million, representing an increase of 149.4 per cent compared to Kshs.27.74 million generated in the first quarter of FY 2017/18, which was 15.4 per cent of the annual target.

3.27.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.27.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.828.02 million from the CRF account, which was 9.7 per cent of the Approved Budget. This amount represented an increase of 42.5 per cent from Kshs.581 million approved in the first quarter of FY 2017/18 and comprised of Kshs.688.02 million (83.1 per cent) for recurrent expenditure and Kshs.139.98 million (16.9 per cent) for development activities.

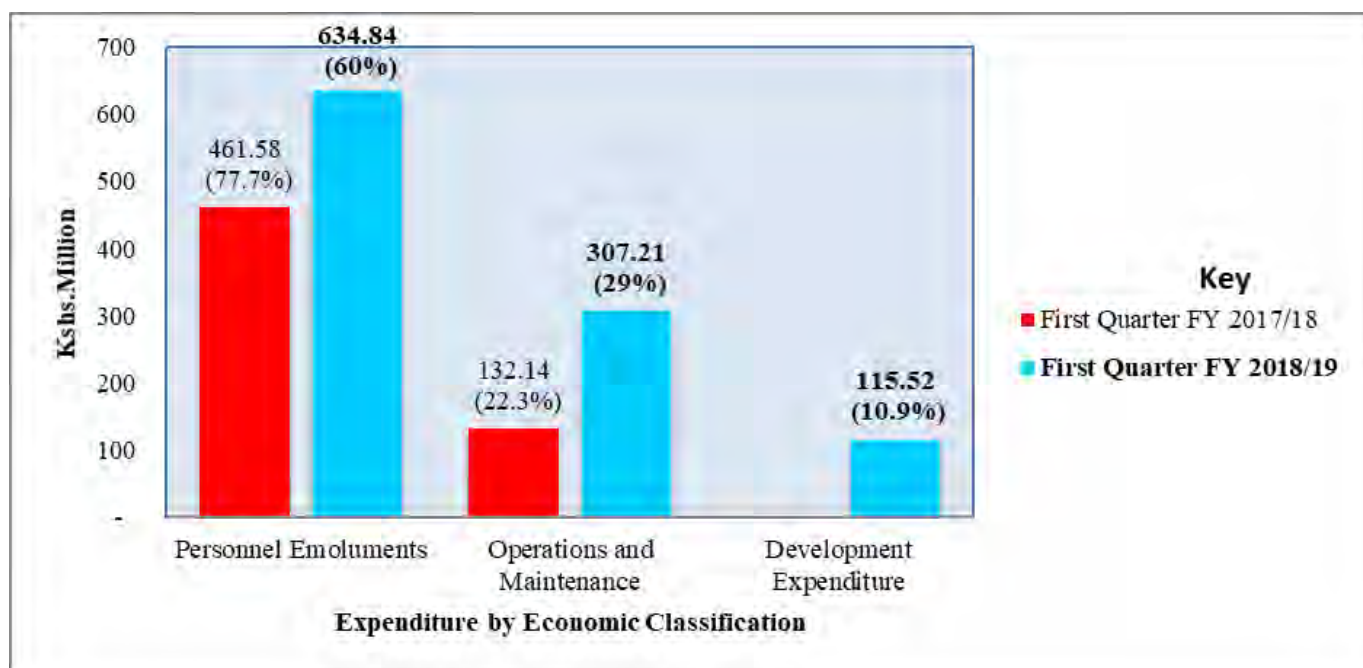
3.27.5 Overall Expenditure Review

The County spent Kshs.1.06 billion, which was 127.7 per cent of the total funds released for operations. This was an increase of 78 per cent from Kshs.594 million spent in the first quarter of FY 2017/18.

A total of Kshs.942.04 million was spent on recurrent activities while Kshs.115.52 million was spent on development activities. The recurrent expenditure was 136.9 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.2.24 billion for development activities and Kshs.244.58 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 17.8 per cent of the annual recurrent budget, an increase from 12.1 per cent recorded in the first quarter of FY 2017/18. Development expenditure recorded an absorption rate of 3.6 per cent, while there was no expenditure on development. Figure 3.107 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.107: Migori County, Expenditure by Economic Classification



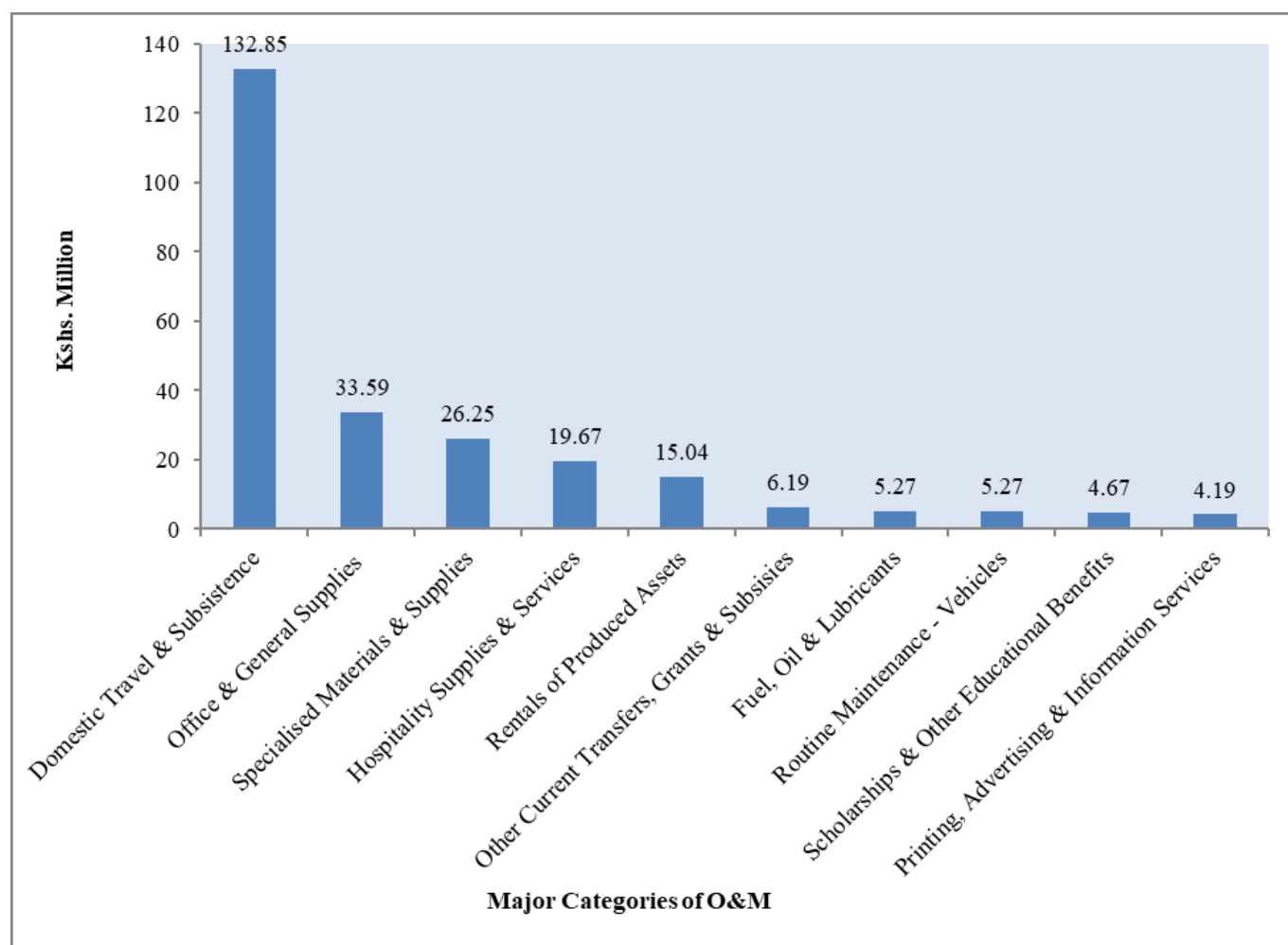
Source: Migori County Treasury

3.27.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.942.04 million comprised of Kshs.634.83 million (67.4 per cent) incurred on personnel emoluments and Kshs.307.21 million (32.6 per cent) on operations and maintenance as shown in Figure 3.107.

Expenditure on personnel emoluments represented an increase of 37.5 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.461.58 million, and was 60 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.108 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.108: Migori County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Migori County Treasury

The County spent Kshs.20.7 million on committee sitting allowances to the 57 MCAs. The Assembly did not explicitly budget for this expenditure in FY 2018/19. The average monthly sitting allowance was Kshs.121,026 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.132.85 million and comprised of Kshs.20.63 million spent by the County Assembly and Kshs.112.22 million by the County Executive and represented 14.1 per cent of total recurrent expenditure.

3.27.7 Development Expenditure Analysis

The total development expenditure of Kshs.115.52 million represented 3.6 per cent of the annual development budget of Kshs.3.25 billion, and comprised of Kshs.113.78 million spent on settlement of withholding tax arrears and Kshs.1.75 million (1.5 per cent) on supply of drugs.

3.27.8 Budget Performance by County Departments

Table 3.35 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.35: Migori County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries and Veterinary	420.72	152.58	39.49	0.28	53.81	-	136.3	-	12.8	-
Trade, Industrialization, Cooperative Development and Tourism	76.04	39.27	15.82	0.28	15.32	-	96.8	-	20.1	-
Health	1,489.06	471.00	250.25	1.65	425.23	1.74	169.9	105.5	28.6	0.4
Education, Youth Development, Sports, Culture and Social Services	300.34	113.25	53.45	11.75	39.35	-	73.6	-	13.1	-
Public Works, Roads and Transport	63.43	1,044.42	13.46	72.97	14.50	-	107.7	-	22.9	-
Lands, Housing and Physical Planning	118.04	621.86	16.12	10.37	14.46	-	89.7	-	12.2	-
Environment, Disaster Management and Forestry	153.91	26.15	25.33	2.39	13.37	-	52.8	-	8.7	-
Finance and Economic Planning	582.50	189.00	81.86	1.93	146.09	113.78	178.5	5895.3	25.1	60.2
Public Service Management	668.55	176.20	96.22	37.83	89.60	-	93.1	-	13.4	-
County Executive	536.24	8.70	38.22	0.53	40.80	-	106.7	-	7.6	-
County Assembly	787.25	100.00	40.00	-	78.85	-	197.1	-	10.0	-
Water and Energy	98.32	303.16	17.80	-	10.68	-	60.0	-	10.9	-
TOTAL	5,294.40	3,245.59	688.02	139.98	942.04	115.52	136.9	82.5	17.8	3.6

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 60.2 per cent, followed by Department of Health at 0.4 per cent. All other departments did not incur development expenditure. The Department of Health had the highest percentage of recurrent expenditure to recurrent budget at 28.6 per cent while the County Executive had the lowest at 7.6 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 included:

- i. Improvement in the own source revenue collection by 149.4 per cent from Kshs.27.74 million in the first quarter of FY 2017/18 to Kshs.69.20 million in the period under review.

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

1. The high wage bill that increased by 37.5 per cent from Kshs.461.58 million in the first quarter of FY 2017/18 to Kshs.634.84 million in the period under review.
2. Failure to fully adopt IFMIS in processing of all financial transactions contrary to Section 12 of the PFM Act, 2012.
3. Late submission of financial reports by the County Treasury to Controller of Budget, which affected timely preparation of the Budget Implementation Review Report.
4. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
5. Failure by the Assembly to clearly budget for MCA sitting allowances.

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

1. *The County Public Service Board should establish and adopt an optimal staffing structure in order to ensure a sustainable wage bill.*
2. *The County Treasury should ensure IFMIS is used by all county public entities in processing financial transactions.*
3. *The County Treasury should ensure timely preparation and submission of revenue and expenditure reports in line with Section 166 of the PFM Act, 2012.*
4. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the county are released in a timely manner.*
5. *The County Assembly should budget explicitly for the MCAs sitting allowances during the Supplementary Budget.*

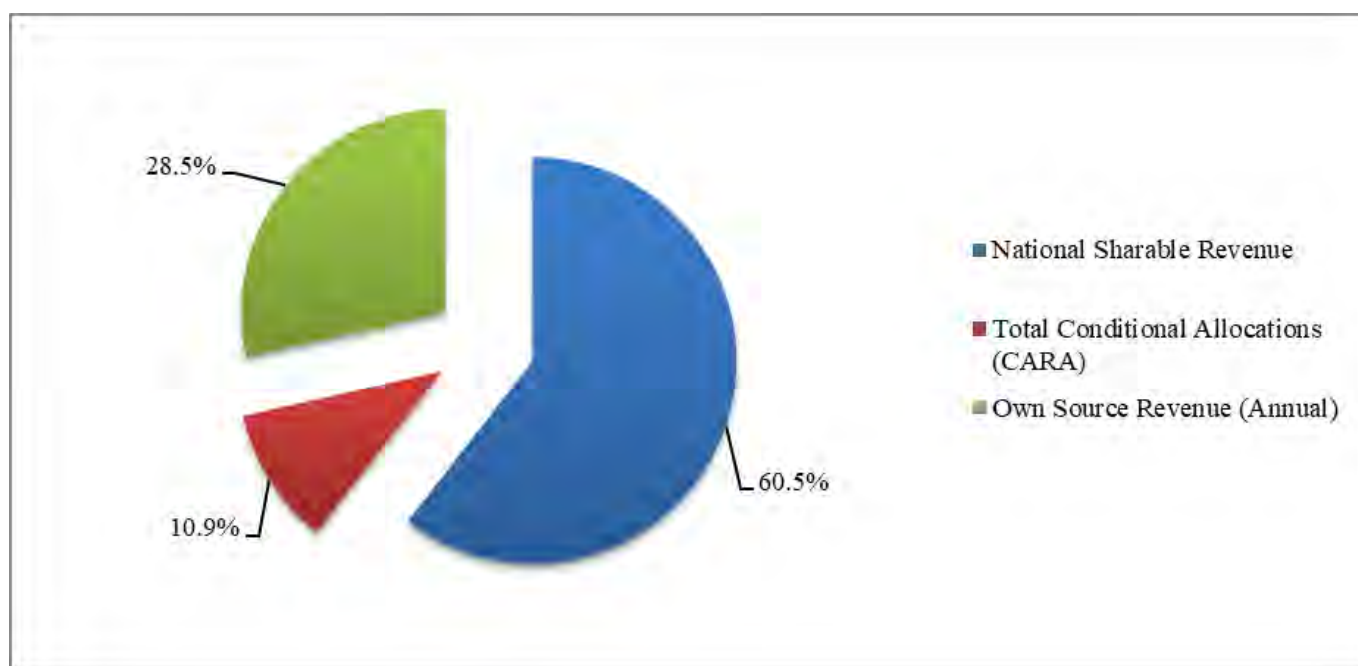
3.28 Mombasa County

3.28.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.13.59 billion, comprising of Kshs.8.63 billion (63.5 per cent) and Kshs.4.97 billion (36.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.23 billion (60.5 per cent) as equitable share of revenue raised nationally, Kshs.1.48 million (10.9 per cent) as total conditional grants, generate Kshs.3.88 million (28.5 per cent) from own source revenue.

Figure 3.109: Mombasa County Expected Sources of Budget Financing in FY 2018/19



Source: Mombasa County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.107.43 million (12.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.600 million (35.2 per cent) from IDA (World Bank) as credit for the Kenya Devolution Support Programme “Level 2 grant”, Kshs.388.44 million (22.8 per cent) to Level-5 Hospital, Kshs.23.39 million (1.4 per cent) as

Compensation for User Fees Foregone, Kshs.216.6 million (1.4 per cent) from the Road Maintenance Fuel Levy, and shs.39.89 million (2.7 per cent) for Rehabilitation of Village Polytechnics, Kshs.50 million (2.9 per cent) for National Agricultural and Rural Inclusive Growth Project (NARIGP).

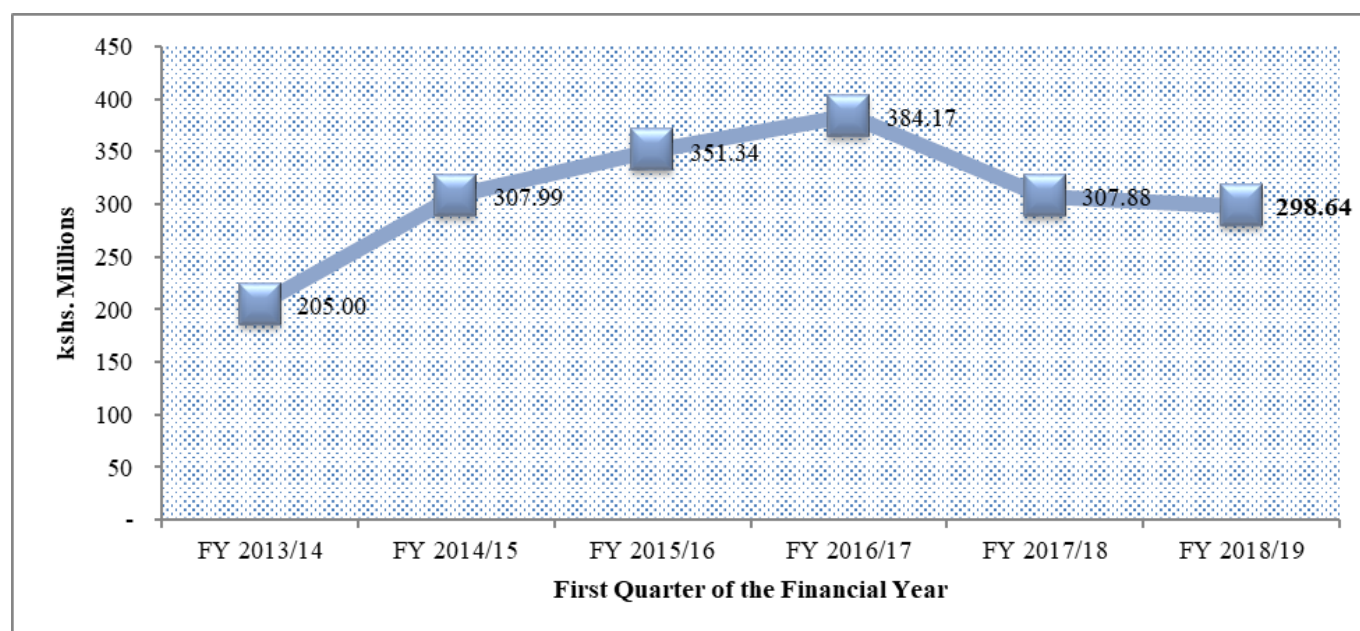
The County also budgeted to receive Kshs.103.14 million as grant for Kenya Devolution Support Project “level 1 grant”, and Kshs.35.59 as DANIDA grant which is not contained in the CARA, 2018.

3.28.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.1.01 billion as equitable share of revenue raised nationally, Kshs.27.19 million for Mombasa Level 5 Hospital, raised Kshs.298.64 million from own source revenue and had Kshs.654.59 million cash balance from FY 2017/18. The total available funds amounted to Kshs.1.99 billion.

Figure 3.110 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.110: Mombasa County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Mombasa County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.298.64 million, representing a decline of 3.0 per cent compared to Kshs.307.91 million generated in the first quarter of FY 2017/18, which was 7.7 per cent of the annual target.

3.28.3 Conditional Grants

Analysis of revenue from conditional grants in the period under review indicates that, the County received Kshs.27.19 million for Mombasa Level 5 Hospital.

3.28.4 Exchequer Issues

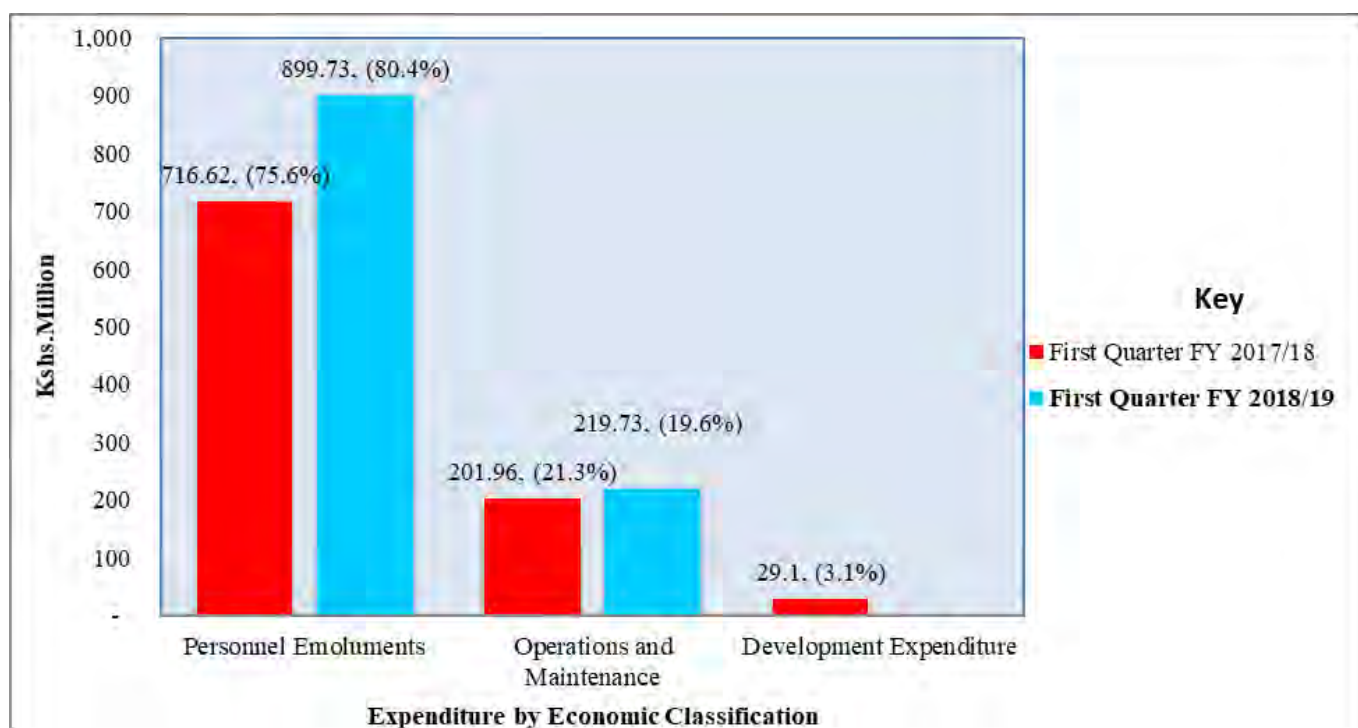
The Controller of Budget approved withdrawal of Kshs.1.83 billion from the CRF account, which was 13.4 per cent of the Approved Budget. This amount represented an increase of 77.6 per cent from Kshs.1.03 billion approved in the first quarter of FY 2018/19 and comprised of Kshs.1.75 billion (95.6 per cent) for recurrent expenditure and Kshs.80.38 million (4.4 per cent) for development activities.

3.28.5 Overall Expenditure Review

The County spent Kshs.1.12 billion, which was 61.3 per cent of the total funds released for operations. This was an increase of 18.5 per cent from Kshs.918.58 million spent in the first quarter of the FY 2017/18. A total of Kshs.1.12 billion was spent on recurrent activities while there was no expenditure on development activities. The recurrent expenditure was 64.3 per cent of the funds released for recurrent activities, while there was no development expenditure. The expenditure excluded outstanding commitments which amounted to Kshs.3.91 billion for development activities and Kshs.600.85 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 13 per cent of the annual recurrent budget, an increase from 10.7 per cent recorded in the first quarter of FY 2017/18. Figure 3.111 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.111: Mombasa County, Expenditure by Economic Classification



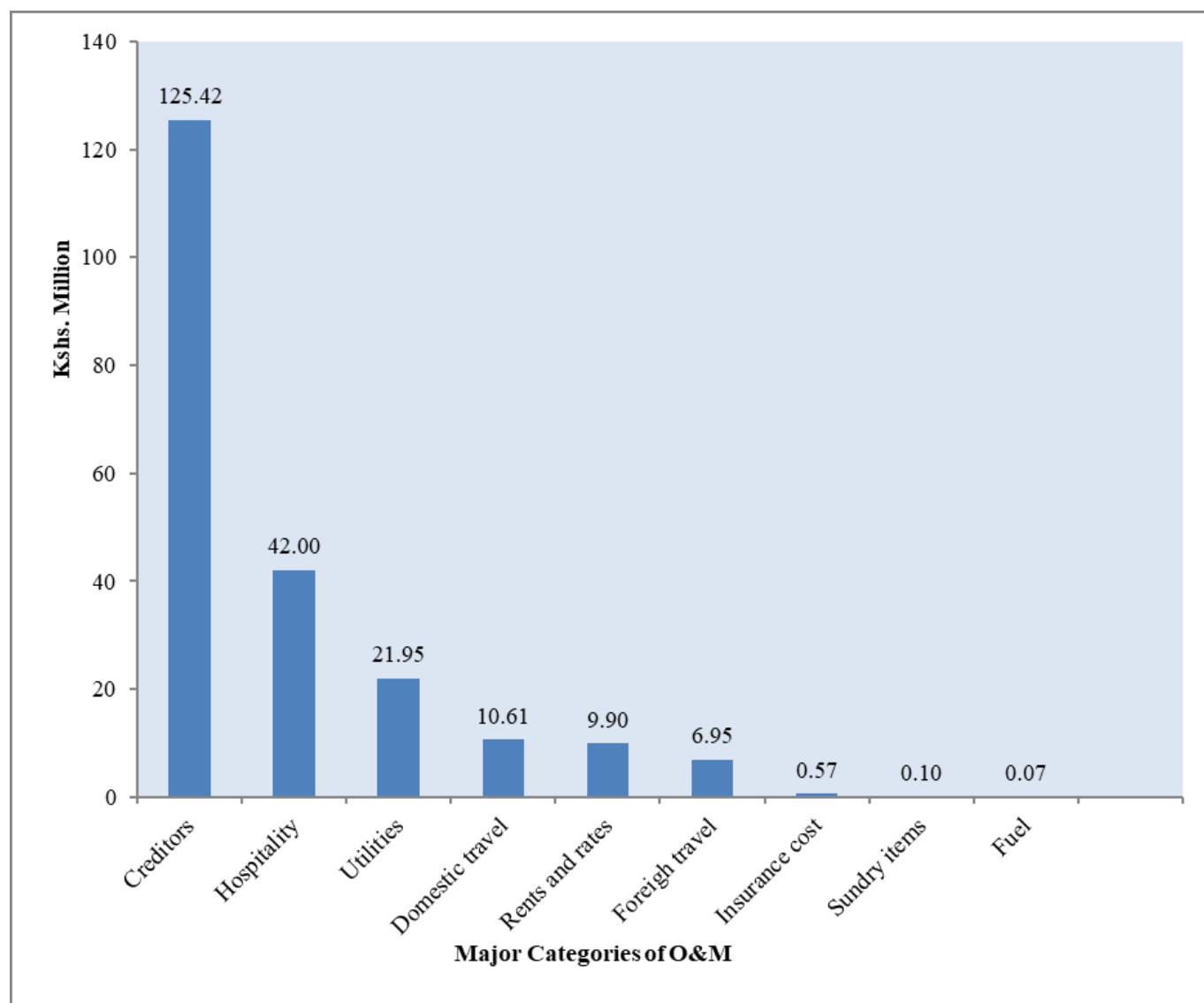
Source: Mombasa County Treasury

3.28.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.12 billion comprised of Kshs.899.73 million (80.4 per cent) incurred on personnel emoluments and Kshs.219.7 million (19.6 per cent) on operations and maintenance as shown in Figure 3.111 .

Expenditure on personnel emoluments represented an increase of 25.6 per cent compared to the first quarter of FY 2017/18 when the county spent Kshs.716.62 million, and was 80.4 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.112 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.112: Mombasa County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Mombasa County Treasury

The County spent Kshs.11.61 million on committee sitting allowances to the 43 MCAs against the annual budget allocation of Kshs.53.71 million. The average monthly sitting allowance was Kshs.90,026. per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.10.61 million and comprised of Kshs.6.34 million spent by the County Assembly and Kshs.4.27 million by the County Executive. This represented 0.9 per cent of total recurrent expenditure and was an increase of 54.6 per cent compared to Kshs.6.86 million spent in the first quarter of FY 2017/18.

3.28.7 Development Expenditure Analysis

There was no development expenditure in the period under review.

3.28.8 Budget Performance by County Departments

Table 3.36 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.36: Mombasa County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	383	88.42	99.89	-	12.40	-	12.4	-	3.2	-
County Assembly	632.74	45.77	55.73	-	19.06	-	34.2	-	3	-
Public Service Board	132.39	21.63	21.73	-	12.14	-	55.9	-	9.2	-
Finance and Economic Planning	1,107.52	302.44	267.84	-	250.45	-	93.5	-	22.6	-
Energy, Environment and Waste Management	509.80	410.37	117.21	-	66.05	-	56.4	-	13	-
Education	578.51	244.49	75.98	-	47.96	-	63.1	-	8.3	-
Health	2,454.38	240.25	587.93	74.88	396.73	-	67.5	-	16.2	-
Water and Sanitation	137.28	767.05	30.79	-	5.93	-	19.3	-	4.3	-
Youth, Gender and Sports	230.29	1,269.84	26.24	-	17.75	-	67.6	-	7.7	-
Trade and Cooperative Development	405.46	95.63	118.64	-	53.26	-	44.9	-	13.1	-
Lands, Housing and Physical Planning	226.40	221.20	43.36	-	60.44	-	139.4	-	26.7	-
Transport and Infrastructure Development	468.59	837.85	96.74	-	35.03	-	36.2	-	7.5	-
Agriculture and Fisheries Development	236.38	266.59	30.44	5.50	22.31	-	73.3	-	9.4	-
Devolution	919.79	158.06	173.46	-	119.95	-	69.2	-	13	-
TOTAL	8,422.40	4,969.59	1,745.98	80.38	1,119.46	-	64.1	-	13.3	-

Source: Mombasa County Treasury

Analysis of budget performance by department shows that, the Department of lands, housing and physical planning attained the highest absorption rate of recurrent budget at 26.7 per cent while the County Assembly incurred the lowest expenditure on their recurrent budget at 3 per cent. The County did not incur any expenditure on their development budget.

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's budget documents such as the Annual Development Plan (ADP) and the County Fiscal Strategy Paper (CFSP).
- iii. 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. High wage bill that has risen by 25.6 per cent from Kshs.716.62 million in the first quarter of FY 2018/19 to Kshs.899.73 million during the period under review.
2. Failure to prioritize implementation of development projects in the reporting period.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
2. *The County should put mechanisms in place that will enhance absorption of development funds.*

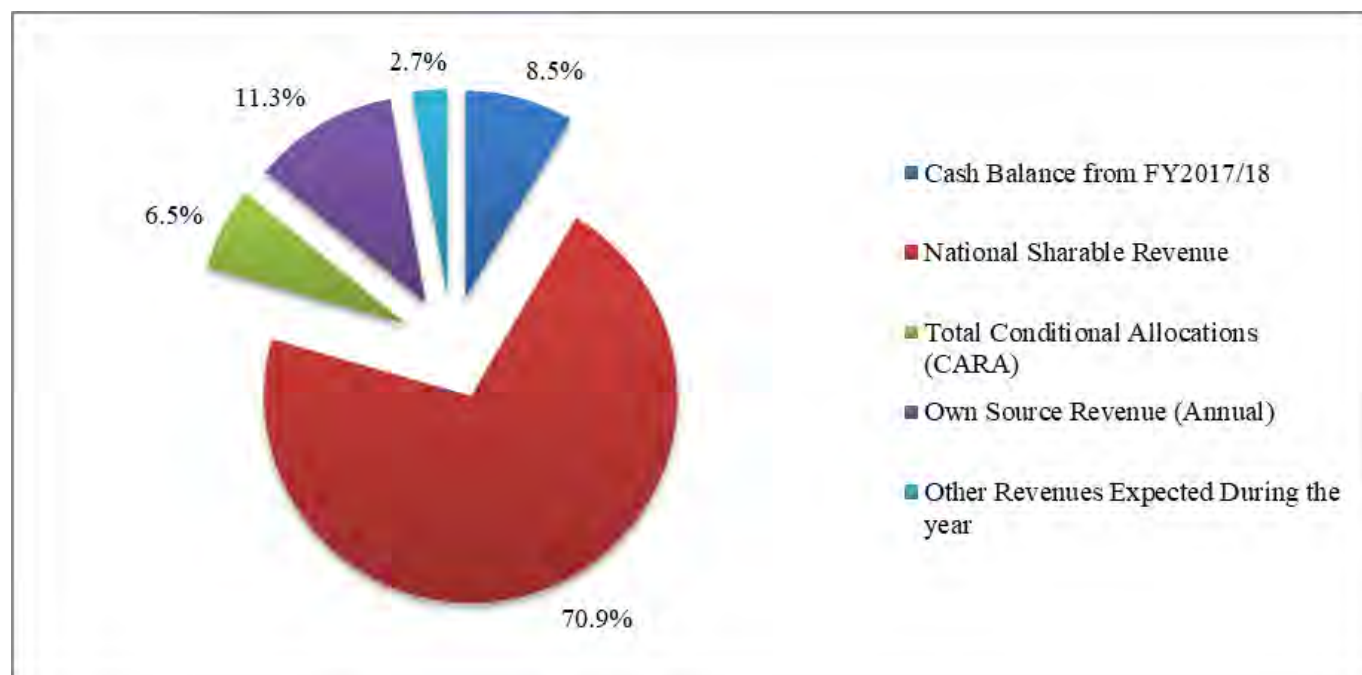
3.29 Murang'a County

3.29.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.8.81 billion, comprising of Kshs.4.93 billion (55.9 per cent) and Kshs.3.88 billion (44.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.25 billion (70.9 per cent) as equitable share of revenue raised nationally, Kshs.572.24 million (6.5 per cent) as total conditional grants, generate Kshs.1 billion (11.3 per cent) from own source revenue, and Kshs.750 million (8.5 per cent) cash balance from FY 2017/18.

Figure 3.113: Murang'a County Expected Sources of Budget Financing in FY 2018/19



Source: Murang'a County Treasury

The conditional grants are in line with the CARA,2018 and consisted of comprise of Kshs.50 million (7.5 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (21.1 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.48.24 million (7.2 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme "Level 1 grant", Kshs.62.44 million (9.4 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.20.76 million (3.1 per cent) as grant from DANIDA for Universal

Healthcare to Devolved System Programme, Kshs.20.14 million (3.0 per cent) as Compensation for User Fees Foregone, Kshs.164.52 million (24.7 per cent) from the Road Maintenance Fuel Levy, and Kshs.65.71 million (9.9 per cent) for Rehabilitation of Village Polytechnics.

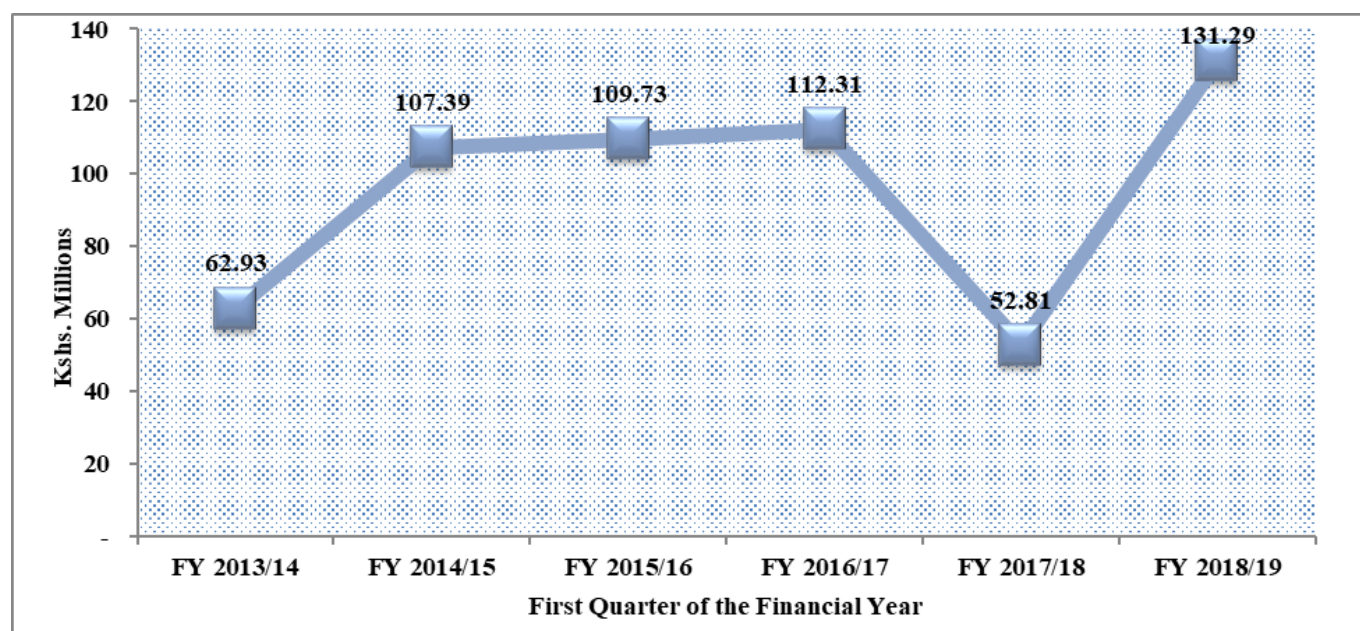
The County also budgeted to receive Kshs.40million as Urban Institution Grant programme, Kshs.41.21 million for Ad Valorem Levy and Kshs.13.15 million Agricultural Sector development Support which were not contained in the CARA, 2018.

3.29.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.749.83 million as equitable share of revenue raised nationally, raised Kshs.131.29 million from own source revenue, and had a cash balance of Kshs.1.03 billion from FY 2017/18. The total available funds amounted to Kshs.1.91 billion.

Figure 3.114 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.114: Murang’a County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Murang’a County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.131.29 million, representing an increase of 148.6 per cent compared to Kshs.52.81 million generated in the first quarter of FY 2017/18, which was 13.1 per cent of the annual target.

3.29.3 Conditional Grants

Analysis of revenue from conditional grants in the period under review indicates that, the County did not receive any funds from conditional grant.

3.29.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.1.87 billion from the CRF account, which was 21.2 per cent of the Approved Budget. This amount represented an increase of 78.9 per cent from Kshs.1.05 billion approved in the first quarter of FY 2017/18 and comprised of Kshs.1.23 billion (65.8 per cent) for recurrent expenditure and Kshs.639.73 million (34.4 per cent) for development activities.

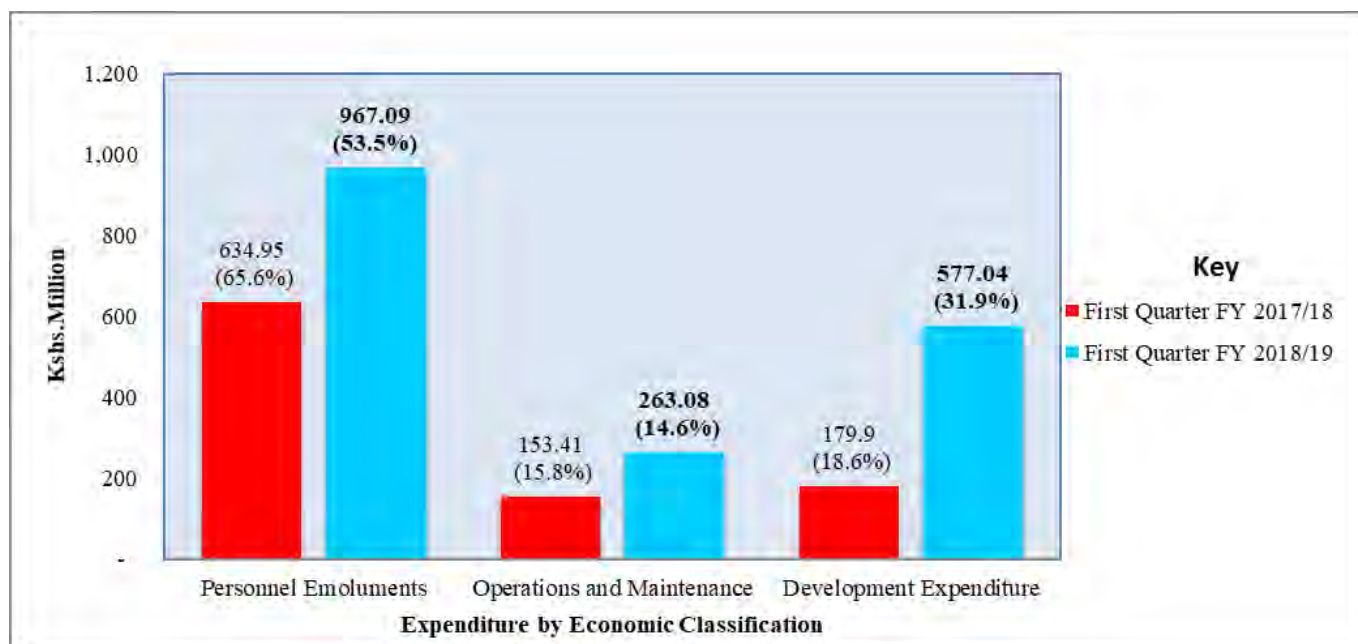
3.29.5 Overall Expenditure Review

The County spent Kshs.1.81 billion, which was 96.6 per cent of the total funds released for operations. This was an increase of 86.6 per cent from Kshs.968.26 million spent in the first quarter of FY 2017/18.

A total of Kshs.1.23 billion was spent on recurrent activities while Kshs.577.04 million was spent on development activities. The recurrent expenditure was 106.6 per cent of the funds released for recurrent activities, while development expenditure was 90.2 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.57.10 million for development activities and Kshs.15.83 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 26.6 per cent of the annual recurrent budget, an increase from 14.6 per cent recorded in the first quarter of FY 2017/18. Development expenditure recorded an absorption rate of 14.9 per cent, which was an increase from 5.6 per cent attained in the first quarter of FY 2017/18. Figure 3.115 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of FY 2017/18.

Figure 3.115: Murang'a County, Expenditure by Economic Classification



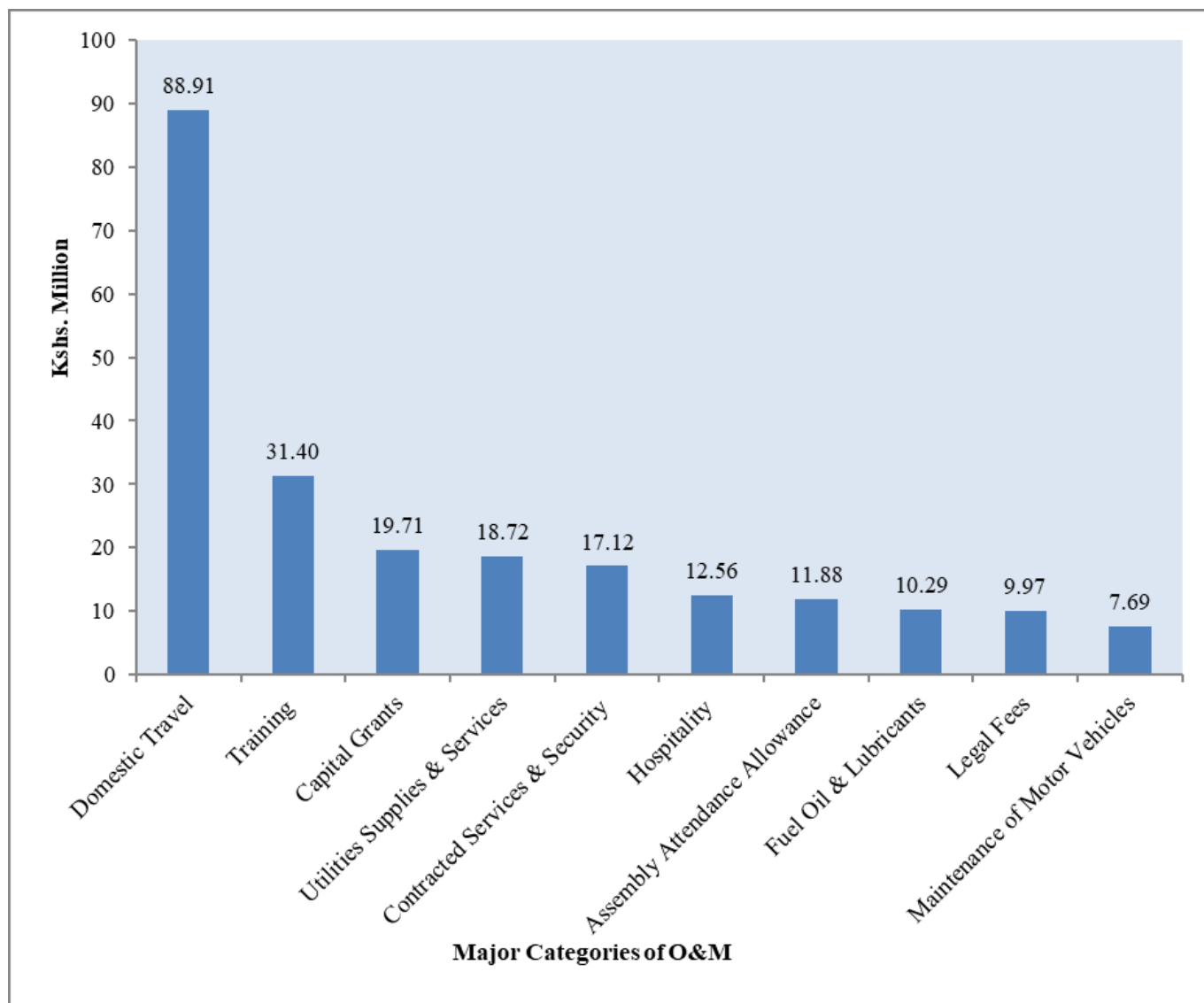
Source: Murang'a County Treasury

3.29.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.23 billion comprised of Kshs.967.09 million (78.6 per cent) incurred on personnel emoluments and Kshs.263.08 million (21.4 per cent) on operations and maintenance as shown in Figure 3.115.

Expenditure on personnel emoluments represented an increase of 52.3 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.634.95 million, and was 53.5 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.116 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.116: Murang’a County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Murang’a County Treasury

The County spent Kshs.11.88 million on committee sitting allowances to the 50 MCAs against the annual budget allocation of Kshs.66.96 million. This was an increase of 1,239.5 per cent compared to Kshs.887,005 spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs79,207 per MCA against the SRC’s recommended monthly ceiling of Kshs.80,000

Expenditure on domestic travel amounted to Kshs.88.91 million and comprised of Kshs.39.22 million spent by the County Assembly and Kshs.49.70 million by the County Executive. This represented 7.2 per cent of total recurrent expenditure and was an increase of 141.3 per cent compared to Kshs.37.11 million spent in the first quarter of FY 2017/18.

3.29.7 Development Expenditure Analysis

The total development expenditure of Kshs.577.04 million represented 14.9 per cent of the annual development budget of Kshs.3.88 billion. Table 3.2 provides a list of development projects expenditure in the first quarter of the financial year.

Table 3.37: Murang'a County, List of Development Projects

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Q1 Expenditure (Kshs.)	Absorption Rate (%)
1	Medical Drugs	County HQ	650,000,000	273,018,389	42.0
2	Maintenance Of Roads, Ports And Jetties	County HQ	455,523,068	99,810,484	22.0
3	Training Expenses	County HQ	441,538,456	48,291,110	11.0
4	Other Infrastructure And Civil Works	County HQ	208,589,018	25,000,000	12.0
5	Cooperative Societies	County HQ	212,500,000	17,390,500	8.0
6	Purchase Of Certified Crop Seeds	County HQ	30,000,000	13,934,064	46.0
7	Electricity	County HQ	20,000,000	8,606,563	43.0
8	Access Roads	County HQ	41,213,000	7,479,377	18.0
9	Purchase of Milk	County HQ	246,000,000	7,171,000	3.0
10	Scholarship and Other Education	County HQ	34,000,000	6,835,425	20.0

Source: Murang'a County Treasury

3.29.8 Budget Performance by County Departments

Table 3.38 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.38: Murang'a County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	686.38	207.65	103	-	125.83	-	122.2	-	18.3	-
Governorship, County Coordination and Administration	236.08	-	71.14	-	52.79	-	74.2	-	22.4	-
Finance, Information Technology	198.54	49.16	38.50	-	53.07	3.61	137.8	-	26.7	7.3
Agriculture, Livestock and Fisheries	206.09	699.09	34.50	126.94	52.50	53.12	152.2	41.8	25.5	7.6
Energy, Transport and Infrastructure	98.24	703.26	21	121.10	8.12	172.15	38.7	142.2	8.3	24.5
Commerce, Trade, Industry and Tourism	24.05	187.91	1	13.14	3.01	9.66	301.0	73.6	12.5	5.1
Health and Sanitation	2104.28	838.58	547.80	249.47	893.58	297.31	178.0	119.2	46.3	35.5
Lands, Housing and Physical Planning	20.26	139.44	8.90	-	3.28	-	36.8	-	16.2	-
Public Service Administration	914.09	-	277	-	9.91	-	4.4	-	1.1	-
Education and Technical Training	291.75	477.78	135.50	93.03	7.93	23.39	5.9	25.1	2.7	4.9
Youth, Culture, Gender, Social Services & Cooperatives	102.34	110.35	34.17	-	15.37	17.79	45.0	-	15.0	16.1
Environment & Nat. Resources	17.50	470.02	4.61	36.05	2.25	-	48.8	-	12.9	-
County Public Service Board.	27.95	-	3.05	-	2.53	-	82.9	-	9.1	-

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
TOTAL	4,927.54	3,883.24	1,230.17	639.73	1230.17	577.04	106.6	90.2	26.6	14.9

Source: Murang'a County Treasury

Analysis of budget performance by department shows that, the Department of Health and Sanitation attained the highest absorption rate of development budget at 35.5 per cent. The Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 46.3 per cent while the Department of Public Service Administration had the lowest at 1.1 per cent.

