REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

COUNTY BUDGET IMPLEMENTATION REVIEW REPORT

FIRST QUARTER

FY 2014/2015

November 2014

PREFACE

The adoption of a new Constitution in 2010 heralded hope by Kenyans for equitable development across the country. This new Constitution embraced devolved governance structure and created forty seven county governments with the objective of bringing services and development closer to the people. In order to ensure that citizens get services from the devolved governments, the Constitution established several oversight institutions. One of these institutions is the Office of the Controller of Budget (OCOB) that was established under Article 228. Its mandate is to oversee and report on implementation of the budgets of the national and county governments. Specifically, Articles 228 (6) requires the Controller of Budget (COB) to submit to each House of Parliament a report on the implementation of the budgets of the national and county governments every four months.

This is the sixth report in a series of quarterly budget implementation review reports since the establishment of county governments. The report covers the period, July to September, 2014 and is prepared in accordance with Article 228(6) of the Constitution.

The report presents revenue and expenditure performance of each of the forty seven county governments during the period under review. It is largely based on analysis of expenditure reports from Counties and data generated from the Integrated Financial Management System (IFMIS). It is also informed by continuous monitoring of exchequer issues and reviews, and, trends from prior reporting periods. While this report provides the status of budget implementation by county governments, it also provides an assessment on the implementation of the recommendations made by OCOB to address the challenges that faced budget implementation in FY 2013/14.

The production of this report has been made possible because of the hard work and dedication of OCOB and county government staff and other stakeholders. I take this opportunity to acknowledge and appreciate all those who have contributed to the production of this report, particularly, the County Budget Coordinators and the Fiscal Analysts who spent several hours analysing financial reports from the forty seven county governments.

This budget implementation review report is one of the tools the OCOB uses to disseminate information to the Public on budget implementation as stipulated under Section 39(8) of the PFMA. We expect that the information contained in this report will not only be useful to the

Legislature, but also the Executive, stakeholders and the public at large in enhancing awareness on the status of budget implementation and in advancing effective management of public resources.

Mrs Agnes Odhiambo
Controller of Budget

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ACRONYMS

ADP	Annual Development Plan
A.I.A	Appropriations In Aid
BQ	Bills of Quantities
BROP	Budget Review and Outlook Paper
CA	County Assembly
CARA	County Allocation of Revenue Act
CARPS	Capacity Assessment and Rationalization of the Public Service
CBEF	County Budget and Economic Forum
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CEC	County Executive Committee.
CECM-F	County Executive Committee Member for Finance
CIDP	County Integrated Development Plan
CILOR	Contribution In Lieu of Rates
COB	Controller of Budget
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
DANIDA	Danish International Development Agency
E-G	Electronic Governance
G-PAY	Government Payment System
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
IBEC	Intergovernmental Budget and Economic Council
LAIFORM	Local Authority Integrated Financial Operations Management System
LATF	Local Authority Transfer Fund
MCA	Member of County Assembly
Mn	Million
MTEF	Medium Term Expenditure Framework
M&E	Monitoring and Evaluation
O&M	Operations and Maintenance

OCOB	Office of the Controller of Budget
P/E	Personnel Emoluments
PFM Act	Public Finance Management Act, 2012
SMEs	Small and Medium Enterprises

EXECUTIVE SUMMARY

This is the sixth report by the Office of the Controller of Budget (OCOB) in a series of quarterly County Governments Budget Implementation Review Reports (CBIRR) and the first CBIRR for the Financial Year 2014/15. It covers the period July to September 2014. The report presents key highlights and the status of county budget implementation. It analyses revenue by counties and expenditure against budgeted estimates.

During the first quarter of FY 2014/15, the aggregate annual budget estimates for the 47 County Governments amounted to **Kshs.311.05 billion,** comprising of Kshs.176.49 billion (57 per cent) as recurrent expenditure allocation and Kshs.134.56 billion (43 per cent) as development expenditure allocation. This combined budget was to be financed by Kshs.226.66 billion as the national equitable share of revenue, Kshs.15.77 billion as conditional grant from the National Government, and Kshs.63.07 billion from local revenue sources. The Counties also budgeted for Kshs.27.42 being unspent balances brought forward from the FY 2013/14. The Conditional grant of Kshs.15.77 billion includes Kshs.733.65 million from Danish International Development Agency (DANIDA), to the Health Sector.

During the first quarter of FY 2014/15, the total **revenue available to the Counties amounted to Kshs.84.0 billion** comprising of Kshs.37.88 billion from the National Government, Kshs.6.25 billion as local revenue, and Kshs.39.25 billion as balance brought forward from the FY 2013/14. The Kshs.37.88 billion from the National Government consisted of Kshs.28.52 billion advanced by the National Treasury and Kshs.9.06 billion which was transferred from the Consolidated Fund to various County Revenue Funds.

The Controller of Budget **approved transfer of Kshs.62.89 billion** from the County Revenue Funds to the various county operational accounts during the period. These funds consisted of Kshs.41.76 billion (66 per cent of total releases) for recurrent expenditure and Kshs.21.13 billion (34 per cent of total releases) for development expenditure.

During this period, total expenditure by counties was **Kshs.44.24 billion**, consisting of Kshs.33.83 billion (74 per cent) for recurrent activities and Kshs.**11.41 billion** (26 per cent) for development activities. The expenditure for the period under review was 70.4 per cent of the funds released and translates to an absorption rate of **14.2 per cent** of the annual county

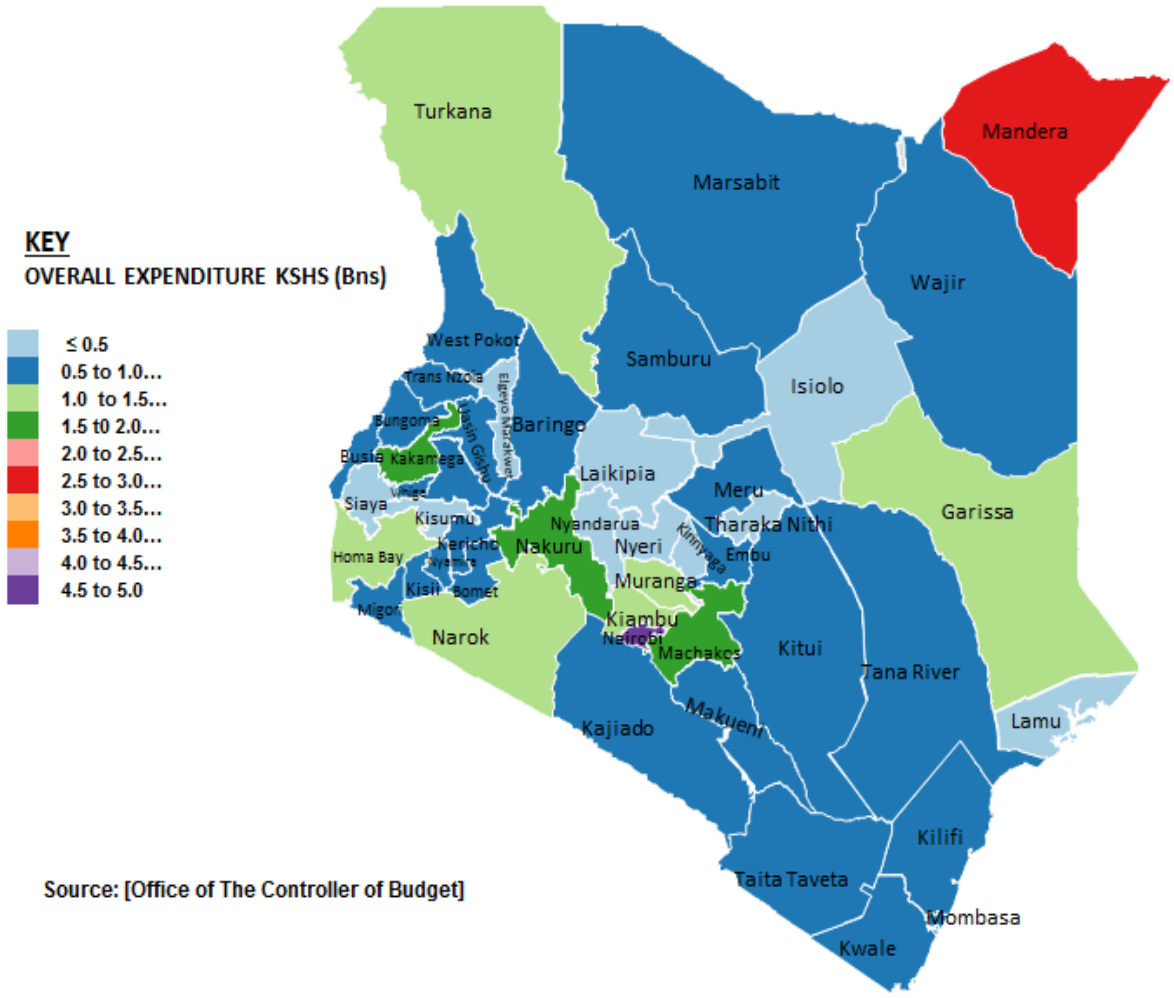
budgets. Recurrent expenditure during the period was 78.6 per cent of the funds released representing an absorption rate of **18.6 per cent** of the annual recurrent budget, while development expenditure was 54.0 per cent of the funds released and translating to an absorption rate of **8.5 per cent** of the annual development budget.

Homa Bay County registered the highest absorption of the annual budget at 26.8 per cent within the first quarter of the year followed by Mandera County at 23 per cent, and Bomet County at 20.5 per cent. The counties that recorded the least absorption of their annual budget during the period were Kisumu, Mombasa and Turkana at 4.33 per cent, 7.7 per cent and 7.4 per cent respectively. It was also noted that three counties, namely; Nairobi City, Homa Bay, and Mandera reported higher expenditure than the funds released by the OCOB at 135.6 per cent, 132.3 per cent, and 101.2 per cent respectively due to spending of local revenue at source.

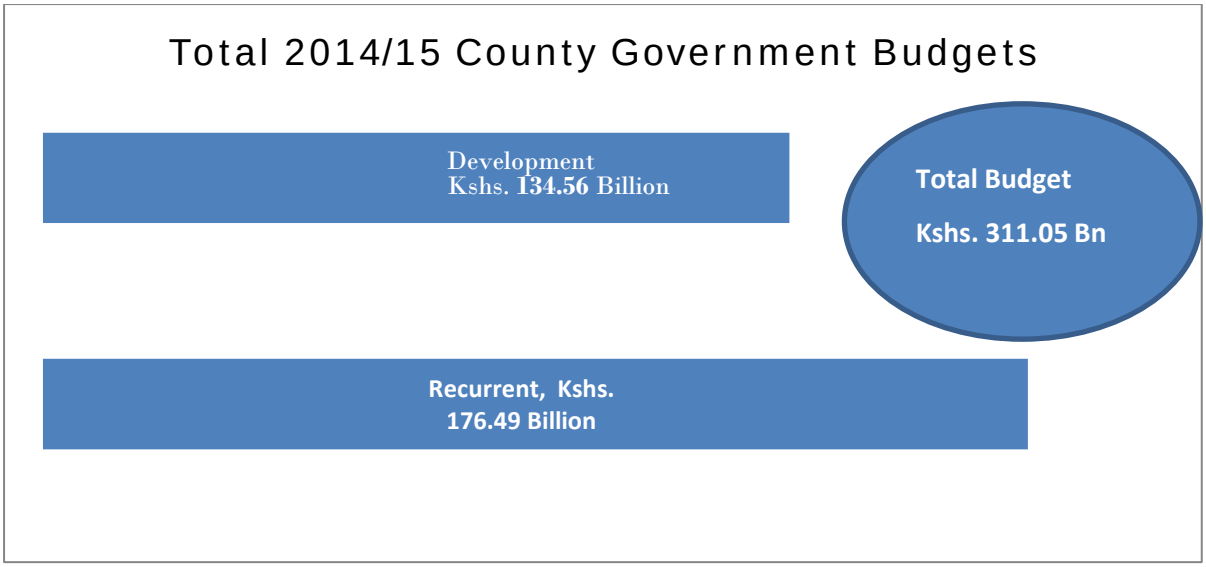
County Governments faced various budget implementation challenges during the first quarter of FY 2014/15. These included: delayed disbursement of funds by the National Treasury, non-adoption of the Integrated Financial Management Information System (IFMIS) by some County Assemblies, lack of effective internal audit arrangements, and, lapses in financial controls by some County Treasuries. The OCOB recommends that County Assemblies should fast track the adoption of IFMIS and G-PAY systems to enhance efficiency and control of financial transactions. In addition, there is need for all counties to establish effective internal audit functions. This recommendation that has been highlighted in previous reports should therefore, be prioritized. Further, the National Treasury should ensure timely disbursement of funds to the county governments for effective budget implementation.

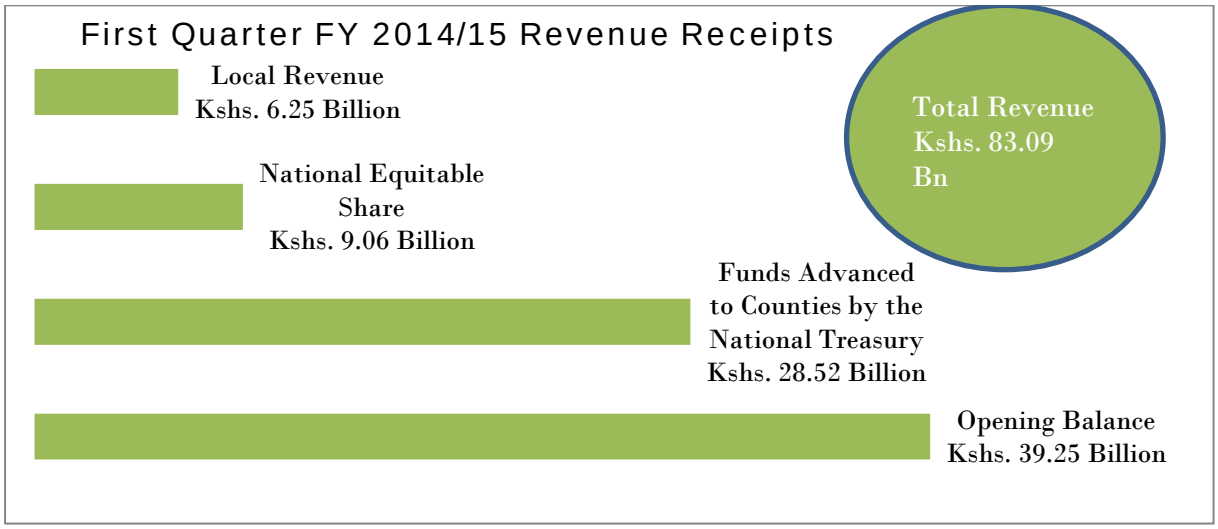
KEY HIGHLIGHTS

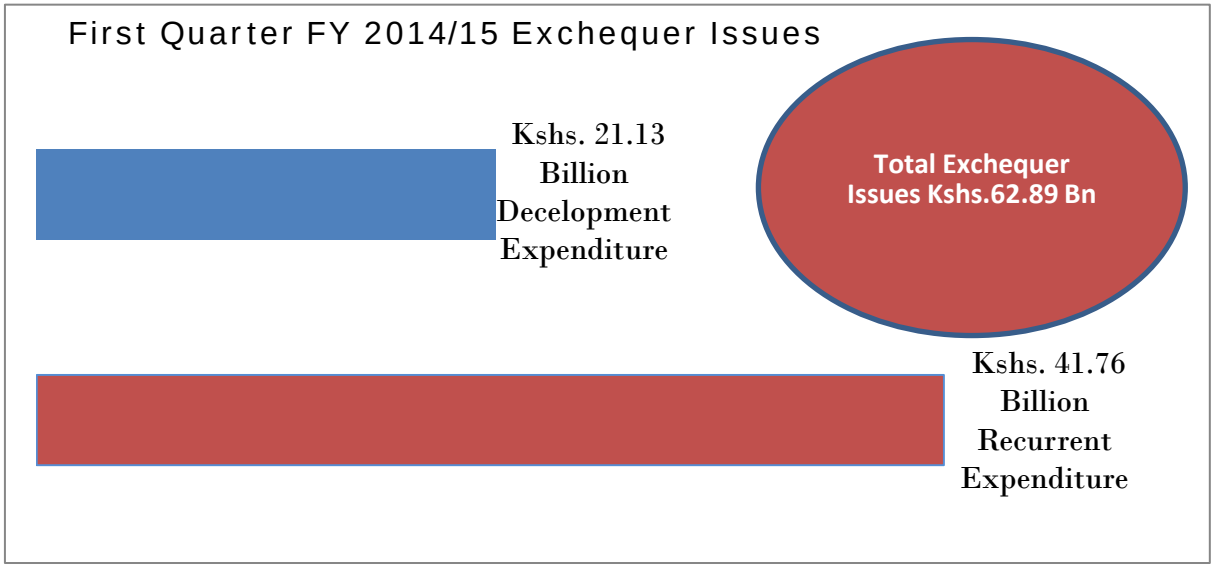
FY 2014/15 Total First Quarter Expenditure per County

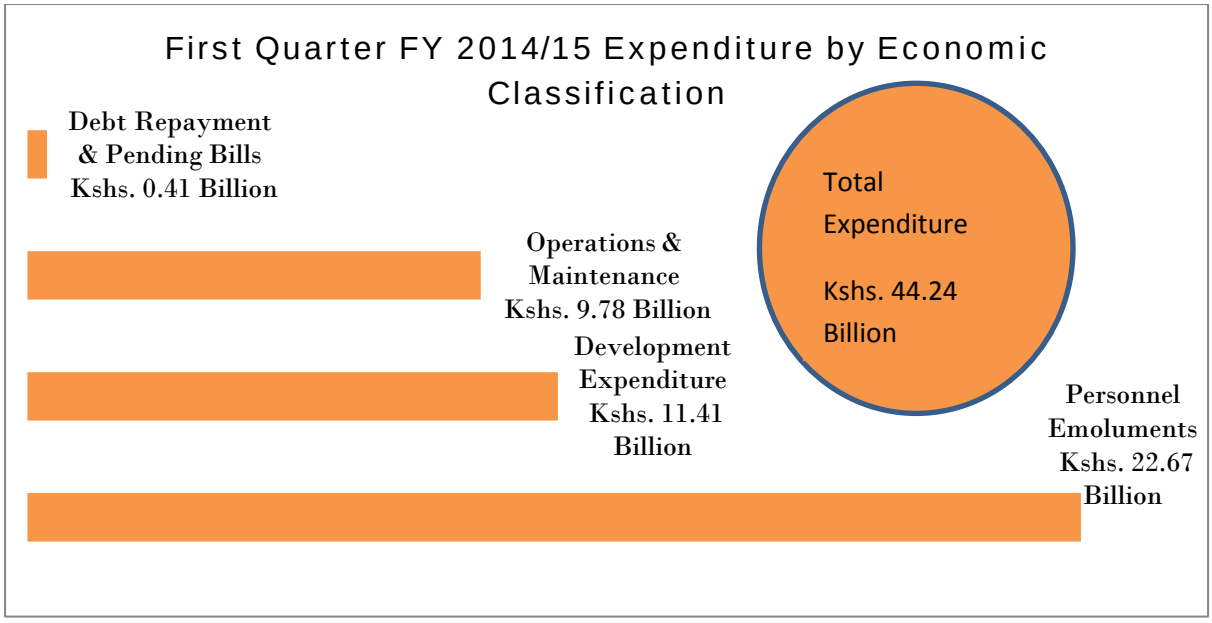


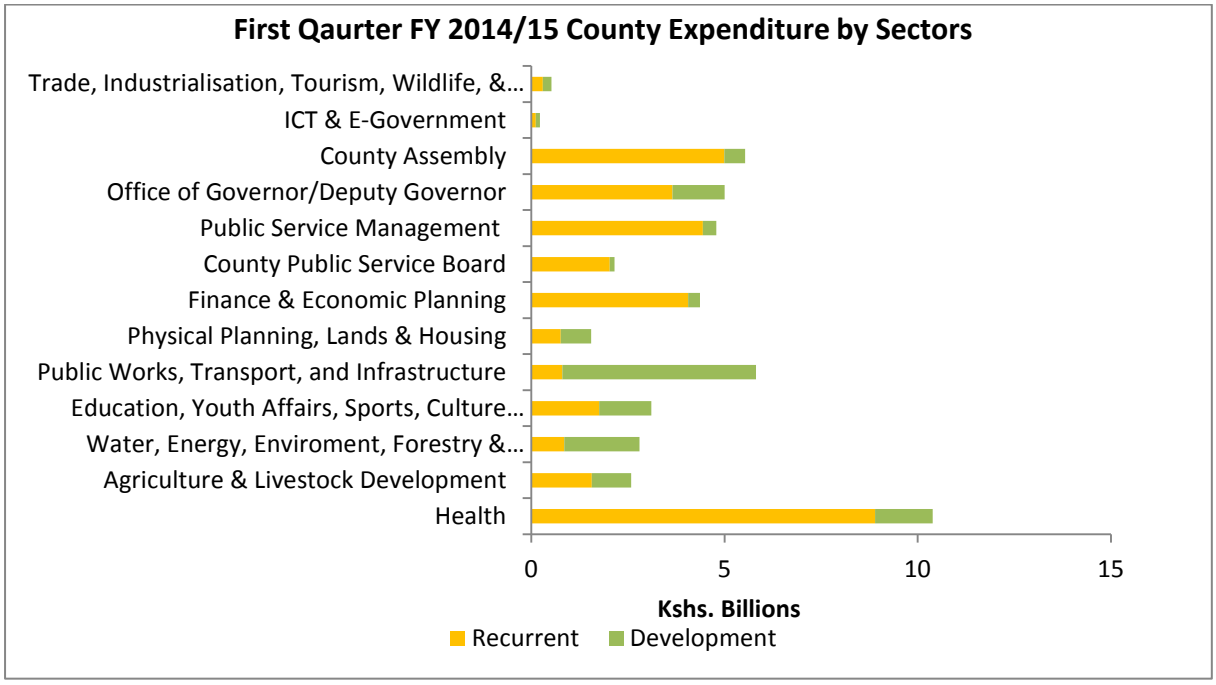
Source: [Office of The Controller of Budget]


Total 2014/15 County Government Budgets
Development
Kshs. 134.56 Billion
Total Budget
Kshs. 311.05 Bn
Recurrent, Kshs.
176.49 Billion


First Quarter FY 2014/15 Revenue Receipts
Local Revenue
Kshs. 6.25 Billion
Total Revenue
Kshs. 83.09
Bn
National Equitable
Share
Kshs. 9.06 Billion
Funds Advanced
to Counties by the
National Treasury
Kshs. 28.52 Billion
Opening Balance
Kshs. 39.25 Billion


First Quarter FY 2014/15 Exchequer Issues
Kshs. 21.13
Billion
Decelopment
Expenditure
Total Exchequer
Issues Kshs.62.89 Bn
Kshs. 41.76
Billion
Recurrent
Expenditure


First Quarter FY 2014/15 Expenditure by Economic Classification
Debt Repayment & Pending Bills Kshs. 0.41 Billion
Operations & Maintenance Kshs. 9.78 Billion
Development Expenditure Kshs. 11.41 Billion
Personnel Emoluments Kshs. 22.67 Billion
Total Expenditure
Kshs. 44.24 Billion


First Qaurter FY 2014/15 County Expenditure by Sectors
Trade, Industrialisation, Tourism, Wildlife, &...
ICT & E-Government
County Assembly
Office of Governor/Deputy Governor
Public Service Management
County Public Service Board
Finance & Economic Planning
Physical Planning, Lands & Housing
Public Works, Transport, and Infrastructure
Education, Youth Affairs, Sports, Culture...
Water, Energy, Enviroment, Forestry &...
Agriculture & Livestock Development
Health
0
5
10
15
Kshs. Billions
Recurrent
Development

1.0 INTRODUCTION

The adoption of the new Constitution of Kenya in August 2010 heralded hope for equitable development across the country. The new Constitution embraced a devolved governance structure and created forty seven county governments aimed at bringing services and development closer to the people. The forty seven county governments became operational after the general elections in March 2013.

The Constitution also established several oversight institutions with an overall aim of ensuring that citizens get services from the devolved governments. One of these institutions is the Office of the Controller of Budget (OCOB) that was established under Article 228. Its mandate is to oversee and report on implementation of the budgets of the national and county governments. Specifically, Articles 228 (6) requires the COB to submit to each House of Parliament a report on the implementation of the budgets of the national and county governments every four months.

This is the sixth quarterly CBIRR to be prepared pursuant to Article 228 (4) and 228 (6) of the Constitution. It aims at providing a review of in-year budget execution status by the county governments. The report covers the performance of county governments in the implementation of their budgets for the period July to September, 2014.

This is the first CBIRR to be prepared since county governments adopted the programme based budgeting framework. It presents analysis of budget estimates, local revenue generated, exchequer issues, and, expenditure by county governments during the period under review. The absorption rate, which is computed as the proportion of total expenditure expressed as a percentage of approved gross estimates is used to assess budget implementation.

Expenditure is disaggregated into recurrent and development expenditure. Recurrent expenditure is analysed by economic classification, namely; Compensation to Employees, and Operations and Maintenance (O&M). The O&M expenditure is further analysed by the major expenditure categories such as travel, training and maintenance expenditure. The report also assesses adherence to the fiscal responsibility principles enshrined in the PFM Act, 2012. However, it differs from previous CBIRR in that it attempts to compare performance with a similar period in the previous financial year and also develops quarterly local revenue trends.

For the first time, the OCOB was instrumental in the review of county budget estimates for the FY 2014/15. In April 2014, the COB reviewed all the forty seven draft county budgets to ensure they conform to the Constitutional requirements. One of the key observations was the need to adhere to the ceilings developed by the Commission on Revenue Allocation (CRA) for the County Assembly and the County Executive department. The enforcement of these budget ceilings led to a petition at the High Court by the County Assemblies, which is yet to be determined.

The rest of the report is as follows: chapter two provides financial highlights on budget implementation by the counties. Considerable emphasis is placed on actual expenditure against budget estimates both for individual counties and aggregates. Expenditure is classified into recurrent and development. Recurrent expenditure is further broken down into compensation to employees, operations and maintenance, debt repayment and pending bills.

Chapter three provides budget allocation and expenditure by sectors and also presents individual county performance for the first quarter of FY 2014/15. County-specific challenges encountered in budget implementation are noted and recommendations are suggested while cross-cutting challenges and recommendations are presented in chapter four. Chapter four also attempts to provide the status of cross-cutting recommendations made in the previous CBIRRs. Lastly, the conclusion is provided in chapter five.

2.0 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION

2.1 Revenue Analysis

In the FY 2014/15, the combined county governments budget estimates that were submitted to the County Assemblies for approval amounted to Kshs.311.05 billion, out of which Kshs.178.26 billion (56.7 per cent) was allocated to recurrent expenditure while Kshs.135.13 billion (43.3 per cent) was allocated to development expenditure.

During the FY 2014/15, counties expect to receive Kshs.226.66 billion as the national equitable share of revenue and conditional grants of Kshs.15.77 billion from the National Government. Revenue from local sources is projected at Kshs.63.08 billion. The Counties had also projected that they would have cash balance brought forward from F/Y 2013/14 amounting to Kshs.27.42 billion which was included in their budgets as source of finance for their F/Y 2014/15 budgets.

In the first quarter of FY 2014/15, a total Kshs.84.0 billion was available to the counties. This amount comprised of Kshs.37.58 billion (44.8 per cent) from the National Government, Kshs.6.25 billion (7.4 per cent) as local revenue and Kshs.40.14 billion (47.8 per cent) as actual cash balances brought forward from the FY 2013/14 (See Annex 1).

2.1.1 Transfers from the National Government

During FY 2014/15, the counties were allocated a total of Kshs.242.43 billion in accordance with the County Allocation of Revenue Act (CARA), 2014. The allocation consisted of Kshs.226.66 billion as the national equitable share of revenue, Kshs.1.87 billion as conditional grant towards level 5 hospitals and Kshs.13.89 billion as conditional grant for donor funded projects. In the first quarter of FY 2014/15, Kshs.37.58 billion was transferred to the counties as the national equitable share of revenue out of which Kshs.28.52 billion was an advance from the National Treasury occasioned by the delay in passage of County Allocation of Revenue Act, 2014 by Parliament.

2.1.2 Locally Collected Revenue

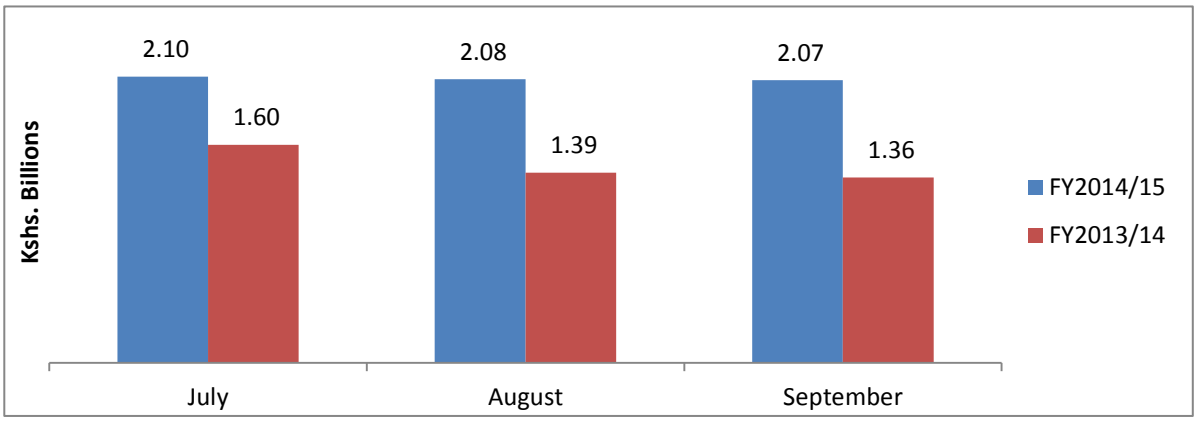
In the first quarter of FY 2014/15, counties generated a total of Kshs.6.25 billion from local sources which translates to 9.9 per cent of the total annual local revenue target. This is an improvement compared to the same period in the last financial year where counties raised Kshs.4.4 billion which was 6.5 per cent of the FY 2013/14 annual target. However, county

governments need to put measures in place to ensure local revenue targets for FY 2014/15 are achieved.