3.29.9 Key Observations and Recommendations

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

- i. Improvement in own source revenue collection by 148.6 per cent from Kshs.52.81 million collected in first quarter of FY 2017/18 to Kshs.131.29 million in the reporting period.
- ii. Improvement in budget absorption by 86.6 per cent from Kshs.986.26 million in the first quarter of FY 2017/18 to Kshs.1.81 billion in the reporting period.

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

1. Failure to establish Internal Audit Committee to oversee financial operations in the County contrary to section 155 of the PFM Act, 2012
2. Late Submission of financial reports by County Treasury to the Controller of Budget which affected timely preparation of budget implementation review report
3. A high wage bill that increased by 52.3 per cent from Kshs.634.95 million in the first quarter of FY 2017/18 to Kshs.967.09 million in the period under review.
4. 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 should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
2. The County Treasury should ensure timely preparation and submission of financial reports 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 Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.

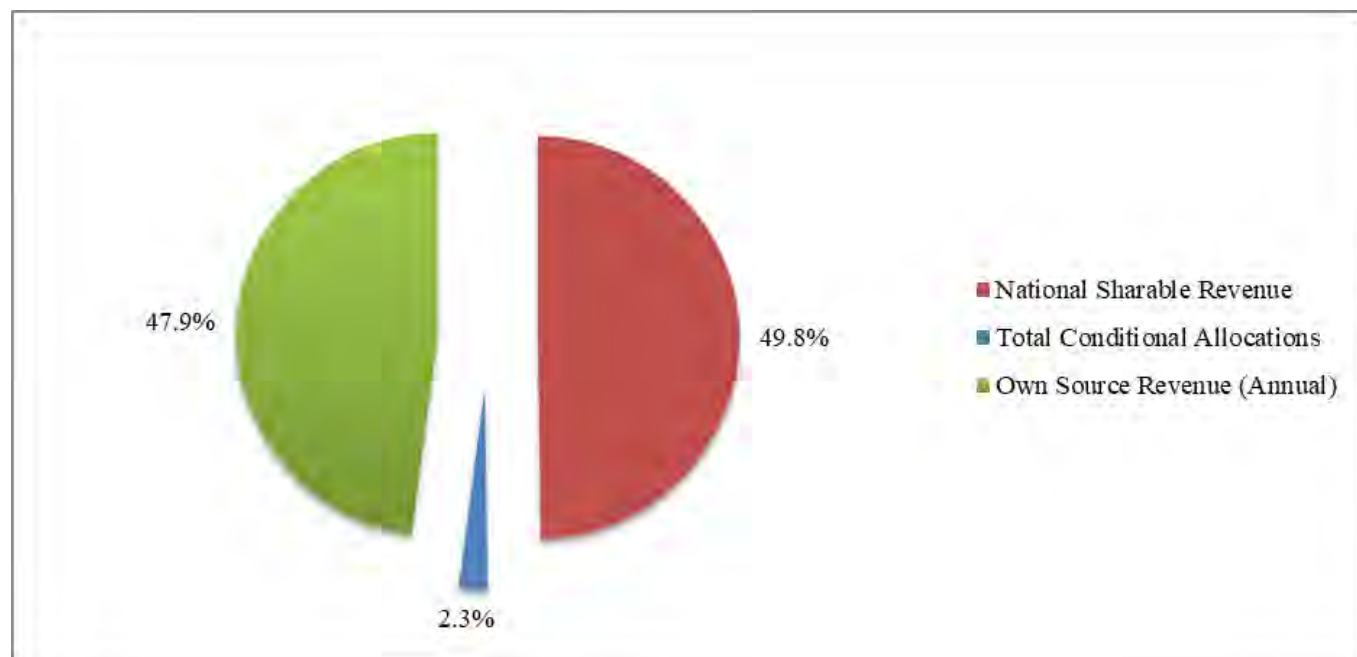
3.30 Nairobi City County

3.30.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.32.31billion, comprising of Kshs.21.47 billion (66.5 per cent) and Kshs.10.84 billion (33.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.15.79 billion (49.8 per cent) as equitable share of revenue raised nationally, Kshs.719.33 million (2.3 per cent) as total conditional grants, and generate Kshs.15.21 billion (47.9 per cent) from own source revenue.

Figure 3.117: Nairobi City County Expected Sources of Budget Financing in FY 2018/19



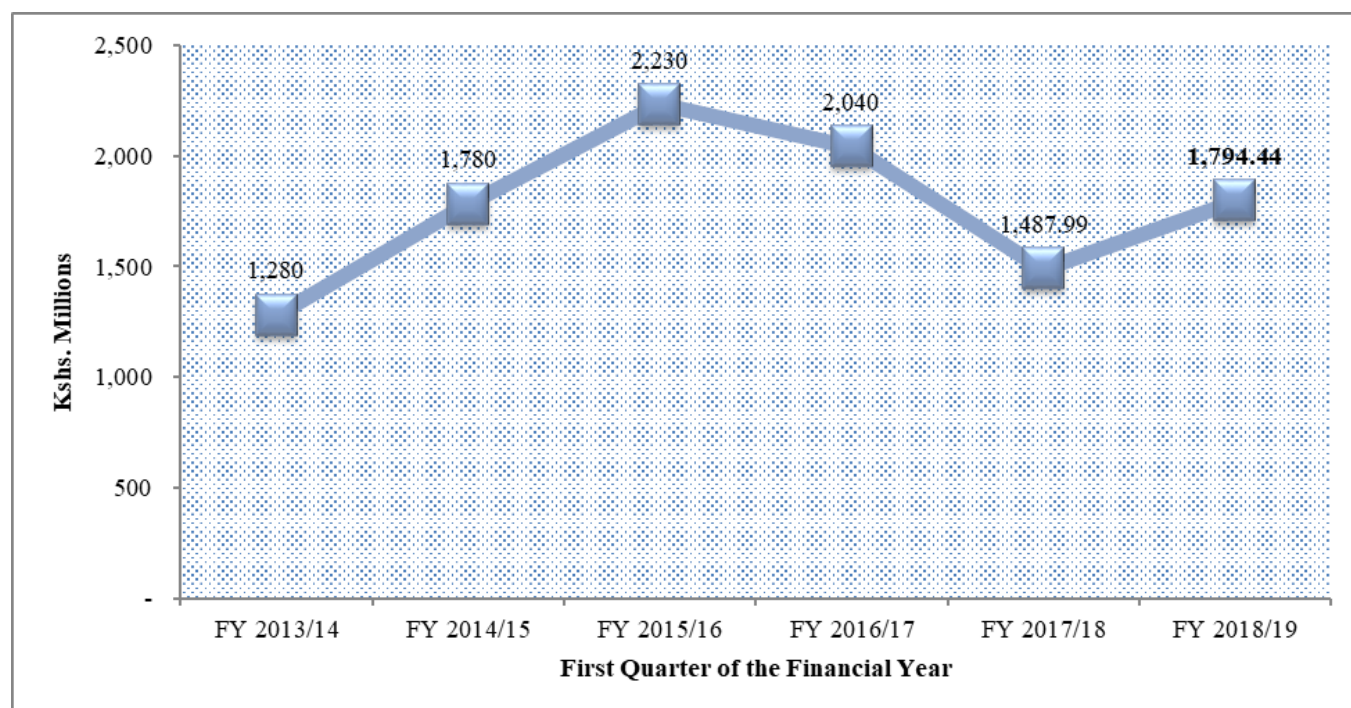
Source: Nairobi City County Treasury

The conditional grants consist of Kshs.79.43 million (11 per cent) as Compensation for User Fees Foregone, Kshs.415.85 million (57.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.34.57 million (4.8 per cent) for Rehabilitation of Village Polytechnics, Kshs.54.43 million (7.6 per cent) for Transforming Health Systems for Universal Care Project (WB), Kshs.83.42 million (11.6 per cent) as grant for Kenya Devolution Support Project (KDSP) “Level 1 grant”, and Kshs.51.64 million (7.2 per cent) as grant from DANIDA.

3.30.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.789.71 million as equitable share of revenue raised nationally, and raised Kshs.1.79 billion from own source revenue. The total available funds amounted to Kshs.2.58 billion. Figure 3.118 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.118: Nairobi City County, Trend in Own Source Revenue Collection from the First Quarter of FY 2013/14 to the First Quarter of FY 2018/19



Source: Nairobi City County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.1.79 billion, representing a rise of 20.6 per cent compared to Kshs.1.49 billion generated in the first quarter of FY 2017/18, which was 11.8 per cent of the annual target.

3.30.3 Conditional Grants

The County did not receive any funds from conditional grants during the reporting period.

3.30.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.3.52 billion from the CRF account, which was 10.9 per cent of the Approved Budget. This amount represented a decrease of 18.6 per cent from Kshs.4.33 billion approved in the first quarter of FY 2017/18 and comprised of Kshs.3.51 billion for recurrent expenditure and Kshs.15.39 million for development activities.

3.30.5 Overall Expenditure Review

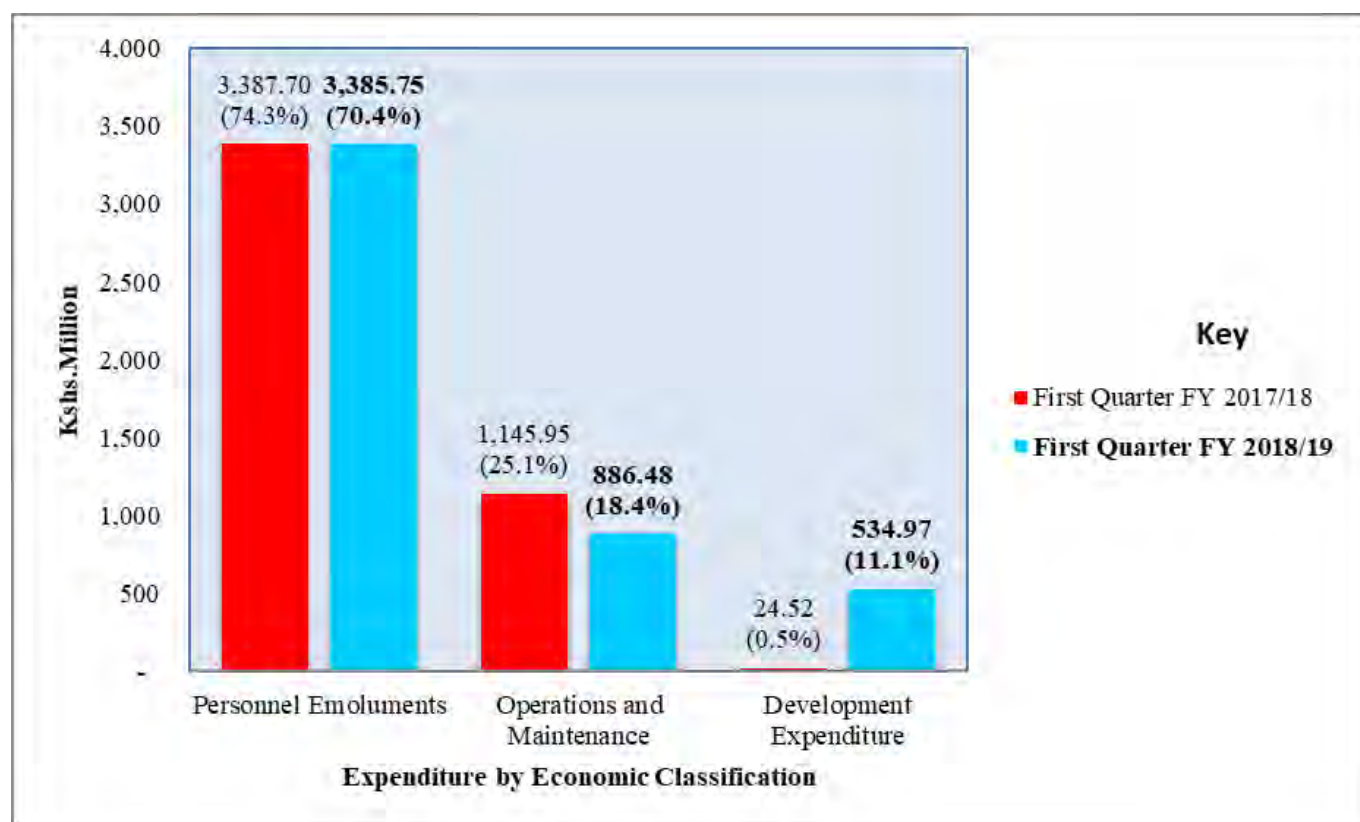
The County spent Kshs.4.81 billion, which was 136.4 per cent of the total funds released for operations. This was an increase of 5.5 per cent from Kshs.4.56 billion spent in the first quarter of FY 2017/18.

A total of Kshs.4.27 billion was spent on recurrent activities while Kshs.534.97 million was spent on development activities. The recurrent expenditure was 121.8 per cent of the funds released for recurrent activities, while development expenditure was 3,473 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.2.99 billion for development activities and Kshs.37.80 billion for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 19.9 per cent of the annual recurrent budget, an increase from 37.6 per cent recorded in the first quarter of FY 2017/18. Development expenditure recorded

an absorption rate of 4.9 per cent, which was an increase from less than 1 per cent attained in the first quarter of FY 2017/18. Figure 3.119 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.119: Nairobi City County, Expenditure by Economic Classification



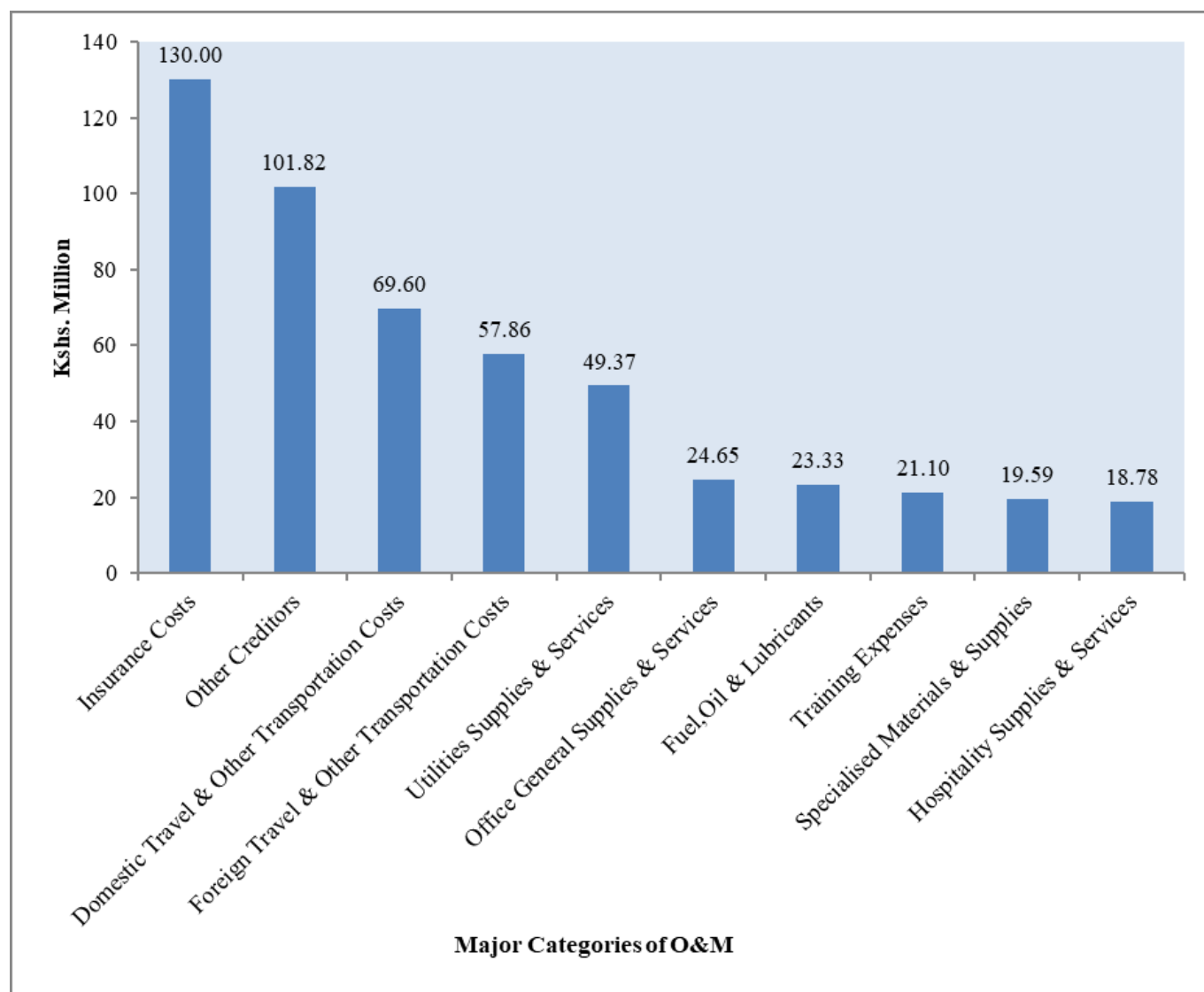
Source: Nairobi City County Treasury

3.30.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.27 billion comprised of Kshs.3.39 billion (79.3 per cent) incurred on personnel emoluments and Kshs.886.48 million (20.7 per cent) on operations and maintenance as shown in Figure 3.119.

Expenditure on personnel emoluments represented a slight decrease of 0.1 per cent compared to the first quarter of FY 2017/18 and was 70.4 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.120 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.120: Nairobi City County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Nairobi City County Treasury

The County spent Kshs.31.77 million on committee sitting allowances to the 128 MCAs against the annual budget allocation of Kshs.176.51 million. This was a decrease of 22.2 per cent compared to Kshs.40.83 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.82,736 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.69.60 million and comprised of Kshs.30.68 million spent by the County Assembly and Kshs.38.92 million by the County Executive. This represented 1.6 per cent of total recurrent expenditure and was an increase of 35.4 per cent compared to Kshs.51.39 million spent in the first quarter of FY 2017/18.

3.30.7 Development Expenditure Analysis

The total development expenditure of Kshs.534.97 million represented 4.9 per cent of the annual development budget of Kshs.10.84 billion. The County did not provide a report on development projects implemented in the first quarter of FY 2018/19.

Table 3.39: Nairobi City County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	54.62	5.00	8.91	-	7.93	-	89.0	-	14.5	-
Office of Governor & Deputy Governor	4,462.17	90.00	1,092.31	-	1,093.70	1.46	100.1	-	24.5	1.6
ICT, E-Govt & Public Communications	239.43	188.00	16.66	-	28.86	-	173.2	-	12.1	-
Finance & Economic Planning	2,130.56	154.00	249.97	-	520.68	-	208.3	-	24.4	-
Health	6,323.58	601.36	1,158.11	-	1,167.20	-	100.8	-	18.5	-
Urban Planning and Lands	369.82	132.50	78.25	-	86.23	0.77	110.2	-	23.3	0.6
Public Works Transport & Infrastructure	1,206.18	5,405.00	177.51	15.39	217.44	474.64	122.5	2729.8	18.0	8.8
Education, Youth Affairs, Sports, Culture & Social Services	1,647.37	473.00	181.85	-	224.74	16.24	123.6	-	13.6	3.4
Trade, Commerce, Tourism & Cooperatives	491.43	318.00	140.56	-	97.61	-	69.4	-	19.9	-
Public service management	1,112.57	70.00	57.49	-	42.59	-	74.1	-	3.8	-
Agriculture, Livestock Development, Fisheries & Forestry	372.57	149.00	49.95	-	61.58	-	123.3	-	16.5	-
Environment, Water, Energy & Natural Resources	1,357.05	962.50	92.84	-	501.53	13.77	540.2	-	37.0	1.4
Urban Renewal and Housing	89.27	320.60	45.99	-	17.42	-	37.9	-	19.5	-
Ward Development Fund	25.66	1,212.50	4.57	-	-	28.09	-	-	-	2.3
Liquor Licensing Board	204.84	83	-	-	-	-	-	-	-	-
Emergency Fund	-	80	-	-	-	-	-	-	-	-
County Assembly	1,386.67	592.00	151.29	-	204.72	-	135.3	-	14.8	-
Total	21,473.79	10,836.45	3,506.26	15.39	4,272.23	534.97	121.8	3,473.8	19.9	4.9

Source: Nairobi City County Treasury

Analysis of budget performance by department shows that the Department of Public Works, Transport & Infrastructure attained the highest absorption rate of development budget at 8.8 per cent followed by the Ward Development Fund at 2.3 per cent. The Department of Environment, Water, Energy & Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 37 per cent while the Department of Liquor Licensing Board and the Emergency Fund did not spend during the reporting period.

3.30.8 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. Improved compliance with Article 207 of the Constitution of Kenya regarding depositing of own source revenue collection into the CRF account.

- ii. Improvement in the use of IFMIS and internet banking to processing 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.
2. Failure by the County Treasury to report development projects undertaken in the reporting period.
3. The County reported expenditure of Kshs.534.97 million on development activities despite receiving a grant of only Kshs.15.39 million from the Controller of Budget to fund development expenditure, which implies weak internal controls.

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

1. *The National Treasury should expedite the release of the equitable share of revenue raised nationally to enable the County implement its programmes in a timely manner.*
2. *The County Treasury should provide a report on the development projects implemented in the reporting period to the Controller of Budget.*
3. *The County Treasury should strengthen internal controls to ensure expenditure is within approved work plans.*

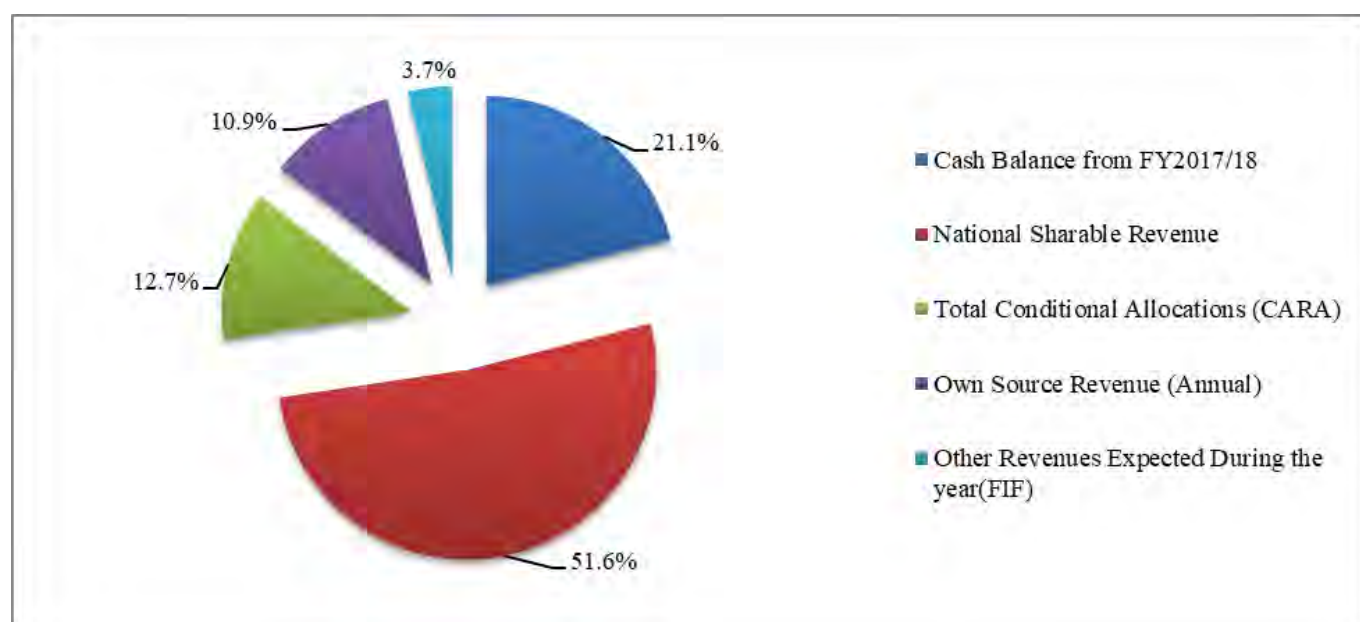
3.31 Nakuru County

3.31.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs18.32 billion, comprising of Kshs.10.32 billion (56.3 per cent) and Kshs.8 billion (43.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.45 billion (51.6 per cent) as equitable share of revenue raised nationally, Kshs.2.32 billion (12.7 per cent) as total conditional grants, generate Kshs.2 billion (10.9 per cent) as own source revenue, and Kshs.3.86 billion (21.1 per cent) cash balance from FY 2017/18. The County also expects to collect Kshs.685 million (3.7 per cent) as Facility improvement Fund from Health Centres.

Figure 3.121: Nakuru County Expected Sources of Budget Financing in FY 2018/19



Source: Nakuru County Treasury

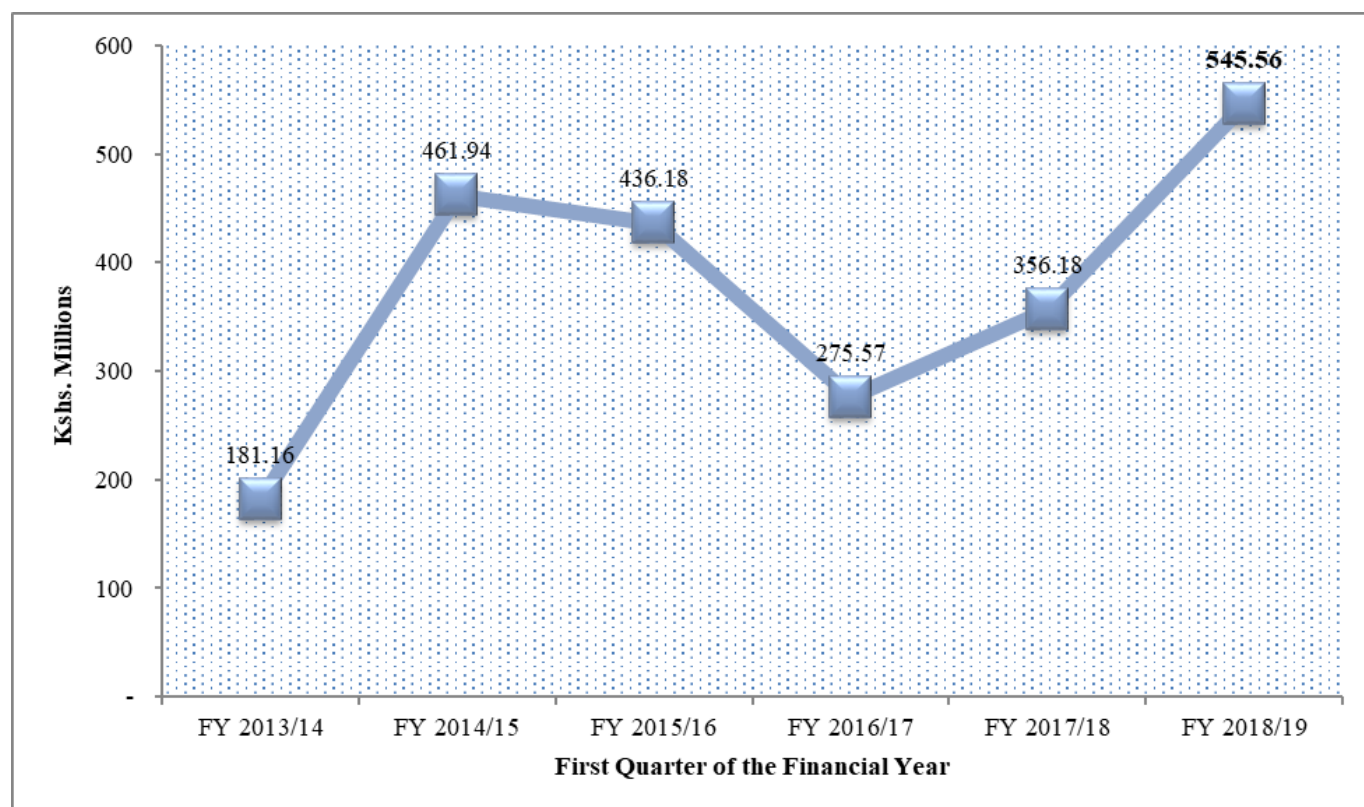
The conditional grants are in line with the CARA,2018 and consisted of Kshs.95.04 million (4.1 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (6.1 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.1.08 billion (46.7 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.31.08 million (1.3 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.60.28 million (2.6 per cent) from IDA (World Bank) as credit for the Kenya Devolution Support Programme “Level 2 grant”, Kshs.373.87 million (16.1 per cent) to Level-5 Hospital, Kshs.38.72 million (1.7 per cent) as Compensation for User Fees Foregone, Kshs.200 million (8.6 per cent) for Leasing of Medical Equipment, Kshs.248.85 million (10.7 per cent) from the Road Maintenance Fuel Levy, and Kshs.47.8 million (2.1 per cent) for Rehabilitation of Village Polytechnics

3.31.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.491.26 million as equitable share of revenue raised nationally, raised Kshs.545.56 million from own source revenue and had a cash balance of Kshs.3.86 billion from FY 2017/18. The total available funds amounted to Kshs.4.89 billion.

Figure 3.122 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.122: Nakuru County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Nakuru County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.545.56 million, representing an increase of 53.2 per cent compared to Kshs.356.18 million generated in the first quarter of FY 2017/18, which was 27.3 per cent of the annual target.

3.31.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY2018/19.

3.31.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.1.64 billion from the CRF account, which was 9 per cent of the Approved Budget. This amount represented an increase of 93.8 per cent from Kshs.848.12 million approved in the first quarter of FY 2018/19 and comprised of Kshs.1.6 billion (97.2 per cent) for recurrent expenditure and Kshs.46.67 million (2.8 per cent) for development activities.

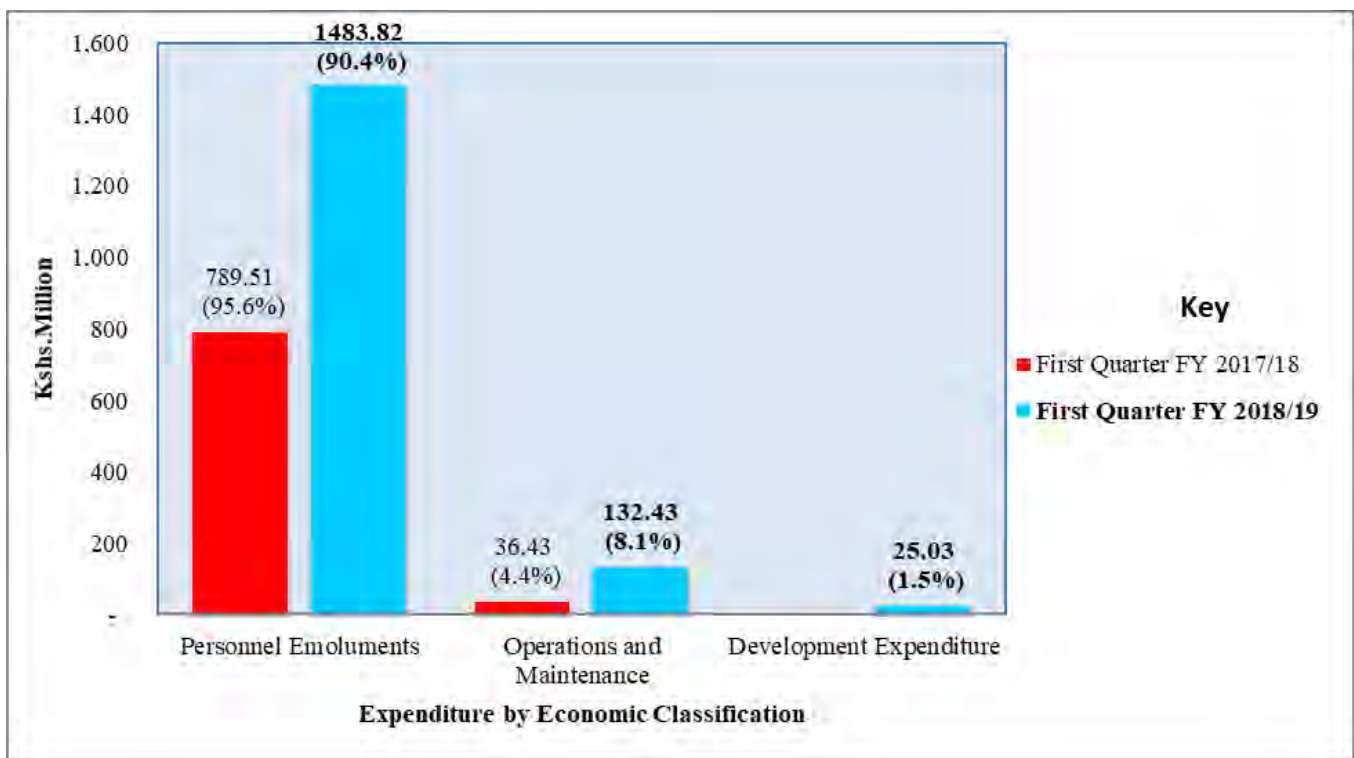
3.31.5 Overall Expenditure Review

The County spent Kshs.1.64 billion, which was 99.8 per cent of the total funds released for operations. This was an increase of 98.7 per cent from Kshs.825.93 million spent in the first quarter of FY 2017/18.

A total of Kshs.1.62 billion was spent on recurrent activities while Kshs.25.03 million was spent on development activities. The recurrent expenditure was 100.8 per cent of the funds released for recurrent activities, while development expenditure was 53.6 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.13.49 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 15.7 per cent of the annual recurrent budget, an increase from 8 per cent recorded in the first quarter of FY 2017/18. Figure 3.123 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.123: Nakuru County, Expenditure by Economic Classification



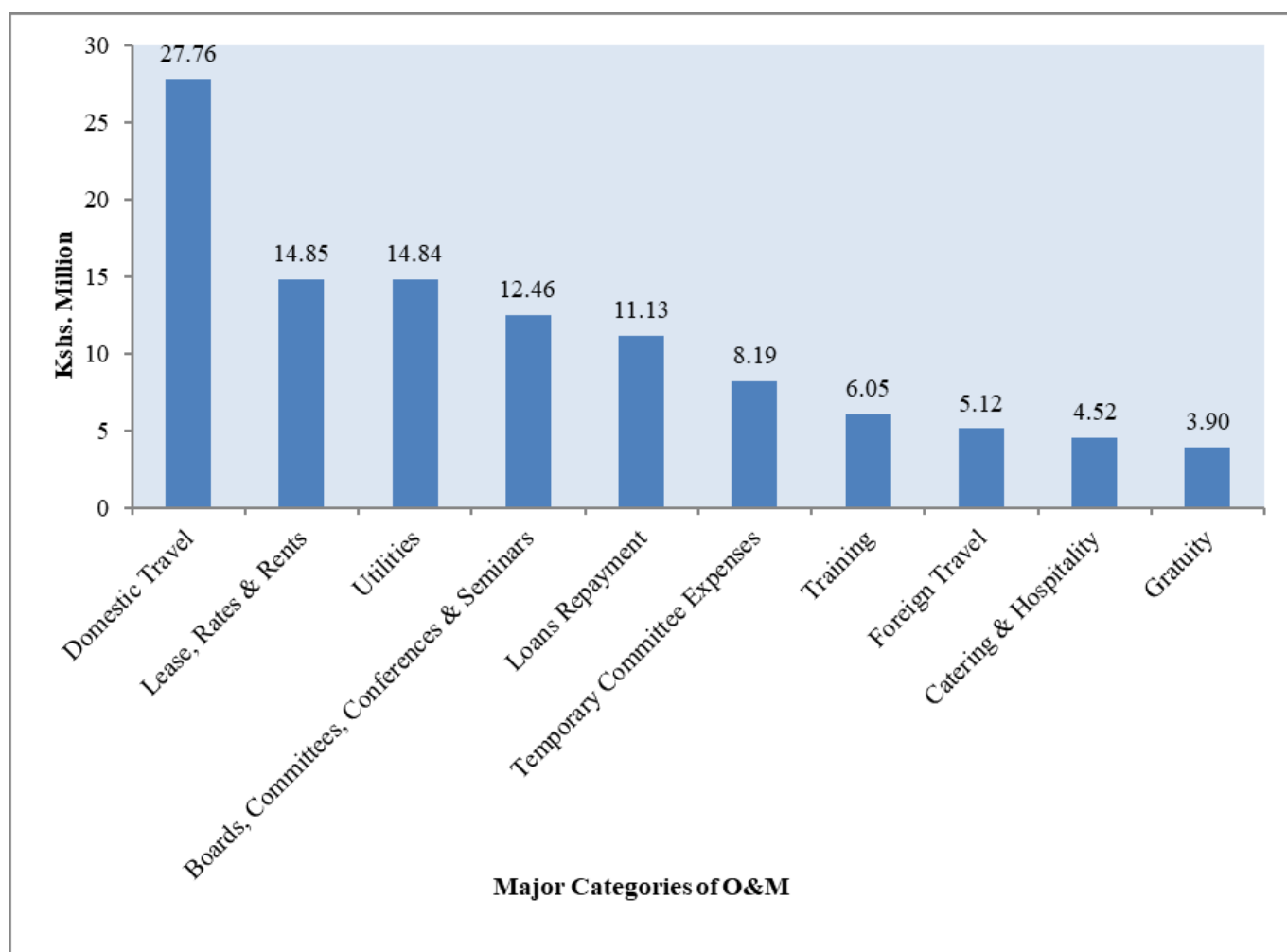
Source: Nakuru County Treasury

3.31.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.62 billion comprised of Kshs.1.48 billion (91.7 per cent) incurred on personnel emoluments and Kshs.132.43 million (8.3 per cent) on operations and maintenance as shown in Figure 3.123.

Expenditure on personnel emoluments represented an increase of 87.9 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.789.51 million, and was 90.4 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.124 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.124: Nakuru County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Nakuru County Treasury

The County spent Kshs.7.85 million on committee sitting allowances to the 79 MCAs against the annual budget allocation of Kshs.111 million. This was an increase of 8.3 per cent compared to Kshs.7.25 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.33,131 per MCA against the SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.27.76 million and comprised of Kshs.13.54 million spent by the County Assembly and Kshs.14.22 million by the County Executive.

3.31.7 Development Expenditure Analysis

The total development expenditure of Kshs.25.03 million represented 0.3 per cent of the annual development budget of Kshs.7.99 billion. The entire amount was spent by the County Assembly.

3.31.8 Budget Performance by County Departments

Table 3.40 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.40: Nakuru County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance and Economic Planning	974.49	292.73	142.92	-	146.70	-	102.6	-	15.1	-
Agriculture, Livestock and Fisheries	599.98	444.51	90.12	-	97.03	-	107.7	-	16.2	-
Health	5,123.30	1,091.47	839.38	26	808.38	-	96.3	-	15.8	-
Water, Environment, Energy and Nat. Resources	320.31	901.44	53.65	-	60.52	-	112.8	-	18.9	-
Youth, Culture, Gender, Sports and Social Services	345.87	118.63	39.80	-	51.92	-	130.4	-	15	-
Lands, Physical Planning and Housing	140.26	1,350.37	26.64	-	28.24	-	106	-	20.1	-
Infrastructure	307.23	2,129.97	39.80	-	49.28	-	123.8	-	16	-
Public Service Management	768.93	52.00	143.73	-	148.11	-	103	-	19.3	-
Trade, Industry and Tourism	171.77	365.50	13.35	-	2.0	-	149.8	-	11.6	-
Education, Vocational Training, ICT and E-government	346.15	853.50	21.34	-	9.58	-	44.9	-	2.8	-
Office of the Governor and Deputy Governor	171.86	103.86	14.77	-	16.44	-	111.3	-	9.6	-
County Public Service Board	50.13	4.41	10.80	-	10.77	-	99.7	-	21.5	-
County Assembly	999.54	287.46	167.12	20.67	169.29	25.03	101.3	121.1	16.9	8.7
TOTAL	10,319.82	7,995.85	1,603.43	46.67	1,616.25	25.03	100.8	53.6	15.7	0.3

Source: Nakuru County Treasury

Analysis of budget performance by department shows that County Assembly had an absorption rate of development budget of 8.7 per cent. All the other departments did not incur expenditure on development budget. The County Public Service Board had the highest percentage of recurrent expenditure to recurrent budget at 21.5 per cent while the Department of Education Vocational Training ICT and E-Government had the lowest at 2.8 per cent.

3.31.9 Key Observations and Recommendations

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

- i. Improvement in own source revenue collection by 53.2 per cent from Kshs.356.18 million in the first quarter of FY 2017/18 to Kshs.545.56 million in the reporting period.

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

1. Increase in expenditure on personnel emoluments by 87.9 per cent to Kshs.1.48 billion compared to the first quarter of FY 2017/18 when the County spent Kshs.789.51 million.

2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
3. Delayed implementation of planned development projects which is likely to impact negatively on service delivery to residents of the County. The County only absorbed 0.3 per cent of the annual development budget.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner. .*
3. *The County should fast track the procurement process and enhance implementation of planned development activities in order to improve absorption of development budget.*

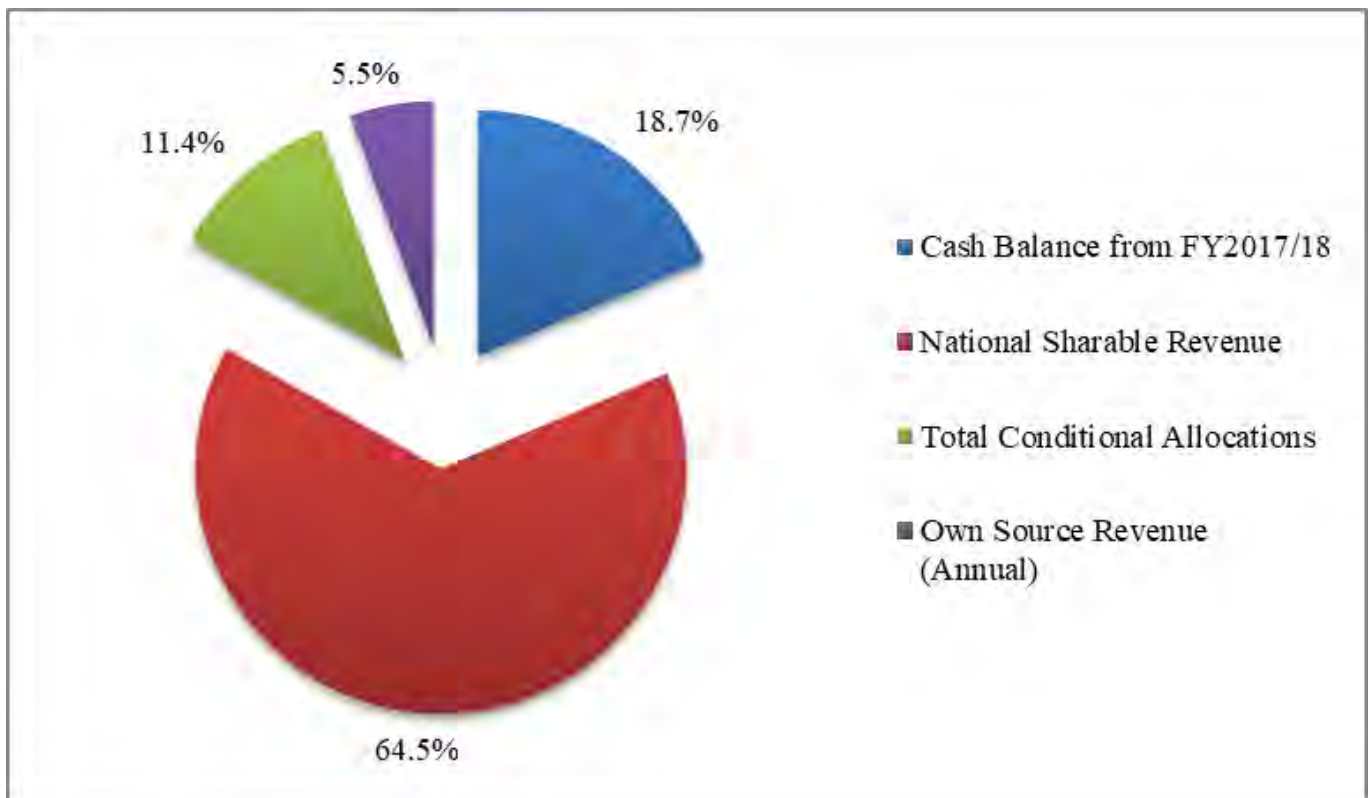
3.32 Nandi County

3.32.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.8.18 billion, comprising of Kshs.5.11 billion (62.4 per cent) and Kshs.3.08 billion (37.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.37 billion (64.5 per cent) as equitable share of revenue raised nationally, Kshs.946.66 million (11.4 per cent) as total conditional grants, generate Kshs.459.29 million (5.5 per cent) from own source revenue, and Kshs.1.55 billion (18.7 per cent) cash balance from FY 2017/18.

Figure 3.125: Nandi County Expected Sources of Budget Financing in FY 2018/19



Source: Nandi County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.97.23 million (10.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (14.8 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.44.55 million (4.7 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.177.23 million (9.4 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.17.11 million (1.8 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.18.06 million (1.9 per cent) as Compensation for User Fees Foregone, Kshs.200 million (21.1 per cent) for Leasing of Medical Equipment, Kshs.141.37 million (14.9 per cent) from the Road Maintenance Fuel Levy, and Kshs.37.23 million (3.9 per cent) for Rehabilitation of Village Polytechnics.

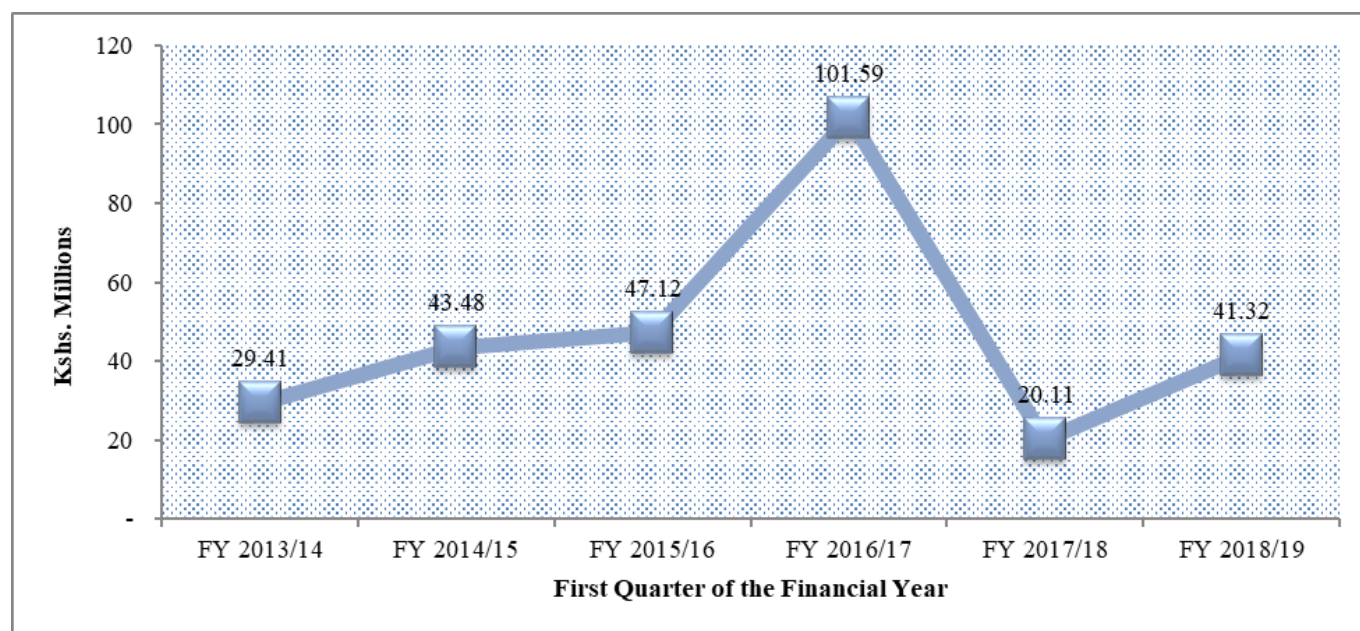
The County also budgeted to receive Kshs.72 million as grant for European Union Water Tower programme, Kshs.40 million as grant from the Food and Agriculture Organization (FAO) and Kshs.50 million as grant for World Bank Urban Institutional which are not contained in the CARA, 2018.