Figure 1 shows the monthly local revenue collection during the first quarter of FY 2014/15 compared to the same period in the last financial year. The analysis shows minimal variation in monthly local revenue collections during the period under review from Kshs.2.1 billion in July, 2014 to Kshs. 2.07 billion in September, 2014. The Nairobi City County attained the highest amount of local revenue at Kshs.1.78 billion during the three months period, followed by Narok and Nakuru counties that raised Kshs.509.06 million and Kshs.461.94 million respectively. Counties that raised the least amount of local revenue during the period under review were Lamu, Tana River and Mandera at Kshs.5.15 million, Kshs.5.33 million and Kshs.19.06 million respectively.

Analysis of the local revenue by counties as a proportion of their annual revenue targets during the period under review shows that Marsabit County had the highest proportion of its annual target at 47.3 per cent followed by Elgeyo Marakwet and Migori at 29.4 per cent and 28.9 per cent respectively. Conversely, counties that recorded the lowest proportion of the local revenue against annual targets were Siaya at 3.0 per cent, Mombasa at 4.1 per cent and Tana River at 4.4 per cent respectively. See **Figure 1** below.

Figure 1: Monthly Local Revenue Collection– First Quarters of FY 2013/14 and FY 2014/15



Source: *County Treasuries*

2.2 Funds Released to the Counties

During the first quarter of FY 2014/15, a total of Kshs.37.88 billion was transferred to counties by the National Government. This included Kshs.28.8 billion that was advanced to

the counties by the National Treasury and Kshs.9.06 billion that was transferred from the Consolidated Fund to the County Revenue Funds.

In the same period, the Controller of Budget approved transfer of Kshs.62.89 billion comprising of Kshs.41.76 million for recurrent activities and Kshs.21.13 million for development activities, from the CRF accounts to the various county operational accounts. A detailed analysis of the funds released to counties is discussed in section 2.1.4.

2.2.1 Funds Released to the Counties from the Consolidated Fund

In each financial year, County Allocation of Revenue Act is enacted in order to provide for the equitable allocation of revenue raised by the national government among the county governments. The National Treasury is thereafter, expected to disburse funds to counties based on this Act. The County Allocation of Revenue Act for the FY 2014/15 became effective on 5th September, 2014.

The delay in enactment of the County Allocation of Revenue Act, 2014 prompted the National Treasury to advance Kshs.28.5 billion to the County Governments. This amount was transferred to the CRF accounts in August, 2014 to ensure continuity of service delivery by county governments in accordance with Article 223 of the Constitution. It was in addition to Kshs.9.06 billion approved by the COB for transfer from the Consolidated Fund to the various County Revenue Funds during the first quarter of F/Y 2014/15.

Analysis of the funds disbursed to counties during the period under review shows that the highest disbursement was received by Nairobi City County at Kshs.2.43 billion, Kakamega County at Kshs.1.71 billion and Nakuru at Kshs.1.57 billion. On the other hand, the counties that received the least amount were Lamu at Kshs.223.74 million, Isiolo at Kshs.333.43 million and Elgeyo Marakwet at Kshs.356.69 million.

2.2.2 Funds Released to the County Operational Accounts

In the first quarter of FY 2014/15, the COB approved transfer of Kshs.62.89 billion from the CRFs to the county operational accounts. The funds released to counties comprised of Kshs.41.76 billion (66 per cent) for recurrent expenditure and Kshs.21.13 billion (34 per cent) for development expenditure.

Turkana County received the highest amount of funds at Kshs.3.49 billion followed by Nairobi City and Kilifi Counties at Kshs.3.44 billion and Kshs.2.71 billion respectively.

Conversely, Isiolo, Tharaka Nithi and Kirinyaga Counties received the least amount of funds at Kshs.380.0 million, Kshs.423.36 million and Kshs.620.06 million respectively.

Nairobi City County had the highest amount of funds released for recurrent expenditure during the period under review at Kshs.3.44 billion followed by Kiambu and Kilifi Counties at Kshs.1.85 billion and Kshs. 1.77 billion respectively. Conversely, Isiolo, Tana River and Lamu Counties had the least amount of funds released for recurrent expenditure at Kshs.330.0 million, Kshs.340.0 million and Kshs.359.97 million respectively.

Turkana, Mandera and Garissa Counties received the highest amount of development funds at Kshs.2.0 billion, Kshs.1.35 billion and Kshs.1.28 billion respectively. Conversely, five Counties namely Kajiado, Kirinyaga, Nairobi City, Siaya and Tharaka Nthi did not request funds for development expenditure.

2.3 Expenditure Analysis

During the period July to September 2014, total expenditure by the counties was **Kshs.44.24 billion representing an absorption rate of 14.2 per cent of the total annual county budgets. This absorption rate was an increase from an absorption rate of 4.8 per cent attained in the first quarter of FY2013/14.** Further analysis shows that, **recurrent expenditure was Kshs.32.83 billion, representing an absorption rate of 18.6 per cent of the annual recurrent budget. Development expenditure was Kshs.11.41 billion representing an absorption rate of 8.5 per cent.**

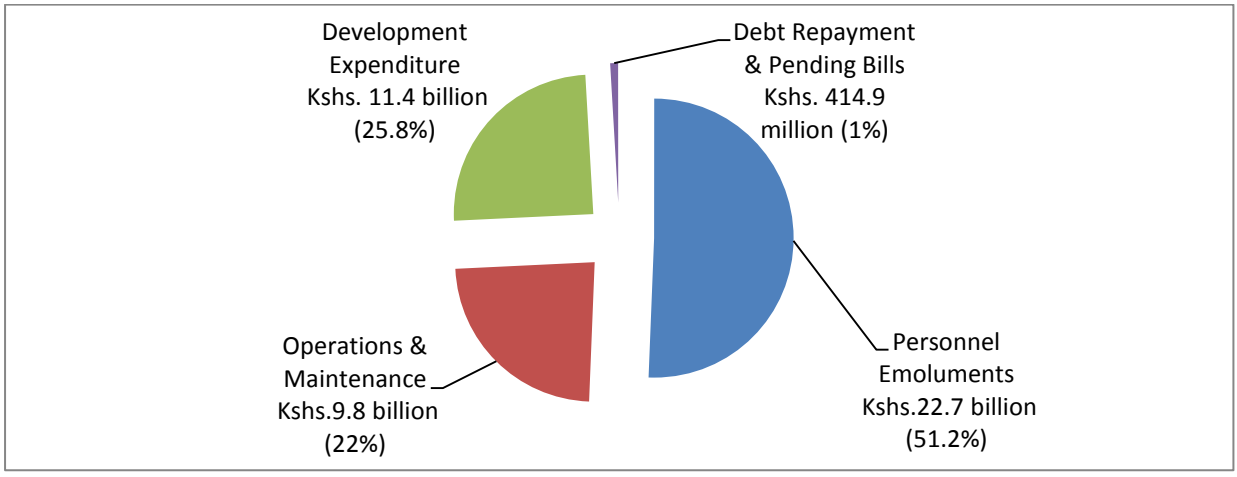
The counties that recorded the highest expenditure during the period under review were Nairobi City at Kshs.4.66 billion, Mandera at Kshs.2.66 billion and Nakuru at Kshs.1.92 billion. Lamu, Isiolo and Tharaka Nithi Counties had the least expenditure at Kshs.177.87 million, Kshs.299.18 million and Kshs.352.77 million respectively.

Analysis of expenditure during the period as a proportion of funds released shows that expenditure by three counties, namely; Nairobi City, Homa Bay and Mandera exceeded the total funds released at 135.6 per cent, 132.3 per cent and 101.2 per cent of total releases respectively. This is as a result of spending of local revenue at source, which is contrary to Article 207 of the Constitution. Counties with the least expenditure as a proportion of the funds released were Lamu at 36.6 per cent, Marsabit at 43.8 per cent and Nyandarua at 44.6 per cent.

In the period under review, **Homa Bay County had the highest absorption rate of the annual budget at 26.8 per cent followed by Mandera County at 23.0 per cent and Bomet County at 20.5 per cent.** The counties that recorded the least absorption of their annual budgets were Kisumu, Mombasa and Turkana at 4.3 per cent, 7.7 per cent and 8.4 per cent respectively.

A review of county expenditure by economic classification reveals that **Kshs.22.67 billion (51.2 per cent) was spent on personal emoluments, Kshs.11.41 billion (25.8 per cent) on development programmes, Kshs.9.75 billion (22 per cent) on operations and maintenance and Kshs.414.9 million (1 per cent) on debt payment and pending bills. Figure 2** shows analysis of expenditure by economic classification.

Figure 2: Expenditure by Economic Classification



Source: *OCOB and County Treasuries*

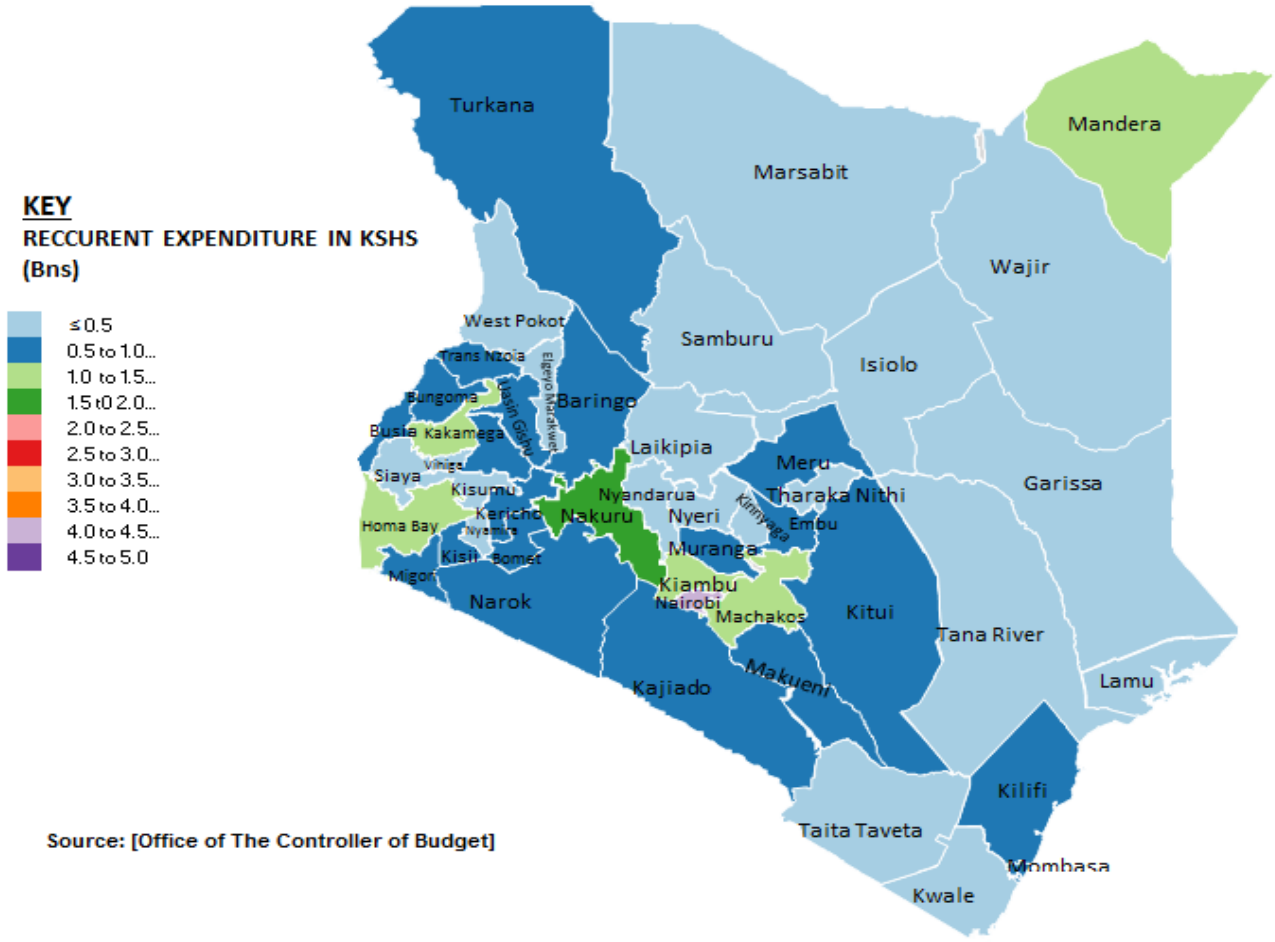
2.4 Recurrent Expenditure

Total recurrent expenditure by counties was Kshs.32.83 billion, translating to 74.2 per cent of the total expenditure during the period under review. **This represents an absorption rate of 18.6 of the annual recurrent budget, an increase from 7.5 per cent recorded in the first quarter FY 2013/14.** Out of the total recurrent expenditure, Kshs.22.67 billion (69 per cent) was spent on personnel emoluments, Kshs.9.75 billion (29.7 per cent) on operations and maintenance and Kshs.414.89 million (1.3 per cent) on debt repayment and pending bills.

The Nairobi City County reported the highest expenditure on recurrent activities at Kshs.4.38 billion followed by Nakuru and Kiambu Counties at Kshs.1.60 billion and Kshs.1.40 billion respectively. Counties that had the lowest recurrent expenditure were Lamu at Kshs.119.63 million, Samburu at Kshs.225.55 million and Marsabit at Kshs.250.11 million.

Homa Bay County recorded the highest absorption rate of the annual recurrent budget during the period under review at 33.3 per cent. Other counties that reported high absorption of recurrent budget were Mandera and Bomet at 30.2 per cent and 28.0 per cent respectively. The counties that had the lowest absorption rate of annual recurrent budget were Kisumu at 6.5 per cent, Marsabit at 7.0 per cent and Lamu at 9.6 per cent.

FY 2014/15 First Quarter Recurrent Expenditure by County



2.4.1 Personnel Emoluments

County Governments spent a total of Kshs.22.67 billion on personnel emoluments in the first quarter of FY 2014/15, which represents 69.1 per cent of total recurrent expenditure. The Nairobi City County incurred the highest expenditure on personnel emoluments at Kshs.3.42 billion followed by Kiambu County at Kshs.1.09 billion and Nakuru County at Kshs.948.21 million. Counties that had the lowest expenditure on personnel emoluments were Lamu, Samburu and Isiolo at Kshs.77.74 million, Kshs.116.20 million and Kshs.185.96 million respectively.

Analysis of personnel emoluments as a proportion of the total recurrent expenditure shows that Nyeri County recorded the highest proportion at 87.7 per cent followed by Kirinyaga County at 87.1 per cent and Laikipia County at 86 per cent. Mandera, Samburu and Kilifi Counties had the lowest proportion of their expenditure on personnel emoluments at 13.8 per cent, 21.6 per cent and 24.4 per cent respectively.

2.4.2 Operations and Maintenance

In the first quarter of FY 2014/15, the counties spent Kshs. 9.75 billion on operations and maintenance which represents 29.7 per cent of the total recurrent expenditure. Mandera County reported the highest expenditure on operations and maintenance at Kshs.1.02 billion followed by Nakuru County at Kshs.651.78 million and Nairobi City County at Kshs.627.12 million. Conversely, the counties that spent the lowest amount on operations and maintenance were Lamu, Elgeyo/Marakwet and Marsabit at Kshs.41.89 million, Kshs.44.49 million and Kshs.45.43 million respectively.

Analysis of expenditure on operations and maintenance as a proportion of total recurrent expenditure shows that Kilifi County had the highest proportion at 51.1 per cent followed by Uasin Gishu at 43.6 per cent and Kajiado at 43.5 per cent. Counties with the least proportion of expenditure on operations and maintenance as a percentage of total expenditure for the period under review were Marsabit at 7.2 per cent, Wajir at 7.7 per cent and Garissa at 8.2 per cent.

Table 1: Analysis of Expenditure by Economic Classification (Kshs.)

County Name	Personnel Emoluments	Operation & Maintenance	Development Expenditure	Debt Repayment & Pending Bills	Total Expenditure
Baringo	413,175,499	160,653,374	169,337,218		743,166,091
Bomet	442,360,580	90,515,339	409,645,910		942,521,829
Bungoma	435,612,829	348,427,195	188,219,462		972,259,486
Busia	435,923,337	173,314,514	60,966,430		670,204,281
Elgeyo/Marakwet	333,969,631	44,492,760	103,719,696		482,182,087
Embu	532,211,884	102,947,085	-		635,158,969
Garissa	394,244,999	104,323,691	778,086,310		1,276,655,000
Homa Bay	825,638,995	375,561,349	217,521,787		1,418,722,131
Isiolo	185,963,532	99,777,932	13,436,600		299,178,064
Kajiado	311,544,339	240,007,335	-		551,551,674
Kakamega	877,591,000	213,500,000	428,415,644		1,519,506,644
Kericho	532,157,711	102,737,101	102,941,913		737,836,725

County Name	Personnel Emoluments	Operation & Maintenance	Development Expenditure	Debt Repayment & Pending Bills	Total Expenditure
Kiambu	1,088,638,694	307,244,496	62,280,644		1,458,163,834
Kilifi	241,931,773	507,051,152	243,881,452		992,864,377
Kirinyaga	417,845,163	62,112,117	0		479,957,280
Kisii	484,306,619	178,666,759	183,763,500		846,736,878
Kisumu	250,024,531	116,904,633	125,610,116		492,539,280
Kitui	477,490,340	159,676,949	170,927,724		808,095,013
Kwale	288,457,521	154,834,952	294,152,278		737,444,751
Laikipia	416,650,000	59,733,143	7,900,000		484,283,143
Lamu	77,738,564.4	41,890,854	58,239,494.0		177,868,912
Machakos	812,910,622	305,248,165	526,611,616		1,644,770,403
Makueni	471,557,401	171,458,971	284,557,612		927,573,984
Mandera	366,683,312	1,021,712,927	1,270,597,772		2,658,994,011
Marsabit	204,667,546	45,438,868	384,560,782		634,667,196
Meru	629,679,248	140,122,423	222,735,943		992,537,614
Migori	409,863,941.00	121,406,968	238,645,424		769,916,333
Mombasa	650,102,469	260,904,548	36,867,469		947,874,486
Murang'a	505,384,083	159,405,279	396,529,574		1,061,318,936
Nairobi City	3,422,359,204	627,124,161	276,838,716	333,422,655	4,659,744,736
Nakuru	948,214,440	651,782,300	327,979,784		1,927,976,524
Nandi	354,286,896	208,002,765	385,352,185		947,641,846
Narok	447,595,886	330,100,510	526,105,164		1,303,801,560
Nyamira	190,723,368	206,011,204	128,308,337		525,042,909
Nyandarua	206,181,701	146,479,294	35,352,024		388,013,019
Nyeri	415,672,507	58,099,819	-		473,772,326
Samburu	116,202,630	109,343,134	312,099,134		537,644,898
Siaya	342,088,598	97,770,806	-		439,859,404
Taita/Taveta	309,120,326	188,118,416	63,580,592		560,819,334

County Name	Personnel Emoluments	Operation & Maintenance	Development Expenditure	Debt Repayment & Pending Bills	Total Expenditure
Tana River	194,422,834	162,033,817	336,320,321		692,776,972
Tharaka -Nithi	272,096,716	80,669,976	-		352,766,692
Trans Nzoia	479,354,286	195,284,127	270,684,719	50,835,593	996,158,725
Turkana	303,146,724	241,783,639	552,102,771		1,097,033,134
Uasin Gishu	367,195,014	369,338,065	80,678,584	30,630,917	847,842,580
Vihiga	200,092,431	53,032,164	279,049,067		532,173,662
Wajir	277,169,458	70,819,783	577,623,251		925,612,492
West Pokot	306,169,875	86,305,452	278,517,754		670,993,081
Total	**22,666,419,058**	**9,752,170,311**	**11,410,744,773**	**414,889,165**	**44,244,223,307**

Source: *County Analysis by OCOB*

2.4.3 Analysis of MCAs Sitting Allowances

In the FY 2104/15 Budget, the Counties set aside Kshs.3.26 billion for payment of sitting allowances to Members of the County Assemblies (MCAs). In the first quarter of FY 2014/15, the Counties spent Kshs.599.73 million on MCAs' sitting allowances, which translates to 18.4 per cent of the annual budgetary allocation. This is 26.7 per cent increase from the Kshs.473.4 million spent as MCAs sitting allowances in the first quarter of FY2013/14 The analysis of MCAs sitting allowances does not include Isiolo, Mandera, Migori and Vihiga Counties as they did not provide this information.

Nairobi City County had the highest expenditure on MCAs sitting allowances during the period under review at Kshs.45.06 million, compared to Kshs.113.3 million spent in the same period in the last financial year. Nakuru County was second, spending Kshs.36.5 million, which was a drastic increase from Kshs.7 million spent in the first quarter FY2013/14 and Kakamega County was third in the order of highest amount spent on MCAs sitting allowances at Kshs.34.97 million. The counties that reported the lowest expenditure on MCA sitting allowances were Lamu, Machakos, and, Garissa at Kshs.0.67 million, Kshs.0.72 million, and, Kshs.1.89 million respectively.

Analysis of Turkana County Assembly shows that sitting allowances for the period under review was Kshs.22.25 million which was in excess of the annual budget allocation for

MCAs sitting allowances of Kshs.11 million. Other counties that recorded high proportion of expenditure on MCA sitting allowances to the annual budget allocation during the period under review were Elgeyo/Marakwet at 49.2 per cent and Taita Taveta at 46.6 per cent. Machakos County recorded the lowest expenditure on MCA sitting allowances at 1.1 per cent as a proportion of the annual budget allocation followed by Lamu at 2.2 per cent and Baringo at 5.2 per cent.

Table 2 shows that the average monthly sitting allowance per MCA during the period under review was Kshs.87.91 million.

2.4.4 Analysis of Expenditure on Purchase of Motor Vehicles

In the F/Y 2014/15, the counties allocated Kshs.3.6 billion for purchase of motor vehicles. During the period under review, the counties spent Kshs.158.88 million on purchase of motor vehicles which represents 4.4 per cent of the annual budgetary allocation. The counties that had the highest expenditure on purchase of motor vehicles during the period under review were Makueni at Kshs. 28.99 million, Mandera at Kshs.28.48 million, and Kakamega at Kshs.24.57 million.

Table 2: Analysis of Purchase of Vehicles and MCAs Sitting Allowances

County	Purchase of Vehicles			MCA Sitting Allowances				
	Annual Budgetary Allocation (Kshs. Mn)	First Quarter Expenditure (Kshs. Mn)	Absorption	Annual Budgetary Allocation (Kshs. Mn)	First Quarter Expenditure (Kshs. Mn)	Absorption %	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
Baringo	27.4	3.7	13.3%	60.0	3.1	5.2%	49	21,263
Bomet	73.0	-	0.0%	40.3	7.8	19.4%	36	72,278
Bungoma	172.5	-	0.0%	118.3	29.6	25.0%	64	154,050
Busia	15.4	5.0	32.6%	104.8	13.8	13.2%	54	85,268
Elgeyo/Marakwet	15.0	-	0.0%	19.6	9.7	49.2%	31	103,810
Embu	38.7	-	0.0%	38.9	5.8	15.0%	34	57,222
Garissa	196.0	18.0	9.2%	10.1	1.9	18.6%	49	12,834
Homa Bay	84.7	11.5	13.6%	150.0	31.7	21.1%	64	165,120
Isiolo	49.0	-	0.0%	27.2	.0	0.0%	21	-

County	Purchase of Vehicles			MCA Sitting Allowances				
	Annual Budgetary Allocation (Kshs. Mn)	First Quarter Expenditure (Kshs. Mn)	Absorption	Annual Budgetary Allocation (Kshs. Mn)	First Quarter Expenditure (Kshs. Mn)	Absorption %	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
Kajiado	31.0	-	0.0%	30.0	3.6	11.9%	42	28,270
Kakamega	131.9	24.6	18.6%	178.1	35.0	19.6%	87	133,966
Kericho	99.8	-	0.0%	84.9	16.2	19.0%	48	112,226
Kiambu	187.0	4.4	2.4%	135.0	23.8	17.6%	88	90,114
Kilifi	34.3	4.0	11.7%	95.8	22.2	23.2%	54	137,254
Kirinyaga	44.9	-	0.0%	104.4	10.5	10.1%	30	116,672
Kisii	134.5	-	0.0%	158.7	20.9	13.2%	72	96,970
Kisumu	124.5	-	0.0%	124.0	10.2	8.3%	50	68,276
Kitui	318.0	16.5	5.2%	95.4	10.5	11.0%	58	60,198
Kwale	18.0	-	0.0%	66.2	7.6	11.5%	34	74,354
Laikipia	-	-	0.0%	49.9	2.7	5.5%	24	37,934
Lamu	9.0	0.9	10.2%	30.8	.7	2.2%	21	10,653
Machakos	269.8	9.7	3.6%	67.5	.7	1.1%	60	4,021
Makueni	52.0	29.0	55.7%	51.3	4.8	9.3%	48	33,301
Mandera	97.8	28.5	29.1%	.0	.0	0.0%	49	-
Marsabit	91.6	-	0.0%	67.6	4.4	6.5%	34	43,265
Meru	61.8	-	0.0%	161.1	13.0	8.1%	70	61,879
Migori	75.8	-	0.0%	.0	.0	0.0%	65	-
Mombasa	-	-	0.0%	36.2	12.1	33.4%	46	87,642
Murang'a	16.5	-	0.0%	61.0	13.4	21.9%	52	85,783
Nairobi City	-	-	0.0%	201.7	45.1	22.3%	128	117,342
Nakuru	48.7	-	0.0%	135.0	36.5	27.0%	75	162,222
Nandi	114.0	-	0.0%	.0	9.6	0.0%	49	65,246
Narok	114.2	-	0.0%	41.2	5.3	12.8%	48	36,708
Nyamira	165.1	-	0.0%	67.9	15.4	22.7%	34	150,840

County	Purchase of Vehicles			MCA Sitting Allowances				
	Annual Budgetary Allocation (Kshs. Mn)	First Quarter Expenditure (Kshs. Mn)	Absorption	Annual Budgetary Allocation (Kshs. Mn)	First Quarter Expenditure (Kshs. Mn)	Absorption %	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
Nyandarua	72.8	-	0.0%	79.1	20.5	25.9%	42	162,772
Nyeri	-	-	0.0%	-	20.4	0.0%	48	141,998
Samburu	12.5	-	0.0%	49.5	4.5	9.2%	27	56,038
Siaya	47.3	-	0.0%	78.6	20.4	25.9%	49	138,745
Taita/Taveta	16.5	3.1	18.8%	28.2	13.1	46.6%	36	121,690
Tana River	41.8	-	0.0%	49.0	3.5	7.1%	27	42,872
Tharaka –Nithi	61.0	-	0.0%	29.5	2.9	9.9%	25	39,161
Trans Nzoia	-	-	0.0%	74.1	18.5	25.0%	40	154,440
Turkana	152.6	-	0.0%	11.0	22.5	204.5%	48	156,000
Uasin Gishu	216.5	-	0.0%	184.2	32.7	17.7%	45	241,873
Vihiga	4.5	-	0.0%	.0	.0	0.0%	40	-
Wajir	39.7	-	0.0%	8.7	2.1	23.6%	46	14,891
West Pokot	29.2	-	0.0%	54.0	11.1	20.5%	33	112,036
Total	3,606.1	158.9	4.4%	3,259.1	599.7	18.4%	2274	87,911

2.4.5 Analysis of Expenditure on Domestic and Foreign Travels

In the FY 2014/15, the Counties allocated Kshs.8.4 billion for domestic and foreign travel. Expenditure in the first quarter of FY 2014/15 was Kshs.1.80 billion, which represents 21.2 per cent of the annual budgetary allocation. Nairobi City County had the highest expenditure on domestic and foreign travel at Kshs.151.14 million followed by Mandera County at Kshs.108.6 million and Taita Taveta County at Kshs.80.11 million. Counties which reported the lowest expenditure on domestic and foreign travels during the period under review were at Kshs.0.86 million, Vihiga at Kshs.7.19 million and Lamu at Kshs.8.72 million.

Taita Taveta County had the highest proportion of expenditure of domestic and foreign travels at 68.4 per cent of the annual budgetary allocation followed by Mandera County at

59.3 per cent, and, Homa Bay at 49 per cent. Conversely, Mombasa County recorded the lowest proportion of expenditure of domestic and foreign travels at 0.5 per cent of the annual budgetary allocation. .

A review of the expenditure on domestic and foreign travels by the two arms of the counties shows that the County Executive spent Kshs.1.02 billion which represents 56.6 per cent of total domestic and foreign travels while the County Assemblies spent Kshs.783 million which translates to 43.4 per cent. .