3.32.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.268.47 million as equitable share of revenue raised nationally, Kshs.41.32 million from own source revenue, and had a cash balance of Kshs.1.55 billion from FY 2017/18. The total available funds amounted to Kshs1.86 billion.

Figure 3.126 shows the quarterly trend in own source revenue collection for the first quarter from FY 2013/14 to FY 2018/19.

Figure 3.126: Nandi County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Nandi County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.41.32 million, representing an increase of 105.5 per cent compared to Kshs.20.11 million generated in the first quarter of FY 2017/18, which was 9 per cent of the annual target.

3.32.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.32.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.1.58 billion from the CRF account, which was 19.3 per cent of the Approved Budget. This amount represented an increase of 134.1 per cent from Kshs.674.94 million approved in the first quarter of FY 2018/19 and comprised of Kshs.1.14 billion (72.3 per cent) for recurrent expenditure and Kshs.437.92 million (27.7 per cent) for development activities.

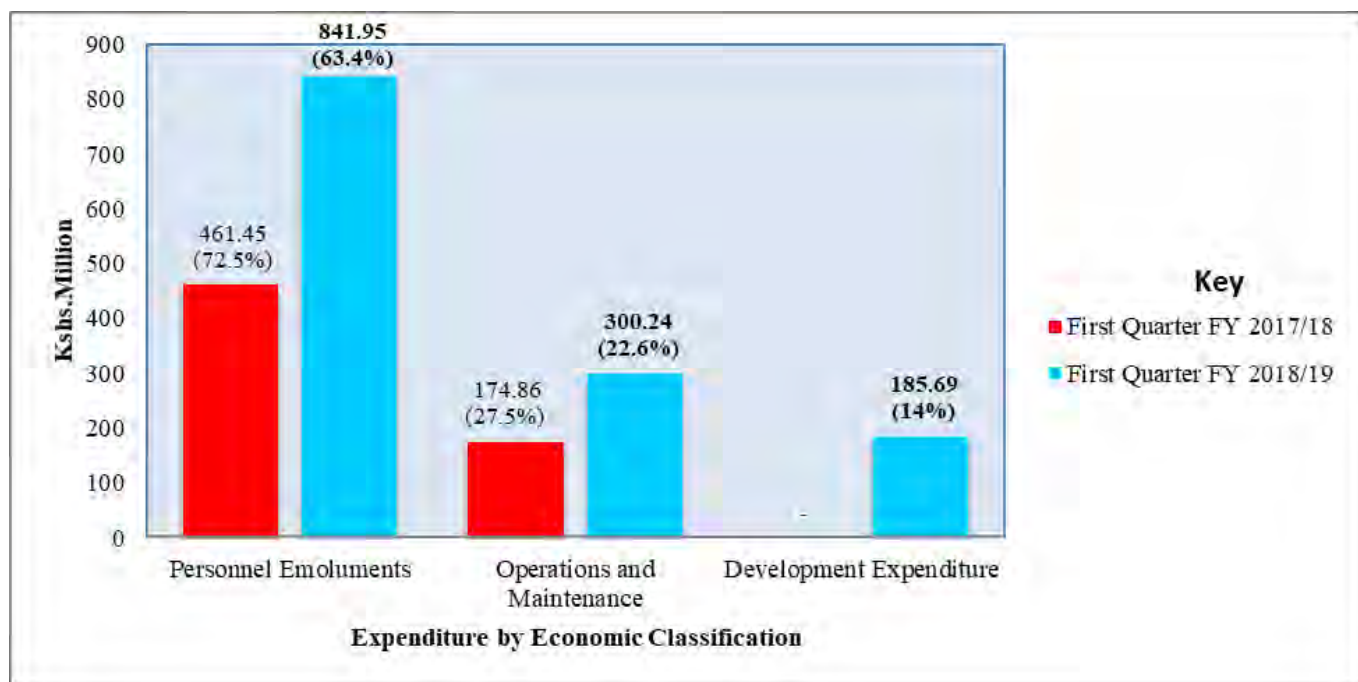
3.32.5 Overall Expenditure Review

The County spent Kshs.1.33 billion, which was 84 per cent of the total funds released for operations. This was an increase of 108.7 per cent from Kshs.675 million spent in the first quarter of FY 2017/18.

A total of Kshs.1.14 billion was spent on recurrent activities while Kshs.185.69 million was spent on development activities. The recurrent expenditure was 100 per cent of the funds released for recurrent activities, while development expenditure was 42.4 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.858.62 million for development activities and Kshs.78.76 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 22.4 per cent of the annual recurrent budget, an increase from 69.2 per cent recorded in the first quarter of FY 2017/18. Development expenditure recorded an absorption rate of 6 per cent. Figure 3.127 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of FY 2017/18.

Figure 3.127: Nandi County, Expenditure by Economic Classification



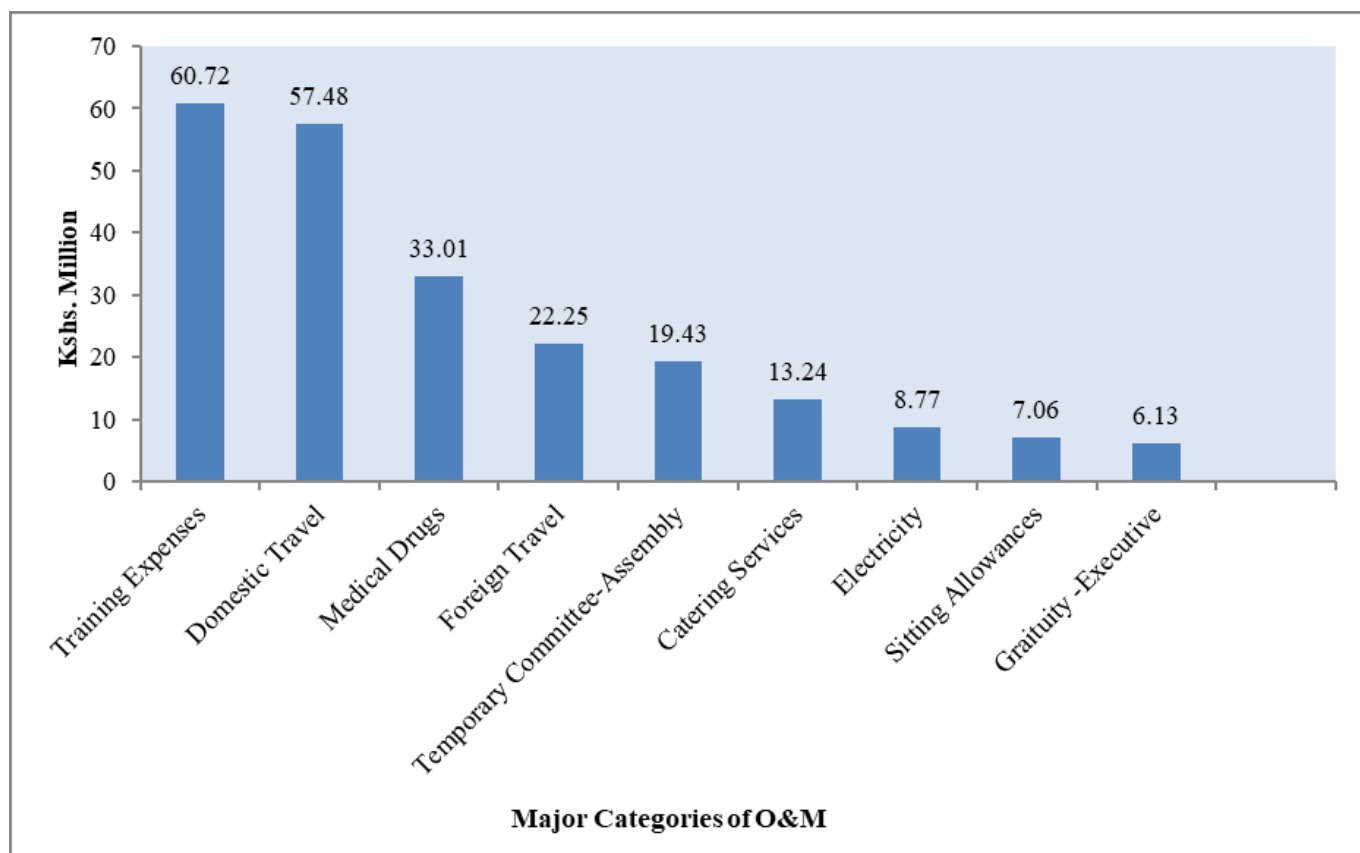
Source: Nandi County Treasury

3.32.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.14 billion comprised of Kshs.841.95 million (72.5 per cent) incurred on personnel emoluments and Kshs.300.24 million (27.5 per cent) on operations and maintenance as shown in Figure 3.127.

Expenditure on personnel emoluments represented an increase of 82.5 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.461.45 million, and was 63.4 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.128 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.128: Nandi County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Nandi County Treasury

The County spent Kshs.7.06 million on committee sitting allowances to the 40 MCAs against the annual budget allocation of Kshs.38.10 million. This was an increase of 44.1 per cent compared to Kshs.4.90 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.58,847 per MCA against the SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.79.73 million and comprised of Kshs.26.47 million spent by the County Assembly and Kshs.53.26 million by the County Executive. This represented 4.6 per cent of total recurrent expenditure and was an increase of 229 per cent compared to Kshs.24.24 million spent in the first quarter of FY 2017/18.

3.32.7 Development Expenditure Analysis

The total development expenditure of Kshs.185.69 million represented 6 per cent of the annual development budget of Kshs.3.07 billion. Table 3.41 provides a list of development projects undertaken in the first quarter of the financial year.

Table 3.41: Nandi County, List of Development Projects

S/No.	Project Name	Project location	Project budget (Kshs.)	Project Expenditure in First Quarter of FY 2018/19 (Kshs.)	Absorption rate (%)
1	Access Roads	County Wide	235,145,483	127,480,990	54.2
2	Other Infrastructure and Civil Works-Livestock Products Value Addition & Marketing	County Wide	112,810,000	46,151,888	40.9
3	Purchase of Vaccines and Sera	County Wide	20,000,000	8,954,000	44.8
4	Purchase of Certified Seeds	ATC Kaimosi	8,100,000	3,105,000	38.3

Source: Nandi County Treasury

3.32.8 Budget Performance by County Departments

Table 3.42 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.42: Nandi County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	427.33	85.00	75.25		76.07		101.1	-	17.8	-
Finance and Economic Planning	972.64	131.40	200.55		221.29		110.3	-	22.8	-
Devolved Units and Special Programmes	320.58	152.62	67.98		76.66		112.8	-	23.9	-
Health and Sanitation	1,578.55	360.50	324.21		430.62		132.8	-	27.3	-
Agriculture, Livestock and Fisheries	303.69	449.72	89.72	111.57	68.73	58.21	76.6	52.2	22.6	12.9
Tourism, Culture and Co-operative Development	58.44	55.00	12.30	-	8.23		66.9	-	14.1	-
Youth, Gender and Social Services	60.88	121.00	15.88	-	4.53		28.5	-	7.4	-
Education Research and Vocational Training	322.76	288.90	67.91	45.24	51.89		76.4	-	16.1	-
Lands, Environment and Natural Resources	145.68	334.25	28.72	12.25	20.64		71.9	-	14.2	-
Roads Transport and Public Works	193.77	723.47	50.97	268.86	15.79	127.48	31.0	47.4	8.2	17.6
Trade and Industrial Development	57.80	112.30	12.70		10.07		79.3	-	17.4	-
Public Service and Labour	33.29	-	8.31		6.63		79.9	-	19.9	-
County Assembly	631.18	263.50	187.69		151.05		80.5	-	23.9	-
TOTAL	5,106.58	3,077.66	1,142.19	437.92	1,142.19	185.69	100.0	42.4	22.4	6.0

Source: Nandi County Treasury

Analysis of budget performance by department shows that, the Department of Roads, Transport and Public Works attained the highest absorption rate of development budget at 17.6 per cent. The Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 27.3 per cent while the Department of Youth, Gender and Social Services had the lowest at 7.4 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. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- ii. Improvement in the use of IFMIS and 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. IFMIS downtime challenges, which slowed down approval of procurement requests and payment to suppliers.
3. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
2. *The County Treasury should liaise with the IFMIS Directorate to address frequent IFMIS downtime.*
3. *The County Treasury should ensure timely preparation and submission of financial reports to the Controller of Budget in line with Section 166 of PFM Act, 2012.*

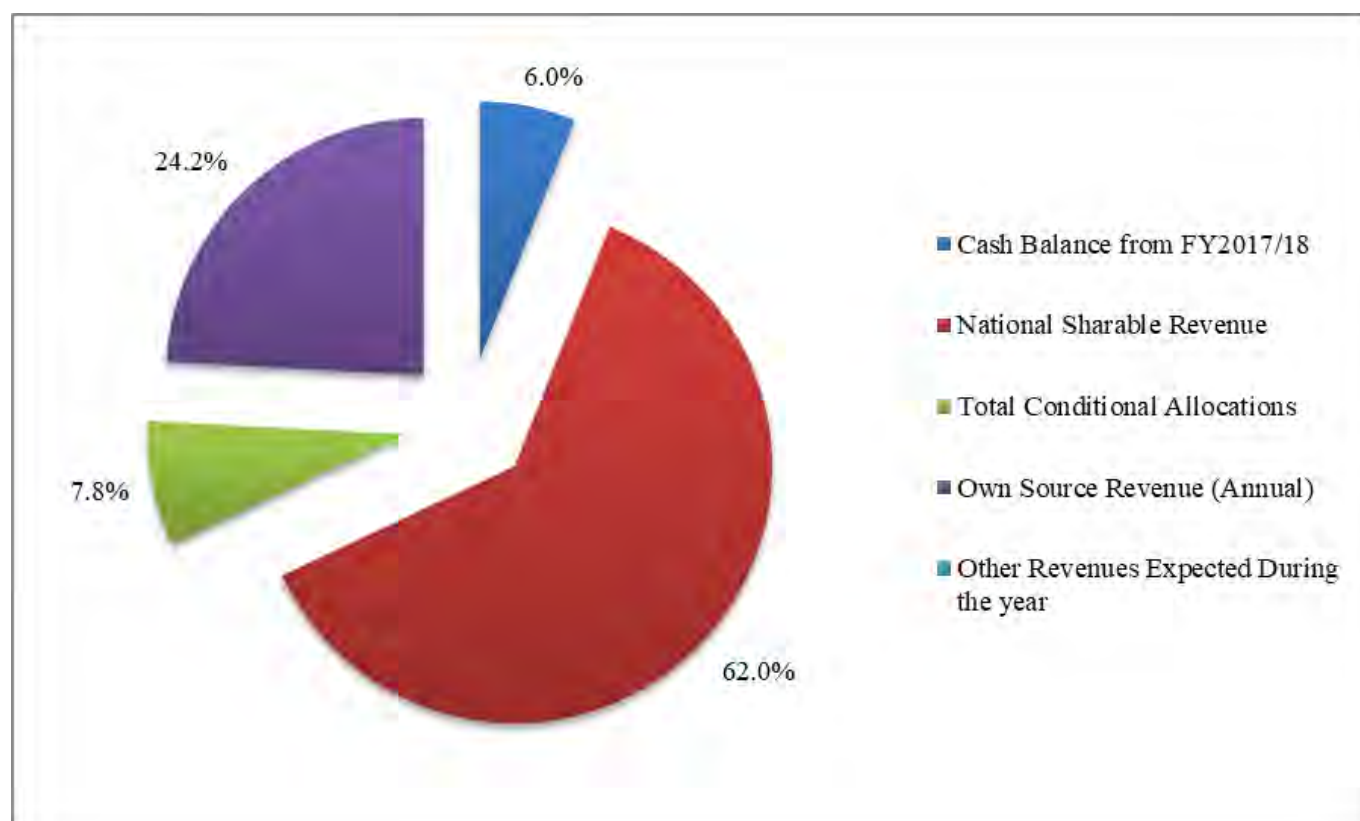
3.33 Narok County

3.33.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.9.53 billion, comprising of Kshs.6.26 billion (65.7 per cent) and Kshs.3.27 billion (34.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.37 billion (62 per cent) as equitable share of revenue raised nationally, Kshs.805.49 million (7.8 per cent) as total conditional grants, generate Kshs.2.49 billion (24.2 per cent) from own source revenue, and Kshs.619.05 million (6 per cent) cash balance from FY 2017/18.

Figure 3.129: Narok County Expected Sources of Budget Financing in FY 2018/19



Source: Narok County Treasury

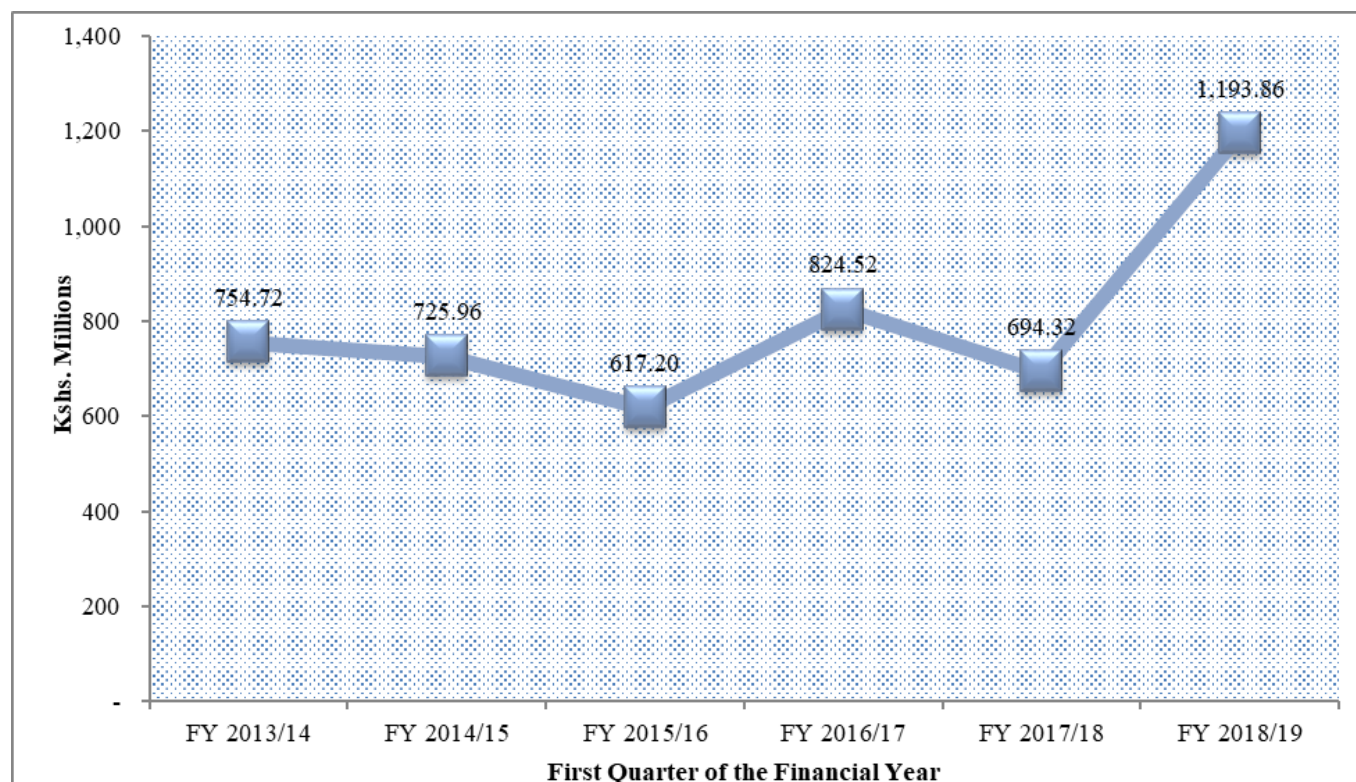
The conditional grants are in line with the CARA,2018 and consisted of Kshs.30.82 million (3.8 per cent) as Conditional allocation for development of Village Polytechnics, Kshs.167.83 million (20.8 per cent) as Road Maintenance Fuel Levy Fund, Kshs.20.5 million (3 per cent) for Health Centre and Dispensaries' user fees, Kshs.200 million (24.8 per cent) for Leasing of Medical Equipment, Kshs.49.04 million for Loans and Grants-KDSP, Kshs.49.04 million (6.1 per cent), Kshs74.91 million (9.3 per cent) from Kenya Urban Support Programme, Kshs.100 million (12.4 per cent) World bank loan THS, Kshs.140.4 million (17.4 per cent) World Bank Loan- National Agriculture & Rural Growth and Kshs.21.87 million (2.7 per cent) DANIDA Grant of the total conditional grants.

3.33.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.764.9 million as equitable share of revenue raised nationally, Kshs.200 million as total other incomes form NHIF, raised Kshs.1.19 billion from own source revenue, and had a cash balance of Kshs.400 million from FY 2017/18. The total available funds amounted to Kshs.2.56 billion.

Figure 3.130 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.130: Narok County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Narok County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.1.19 billion, representing an increase of 41.9 per cent compared to Kshs.694.32 million raised in the first quarter of FY 2017/18, which was 48 per cent of the annual target.

3.33.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.33.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.2.44 billion from the CRF account, which was 25.6 per cent of the Approved Budget. This amount represented an increase of 83.5 per cent from Kshs.1.33 billion approved in the first quarter of FY 2018/19 and comprised of Kshs.1.59 billion (64.9 per cent) for recurrent expenditure and Kshs.857 million (35.1 per cent) for development activities.

3.33.5 Overall Expenditure Review

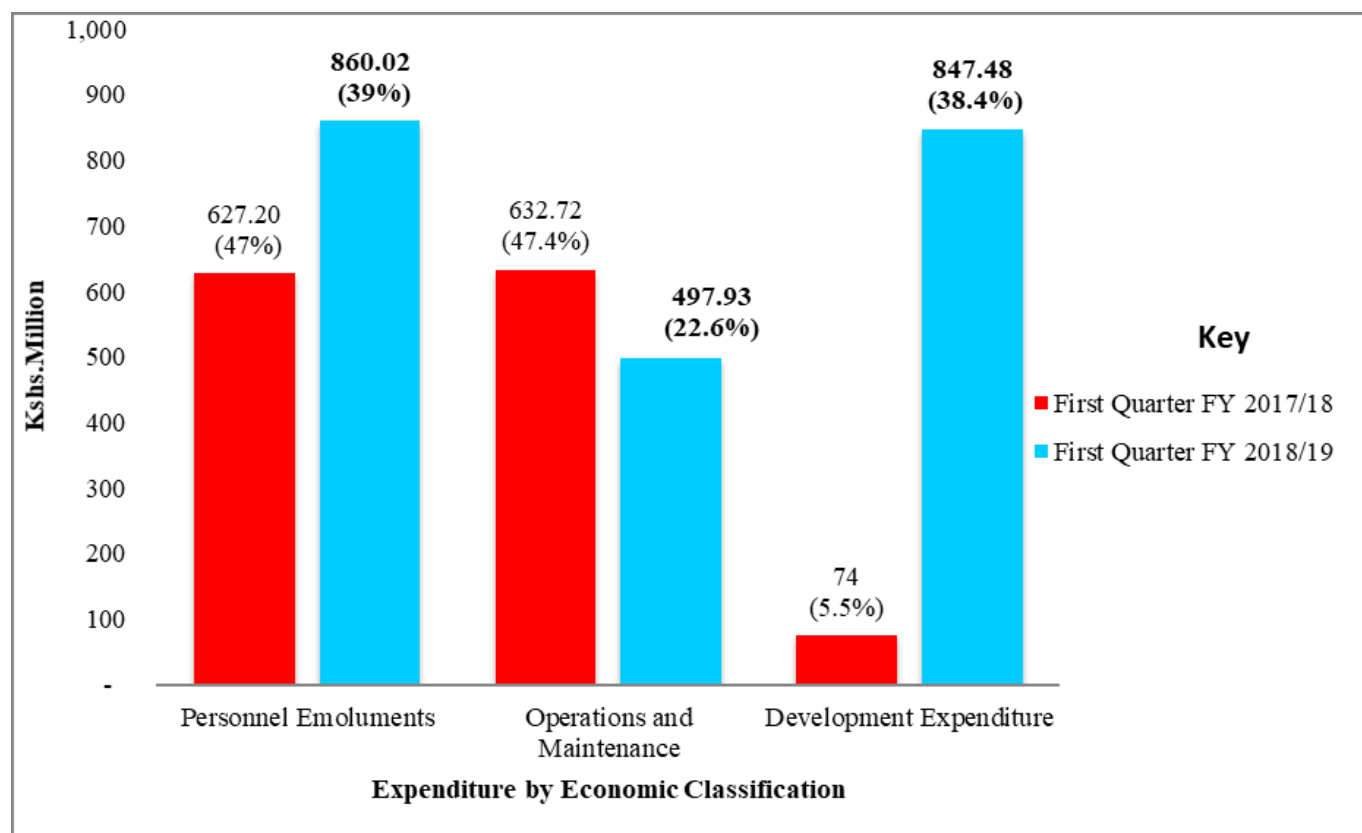
The County spent Kshs.2.21 billion, which was 90.3 per cent of the total funds released for operations. This was an increase of 65.3 per cent from Kshs.1.33 billion spent in the first quarter of FY 2017/18.

A total of Kshs.1.36 billion was spent on recurrent activities while Kshs.847.48 million was spent on development activities. The recurrent expenditure was 85.7 per cent of the funds released for recurrent activities, while development expenditure was 98.9 per cent of funds released for development activities.

The recurrent expenditure represented 21.7 per cent of the annual recurrent budget, an increase from 20.6 per cent recorded in the first quarter of FY 2017/18. Development expenditure recorded an

absorption rate of 25.9 per cent, which was an increase from 1.5 per cent attained in the first quarter of FY 2017/18. Figure 3.131 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.131: Narok County, Expenditure by Economic Classification



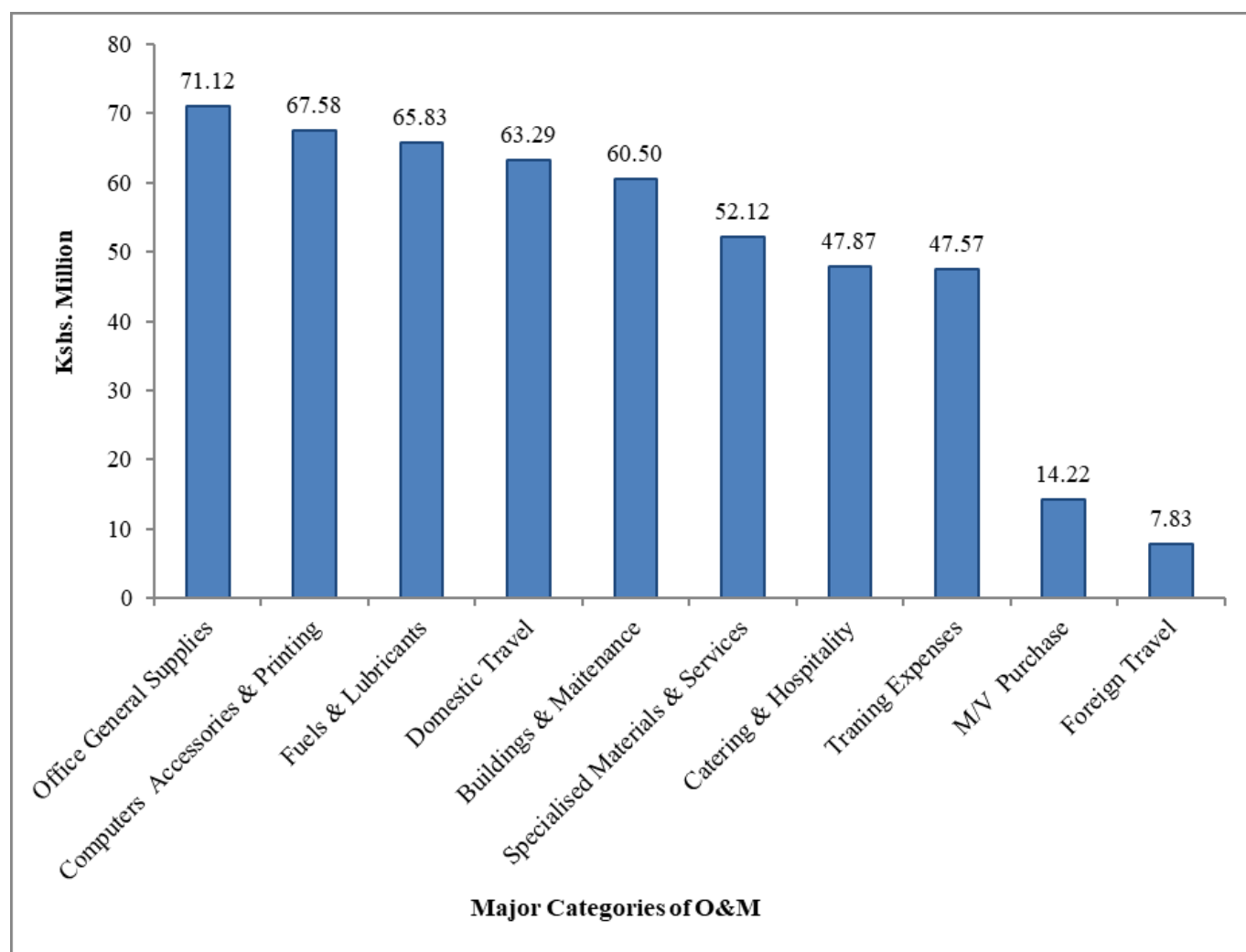
Source: Narok County Treasury

3.33.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.36 billion comprised of Kshs.860.02 million (63.3 per cent) incurred on personnel emoluments and Kshs.497.93 million (36.7 per cent) on operations and maintenance as shown in Figure 3.132.

Expenditure on personnel emoluments represented an increase of 37.1 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.627.2 million, and was 39 per cent of total expenditure in the first quarter of FY 2018/19. The increase is attributed to payment of personnel costs that were outstanding at the end of FY 2017/18. Figure 3.132 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.132: Narok County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Narok County Treasury

The County spent Kshs.5.91 million on MCAs sitting allowance on the 47 MCAs and the speaker against the annual budget of Kshs.53.81 million. The average monthly sitting allowance was Kshs.41,035 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.63.29 million and comprised of Kshs.30.51 million spent by the County Assembly and Kshs.39.45 million by the County Executive. This represented 4.7 per cent of total recurrent expenditure and was a decline of 23 per cent compared to Kshs.92.30 million spent in the first quarter of FY 2017/18.

3.33.7 Development Expenditure Analysis

The total development expenditure of Kshs.847.48 million represented 25.9 per cent of the annual development budget of Kshs.3.27 billion. Table 3.2 provides a list of development projects expenditure in the first quarter of the financial year.

Table 3.43: Narok County, List of Development Projects

S/No.	Project name	Project location	Annual project budget (Kshs.)	Project Expenditure in First Quarter of FY 2018/19 (Kshs.)	Absorption rate (%)
1	Roads Infrastructure	Narok South, North, East, Kilgoris	976,147,135	332,035,037	34.0
2	Civil works and Infrastructure	Narok South, North, East, Kilgoris	459,312,435	189,500,450	41.3
3	Acquisition of roads & civil works machines	County Head Quarters	228,000,000	156,421,117	68.6
4	Buildings Infrastructure-Education	Narok South, North, East, Kilgoris	352,799,000	89,522,242	25.4

Source: Narok County Treasury

3.33.8 Budget Performance by County Departments

Table 3.44 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.44: Narok County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	674.49	200	120	10	114.87	1.30	95.7	13.0	17.0	0.7
Office of The Governor	278.88	-	67.29	-	61.95	-	92.1	-	22.2	-
Finance and Economic Planning	564.33	386.56	181.24	-	135.35	80.08	74.7	-	24.0	20.7
Roads, Transport and Public works	191.34	976.15	53.67	502.06	24.31	497.05	45.3	99.0	12.7	50.9
Education, Youth , Sports, Culture & Social Services	915.51	444.93	203.77	212.44	203.67	212.40	100	100	22.2	47.7
Environment Protection, Energy, Water and Natural resources	89.53	225.50	21.97	20	13.40	-	61.0	-	15.0	-
County Public service Board	71.37	-	20.50	-	12.03	-	58.7	-	16.9	-
Agriculture, Livestock and Fisheries	313.33	504.37	91.86	44	40.79	11.45	44.4	26.0	13.0	2.3
Health and Sanitation	2,010.51	251.41	474.54	25	474.24	25.00	99.9	100	23.6	9.9
Lands, Housing, Physical Planning and Urban Development	80.50	192.90	22.97	35	12.31	12.97	53.6	37.0	15.3	6.7
Tourism, wildlife, Trade, Industry and Cooperative Devt.	61.99	49.26	18.51	8.50	12.32	7.23	66.5	85.1	19.9	14.7
County Administration and Public Service Management	924.15	38.55	291.14	-	252.72	-	86.8	-	27.3	-
Trade and Industrialization	88.51	-	17.55	-	-	-	-	-	-	-
TOTAL	6,264	3,270	1,585	857	1,358	847	85.7	98.9	21.7	25.9

Source: Narok County Treasury

Analysis of budget performance by department shows that, the Department of County Administration and Public Service Management attained the highest absorption rate of recurrent budget at 27.3 per cent. The Department of Trade and Industrialization did not report any expenditure during the reporting period.

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. Improvement in own-source revenue collection by 41.9 per cent from Kshs.694.32 million in a similar period of FY 2017/18 to Kshs.1.19 billion in the reporting period.
- ii. Improvement in the absorption of development budget which translated to 25.9 per cent as compared to 1.5 per cent attained in a similar period in FY 2017/18.

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

1. Diversion of exchequer releases to finance activities not contained in the approved Exchequer requisition schedule. During the period, Kshs.60 million was transferred from the development account to finance the County Bursary Fund, despite the County not receiving approval from the Controller of Budget for bursaries.

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

1. *The County Treasury should utilise funds as approved by the Controller of Budget.*

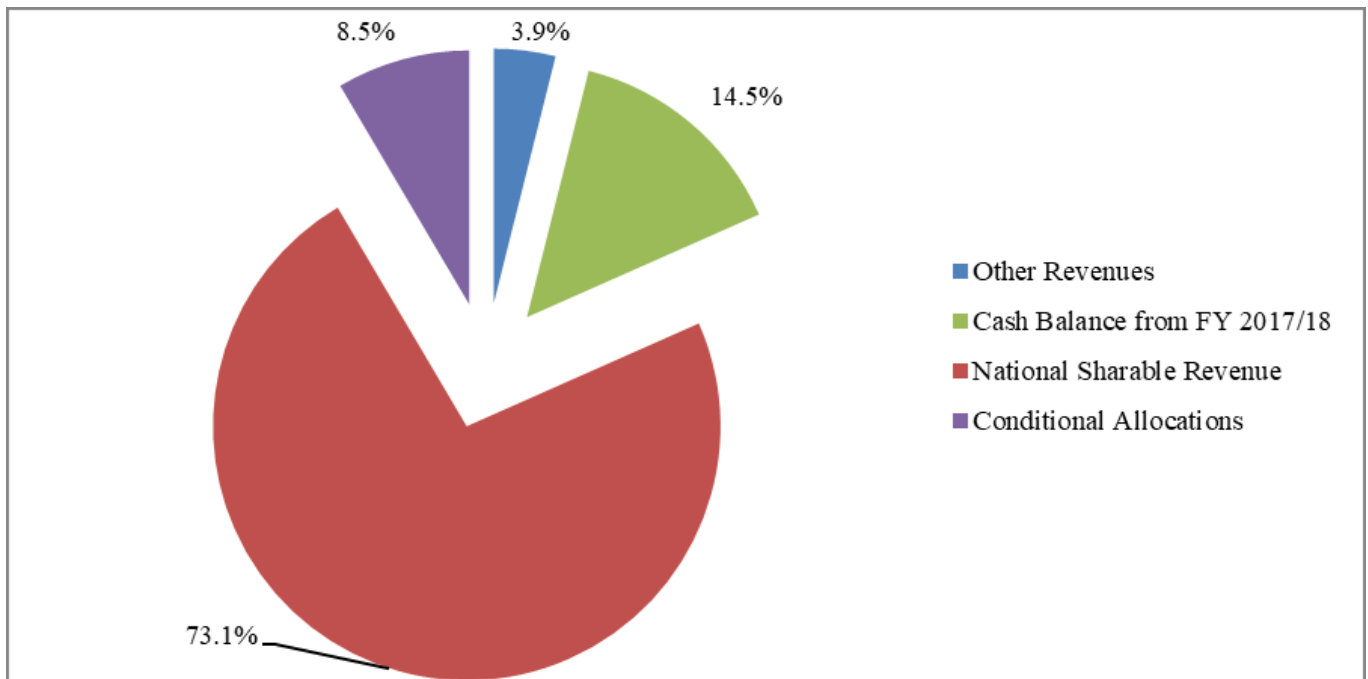
3.34 Nyamira County

3.34.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.6.53 billion, comprising of Kshs.4.58 billion (70.2 per cent) and Kshs.1.95 billion (29.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.77 billion (73.1 per cent) as equitable share of revenue raised nationally, Kshs.554.77 million (8.5 per cent) as total conditional grants, generate Kshs.255.57 million (3.9 per cent) from own source revenue, and Kshs.943.29 million (14.5 per cent) cash balance from FY 2017/18.

Figure 3.133: Nyamira County Expected Sources of Budget Financing in FY 2018/19



Source: Nyamira County Treasury

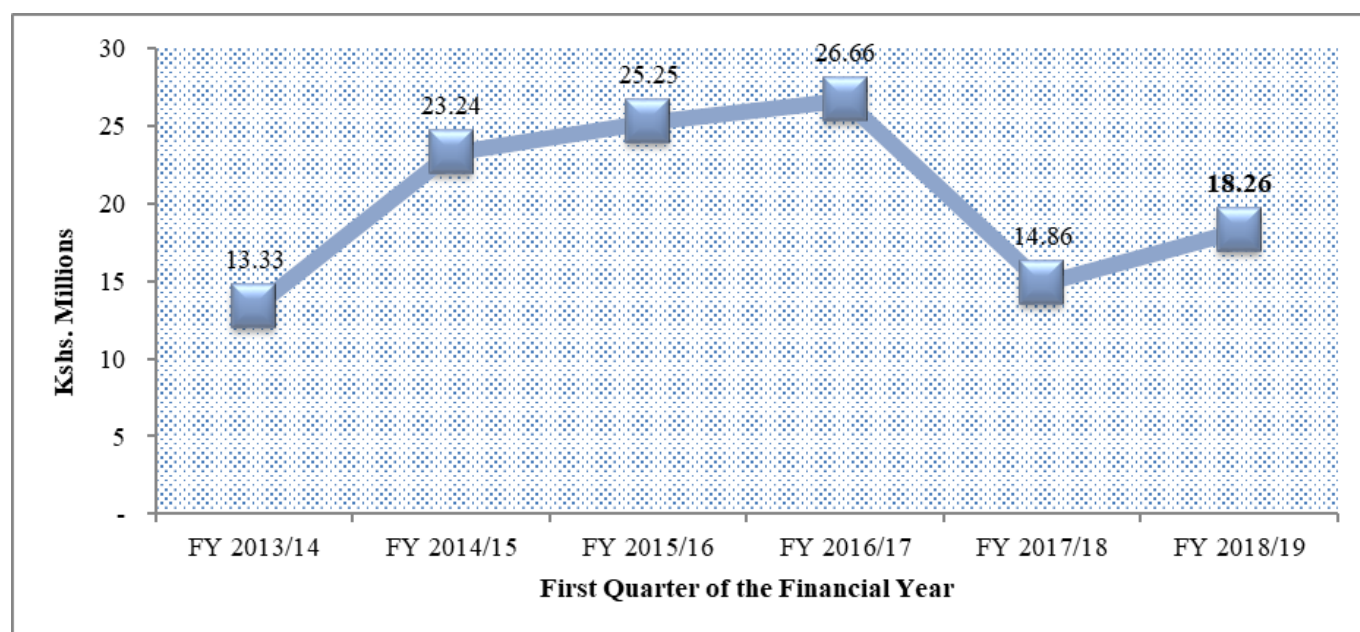
The conditional grants are in line with the CARA,2018 and consisted of Kshs.50 million (6.6 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (18.6 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.42.38 million (5.6 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.114.71 million (15.2 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.15.49 million (2.1 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.13.18 million (1.7 per cent) as Compensation for User Fees Foregone, Kshs.200 million (26.5 per cent) for Leasing of Medical Equipment, Kshs.125.66 million (16.6 per cent) from the Road Maintenance Fuel Levy, and Kshs.52.92 million (7.0 per cent) for Rehabilitation of Village Polytechnics.

3.34.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.238.64 million as equitable share of revenue raised nationally, raised Kshs.18.26 million from own source revenue, and had a cash balance of Kshs.1.10 billion from FY 2017/18. The total available funds amounted to Kshs.1.36 billion.

Figure 3.134 shows the quarterly trend in own source revenue collection for the first quarter from FY 2013/14 to FY 2018/19.

Figure 3.134: Nyamira County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Nyamira County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.18.26 million, representing an increase of 22.9 per cent compared to Kshs.14.86 million generated in the first quarter of FY 2017/18, which was 7.1 per cent of the annual target.

3.34.3 Conditional Grants

Analysis of revenue from conditional grants in the period under review indicates that, the County did not receive any funds from all of them. However expenditure was incurred National Agricultural and Rural Inclusive Growth Project (NARIGP), Rehabilitation of Village Polytechnics and Compensation for User Fee Foregone all financed by cash balances from FY 2017/18 held in respective grants special purpose bank accounts.

3.34.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.944.96 million from the CRF account, which was 14.5 per cent of the Approved Budget. This amount represented an increase of 103.2 per cent from Kshs.464.95 million approved in the first quarter of FY 2017/18 and was all for recurrent expenditure.

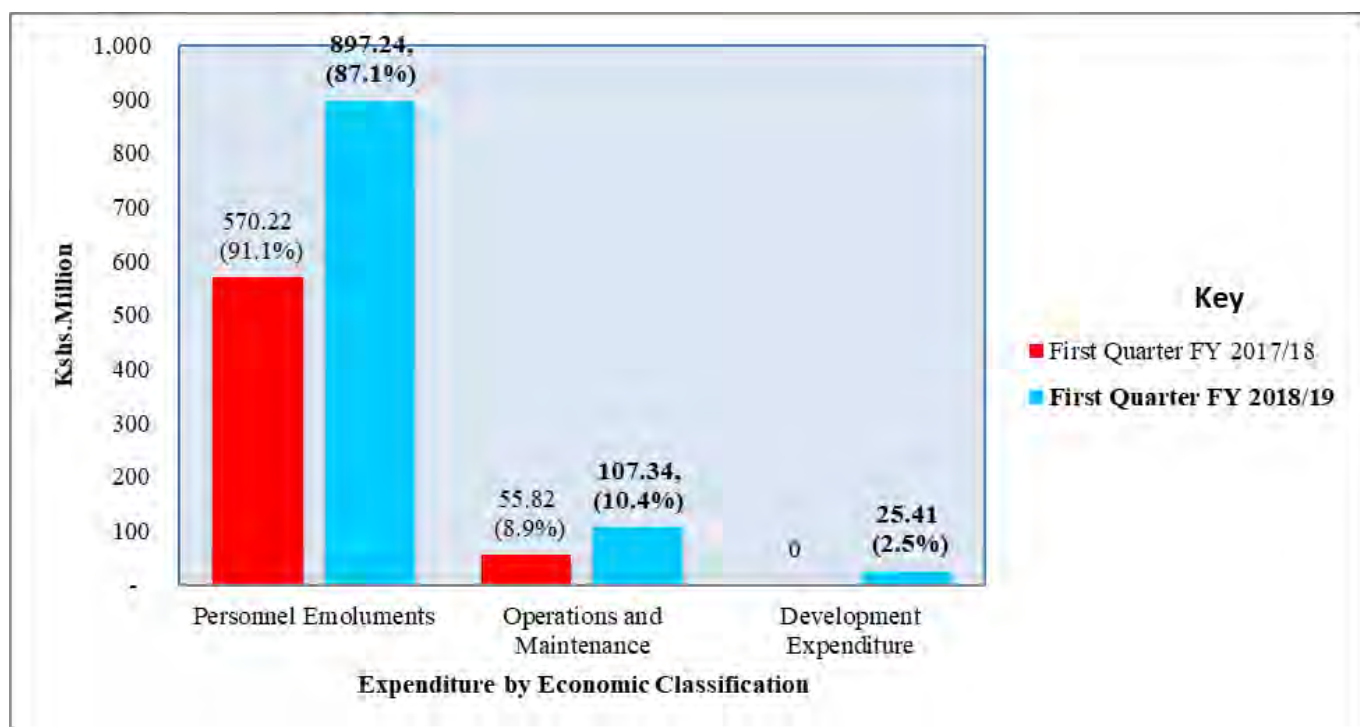
3.34.5 Overall Expenditure Review

The County spent Kshs.1.03 billion, which was 109 per cent of the total funds released for operations. This was an increase of 64.5 per cent from Kshs.626.04 million spent in the first quarter of FY 2017/18.

A total of Kshs.1 billion was spent on recurrent activities while Kshs.25.41 million was spent on development activities. The recurrent expenditure was 106.3 per cent of the funds released for recurrent activities, while development expenditure was financed by funds whose withdrawal was not authorised by COB in the period under review. The expenditure excluded outstanding commitments which amounted to Kshs.32.89 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 21.9 per cent of the annual recurrent budget, an increase from 15.1 per cent recorded in the first quarter of FY 2017/18. Figure 3.135 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.135: Nyamira County, Expenditure by Economic Classification



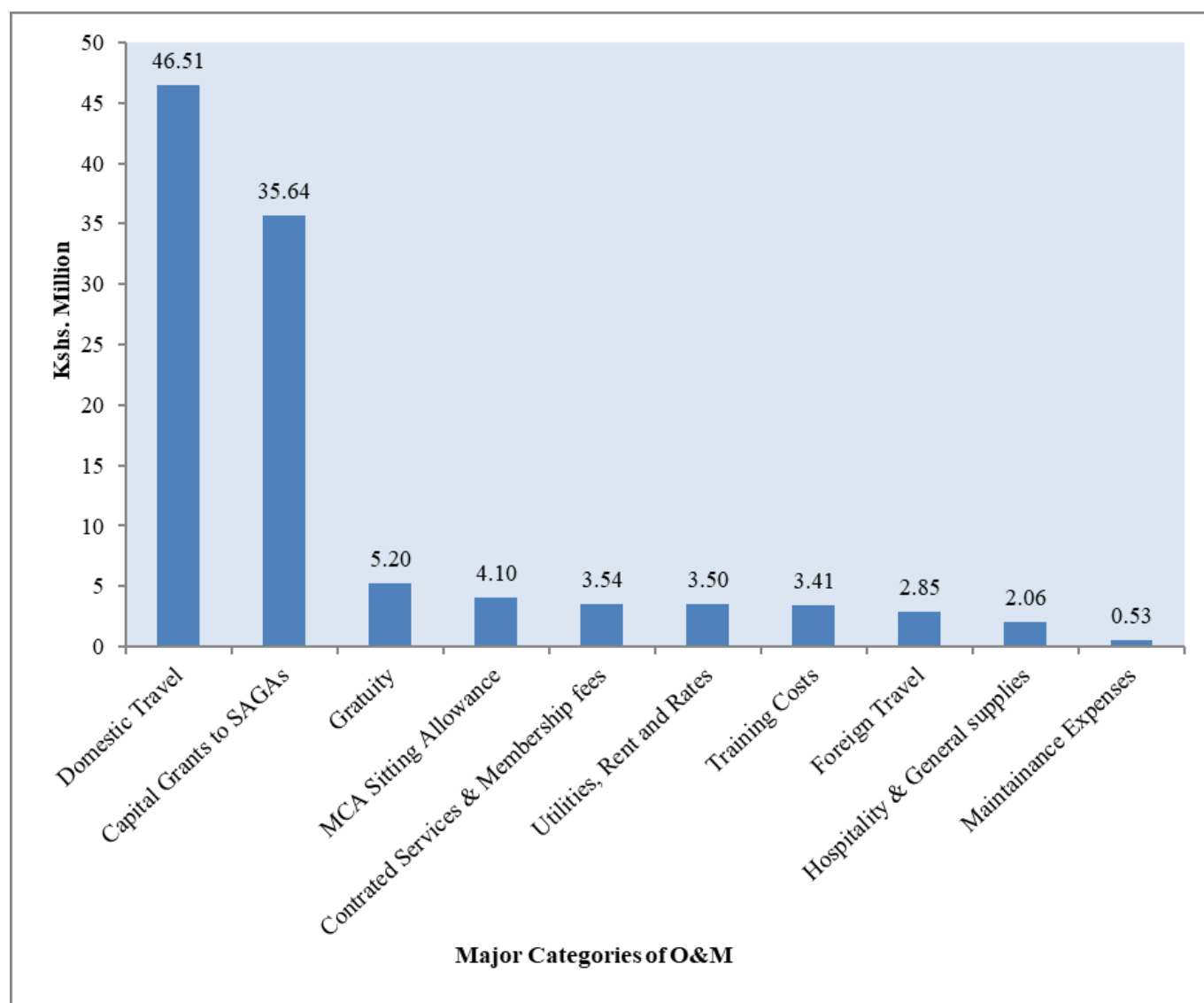
Source: Nyamira County Treasury

3.34.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1 billion comprised of Kshs.897.24 million (89.3 per cent) incurred on personnel emoluments and Kshs.107.34 million (10.7 per cent) on operations and maintenance as shown in Figure 3.135.

Expenditure on personnel emoluments represented an increase of 57.4 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.570.22 million, and was 87.1 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.136 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.136: Nyamira County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Nyamira County Treasury

The County spent Kshs.4.10 million on committee sitting allowances to the 37 MCAs against the annual budget allocation of Kshs.66.64 million. This was an increase of 68.3 per cent compared to Kshs.2.43 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.36,893 per MCA against the SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.46.51 million and comprised of Kshs.31.25 million spent by the County Assembly and Kshs.15.25 million by the County Executive. This represented 4.6 per cent of total recurrent expenditure and was an increase of 83.9 per cent compared to Kshs.33.16 million spent in the first quarter of FY 2017/18.

3.34.7 Development Expenditure Analysis

The total development expenditure of Kshs.25.41 million represented 1.3 per cent of the annual development budget of Kshs.1.95 billion which was spent on Youth Polytechnic Education Support Programme.

3.34.8 Budget Performance by County Departments

Table 3.45 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.45: Nyamira County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	587.43	200.00	141.36	-	120.18	-	85.0	α	20.5	-
Executive office	477.37		79.46	-	67.56		85.0	α	14.2	α
Finance & Economic Planning	361.02	140.00	73.44	-	66.45	-	90.5	α	18.4	-
Agriculture, Livestock & Fisheries	309.32	102.28	55.93	-	86.42	-	154.5	α	27.9	-
Environment, Water, Minerals & Natural Resources	114.92	198.52	25.78	-	26.05	-	101.0	α	22.7	-
Education & Youth Empowerment	457.80	199.42	80.11	-	113.04	25.41	141.1	α	24.7	12.7
Health Services	1,649.55	199.00	349.95	-	367.76	-	105.1	α	22.3	-
Lands, Housing & Urban Development	81.30	276.41	18.85	-	16.91	-	89.7	α	20.8	-
Roads, Transport & Public Works	113.21	447.25	26.70	-	27.69	-	103.7	α	24.5	-
Trade, Tourism, Industrialisation & Coop Devpt	53.09	87.00	12.43	-	10.72	-	86.2	α	20.2	-
Sports, Gender, Culture & Social Services	59.05	92.85	8.21	-	8.35	-	101.7	α	14.1	-
County Public Service Board	59.07	-	11.01	-	10.82	-	98.2	α	18.3	α
Public Service Management	255.42	5.16	61.71	-	82.64	-	133.9	α	32.4	-
TOTAL	4,578.54	1,947.89	944.96	-	1,004.58	25.41	106.3	α	21.9	1.3

Source: Nyamira County Treasury

Analysis of budget performance by department shows that, only the Department of Education & Youth Empowerment had spent development budget with an absorption rate of development budget at 12.7 per cent. The Department of Public Service Management had the highest percentage of recurrent expenditure to recurrent budget at 32.4 per cent while the Department of Sports, Gender, Culture & Social Services had the lowest at 14.1 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. Improvement in own-source revenue performance by 22.9 per cent from Kshs.14.86 million generated in the first quarter of FY 2017/18 to Kshs.18.26 million in the reporting period.

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

1. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.
2. The County's wage bill has remained high at 87.1 per cent of total expenditure and increased by 57.4 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.570.22 million.
3. Delay by Fund Administrators of the County Assembly Car & Mortgage Fund, County Executive Car & Mortgage Fund as well as the Bursary Fund to submit financial reports of the Funds contrary to Section 168 of the PFM Act, 2012.

4. Delay by in finalising the CIDP 2018-2012, ADP 2018-2019 and CFSP 2018 which affected the planning and budgeting 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 the CARA, 2018.*
2. *The County Public Service Board should establish an optimal staffing structure.*
3. *All Funds Administrators should submit quarterly financial statements in line with Section 168 of the PFM Act, 2012*
4. *The County should ensure all planning documents are approved in a timely manner.*

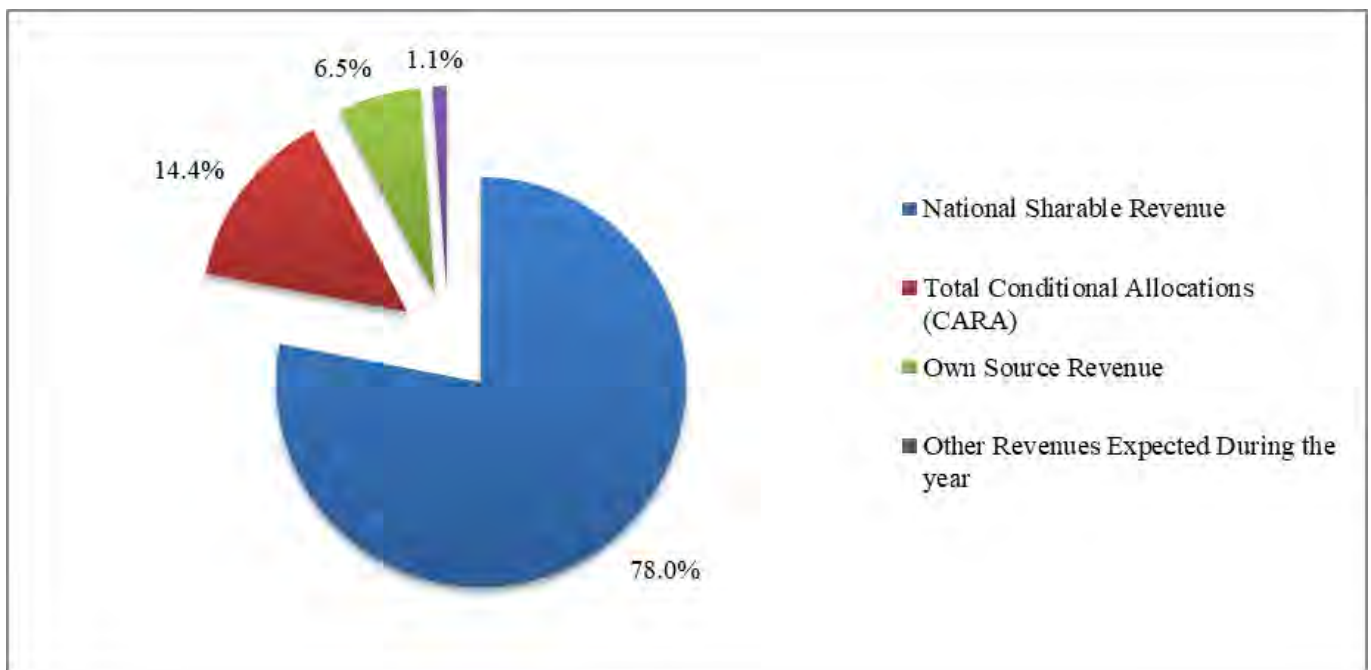
3.35 Nyandarua County

3.35.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.6.32 billion, comprising of Kshs.4.22 billion (66.7 per cent) and Kshs.2.10 billion (33.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.93 billion (78 per cent) as equitable share of revenue raised nationally, Kshs.909.84 million (14.4 per cent) as total conditional grants (CARA, 2018), Kshs.70 million (1.1 per cent) as other conditional grants (not in CARA, 2018), and generate Kshs.410 million (6.5 per cent) from own source revenue.

Figure 3.137: Nyandarua County Expected Sources of Budget Financing in FY 2018/19



Source: Nyandarua County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.50 million (5.5 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (12.9 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.43.07 million (4.7 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.135.54 million (14.9 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project,

Kshs.15.99 million (1.8 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.45 million (4.9 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.121 million (13.3 per cent) as Supplement for Construction of County Headquarters, Kshs.12.74 million (1.4 per cent) as Compensation for User Fees Foregone, Kshs.200 million (22 per cent) for Leasing of Medical Equipment, Kshs.129.80 million (14.3 per cent) from the Road Maintenance Fuel Levy, and Kshs.39.7 million (4.4 per cent) for Rehabilitation of Village Polytechnics.

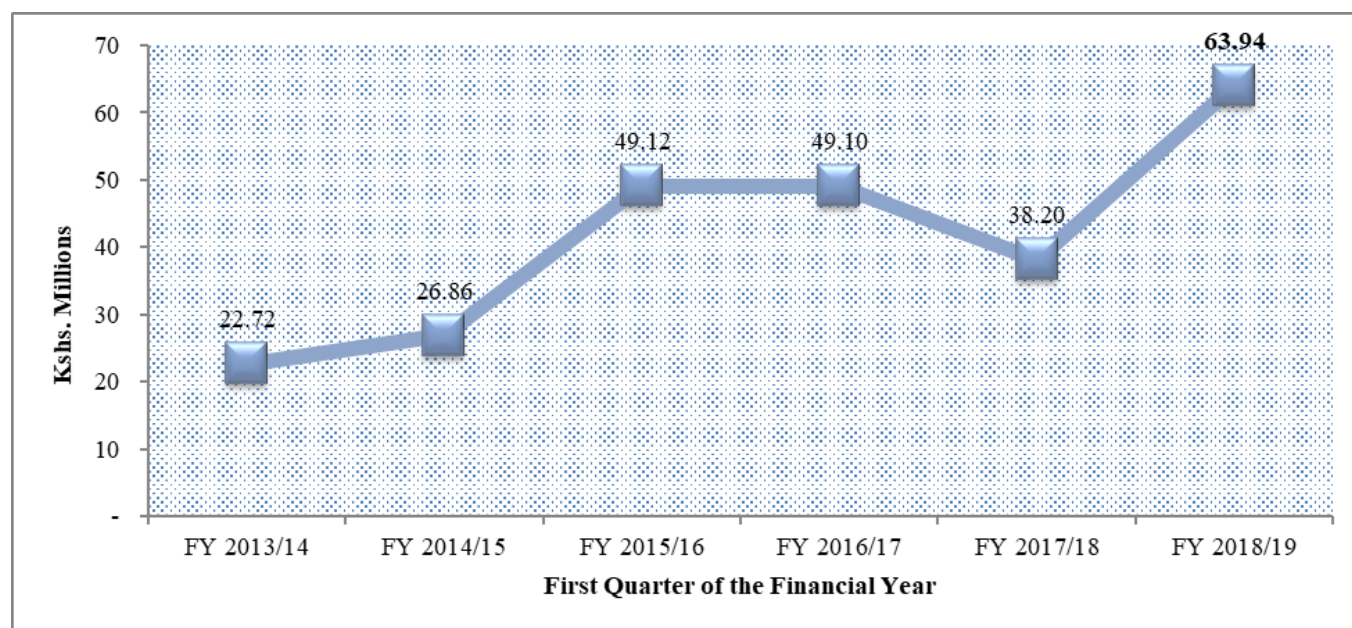
The County also budgeted to receive Kshs.40 million as grant from the World Bank Grant for Kenya Urban Support Programme (KUSP) Level 1 programme and Kshs.30 million as grant for the Linda mama (A-I-A) Programme, which are not contained in the CARA, 2018.

3.35.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.246.49 million as equitable share of revenue raised nationally, raised Kshs.63.94 million from own source revenue, and had a cash balance of Kshs.1.06 billion from FY 2017/18. The total available funds amounted to Kshs.1.37 billion.

Figure 3.138 shows the quarterly trend in own source revenue collection for the first quarter from FY 2013/14 to FY 2018/19.

Figure 3.138: Nyandarua County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Nyandarua County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.63.94 million, representing an increase of 67.4 per cent compared to Kshs.38.2 million generated in the first quarter of FY 2017/18, which was 15.6 per cent of the annual target.

3.35.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.35.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.638.11 million from the CRF account, which was 10.1 per cent of the Approved Budget. This amount represented an increase of 24.8 per cent from Kshs.511.49 million approved in the first quarter of FY 2018/19 and was entirely for recurrent expenditure.

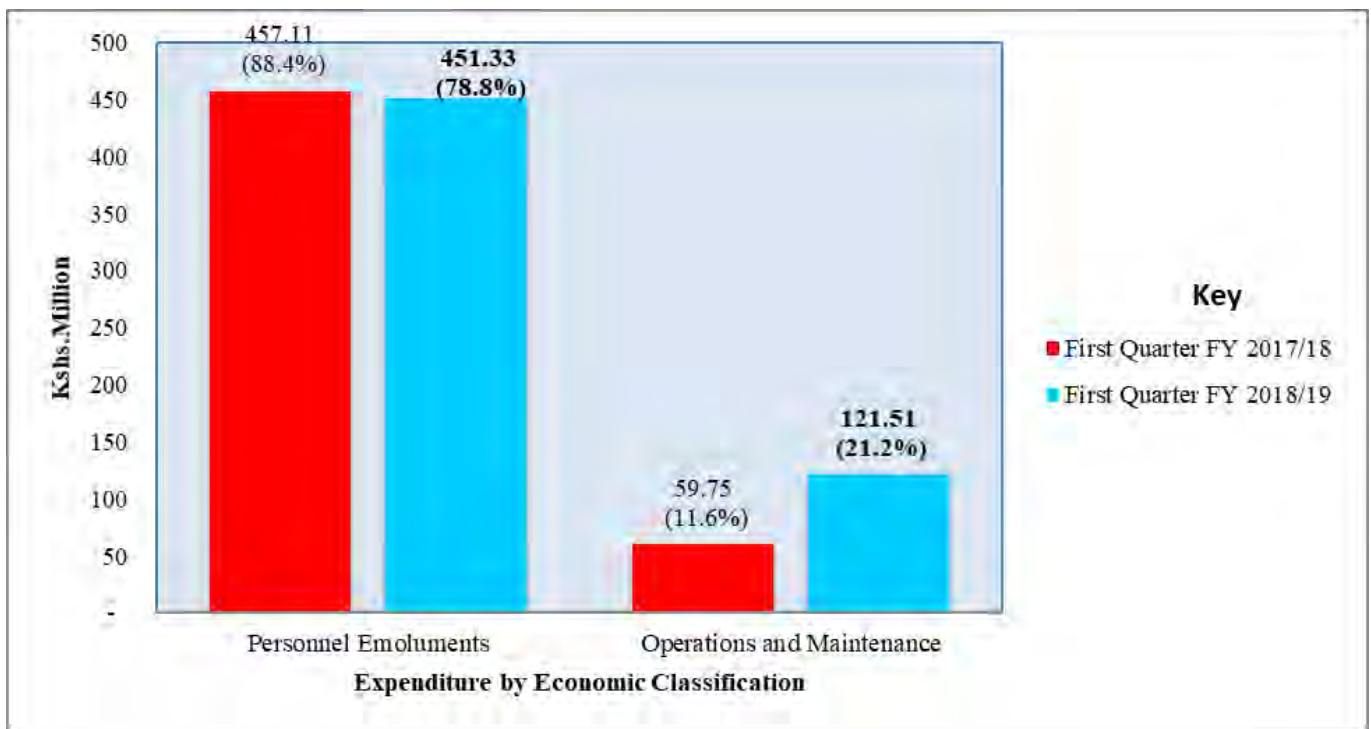
3.35.5 Overall Expenditure Review

The County spent Kshs.572.83 million, which was 89.8 per cent of the total funds released for operations. This was an increase of 10.8 per cent from Kshs.516.87 million spent in the first quarter of FY 2017/18.

The total expenditure of Kshs.572.83 million was spent on recurrent activities and represented 89.8 per cent of the funds released. The expenditure excluded outstanding commitments which amounted to Kshs.35.79 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 13.6 per cent of the annual recurrent budget, a slight increase from 13.5 per cent recorded in the first quarter of FY 2017/18. Figure 3.139 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of FY 2017/18.

Figure 3.139: Nyandarua County, Expenditure by Economic Classification



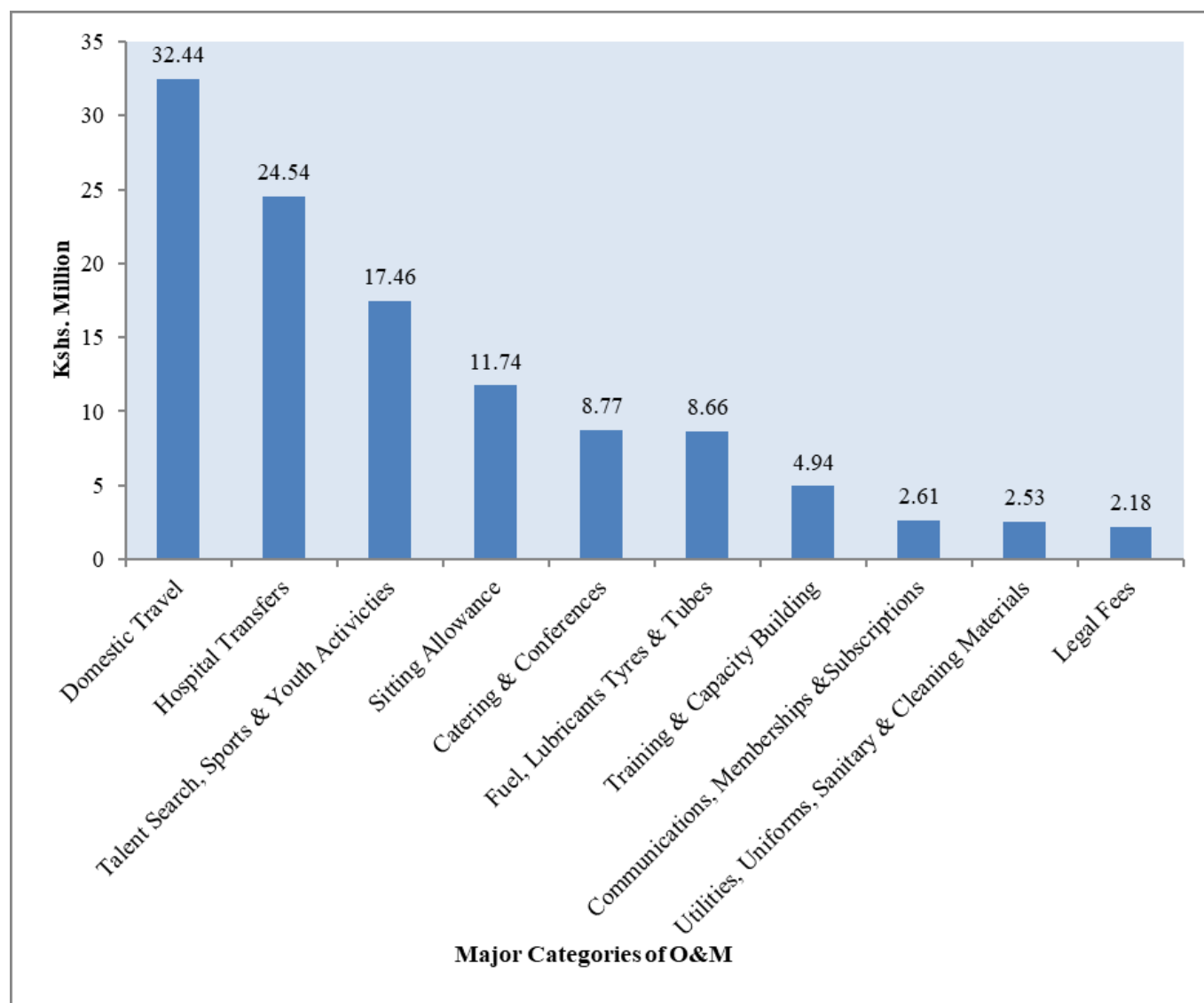
Source: Nyandarua County Treasury

3.35.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.572.83 million comprised of Kshs.451.33 million (78.8 per cent) incurred on personnel emoluments and Kshs.121.51 million (21.2 per cent) on operations and maintenance as shown in Figure 3.139.

Expenditure on personnel emoluments represented a decrease of 1.3 per cent compared to the first quarter of FY 2017/18 when the county spent Kshs.457.11 million, and was 78.8 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.140 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.140: Nyandarua County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Nyandarua County Treasury

The County spent Kshs.11.74 million on committee sitting allowances to the 40 MCAs against the annual budget allocation of Kshs.57.22 million. This was an increase of 1076.7 per cent compared to Kshs.998,030 spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.97,867 per MCA against the SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.32.44 million and comprised of Kshs.13.35 million spent by the County Assembly and Kshs.19.09 million by the County Executive. This represented 5.7 per cent of total recurrent expenditure and was an increase of 61.5 per cent compared to Kshs.20.09 million spent in the first quarter of FY 2017/18.

3.35.7 Development Expenditure Analysis

There was no development expenditure during the period under review.

3.35.8 Budget Performance by County Departments

Table 3.46 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.46: Nyandarua County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture Livestock & Fisheries	91	236.78	3.59	-	1.44	-	40	-	1.6	-
County Assembly	643.47	186.00	110.93	-	110.21	-	99.3	-	17.1	-
County Attorney	8.98	1.00	0.03	-	0.03	-	104	-	0.3	-
County Public Service Board	10.23	-	2	-	0.01	-	0.4	-	0.1	-
Education, Gender, Youth, Culture and Social Services	74.59	107.50	3.25	-	5.95	-	183.1	-	8	-
Finance & Economic Development	475.96	-	12.81	-	9.19	-	71.8	-	1.9	-
Governor's Office & Service Delivery	111.59	-	10.85	-	5.88	-	54.2	-	5.3	-
Health Services	597.01	128.45	27.76	-	26.38	-	95	-	4.4	-
Industrialization Cooperatives, Trade & Enterprise Development	23.22	147.07	2.24	-	1.15	-	51.4	-	5	-
Lands, Housing & Physical Planning	62.25	252.59	1.55	-	0.97	-	62.4	-	1.6	-
Public Administration & ICT	37.73	-	4.72	-	3.56	-	75.4	-	9.4	-
The County Secretary	1920.32	-	438.21	-	388.39	-	88.6	-	20.2	-
Transport, Energy & Public Works	61.99	777.85	9.40	-	8.13	-	86.4	-	13.1	-
Water, Environment, Tourism & Natural Resources	58.77	210.62	-	-	-	-	-	-	-	-
Youth, Sports and Arts	40.16	54.50	10.78	-	11.56	-	107.3	-	28.8	-
TOTAL	4217.28	2102.37	638.11	-	572.83	-	89.8	-	13.6	-

Source: Nyandarua County Treasury

Analysis of budget performance by department shows that, the County did not incur any development expenditure. The Department of Youth, Sports and the Arts had the highest percentage of recurrent expenditure to recurrent budget at 28.8 per cent while the Department of Water, Environment and Natural Resources did not report any expenditure.

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. 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. Improvement in own revenue collection by 67.4 compared with a similar period in FY 2017/18

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.*

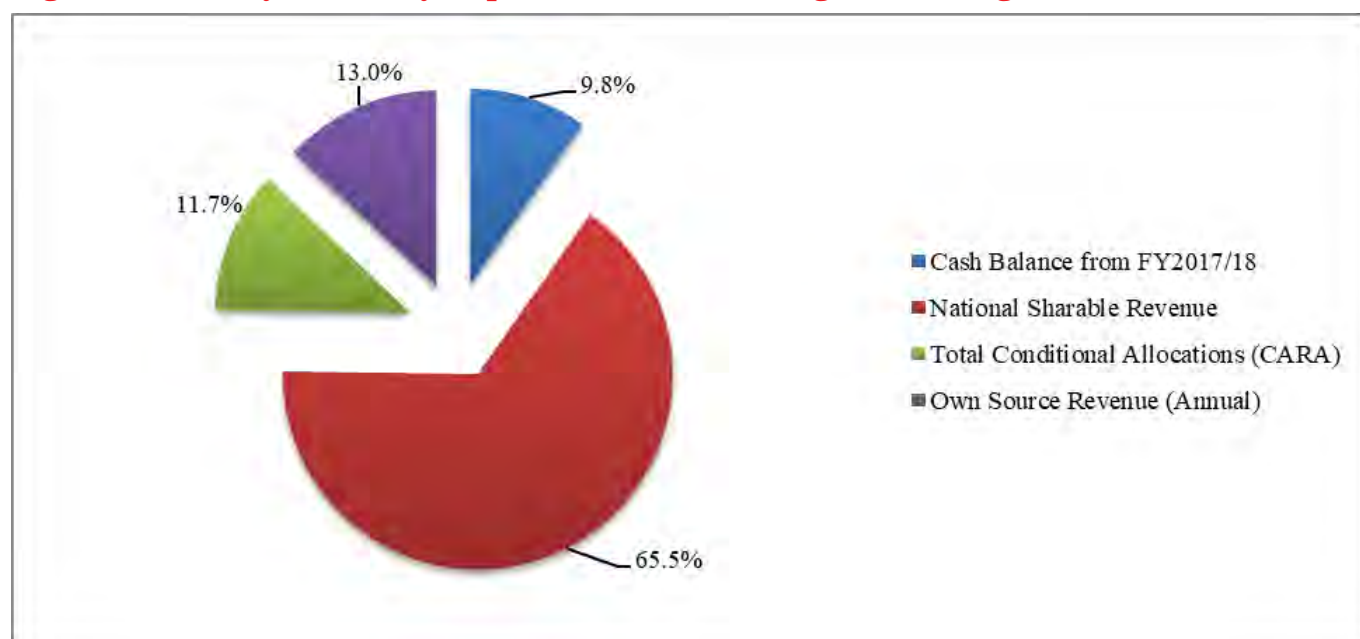
3.36 Nyeri County

3.36.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.7.67 billion, comprising of Kshs.5.15 billion (67.2 per cent) and Kshs.2.52 billion (32.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.02 billion (65.5 per cent) as equitable share of revenue raised nationally, Kshs.899.48 million (11.7 per cent) as total conditional grants, generate Kshs.1 billion (13 per cent) from own source revenue, and Kshs.748.57 million (9.8 per cent) cash balance from FY 2017/18.

Figure 3.141: Nyeri County Expected Sources of Budget Financing in FY 2018/19



Source: Nyeri County Treasury

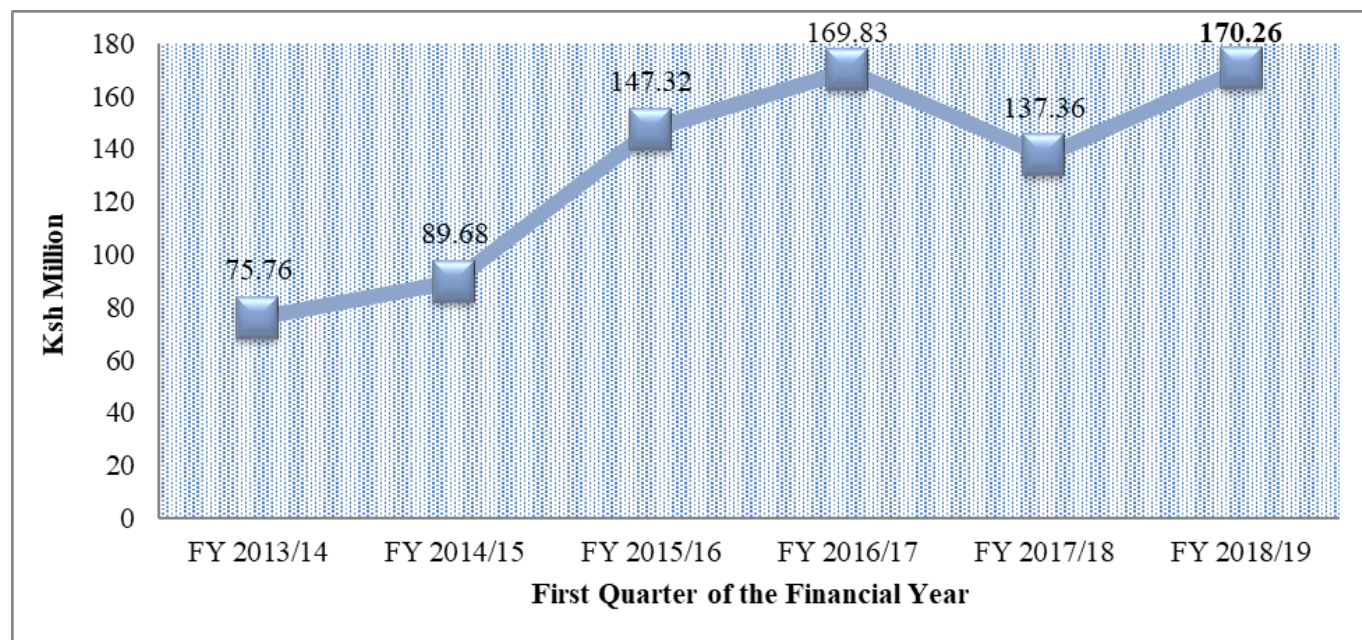
The conditional grants consist of Kshs.40.85 million (4.5 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.276.0 million (30.7 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.407.86 million (45.3 per cent) to Nyeri Level-5 Hospital, Kshs.13.70 million (1.5 per cent) as Compensation for User Fees Foregone, Kshs.132.28 million (14.7 per cent) from the Road Maintenance Fuel Levy and Kshs.28.79 million (3.2 per cent) for Rehabilitation of Village Polytechnics.

3.36.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.271.59 million as equitable share of revenue raised nationally, raised Kshs.170.26 million from own source revenue, and had a cash balance of Kshs.1.39 billion from FY 2017/18. The total available funds amounted to Kshs.1.83 billion.

Figure 3.142 shows the quarterly trend in own source revenue collection for the first quarter from FY 2013/14 to FY 2018/19.

Figure 3.142: Nyeri County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Nyeri County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.170.26 million, representing an increase of 23.9 per cent compared to Kshs.137.36 million generated in the first quarter of FY 2017/18, which was 17 per cent of the annual target.

3.36.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.36.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.1.03 billion from the CRF account, which was 13.4 per cent of the Approved Budget. This amount represented an increase of 114.6 per cent from Kshs.479.75 million approved in the first quarter of FY 2017/18 and comprised of Kshs.1.03 billion (99.8 per cent) for recurrent expenditure and Kshs.1.72 million (0.2 per cent) for development activities.

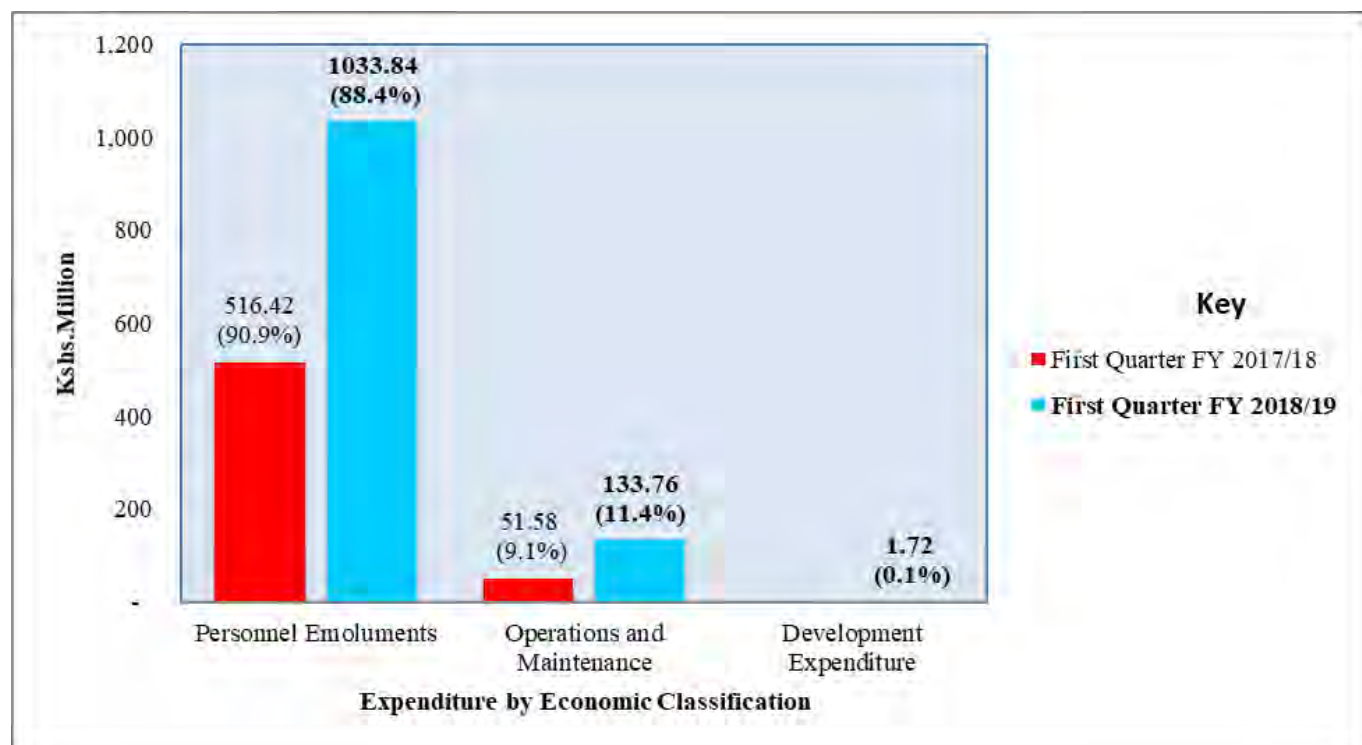
3.36.5 Overall Expenditure Review

The County spent Kshs.1.16 billion, which was 113.6 per cent of the total funds released for operations. This was a decline of 104.2 per cent from Kshs.568 million spent in the first quarter of FY 2017/18.

A total of Kshs.1.16 billion was spent on recurrent activities while Kshs.1.72 million was spent on development activities. The recurrent expenditure was 113.6 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.37.62 million for development activities and Kshs.127.22 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 22.6 per cent of the annual recurrent budget, an increase from 12.3 per cent recorded in the first quarter of FY 2017/18. Development expenditure recorded an absorption rate of 0.1 per cent, while there was no expenditure on development in the first quarter of FY 2017/18. Figure 3.143 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.143: Nyeri County, Expenditure by Economic Classification



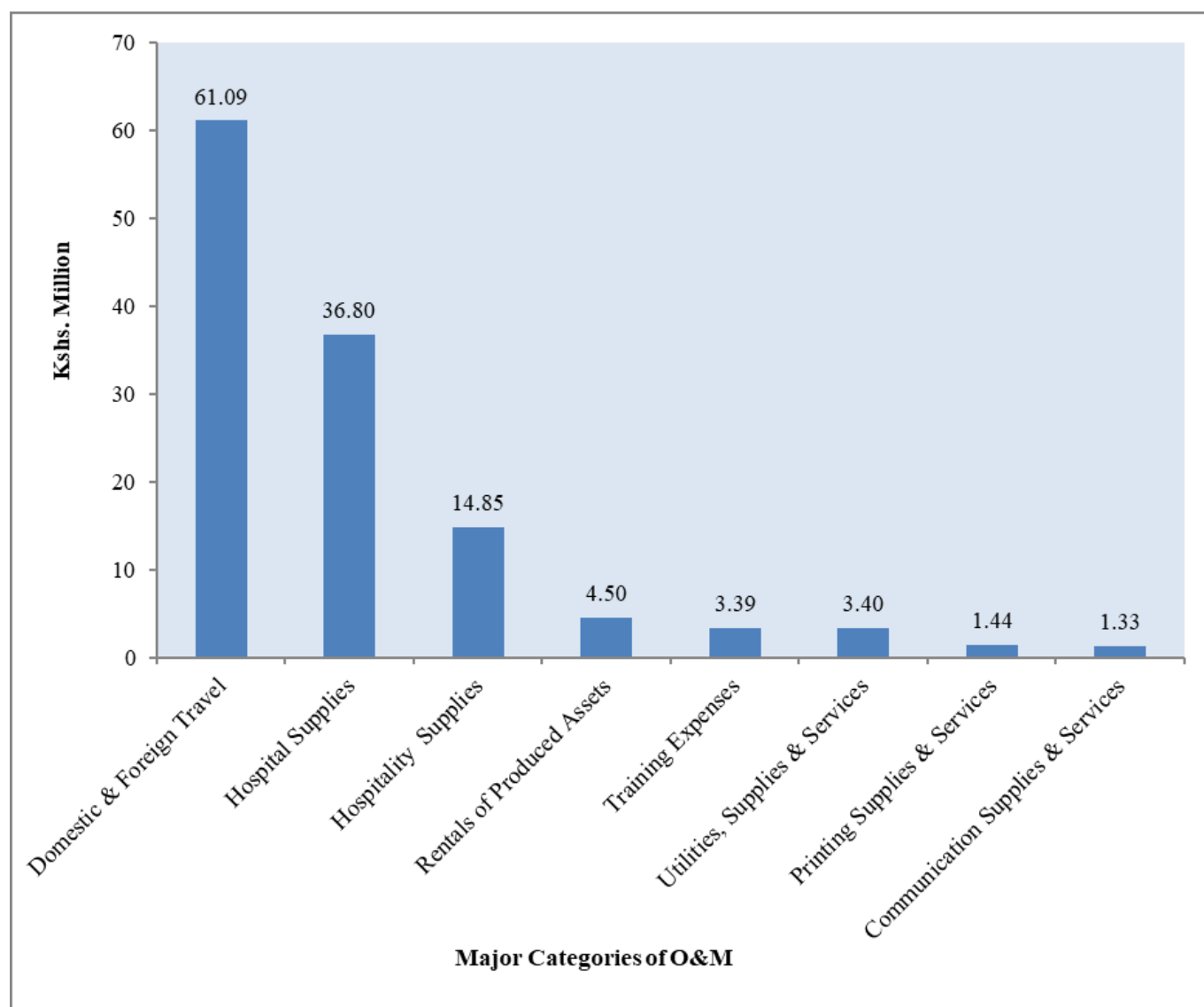
Source: Nyeri County Treasury

3.36.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.16 billion comprised of Kshs.1.03 billion (88.5 per cent) incurred on personnel emoluments and Kshs.133.76 million (11.5 per cent) on operations and maintenance as shown in Figure 3.143.

Expenditure on personnel emoluments represented an increase of 100.2 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.516.42 million, and was 88.4 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.144 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.144: Nyeri County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Nyeri County Treasury

The County spent Kshs.12.09 million on committee sitting allowances to the 45 MCAs against the annual budget allocation of Kshs.80.37 million. This was an increase of 390.5 per cent compared to Kshs.2.47 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.89,594 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.53.24 million and comprised of Kshs.45.48 million spent by the County Assembly and Kshs.7.76 million by the County Executive. This represented 4.6 per cent of total recurrent expenditure and was an increase of 634.7 per cent compared to Kshs.8.32 million spent in the first quarter of FY 2017/18.

3.36.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.72 million represented 0.1 per cent of the annual development budget of Kshs.2.52 billion. This amount was spent by the County Assembly on construction of speaker's residence against a budget allocation of Kshs.50 million.

3.36.8 Budget Performance by County Departments

Table 3.47 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.47: Nyeri County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	126.88	102.	29.48	-	18.73	-	63.5	-	14.8	-
Office of the County Secretary	220.48	-	10.64	-	4.51	-	42.4	-	2.0	-
Finance and Economic Planning	471.62	376	72.30	-	79.69	-	110.2	-	16.9	-
Lands, Physical Planning, Housing and Urbanization	52.61	356	11.08	-	5.57	-	50.3	-	10.6	-
Health, Public Health and Sanitation	2,343.3	210	538.78	-	747.46	-	138.7	-	31.9	-
Gender and Social Services	110.79	9	17.12	-	3.41	-	19.9	-	3.1	-
County Public Service, Administration & Youth Affairs	182.57	12	38.59	-	38.29	-	99.2	-	21.0	-
Agriculture, Livestock and Fisheries	324.54	109.07	57.84	-	52.34	-	90.5	-	16.1	-
Trade, Culture, Tourism & Cooperative Development	62.99	92	10.84	-	4.37	-	40.3	-	6.9	-
Education, Science and Technology	341.07	123	56.16	-	41.90	-	74.6	-	12.3	-
Water, Environment & Natural Resources	139.55	270	25.30	-	23.46	-	92.7	-	16.8	-
County Public Service Board	38.15	-	7.84	-	6.66	-	84.9	-	17.5	-
Transport, Public Works & Infrastructure	158.94	807.09	22.97	-	16.05	-	69.9	-	10.1	-
County Assembly	582.41	50	129.05	1.72	125.16	1.72	97	100	21.5	3.4
TOTAL	5,155.89	2,516.17	1,027.99	1.72	1,167.60	1.72	113.6	100.0	22.6	0.1

Source: Nyeri County Treasury

Analysis of budget performance by department shows that, only the County Assembly absorbed development budget at the rate of 3.4 per cent. The Department of Health Services and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 31.9 per cent while the Office of the County Secretary had the lowest at 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 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. Compliance with requirements of Section 116 of the PFM Act, 2012 by ensuring that legislations establishing County Public Funds are in place before operationalization.

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

1. Failure by the National Treasury to disburse the equitable share of revenue generated nationally as per CARA, 2018.
2. Delay by the County Treasury to refund unspent cash balance at the end of the financial year into the County Revenue Account maintained at the Central Bank of Kenya contrary to Section 136(2) of the PFM Act, 2012.

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 .*
2. *The County Treasury to ensure unspent balances are transferred to the County Revenue Account at the end of each financial year in line with Section 136 (2) of the PFM Act, 2012.*

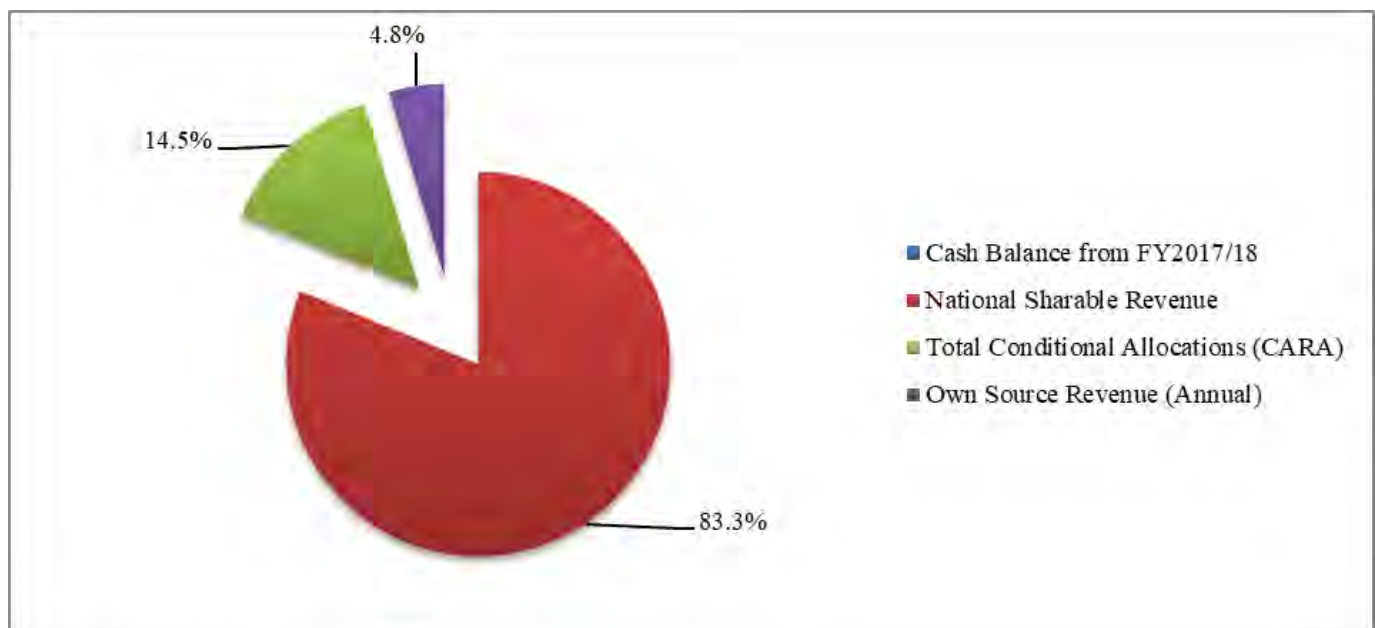
3.37 Samburu County

3.37.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.5.31 billion, comprising of Kshs.3.38 billion (63.7 per cent) and Kshs.1.93 billion (36.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.43 billion (83.3 per cent) as equitable share of revenue raised nationally, Kshs.771.22 million (14.5 per cent) as total conditional grants and generate Kshs.254.03 million (4.8 per cent) from own source revenue.

Figure 3.145: Samburu County Expected Sources of Budget Financing in FY 2018/19



Source: Samburu County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.97.14 million (12.6 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (18.2 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.18.84 million (2.4 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.39.33 million (5.1 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.50 million (6.5 per cent) from IDA (World Bank) as

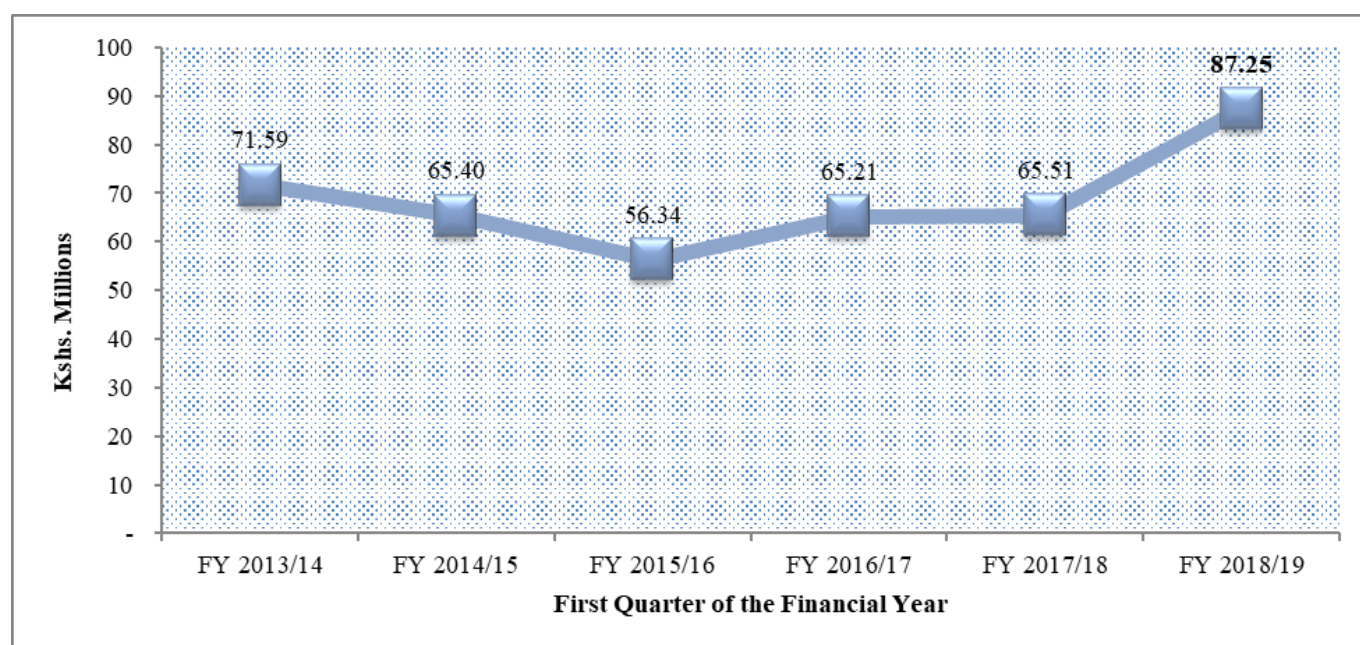
credit for Kenya Urban Support Project, Kshs.12.76 million (1.7 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.70 million (9.1 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), and Kshs.20.91 million (2.7 per cent) from IDA (World Bank) as credit for Water & Sanitation Development Project (WSDP).

3.37.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.531.29 million as equitable share of revenue raised nationally and raised Kshs.87.25 million from own source revenue. The total available funds amounted to Kshs.618.54 million.

Figure 3.146 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.146: Samburu County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Samburu County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.87.25 million, representing an increase of 33.2 per cent compared to Kshs.65.51 million generated in the first quarter of FY 2017/18, which was 34.3 per cent of the annual target.

3.37.3 Conditional Grants

The County did not receive funds from all the conditional grants in the reporting period.