Table 3 : Analysis of Domestic and Foreign Travel by the Two Arms of County Governments (Amounts in Kshs. Mn)

COUNTY	COUNTY EXECUTIVE									COUNTY ASSEMBLY									Total Domestic and Foreign Travel		
	Domestic Travel			Foreign Travel			Sub Total			Domestic Travel			Foreign Travel			Sub Total					
	FY 2014/15 Annual Budget	First Quarter FY2014/15 Expenditure	Performance	FY 2014/15 Annual Budget	First Quarter FY2014/15 Expenditure	Performance	FY 2014/15 Annual Budget	First Quarter FY 2014/15 Expenditure	Performance	FY 2014/15 Annual Budget	First Quarter FY 2014/15 Expenditure	Performance	FY 2014/15 Annual Budget	First Quarter FY 2014/15 Expenditure	Performance	FY 2015/15 Annual Budget	First Quarter FY 2014/15 Expenditure	Performance	FY 2014/15 Annual Budget	First Quarter FY 2014/15 Expenditure	Performance
Baringo	55.9	12.7	22.7%	13.3	2.3	17.5%	69.2	15.0	21.7%	14.0	2.1	15.0%	33.0	3.9	11.9%	47.0	6.0	12.9%	116.2	21.1	18.1%
Bomet	21.4	13.1	61.3%	8.0	-	0.0%	29.4	13.1	44.6%	14.2	7.0	49.4%	12.0	1.9	15.6%	26.2	8.9	33.9%	55.6	22.0	39.6%
Bungoma	83.3	20.3	24.4%	-	-	-	83.3	20.3	24.4%	52.7	6.6	12.6%	-	-	0.0%	52.7	6.6	12.6%	136.1	26.9	19.8%
Busia	-	-	-	-	-	-	87.9	24.2	27.6%	0.0	0.0	-	-	-	0.0%	137.8	22.2	65.0%	225.7	46.4	20.6%
Elgeyo/ Marakwet	3.0	2.5	83.4%	2.5	-	0.0%	5.5	2.5	45.5%	8.0	6.9	86.4%	8.5	-	0.0%	16.5	6.9	41.9%	22.0	9.4	42.8%
Embu	74.1	10.9	14.8%	19.5	0.8	3.9%	93.6	11.7	12.5%	45.5	18.7	41.2%	7.0	1.0	13.9%	52.5	19.7	37.6%	146.1	31.4	21.5%
Garissa	114.3	23.9	20.9%	14.0	1.6	11.3%	128.3	25.5	19.9%	28.4	8.4	29.6%	-	-	-	28.4	8.4	29.6%	156.7	33.9	21.6%
Homa Bay	6.0	3.0	50.0%	8.2	3.4	41.1%	14.2	6.4	44.9%	51.0	34.2	67.0%	17.5	-	0.0%	68.5	34.2	49.9%	82.7	40.6	49.0%
Isiolo	86.1	21.4	24.8%	19.8	0.9	4.6%	105.9	22.3	21.1%	58.8	4.4	7.6%	14.0	0.6	4.4%	72.8	5.1	7.0%	178.6	27.4	15.3%
Kajiado	162.0	54.8	33.8%	45.8	7.5	16.5%	207.8	62.3	30.0%	106.5	9.3	8.8%	47.6	2.5	5.3%	154.1	11.8	7.7%	361.9	74.2	20.5%
Kakamega	120.8	35.5	29.4%	86.7	3.7	4.2%	207.5	39.2	18.9%	110.4	26.2	23.7%	13.0	-	0.0%	123.3	26.2	21.2%	330.8	65.4	19.8%
Kericho	64.0	6.4	10.0%	28.4	1.9	6.5%	92.3	8.3	8.9%	25.0	18.7	74.8%	24.5	11.5	46.8%	49.5	30.1	60.9%	141.8	38.4	27.1%
Kiambu	83.3	20.3	24.4%	36.6	8.2	22.5%	119.9	28.5	23.8%	45.2	23.5	52.1%	37.6	0.4	1.2%	82.8	24.0	29.0%	202.7	52.5	25.9%
Kilifi	20.0	5.6	27.9%	15.0	3.5	23.1%	35.0	9.0	25.8%	75.0	0.2	0.3%	31.2	-	0.0%	106.2	0.2	0.2%	141.2	9.3	6.6%
Kirinyaga	25.7	4.4	17.2%	8.5	0.4	5.3%	34.2	4.9	14.3%	40.0	14.4	36.1%	30.0	-	0.0%	70.0	14.4	20.6%	104.2	19.3	18.5%
Kisii	100.8	23.7	23.5%	54.4	0.3	0.5%	155.2	24.0	15.5%	77.0	24.4	31.7%	22.1	-	0.0%	99.1	24.4	24.6%	254.3	48.4	19.0%
Kisumu	195.9	10.9	5.6%	5.1	-	0.0%	201.0	10.9	5.4%	16.9	6.7	39.9%	-	-	-	16.9	6.7	39.9%	217.9	17.7	8.1%
Kitui	88.3	10.2	11.5%	41.9	3.7	8.7%	130.3	13.8	10.6%	52.1	3.4	6.6%	77.3	0.1	0.1%	129.4	3.5	2.7%	259.7	17.3	6.7%
Kwale	178.7	37.5	21.0%	19.5	-	0.0%	198.2	37.5	18.9%	48.0	4.9	10.2%	30.0	-	0.0%	78.0	4.9	6.3%	276.2	42.4	15.4%
Laikipia	59.0	12.5	21.1%	6.2	1.5	24.6%	65.2	14.0	21.4%	54.0	12.3	22.7%	10.0	1.7	16.9%	64.0	14.0	21.8%	129.2	28.0	21.6%
Lamu	44.2	4.9	11.0%	8.2	-	0.0%	52.4	4.9	9.3%	21.5	3.8	17.9%	16.7	-	0.0%	38.2	3.8	10.1%	90.6	8.7	9.6%
MACHAKOS	73.6	23.0	31.2%	47.4	17.1	36.1%	121.1	40.1	33.1%	124.0	24.5	19.8%	72.0	6.8	9.4%	196.0	31.3	15.9%	317.1	71.4	22.5%
Makueni	100.5	12.8	12.7%	51.7	0.3	0.6%	152.1	13.1	8.6%	67.1	13.4	20.0%	35.1	5.7	16.4%	102.1	19.2	18.8%	254.2	32.3	12.7%
Mandera	80.6	76.4	94.9%	11.2	-	0.0%	91.8	76.4	83.3%	55.5	32.2	58.0%	36.0	-	0.0%	91.5	32.2	35.2%	183.3	108.6	59.3%
Marsabit	75.7	14.2	18.7%	-	-	-	75.7	14.2	18.7%	104.5	3.6	3.4%	-	-	-	104.5	3.6	3.4%	180.3	17.7	9.8%

COUNTY	COUNTY EXECUTIVE									COUNTY ASSEMBLY									Total Domestic and Foreign Travel		
	Domestic Travel			Foreign Travel			Sub Total			Domestic Travel			Foreign Travel			Sub Total					
	FY 2014/15 Annual Budget	First Quarter FY2014/15 Expenditure	Performance	FY 2014/15 Annual Budget	First Quarter FY2014/15 Expenditure	Performance	FY 2014/15 Annual Budget	First Quarter FY 2014/15 Expenditure	Performance	FY 2014/15 Annual Budget	First Quarter FY 2014/15 Expenditure	Performance	FY 2014/15 Annual Budget	First Quarter FY 2014/15 Expenditure	Performance	FY 2015/15 Annual Budget	First Quarter FY 2014/15 Expenditure	Performance	FY 2014/15 Annual Budget	First Quarter FY 2014/15 Expenditure	Performance
MERU	48.5	12.1	24.9%	38.7	4.5	11.5%	87.2	16.5	18.9%	50.0	20.8	41.7%	55.0	11.2	20.3%	105.0	32.0	30.5%	192.2	48.5	25.3%
Migori	58.9	13.6	23.2%	42.7	9.7	22.7%	101.5	23.3	23.0%	70.5	24.7	35.0%	17.0	13.3	78.1%	87.5	37.9	43.4%	189.0	61.3	32.4%
Mombasa	52.7	0.1	0.3%	80.4	-	0.0%	133.0	0.1	0.1%	30.2	0.7	2.4%	20.0	-	0.0%	50.2	0.7	1.4%	183.2	0.9	0.5%
Murang'a	20.0	8.5	42.6%	10.0	1.3	12.9%	30.0	9.8	32.7%	20.2	17.1	84.7%	23.0	1.2	5.4%	43.2	18.4	42.5%	73.2	28.2	38.5%
Nairobi	288.2	63.5	22.0%	111.5	39.8	35.7%	399.7	103.3	25.8%	125.6	13.9	11.1%	90.1	33.9	37.6%	215.7	47.8	22.2%	615.4	151.1	24.6%
Nakuru	11.1	14.5	130.6%	10.0	11.8	118.1%	21.1	26.4	124.7%	69.9	16.7	23.9%	49.5	13.5	27.2%	119.4	30.2	25.3%	140.5	56.5	40.2%
Nandi	103.3	37.9	36.7%	-	-	-	103.3	37.9	36.7%	21.6	7.6	35.0%	-	-	-	21.6	7.6	35.0%	125.0	45.5	36.4%
Narok	102.2	14.3	14.0%	37.0	4.2	11.4%	139.2	18.5	13.3%	15.3	1.3	8.8%	16.8	2.1	12.3%	32.2	3.4	10.6%	171.3	22.0	12.8%
Nyamira	79.4	13.0	16.4%	-	-	-	79.4	13.0	16.4%	70.2	11.4	16.2%	44.5	5.7	12.9%	114.7	17.1	14.9%	194.1	30.2	15.5%
Nyandarua	66.8	12.8	19.1%	35.0	3.8	10.8%	101.8	16.5	16.2%	55.0	27.3	49.7%	30.0	2.2	7.2%	85.0	29.5	34.7%	186.8	46.0	24.6%
Nyeri	36.7	3.8	10.4%	16.6	3.9	23.7%	53.2	7.8	14.6%	12.0	9.5	79.2%	12.5	4.9	39.6%	24.5	14.4	59.0%	77.7	22.2	28.6%
Samburu	51.4	7.3	14.2%	40.7	2.0	5.0%	92.1	9.4	10.2%	32.9	3.5	10.5%	20.9	3.8	18.2%	53.7	7.3	13.5%	145.8	16.6	11.4%
Siaya	59.8	11.1	18.5%	22.0	4.6	21.1%	81.9	15.7	19.2%	47.0	11.6	24.7%	19.0	-	0.0%	66.0	11.6	17.6%	147.9	27.3	18.5%
Taita Taveta	47.6	16.0	33.5%	2.5	0.6	22.6%	50.1	16.5	33.0%	37.1	33.8	91.1%	30.0	29.8	99.3%	67.1	63.6	94.8%	117.2	80.1	68.4%
Tana River	105.3	46.8	44.4%	50.0	-	0.0%	155.3	46.8	30.1%	28.5	11.5	40.5%	9.5	-	0.0%	38.0	11.5	30.4%	193.3	58.3	30.2%
Tharaka Nithi	63.5	9.8	15.4%	6.6	2.2	33.1%	70.1	11.9	17.0%	19.7	2.7	13.7%	24.9	1.5	6.1%	44.6	4.2	9.5%	114.7	16.2	14.1%
Trans Nzoia	75.0	21.0	27.9%	-	4.8	-	75.0	25.7	34.3%	46.6	10.4	22.3%	27.3	2.1	7.5%	73.9	12.5	16.9%	148.9	38.2	25.7%
Turkana	100.7	21.2	21.0%	24.5	3.0	12.0%	125.2	24.2	19.3%	140.9	31.2	22.1%	58.5	7.6	13.1%	199.5	38.9	19.5%	324.7	63.0	19.4%
Uasin Gishu	131.3	14.3	10.9%	32.7	-	0.0%	164.1	14.3	8.7%	111.7	7.6	6.8%	22.8	4.5	19.6%	134.5	12.1	9.0%	298.5	26.4	8.8%
Vihiga	7.5	7.2	95.8%	-	-	-	7.5	7.2	95.8%	15.3	0.0	0.0%	-	-	-	15.3	-	0.0%	22.8	7.2	31.5%
Wajir	72.7	12.7	17.5%	10.0	-	0.0%	82.7	12.7	15.4%	23.0	8.1	35.4%	-	-	0.0%	23.0	8.1	35.4%	105.7	20.8	19.7%
West Pokot	105.6	21.4	20.2%	21.3	0.9	4.2%	126.9	22.3	17.5%	17.3	5.4	31.0%	22.7	0.5	2.2%	40.0	5.9	14.6%	166.9	28.1	16.9%
Total	3,605.5	843.8	23.4%	1,144.1	154.1	13.5%	4,837.5	1,022.2	21.1%	2355.7	587.0	24.9%	1,169.0	173.9	14.9%	3,662.4	783.0	21.4%	8,499.9	1,805.2	21.2%

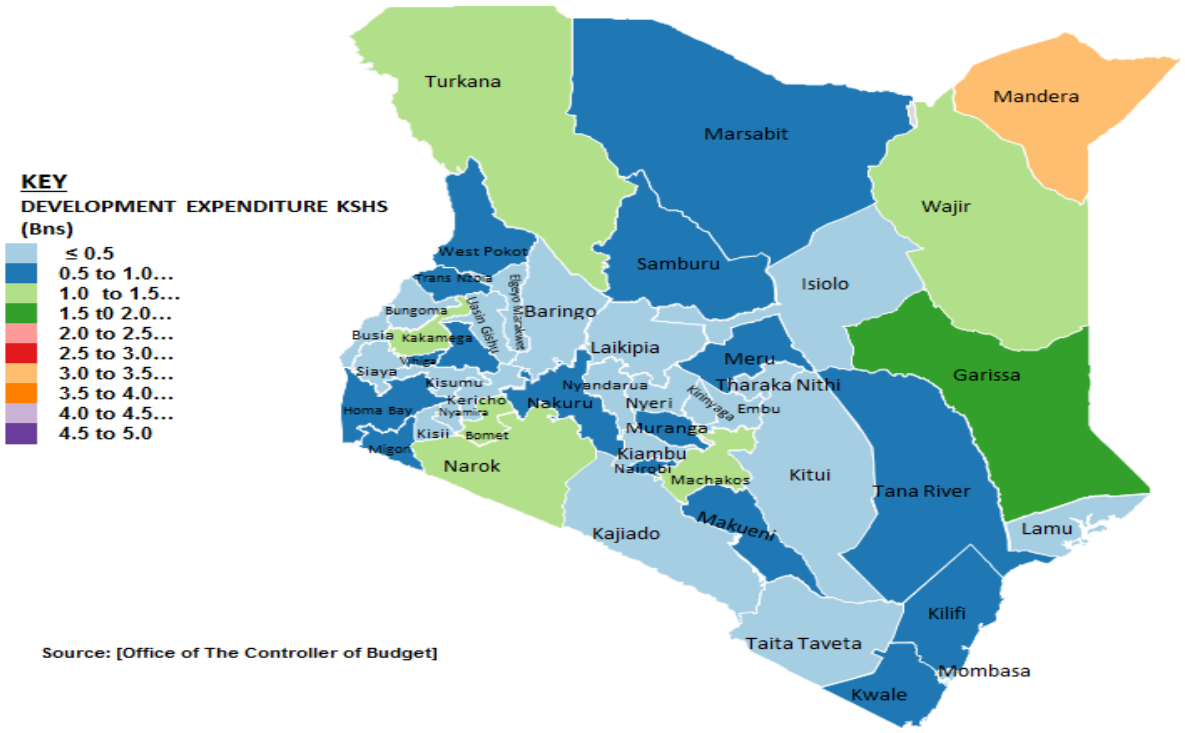
2.5 Development Expenditure

The total development expenditure by the County Governments during the first quarter of FY 2014/15 was Kshs.11.41 billion, representing 8.4 per cent absorption of the annual budget estimates, an improvement from 0.7 per cent of the total expenditure, recorded in the same period in FY 2013/14. The total development expenditure represents 54 per cent of the funds released for development expenditure in the period under review. Mandera County recorded the highest expenditure on development activities during the period under review at Kshs.1.27 billion followed by Garissa and Wajir Counties at Kshs.778.09 million and Kshs.577.62 million respectively. Six counties, namely; Embu, Kajiado, Kirinyaga, Nyeri, Siaya, and Tharaka Nithi did not report any expenditure on development projects during the period under review.

An analysis of development expenditure as a proportion of annual development expenditure budget shows that Samburu, Vihiga and Tana River counties had the highest absorption rate of the annual development budget at 22.7 per cent, 20.4 per cent and 18.9 per cent respectively.

A detailed analysis of development projects undertaken by counties is provided in chapter three under each county summary report.

FY 2014/15 First Quarter Development Expenditure by County



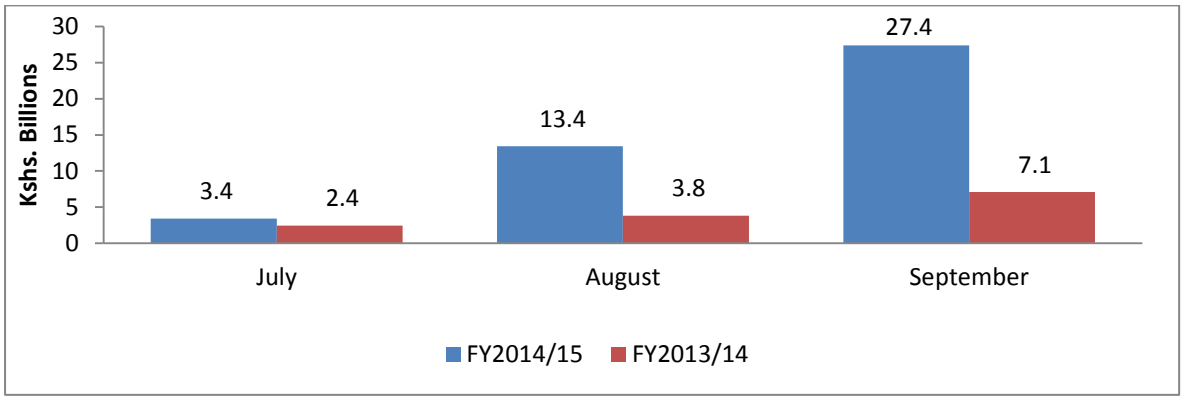
2.6 Expenditure on Debt Repayment and Pending Bills

The counties spent a total of Kshs.414.89 million on debt repayment and pending bills during the period under review, representing 0.9 per cent of the total expenditure for the period. This expenditure was incurred by three counties, namely; Nairobi at Kshs.333.4 million, Trans Nzoia at Kshs.50.8 million and Uasin Gishu at Kshs.30.6 million.

2.7 Total County Expenditure by Month

An analysis of county expenditure by month in the first quarter of FY 2014/15 indicates an increasing trend from a low of Kshs.3.4 billion in July to a high of Kshs.27.4 billion in September, 2014. A similar trend was also experienced during the first quarter of FY 2013/14. **Figure 3** below shows the monthly expenditure in the first quarter of F/Y 2013/14 and FY 2014/15.

Figure 3: Monthly Expenditure by counties (Kshs. Billions)



Source: *OCOB and County Treasury*

3.0 INDIVIDUAL COUNTY BUDGET PERFORMANCE

This chapter presents budget performance by individual County Governments. An attempt has been made to disaggregate performance by sector to help in tracking budget implementation. The sectors are classified as follows:

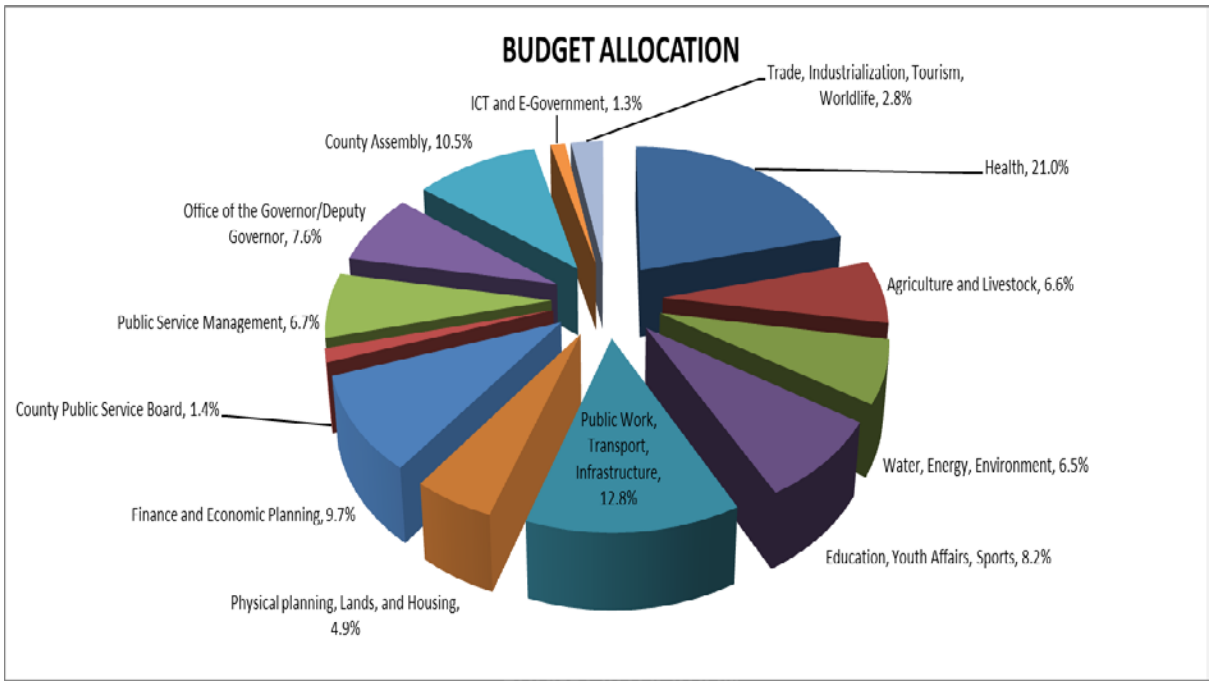
1. Health Sector;
2. Agriculture & Livestock Development;
3. Water, Energy, Environment, Forestry & Natural Resources;
4. Education, Youth Affairs, Sports, Culture & Social Services;
5. Public Works, Transport & Infrastructure;
6. Physical Planning, Lands & Housing;
7. Finance & Economic Planning;
8. County Public Service Board;
9. Public Service Management;
10. Office of the Governor/Deputy Governor (County Executive Services);
11. County Assembly;
12. ICT & E-Government; and,
13. Trade, Industrialization, Tourism, Wildlife & Cooperative Development

3.1 Budget Allocation by Sector

In the FY 2013/14, Counties budgeted for Kshs. 313.39 billion to be spent by the various sectors. Out of the thirteen sectors, Health had the highest budget allocation at 21.0 per cent of county budgets followed by Public Works, Transport and Infrastructure at 12.8 per cent and County Assemblies at 10.5 per cent.

The lowest allocation was to the Trade, Industrialization, Tourism, Wildlife & Cooperative Development sector at 1.3 per cent of the aggregate county budgets followed by ICT & E-Government, and County Public Service Board at 1.4 per cent and 2.8 per cent respectively. (See **Figure 4**).

Figure 4: Sectorial Budgetary Allocations by the Counties in FY 2014/15



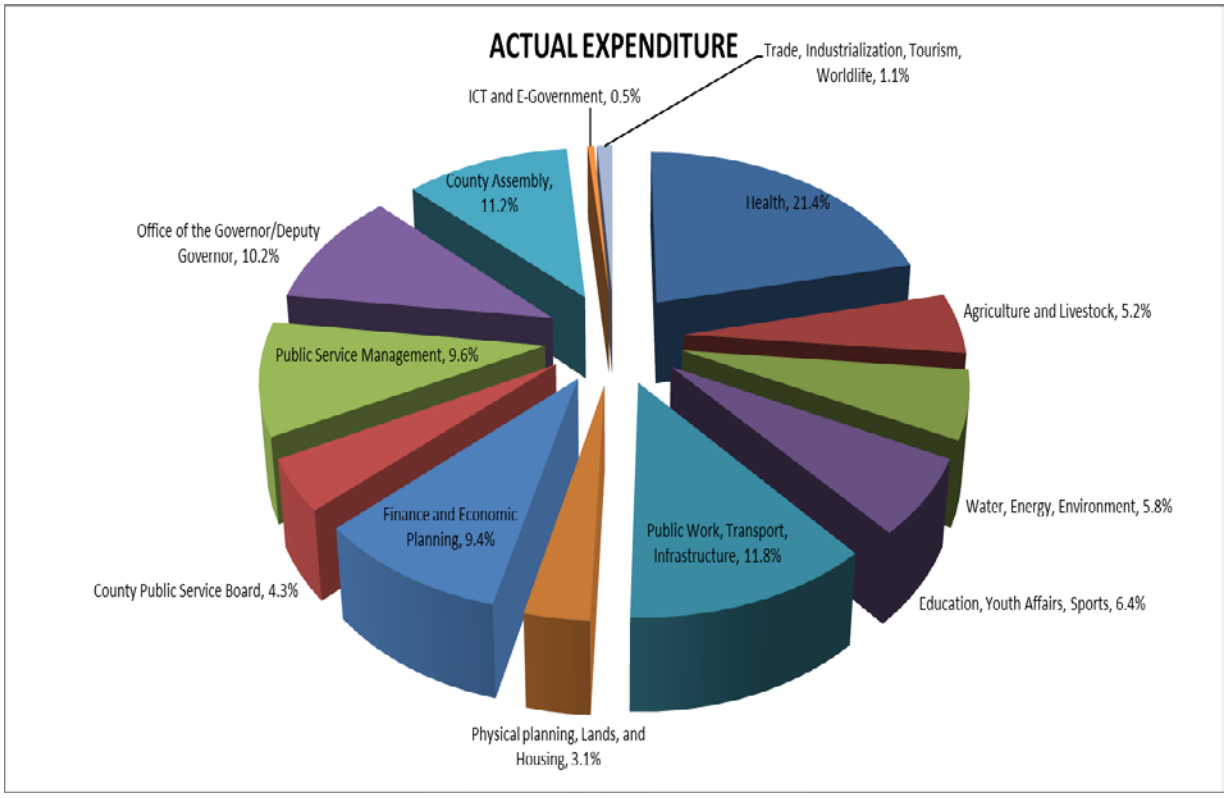
Source: *OCOB and County Treasuries*

3.2 Expenditure by Sector

Aggregate sector expenditure was Kshs.44.24 billion as summarised in figure 5. At 21.4 per cent, the Health sector had the highest proportion of expenditure as of percentage of aggregate sector expenditure for the period under review. This was followed by the Public Works, Transport & Infrastructure sector, and the County Assembly at 11.8 per cent and 11.2 per cent respectively.

The ICT & E-Government recorded the lowest expenditure at 0.5 per cent of the aggregate expenditure during the period under review. Other sectors with the lowest expenditure as a percentage total expenditure were; Trade, Industrialization, Tourism & Wildlife and the Physical Planning, Lands & Housing sectors at 1.1 per cent and 3.1 per cent respectively.

Figure 5: Cumulative actual expenditure by the County's sectors in the 1st Quarter of FY 2014/15.



Source: *OCOB and County Treasuries*

3.3 Individual County Summaries

This section provides individual County budget performance for the FY 2014/15. It analyses the actual revenue and expenditure for the period July to September, 2014 against the targets. Further, challenges faced in budget implementation are identified and recommendations aimed at improving budget implementation are provided. The 47 counties are discussed in alphabetical order.

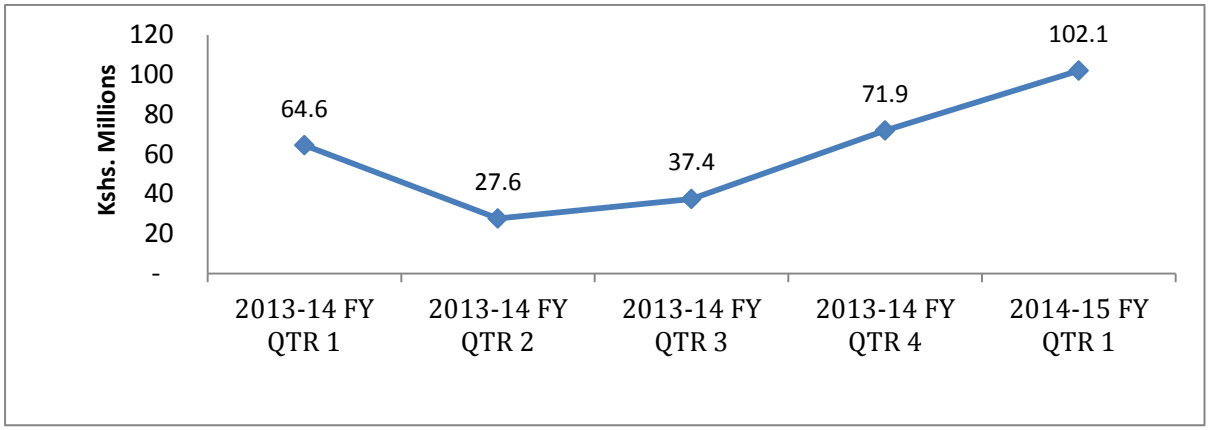
Baringo County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.5.34 billion comprising of Kshs.2.9 billion (54.4 per cent) for recurrent expenditure and Kshs.2.4 billion (45.6 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs. 3.8 billion (70 per cent), local revenue sources of Kshs.452 million (8.45 per cent) and Kshs.784 million (14.66 per cent) as projected cash balance from FY 2013/14.

In the first quarter of FY2014/15, the County received Kshs. 484 million as an advance from the National Treasury pending the approval of the County Allocation of Revenue Bill, 2014, collected Kshs.102 million from local sources and had Kshs.784 million as cash balance brought forward from FY 2013/14. The local revenue raised in the first quarter of Kshs.102.1

million was 23 per cent of the annual local revenue target, an improvement from Kshs.64.6 million collected in the same period of FY 2013/14. Figure 6 shows the trend of local revenue collection by quarter.

Figure 6: Quarterly Trend in Local Revenue Collection



Source: *Baringo County Treasury*

During the period under review the County received exchequer issues of Kshs.782 million, of which, Kshs.589 million (75 per cent) was for recurrent expenditure and Kshs.193 million (25 per cent) was for development activities.

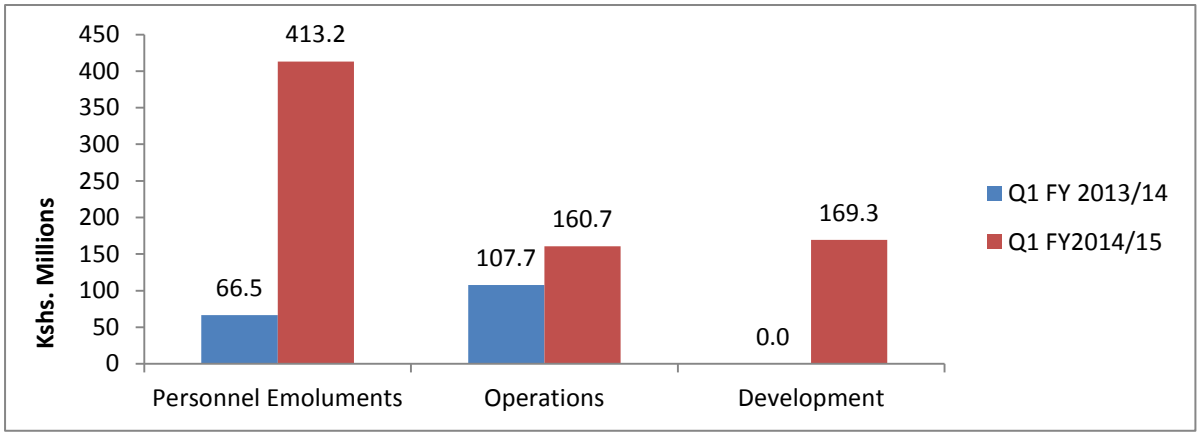
The total expenditure for the quarter was Kshs.743 million which was 95 per cent of the total funds released, an improvement from the Kshs.174 million spent in the first quarter of FY 2013/14. The County spent Kshs.573 million (77 per cent) on recurrent activities and Kshs. 169 million (23 per cent) on development activities. Recurrent expenditure was 97.4 per cent of the funds released while development expenditure accounted for 87.6 per cent.

The recurrent expenditure for the period under review represented an absorption rate of **19.8 per cent** of the **annual recurrent budget**, an increase from an absorption rate of **4 per cent** realized in the first quarter of FY2013/14. Development expenditure recorded an absorption rate of **6.9 per cent** of the **annual development budget**, an improvement compared to the same period in FY 2013/14 when the County did not spend any funds on development activities.

Analysis of the recurrent expenditure of Kshs.573 million shows that the County spent Kshs.413 million on personnel emoluments which represents 72 per cent of the total recurrent expenditure and Kshs.160 million on operations and maintenance expenditure which is 28 per

cent of the total recurrent expenditure for the quarter. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 7.

Figure 7: First Quarter Expenditure, Baringo County

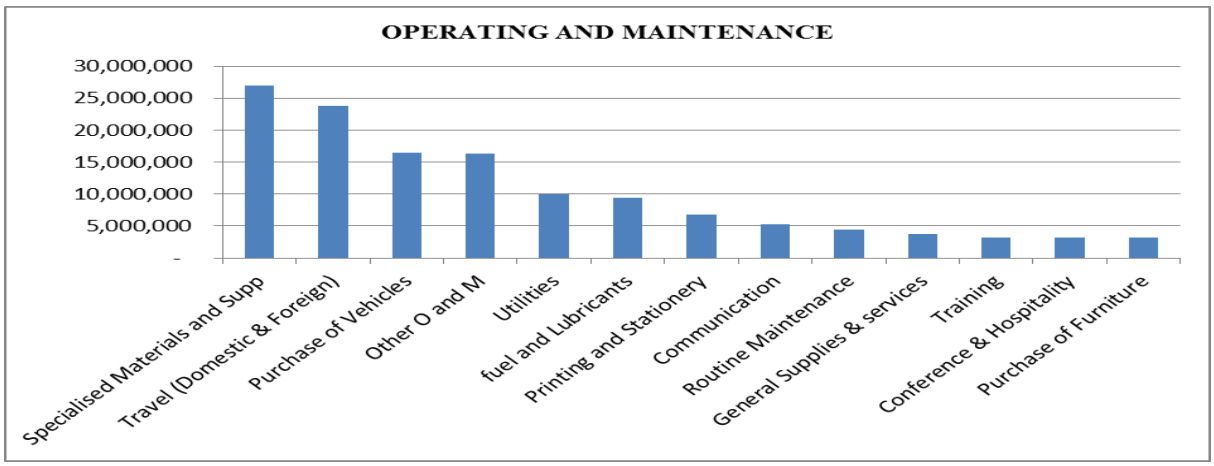


Source: *Baringo County Treasury*

The County spent Kshs.3.1 million on payment of sitting allowances to the 49 members of the County Assembly representing an absorption rate of 5.2 per cent of the annual budget. Expenditure on domestic and foreign travel amounted to Kshs. 21.09 Million in the first quarter of FY 2014/15 compared to Kshs.27.21 million in the first quarter of FY 2013/14

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 8**.

Figure 8: Operations and Maintenance Expenditure, Baringo County (in Kshs.)

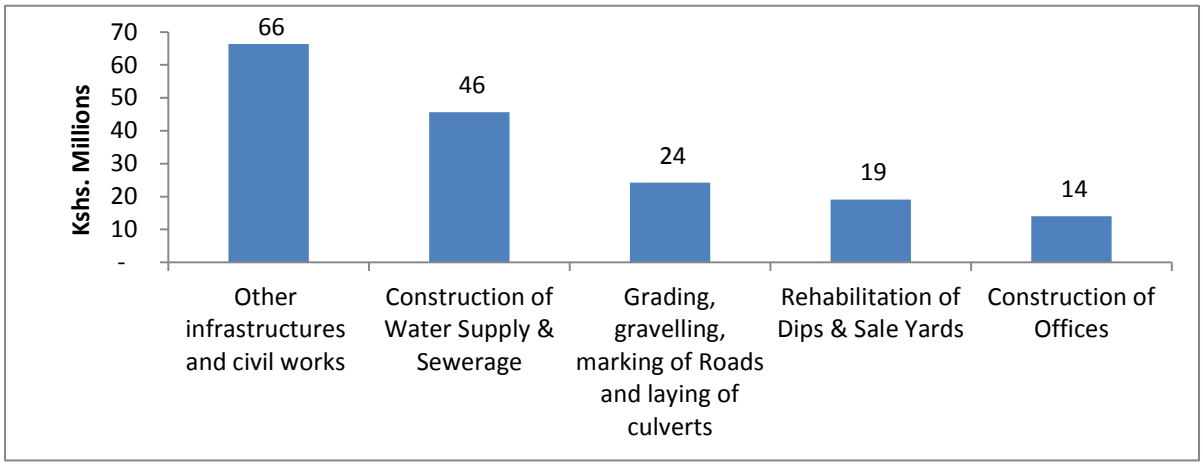


Source: *Baringo County Treasury*

Analysis of the development expenditure for the period under review of Kshs.169 million shows that the County spent Kshs.24 million on development and maintenance of access roads, Kshs.14 million on construction and refurbishment of buildings, Kshs.45 million on

maintenance and construction of water supplies and irrigation and Kshs.66 million on development of other infrastructure and civil works as shown in Figure 9.

Figure 9: Analysis of Development Expenditure, Baringo County



Source: *Baringo County Treasury*

During the period under review, the office noted minimal effort in the implementation of the recommendations made in previous CBIRRs. The main challenges that have been identified in the past include; (i) need to enhance staffing levels of the technical units, (ii) development of monitoring and evaluation frameworks; and (iii) improving capacity of the procurement unit, including establishment of various committees.

During monitoring of the budget in the period under review, the office noted the following issues that need to be addressed;

1. Low absorption of development funds.
2. Lack of Internal Audit Committee contrary to Section 155(5) of the PFMA, 2012.
3. Commitments by county entities that exceeded budget allocations.
4. Failure to include FY 2013/14 pending bills in the FY 2014/15 budget.

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

1. *Build capacity of technical departments to boost implementation of development activities.*
2. *Establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012 to enhance prudent public financial management.*
3. *All county entities should limit commitments to the budget ceilings based on the Baringo County Appropriation Act, 2014 in all in-year procurement actions.*

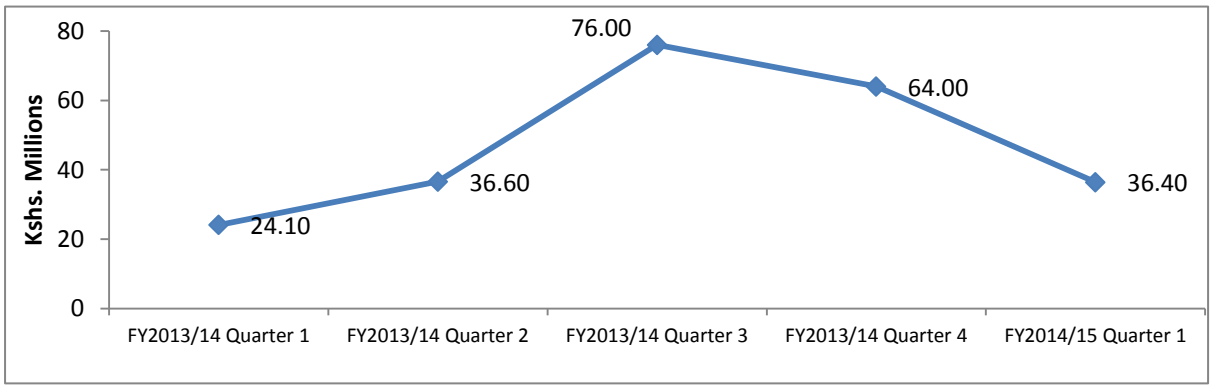
4. *The County should consider/include pending bills whenever developing budget estimates for the ensuing year.*

Bomet County

The Bomet County Budget Estimates for the FY 2014/15 amounted to Kshs.4.6 billion comprising of Kshs. 1.9 billion (41.3 per cent) for recurrent expenditure and Kshs.2.7 billion (58.7 per cent) for development expenditure. The budget was to be financed by Kshs.4.1 billion (89.3 per cent) from the national equitable share, Kshs.380.4 million (8.3 per cent) from local revenue sources, and Kshs.12.6 million (0.3 per cent) from DANIDA.

In the first quarter of FY2014/15, the County received Kshs.371.1 million as the national equitable share of revenue, Kshs.515.4 million as an advance from the National Treasury, collected Kshs.36.4 million from local sources, and had Kshs.152.0 million as cash balance from FY 2013/14. The county generated Kshs. 36.4 million in local revenue in the first quarter, which was 9.6 per cent of the annual local revenue target, an improvement from Kshs. 24.1 million collected in the same period of FY 2013/14. Figure 10 shows the trend in local revenue collection by quarter.

Figure 10: Quarterly Trend in Local Revenue Collection



Source: *Bomet County Treasury*

In the period under review, the County received a total of Kshs. 1.1 billion, of which, Kshs. 560 million (51.8 per cent) was for recurrent expenditure while Kshs. 521 million (48.2 per cent) was for development activities.

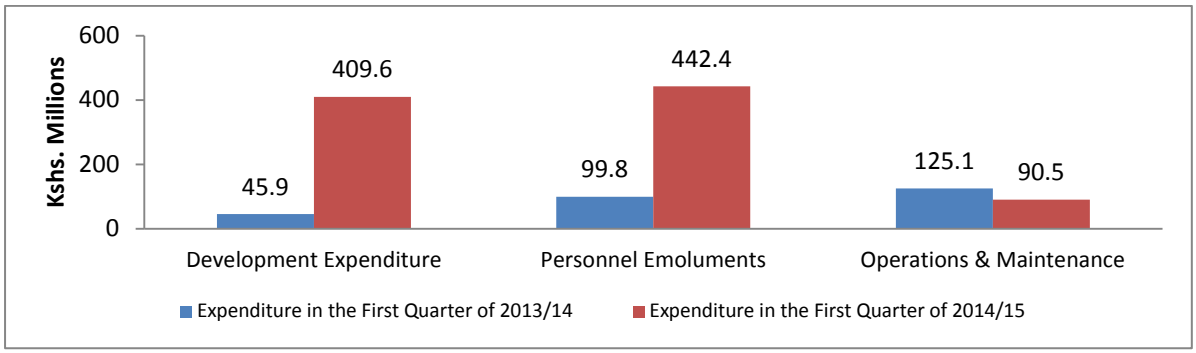
In the first quarter, the County's total expenditure was Kshs. 943 million which was 87.2 per cent of the funds released, an increase from Kshs. 270.8 million spent in the first quarter of

FY 2013/14. This comprised of Kshs. 532.9 million (56.5 per cent) spent on recurrent activities and Kshs. 409.6 million (43.5 per cent) on development activities. Recurrent expenditure was 95.2 per cent of the funds released while development expenditure accounted for 78.6 per cent.

The Recurrent expenditure for the period under review represented an absorption rate of **28.0 per cent** of the annual recurrent budget, an increase from an absorption rate of **12.4 per cent** realized in the first quarter of FY2013/14. The development expenditure reported an absorption rate of **15.2 per cent** of the annual development budget, an improvement from **2.3 per cent** recorded in the same period last financial year.

Analysis of the recurrent expenditure of Kshs. 532.9 million shows that the County spent Kshs. 442.4 million on personnel emoluments which translates to 83 per cent of the total recurrent expenditure for the period and Kshs. 90.5 million on operations and maintenance expenditure which is 17 per cent of the total recurrent expenditure. A comparison of the total expenditure for the period under review and the same period last financial year is shown in **Figure 11.**

Figure 11 : First Quarter Expenditure, Bomet County

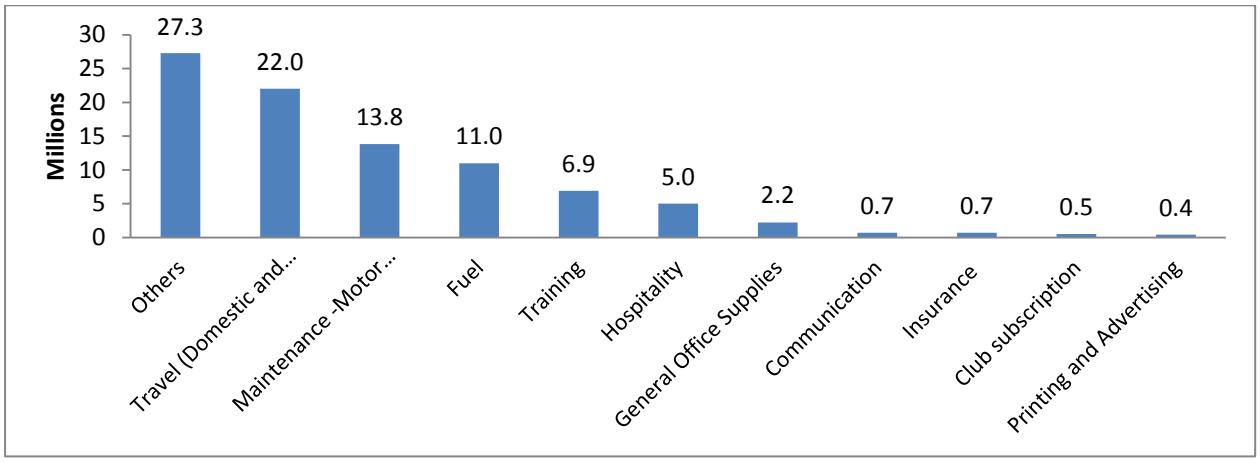


Source: *Bomet County Treasury*

The County spent Kshs.7.8 million as payment of sitting allowances to the 63 members of the County Assembly, representing an absorption rate of 19.4 per cent of the annual budget for MCA sitting allowances.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 12**. Expenditure on domestic and foreign travel amounted to Kshs. 22 Million in the first quarter of FY 2014/15 compared to Kshs.8.36 million in the first quarter of FY 2013/14. A breakdown of domestic and foreign travel between the County Executive and County Assembly is provided in **Table 3.**

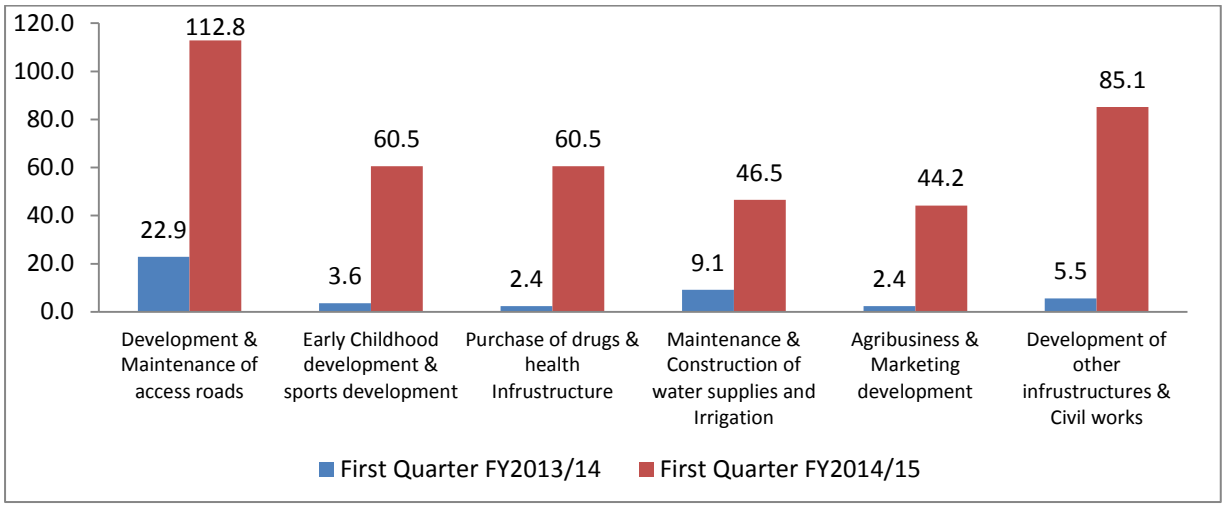
Figure 12: Operations and Maintenance Expenditure, Bomet County



Source: *Bomet County Treasury*

In the period under review, development expenditure was Kshs. 409.6 million which was an improvement from Kshs. 45.8 million spent in the same period in FY 2013/14. Analysis of the development expenditure shows that Kshs.112.8 million was spent on development and maintenance of access roads, Kshs.60.5 million on early childhood and sports development, Kshs.60.5 million on purchase of drugs and health infrastructure, Kshs.46.5 million on maintenance and construction of water supplies and irrigation, Kshs.44.2 million on agribusiness development and Kshs.85.1 million on development of other infrastructure and civil works. **Figure 13** summarises first quarter development expenditure in FY2013/14 and FY2014/15.

Figure 13: Analysis of Development Expenditure, Bomet County



Source: *Bomet County Treasury*

The office has noted that the County did not fully implement the recommendations on budget implementation made in the previous CBIRRs. These included: (i) the need to fully adopt IFMIS and G-Pay systems; (ii) utilization of funds as per the Departmental approved work plans, and (iii) full adherence to Section 116 of the PFM Act, 2012 in relation to establishment of county funds.

During monitoring of the budget in the period under review, the office noted the following issues that need to be addressed:

1. Delay in passing of the critical budget documents such as the Appropriation Bill, CIDP and ADP.
2. Delayed disbursement of funds by the National Government for the FY 2014/15 which affected the budget implementation as there was no expenditure in the month of July 2014.
3. Minimal use of the IFMIS accounting system and the G-Pay payment system.

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

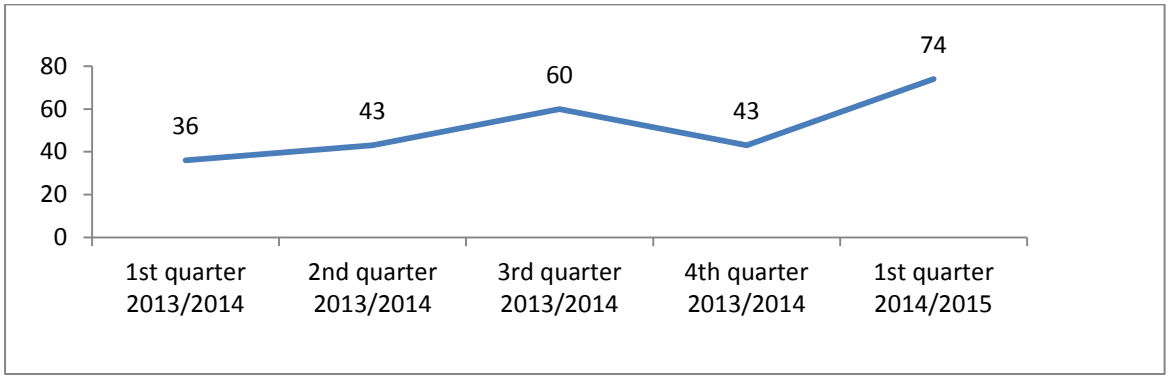
1. *Ensure timely passage of key planning documents and bills as guided by the PFM Act, 2012.*
2. *The National Treasury should disburse funds in a timely manner per the CARA, 2014 disbursement schedule.*
3. *The County must ensure full adherence to the IFMIS system of accounting and G-pay payment system.*

Bungoma County

The Bungoma County Estimates for the FY 2014/15 amounted to Kshs. 8.27 billion comprising of Kshs. 4.11 billion (49.7 per cent) for recurrent expenditure and Kshs. 4.16 billion (50.3 per cent) for development expenditure. This budget will be financed by the national equitable share of Kshs. 7.19 billion (70.9 per cent), local revenue of Kshs. 475 million (4.7 per cent), Kshs. 599 million (5.9 per cent) from Appropriation-In-Aid (A-I-A) and Kshs. 1.87 billion (18.5 per cent) as projected cash balance from FY 2013/14.

During the period under review, the County received Kshs. 837.21 million as an advance from the National Treasury, collected Kshs. 74.86 million from local sources including A-I-A and had Kshs. 461.8 million as cash balance from FY 2013/14. The local revenue raised in the first quarter was 4 per cent of the annual local revenue target. **Figure 14** shows the trend in local revenue collection by quarter.

Figure 14: Quarterly Trend in Local Revenue Collection (Kshs. Million**)**



***Source**: Bungoma County Treasury*

Funds released to the County during the period under review amounted to Kshs.1.35 billion, out of which, Kshs. 821.8 million (61.0 per cent) was for recurrent expenditure while Kshs. 524.34 million (39.0 per cent) was for development activities.

The total expenditure in the period under review was Kshs.972.26 million which was 72.2 per cent of the funds released. The County spent Kshs.784.04 million (80.6 per cent) on recurrent activities and Kshs.188.22 million (19.4 per cent) on development activities. Recurrent expenditure was 95.4 per cent of the funds released while development expenditure accounted for 35.9 per cent of the funds released.

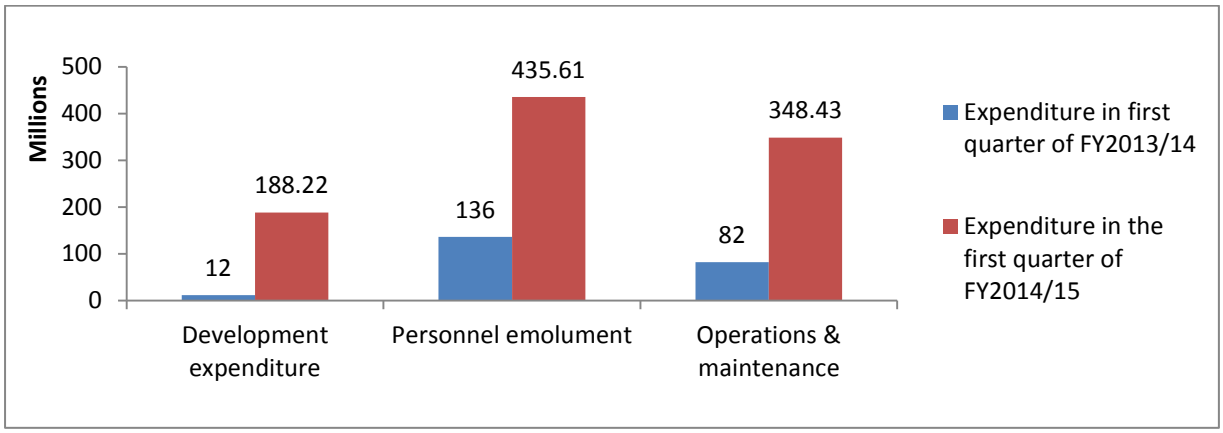
The recurrent expenditure for the period under review represented an absorption rate of **19.1 per cent** of the annual recurrent budget, an increase from an absorption rate of **4 per cent** realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **4.5 per cent** of the annual development budget, an improvement from **0.3 per cent** recorded in the same period last financial year.

Analysis of the Kshs.784.04 million spent on recurrent activities shows that the County spent Kshs.435.61 million on personnel emoluments which represents 55.6 per cent of the total recurrent expenditure and Kshs. 348.43 million on operations and maintenance which is 44.4

per cent of the total recurrent expenditure for the quarter. A total of Kshs.29.58 million was spent on payment of sitting allowances to the 64 members of the County Assembly against an annual budget of Kshs.118.31 million representing an absorption rate of **25.0 per cent**.

Comparison of the total expenditure between the period under review and the first quarter of FY 2013/14 is shown in Figure 15.

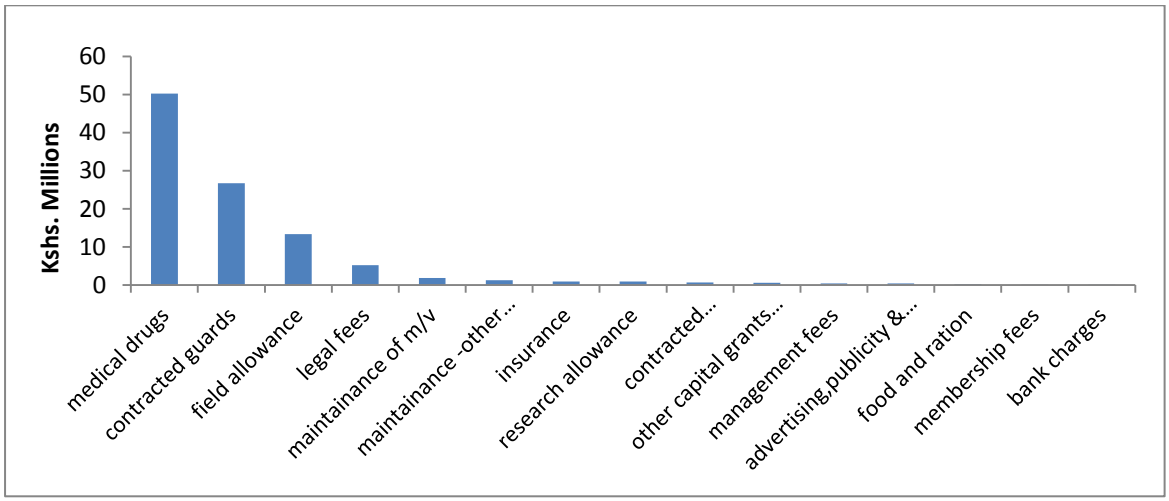
Figure 15 : Analysis of Total Expenditure, Bungoma County



Source: *Bungoma County Treasury*

Expenditure on domestic and foreign travel amounted to **Kshs.26.93 million** in the first quarter of FY 2014/15 compared to **Kshs. 34.43 million** in the first quarter of FY 2013/14. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 16.

Figure 16: Operations and Maintenance Expenditure, Bungoma County

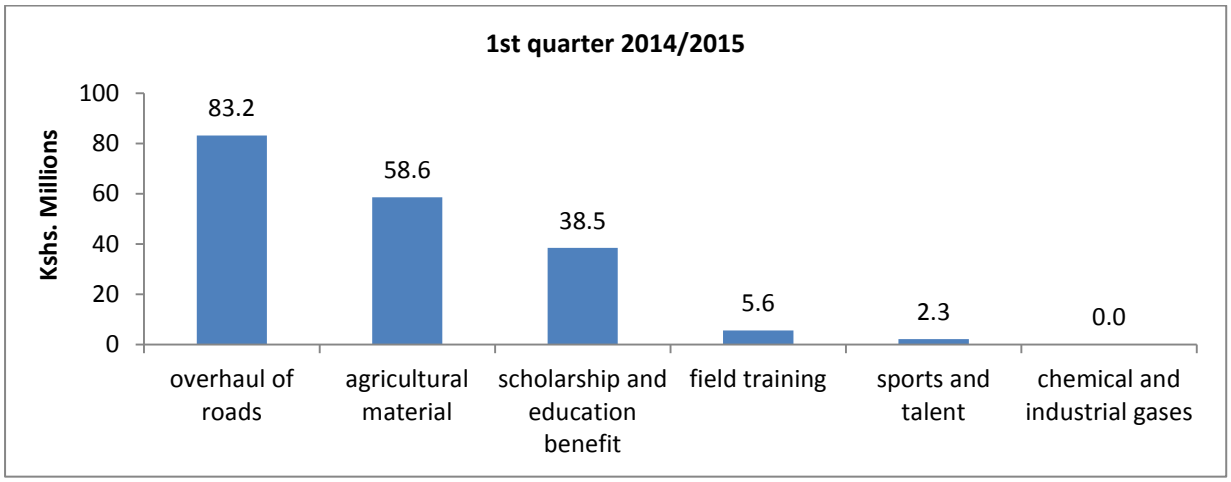


Source: *Bungoma County Treasury*

The breakdown of development expenditure for the period under review is shown in

Figure 17).

Figure 17: Analysis of Development Expenditure, Bungoma County (Kshs. million)



Source: *Bungoma County Treasury*

During the period under review, it was noted that the County had instituted measures to improve on revenue collection as recommended by OCOB in the previous CBIRRs. This includes; initiating the process of procuring an electronic system for revenue collection; training of enforcement officers to help boost revenue collection, and putting in place mechanisms that have improved on accountability and internal controls. However, the recommendation on cessation of operation of ward offices by the County Assembly has not been addressed. MCAs have continued to receive imprest of Kshs. 300,000 per elected MCA on quarterly basis to cover expenses for the ward offices.

During monitoring of the budget in the period under review, the office noted the following issues that need to be addressed:

1. Low absorption of development funds. The absorption of development fund remains low at 5 per cent of the annual development budget.
2. The County has allocated money to various funds for instance, Bungoma County Women Development fund, Bungoma County Youth Development Fund, Emergency fund, Bungoma County trade launch fund and Bursary fund without putting in place regulations to operationalize the County funds. This is against Section 116 of PFM Act, 2012.

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

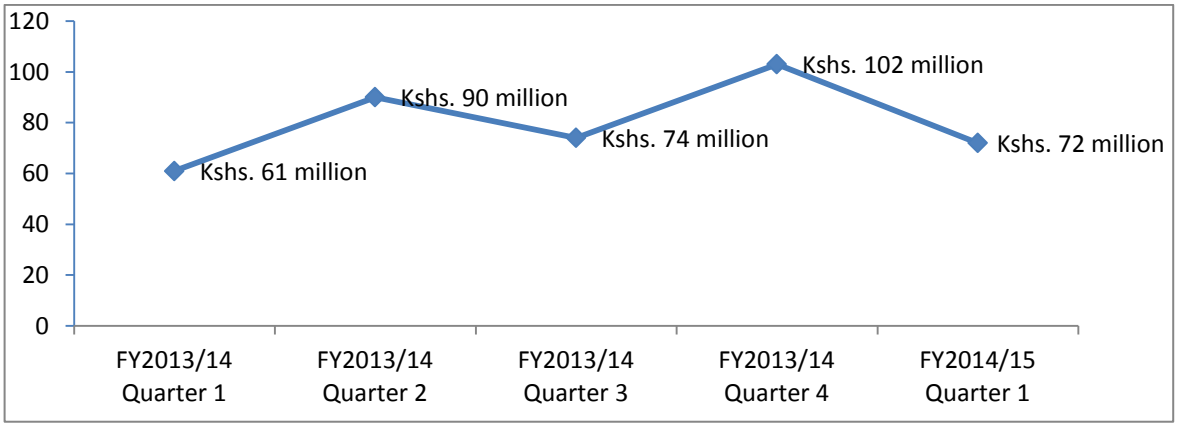
1. *The County leadership should identify the causes of low utilization of development funds and address the causes to improve execution of development projects.*
2. *All funds created in the County should be operated within the legal framework, i.e. section 116 of PFM Act, 2012.*
3. *MCAs should not be given cash to pay ward staff. All ward staff should be included in the payroll system.*

Busia County

The Busia County Estimates for the FY 2014/15 amounted to Kshs.5.5 billion comprising of Kshs.3.09 billion (56.2 per cent) for recurrent expenditure and Kshs.2.41 billion (43.8 per cent) for development expenditure. This budget will be financed by the national equitable share of Kshs.4.75 billion (86.1 per cent), and local revenue of Kshs.766.22 million (13.9 per cent).