3.37.4 Exchequer Issues

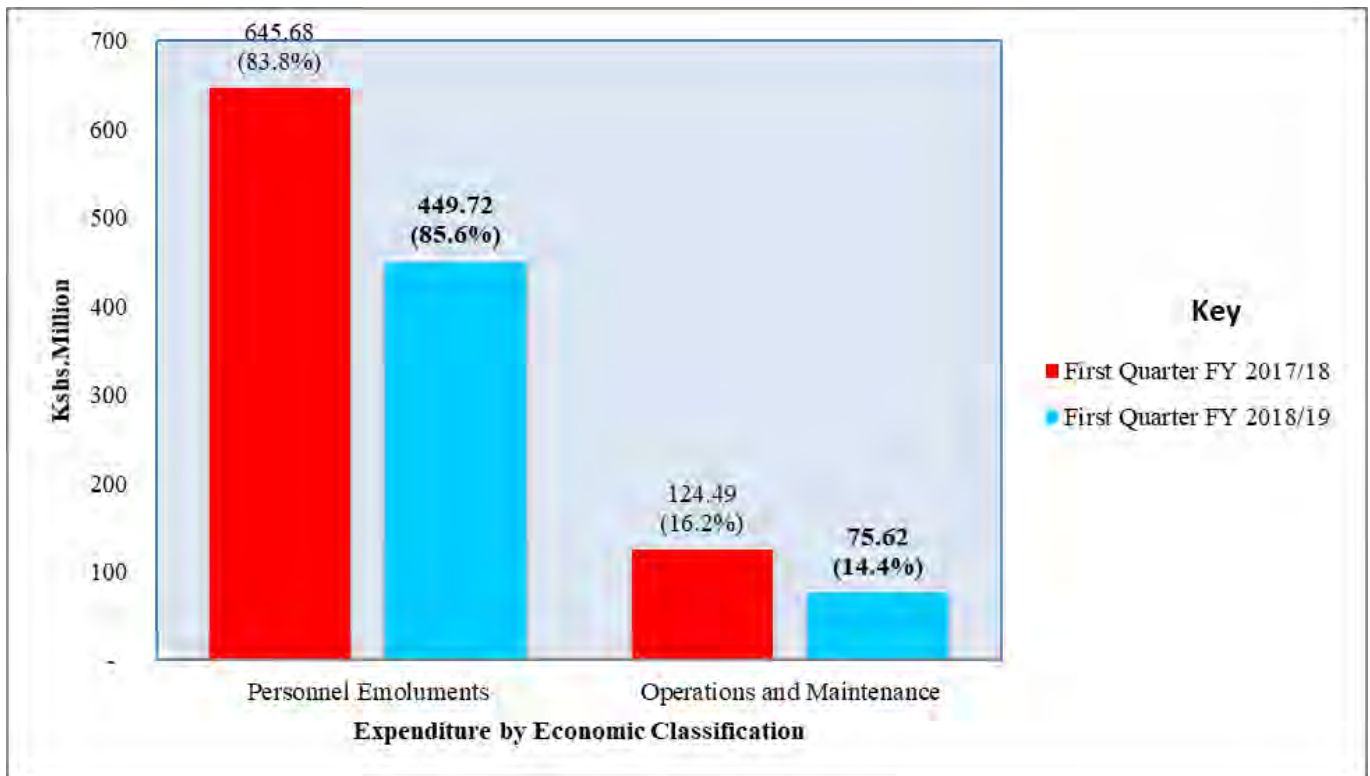
The Controller of Budget approved withdrawal of Kshs.609.87 million from the CRF account, which was 11.5 per cent of the Approved Budget. This amount represented a decline of 4.5 per cent from Kshs.638.32 million approved in the first quarter of FY 2018/19 and was entirely for recurrent expenditure.

3.37.5 Overall Expenditure Review

The County spent Kshs.525.33 million, which was 86.1 per cent of the total funds released for operations. This was a decline of 31.8 per cent from Kshs.770.17 million spent in the first quarter of FY 2017/18.

The recurrent expenditure represented 15.5 per cent of the annual recurrent budget, a decrease from 16.2 per cent recorded in the first quarter of FY 2017/18. Figure 3.147 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.147: Samburu County, Expenditure by Economic Classification



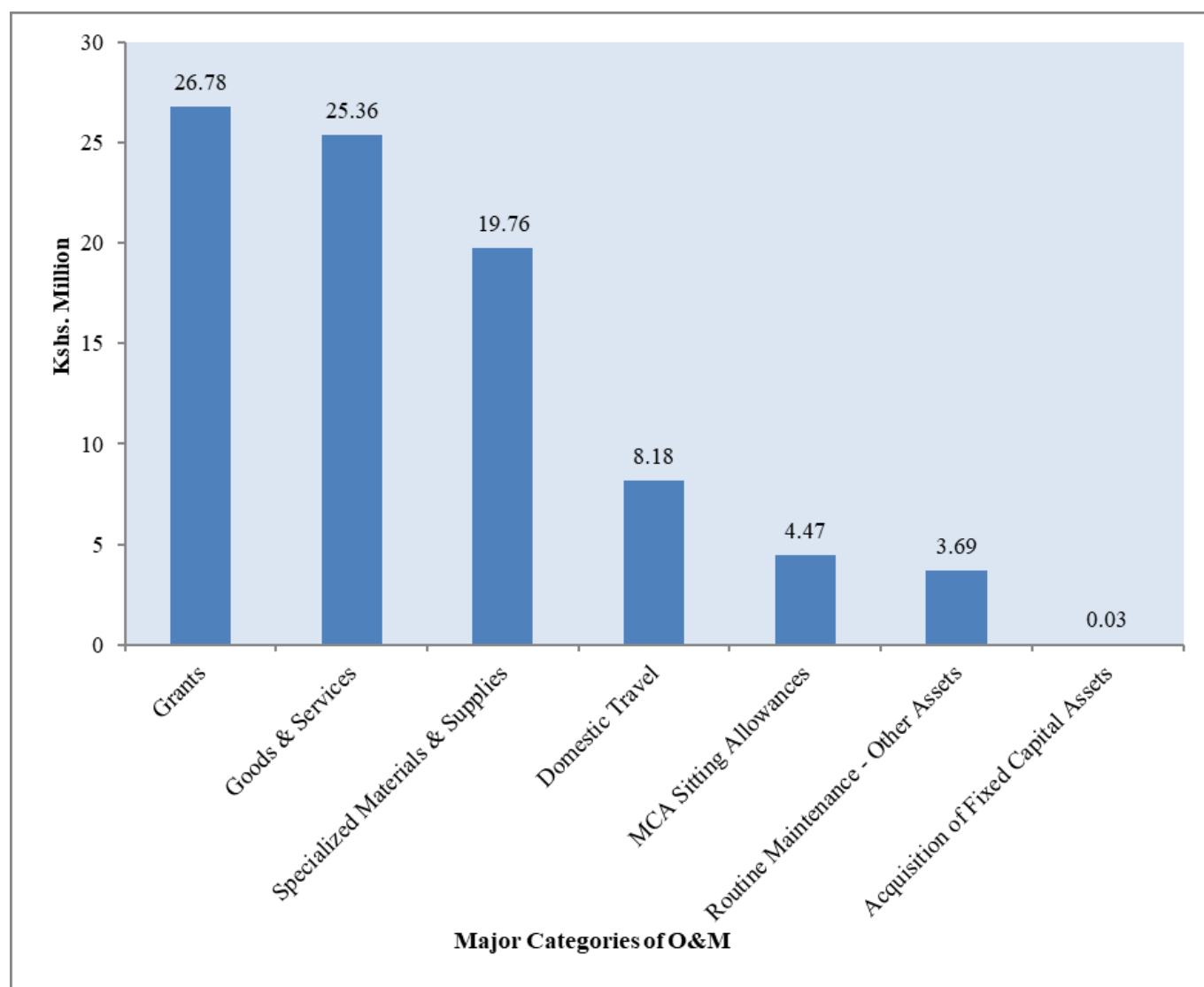
Source: Samburu County Treasury

3.37.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.525.33 million comprised of Kshs.449.72 million (85.6 per cent) incurred on personnel emoluments and Kshs.75.62 million (14.4 per cent) on operations and maintenance as shown in Figure 3.147.

Expenditure on personnel emoluments represented a decrease of 30.3 per cent compared to the first quarter of FY 2017/18 when the county spent Kshs.645.68 million, and was 85.6 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.148 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.148: Samburu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Samburu County Treasury

The County spent Kshs.4.47 million on committee sitting allowances to the 28 MCAs against the annual budget allocation of Kshs.23.23 million. This was a decline of 11.7 per cent compared to Kshs.5.07 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.53,238 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.8.18 million and comprised of Kshs.5.45 million spent by the County Assembly and Kshs.2.74 million by the County Executive. This represented 1.6 per cent of total recurrent expenditure and was an increase of 37.5 per cent compared to Kshs.5.95 million spent in the first quarter of FY 2017/18.

3.37.7 Budget Performance by County Departments

Table 3.48 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.48: Samburu County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	474.01	75.00	66.81	-	90.64	-	135.7	-	19.1	-
County Executive	420.25	17.90	77.74	-	118.01	-	151.8	-	28.1	-
Finance, Economic Planning & ICT	638.60	44.16	80.36	-	40.40	-	50.3	-	6.3	-
Agriculture, Livestock Development, Veterinary Services & Fisheries	327.73	278.83	55.43	-	33.55	-	60.5	-	10.2	-
Water, Environment, Natural Resources & Energy	171.49	302.16	27.93	-	38.29	-	137.1	-	22.3	-
Education and Vocational Training	364.05	175.10	59.54	-	72.14	-	121.2	-	19.8	-
Medical Services, Public Health & Sanitation	887.51	342.11	145.36	-	173.24	-	119.2	-	19.5	-
Lands, Housing, Physical Planning & Urban Development	128.48	126.66	22.07	-	10.67	-	48.3	-	8.3	-
Roads, Transport & Public Works	116.73	431.74	17.10	-	6.98	-	40.8	-	6.0	-
Tourism, Trade, Enterprise Development & Cooperatives	190.94	171.55	29.72	-	17.97	-	60.5	-	9.4	-
Culture, Social Services, Gender, Sports & Youth Affairs	136.43	39.69	27.80	-	14.09	-	50.7	-	10.3	-
TOTAL	3,856.21	2,004.91	609.87	-	615.97	-	101.0	-	16.0	-

Source: Samburu County Treasury

Analysis of budget performance by department shows that, the Department of Water, Environment, Natural Resources & Energy attained the highest absorption rate of recurrent budget at 22.3 per cent while the Department of Roads, Transport & Public had the lowest at 6 per cent. The county did not incur any development expenditure.

3.37.8 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 quarterly reports by the County Government entities to the Office of the Controller of Budget in line with Section 166 of the PFM Act, 2012.
- ii. 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.

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.*

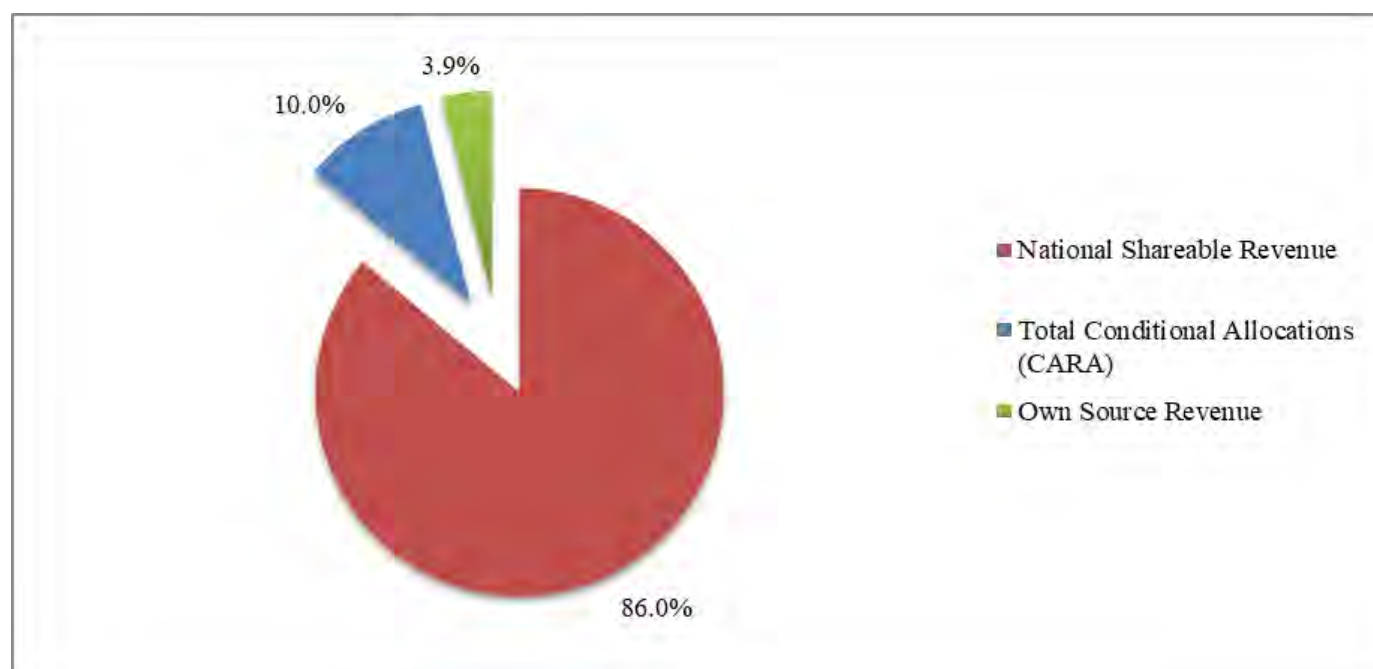
3.38 Siaya County

3.38.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.7.01 billion, comprising of Kshs.4.44 billion (63.4 per cent) and Kshs.2.56 billion (36.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.03 billion (86 per cent) as equitable share of revenue raised nationally, Kshs.703.79 million (10 per cent) as total conditional grants, generate Kshs.275 million (3.9 per cent) from own source revenue.

Figure 3.149: Siaya County Expected Sources of Budget Financing in FY 2018/19



Source: Siaya County Treasury

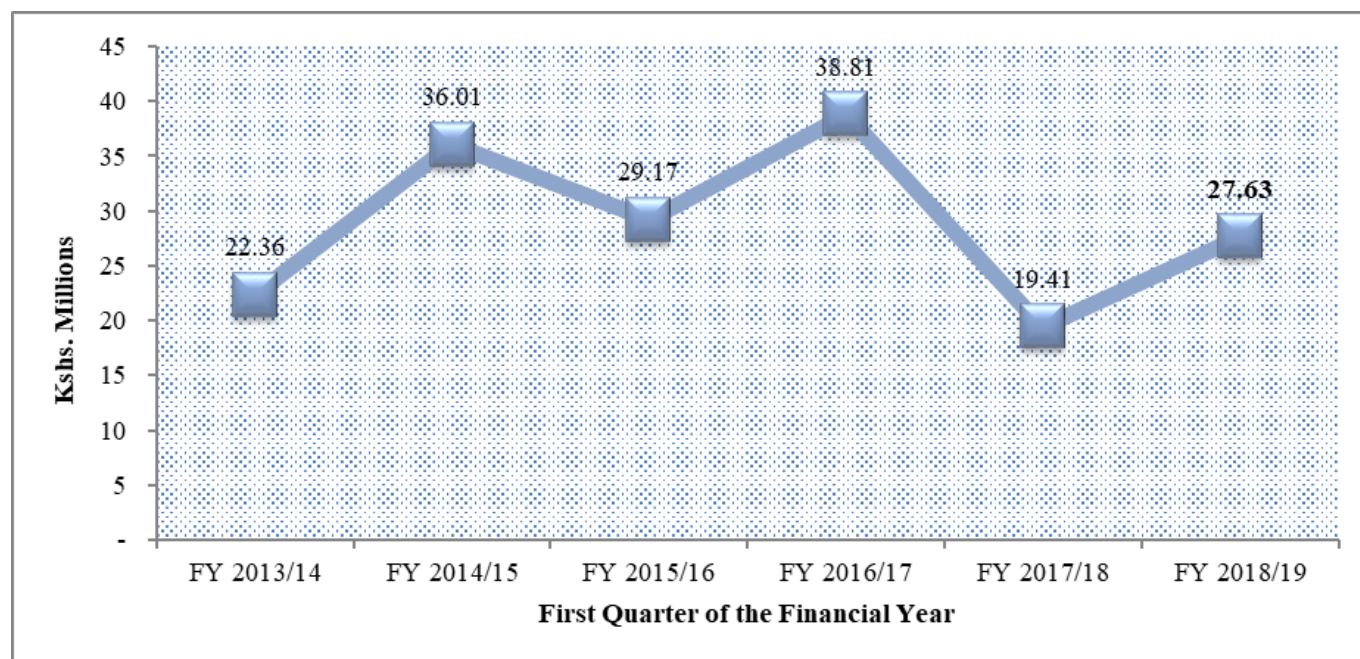
The conditional grants are in line with the CARA,2018 and consisted of Kshs.56.76 million (8.1 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (16.6 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.46.08 million (6.5 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.50 million (7.1 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.18.53 million (2.6 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.18.19 million (2.6 per cent) as Compensation for User Fees Foregone, Kshs.200 million (28.4 per cent) for Leasing of Medical Equipment, Kshs.158.73 million (22.6 per cent) from the Road Maintenance Fuel Levy, and Kshs.38.5 million (5.5 per cent) for Rehabilitation of Village Polytechnics.

3.38.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.301.44 million as equitable share of revenue raised nationally, raised Kshs.27.63 million from own source revenue, and had a cash balance of Kshs.1.24 billion from FY 2017/18. The total available funds amounted to Kshs.1.57 billion.

Figure 3.150 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.150: Siaya County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Siaya County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.27.63 million, representing an increase of 42.4 per cent compared to Kshs.19.4 million generated in the first quarter of FY 2017/18, which was 10 per cent of the annual target.

3.38.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.38.4 Exchequer Issues

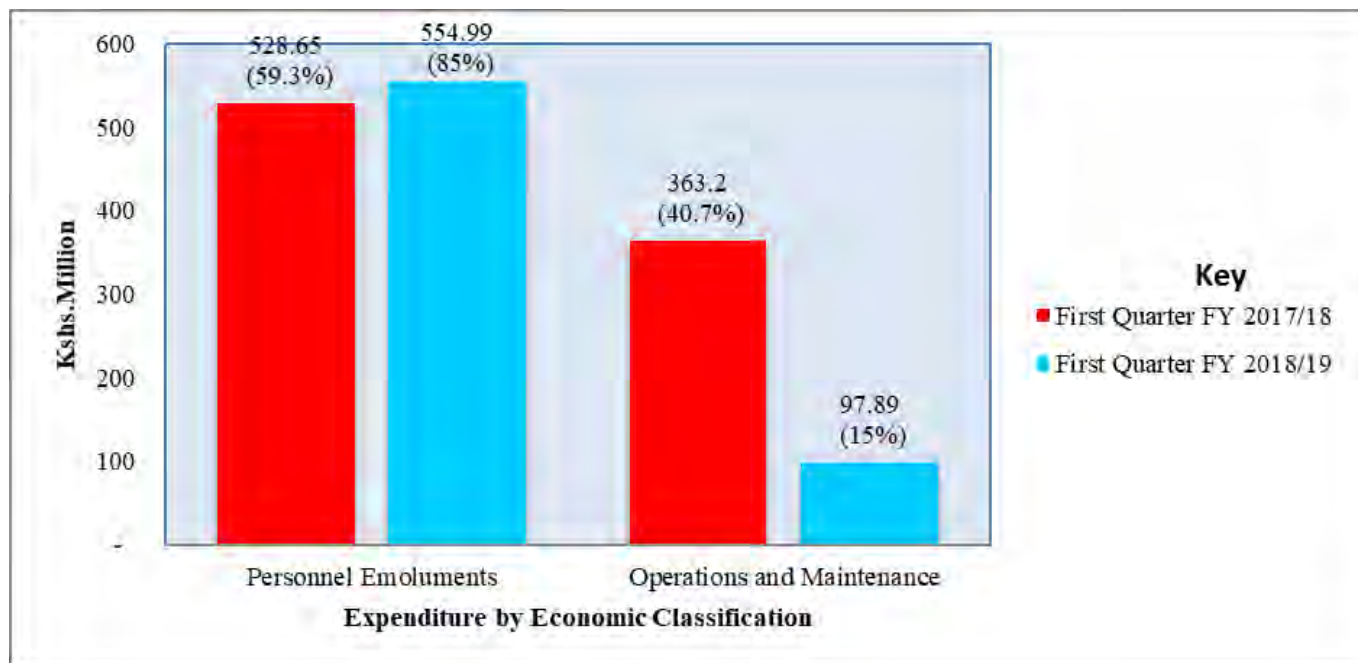
The Controller of Budget approved withdrawal of Kshs.800.4 million from the CRF account, which was 11.4 per cent of the Approved Budget. This amount represented an increase of 121.1 per cent from Kshs.362 million approved in the first quarter of FY 2018/19. The entire amount was spent on recurrent activities.

3.38.5 Overall Expenditure Review

The County spent Kshs.652.87 million, which was 81.6 per cent of the total funds released for operations. This was a decline of 26.8 per cent from Kshs.891.85 million spent in the first quarter of FY 2017/18. The entire expenditure was spent on recurrent activities.

The recurrent expenditure was 81.6 per cent of the funds released for recurrent activities. The recurrent expenditure represented 14.7 per cent of the annual recurrent budget, an increase from 12.2 per cent recorded in the first quarter of FY 2017/18. Figure 3.151 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.151: Siaya County, Expenditure by Economic Classification



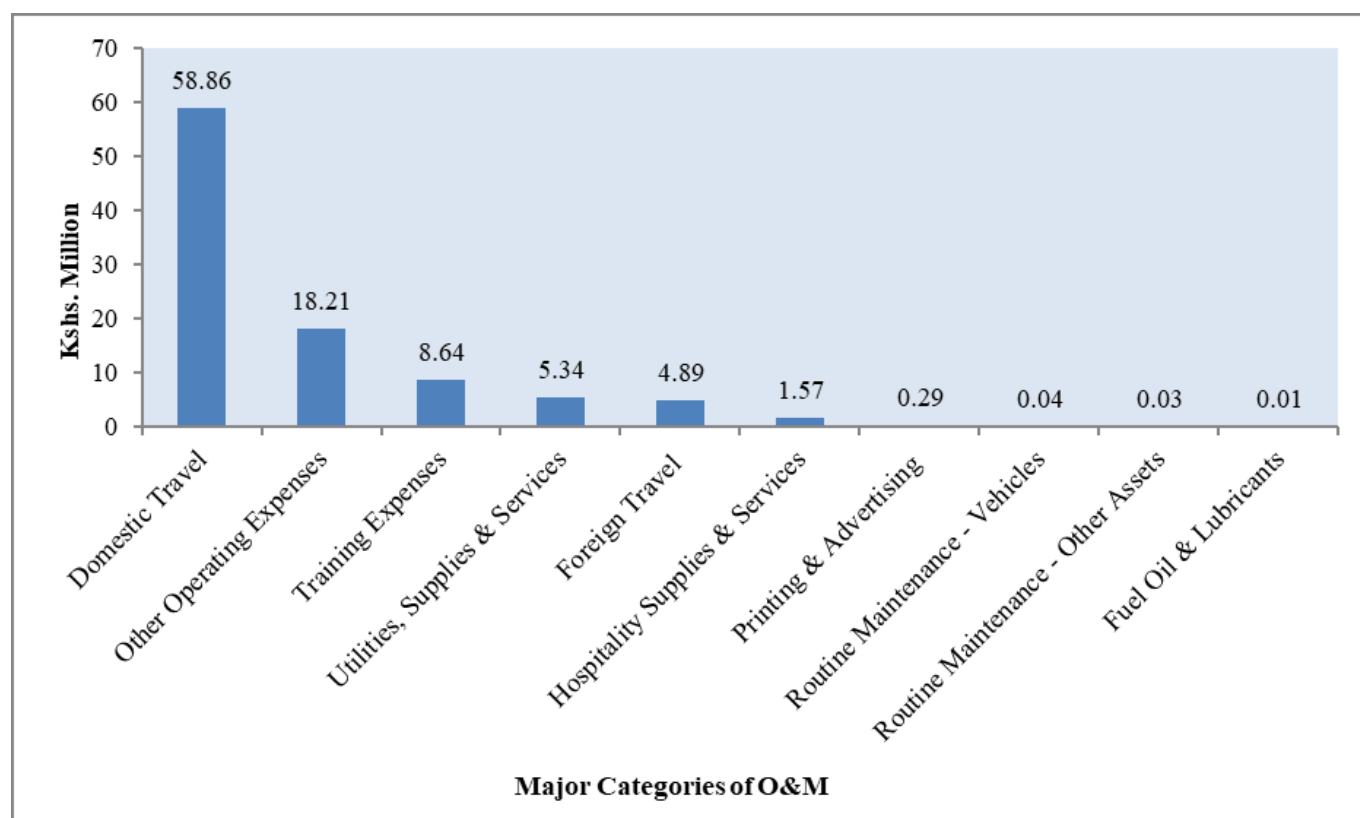
Source: Siaya County Treasury

3.38.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.652.87 million comprised of Kshs.554.99 million (85 per cent) incurred on personnel emoluments and Kshs.97.89 million (15 per cent) on operations and maintenance as shown in Figure 3.151 .

Expenditure on personnel emoluments represented an increase of 5 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.528.65 million, and was 85 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.152 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.152: Siaya County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Siaya County Treasury

The County spent Kshs.13.93 million on committee sitting allowances to the 43 MCAs and Speaker against the annual budget allocation of Kshs.47.93 million. This was an increase of 2838 per cent compared to Kshs.0.47 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.107,969 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.58.86 million and comprised of Kshs.41.81 million spent by the County Assembly and Kshs.17.04 million by the County Executive. This represented 9 per cent of total recurrent expenditure and was an increase of 64.9 per cent compared to Kshs.38.66 million spent in the first quarter of FY 2017/18.

3.38.7 Development Expenditure Analysis

The County did not incur any development expenditure during the first quarter.

3.38.8 Budget Performance by County Departments

Table 3.49 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.49: Siaya County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.
County Executive	571.08	135.15	120.44	-	192.11	-	159.5	-	33.6	-
Finance, Planning and Vision 2030	565.00	2.00	78.45	-	174.93	-	223.0	-	31	-
Agriculture, Livestock & Fisheries	266.75	167.00	51.18	-	0.73	-	1.4	-	0.3	-
Water, Environment & Natural Resources	84.42	306.05	15.38	-	5.64	-	36.6	-	6.7	-
Education, Youth Affairs, Sports & Social Services	264.96	224.45	36.08	-	1.14	-	3.2	-	0.4	-
Health Services	1,691.22	376.60	309.89	-	193.73	-	62.5	-	11.5	-
Lands, Housing, Physical Planning & Survey	71.45	105.30	11.09	-	1.39	-	12.5	-	1.9	-
Trade, Industry and Cooperative Development	90.14	151.98	11.95	-	0.72	-	6	-	0.8	-
Tourism and ICT	107.61	138.15	11.75	-	4.28	-	36.4	-	4	-
Roads, Transport & Public Works	81.13	699.59	14.98	-	1.49	-	9.9	-	1.8	-
County Assembly	648.66	258.90	139.20	-	76.72	-	55.1	-	11.8	-
TOTAL	4,442.42	2,565.17	800.40	-	652.87	-	81.6	-	14.7	-

Source: Siaya County Treasury

The County Executive had the highest percentage of recurrent expenditure to recurrent budget at 33.6 per cent while the Department of Agriculture, Livestock & Fisheries had the lowest at 0.3 per cent.

3.38.9 Key Observations and Recommendations

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

- i. Improvement in own-source revenue collection by 42.4 per cent from Kshs.19.4 million realised in the first quarter of FY 2017/18 to Kshs.27.63 million generated in the reporting period.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget which affected timely preparation of the Budget Implementation Review Report.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
3. Failure to budget for cash balance from the FY 2017/18 in the current financial year's budget which amounted to Kshs.1.24 billion.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. Failure by Fund Administrators to submit expenditure reports of all the County Established Funds contrary to Section 168 of the PFM Act, 2012.
6. Failure 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 ensure timely preparation and submission of financial reports in line with Section 16 of the COB Act, 2016.
2. The County should liaise with the IFMIS Directorate to iron out the issues of IFMIS speed and connectivity.
3. The County should prepare a supplementary budget and factor in the Kshs.1.24 billion cash balance from the FY 2017/18.
4. The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.
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.

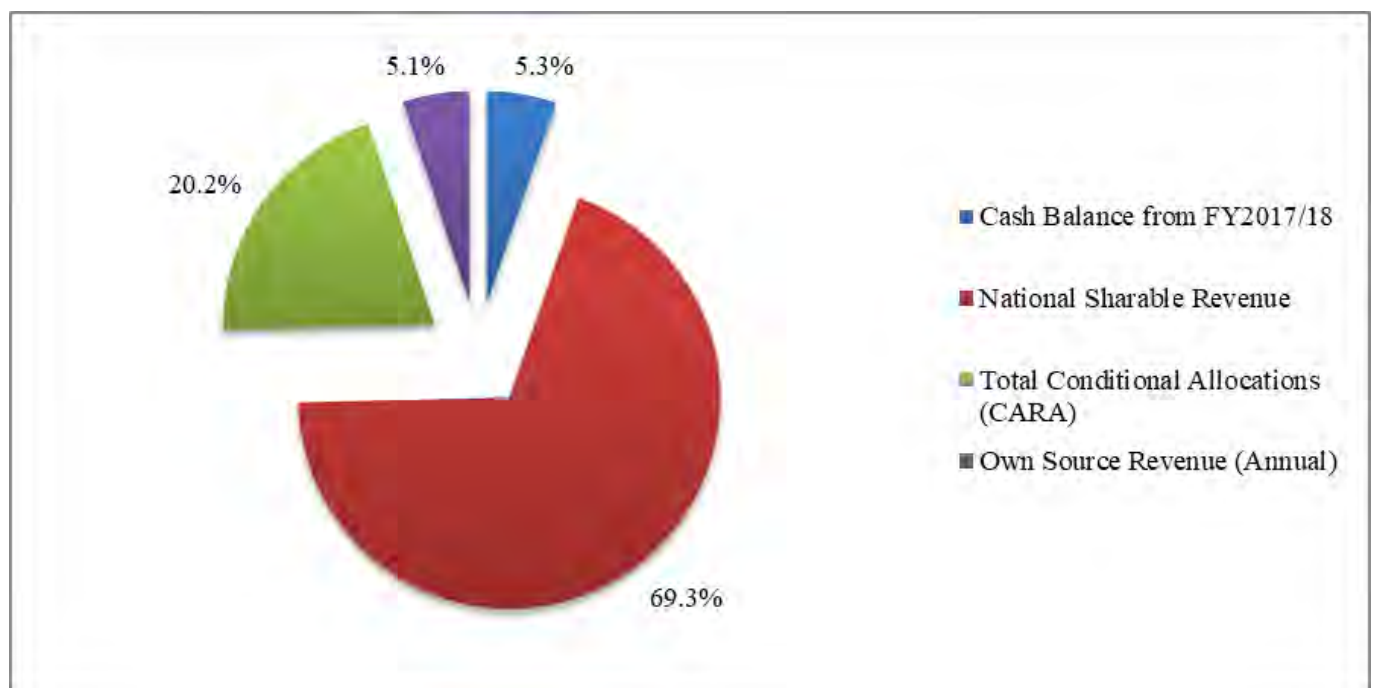
3.39 Taita Taveta County

3.39.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.5.85 billion, comprising of Kshs.3.87 billion (66.2 per cent) and Kshs.1.97 billion (33.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.05 billion (69.3 per cent) as equitable share of revenue raised nationally, Kshs.1.18 billion (20.2 per cent) as total conditional grants, generate Kshs.300 million (5.1 per cent) from own source revenue, and Kshs.311.66 million (5.3 per cent) cash balance from FY 2017/18.

Figure 3.153: Taita Taveta County Expected Sources of Budget Financing in FY 2018/19



Source: Taita Taveta County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.50 million (4.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (11.2 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.39.33 million (3.8 per

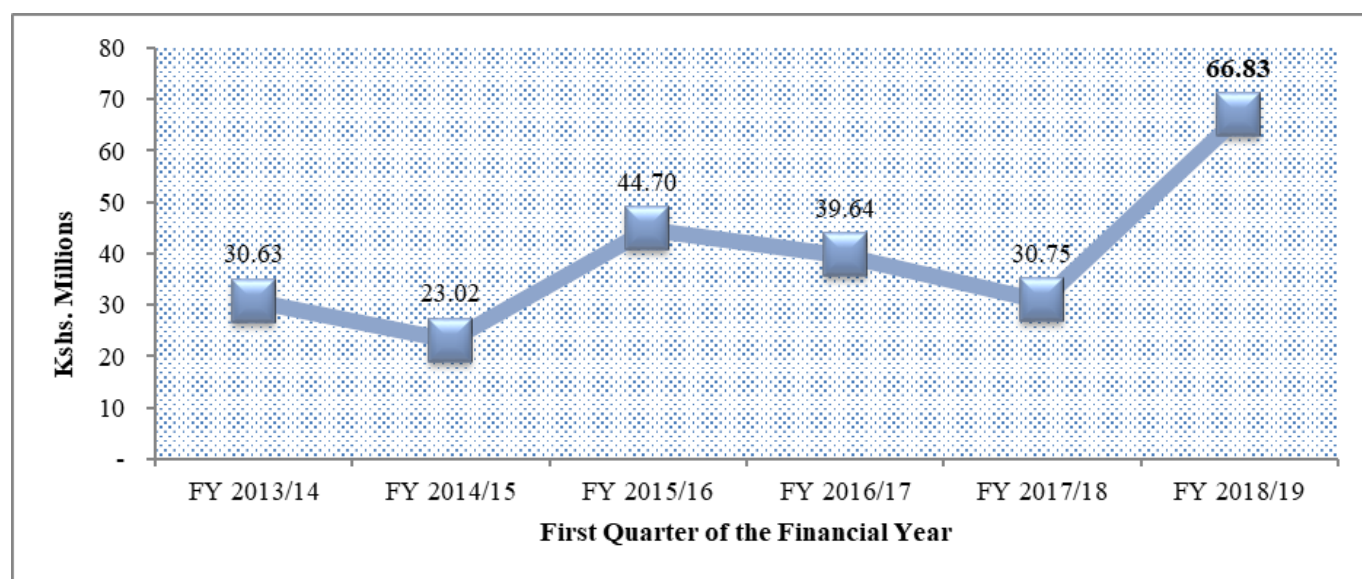
cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.90 million (8.6 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.18.32 million (1.8 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.90 million (8.6 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.400 million (38.4 per cent) from IDA (World Bank) as credit for Water & Sanitation Development Project (WSDP), Kshs.5.3 million (0.5 per cent) as Compensation for User Fees Foregone, Kshs.131.73 million (12.7 per cent) from the Road Maintenance Fuel Levy, and Kshs.99.42 million (9.5 per cent) for Rehabilitation of Village Polytechnics.

3.39.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.486.07 million as equitable share of revenue raised nationally, raised Kshs.66.83 million from own source revenue, received Kshs.30.34 million as conditional grants, and had a cash balance of Kshs.311.67 million from FY 2017/18. The total available funds amounted to Kshs.430.34 million.

Figure 3.154 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.154: Taita Taveta County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Taita Taveta County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.66.83 million, representing an increase of 117.3 per cent compared to Kshs.30.75 million generated in the first quarter of FY 2017/18, which was 22.3 per cent of the annual target.

3.39.3 Conditional Grants

Analysis of revenue from conditional grants in the period under review indicates that, the County received Kshs.25.08 million from the Road Maintenance Fuel Levy Fund and Kshs.5.26 million from DANIDA.

3.39.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.772.65 million from the CRF account, which was 13.2 per cent of the Approved Budget. This amount represented an increase of 19.2 per cent from Kshs.648.12 million approved in the first quarter of FY 2018/19 and comprised of Kshs.742.32 million (96.1 per cent) for recurrent expenditure and Kshs.30.34 million (3.9 per cent) for development activities.

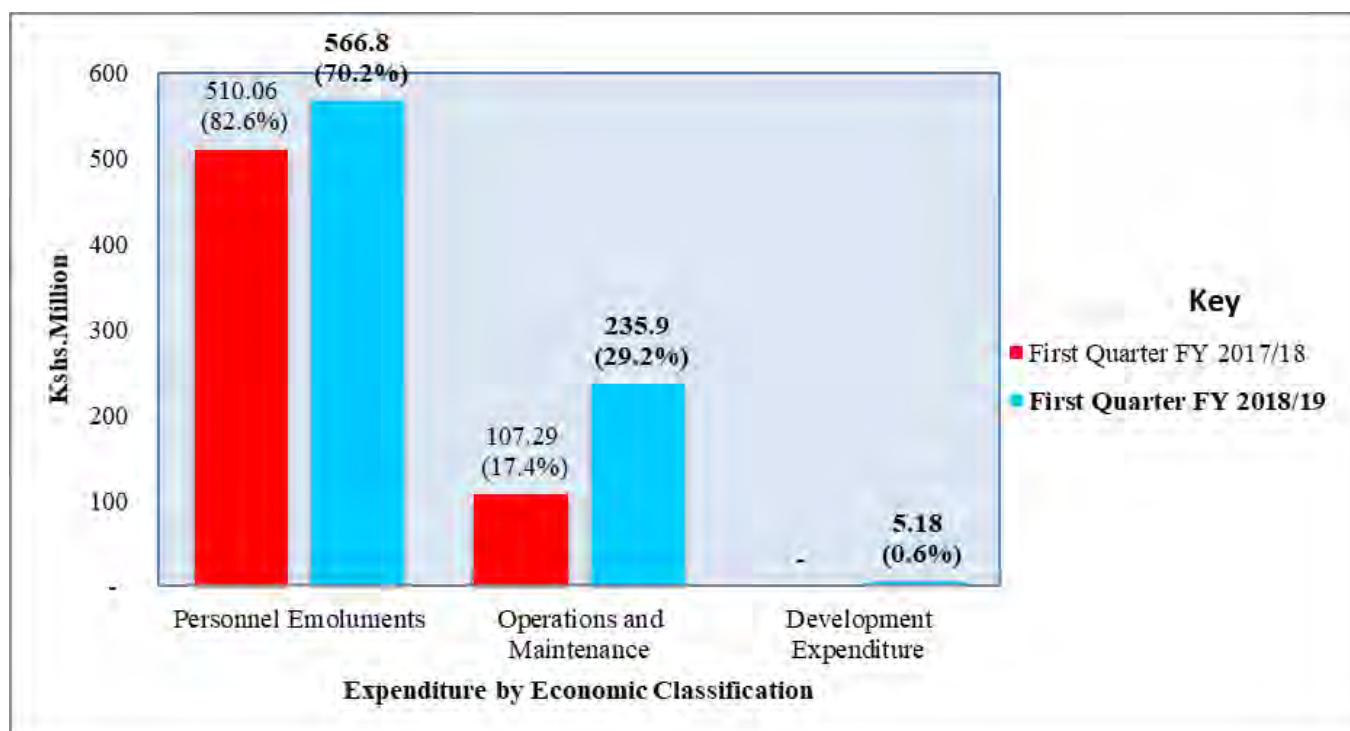
3.39.5 Overall Expenditure Review

The County spent Kshs.807.88 million, which was 104.6 per cent of the total funds released for operations. This was an increase of 30.9 per cent from Kshs.617.34 million spent in the first quarter of FY 2017/18.

A total of Kshs.802.69 million was spent on recurrent activities while Kshs.5.18 million was spent on development activities. The recurrent expenditure was 108.1 per cent of the funds released for recurrent activities, while development expenditure was 17.1 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.80.23 million for development activities and Kshs.87.16 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 20.7 per cent of the annual recurrent budget, a decrease from 19 per cent recorded in the first quarter of FY 2017/18. Development expenditure recorded an absorption rate of 0.3 per cent, which was an increase from zero per cent attained in the first quarter of FY 2017/18. Figure 3.155 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.155: Taita Taveta County, Expenditure by Economic Classification



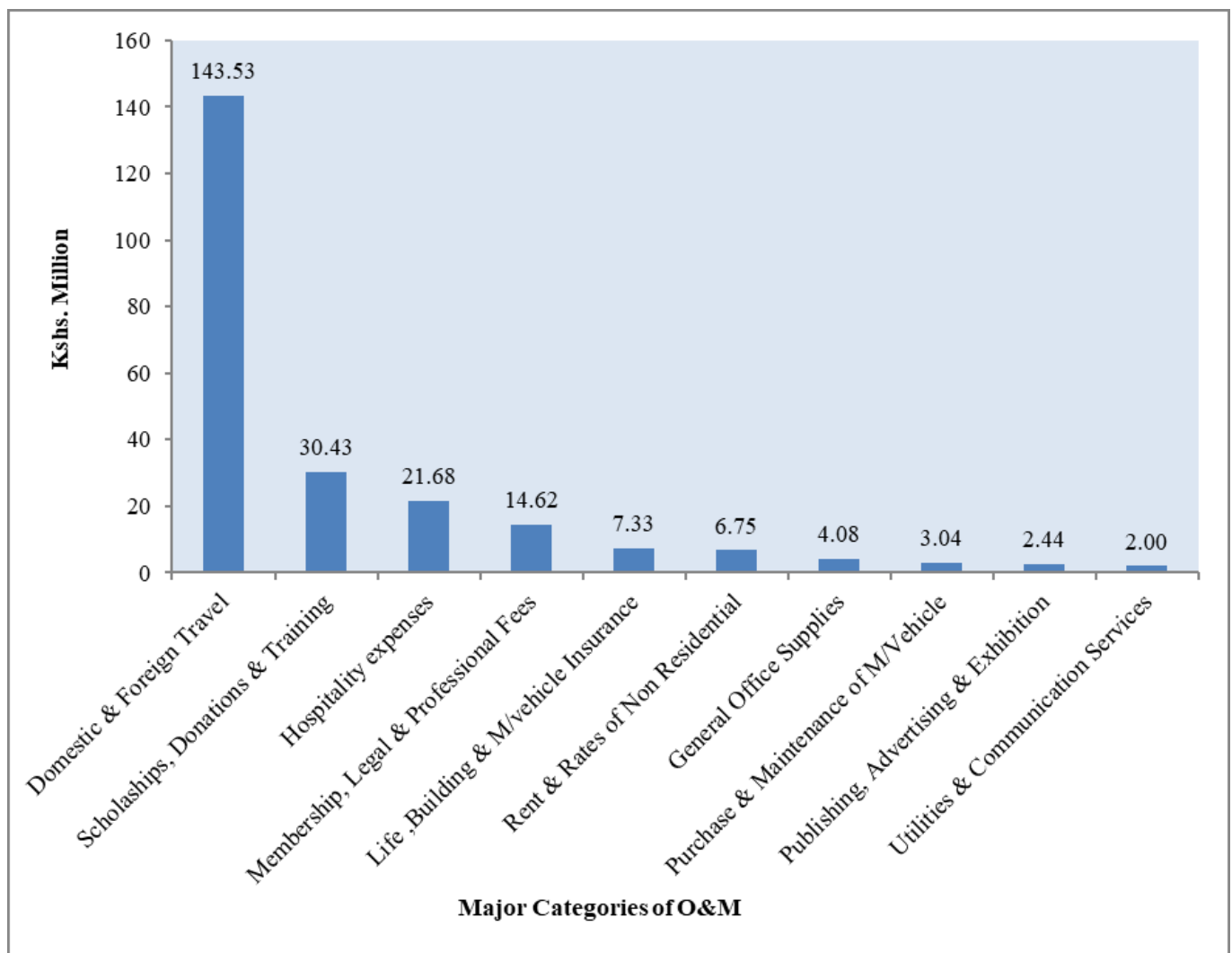
Source: Taita Taveta County Treasury

3.39.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.802.69 million comprised of Kshs.566.8 million (70.6 per cent) incurred on personnel emoluments and Kshs.235.90 million (29.4 per cent) on operations and maintenance as shown in Figure 3.155.

Expenditure on personnel emoluments represented an increase of 11.1 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.510.06 million, and was 70.2 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.156 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.156: Taita Taveta County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Taita Taveta County Treasury

The County spent Kshs.4.95 million on committee sitting allowances to the 35 MCAs against the annual budget allocation of Kshs.32.45 million. This was a decline of 50.3 per cent compared to Kshs.9.95 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.47,095 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.119.08 million and comprised of Kshs.38.41 million spent by the County Assembly and Kshs.80.67 million by the County Executive. This represented 14.8 per cent of total recurrent expenditure and was an increase of 176.4 per cent compared to Kshs.51.93 million spent in the first quarter of FY 2017/18.

3.39.7 Development Expenditure Analysis

The total development expenditure of Kshs.5.18 million represented 0.3 per cent of the annual development budget of Kshs.1.98 billion, which was spent on development of a Health System Programme.

3.39.8 Budget Performance by County Departments

Table 3.50 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.50: Taita Taveta County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	590.00	105.00	67.32	--	133.57	-	198.4	-	22.6	-
Administration and Devolution	2,268.83	6.00	584.14	-	515.48	-	88.2	-	22.7	-
Governor's And Deputy Governor's Office	111.99	32.70	13.91	-	24.16	-	173.7	-	21.6	-
Finance and Economic Planning	231.95	5.00	27.46	-	84.11	-	306.3	-	36.3	-
Agriculture, Livestock and Fisheries	45.64	285.74	4.51	-	4.06	-	90	-	8.9	-
Water and Irrigation	19.92	558.49	2.06	-	1.53	-	74.3	-	7.7	-
Education and Libraries	204.15	227.92	23.33	-	24.49	-	105	-	12	-
Health Services	222.76	169.99	9.18	5.26	3.23	5.18	35.2	98.9	1.4	3.1
Trade, Tourism and Cooperative Development	37.06	53.80	2.53	-	5.45	-	215.4	-	14.7	-
County Public Service Board	17.30		1.67	-	2.84	-	170.1	-	16.4	-
Public Works, Housing and Infrastructure	27.36	280.76	1.91	25.08	0.61	-	31.9	-	2.2	-
Land Environment and Natural Resources	63.79	89.00	2.37	-	2.81		118.6	-	4.4	-
Mining	9.11	6.70	0.90	-	0.35	-	38.9	-	3.8	-
Youth, Gender, sports, Culture and Social Services	20.45	154.20	1.02	-	-	-	-	-	-	-
TOTAL	3,870.31	1,975.30	742.31	30.34	802.69	5.18	108.1	17.1	20.7	0.3

Source: Taita Taveta County Treasury

Analysis of budget performance by department shows that the Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 36.3 per cent while the Department of Youth Gender, Sports Culture and Social Services 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. Improvement in the use of IFMIS and internet banking to process financial transactions.
- ii. Improvement in own source revenue performance by 117.3 per cent from Kshs.30.75 million in the first quarter of FY 2017/18 to Ksh.66.83 million in the period under review.

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

1. Delay in disbursement of equitable share of revenue raised nationally by the National Treasury.
2. Delay in refund of unspent cash at the end of the financial year into the County Revenue Account maintained at the Central Bank of Kenya contrary to Section 136(2) of the PFM Act, 2012.

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

1. *The County should liaise with the National Treasury to ensure that funds allocated to the county are released in a timely manner.*
2. *The County Treasury to ensure unspent balances are transferred to the County Revenue Account at end of each financial year in line with Section 136 (2) of the PFM Act, 2012.*

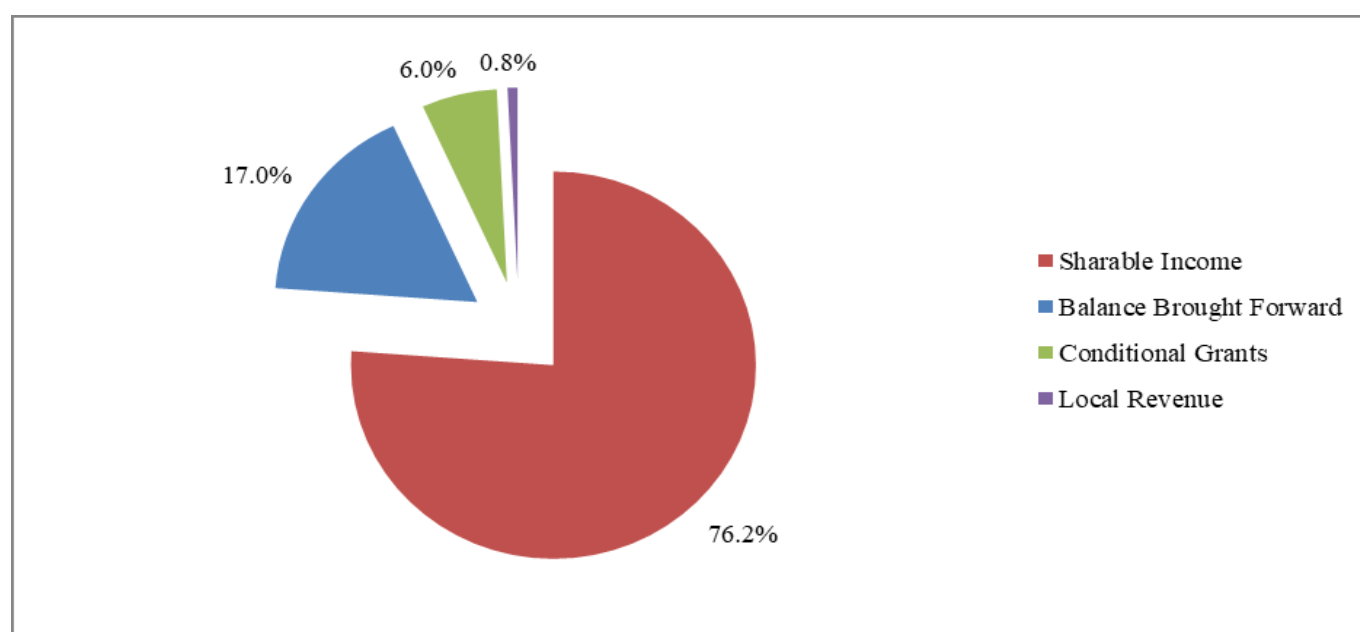
3.40 Tana River County

3.40.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.7.31 billion, comprising of Kshs.4.57 billion (62.6 per cent) and Kshs.2.74 billion (37.4 per cent) allocation for recurrent and development expenditure respectively. The Appropriation Act was assented to on 25th September, 2018.