During the period under review, the County received Kshs. 593.36 million as the national equitable share, collected Kshs.72.79 million from local sources, and had Kshs.556.77 million as cash balance from FY 2013/14. The local revenue raised in the first quarter amounting to Kshs.72.79 million (9.4 per cent of the annual local revenue target), was an improvement from Kshs.63.1 million, collected in the same period of FY 2013/14. **Figure 18** shows the trend in local revenue collection by quarter.

Figure 18: Quarterly Trend in Local revenue Collection



Source: Busia County Treasury

Funds released to the County during the period under review amounted to Kshs. 830 million, of which, Kshs. 630 million (75.9 per cent) was for recurrent expenditure while Kshs. 200 million (24.1 per cent) was for development activities.

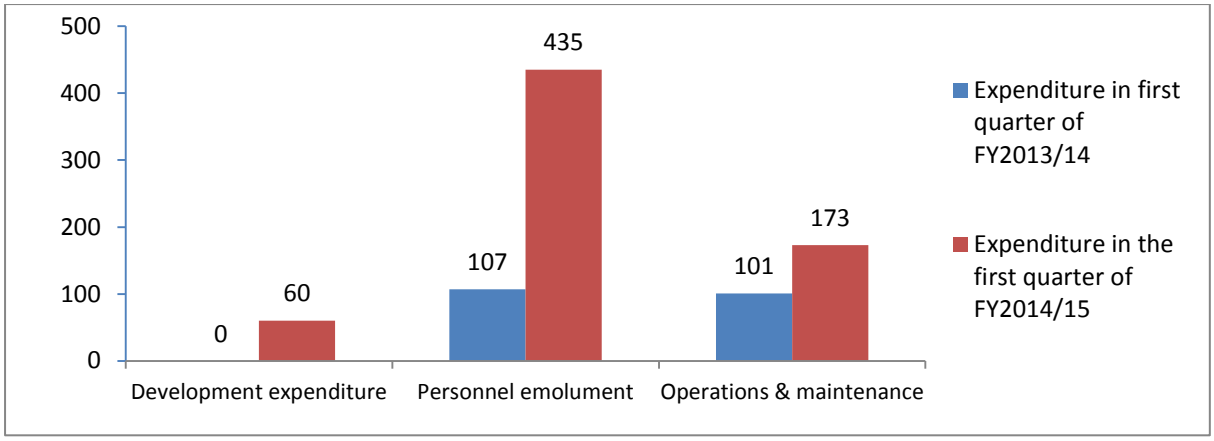
The total expenditure for the period under review was Kshs. 670.20 million which was 51.6 per cent of the funds released. The County spent Kshs. 609.24 million (90.9 per cent) on recurrent activities and Kshs. 60.96 million (9.1 per cent) on development activities. Recurrent expenditure was 96.7 per cent of the funds released for recurrent activities while development expenditure accounted for 30.5 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **19.7 per cent** of the annual recurrent budget, an increase from an absorption rate of **11.2 per cent** realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **2.5 per cent** of the annual development budget, an improvement compared to the same period last financial year which had no development expenditure.

Analysis of Kshs.609.24 million spent on recurrent activities shows that the County spent Kshs. 435.92 million on personnel emoluments which translates to 71 per cent of the total recurrent expenditure and Kshs.173.31 million on operations and maintenance expenditure which is 29 per cent of the total recurrent expenditure for the period. A total of Kshs. 13.81 million was spent on payment of sitting allowances for the 54 members of the County Assembly against an annual budget of Kshs.104.83 million representing an absorption rate of **13.2 per cent**.

Comparison of the total expenditure for the period under review and first quarter of FY is shown in Figure 19.

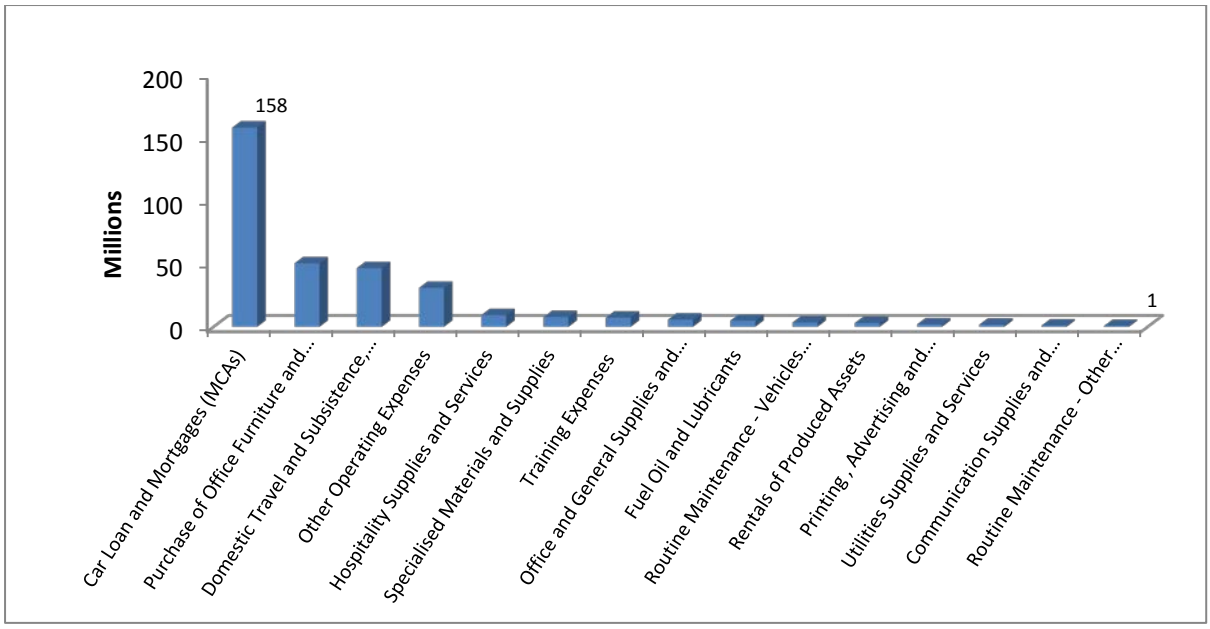
Figure 19: Analysis of Total Expenditure, Busia County



Source: *Busia County Treasury*

Expenditure on domestic and foreign travel amounted to Kshs. 46.44 million in the first quarter of FY 2014/15 compared to Kshs.37.79 million in the first quarter of FY 2013/14. A detailed breakdown of operations and maintenance expenditure for the period under review is shown in Figure 20.

Figure 20: Operations and Maintenance Expenditure, Busia County (Kshs. Millions)

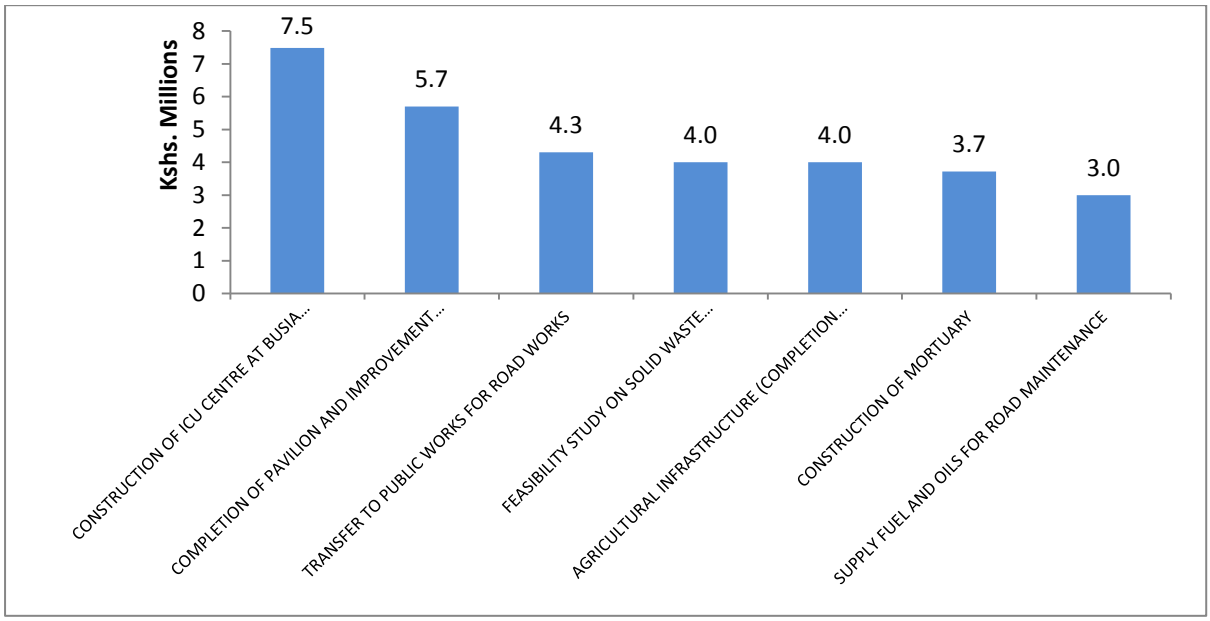


Source: *Busia County Treasury*

The development expenditure for the first quarter of FY2014/15 was Kshs.60.96 million. Analysis of the development expenditure for the FY 2014/15 shows that the County spent Kshs. 7.4 million on the construction of the intensive care unit (ICU) Centre at Busia County Hospital, Kshs. 5.6 million on construction of the pavilion and playing ground at the Busia Stadium, Kshs. 4.3 million on maintenance of the County roads, Kshs. 4 million on feasibility

study of solid waste, Kshs. 3.9 million on agricultural infrastructure for the completion of the irrigation project, Kshs. 3.7 million on the construction of mortuary at Alupe Hospital, Kshs. 3 million for the supply of fuel to the construction machinery and equipment belonging to the county undertaking road maintenance.

Figure 21: Analysis of Development Expenditure, Busia County



Source: *Busia County Treasury*

Busia County experienced a number of challenges in the previous reporting period. The County has however, implemented most of the recommendations made by the OCOB. The quality of reports has also improved and expenditure is now reported by departments unlike in the past when expenditure was combined. The County Treasury has also embarked on enhancing their capacity by requesting the National Treasury to deploy more accountants to the County. In addition, the County Treasury and the County Assembly now operate on IFMIS.

During monitoring of the budget in the period under review, the office noted the following issues that need to be addressed:

1. The County had several on-going projects by the close of FY 2013/14 that had not been factored in the FY 2014/15 budget, which will impact on development activities.
2. During the period, there were instances of internal control lapses in use of public funds. For example, funds released for Salaries and Operations & Maintenance were diverted to fund MCA's Mortgage and Car loans.

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

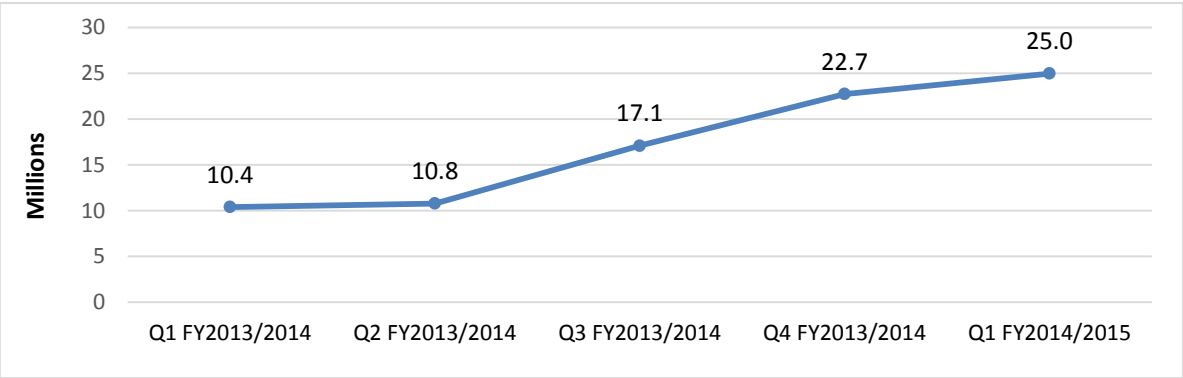
i. *The County should ensure that on-going projects are included in the budget. .*
ii. *The County government should only utilise funds for the intended purpose.*

Elgeyo Marakwet County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.3.29 billion comprising of Kshs.1.90 billion (58 per cent) allocated for recurrent expenditure and Kshs.1.38 billion (42 per cent) for development expenditure. This budget will be financed by Kshs.2.85 billion (86.6 per cent) from the national equitable share, Kshs.85.02 million (2.6 per cent) from local revenue, Kshs.339.80 million (10.3 per cent), which remained unspent in the FY 2013/14 and Kshs.18.42 million (0.06 per cent) which will be received from Danish International Development Agency (DANIDA) as support to the health sector programme.

During the first quarter of FY 2014/15, the County received Kshs.356.69 million as an advance from the National Treasury, collected Kshs.24.98 million from local sources, and had Kshs.339.80 million as cash balance from FY2013/14. The local revenue raised in the first quarter was 29.4 per cent of the annual local revenue target. Figure 22 shows the trend in local revenue collection by quarter.

Figure 22 : Quarterly Trend in Local revenue Collection



Source: *Elgeyo Marakwet County Treasury*

Funds released to the County during the period under review amounted to Kshs.934.95 million, of which, Kshs.604 million (64.7 per cent) was for recurrent expenditure while Kshs.330.95 million (35.3 per cent) was for development activities.

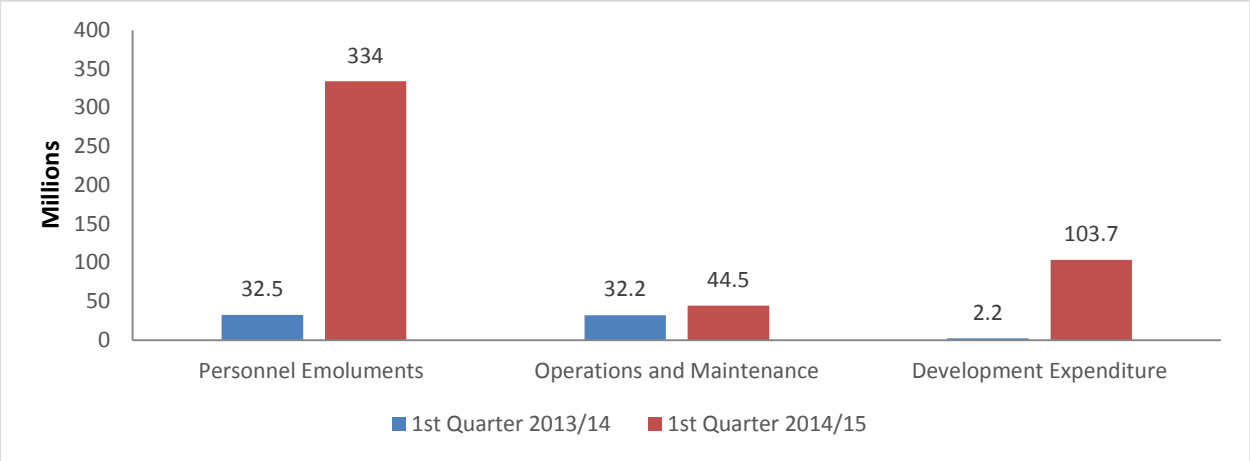
In the first quarter, the total expenditure was Kshs.482.18 million which was 51.6 per cent of the funds released. The County spent Kshs.378.5 million (78.5 per cent) on recurrent activities and Kshs.103.7 million (21.5 per cent) on development activities. Recurrent expenditure was 62.7 per cent of the funds released while development expenditure accounted for 31.3 per cent of the funds released.

The recurrent expenditure for the period under review represented an absorption rate of **19.9 per cent** of the annual recurrent budget, an improvement from an absorption rate of **3.3 per cent** realized in the first quarter of FY2013/14. The development expenditure represented an absorption rate of **7.5 per cent** of the annual development budget, an improvement from absorption rate of **1.4 per cent** recorded in the same period last financial year.

Analysis of the Kshs.378.5 million recurrent expenditure shows that the County spent Kshs.334 million on personnel emoluments which translates to 88.2 per cent of the total recurrent expenditure and Kshs.44.5 million on operations and maintenance expenditure which is 21.9 per cent of the total recurrent expenditure for the period.

A comparison of the total expenditure for the period under review and first quarter of FY is shown in Figure 23.

Figure 23: First Quarter Expenditure, Elgeyo Marakwet County

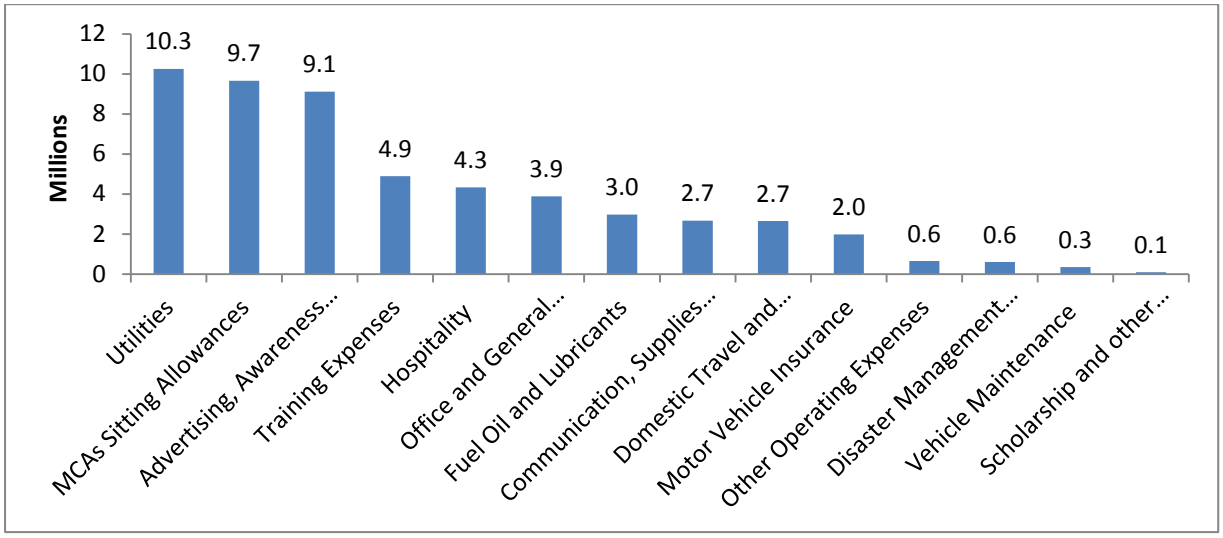


Source: *Elgeyo Marakwet County Treasury*

A total of Kshs.9.6 million was spent on payment of sitting allowances to the 30 members of the County Assembly against an annual budget of Kshs.19.6 million representing an absorption rate of **49.2 per cent**. Expenditure on domestic and foreign travel amounted to Kshs. 9.42 million in the first quarter of FY 2014/15 compared to Kshs.7.41 million in the first quarter of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 24**.**

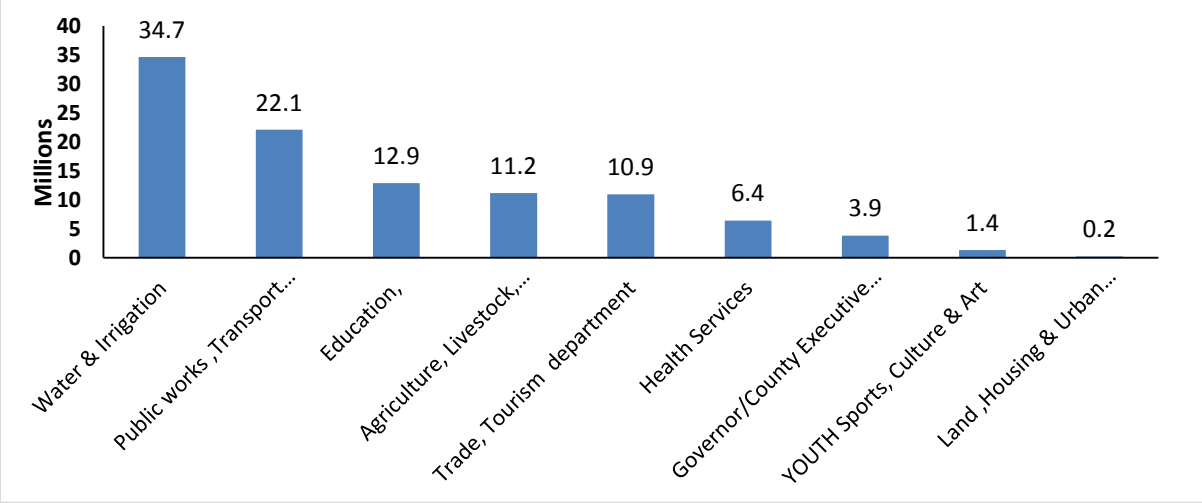
Figure 24: Operations and Maintenance Expenditure, Elgeyo Marakwet County



Source: *Elgeyo Marakwet County Treasury*

Analysis of the development expenditure for the first Quarter FY 2014/15 shows that the County spent Kshs.22.09 million on development and maintenance of access roads, Kshs.12.1 million on construction and refurbishment of buildings, Kshs.34.7 million on maintenance and construction of water supplies and irrigation, Kshs.11.18 million for development of agriculture and livestock and Kshs.23.9 million on development of other infrastructure (See Figure 25).

Figure 25: Analysis of Development Expenditure, Elgeyo Marakwet County



Source: *Elgeyo Marakwet County Treasury*

The FY 2013/14 annual report by the OCOB identified the challenge of low absorption of development resources which has been addressed as reflected by the improved absorption rate compared to a similar period in the FY 2013/14.

During monitoring of the budget in the period under review, the office noted the following issues that need to be addressed:

1. The County recruited chief officers who were not properly inducted on their roles. As a result, this slowed down execution of departmental budgets.
2. The County accessed funds during the period under review on vote on account basis and could access up to 50 per cent of the budget estimates. This meant that some development projects could not be implemented due to lack of funding.

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

1. *Newly recruited officers including the Chief Officers should be adequately inducted and given responsibilities as per their job descriptions.*
2. *The County should expedite compliance with the set requirements for the County to access the allocated funds.*

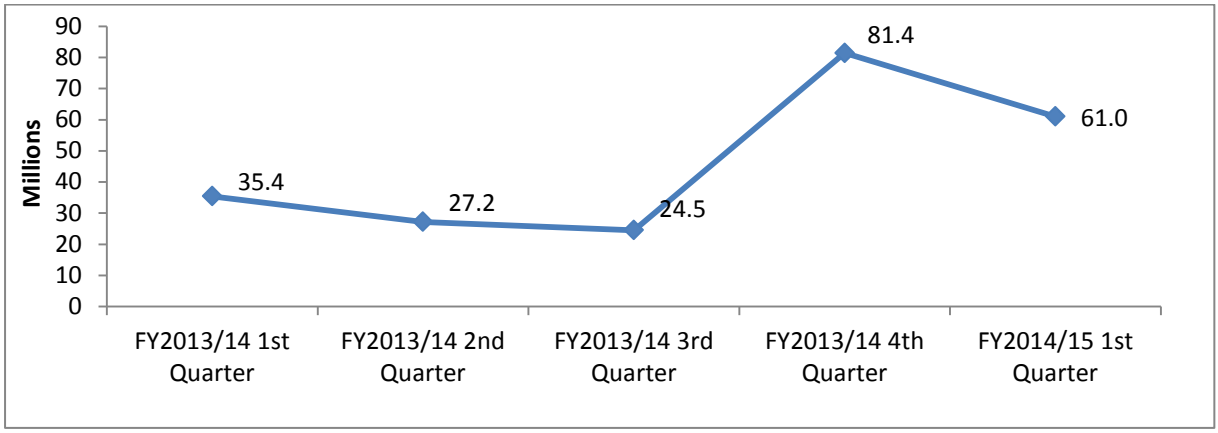
Embu County

The County Budget for the FY 2014/15 amounted to Kshs.4.01 billion comprising of Kshs.2.81 billion (70 per cent) allocated for recurrent expenditure and Kshs.1.2 billion (30

per cent) for development expenditure. This budget will be financed by Kshs.3.27 billion (81.4 per cent) from the national equitable share, Kshs.390 million (9.7 per cent) from local revenue sources and Kshs.358 million (8.9 per cent) from Appropriations-in-Aid (AIA).

In the period under review, the County received Kshs.437.2 million as an advance from the National Treasury, collected Kshs.61.0 million from local sources and had Kshs.690.6 million as cash balance from FY2013/14. The local revenue raised includes Kshs.17.6 million from A-I-A. The local revenue raised was Kshs.61 million, representing 9.1 per cent of the annual local revenue target, and an improvement from Kshs.35.4 million collected in the same period of FY 2013/14. Figure 26 shows the trend in local revenue collection by quarter.

Figure 26: Quarterly Trend in Local Revenue Collection



Source: *Embu County Treasury*

Funds released to the County during the period under review amounted to Kshs.891.7 million, of which, Kshs.700.9 million (78.6 per cent) was for recurrent expenditure while Kshs.190.8 million (21.4 per cent) was for development activities.

In the first quarter, the total expenditure was Kshs.635.1 million which was 71.2 per cent of the funds released. The expenditure for the period under review is an improvement from the Kshs.143.3 million spent in the first quarter of FY 2013/14. There was no development expenditure during the period under review.

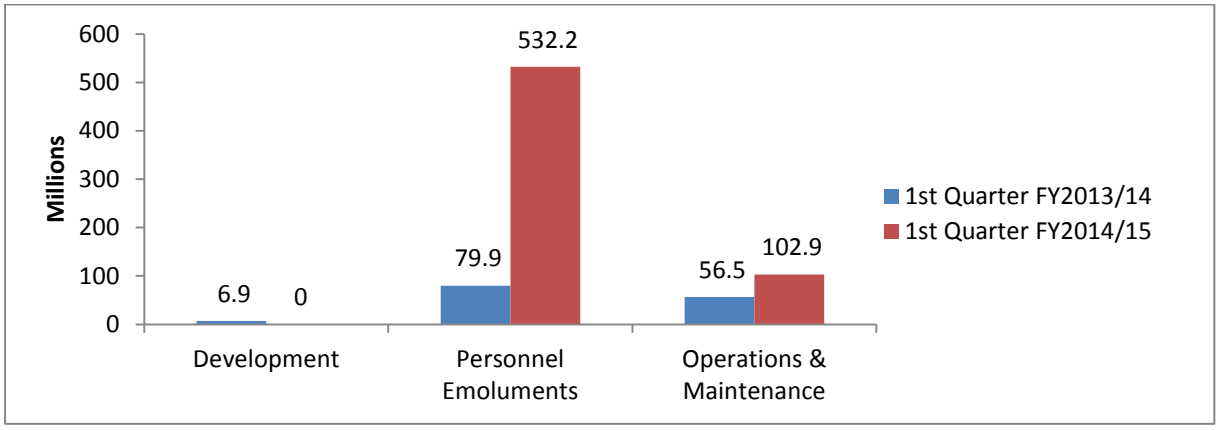
The recurrent expenditure for the period under review represented an absorption rate of **22.6 per cent** of the annual recurrent budget, an increase from an absorption rate of **8.0 per cent** realized in the first quarter of FY2013/14.

Analysis of the recurrent expenditure of Kshs.635.1 million shows that the County spent Kshs.532.2 million on personnel emoluments which translates to 83.8 per cent of the total

recurrent expenditure and Kshs.102.9 million on operations and maintenance expenditure which is 16.2 per cent of the total recurrent expenditure for the period.

A comparison of the total expenditure for the period under review and the same period last financial year is shown in Figure 22.

Figure 27: First Quarter Expenditure, Embu County

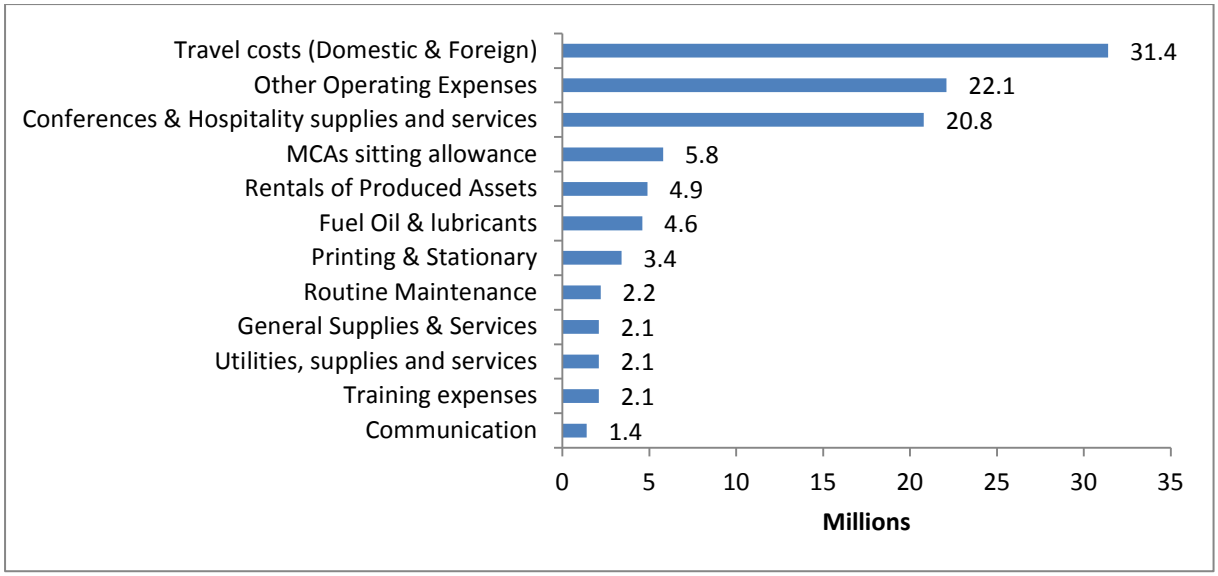


Source: *Embu County Treasury*

The County spent Kshs. 5.8 million for payment of sitting allowances to the 31 members of County Assembly, which was an absorption rate of 15 per cent. Expenditure on domestic and foreign travel was Kshs.31.42 million in the first quarter of FY 2014/15 compared to Kshs.18.42 million in the first quarter of FY 2013/14

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 28**.

Figure 28: Operations and Maintenance Expenditure, Embu County



Source: *Embu County Treasury*

During the previous reporting periods, OCOB made various recommendations to improve budget execution. The County has made efforts to implement these recommendations which included; low local revenue collection, failure to fully adopt IFMIS, low absorption of development funds, weak internal controls, and high wage bill among other challenges.