To finance the budget, the County expects to receive Kshs.5.56 billion (76.2 per cent) as equitable share of revenue raised nationally, Kshs.441.93 million (6 per cent) as total conditional grants, generate Kshs.60 million (0.8 per cent) from own revenue sources, and Kshs.1.25 billion (17 per cent) cash balance from FY 2017/18.

Figure 3.157: Tana River County Expected Sources of Budget Financing in FY 2018/19



Source: Tana County Treasury

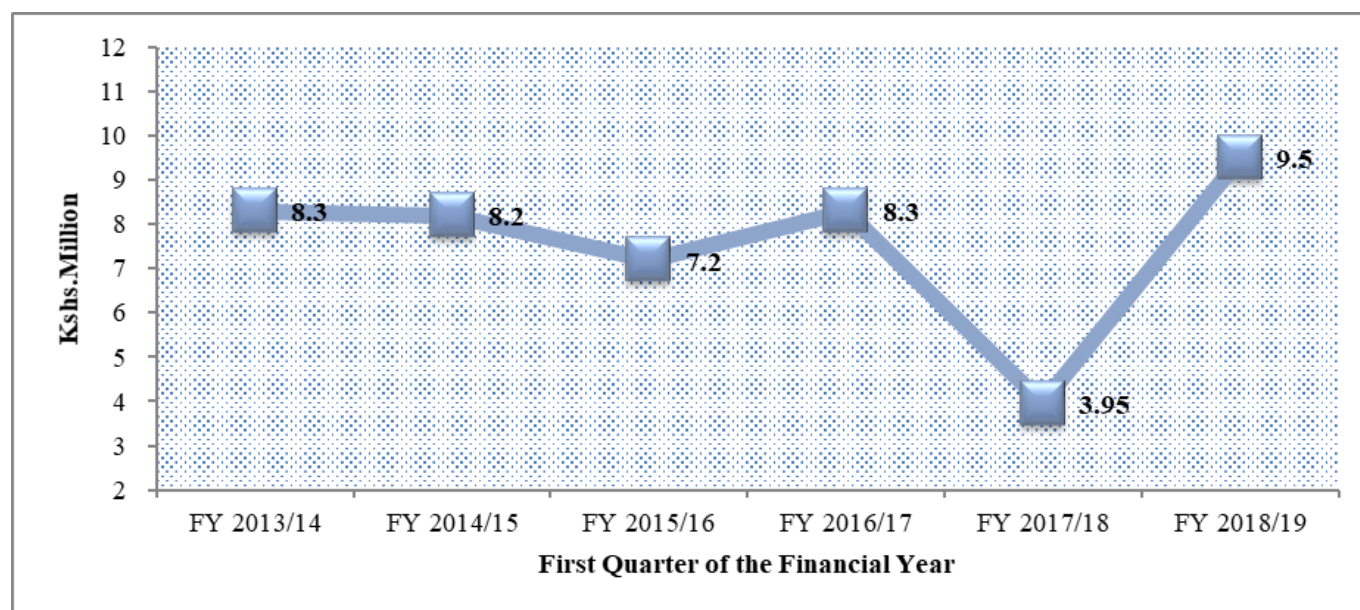
The conditional grants consist of Kshs.121 million (27.4 per cent) for Construction of County Headquarters, Kshs5,682,537(1.3per cent) from DANIDA as credit for user fees foregone, Kshs150 million (33.9 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.44 million (10 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.44 million (10per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs50 million (1.1 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.80 million (18.1 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.146.33 million (33.1 per cent) from the Road Maintenance Fuel Levy, and Kshs.24.49 million (5.5 per cent) for Rehabilitation of Village Polytechnics.

3.40.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.277.89 million as equitable share of revenue raised nationally, raised Kshs.9.5 million from own source revenue, and had a cash balance of Kshs.1.25 billion from FY 2017/18. The total available funds amounted to Kshs.1.53 billion.

Figure 3.158 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.158: Tana River County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Tana County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.9.5 million, representing an increase of 140.5 per cent compared to Kshs.3.95 million generated in the first quarter of FY 2017/18 and was 15.9 per cent of the annual target.

3.40.3 Conditional Grants

No funds from conditional grants were received during the reporting period.

3.40.4 Exchequer Issues

No exchequer issues were received during the reporting period.

3.40.5 Overall Expenditure Review

The County did not incur expenditure during this reporting period.

3.40.6 Key Observations and Recommendations

The following challenges continued to hamper effective budget implementation;

- i. Delay by the County to pass either the FY 2018/19 budget or the Vote-on-Account during the period under review which affected access to funding and provision of services to citizenry.

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

1. *The County should ensure that the budget is passed in a timely manner as provided in law in order to enhance budget execution.*

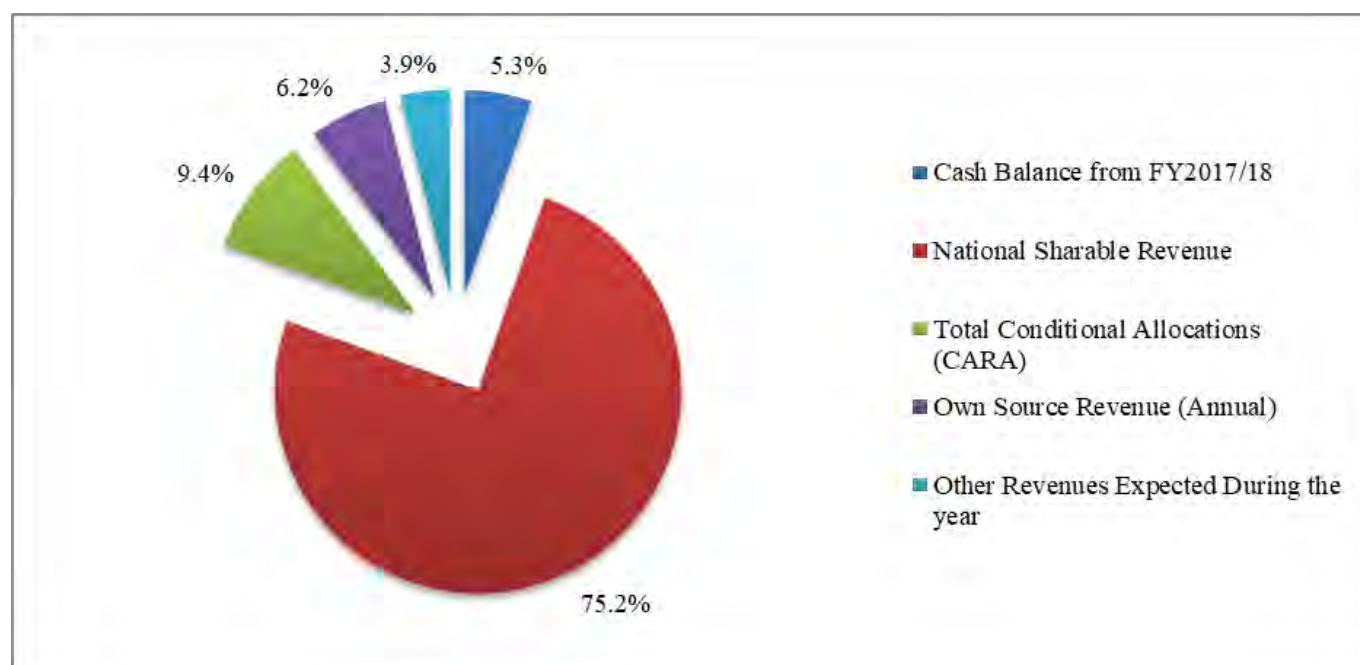
3.41 Tharaka Nithi County

3.41.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.4.84 billion, comprising of Kshs.3.24 billion (66.9 per cent) and Kshs.1.60 billion (33.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.64 billion (75.2 per cent) as equitable share of revenue raised nationally, Kshs.454.1 million (9.4 per cent) as total conditional grants, generate Kshs.300 million (6.2 per cent) from own source revenue, Kshs.189.8million (3.9 per cent) as other expected revenues and Kshs.258.3 million (5.3 per cent) cash balance from FY 2017/18.

Figure 3.159: Tharaka Nithi County Expected Sources of Budget Financing in FY 2018/19



Source: Tharaka Nithi County Treasury

The conditional grants are in line with the CARA, 2018 consist of Kshs.50 million (6.8 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (16 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.38.53 million (5.3 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.50

million (6.8 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.12.35 million (1.7 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.121 million (16.5 per cent) as Supplement for Construction of County Headquarters, Kshs.8.21 million (1.1 per cent) as Compensation for User Fees Foregone, Kshs.200 million (27.3 per cent) for Leasing of Medical Equipment, Kshs.95.90 million (13.1per cent) from the Road Maintenance Fuel Levy, and Kshs.40.09 million (5.5per cent) for Rehabilitation of Village Polytechnics.

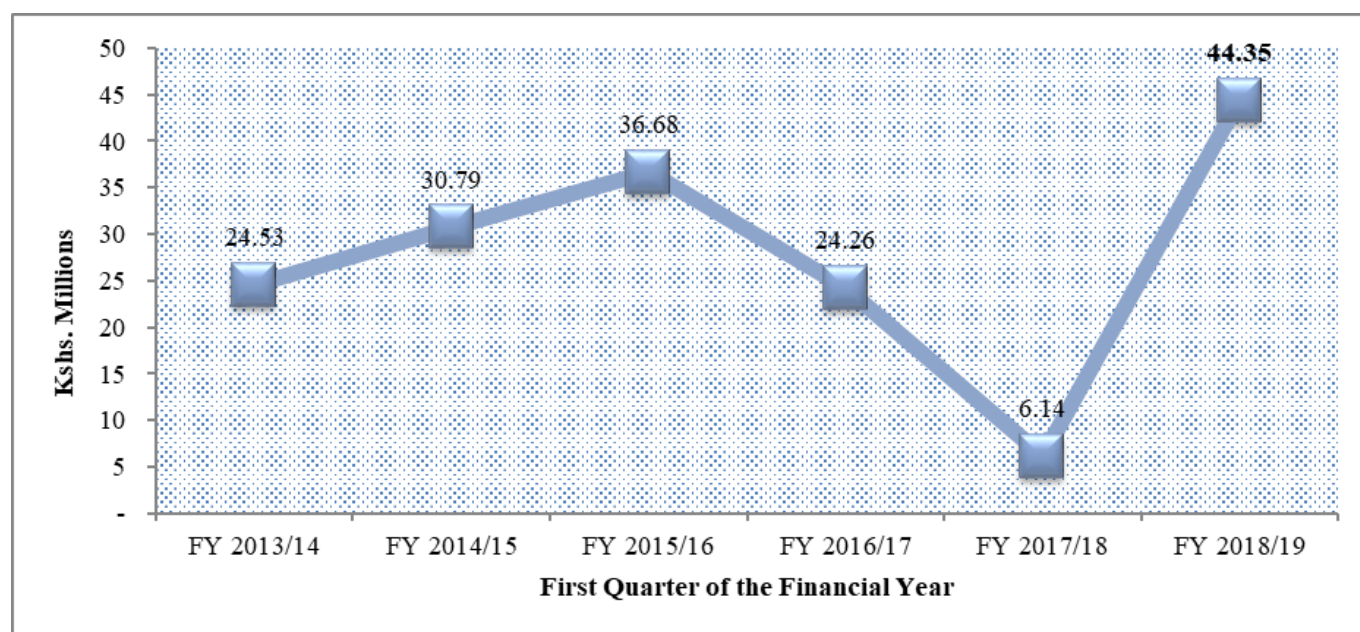
The County also budgeted to receive Kshs.12.35 million as grant for ADSP programme and Kshs.177.53 million as other conditional Grants which were contained in the CARA, 2018.

3.41.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.437.08 million as equitable share of revenue raised nationally, raised Kshs.44.35 million from own source revenue, and had a cash balance of Kshs.258.39 million from FY 2017/18. The total available funds amounted to Kshs.739.83 million.

Figure 3.160 shows the quarterly trend in own source revenue collection for the first quarter from FY 2013/14 to FY 2018/19.

Figure 3.160: Tharaka Nithi County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Tharaka Nithi County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.44.35 million, representing an increase of 622.4 per cent compared to Kshs.6.13 million generated in the first quarter of FY 2017/18, which was 14.8 per cent of the annual target.

3.41.3 Conditional Grants

The County did not receive any funds from the conditional grants in the reporting period.

3.41.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.757.16 million from the CRF account, which was 15.6 per cent of the Approved Budget. This amount represented an increase of 65 per cent from Kshs.459 million approved in the first quarter of FY 2017/18 and comprised of Kshs.722.16 million (95.4 per cent) for recurrent expenditure and Kshs.34.99 million (4.6per cent) for development activities.

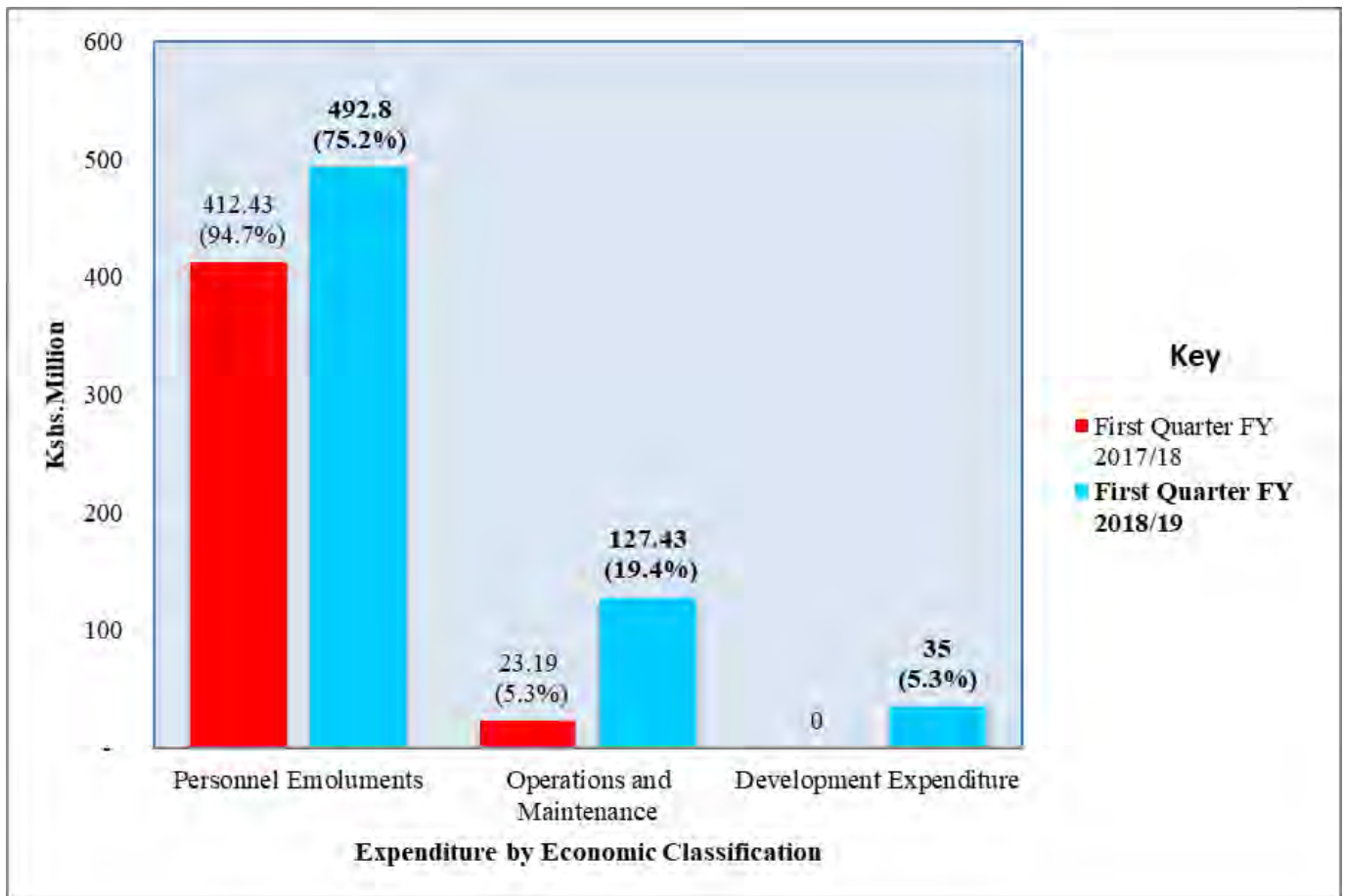
3.41.5 Overall Expenditure Review

The County spent Kshs.655.22 million, which was 86.5 per cent of the total funds released for operations. This was an increase of 50.4 per cent from Kshs.435.62 million spent in the first quarter of FY 2017/18.

A total of Kshs.620.22 million was spent on recurrent activities while Kshs.34.99 million was spent on development activities. The recurrent expenditure was 85.9 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.61.11 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 19.1 per cent of the annual recurrent budget, an increase from 14.6 per cent recorded in the first quarter of FY 2017/18. Figure 3.161 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.161: Tharaka Nithi County, Expenditure by Economic Classification



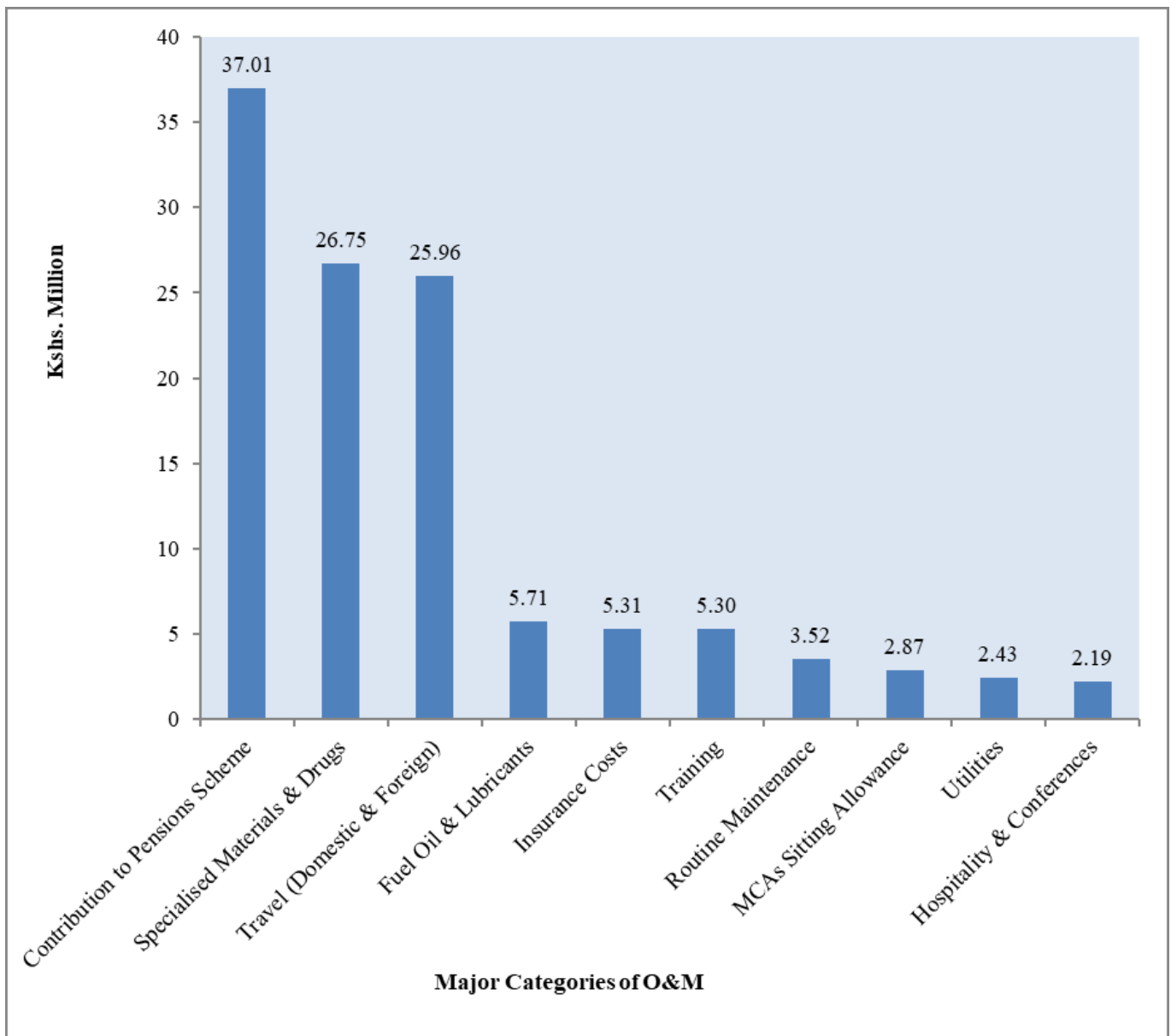
Source: Tharaka Nithi County Treasury

3.41.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.620.22 million comprised of Kshs.492.8 million (79.5 per cent) incurred on personnel emoluments and Kshs.127.43 million (20.5 per cent) on operations and maintenance as shown in Figure 3.161.

Expenditure on personnel emoluments represented an increase of 19.5 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.412.43 million, and was 75.2 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.162 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.162: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Tharaka Nithi County Treasury

The County spent Kshs.2.87 million on committee sitting allowances to the 21MCAs against the annual budget allocation of Kshs.28.37million. This was an increase of 1206 per cent compared to Kshs.220,000 spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.45,605 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.25.96 million and comprised of Kshs.13.66 million spent by the County Assembly and Kshs.12.30 million by the County Executive. This represented 4.1 per cent of total recurrent expenditure and was an increase of 254.6 per cent compared to Kshs.7.32 million spent in the first quarter of FY 2017/18.

3.41.7 Development Expenditure Analysis

The total development expenditure of Kshs.34.9 million represented 2.2 per cent of the annual development budget of Kshs.1.60 billion which was spent on Construction of Garbage Incinerator. Budget Performance by County Departments

Table 3.51 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.51: Tharaka Nithi County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	352	17	54.24	-	54.05	-	99.7	-	15.4	-
County Executive	136.43	-	34.17	-	27.78	-	81.3	-	20.4	-
Finance and Economic Planning	133.49	-	16.71	-	35.43	-	212	-	26.5	-
Agriculture	106.51	209	26.08	-	36.58	-	140.3	-	34.3	-
Environment and Natural Resource	8.89	52	1.80	35.00	1.71	35	94.7	10	19.2	67.3
Education, Cultural and Vocational Training	191.91	92.59	29.49	-	13.69	-	46.4	-	7.1	-
Medical Services	1,517.68	171	395.24	-	335.84	-	85.0	-	22.1	-
Physical Planning and Land	92.18	121	8.18	-	2.93	-	35.8	-	3.2	-
Roads, Transport, Housing, Public Works	38.24	617.50	8.25	-	5.09	-	61.8	-	13.3	-
Administration And Public Services	283.21	-	74.32	-	79.70	-	107.2	-	28.1	-
Trade, Industry and Cooperatives	106.65	71.50	26.77	-	5.70	-	21.3	-	5.3	-
Water Services and Irrigation	51.58	162.00	7.51	-	7.25	-	96.5	-	14.1	-
County Public Services Board	12.46	-	2.59	-	2.34	-	90.3	-	18.8	-
Livestock, Veterinary And Fisheries Development	71.90	42.00	16.59	-	9.91	-	59.7	-	13.8	-
Public Health and Sanitation	61.49	-	6.82	-	0.77	-	11.3	-	1.2	-
Energy and ICT	28.56	20.00	3.20	-	1.34	-	41.9	-	4.7	-
Youth ,Culture, Sport and Tourism	48.02	28.00	10.19	-	0.10	-	-	-	-	-
Total	3,241.19	1,603.59	722.17	35.00	620.22	35.00	85.9	10	19.1	2.2

Source: Tharaka Nithi County Treasury

Analysis of budget performance by department shows that, the Department of Environment and Natural resource attained the highest absorption rate of development budget at 67.3 per cent while

the other departments did not incur any development expenditure. The Department of Agriculture had the highest percentage of recurrent expenditure to recurrent budget at 34.3 per cent while the Department of Youth, Culture, Sport and Tourism did not incur any expenditure.

3.41.8 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 own source revenue collection by 622.4 per cent from Ksh.6.13 million in a similar period in FY 2017/18 to Ksh.44.34 million in the reporting period.
- 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. 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 the National Treasury to disburse the equitable share of revenue raised nationally
3. Failure to constitute the County Budget and Economic Forum (CBEF) for consultation in the budget process as per Section 137 of the PFM Act, 2012
4. High wage bill that rose by 19.5 per cent from Kshs.412.43 million in the first quarter of FY 2017/18 to Kshs.492.8 million during the period under review.

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

1. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
2. *The County Treasury should liaise with the National Treasury so as to ensure that funds allocated to the County are released in a timely manner.*
3. *The County should establish the CBEF in line with Section 137 of the PFM Act, 2012.*
4. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

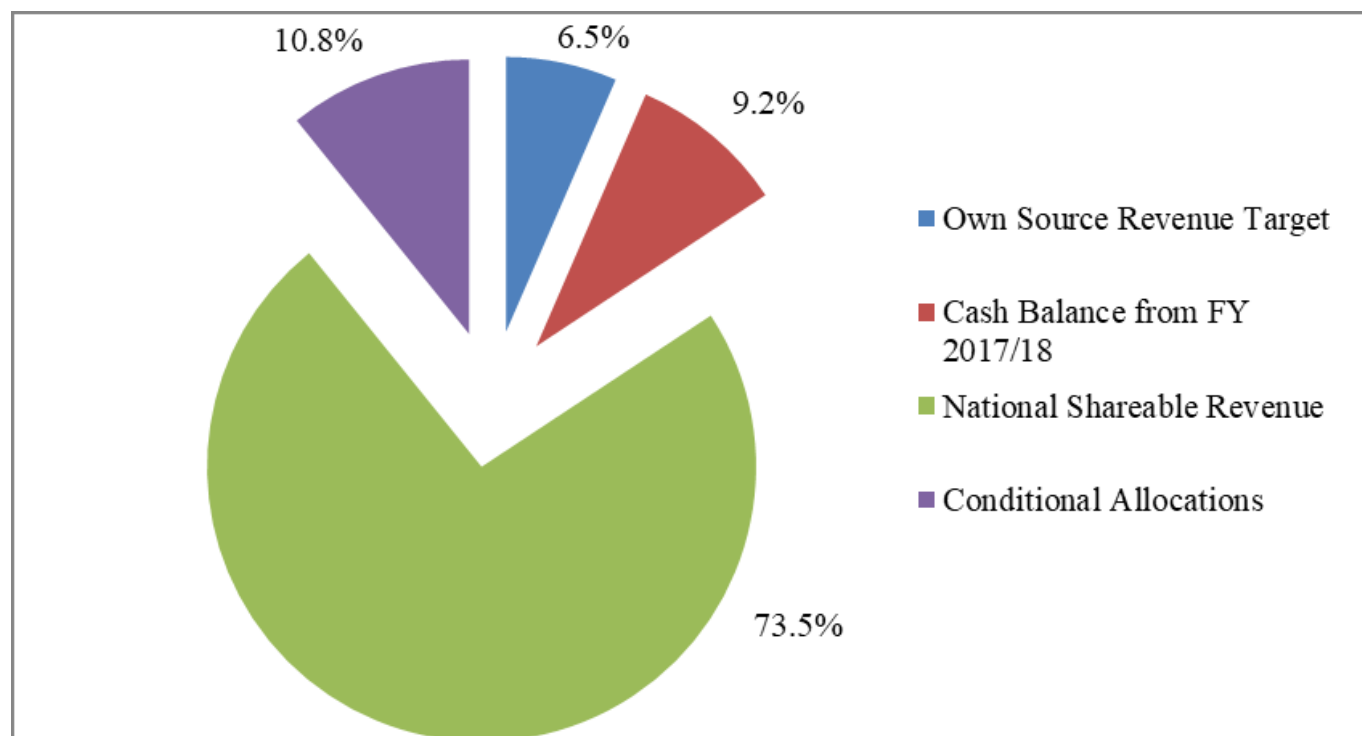
3.42 Trans Nzoia County

3.42.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.7.65 billion, comprising of Kshs.4.44 billion (58 per cent) and Kshs.3.21 billion (42 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.62 billion (73.5 per cent) as equitable share of revenue raised nationally, Kshs.827.93 million (10.8 per cent) as total conditional grants, generate Kshs.500 million (6.5 per cent) from own source revenue, and Kshs.703.23 million (9.2 per cent) cash balance from FY 2017/18.

Figure 3.163: Trans Nzoia County Expected Sources of Budget Financing in FY 2018/19



Source: Trans Nzoia County Treasury

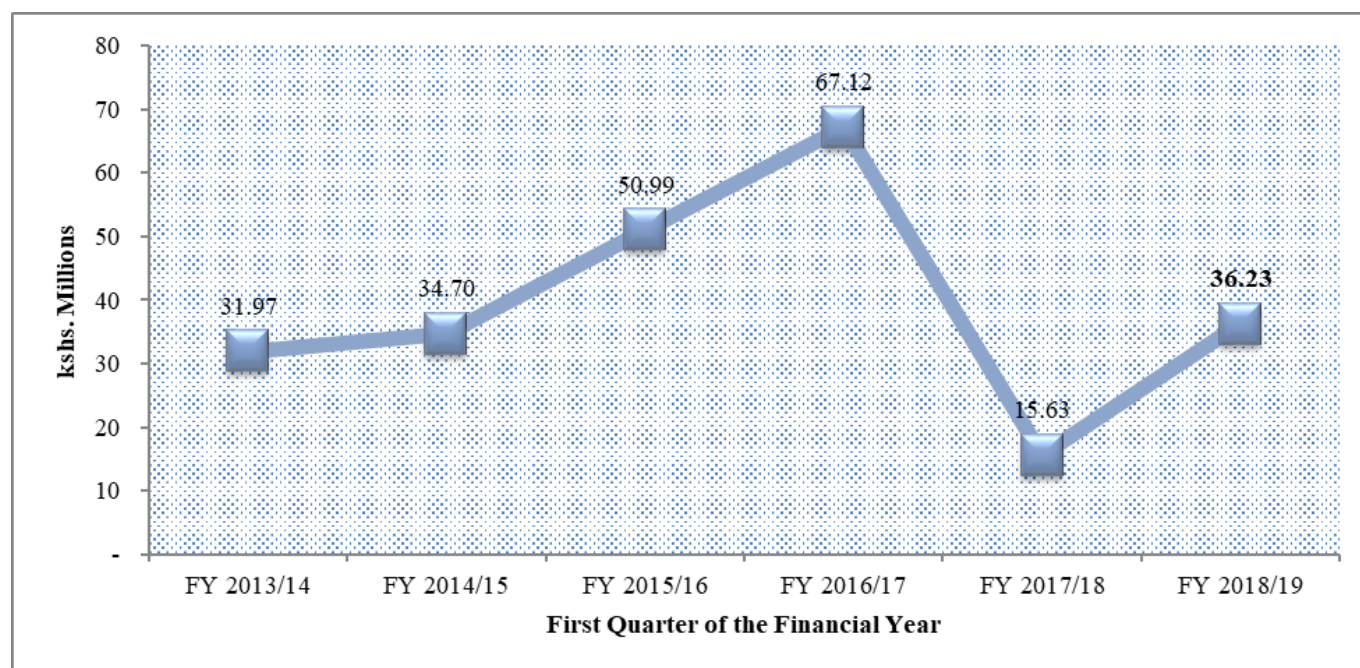
The conditional grants are in line with the CARA,2018 and consisted of Kshs.100 million (12.1 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (17 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.46.46 million (5.6 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.299.11 million (36.1 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.18.93 million (2.3 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.21.30 million (2.6 per cent) as Compensation for User Fees Foregone, Kshs.147.99 million (17.9 per cent) from Road Maintenance Fuel Levy, and Kshs.53.71 million (6.5 per cent) for Rehabilitation of Village Polytechnics.

3.42.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.674.47 million as equitable share of revenue raised nationally, raised Kshs.36.23 million from own source revenue, and had a cash balance of Kshs.703.23 million from FY 2017/18. The total available funds amounted to Kshs.1.41 billion.

Figure 3.164 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.164: Trans Nzoia County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Trans Nzoia County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.36.23 million, representing an increase of 134.6 per cent compared to Kshs.15.63 million generated in the first quarter of FY 2017/18, which was 7.2 per cent of the annual target.

3.42.3 Conditional Grants

There were no conditional grants received during the period under review.

3.42.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.1.09 billion from the CRF account, which was 14.2 per cent of the Approved Budget. This amount represented an increase of 141.9 per cent from Kshs.450.44 million approved in the first quarter of FY 2018/19. The entire amount was for recurrent expenditure.

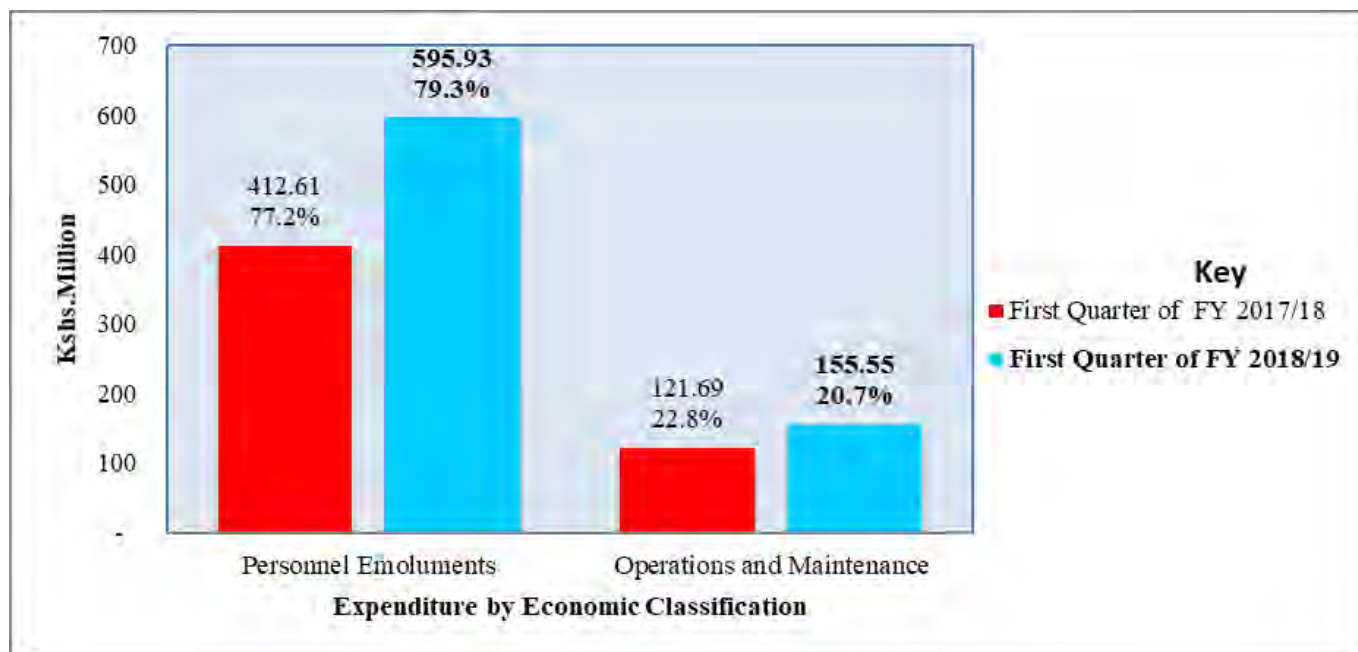
3.42.5 Overall Expenditure Review

The County spent Kshs.751.48 million, which was 69 per cent of the total funds released for operations. This was a decline of 40.6 per cent from Kshs.553.34 million spent in the first quarter of FY 2017/18.

The entire expenditure of Kshs.751.48 million was spent on recurrent activities. The recurrent expenditure was 69 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments which amounted to Kshs.53.20 for recurrent expenditure and nil for development expenditure as at September 30, 2018.

The recurrent expenditure represented 16.9 per cent of the annual recurrent budget, an increase from 12.5 per cent recorded in the first quarter of FY 2017/18. Figure 3.165 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of FY 2017/18.

Figure 3.165: Trans Nzoia County, Expenditure by Economic Classification



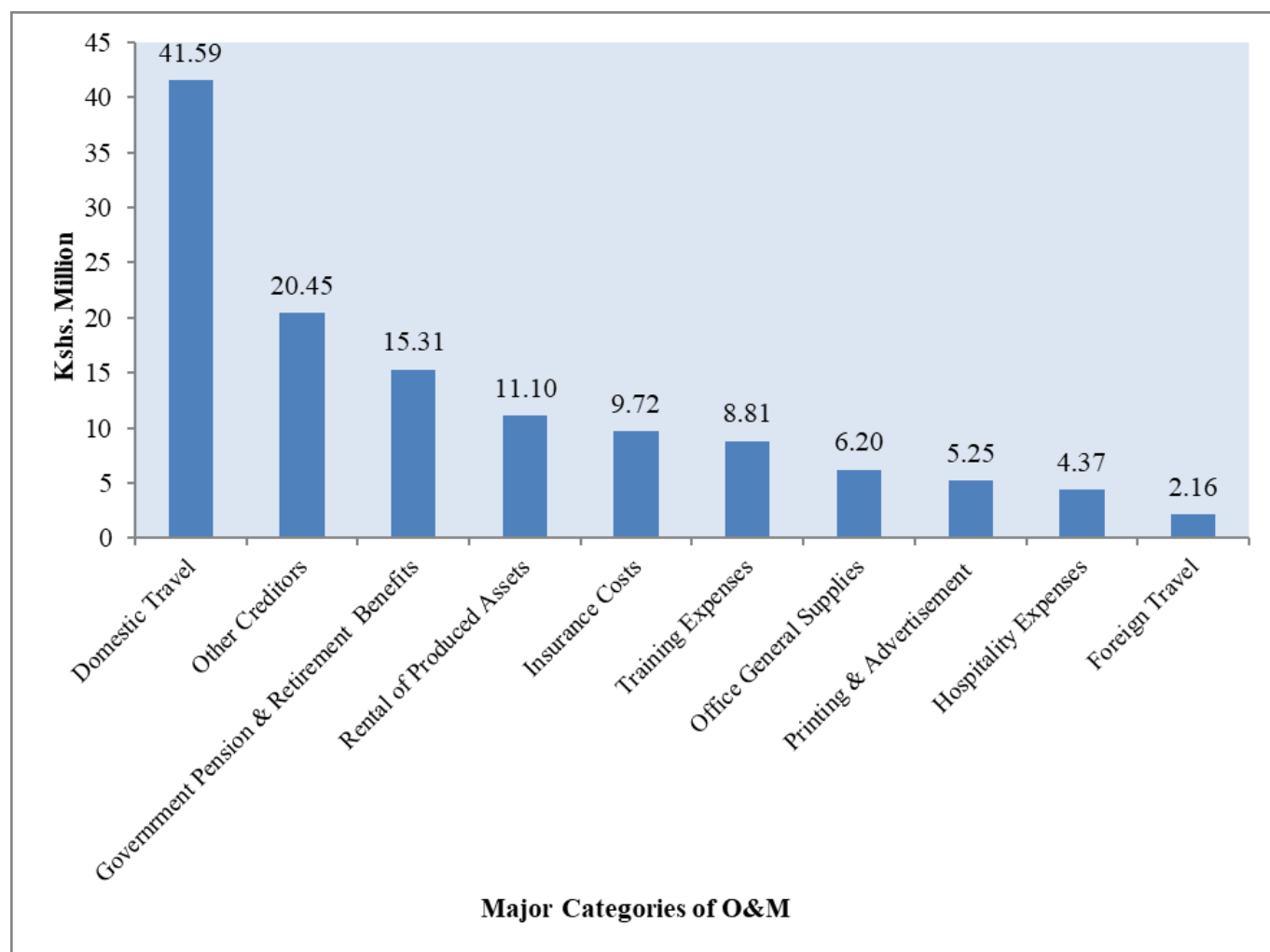
Source: Trans Nzoia County Treasury

3.42.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.751.48 million comprised of Kshs.595.93 million (79.3 per cent) incurred on personnel emoluments and Kshs.155.55 million (20.7 per cent) on operations and maintenance as shown in Figure 3.165.

Expenditure on personnel emoluments represented an increase of 44.4 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.412.61 million, and was 79.3 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.166 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.166: Trans Nzoia County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Trans Nzoia County Treasury

The County spent Kshs.7.11 million on committee sitting allowances to the 39 MCAs and the speaker against the annual budget allocation of Kshs.69.30 million. The average monthly sitting allowance was Kshs.59,259 per MCA against the SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.41.59 million and comprised of Kshs.34.75 million spent by the County Assembly and Kshs.6.48 million by the County Executive. This represented 5.5 per cent of total recurrent expenditure and was an increase of 239.9 per cent compared to Kshs.12.23 million spent in the first quarter of FY 2017/18.

3.42.7 Development Expenditure Analysis

There was no expenditure on development activities during the period under review.

3.42.8 Budget Performance by County Departments

Table 3.52 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.52: Trans Nzoia County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture	287.89	281.07	75.81	-	51.22	-	67.6	-	17.8	-
Livestock	18.02	105.43	2.68	-	-	-	-	-	-	-
Trade, Commerce and Industry	45.05	49.26	11.68	-	1.77	-	15.2	-	3.9	-
Water, Environment and Natural Resources	68.26	322.41	15.81	-	11.46	-	72.5	-	16.8	-
Public Works, Roads and Infrastructure	217.97	584.15	50.72	-	22.62	-	44.6	-	10.4	-
Health Services	109.89	12.00	17	-	-	-	-	-	-	-
Health Corporate Services	1,383.34	691.32	389.34	-	347.44	-	89.2	-	25.1	-
Lands	60.89	362.21	14.59	-	9.98	-	68.4	-	16.4	-
Gender	85.07	120.26	20.42	-	4.62	-	22.6	-	5.4	-
Governance	88.40	15.10	18.99	-	10.42	-	54.9	-	11.8	-
Public Service Management	389.15	16.40	91.35	-	42.69	-	46.7	-	11	-
County Public Service Board	32.77	31.35	6.60	-	4.05	-	61.4	-	12.4	-
Education and ICT	346.72	367.10	68.42	-	47.35	-	69.2	-	13.7	-
Finance	656.17	82.90	143.31	-	46.34	-	32.3	-	7.1	-
Economic Planning	33.66	33.47	9.51	-	-	-	-	-	-	-
County Assembly	614.08	140	153.52	-	151.52	-	98.7	-	24.6	-
TOTAL	4,437.33	3,214.43	1,089.75	-	751.48	-	69.0	-	16.9	-

Source: Trans Nzoia County Treasury

Analysis of budget performance by department shows that, the Department of Health Corporate Services had the highest percentage of recurrent expenditure to recurrent budget at 25.1 per cent while the Department of Livestock, Health Services and Economic planning did not report any expenditure during the reporting period.

3.42.9 Key Observations and Recommendations

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

- i. Improvement in own source of revenue collection by 134.6 per cent from Kshs.15.63 million in the first quarter of FY 2017/18 to Kshs.36.23 million in the first quarter of FY 2018/19.

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

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

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

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

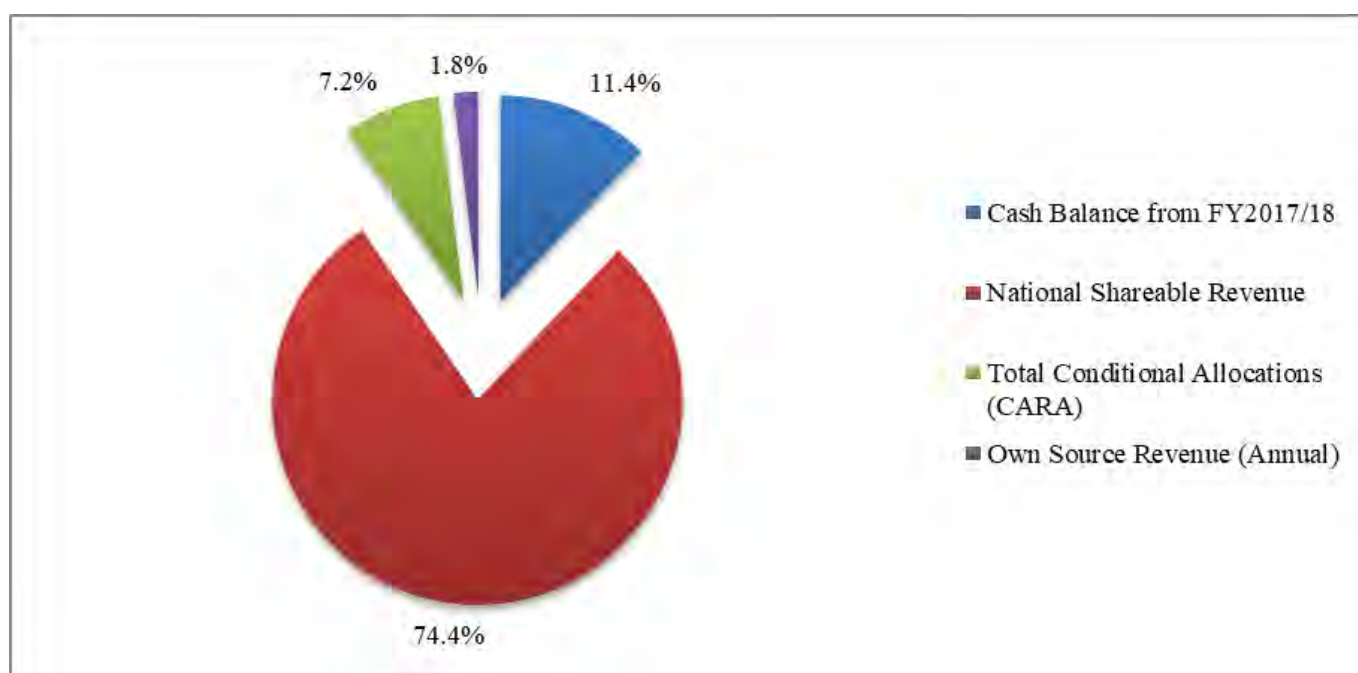
3.43 Turkana County

3.43.1 Overview of the FY 2018/19 Budget

The County’s FY 2018/19 Approved Budget was Kshs.13.54 billion, comprising of Kshs.8.22 billion (60.7 per cent) and Kshs.5.32 billion (39.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.07 billion (74.4 per cent) as equitable share of revenue raised nationally, Kshs.969.16 million (7.2 per cent) as total conditional grants, generate Kshs.250 million (1.8 per cent) from own source revenue, and Kshs.1.55 billion (11.4 per cent) cash balance from FY 2017/18.