During monitoring of budget in the period under review, the office noted the following issues that need to be addressed:

1. Low performance in local revenue collection. Total local revenue collected was Kshs.61.0 million which translates to 8.1 per cent of the annual local revenue target.
2. A huge wage bill. During the first quarter, the expenditure on personnel emoluments was Kshs.532.2 million which translated to 83.7 per cent of the total recurrent expenditure and has increased from Kshs.79.9 million in the same period in FY 2013/14.
3. The County did not incur any expenditure on development activities during the period under review. This may be attributable to planning challenges.
4. The County Assembly is yet to adopt IFMIS. The use of manual system is inefficient, prone to errors, and also impairs effective control of public finances.
5. In the FY 2014/15, the County did not budget for the Embu Level 5 hospital. This has adversely affected operations at the hospital.

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

1. *Establish realistic local revenue targets and come up with concrete strategies to ensure optimal local revenue collection.*

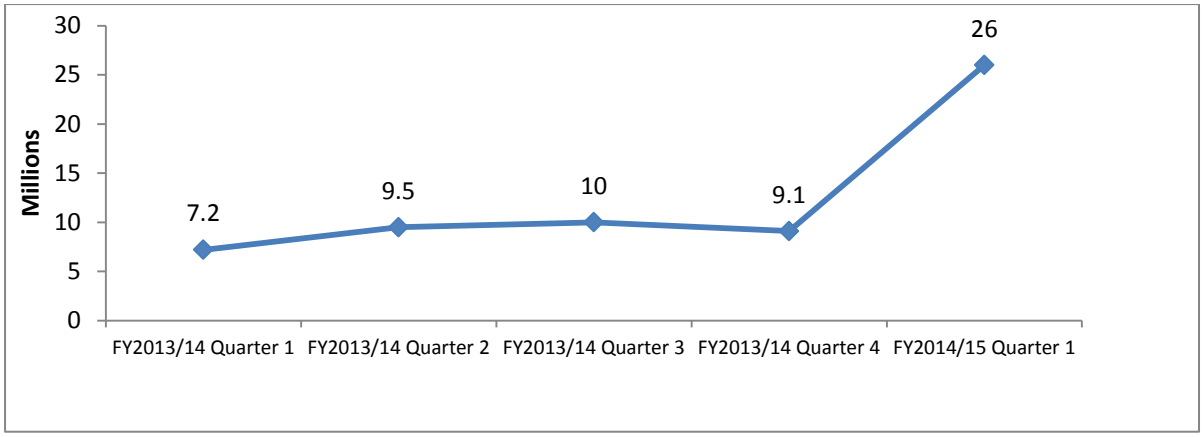
2. *The high wage bill should be addressed. This will require a concerted approach both by the County and National Government. The staff capacity assessment programme which is ongoing together with staff audit are expected to guide on mechanisms and ways of addressing this challenge, after taking stock of the available staff numbers and skill mix in the county.*
3. *The County should enhance capacity in procurement, project management, and develop and operationalize appropriate structures and systems to improve absorption of development funds.*
4. *The County Assembly should fast truck the adoption of IFMIS and GPAY system for improved efficiency and control of financial transactions as well as timely and standardized reporting. There is also need for regular training of County Treasury and County Assembly finance department staff to enhance their technical skills on IFMIS and GPAY operations.*
5. *The County should allocate funds for Embu Level 5 Hospital in a supplementary budget.*

Garissa County

The County Budget for the FY 2014/15 amounted to Kshs.7.5 billion comprising of Kshs.3.12 billion (48 per cent) allocated for recurrent expenditure and Kshs.4.37 billion (52 per cent) for development expenditure. This budget will be financed by Kshs.5 billion (66.7 per cent) from the national equitable share, Kshs.500 million (6.6 per cent) from local revenue sources, Kshs.269.8 million (3.5 per cent) from conditional grants.

During the first quarter of FY 2014/15, the County received Kshs.640.73 million as an advance from the National Treasury, collected Kshs.26 million from local sources, and had Kshs.1.8 billion as cash balance from FY 2013/14. The local revenue raised in the first quarter was 5.2 per cent of the annual local revenue target, an improvement from Kshs.7.2 million collected in the same period of FY 2013/14. **Figure 29** shows the trend in local revenue collection by quarter.

Figure 29: Quarterly Trend in Local Revenue Collection



Source: *Garissa County Treasury*

Funds released to the County during the period under review amounted to Kshs.1.84 billion, of which, Kshs.1.3 billion (69.6 per cent) was for development expenditure while Kshs.559 million (30.39 per cent) was for recurrent expenditure.

In the first quarter, the total expenditure was Kshs.1.3 billion which was 69.3 per cent of the funds released. The expenditure for the period under review is an increase from the Kshs.232.4 million spent in the first quarter of FY 2013/14. The County spent Kshs.498.5 million (89.1 per cent) on recurrent activities and Kshs.778 million (60.7 per cent) on development activities. Recurrent expenditure was 89.1 per cent of the funds released for recurrent activities while development expenditure accounted for 60.7 per cent.

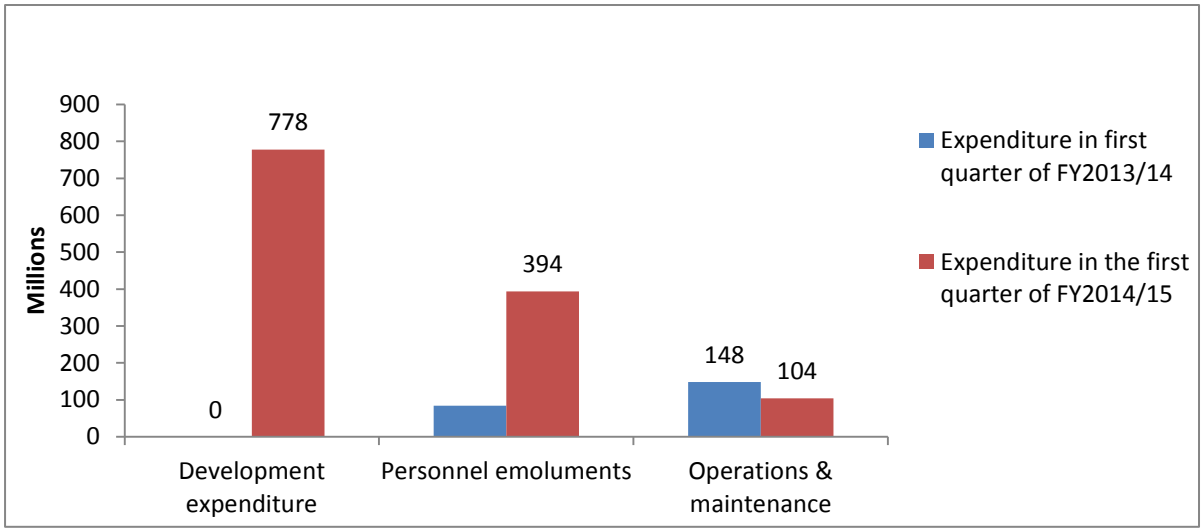
The recurrent expenditure for the period under review represented an absorption rate of **15.9 per cent** of the annual recurrent budget, an increase from an absorption rate of **4.58 per cent** realized in the first quarter of FY2013/14. The absorption rate of development expenditure was a significant improvement compared to the same period in last financial year where no development activities were implemented.

Analysis of the recurrent expenditure shows that the County spent Kshs.394.2 million on personnel emoluments which translates to 79 per cent of the total recurrent expenditure and Kshs.104.3 million on operations and maintenance expenditure which is 21 per cent of the total recurrent expenditure for the period.

The county spent Kshs.1.9 million in MCA sitting allowances during the period under review compared to Kshs.12 million in the same period in FY 2013/14. Expenditure on domestic and foreign travel was Kshs.33.92 million in the first quarter of FY 2014/15 compared to

Kshs.44.60 million in the first quarter of FY 2013/14. A comparison of the total expenditure for the period under review and the same period last financial year is shown in **Figure 30**.

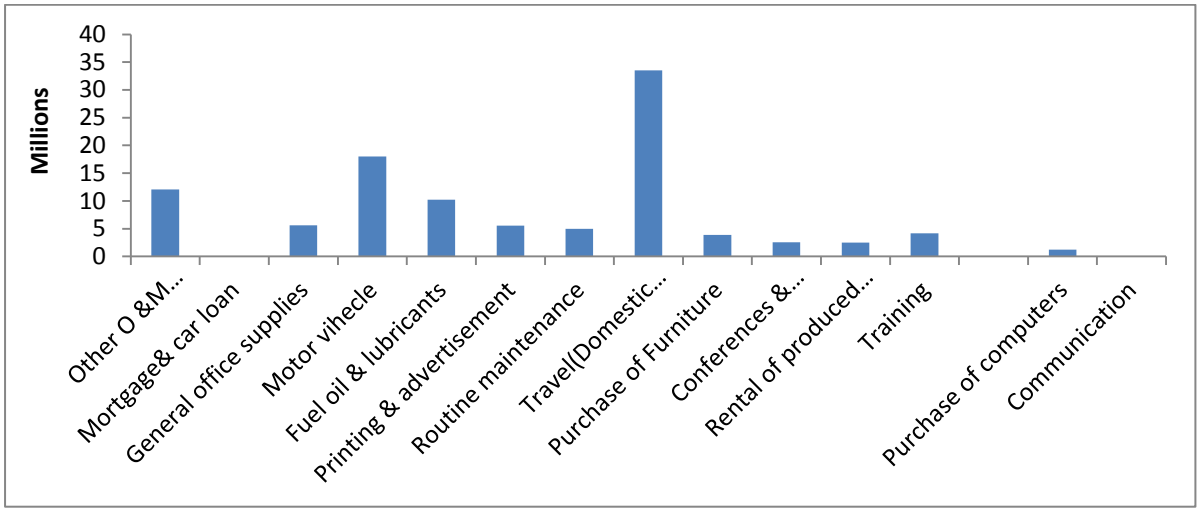
Figure 30: First Quarter Expenditure, Garissa County



Source: *Garissa County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 31**

Figure 31: Operations and Maintenance Expenditure, Garissa County

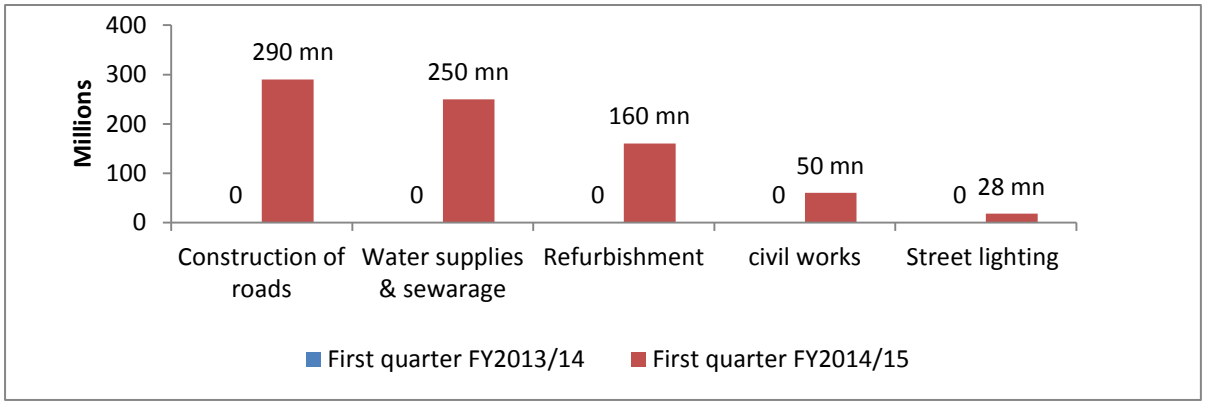


Source: *Garissa County Treasury*

Analysis of the development expenditure for the period under review shows that the County spent a total of Kshs.290 million on construction of major roads and maintenance of access roads, Kshs.160 million on construction and refurbishment of buildings, Kshs.250 million on maintenance and construction of water supplies and irrigation, Kshs.50 million on

development of other infrastructure and civil works and Kshs 28 million on Street lighting. (See **Figure 32**)

Figure 32: Analysis of Development Expenditure, Garissa County



Source: *Garissa County Treasury*

During monitoring of budget implementation, the office noted that the County has addressed most of the recommendations contained in previous CBIRRs. These included: automation of revenue collection, full operationalize of IFMIS, human capacity building in financial and project management, and compliance with legal budgetary timelines. However, the following issues require more attention by the County Government: strengthening of the internal audit mechanisms and effective administration of the local revenue collection system.

In the first quarter of FY 2014/15, the office noted the following issue that needs to be addressed:

1. IFMIS and G-Pay connectivity problems to enhance use of these systems which will enhance openness and accountability in the use of public funds.

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

1. *The County Treasury should liaise with the IFMIS directorate to address the IFMIS connectivity challenges.*

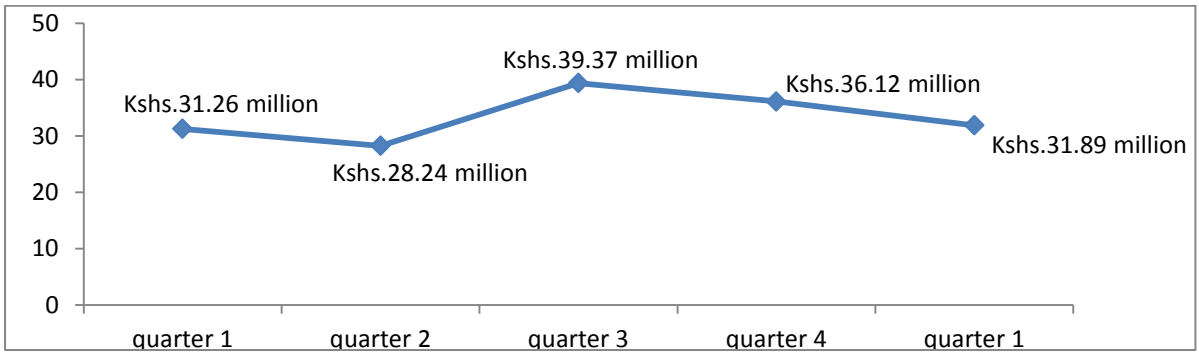
Homa Bay County

Homa Bay County Budget Estimates for the FY 2014/15 amounted to Kshs.5.29 billion comprising of Kshs.3.61 billion (68.15 per cent) allocated for recurrent expenditure and Kshs.1.69 billion (31.85 per cent) for development expenditure. This budget will be financed

by Kshs.4.92 billion (88.8 per cent) from the national equitable share, Kshs.215.5 million (3.9 per cent) from donor funds and loans and Kshs.404.90 million (7.3 per cent) from local revenue sources.

During the first quarter of FY 2014/15, the County received Kshs.442.51 million as the national equitable share of revenue, Kshs.614.66 million as an advance from the National Treasury, collected Kshs.31.89 million from local sources, and had Kshs.19.77 million as cash balance from FY 2013/14. The local revenue of Kshs.31.98 million raised in the first quarter was 7.89 per cent of the annual local revenue target, an improvement from Kshs.31.3 million collected in the same period of FY 2013/14. **Figure 33** shows the trend in local revenue collection by quarter.

Figure 33: Quarterly Trend in Local Revenue Collection



Source: *Homa Bay County Treasury*

Funds released to the County during the period under review amounted to Kshs.1.1 billion, of which, Kshs.795.0 million (74.16 per cent) was for recurrent expenditure while Kshs.277.0 million (25.84 per cent) was for development activities.

In the first quarter, the total expenditure was Kshs.1.42 billion which was 132.5 per cent of the funds released. The over absorption on exchequer is due to lack of adequate controls and use of locally collected revenue at the source. The expenditure for the period under review is an improvement from the Kshs.280.73 million spent in the first quarter of FY 2013/14. The County spent Kshs.1.20 billion (84.7 per cent) on recurrent activities and Kshs.217.50 million (15.3 per cent) on development activities. Recurrent expenditure was 151.1 per cent of the funds released for recurrent activities while development expenditure accounted for 78.5 per cent of the funds released for development projects.

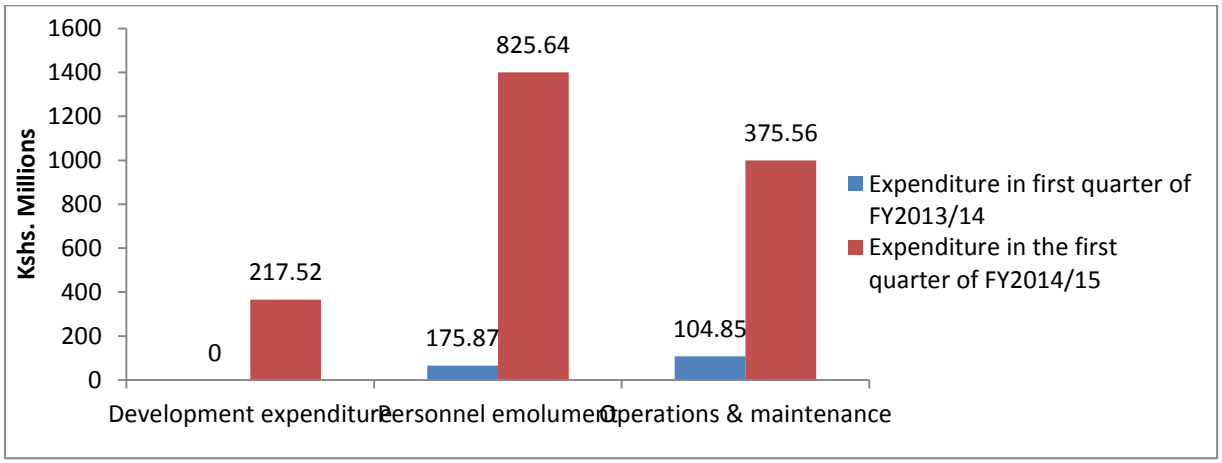
The Recurrent expenditure for the period under review represented an absorption rate of **33.25 per cent** of the annual recurrent budget, an improvement from an absorption rate of

8.81 per cent realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **12.9 per cent** of the annual development budget, a significant improvement compared to the same period in the last financial year where no development activities were implemented.

An analysis of the recurrent expenditure shows that the County spent Kshs.825.6 million on personnel emoluments which translates to 68.7 per cent of the total recurrent expenditure and Kshs.375.6 million on operations and maintenance expenditure which is 31.3 per cent of the total recurrent expenditure for the period. The County reported an expenditure of Kshs.31.7 million as payment for MCAs sitting allowances against a budget of Kshs.150 million therefore attaining an absorption rate of 21.1 per cent. Expenditure on domestic and foreign travel amounted to Kshs.40.55 million in the first quarter of FY 2014/15 compared to Kshs.30.86 million in the first quarter of FY 2013/14.

A comparison of the total expenditure for the period under review and the same period last financial year is shown in **Figure 34**.

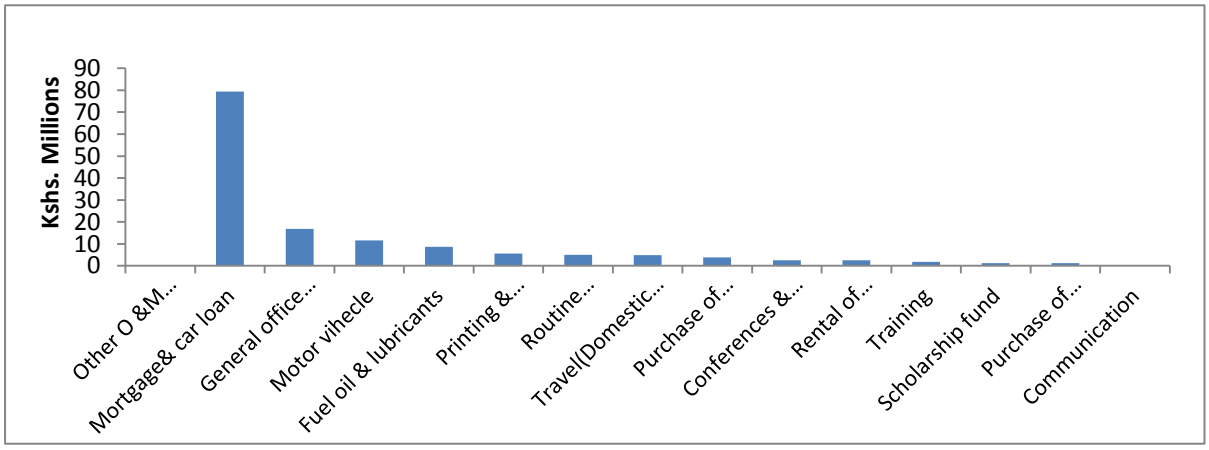
Figure 34 : Analysis of Total Expenditure, Homa Bay County (Kshs.1.42 billion)



Source: *Homa Bay County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 35**

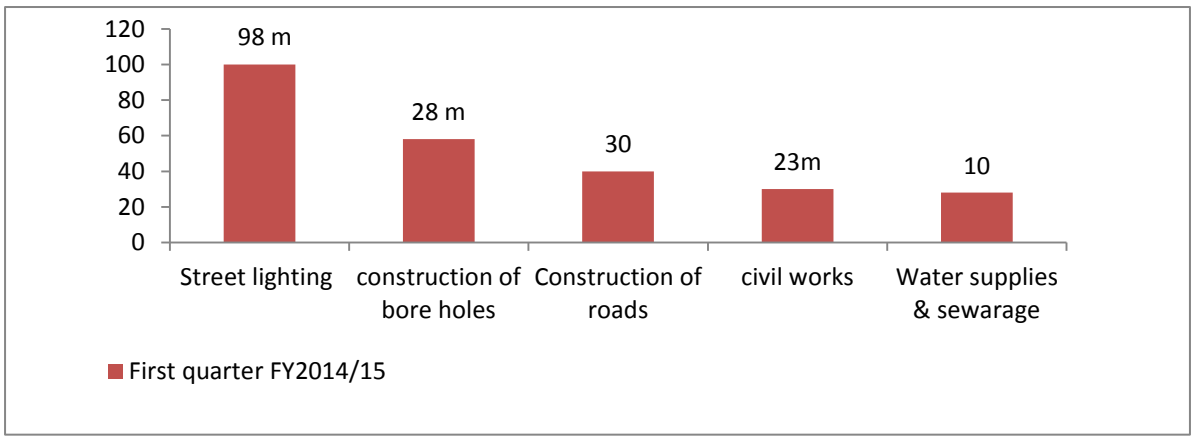
Figure 35: Operations and Maintenance Expenditure, Homa Bay County



Source: *Homa Bay County Treasury*

Analysis of the Kshs.217.5 million development expenditure shows that the County spent Kshs.98 million on development and maintenance of access roads, Kshs.29 million on maintenance and construction of water supplies and irrigation, Kshs.23.68 million on development of other infrastructure and civil works and Construction of major roads Kshs.101.94 million among other development projects. (see **Figure 36**).

Figure 36: Analysis of Development Expenditure, Homa Bay County (Kshs. Million)



Source: *Homa Bay County Treasury*

The County Government implemented most of the recommendations made by OCOB in the FY 2013/14 CBIRRs. The challenges addressed include the need to train staff on IFMIS system to enhance their capacity, IFMIS connectivity challenges, and instituting mechanisms to improved absorption of development funds, among others.

During monitoring of budget implementation in the period under review, the office noted the following issues that need to be addressed:

1. Delay in the approval of the Finance Bill by the County Assembly.
2. Underperformance of local revenue collection against target.
3. Lack of adequate financial controls. The County spent more funds than approved by the OCOB during the period, which indicates weak internal controls in management of public resources.
4. Use of local revenue at source, which contravenes Article 207 of the Constitution.

The County should consider the following recommendations in order to improve budget execution.

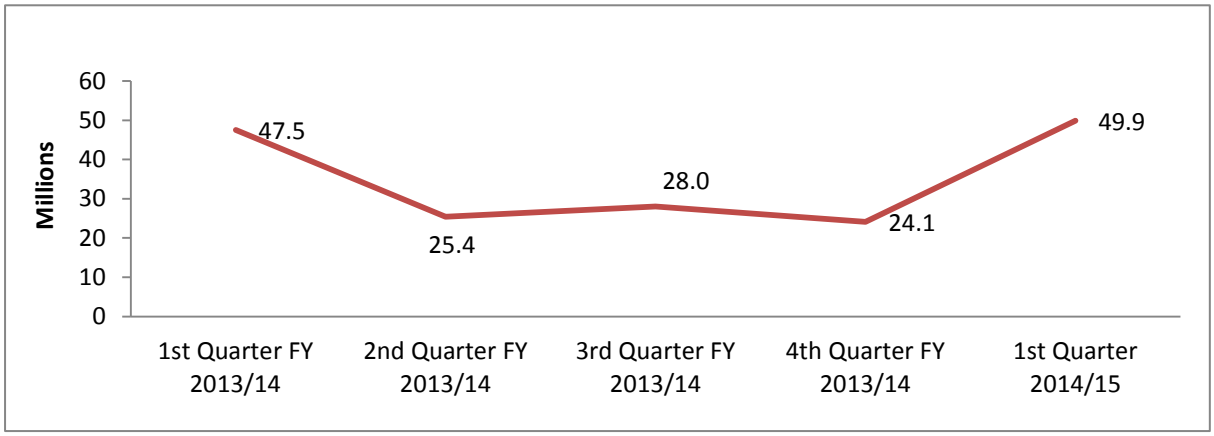
1. *The County Assembly should ensure the finance bill is passed to legalize revenue collections.*
2. *Proper mechanisms should be instituted to improve revenue collection.*
3. *The County Treasury should ensure it puts in place proper systems to enhance control over public funds. This should include regular reconciliations of exchequer issues and expenditure.*
4. *The County should ensure all locally raised revenue is banked intact in CRF account.*

Isiolo County

The County Budget for the FY 2014/15 amounted to Kshs.2.76 billion comprising of Kshs.1.90 billion (70 per cent) allocated for recurrent expenditure and Kshs.0.8 billion (30 per cent) for development expenditure. This budget will be financed by Kshs.2.67 billion (85.5 per cent) from the national equitable share, Kshs.360.96 million (11.6 per cent) from local revenue sources, Kshs.91.8 million (2.4 per cent) as conditional grants.

During the first quarter of FY2014/15, the County received Kshs.333.43 million as an advance from the National Treasury, collected Kshs.49.90 million from local sources and had Kshs.319.97 million as cash balance from FY 2013/14. The local revenue of Kshs.49.9 million raised in the first quarter was 14 per cent of the annual local revenue target, an improvement from Kshs.47.5 million collected in the same period of FY 2013/14. **Figure 37 s**hows the trend in local revenue collection by quarter.

Figure 37: Quarterly Trend in Local Revenue Collection



Source: *Isiolo County Treasury*

Funds released to the County during the period under review amounted to Kshs.380 million, of which, Kshs.330 million (87 per cent) was for recurrent expenditure while Kshs.50.00 million (13 per cent) was for development activities.

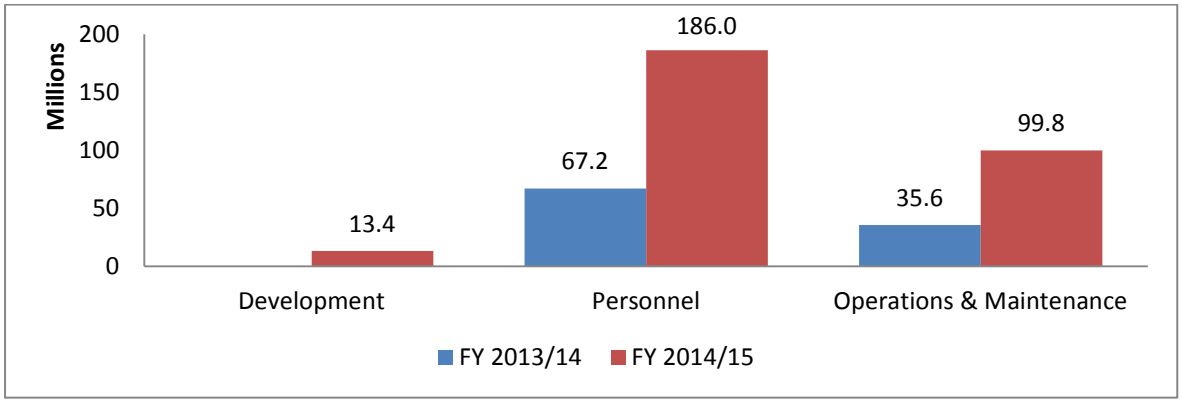
In the first quarter, total expenditure was Kshs.299.18 million which was 78 per cent of the funds released. The expenditure for the period under review is an improvement from the Kshs.102 million spent in the first quarter of FY 2013/14. The County spent Kshs.285.74 million (95 per cent) on recurrent activities and Kshs.13.44 million (5 per cent) on development activities. Recurrent expenditure was 86.6 per cent of the funds while development expenditure accounted for 26.9 per cent of the funds released.

The Recurrent expenditure for the period under review represented an absorption rate of **15.0 per cent** of the annual recurrent budget, a decline from an absorption rate of **30 per cent** in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **1.7 per cent** of the annual development budget, which is an improvement since the county did not record any development expenditure in the first quarter of FY 2013/14.

Analysis of the recurrent expenditure shows that the County spent Kshs.185.96 million on personnel emoluments which translates to 65.1 per cent of the total recurrent expenditure and Kshs.99.78 million on operations and maintenance expenditure which is 34.9 per cent of the total recurrent expenditure for the period. The County did not provide expenditure incurred on MCAs sitting allowances.

A comparison of the total expenditure for the period under review and the same period last financial year is shown in **Figure 38**.