Figure 3.167: Turkana County Expected Sources of Budget Financing in FY 2018/19



Source: Turkana County Treasury

The conditional grants consist of Kshs.100 million (10.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.140.44 million (14.5 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.65.45 million (6.8 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.95.02 million (9.8 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.33.77 million (3.5 per cent) as grant from DANIDA for Universal Healthcare to Devolved System

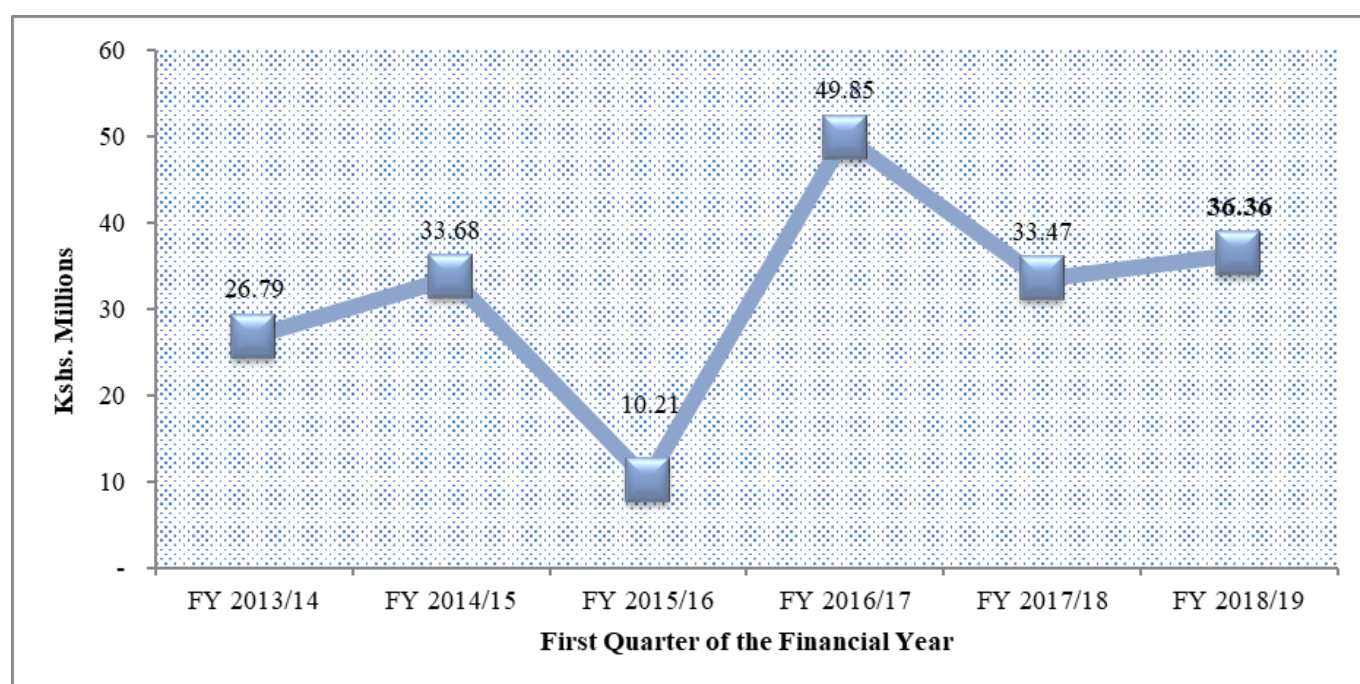
Programme. Kshs.25.63 million for User Fees Foregone, Kshs.200 million for Leasing of Medical Equipment, Kshs.283.57 million from the Road Maintenance Fuel Levy Fund, and Kshs.25.29 million for Rehabilitation of Village Polytechnics.

3.43.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.538.51 million as equitable share of revenue raised nationally, raised Kshs.36.36 million from own source revenue, and had a cash balance of Kshs.1.55 billion from FY 2017/18. The total available funds amounted to Kshs.2.12 billion.

Figure 3.168 shows the quarterly trend in own source revenue collection for the first quarter from FY 2013/14 to FY 2018/19.

Figure 3.168: Turkana County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Turkana County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.36.36 million, representing an increase of 8.6 per cent compared to Kshs.33.47 million generated in the first quarter of FY 2017/18, which was 14.5 per cent of the annual target.

3.43.3 Conditional Grants

The County did not receive any funds from conditional grants in the first quarter of FY 2018/19.

3.43.4 Exchequer Issues

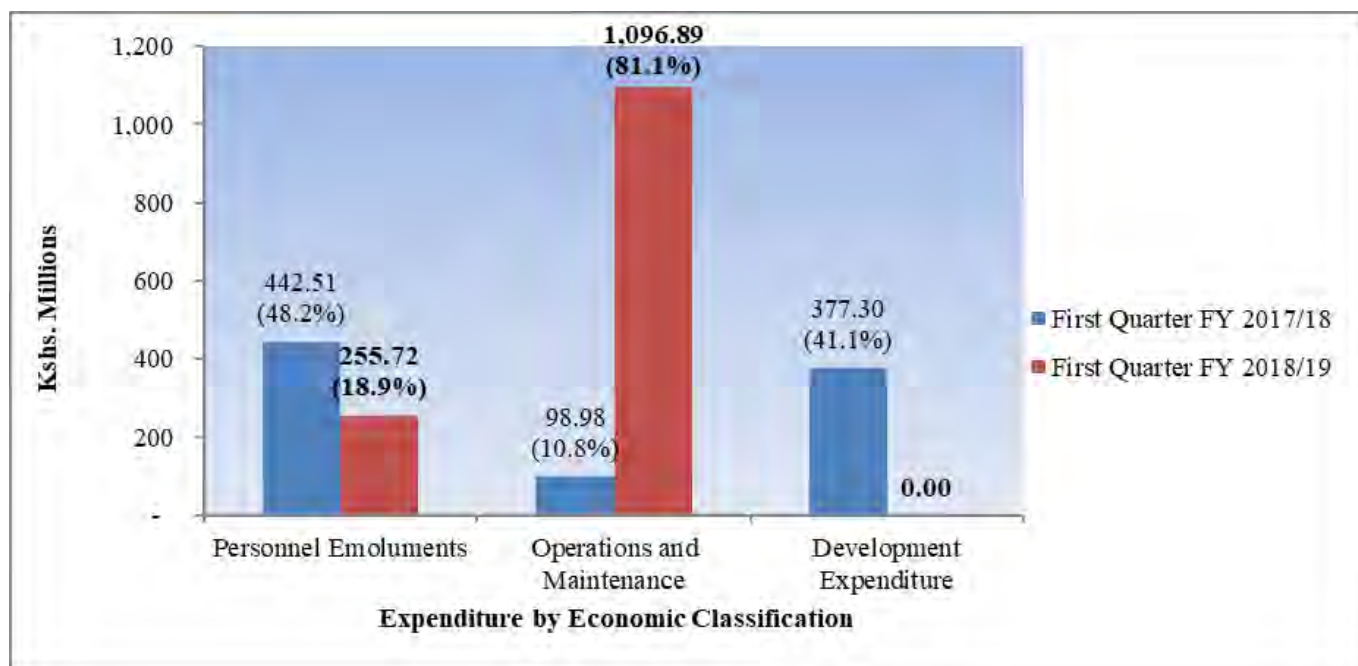
The Controller of Budget approved withdrawal of Kshs.1.44 billion from the CRF account, which was 10.6 per cent of the Approved Budget. This amount represented an increase of 38 per cent from Kshs.1.04 billion approved in the first quarter of FY 2017/18 and was entirely for recurrent expenditure activities.

3.43.5 Overall Expenditure Review

The County spent Kshs.1.35 billion, which was 94.2 per cent of the total funds released for operations. This was an increase of 47.2 per cent from Kshs.919.8 million spent in the first quarter of FY 2017/18. The entire amount was spent on recurrent activities while the County did not incur development activities.

The recurrent expenditure represented 16.5 per cent of the annual recurrent budget, an increase compared to 7.5 per cent attained in a similar period of FY 2017/18. Figure 3.169 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of FY 2017/18.

Figure 3.169: Turkana County, Expenditure by Economic Classification



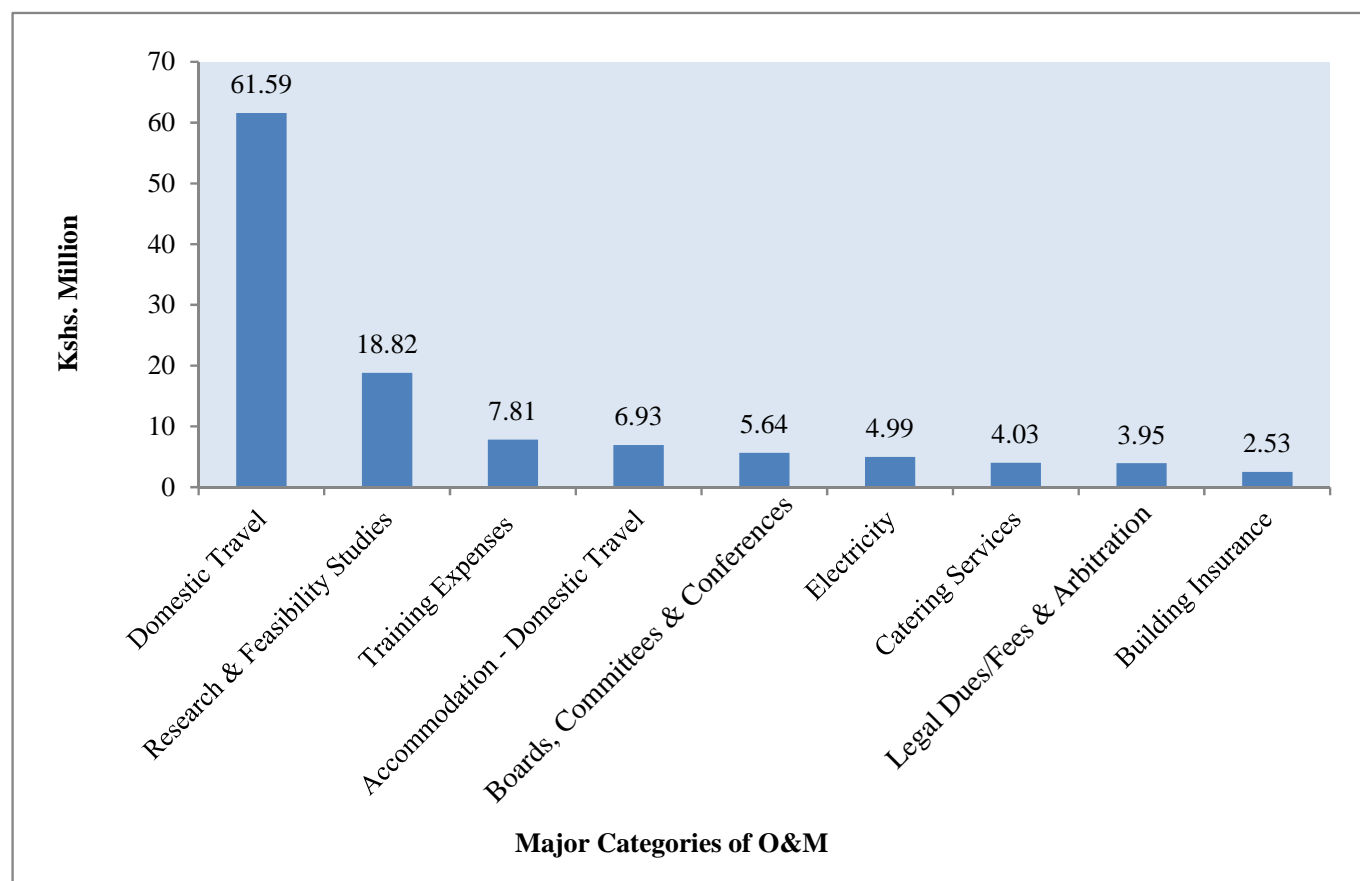
Source: Turkana County Treasury

3.43.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.35 billion comprised of Kshs.255.72 million (18.9 per cent) incurred on personnel emoluments and Kshs.1.1 billion (81.1 per cent) on operations and maintenance as shown in Figure 3.169.

Expenditure on personnel emoluments represented a decrease of 42.2 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.442.51 million. Figure 3.170 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.170: Turkana County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Turkana County Treasury

The County spent Kshs.4.83 million on committee sitting allowances to the 48 MCAs against the annual budget allocation of Kshs.86.96 million. This was an increase of 100 per cent compared to Kshs.0 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.33,509 per MCA against the SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.61.59 million and comprised of Kshs.52.48 million spent by the County Assembly and Kshs.9.1 million by the County Executive. This represented 4.6 per cent of total recurrent expenditure.

3.43.7 Budget Performance by County Departments

Table 3.53 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.53: Turkana County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governance (Office of the Gvn and Liaison)	320.20	243.14	-	-	14.81	-	-	-	4.6	-
Office of the Deputy Governor	21.14	-	-	-	-	-	-	-	-	-
County Attorney	80.27	10.00	-	-	-	-	-	-	-	-
Finance and Planning	490.48	463.01	162.75	-	100.94	-	62	-	20.6	-
Water Services, Environment and Mineral Resources	53.67	600.77	-	-	2.05	-	-	-	3.8	-
Health & Sanitation Services	888.29	623.79	-	-	6.24	-	-	-	0.7	-
Trade, Gender and Youth Affairs	104.43	492.25	-	-	-	-	-	-	-	-
Education, Sports and Social Protection	664.63	715.56	-	-	-	-	-	-	-	-
Public Services, Decentralized Administration & Disaster Management	4240.96	180.35	1,046.77	-	1,051.95	-	100.5	-	24.8	-
Infrastructure Transport & Public Works	42.93	515.82	-	-	-	-	-	-	-	-
Agriculture, Pastoral Economy & Fisheries	168.22	617.74	-	-	0.74	-	-	-	0.4	-
Tourism, Culture and Natural Resources	115.90	166.23	-	-	4.40	-	-	-	3.8	-
Lands, Energy, Housing & Urban Areas Mgt.	65.97	236.21	-	-	-	-	-	-	-	-
County Public Service Board	121.93	-	-	-	0.72	-	-	-	0.6	-
County Assembly	839.30	452.28	-	-	161	-	71.2	-	19.2	-
TOTAL		8,218.32	5,317.15	1,435.52	-	1,342.85	-	93.5		16.3

Source: Turkana County Treasury

Analysis of budget performance by department shows that, the Department of Public Services, Decentralized Administration & Disaster Management attained the highest percentage of recurrent expenditure to recurrent budget at 24.8 per cent.

3.43.8 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 quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- ii. Establishment of an Internal Audit Committee by the County in compliance with Section 155 (5) of the PFM Act, 2012.

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

1. Delay in 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.

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

1. *The County Treasury should liaise with the National Treasury to ensure timely release of funds.*
2. *The County should liaise with the IFMIS Directorate for support in use of IFMIS and to address the connectivity challenges.*

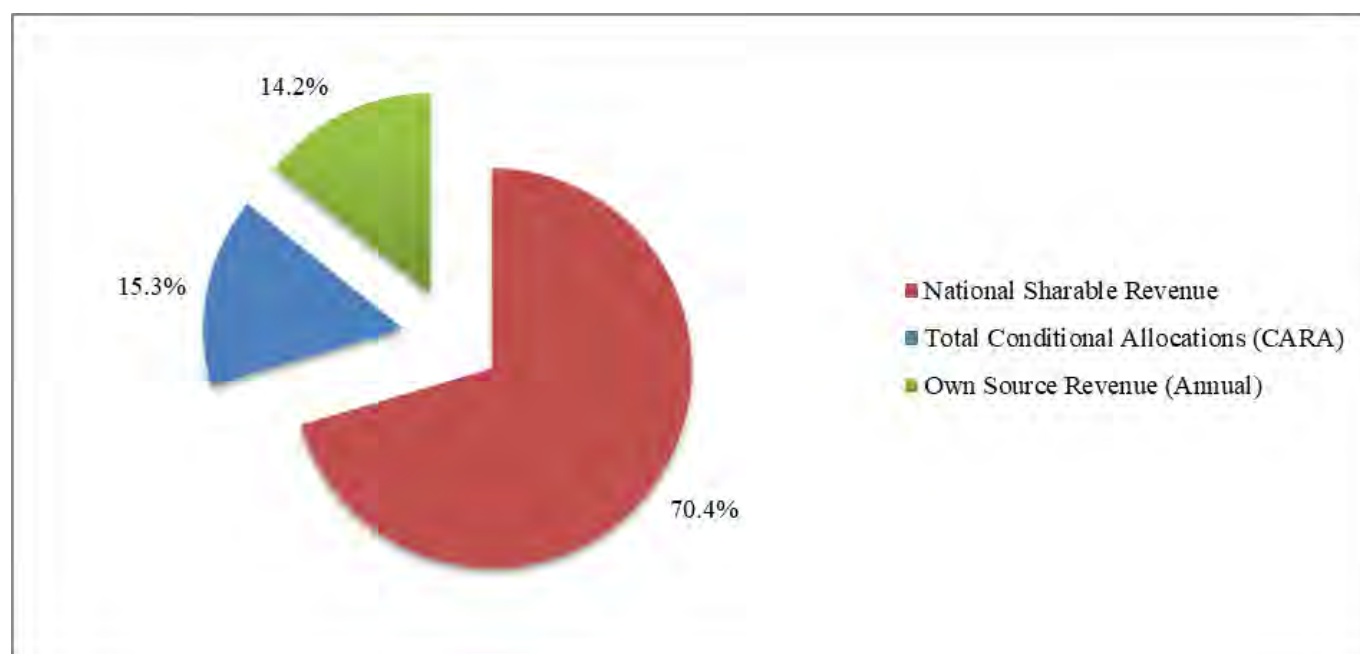
3.44 Uasin Gishu County

3.44.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.8.43 billion, comprising of Kshs.5.22 billion (61.9 per cent) and Kshs.3.21 billion (38.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.94 billion (70.5 per cent) as equitable share of revenue raised nationally, Kshs.1.29 billion (15.3 per cent) as total conditional grants, and generate Kshs.1.20 billion (14.2 per cent) from own source revenue. The County did not budget for unspent cash balance from FY 2017/18 which amounted to Kshs.1.5 billion.

Figure 3.171: Uasin Gishu County Expected Sources of Budget Financing in FY 2018/19



Source: Uasin Gishu County Treasury

The conditional grants are in line with the CARA,2018 and consisted of Kshs.81.89 million (6.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117.00 million (9.0 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.46.74 million (3.6 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.630.15 million (48.7 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.27.38 million (2.1 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.45.00 million (3.5 per cent) as grant from EU for Instruments for

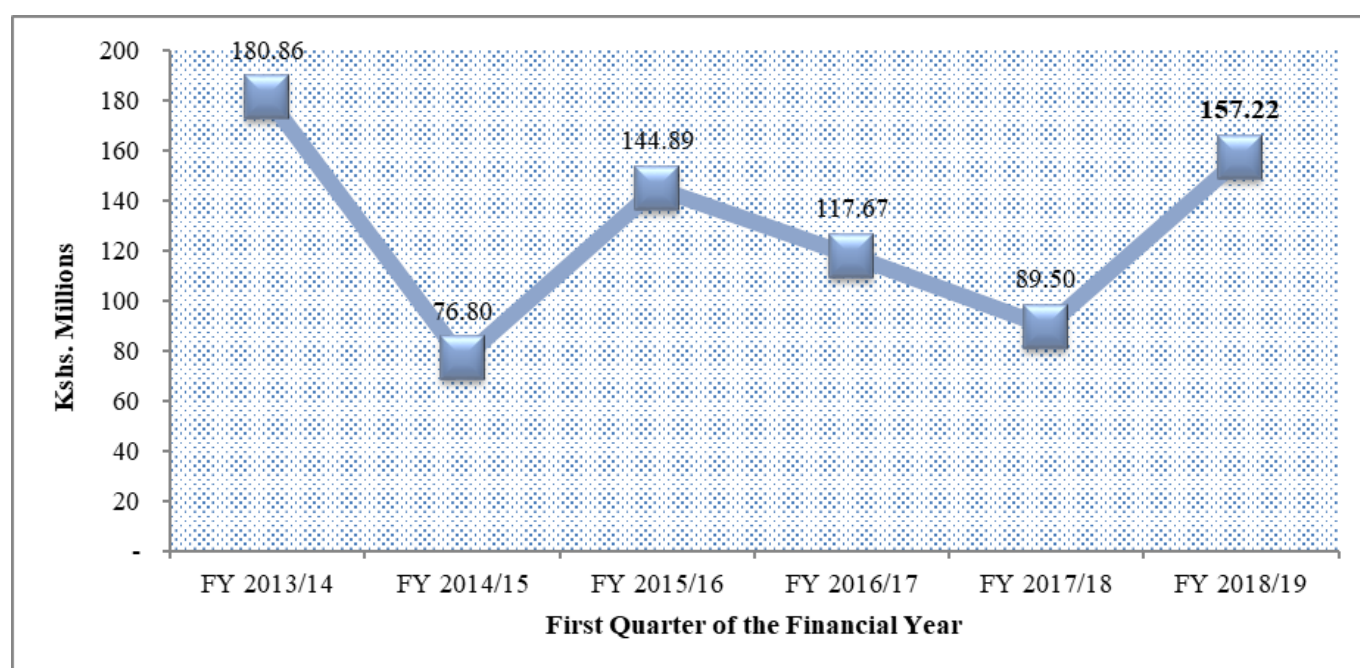
Devolution Advice and Support- IDEAS), Kshs.135 million (10.4 per cent) from IDA (World Bank) as credit for Water & Sanitation Development Project (WSDP), Kshs.20.81 million (1.6 per cent) as Compensation for User Fees Foregone, Kshs.156.25 million (12.1 per cent) from the Road Maintenance Fuel Levy, and Kshs.33.25 million (2.6 per cent) for Rehabilitation of Village Polytechnics.

3.44.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.296.73 million as equitable share of revenue raised nationally, raised Kshs.157.22 million from own source revenue, and had a cash balance of Kshs.1.50 billion from FY 2017/18. The total available funds amounted to Kshs.1.96 billion.

Figure 3.172 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.172: Uasin Gishu County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Uasin Gishu County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.157.22 million, representing an increase of 75.7 per cent compared to Kshs.89.50 million generated in the first quarter of FY 2017/18, which was 13.1 per cent of the annual target.

3.44.3 Conditional Grants

The County did not receive any funds from conditional grants in the period under review.

3.44.4 Exchequer Issues

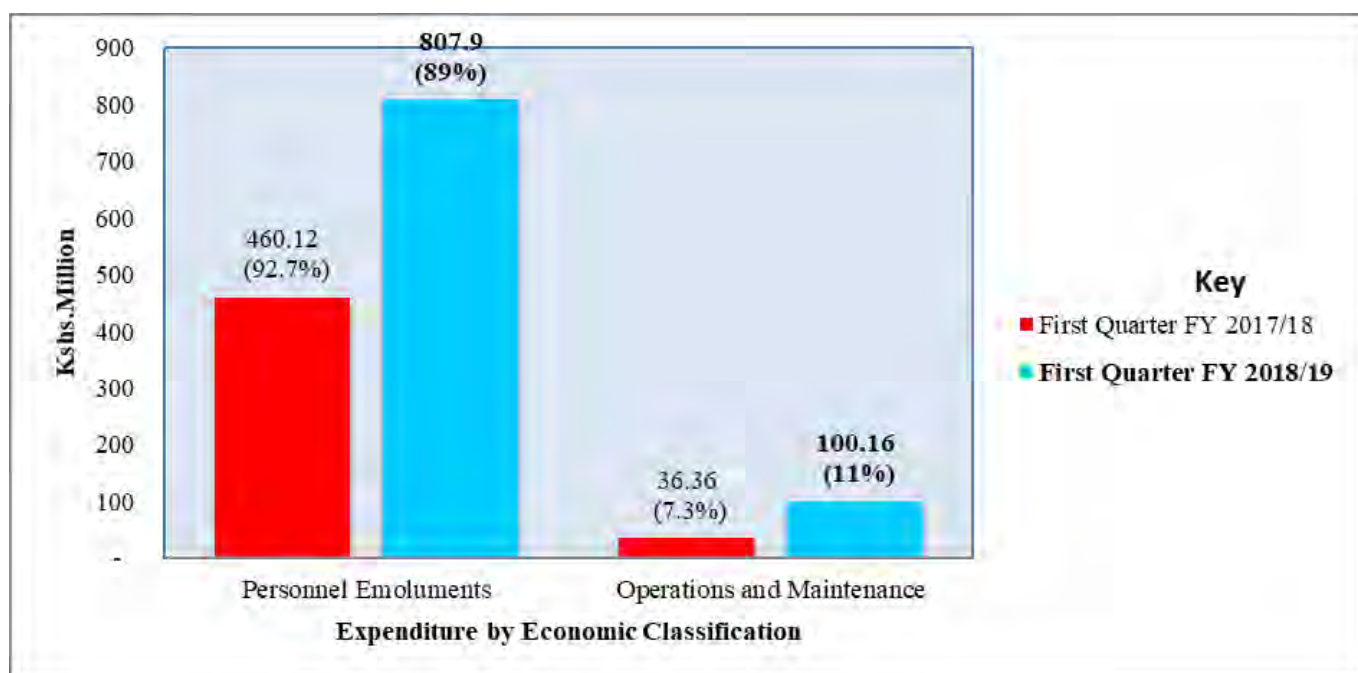
The Controller of Budget approved withdrawal of Kshs.956.91 million from the CRF account, which was 11.4 per cent of the Approved Budget. This amount represented an increase of 96.7 per cent from Kshs.486.60 million approved in the first quarter of FY 2017/18 and was entirely for recurrent expenditure.

3.44.5 Overall Expenditure Review

The County spent Kshs.908.06 million, which was 94.9 per cent of the total funds released for operations. This was an increase of 82.9 per cent from Kshs.496.48 million spent in the first quarter of FY 2017/18. The entire amount was spent on recurrent activities. The recurrent expenditure was 94.9 per cent of the funds released for recurrent activities, while there was no development expenditure. The expenditure excluded outstanding commitments which amounted to Kshs.84.15 million for development activities and Kshs.235.20 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 17.4 per cent of the annual recurrent budget, an increase from 9.8 per cent recorded in the first quarter of FY 2017/18. Figure 3.173 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.173: Uasin Gishu County, Expenditure by Economic Classification



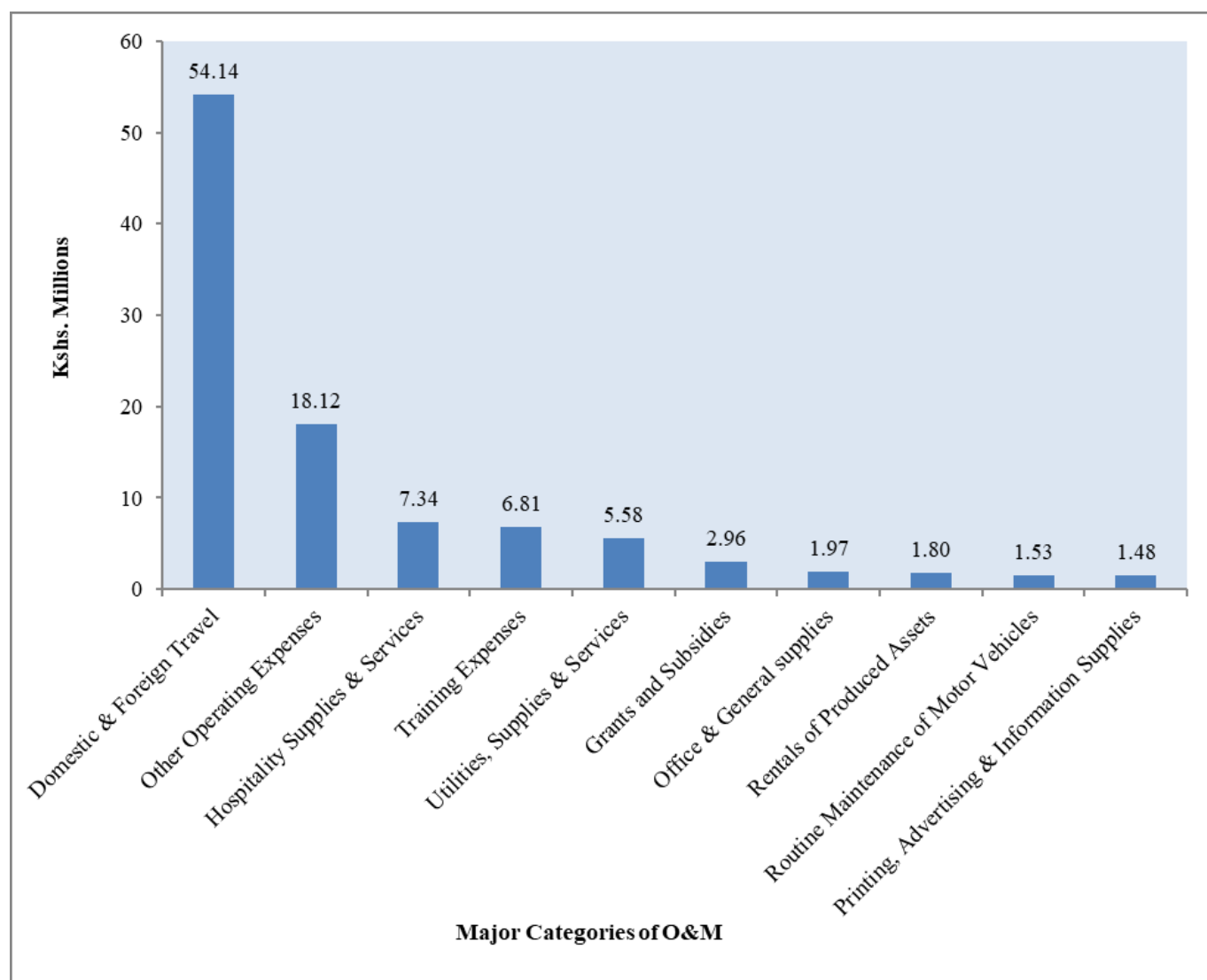
Source: Uasin Gishu County Treasury

3.44.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.908.06 million comprised of Kshs.807.90 million (89 per cent) incurred on personnel emoluments and Kshs.100.16 million (11 per cent) on operations and maintenance as shown in Figure 3.173.

Expenditure on personnel emoluments represented an increase of 75.6 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.460.12 million, and was 89 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.174 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.174: Uasin Gishu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Uasin Gishu County Treasury

The County spent Kshs.9.78 million on committee sitting allowances to the 48 MCAs against the annual budget allocation of Kshs.37.51 million. This was an increase of 1,336.3 per cent compared to Kshs.0.68 million spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.67,947 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.54.14 million and comprised of Kshs.33.08 million spent by the County Assembly and Kshs.21.05 million by the County Executive. This represented 6 per cent of total recurrent expenditure and was an increase of 345.2 per cent compared to Kshs.12.16 million spent in the first quarter of FY 2017/18.

3.44.7 Development Expenditure Analysis

There was no development expenditure during the period under review.

3.44.8 Budget Performance by County Departments

Table 3.54 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.54: Uasin Gishu County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governor's Office	115.94	-	23.91	-	22.28	-	93.2	-	19.2	-
Finance	374.14	-	43.09	-	38.40	-	89.1	-	10.3	-
Public Service Management	715.27	19.29	123.36	-	86.19	-	69.9	-	12.1	-
ICT and E-Government	34.96	40.52	7.28	-	8.42	-	115.8	-	24.1	-
Roads, Transport, Energy and Public Works	412.31	266.72	52.11	-	47.61	-	91.4	-	11.5	-
Lands and Housing	59.51	375.69	13.04	-	11.65	-	89.4	-	19.6	-
Water, Environment, Natural resources, Tourism and Wild-life Management	118.29	698.64	25.67	-	24.24	-	94.4	-	20.5	-
Health Services	1,912.24	187.23	396.13	-	403.36	-	101.8	-	21.1	-
Agriculture	212.96	243.36	50.98	-	59.01	-	115.8	-	27.7	-
Trade, Investment and Industrialization	14.70	128.70	2.07	-	1.94	-	94.0	-	13.2	-
Education, Culture and Social Services	328.12	74.10	55.35	-	76.16	-	137.6	-	23.2	-
County Public Service Board	32.85	-	4.74	-	4.48	-	94.4	-	13.6	-
County Assembly	671.97	109.80	134.78	-	111.58	-	82.8	-	16.6	-
Economic Planning	59.79	-	1.38	-	1.38	-	100.0	-	2.3	-
Devolution and Public Administration	21.64	140.94	5.67	-	5.67	-	100.0	-	26.2	-
Youth Affairs, Gender and Sports	75.58	101.07	16.16	-	1.71	-	29.2	-	6.2	-
Cooperatives and Enterprise Development	16.88	60.24	0.87	-	372.60	-	42.7	-	2.2	-
Physical Planning and Urban Development	30.23	710.79	0.27	-	352.60	-	132.5	-	1.2	-
Livestock and Fisheries	12.93	50.66	0.06	-	246.04	-	410.1	-	1.9	-
TOTAL	5,220.31	3,207.77	956.91	-	908.06	-	94.9	-	17.4	-

Source: Uasin Gishu County Treasury

Analysis of budget performance by department shows that the Department of Agriculture had the highest percentage of recurrent expenditure to recurrent budget at 27.7 per cent while the Department of Physical Planning and Urban Development had the lowest at 1.2 per cent.

3.4.4.9 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. Adherence to COB/CIRCULAR NO.11 VOL.2 on publication of County legislations in the Kenya Gazette in line with Article 199 of the Constitution of Kenya, 2010.
- ii. Improvement in the generation of own source revenue by 75.7 per cent when compared to a similar period in FY 2017/18.

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

1. Failure by the County to budget for the unspent cash balances from FY2017/18 which amounted to Kshs.1.50 billion. This affected payment of pending bills from the previous financial year.

2. Delay by the National Treasury to disburse the equitable share of revenue by the County.

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

1. The County should appropriate the unspent cash balances from FY 2017/18 through a Supplementary budget.
2. The County Treasury should liaise with the National Treasury to ensure disbursements are made in a timely manner.

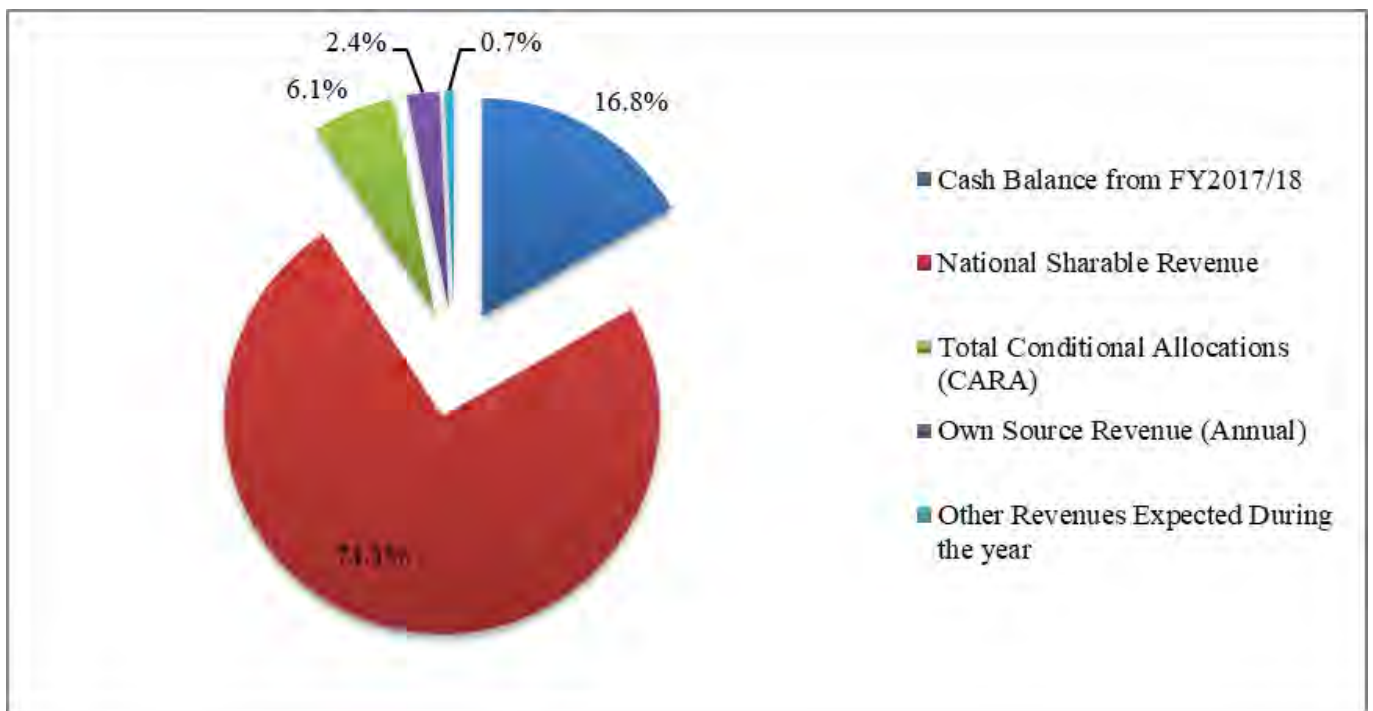
3.45 Vihiga County

3.45.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.6.44 billion, comprising of Kshs.4.50 billion (69.9 per cent) and Kshs.1.94 billion (30.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.77 billion (74.1 per cent) as equitable share of revenue raised nationally, Kshs.393.16 million (5 per cent) as total conditional grants, generate Kshs.153.67 million (2.4 per cent) from own source revenue, Kshs.43.63 million (0.7 per cent) from other sources of revenue, and Kshs.1.08 billion (16.8 per cent) cash balance from FY 2017/18.

Figure 3.175: Vihiga County Expected Sources of Budget Financing in FY 2018/19



Source: Vihiga County Treasury

The conditional are in line with the CARA, 2018 include Kshs.49.37 million (11.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.50 million (11.4per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.67.91 million (15.3 per cent) as World Bank loan to supplement Free Maternity Health Care, Kshs.14.78 million (3.4 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.26.78 million (6.1 per cent) from IDA (World Bank) as credit for the Kenya Devolution Support

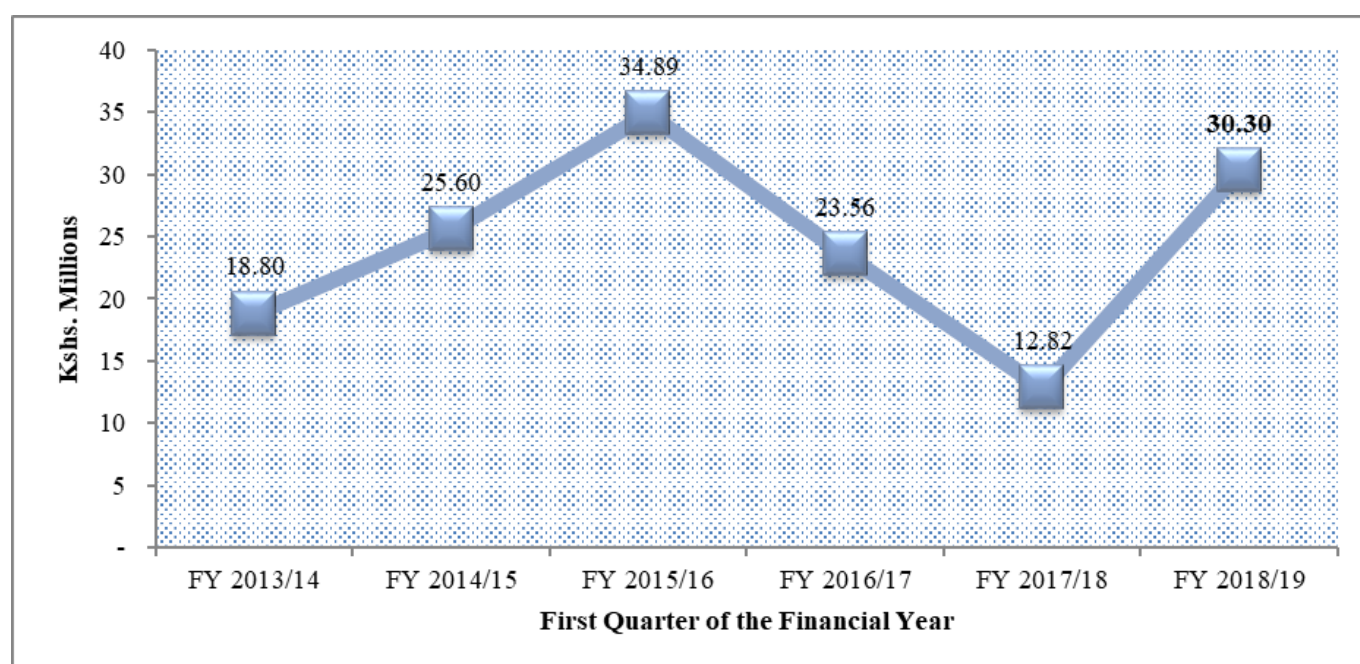
Programme “Level 2 grant, Kshs.12.93 million (3 per cent) as Compensation for User Fees Foregone, Kshs.117.24 million (26.8 per cent) from the Road Maintenance Fuel Levy, and Kshs.54.15 million (12.4 per cent) for Rehabilitation of Village Polytechnics.

3.45.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.222.94 million as equitable share of revenue raised nationally, raised Kshs.30.30 million from own source revenue, and had a cash balance of Kshs.1.61 billion from FY 2017/18. The total available funds amounted to Kshs.1.86 billion.

Figure 3.176 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.176: Vihiga County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Vihiga County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.30.30 million, representing an increase of 57.7 per cent compared to Kshs.12.82 million generated in the first quarter of FY 2017/18, which was 19.7 per cent of the annual target.

3.45.3 Conditional Grants

There was no receipt of conditional grants during the reporting period.

3.45.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.922.28 million from the CRF account, which was 14.3 per cent of the Approved Budget. This amount represented an increase of 27.3 per cent from Kshs.724.48 million approved in the first quarter of FY 2018/19 and comprised of Kshs.892.10 million (96.7 per cent) for recurrent expenditure and Kshs.30.12 million (3.3 per cent) for development activities.

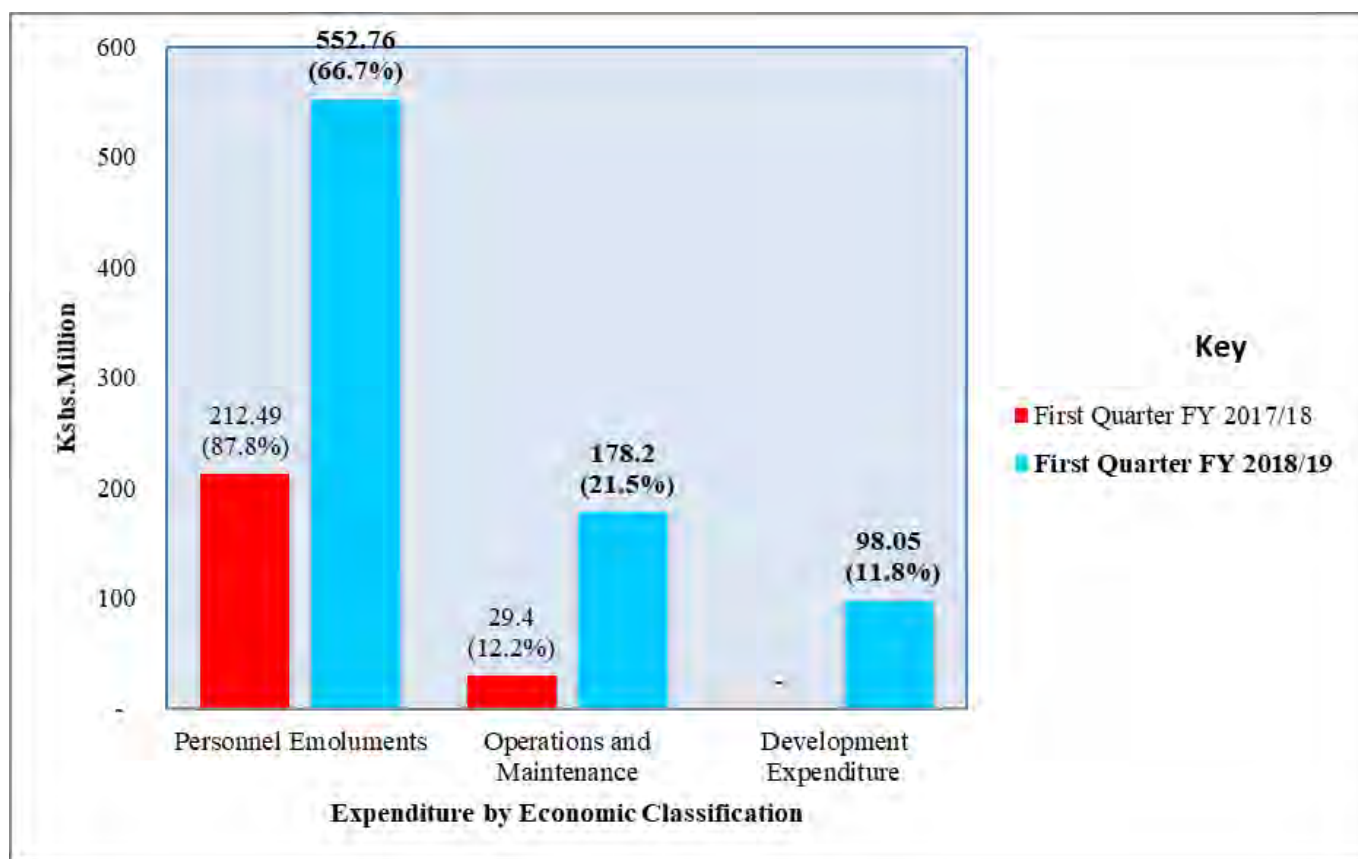
3.45.5 Overall Expenditure Review

The County spent Kshs.829.01 million, which was 89.9 per cent of the total funds released for operations. This was an increase of 70.8 per cent from Kshs.241.89 million spent in the first quarter of FY 2017/18.

A total of Kshs.730.94 million was spent on recurrent activities while Kshs.98.05 million was spent on development activities. The recurrent expenditure was 81.9 per cent of the funds released for recurrent activities, while development expenditure was 324.9 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.120.02 million for development activities and Kshs.42.56 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 16.2 per cent of the annual recurrent budget an increase from 7.3 per cent recorded in the first quarter of FY 2017/18. Figure 3.177 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of the FY 2017/18.

Figure 3.177: Vihiga County, Expenditure by Economic Classification



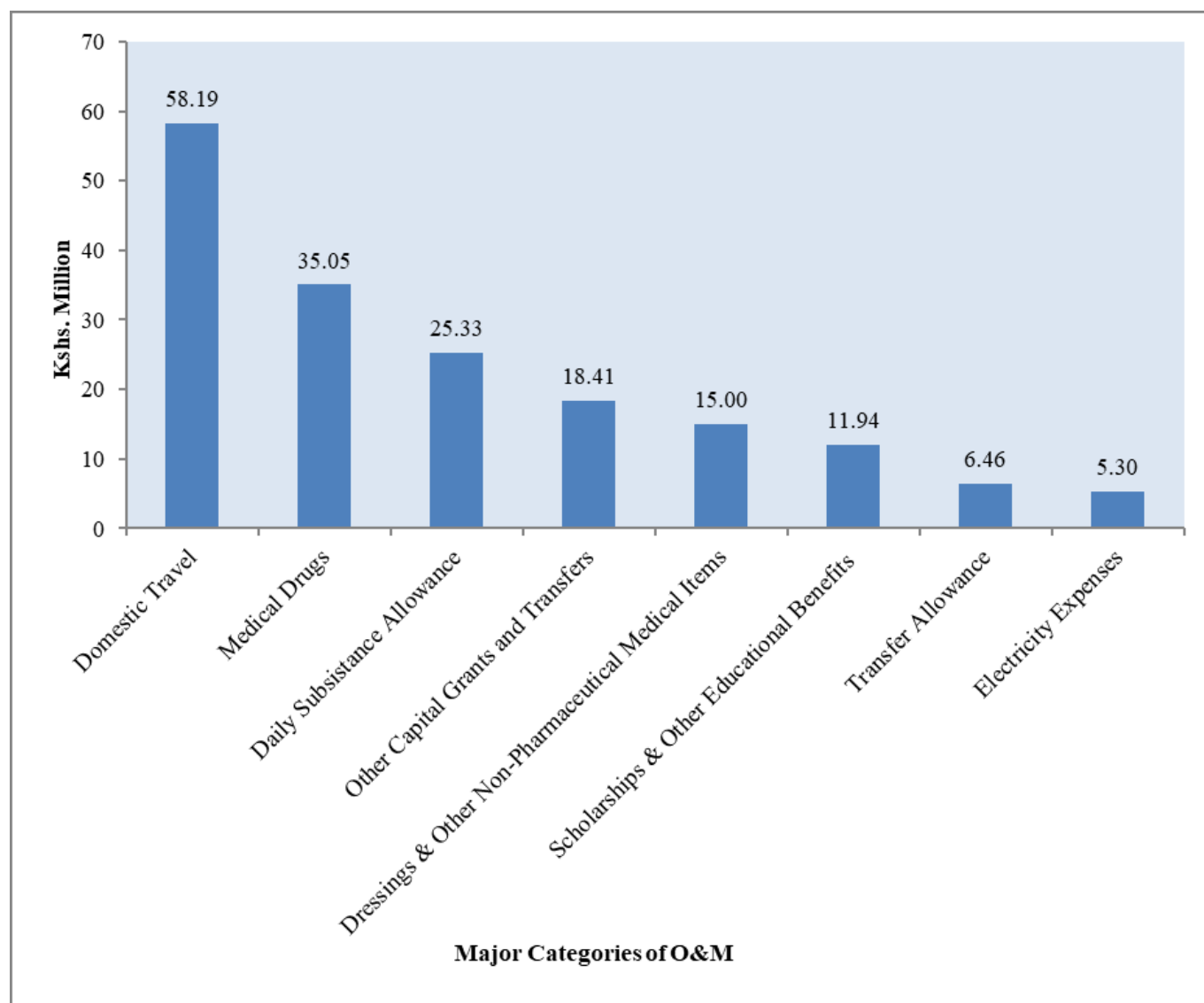
Source: Vihiga County Treasury

3.45.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.730.94 million comprised of Kshs.552.76 million (75.6 per cent) incurred on personnel emoluments and Kshs.178.20 million (24.4 per cent) on operations and maintenance as shown in Figure 3.177.

Expenditure on personnel emoluments represented an increase of 61.6 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.212.49 million, and was 66.7 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.178 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.178: Vihiga County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Vihiga County Treasury

The County spent Kshs.7.92 million on committee sitting allowances to the 39 MCAs against the annual budget allocation of Kshs.44.68 million. This was an increase of 716.7 per cent compared to Kshs.970,000 spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.67,707 per MCA against the SRC's recommended monthly ceiling of Kshs.80, 000.

Expenditure on domestic travel amounted to Kshs.58.19 million and comprised of Kshs.40.67 million spent by the County Assembly and Kshs.17.52 million by the County Executive. This represented 8 per cent of total recurrent expenditure and was an increase of 69.7 per cent compared to Kshs.17.92 million spent in the first quarter of FY 2017/18.

3.45.7 Development Expenditure Analysis

The total development expenditure of Kshs.98.05 million represented 5.1 per cent of the annual development budget of Kshs.1.94 billion. Table 3.55 provides a summary of development projects with the highest expenditure in the first quarter of the financial year.

Table 3.55: Vihiga County, List of Development Projects

S/No.	Project Name	Project location	Project budget (Kshs.)	Project Expenditure in First Quarter of FY 2018/19 (Kshs.)	Absorption rate (%)
1	Overhaul of Other Infrastructure and Civil Works	5 Sub Counties	68,618,750	58,919,256	85.9
2	Purchase of Fire fighting Vehicles and Equipment	County Head Quarter	30,000,000	27,241,021	90.8
3	Bridges	Luanda Sub-County	13,500,000	9,543,120	70.7
4	Acquisition of Land	Hamisi Sub-County	7,000,000	1,700,000	24.3
5	Rehabilitation & Renovation	5 Sub Counties	17,850,000	547,595	3.1
6	Purchase of Educational Aids and Related Equipment	5 Sub Counties	7,000,000	103,356	1.5

Source: Vihiga County Treasury

3.45.8 Budget Performance by County Departments

Table 3.56 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.56: Vihiga County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	453.08	40.80	69.35	-	51.61	-	74.4	-	11.4	-
Finance & Economic Planning	499.73	132.12	54.09	-	51.26	-	94.8	-	10.3	-
Agriculture, Livestock, Fisheries & Cooperatives	165.10	232.50	33.63	-	23.24	1.70	69.1	-	14.1	0.7
Health Services	1,313.15	321.79	319.15	-	282.02	-	88.4	-	21.5	-
Education, Science, Technical and Vocational Training	489.33	232.15	90.06	-	43.49	0.65	48.3	-	8.9	0.3
Gender, Culture, Youth, Sports and Social Services	158.87	87	24.20	-	10.99	-	45.4	-	6.9	-
Trade, Industry, Tourism and Entrepreneurship.	98.07	46.93	9.66	-	1.64	-	17	-	1.7	-
County Public Service Board	52.57	-	11.12	-	5.16	-	46.4	-	9.8	-
Environment, Water, Energy & Natural Resources.	86.85	71.11	15.04	-	11.56	-	76.9	-	13.3	-
Transport, Infrastructure & Communication	186.83	567.20	24.19	27.24	6.36	95.70	26.3	351.3	3.4	16.9

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Physical Planning, Land and Housing	70.93	67	11.89	2.94	5.42	-	45.6	-	7.6	-
County Assembly	560.96	94.03	151.80	-	126.96	-	83.6	-	22.6	-
Administration and Coordination of County Affairs	367.10	45.44	77.92	-	111.23	-	142.7	-	30.3	-
Total	4,502.57	1,938.07	892.10	30.18	730.94	98.05	81.9	324.9	16.2	5.1

Source: Vihiga County Treasury

Analysis of budget performance by department shows that, the Department of Transport, Infrastructure & Communication attained the highest absorption rate of development budget at 16.9 per cent. The Department of Administration and Coordination of County Affairs had the highest percentage of recurrent expenditure to recurrent budget at 30.3 per cent while the Department of Trade, Industry, Tourism and Entrepreneurship had the lowest at 1.7 per cent.

3.45.9 Key Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Improved staff capacity especially on the use of IFMIS, E-procurement and Internet Banking modules.
- Establishment of Internal Audit Committee in line with section 155 of the PFM Act, 2012.

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

- Delayed disbursement of the equitable share of revenue raised nationally by the National Treasury.
- Late submission of financial reports to the Controller of Budget 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;

- The County Treasury should liaise with the National Treasury for timely disbursement of the equitable share of revenue.*
- The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act 2012.*

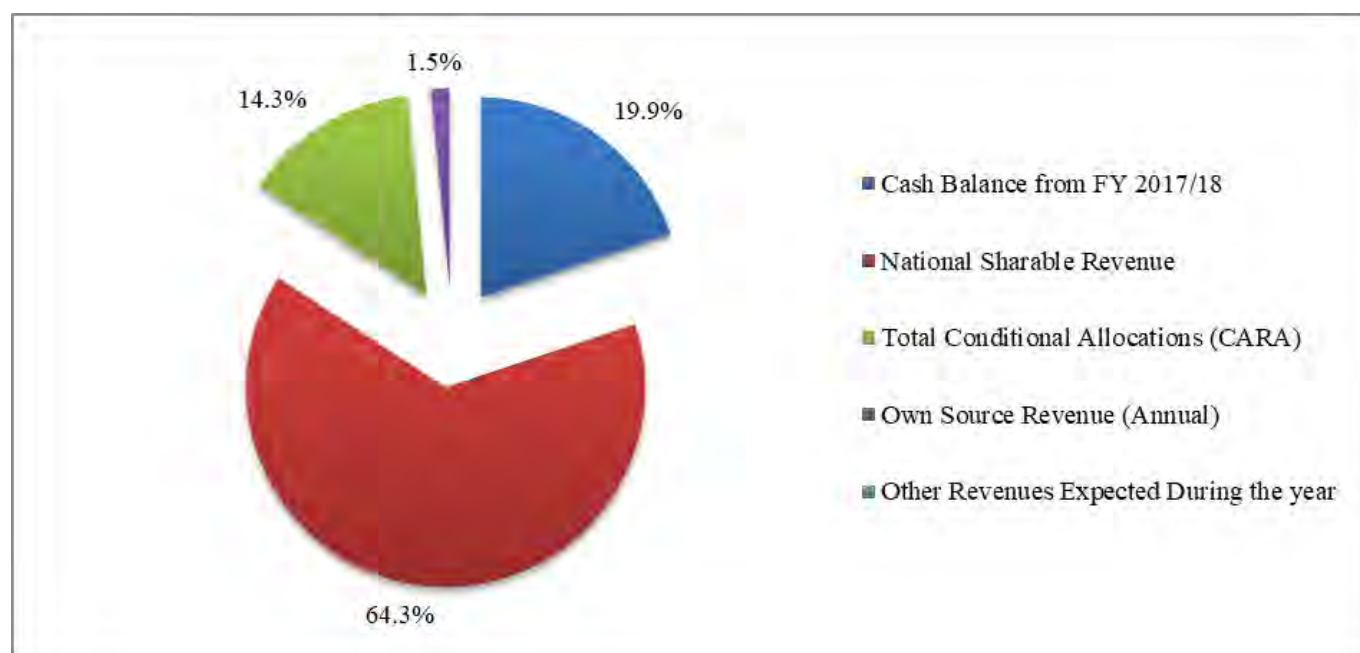
3.46 Wajir County

3.46.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.13.18 billion, comprising of Kshs.6.34 billion (48.1 per cent) and Kshs.6.83 billion (51.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.48 billion (64.3 per cent) as equitable share of revenue raised nationally, Kshs.1.88 billion (14.3 per cent) as total conditional grants, generate Kshs.200 million (1.5 per cent) from own source revenue, and Kshs.2.62 billion (19.9 per cent) cash balance from FY 2017/18.

Figure 3.179: Wajir County Expected Sources of Budget Financing in FY 2018/19



Source: Wajir County Treasury

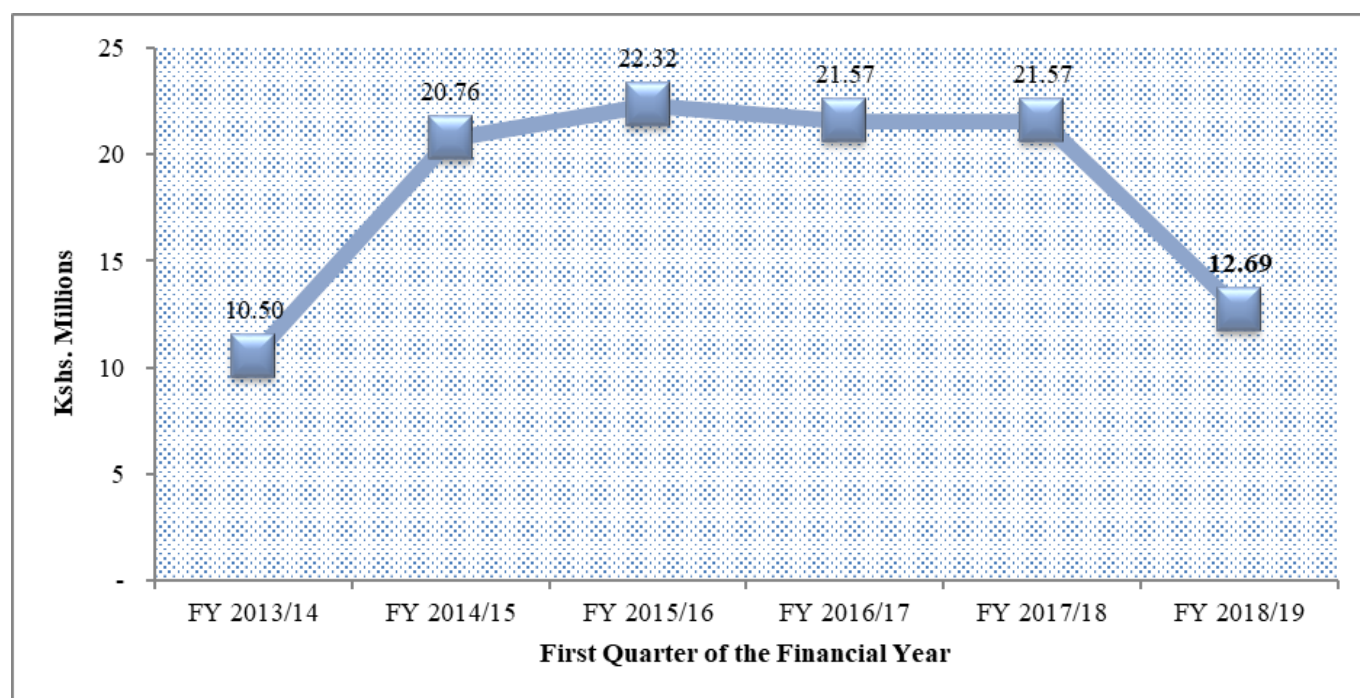
The conditional grants are in line with the CARA,2018 and consisted of Kshs.100 million (5.3 per cent) for Transforming Health Systems for Universal Care Project, Kshs.25 million (1.3 per cent) from IDA (World Bank) as credit for National Agricultural and Rural Inclusive Growth Project, Kshs.150 million (8 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.53.4 million (2.8 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.205.6million (10.9 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.38.8 million (2.1 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.45 million (2.4 per cent) as grant from EU for Instruments for Devolution Advice and Support- IDEAS), Kshs.1 billion(53.2 per cent) from IDA (World Bank) as credit for Water & Sanitation Development Project (WSDP), Kshs.15.78 million (0.8 per cent) as Compensation for User Fees Foregone, Kshs.223.22 million (11.9 per cent) from the Road Maintenance Fuel Levy, and Kshs.21.29 million (1.1 per cent) for Rehabilitation of Village Polytechnics.

3.46.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.423.9 million as equitable share of revenue raised nationally, raised Kshs.12.69 million from own source revenue, and had a cash balance of Kshs.2.52 billion from FY 2017/18. The total available funds amounted to Kshs.2.96 billion.

Figure 3.180 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.180: Wajir County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: Wajir County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.12.69 million, representing a decline of 69.9 per cent compared to Kshs.21.57 million generated in the first quarter of FY 2017/18, which was 6.3 per cent of the annual target.

3.46.3 Conditional Grants

The County did not receive any funds from conditional grants.

3.46.4 Exchequer Issues

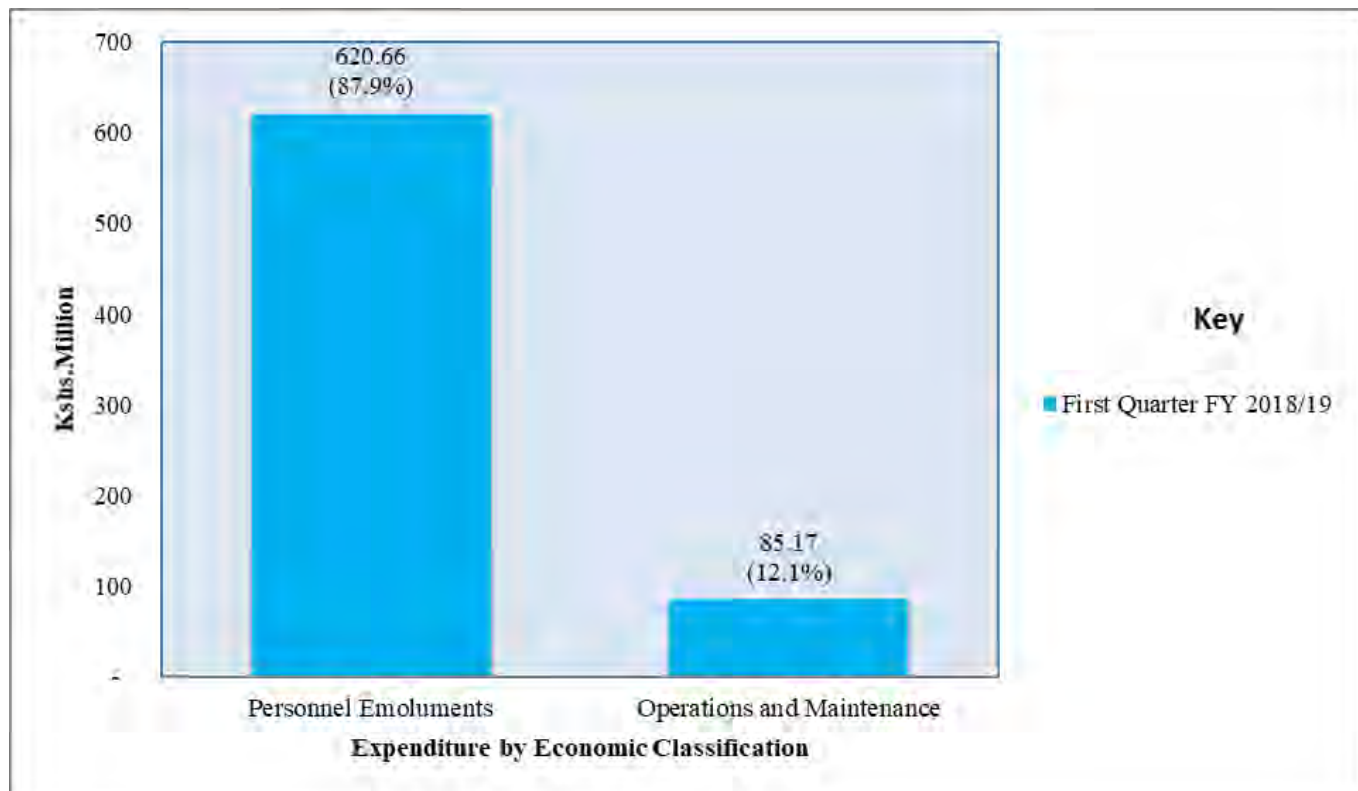
The Controller of Budget approved withdrawal of Kshs.705.83 million from the CRF account, which was 5.4 per cent of the Approved Budget. This amount represented an increase of 100 per cent from Kshs.0 million approved in the first quarter of FY 2017/18. The entire release was for recurrent expenditure.

3.46.5 Overall Expenditure Review

The County spent Kshs.705.83 million, which was 100 per cent of the total funds released for operations while there was no expenditure in a similar period of FY 2017/18. The expenditure was entirely on recurrent expenditure and excluded outstanding commitments which amounted to Kshs.47 million for recurrent expenditure as at September 30, 2018.

The recurrent expenditure represented 11.1 per cent of the annual recurrent budget. Figure 3.181 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of FY 2017/18.

Figure 3.181: Wajir County, Expenditure by Economic Classification



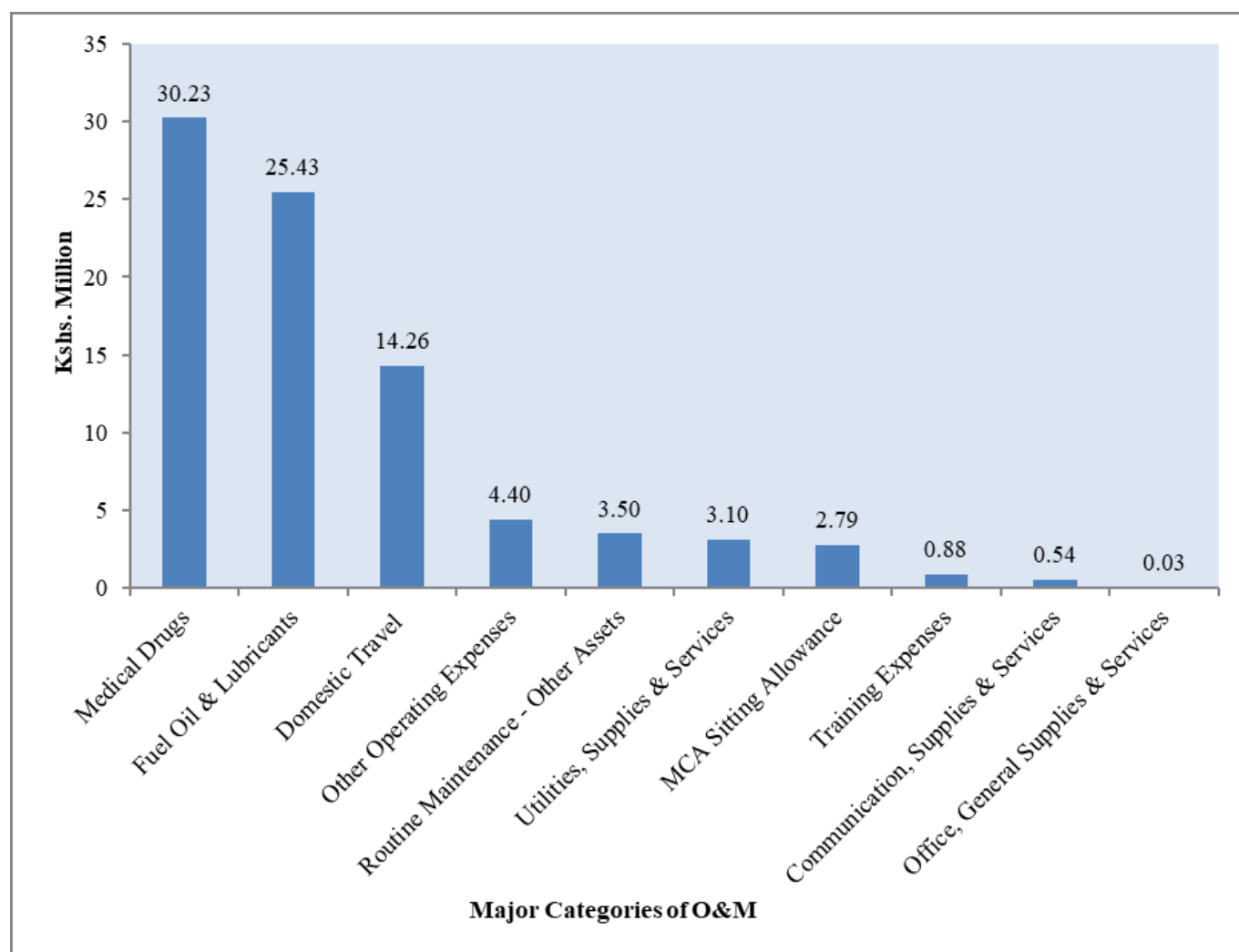
Source: Wajir County Treasury

3.46.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.705.83 million comprised of Kshs.620.66 million (87.9 per cent) incurred on personnel emoluments and Kshs.85.17 million (12.1 per cent) on operations and maintenance as shown in Figure 3.181.

Figure 3.182 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.182: Wajir County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: Wajir County Treasury

The County spent Kshs.2.79 million on committee sitting allowances to the 46 MCAs against the annual budget allocation of Kshs.23.75 million. The average monthly sitting allowance was Kshs.20,240 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.14.26 million and comprised of Kshs.1.89 million spent by the County Assembly and Kshs.12.37 million by the County Executive. This represented 5.6 per cent of total recurrent expenditure.

3.46.7 Development Expenditure Analysis

There was no development expenditure during the reporting period.

3.46.8 Budget Performance by County Departments

Table 3.57 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.57: Wajir County, Budget Performance by Department

S.No.	Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
		Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
1	Office of the Governor	484.4	-	79.73	-	79.73	-	100	-	16.5	-
2	Finance and Economic Planning	750.5	528	69.04	-	69.04	-	100	-	9.2	-
3	Agriculture and Livestock	230.3	701.5	31.81	-	31.81	-	100	-	13.8	-
4	Public Health and Medical Service	1,641.3	572.9	236.1	-	236.1	-	100	-	14.4	-
5	Roads and Transport	145.4	1,433.1	-	-	-	-	-	-	-	-
6	Water	150.97	829.64	10.1	-	10.1	-	100	-	6.7	-
7	Environment and Energy	73.15	426.34	-	-	-	-	-	-	-	-
8	Public Service ,Special Program and Town Adm	1,077.9	219.4	129.22	-	129.22	-	100	-	12	-
9	Education, Youth and Gender	642.8	414.92	65.88	-	65.88	-	100	-	10.2	-
10	ICT and Trade	205.8	182.17	8.26	-	8.26	-	100	-	4	-
11	Public Works , Land and Housing	87.73	338.04	-	-	-	-	-	-	-	-
12	WAJWASCO	62.25	1,187.1	-	-	-	-	-	-	-	-
13	County Public Service Board	70.4	-	8.47	-	8.47	-	100	-	12	-
14	County Assembly	719.76	-	67.25	-	67.25	-	100	-	9.3	-
	Total	6,342.7	6,833	705.83	-	705.83	-	100	-	11.1	-

Source: Wajir County Treasury

Analysis of budget performance by department shows that, the Office of the Governor had the highest percentage of recurrent expenditure to recurrent budget at 16.5 per cent followed by the Department of Public Health and Medical Service at 14.4 per cent.

3.46.9 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 staff capacity especially on the use of IFMIS, E-procurement and Internet Banking modules.

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

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. Under-performance in own source revenue collection, which declined by 69.9 per cent from Kshs.21.57 million in the first quarter of FY 2017/18 to Kshs.12.69 million in the reporting period.
3. Failure by the County Treasury to deposit all own source revenue collection to the CRF as required under Article 207(1) of the Constitution.

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 on improvement of own source*

revenue collection.

3. The County Treasury should ensure that all own- source revenue is deposited into the County Revenue Fund.

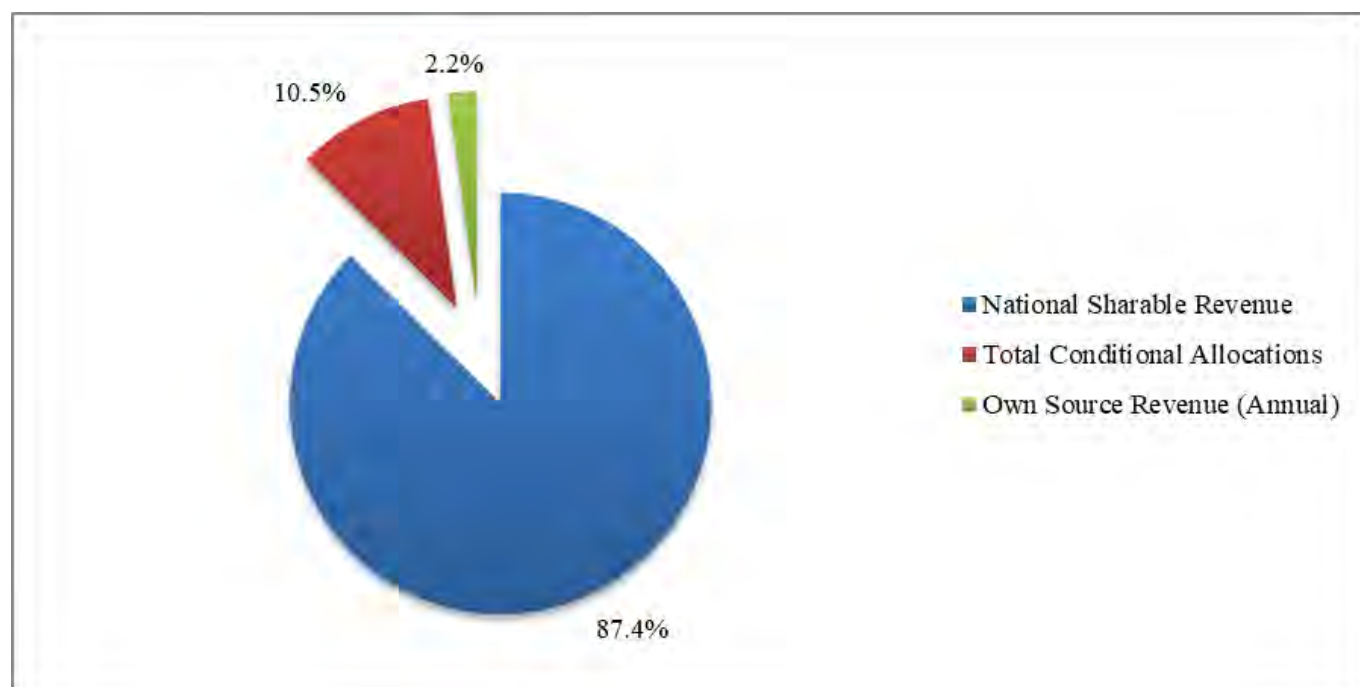
3.47 West Pokot County

3.47.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.5.64 billion, comprising of Kshs.3.87 billion (68.6 per cent) and Kshs.1.77 billion (31.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.93 billion (87.4 per cent) as equitable share of revenue raised nationally, Kshs.590 million (10.5 per cent) as total conditional grants, generate Kshs.122.37 million (2.1 per cent) from own source revenue. The County did not budget for cash balance from FY 2017/18.

Figure 3.183: West Pokot County Expected Sources of Budget Financing in FY 2018/19



Source: West Pokot County Treasury

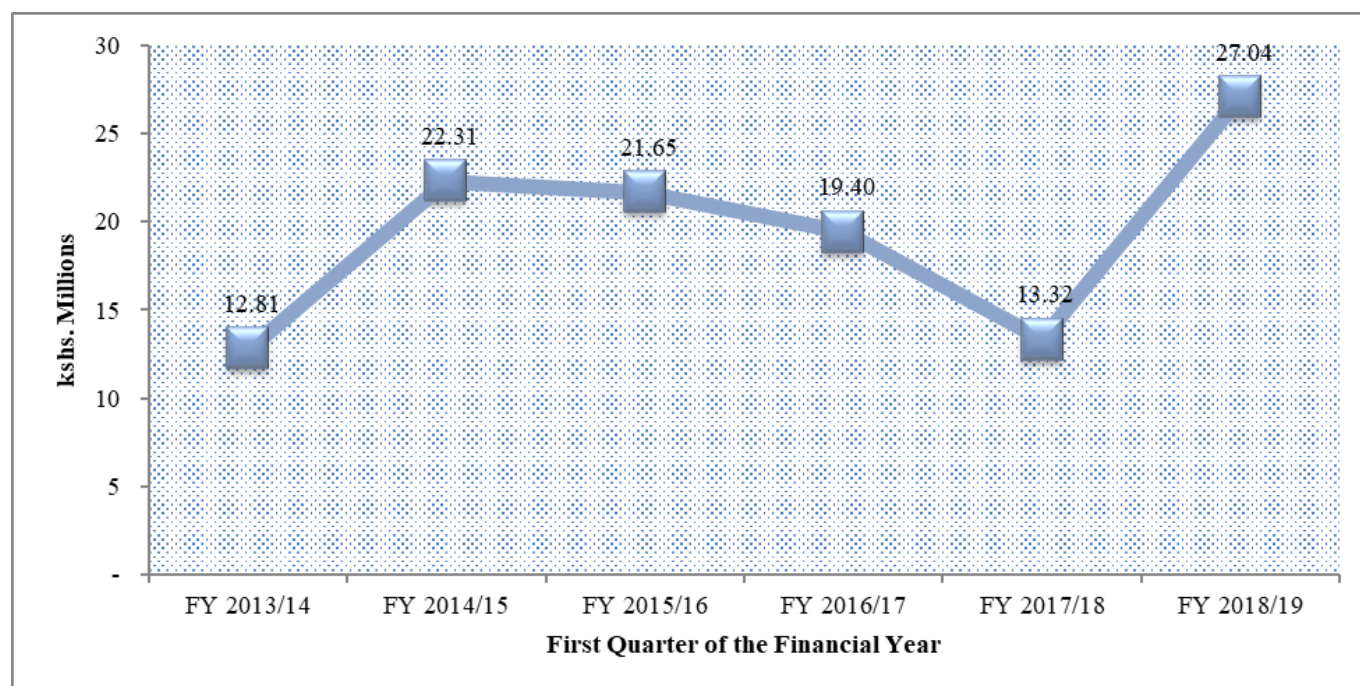
The conditional grants are in line with the CARA,2018 and consisted of Kshs.100 million (12.7 per cent) for Transforming Health Systems for Universal Care Project, Kshs.117 million (14.8 per cent) from IDA (World Bank) for Kenya Climate Smart Agriculture Project, Kshs.42.92 million (5.4 per cent) from IDA (World Bank) as credit for Kenya Devolution Support Programme “Level 1 grant”, Kshs.73.39 million (9.3 per cent) from IDA (World Bank) as credit for Kenya Urban Support Project, Kshs.15.90 million (2 per cent) as grant from DANIDA for Universal Healthcare to Devolved System Programme, Kshs.70 million (8.9 per cent) as grant from EU for Instruments for Devolution Advice and Support- (IDEAS), Kshs.12.13 million (1.5 per cent) as Compensation for User Fees Foregone, Kshs.129.80 million (16.4 per cent) from the Road Maintenance Fuel Levy, and Kshs.28.88 million (3.7 per cent) for Rehabilitation of Village Polytechnics.

3.47.2 Revenue Analysis

During the first quarter of FY 2018/19, the County received Kshs.591.58 million as equitable share of revenue raised nationally, Kshs.77.50 million as total conditional grants and raised Kshs.27.04 million from own source revenue. The total available funds amounted to Kshs.669.08 million.

Figure 3.184 shows the quarterly trend in own source revenue collection from FY 2013/14 to the first quarter of FY 2018/19.

Figure 3.184: West Pokot County, Trend in Own Source Revenue Collection for the First Quarter from FY 2013/14 to FY 2018/19



Source: West Pokot County Treasury

The total own-source revenue generated in the first quarter of FY 2018/19 amounted to Kshs.27.04 million, representing an increase of 103 per cent compared to Kshs.13.32 million generated in the first quarter of FY 2017/18, and represented 22.1 per cent of the annual target.

3.47.3 Conditional Grants

The County received Kshs.77.5 million as EU- Instruments for Devolution Advice and Support (IDEAS) in the first quarter of FY 2018/19.

3.47.4 Exchequer Issues

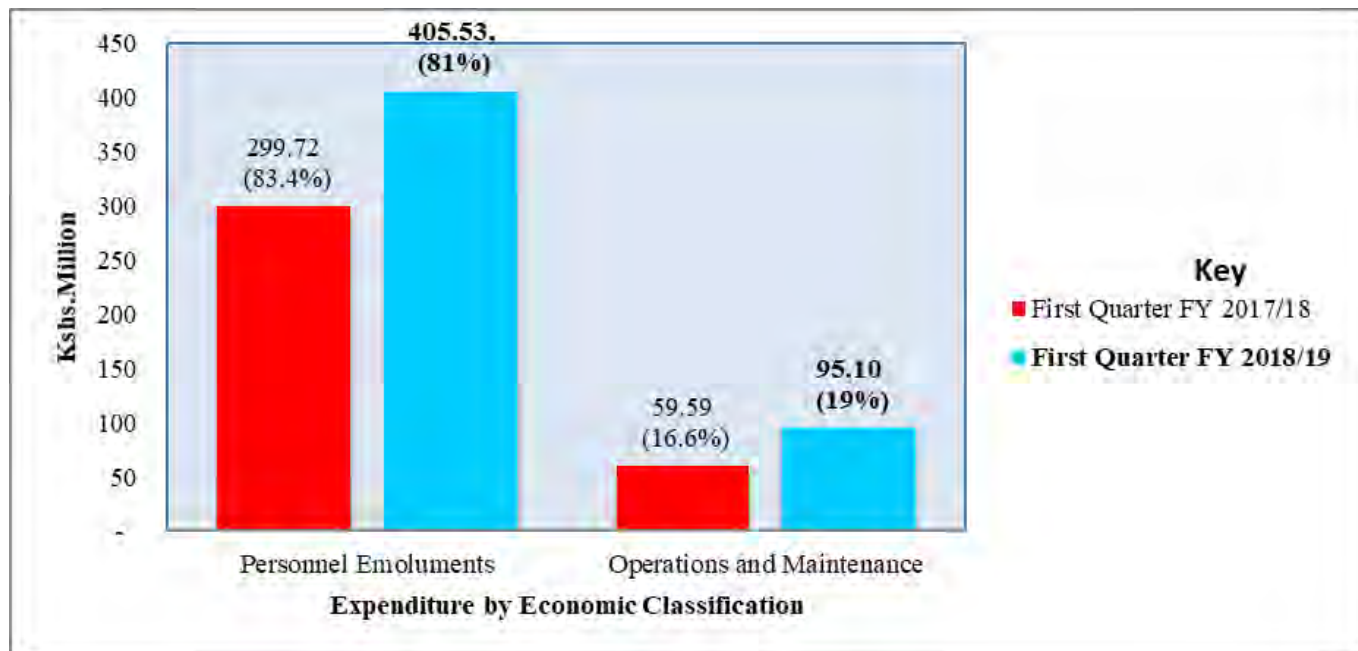
The Controller of Budget approved withdrawal of Kshs.800.37 million from the CRF account, which was 14.2 per cent of the Approved Budget. This amount represented an increase of 92.9 per cent from Kshs.415 million approved in the first quarter of FY 2018/19 and comprised of Kshs.675.02 million (12 per cent) for recurrent expenditure and Kshs.125.35 million (2.2 per cent) for development activities.

3.47.5 Overall Expenditure Review

The County spent Kshs.500.64 million, which was 62.6 per cent of the total funds released for operations. This was an increase of 39.3 per cent from Kshs.359.31 million spent in the first quarter of FY 2017/18.

The entire amount of Kshs.500.64 million was spent on recurrent activities and represented 74.2 per cent of the funds released for recurrent activities. This expenditure represented 12.9 per cent of the annual recurrent budget, an increase from 10.4 per cent recorded in the first quarter of FY 2017/18. Figure 3.185 presents a comparison between the total expenditure in the first quarter of FY 2018/19 and the first quarter of FY 2017/18.

Figure 3.185: West Pokot County, Expenditure by Economic Classification



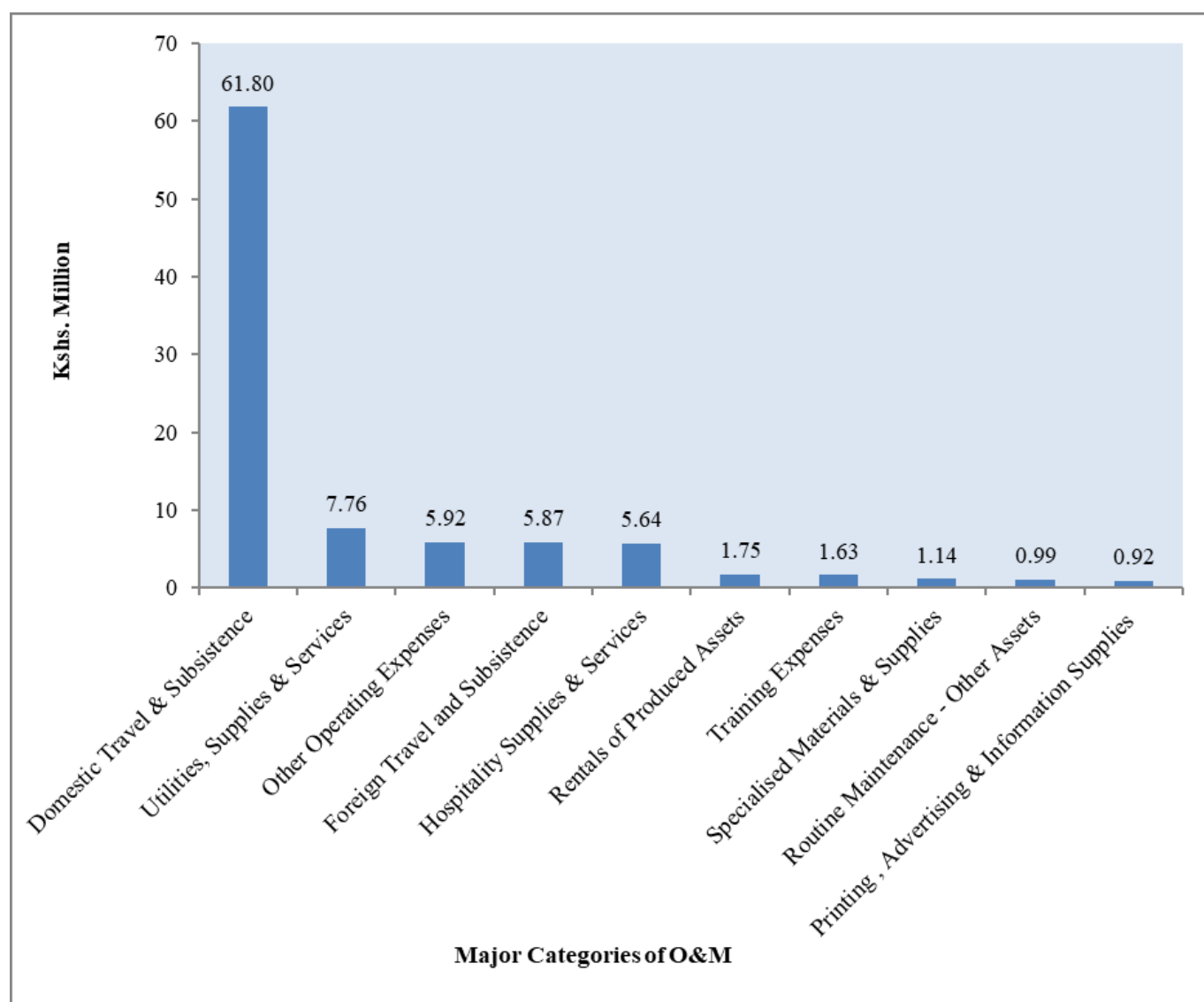
Source: West Pokot County Treasury

3.47.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.500.64 million comprised of Kshs.405.53 million (81 per cent) incurred on personnel emoluments and Kshs.95.10 million (19 per cent) on operations and maintenance as shown in Figure 3.185.

Expenditure on personnel emoluments represented an increase of 35.3 per cent compared to the first quarter of FY 2017/18 when the County spent Kshs.299.72 million, and was 81 per cent of total expenditure in the first quarter of FY 2018/19. Figure 3.186 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.186: West Pokot County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2018/19



Source: West Pokot County Treasury

The County spent Kshs.4.01 million on committee sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.21.16 million. This was an increase of 413 per cent compared to Kshs.782,000 spent in the first quarter of FY 2017/18. The average monthly sitting allowance was Kshs.39,331 per MCA against the SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.61.80 million and comprised of Kshs.26.39 million spent by the County Assembly and Kshs.35.41 million by the County Executive. This represented 12.3 per cent of total recurrent expenditure and was an increase of 445.2 per cent compared to Kshs.12.41 million spent in the first quarter of FY 2017/18.

3.47.7 Development Expenditure Analysis

There was no development expenditure during the review period.

3.47.8 Budget Performance by County Departments

Table 3.58 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2018/19.

Table 3.58: West Pokot County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	330.24	30.64	71.09	-	83.03	-	116.8	-	25.1	-
Finance and Economic Planning	206.86	-	35.92	-	17.10	-	47.6	-	8.3	-
Public Works , Transport and Infrastructure	68.32	295.37	18.53	100.93	6.84	-	36.9	-	10	-
Health, Sanitation and Emergencies	1,282.72	248.66	258.60	-	178.39	-	69.0	-	13.9	-
Education and Technical Training	664.74	179.93	59.08	24.41	31.45	-	53.2	-	4.7	-
Agriculture and Irrigation	78.13	187.43	17.55	-	25.42	-	144.9	-	32.5	-
Pastoral Economy	84.60	163.72	20.34	-	11.53	-	56.7	-	13.6	-
Trade, Industrialization, Investment and Cooperative Development	35.24	74.43	8.37	-	7.72	-	92.2	-	21.9	-
Land, Housing, Physical Planning and Urban Development	81.87	134.18	15.08	-	8.86	-	58.8	-	10.8	-
Water development, Environment and Natural Resources	91.46	195.45	10.16	-	13.14	-	129.4	-	14.4	-
Youths, Sports, Tourism, Gender and Social services	57.04	100.87	13.81	-	7.50	-	54.3	-	13.1	-
Public Service ,ICT and Decentralized Units	159.08	2.10	25.34	-	17.82	-	70.3	-	11.2	-
Special Programmes and Directorates	214.15	35	25.17	-	-	-	-	-	-	-
County Assembly	520.25	123	96	-	91.85	-	95.7	-	17.7	-
TOTAL	3,874.71	1,770.78	675.02	125.35	500.64	-	74.2	-	12.9	-

Source: West Pokot County Treasury

Analysis of budget performance by department shows that the Department of Agriculture and Irrigation had the highest percentage of recurrent expenditure to recurrent budget at 32.5 per cent while the Department of Special Programmes and Directorates did not report any expenditure.

3.47.9 Key Observations and Recommendations

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

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

- ii. Improvement in own source revenue by 103 per cent from Kshs.13.32 million collected in the first quarter of FY 2017/18 to Kshs.27.04 million in the current reporting period.

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

1. Operational delays and IFMIS connectivity challenges, which slowed approval of procurement requests and payment to suppliers.
2. The County's wage bill has remained high, having increased by 35.3 per cent from Kshs.299.72 million in the first quarter of FY 2017/18 to Kshs.405.53 million in the period under review. Increase in wage bill may affect implementation of development projects.
3. Delay in the 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 IFMIS Directorate for support in application of IFMIS and the E-procurement module.*
2. *The County Public Service Board should establish and adopt an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*

4 KEY CHALLENGES AND RECOMMENDATIONS

This chapter highlights the cross-cutting issues that affected budget implementation during the reporting period. It also contains recommendations aimed at addressing the challenges in order to enhance smooth budget execution by the County Governments.

4.1 High Expenditure on Personnel Emoluments

In the first three months of FY 2018/19, the County Governments spent an aggregate of Kshs.37.13 billion on personnel emoluments (PE), which accounted for 72.8 per cent of the total expenditure for the period, and was an increase of 33.8 per cent from Kshs.27.75 billion incurred in a similar period in FY 2017/18. This expenditure exceeded the limit set by Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 on County Government's expenditure on wages and benefits of 35 per cent of the County's total revenue.

County Governments should contain expenditure on personnel emoluments at sustainable levels and in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

4.2 Delay in Submission of Financial Reports to the Office of the Controller of Budget

Section 166 (4) of the PFM Act, 2012 requires the County Treasury to prepare and submit financial reports to the Office of the Controller of Budget not later than one month after the end of each quarter. Further, Section 168 of the PFM Act, 2012 requires designated Fund Administrators of a County established Fund to submit financial reports to the Controller of Budget, not later than fifteen days after the end of each quarter.

During the period under review, the Office noted that, there were delays in submission of quarterly financial reports by the Counties, leading to late publication of the County Budget Implementation Review Report (CBIRR).

County Governments should therefore ensure timely preparation and submission of financial reports in line with Section 166 (4) and 168 of the PFM Act, 2012 and Section 16 of the Controller of Budget Act, 2016.

4.3 Under-Performance in Own Source Revenue Collection

Article 209 (3) of the Constitution, 2010 allows County Governments to generate own-source revenue from property rates, entertainment taxes and any other tax that is authorized by an Act of Parliament.

In FY 2018/19, the Counties anticipate to generate Kshs.50.06 billion from own-source revenue. During the first three months of the year, the counties had collected Kshs.7.41 billion, representing 14.8 per cent of the annual target of Kshs.50.06 billion. Although this performance is an increase of 55 per cent from Kshs.4.82 billion realized in the same period of FY 2017/18, it remains low when compared with the annual target and should be addressed to avoid hidden budget deficit, and to reduce pending bills at year end.

We advise the Counties to develop and implement strategies to mobilize own source revenue collection.

4.4 IFMIS Challenges

The National Treasury prescribed IFMIS for processing of financial transactions in line with Section 12 (1) (e) of the PFM Act, 2012 to enhance fiscal transparency, accountability and improve efficiency in public financial management.

While IFMIS has been successfully deployed to all counties, the Office observed that, there were delays in issuing of IFMIS access rights to users, delays in uploading of budgets and procurement plans on to the IFMIS platform, and general IFMIS connectivity challenges. These challenges affected the procurement process, processing of payments, and timely production of financial reports by the County Treasuries.

The Office recommends that the County Treasuries should liaise with the IFMIS Directorate for support in order to ensure smooth operation of IFMIS.

4.5 Delay by the National Treasury to Disburse the Equitable Share of Revenue Raised Nationally

In the first quarter of FY 2018/19, the National Treasury disbursed a total of Kshs.23.53 billion to the Counties as equitable share of revenue, which accounted to 7.5 per cent of the annual equitable share of revenue from the National Government of Kshs.314 billion. This low level of disbursement implies that Counties were underfunded and therefore, unable to fully implement budgeted activities.

It is therefore recommended that, the national shareable revenue be disbursed on a timely basis to ensure budget implementation is not adversely affected.

5 CONCLUSION

This report has been prepared in fulfilment of Article 228(6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016. It seeks to provide an overview of budget implementation by the County Governments in the first quarter of FY 2018/19. The report has noted the progress made by the counties in budget implementation, identified the challenges that faced budget implementation in the reporting period and also provided appropriate recommendations.

The cumulative budgets for the Counties has continued to increase and stood at Kshs.450.2 billion in FY 2018/19 compared to Kshs.410.1 billion in FY 2017/18. The increase is in line with growth in equitable share of revenue from the National Government from Kshs.302 billion in FY 2017/18 to Kshs.314 billion in the current year. Equally, funding from own source of revenue has been projected to grow from Kshs.49.22 billion in FY 2017/18 to Kshs.50.06 billion in FY 2018/19. The report shows an improvement in own source revenue collection from Kshs.4.82 billion in the first quarter of FY 2017/18 to Kshs.7.41 billion in the reporting period.

During the reporting period, the aggregate expenditure was Kshs.50.97 billion which translated to an overall absorption rate of 11.3 per cent, and was an improvement from the 9.5 per cent, or Ksh.35.43 billion attained in a similar period in FY 2017/18. A total of Kshs.47.45 billion was spent on recurrent expenditure while Kshs.3.51 billion was spent on development expenditure. The expenditure translated to an absorption rate of 17.4 per cent for recurrent expenditure and 2 per cent for development spending. Budget performance on recurrent and development expenditure was an improvement compared to that registered in a similar period of FY 2017/18 of 14.3 percent and 0.9 per cent for recurrent and development expenditure respectively.

The report also indicates that the County Governments spent a total of Kshs.37.13 billion on Personnel Emoluments (PE), which accounted for 72.8 per cent of the total expenditure for the period, and was an increase of 33.8 per cent from Kshs.27.75 billion incurred in a similar period in FY 2017/18. This high expenditure on personnel emoluments may limit funding for development activities.

In addition to high expenditure on personnel emoluments, the report has identified other challenges that affected budget execution. These included; delay in submissions of financial reports to the Office of the Controller of Budget by the County Treasuries which is contrary to Section 166 and 168 of the PFM Act, 2012, under-performance in own source revenue collection, IFMIS challenges, and delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. The report has also provided appropriate recommendations on how to address the identified challenges. The Office is hopeful that all responsible officers and institutions will implement these recommendations in order to ensure effective budget implementation in the future.

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