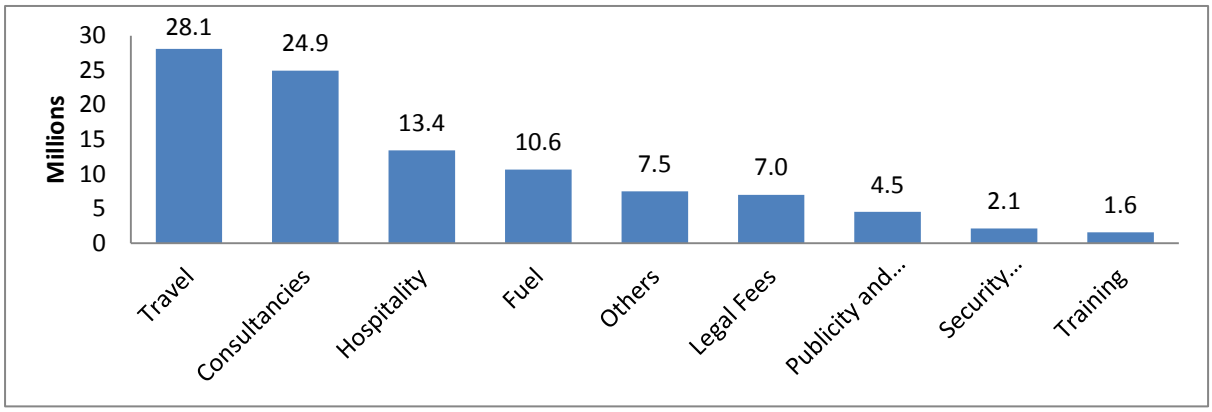
Figure 38: First Quarter Expenditure Isiolo County



Source: *Isiolo County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 39**. Expenditure on domestic and foreign travel amounted to Kshs.27.37 million in the first quarter of FY 2014/15 compared to Kshs.15.74 million in the first quarter of FY 2013/14.

Figure 39: Operations and Maintenance Expenditure, Isiolo County



Source: *Isiolo County Treasury*

The development expenditure of Kshs.13.4 million was spent by the education sector on bursaries which is an improvement since the County did not report any development expenditure in the first quarter of FY 2013/14.

During monitoring of budget implementation in the period under review, the office noted the following issues that need to be addressed:

1. **Low revenue collection**. This challenge had been highlighted in the last financial year report and it was expected that in the current year, the County would set realistic revenue targets. If the revenue target is not achieved, the County will not be able to implement all its planned activities.

2. **Inadequate staff capacity**, which was also, identified in previous OCOB reports with little progress to address this challenge. Low staff capacity in most key sectors has affected execution of budgeted activities.
3. **Low absorption of development funds**.

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

1. *The County should set realistic local revenue targets and institute appropriate measures to enhance revenue collection including automation and also sealing all revenue leakages.*
2. *The County Public Service Board should conduct a human resource audit to identify the skills gap in the County, address the issue and where possible seek staff from the National Government.*

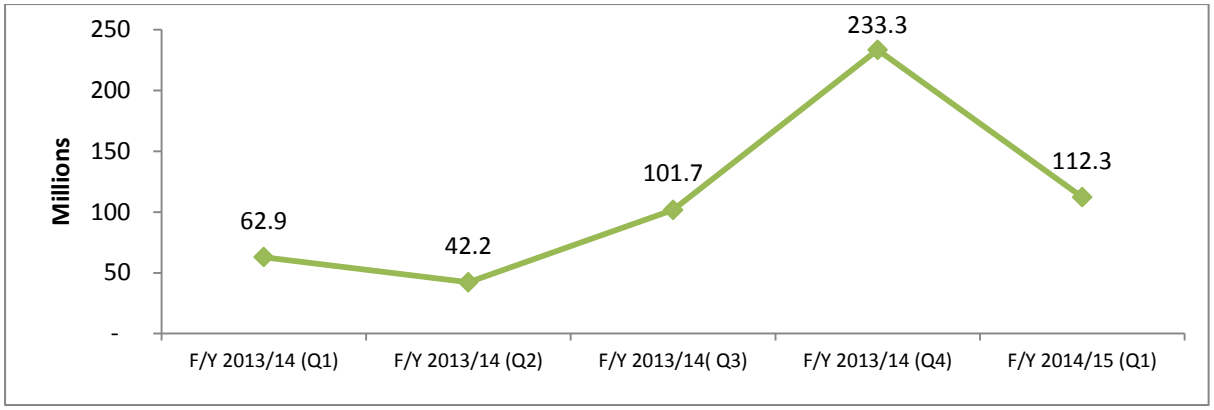
   The County should expedite implementation of development projects.

Kajiado County

In County Budget for the FY 2014/15 is Kshs.5.82 billion comprising of Kshs.3.96 billion (68 per cent) for recurrent expenditure and Kshs.1.86 billion (32 per cent) for development expenditure. The budget was to be financed by Kshs.3.84billion (63.6 per cent) from the national equitable share, Kshs.1.85 billion (30.6 per cent) from local revenue sources, Kshs.140 million from CILOR (2.3 per cent) and Kshs.214.2 million (3.5 per cent) from donor funds and loans.

In the period under review, the County did not received any amount from the national equitable share, but was advanced Kshs.481.21 million by the National Treasury, collected Kshs.112.31 million from local sources, and had Kshs.968.90 million as cash balance from FY 2013/14. The total local revenue of Kshs.112.31 million raised during the first quarter was 6.2 per cent of the annual local revenue target, an improvement from the Kshs.63 million collected in the same period of FY 2013/14. **Figure 40** shows the trend in local revenue collection by quarter.

Figure 40: Quarterly Trend in Local Revenue Collection



***Source**: Kajiado County Treasury*

Funds released to the County during the quarter amounted to Kshs.872.97 million for recurrent expenditure. The County did not request funds for development expenditure during the quarter.

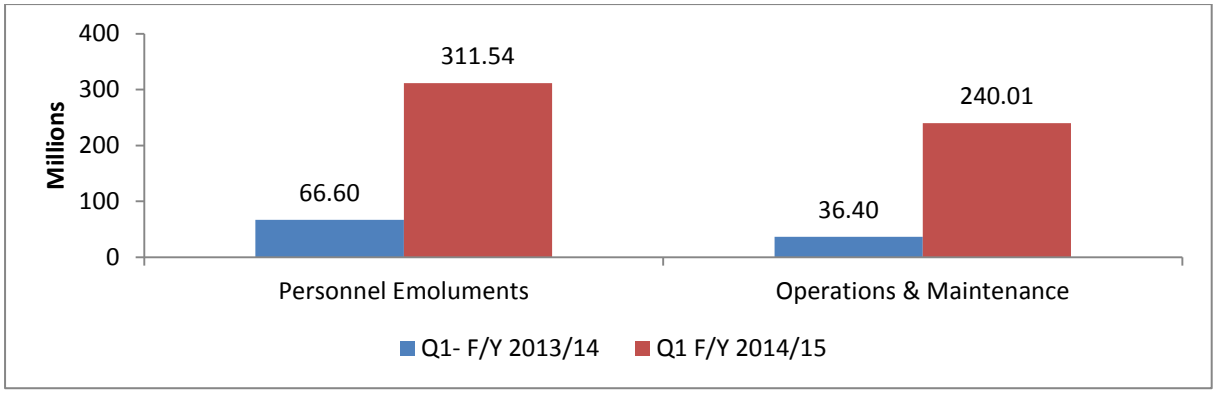
In the first quarter, the total expenditure was Kshs.551.55 million which was 63.2 per cent of the funds released. The expenditure for the period under review is higher compared to the Kshs.103.3 million incurred on the recurrent and development costs in the first quarter of FY 2013/14. During the period under review, The County spent the entire Kshs.551.55 million on recurrent activities with no expenditure on development activities.

The Recurrent expenditure for the period under review represented an absorption rate of 13.9 per cent of the annual recurrent budget, an increased absorption of funds from the rate of 12.4 per cent realized in the first quarter of FY2013/14. There was no development expenditure incurred in both the first quarters of FY 2013/14 and FY2014/15.

Analysis of the recurrent expenditure shows that the County spent Kshs.311.54 million on personnel emoluments which translates to 63.6 per cent of the total recurrent expenditure and Kshs.240.01 million on operations and maintenance expenditure which is 36.4 per cent of the total recurrent expenditure for the quarter. The County Assembly reported an expenditure of Kshs.3.56 million towards payment of MCAs siting allowances which represented an absorption rate of 11.9 per cent of the Kshs.30 million budget.

A comparison of the total expenditure for the period under review and the same period last financial year is shown in **Figure 41**

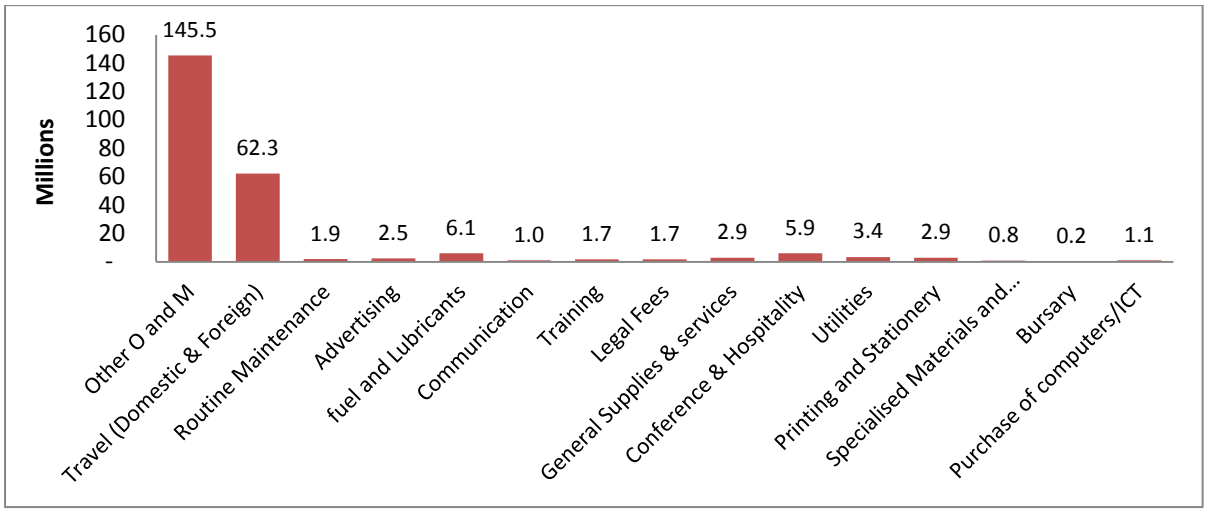
Figure 41: First Quarter Expenditure Kajiado County



Source: Kajiado County Treasury

The breakdown of operations and maintenance expenditure of Kshs.240 million for the period under review is shown in **Figure 42.** Expenditure on domestic and foreign travel was Kshs.74.15 million in the first quarter of FY 2014/15 compared to Kshs. 6.9 million in the first quarter of FY 2013/14.

Figure 42: Analysis of Operations and Maintenance Expenditure, Kajiado County



Source: *Kajiado County Treasury*

The County addressed most of the challenges reported in the previous CBIRRs. However, a few of the challenges including; slow pace in drafting and passing key documents, and setting up of an Audit Committee are yet to be addressed**.**

During monitoring of budget implementation in the period under review, the office noted the following issues that need to be addressed:

1. Delay in disbursement of the national grant by the National Treasury.
2. Huge pending bills from the previous financial year, which hindered commencement of new projects.

3. Unreliable internet connectivity that affected use of the IFMIS system which affected timely processing of financial transactions.
4. The County Assembly did not transfer the unspent funds in the FY 2013/14 to the CRF as per the legal requirement. Section 136 of PFM Act, 2012 requires a public entity to prepare a refund statement of any unspent amount at the end of a financial year and repay the funds to the County Exchequer Account.

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

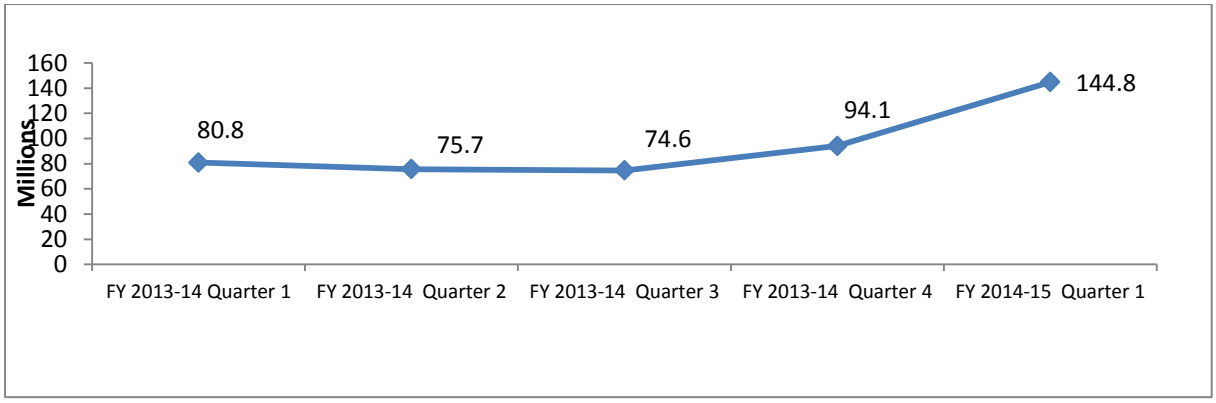
1. *Timely disbursement of funds by the National Treasury to enable proper implementation of the budget.*
2. *The County should ensure procurement of goods and services is done and paid for in good time to minimize pending bills at the closure of the FY.*
3. *Internet connection to the IFMIS system needs to be improved to ensure reliable connectivity at all times.*

Kakamega County

The County Budget for the FY 2014/15 amounted to Kshs.10.32 billion comprising of Kshs.5.69 billion (55.3 per cent) allocated for recurrent expenditure and Kshs.4.63 billion (44.7 per cent) for development expenditure. This budget will be financed by Kshs.7.77billion (79.3 per cent) from the national equitable share, Kshs.1.16 billion (11.8 per cent) as conditional grants and loans and Kshs.874.24 million (8.9 per cent) from local revenue sources.

During the first quarter of FY2014/15, the County received Kshs.720.16 million from the national equitable share of revenue, Kshs.992.20 million as an advance from the National Treasury, collected Kshs.144.83 million from local sources, and had Kshs.1.68 billion as cash balance from FY 2013/14. The local revenue of Kshs.144.83 million raised in the first quarter was 16.6 per cent of the annual local revenue target, an improvement from Kshs.80.8 million collected in the same period of FY 2013/14. **Figure 43** shows the trend in local revenue collection by quarter.

Figure 43: Quarterly Trend in Local Revenue Collection



***Source**: Kakamega County Treasury*

The funds released to the County for operations during the period under review amounted to Kshs.2.36 billion, of which, Kshs.1.47 billion (62.4 per cent) was for recurrent expenditure while Kshs.886.74 million (37.6 per cent) was for development activities.

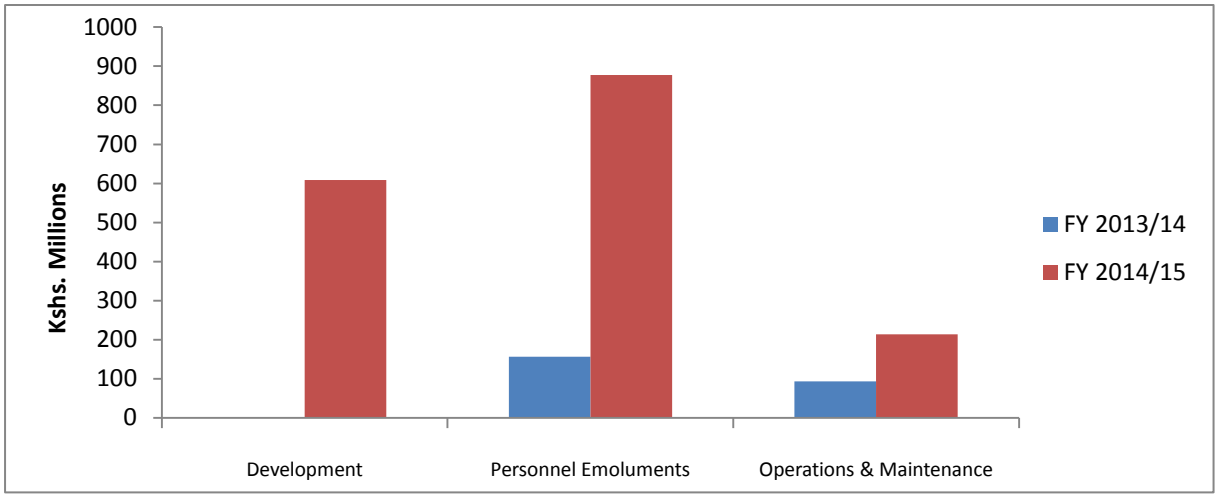
In the first quarter, the total expenditure was Kshs.1.73 billion which was 73.1 per cent of the funds released. The expenditure for the period under review is a marked increase from the Kshs.257.9 million spent in the first quarter of FY 2013/14. The County spent Kshs.1.12 billion (64.7 per cent) on recurrent activities and Kshs.608.5 million (35.3 per cent) on development activities. However, part of this spending categorized under development included a sum of Kshs.180 million towards MCA car loans. As a result, the actual spending that went to development activities is Kshs.428.42 million. The recurrent expenditure was 74 per cent of the funds released for recurrent activities while development expenditure accounted for 48 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represented an absorption rate of **19.6 per cent** of the annual recurrent budget, an increase from an absorption rate of **4.3 per cent** realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **9.2 per cent** of the annual development budget, an improvement the same period last financial year where no development expenditure was reported.

Analysis of the recurrent expenditure shows that the County spent Kshs.877.59 million on personnel emoluments which translates to 78.6 per cent of the total recurrent expenditure and Kshs.239.6 million on operations and maintenance expenditure which is 21.4 per cent of the total recurrent expenditure. Actual MCAs sitting allowances for the three months amounted to Kshs.34.9 million or 19.6 per cent of the Kshs.178.1 million annual budget.

A comparison of the total expenditure for the period under review and the same period last financial year is shown in **Figure 44**

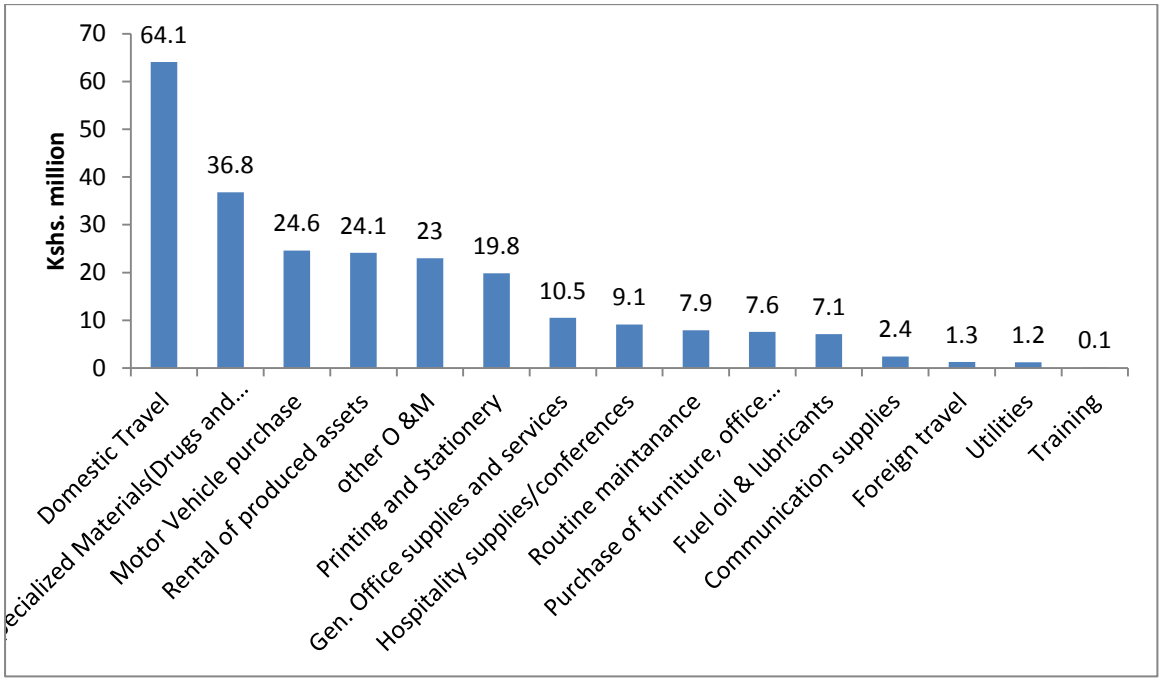
Figure 44: First Quarter Expenditure, Kakamega County



Source: *Kakamega County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 45**. Expenditure on domestic and foreign travel was Kshs.64.1 million in the first quarter of FY 2014/15 compared to Kshs.19.08 million in the first quarter of FY 2013/14.

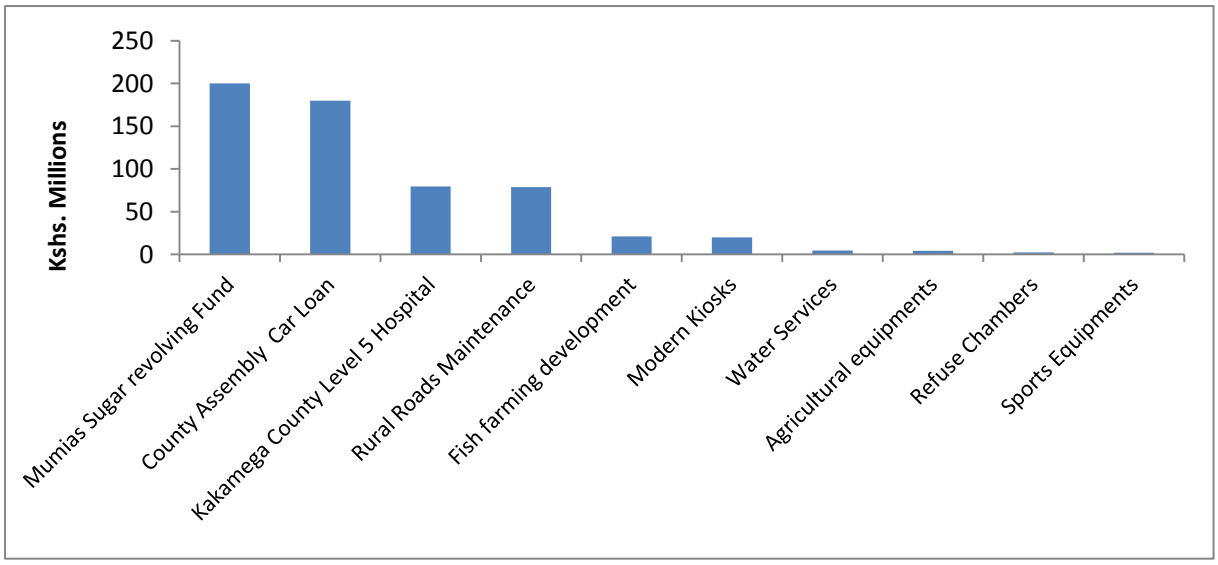
Figure 45: Operations and Maintenance Expenditure, Kakamega County



Source: *Kakamega County Treasury*

Analysis of the Kshs.428.42 million development expenditure shows that the County spent Kshs.200 million on intervention to bail out un-paid Mumias Sugar Limited farmers through the Sugar Revolving Fund, Kshs.78.8 million on development and maintenance of rural and urban access roads, Kshs.20.01 million on construction of modern trading kiosks, Kshs.79.5 million on Kakamega County Level-5 facility, Kshs.21.1 million on fish farming development, Kshs.4.3 million on purchase of agricultural equipment, Kshs.4.8 million on Maintenance and construction of water supplies among other development activities (see **Figure 46** below).

Figure 46: Analysis of Development Expenditure, Kakamega County



Source: *Kakamega County Treasury*

During monitoring of budget implementation, the office noted that the County implemented most of the recommendations made by OCOB in previous CBIRRs. However, during in the first quarter of FY 2014/15, the office noted the following issues that need to be addressed:

1. **High Wage Bill.** Kakamega County government inherited a workforce of approximately 3,000 staff from the devolved departments and defunct local authorities with an annual wage bill of approximately Kshs.3.2 billion, about 31 per cent of the annual budget estimates. This high wage bill has left the County with constrained resources to implement development programmes.
2. **Departmental Staffing.** County departments did not have substantive Accounting Officers/Chief Officers for the entire FY2013/14 and the first quarter of FY 2014/15. As a result, the County Treasury had been managing budget activities on behalf of the other

Departments except the County Assembly. This can potentially lead to low absorption rates of development funds.

3. **Lack of Functional Audit Committee.** The lack of a functional County Audit committee has hampered effective discharge of the internal audit activities across the County departments as provided for in law.
4. **Expenditure Control**. Though the County Treasury has taken measures to control expenditure vis-à-vis budgeted amounts, there was an instance noted (Mumias Sugar Revolving Fund), where expenditure was incurred without establishing availability of funds on the respective vote line and putting in place the legislation to administer the fund which is irregular.

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

1. *The County Government of Kakamega should rationalize its workforce and liaise with the National Government in the development of a policy to address the bloated wage bill. The findings and recommendations of the Human Resource Staff Audit done in 2013 alongside the Capacity Assessment and Rationalization of Public Service (CARPS) initiated by the National Government should be implemented.*
2. *The County should engage Chief Officers to enhance budget implementation and hence, absorption of development funds.*
3. *The County government should put in place a functional audit committee in order to enhance and strengthen the oversight and advisory mechanisms within the County government structure.*
4. *The County Government should implement stringent expenditure control measures in the use of public resources. Input from the public should be sought before approval of regulations by the County Assembly.*

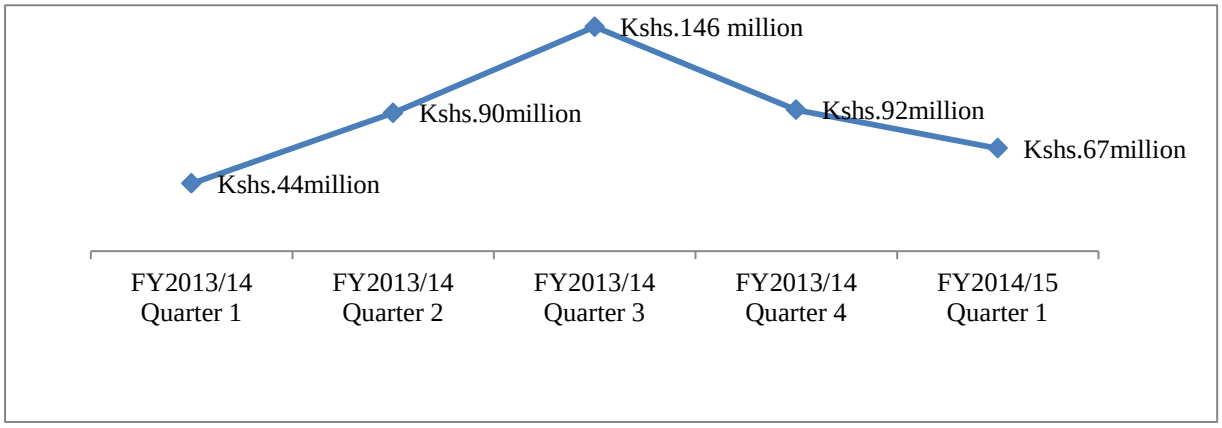
Kericho County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.4.55 billion comprising of Kshs.3.09 billion (68 per cent) allocated for recurrent expenditure and Kshs.1.46 billion (32 per cent) for development expenditure. This budget will be financed by Kshs.4.71 billion revenue hence a surplus budget. The various revenue sources include; Kshs.3.92 billion (83.2 per cent) from the national equitable share, Kshs.671.28 million (14.2 per cent) from local

revenue sources including F.I.F and A.I.A and Kshs.120.82 million (2.6 per cent) from conditional donor funds and loans.

During the first quarter of FY2014/15, the County received Kshs.352.36 million as the national equitable share of revenue, Kshs.489.38 million as an advance from the National Treasury, collected Kshs.67.33 million from local sources including A.I.A and had Kshs.183.65 million as cash balance from FY 2013/14. The local revenue raised in the first quarter was Kshs.67.33 million representing 10 per cent of the annual local revenue target, an improvement from Kshs.44 million collected in the same period of FY 2013/14. **Figure 47** shows the trend in local revenue collection by quarter.

Figure 47: Quarterly Trend in Local Revenue Collection



Source: *Kericho County Treasury, 2014*

Funds released to the County during the period under review amounted to Kshs.984.00 million, of which, Kshs.763.90 million (78 per cent) was for recurrent expenditure while Kshs.220.10 million (22 per cent) was for development activities.

In the first quarter of FY 2014/15, the total expenditure was Kshs.737.84 million which was 83 per cent of the funds released. The expenditure for the period under review is an improvement from the Kshs.205 million spent in the first quarter of FY 2013/14. The County spent Kshs.634.89 million (87 per cent) on recurrent activities and Kshs.102.94 million (13 per cent) on development activities. Recurrent expenditure was 94 per cent of the funds released for recurrent activities while development expenditure accounted for 47 per cent of the funds released for development projects.

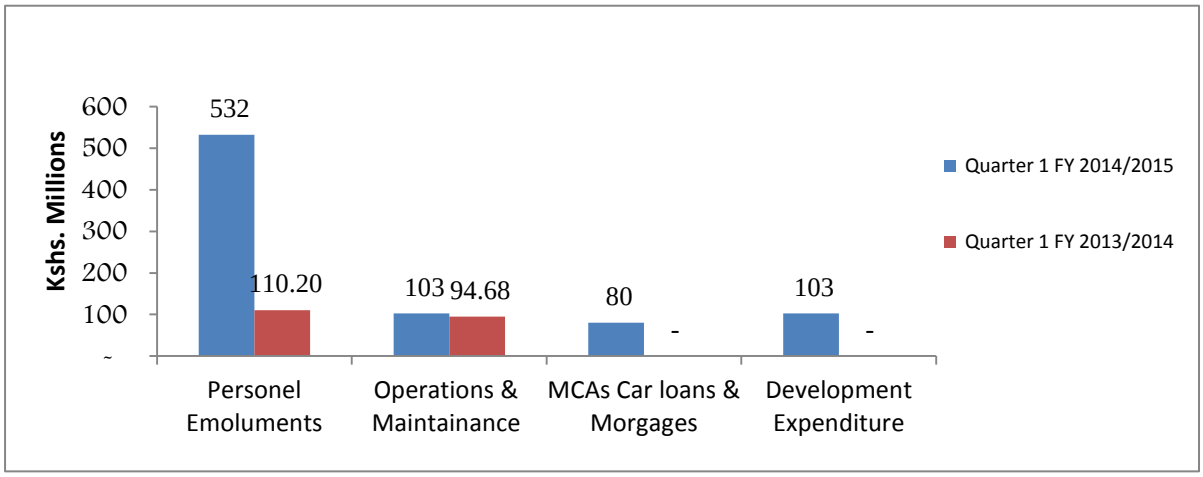
The Recurrent expenditure for the period under review represented an absorption rate of **23 per cent** of the annual recurrent budget, an improvement from an absorption rate of **10 per**

cent realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **2 per cent** of the annual development budget signifying an improvement from the same period last financial year where there was no development expenditure incurred.

Analysis of the recurrent expenditure shows that the County spent Kshs.532.16 million on personnel emoluments which translates to 74 per cent of the total recurrent expenditure and Kshs.102.74 million on operations and maintenance. A total of Kshs.80 million, which is 26 per cent of the total recurrent expenditure for the quarter was spent on MCAs car loans and housing mortgage.

A comparison of the total expenditure for the period under review and the same period last financial year is shown in **Figure 48**

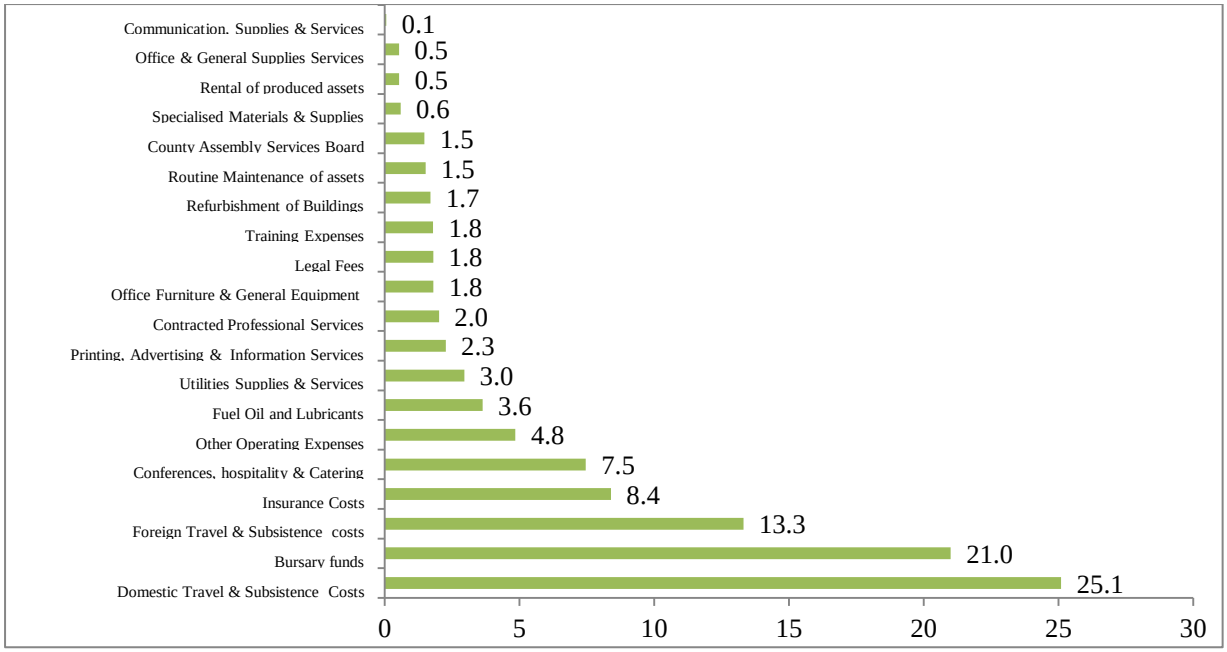
Figure 48 : First Quarter Expenditure Kericho County



Source: *Kericho County Treasury, 2014*

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 49**. Expenditure on domestic and foreign travel was Kshs.38.41 million in the first quarter of FY 2014/15 compared to Kshs.20.61million in the first quarter of FY 2013/14.

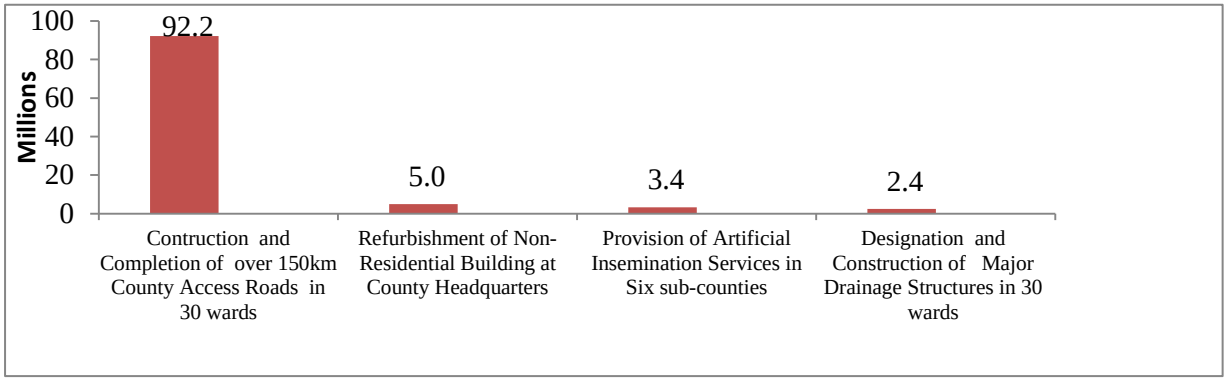
Figure 49: Operations and Maintenance Expenditure, Kericho County



Source: *Kericho County Treasury, 2014*

The development expenditure for the first quarter of FY2014/15 was Kshs.103 million. Analysis of the development expenditure for the period under review shows that the County spent Kshs.92 million on development and maintenance of over 150 kilometre access roads in 30 wards, Kshs.3.4 million spent in provision of Artificial Insemination Services in six sub-counties and Kshs.2.4 million in designation and construction of major drainage structures in 30 wards among other projects.

Figure 50: Analysis of Development Expenditure, Kericho County



Source: *Kericho County Treasury, 2014*

The office has noted that during the financial year ended 30th June, 2014, the County implemented most of the recommendations made by OCOB. Those not implemented were: (i) full adoption of IFMIS system by both arms of the County Government, (ii) funding of departments based on their approved budget ceilings and exchequer releases, and (iii) the

need for robust and effective procurement systems, processes and procedures to speed up implementation of development programmes and plans.

During monitoring of budget implementation in the period under review, the office noted the following issues that need to be addressed:

1. Effective budget implementation was affected by low staff capacity coupled with challenges of change management and lack of staff with special skills in budget execution such as Accountants, fiscal analysts and planners.
2. The County did not effectively manage the procurement processes and procedures which led to slowed implementation of development programmes.

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

1. *The County should ensure that there is continuous training and capacity building for both existing and incoming staff. Where key professional skill is required, the County should consult the National Government for assistance and capacity building.*
2. *The County should put in place mechanisms to fast track procurement processes by putting in place robust and efficient procurement systems through automation of procurement processes, procedures and systems that are linked to departmental work plans.*

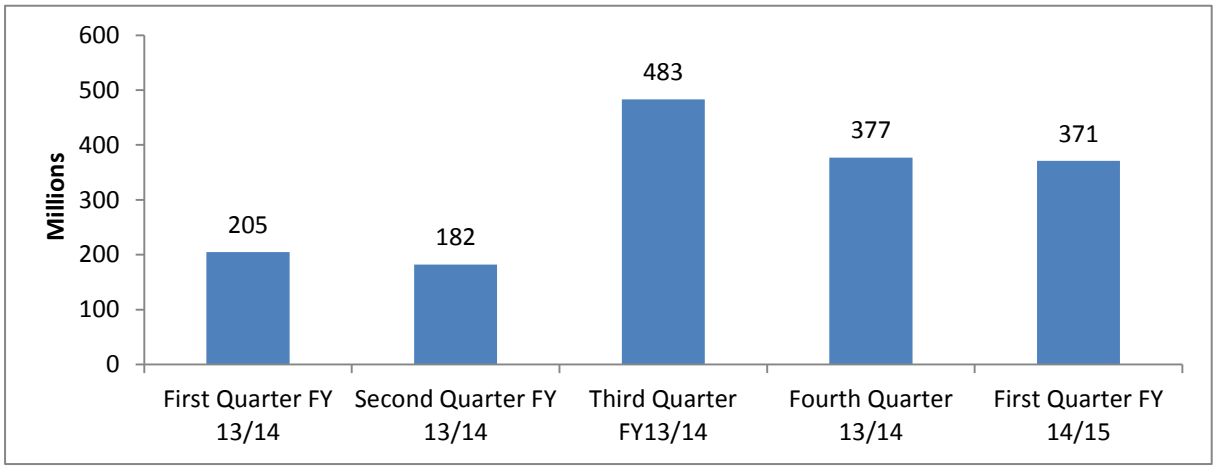
Kiambu County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.10.15 billion comprising of Kshs.6.46 billion (63.6 per cent) allocated for recurrent expenditure and Kshs.3.69 billion (36.4 per cent) for development expenditure. This budget will be financed by Kshs.6.51 billion (62.9 per cent) from the national equitable share, Kshs.3.60 billion (34.9 per cent) from local revenue sources, and Kshs.236.08 million (2.3 per cent) as conditional grants and loans.

In the period under review, the County was advanced Kshs.822.73 million by the National Treasury pending approval of County Allocation of Revenue Bill, 2014, received Kshs.594.83 million as the national equitable share of revenue, collected Kshs.371.83 million from local sources, and had Kshs.389.87 million as cash balance from FY 2013/14. The local revenue raised in the first quarter of Kshs.371.83 million was 10.3 per cent of the annual local revenue target, which is an improvement from Kshs.204.44 million collected in the

same period of FY 2013/14. **Figure 51** shows the trend in local revenue collection by quarter.

Figure 51: Quarterly Trend in Local Revenue Collection



Source: *Kiambu County Treasury*

Funds released directly to the County during the period under review amounted to Kshs.1.92 billion, out of which, Kshs.1.85 billion (96.2 per cent) was for recurrent expenditure while Kshs.73.00 million (3.8 per cent) was for development activities.

In the period under review, the total expenditure was Kshs.1.46 billion which was 75.9 per cent of the funds released. The County spent Kshs.1.4 billion (95.7 per cent) on recurrent activities and Kshs.62.28 million (4.3 per cent) on development activities. Recurrent expenditure was 75.5 per cent of the funds released for recurrent activities while development expenditure accounted for 85.3 per cent of the funds released for development projects.

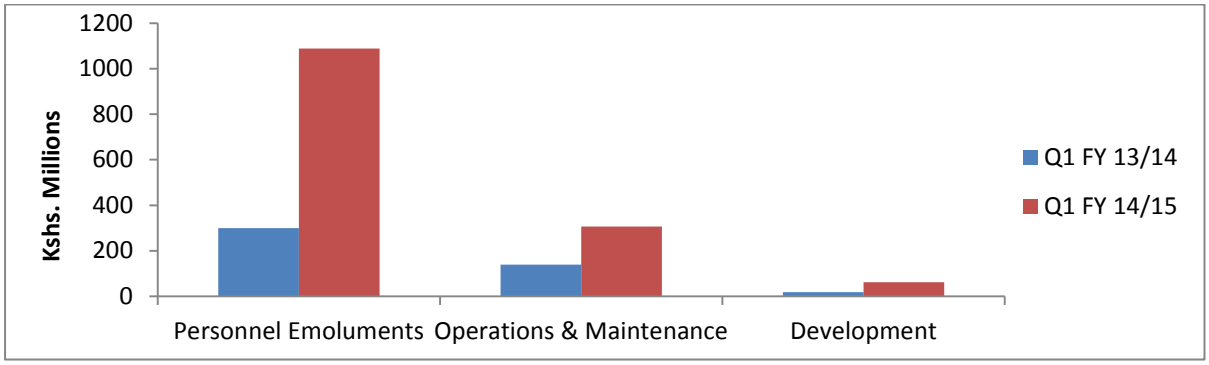
The Recurrent expenditure for the period under review represented an absorption rate of **21.7 per cent** of the annual recurrent budget, an increase from **6 per cent** realized in the first quarter of FY2013/14. Development expenditure translates to an absorption rate of **1.7 per cent** of the annual development budget, an increase from **0.3 per cent** recorded in the same period last financial year.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.09 billion on personnel emoluments which translates to 78.0 per cent of the total recurrent expenditure and Kshs.307.24 million on operations and maintenance expenditure which is 22.0 per cent of the total recurrent expenditure for the period. A total of Kshs.23.79 million was spent on payment of sitting allowances to the 88 members of the County Assembly against an annual

budget of Kshs.135.00 million representing an absorption rate of **17.6 per cent** while, Kshs.130 million was spent on MCAs cars and mortgage loans.

A comparison of the total expenditure for the period under review and first quarter of FY 2013/14 is shown in. **Figure 52**

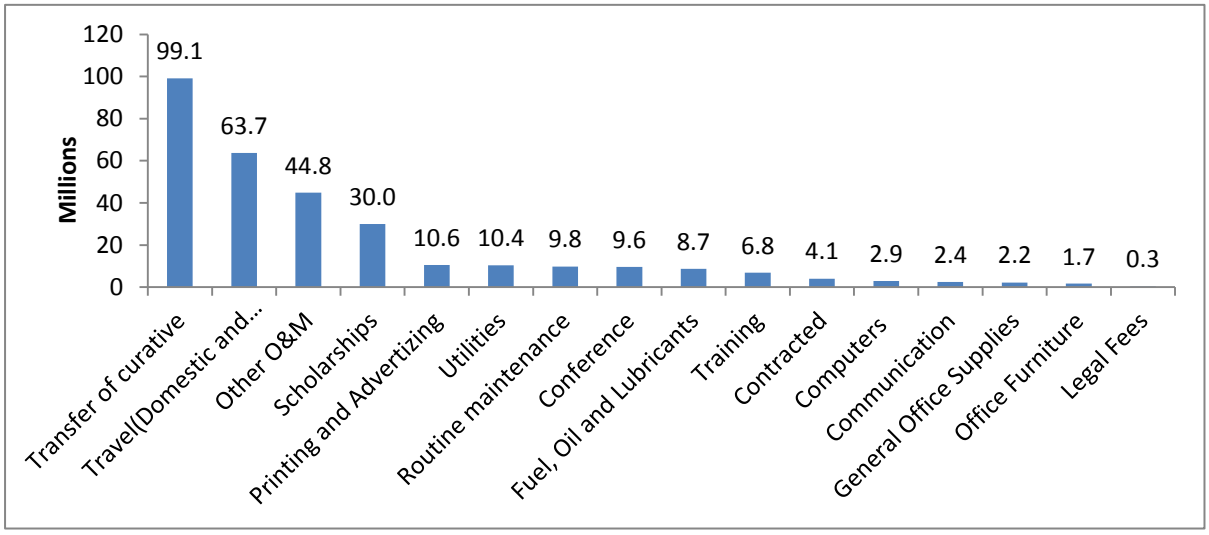
Figure 52 : First Quarter Expenditure Kiambu County



Source: *Kiambu County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 53**. Expenditure on domestic and foreign travel amounted to Kshs.63.7 million in the first quarter of FY 2014/15 compared to Kshs.46.71 million in the first quarter of FY 2013/14.

Figure 53: Operations and Maintenance Expenditure, Kiambu County

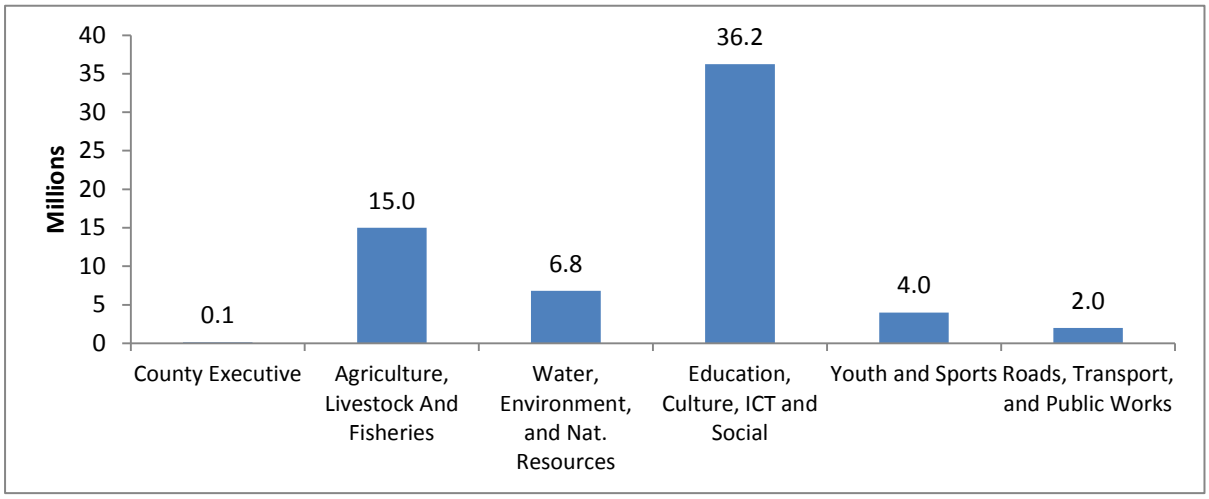


Source: *Kiambu County Treasury*

Analysis of the Kshs.62.28 million development expenditure shows that the County spent Kshs.1.95 million on development and maintenance of access roads, Kshs.15 million on agriculture , livestock and fisheries programmes, Kshs.6.8 million on water, environment and

natural resources programmes and Kshs.36 million for purchase of ICT networking and communications Equipment as shown in **Figure 54**.

Figure 54: Analysis of Development Expenditure, Kiambu County



Source: *Kiambu County Treasury*

In previous CBIRRs, the OCOB has made recommendations to address various challenges on budget implementation such as delay in the preparation of critical budget making documents like CFSP, CIDP, CBROP, Annual Development plan and the Finance Act. The county took the recommendations into consideration and have since addressed the challenges.

During monitoring of budget implementation in the period under review, the office noted the following issues that need to be addressed:

1. Delay in disbursement of the national equitable share by the National Treasury affected the county's cash flow plan.
2. The County Assembly is yet to implement the IFMIS system of accounting in their financial operations.

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

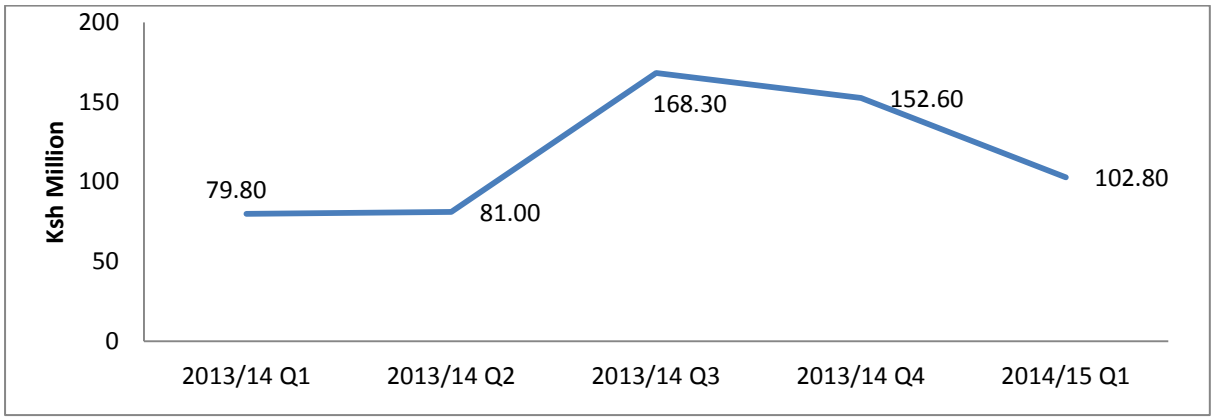
1. *The National Treasury should disburse the national equitable share on time.*
2. *The County should liaise with the IFMIS Directorate in order to ensure the County Assembly adopts the IFMIS system of accounting. This will enhance openness in budget implementation as well as improve absorption of funds.*

Kilifi County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.8.43 billion **c**omprising of Kshs.4.75 billion (56.3 per cent) allocated for recurrent expenditure and Kshs.3.69 billion (43.7 per cent) for development expenditure. This budget will be financed by Kshs.6.49 billion (85.1 per cent) from the national equitable share, Kshs.1.00 billion (13.2 per cent) from local revenue sources, and Kshs.142.6 million (1.9 per cent) as donor funds and loans.

During the first quarter of FY2014/15, the National Treasury disbursed Kshs.811.54 million as funds advanced to the County as which represents 12.8 per cent per cent of the total remittances expected from National Treasury. The County collected Kshs.102.83 million from local sources, and had Kshs.1.10 billion as cash balance from FY 2013/14. The local revenue raised in the first quarter of Kshs.102.8 million was 10.3 per cent of the annual local revenue target and is an improvement from Kshs.79.7 million collected in the same period of FY 2013/14. **Figure 55** shows the trend in local revenue collection by quarter.

Figure 55: Quarterly Trend in Local Revenue Collection



Source: *Kilifi County Treasury*

Funds released to the County during the period under review amounted to Kshs.2.71 billion, of which Kshs.1.77 billion (65.2 per cent) was for recurrent expenditure and Kshs.942.63 million (34.8 per cent) for development funds.

In the first quarter, total expenditure was Kshs.992.86 million, which was 36.6 per cent of the funds released. The expenditure for the period under review is an improvement from the Kshs.159.8 million spent in the first quarter of FY 2013/14. The County spent Kshs.748.98 million (75.4 per cent) on recurrent activities, and Kshs.243.88 million (24.6 per cent) on development activities in the first quarter. Recurrent expenditure was 42.3 per cent of the

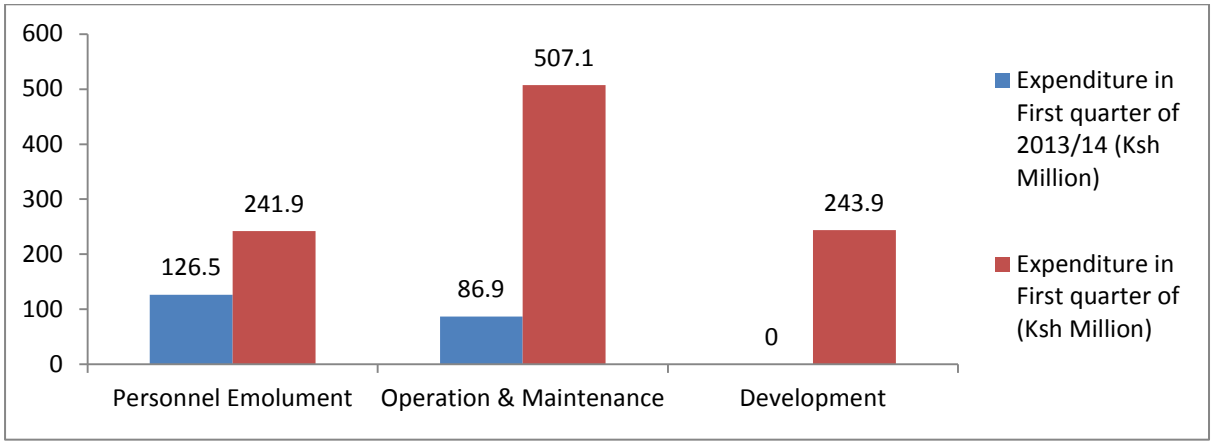
funds released for recurrent activities while development expenditure accounted for 25.9 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represented an absorption rate of 15.8 per cent of the annual recurrent budget, an increase from an absorption rate of 5.1 per cent realized in the first quarter of FY2013/14. Development expenditure translates to an absorption rate of **6.6 per cent** of the annual development budget which is a significant improvement since the county did not implement any development activities in the first quarter of FY 2013/14.

Analysis of the Kshs.748.98 million spent on recurrent activities shows that the County spent Kshs.241.93 million on personnel emoluments which translates to 32.3 per cent of the total recurrent expenditure and Kshs.507.05 million on operations and maintenance expenditure which is 67.7 per cent of the total recurrent expenditure for the period. A total of Kshs.22.24 million was spent on payment of sitting allowances to the 54 members of the County Assembly against an annual budget of Kshs.95.85 million representing an absorption rate of **23.2 per cent**.

Comparison of the total expenditure for the period under review and the same period last financial year is shown in **Figure 56** below.

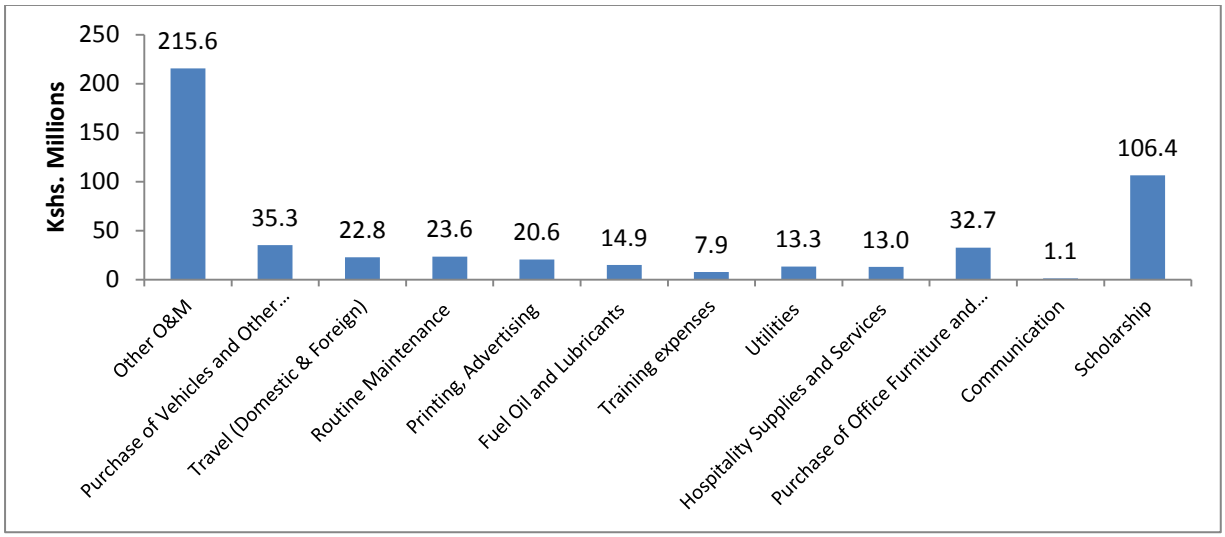
Figure 56: First Quarter Expenditure Kilifi County



Source: *Kilifi County Treasury*

Expenditure on domestic and foreign travel was Kshs.9.28 million in the first quarter of FY 2014/15 compared to Kshs.44.39 million in the first quarter of FY 2013/14. **Figure 57** shows a breakdown of operations and maintenance expenditure for the period under review.

Figure 57 : Operations and Maintenance Expenditure, Kilifi County



Source: *Kilifi County Treasury*

During previous reporting period over the FY 2013/14, the OCOB made various recommendations on budget implementation. These recommendations were informed by challenges identified during monitoring of budget implementation. They included; low local revenue collection, inadequate capacity for implementation of IFMIS, low absorption of development funds due to complex procurement processes, inadequate internal controls, and high wage bill among other challenges. The County government has put in place elaborate measures to improve on revenue collection which includes creation of a revenue section within the Finance and Economic Planning department, appointment of sub-county collectors of revenue, signing of performance contracts with the revenue officer, engagement of a revenue collection professional, supervision, and enforcement. The County is also in the process of automating revenue collection. IFMIS use by the County Treasury is currently at about 80 per cent while the County Assembly has trained and acquired the necessary infrastructure to implement IFMIS.

The County has recruited a substantive head of internal audit. This unit is expected to enhance internal controls and provide advisory and assurance services to the county government. Capacity of the procurement unit is being enhanced with an additional ten procurement officers having been requested from the National Treasury. This is aimed at helping county departments absorb their development funds efficiently and on timely basis. Staff audit was conducted and the County government is undertaking staff rationalization with the assistance of CARPS.

During monitoring of budget implementation in the period under review, the office noted the following issues that need to be addressed:

1. Delay in the disbursement of funds by the National Treasury which was caused by delay in the enactment of the Division of Revenue Bill and County Allocation of Revenue Bill.
2. Inadequate office space for the various departments.
3. Inadequate skilled personnel in the some departments such as the County Treasury, leading to delayed reporting.
4. Inadequate means of transport causing logistical challenges as the County executes its mandates.
5. Lack of appropriate legislation necessary to operationalize devolved county functions.

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

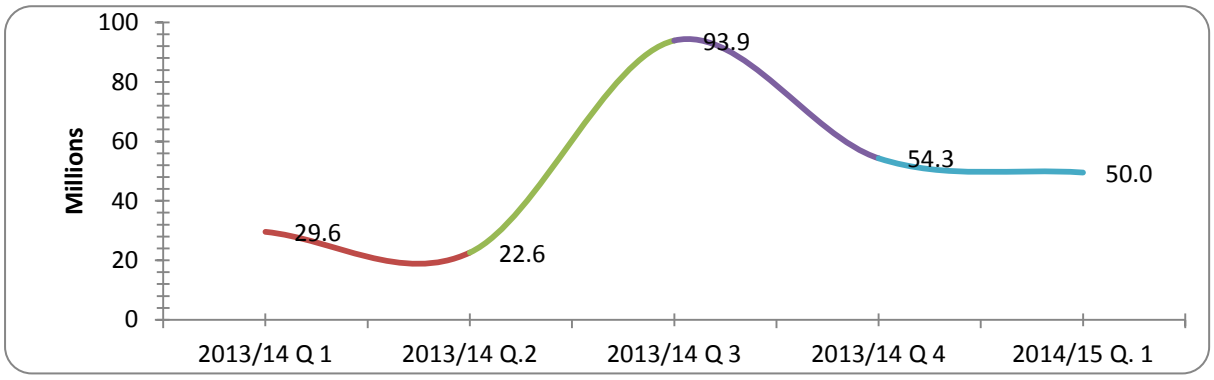
1. *The National Treasury should disburse funds to Counties on a timely basis.*
2. *The County Government should fast-track the process of renting office spaces and construction of offices.*
3. *The recruitment of officers for various staff cadre initiated by the County Public Service Board should be expedited with a view to build institutional capacity.*
4. *The acquisition of additional ambulances and office vehicles should solve the operational problems currently encountered by departments as they execute their budgets.*
5. *Approval of bills (Finance Bill, Public Participation Bill, Liquor and Licensing Bill) which have gone through Public Participation and are before the County Assembly should be fast-tracked to facilitate budget implementations.*

Kirinyaga County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.4.26 billion **c**omprising of Kshs.2.56 billion (60.1 per cent) allocated for recurrent expenditure and Kshs.1.70 billion (39.9 per cent) for development expenditure. This budget will be financed by Kshs.3.09 billion (66.0 per cent) from the national equitable share, Kshs.729.00 million (15.6 per cent) from local revenue sources and donor funding of Kshs.267.19 million (5.7 per cent) from DANIDA.

During the first quarter of FY2014/15, the County did not receive any funds from national equitable share of revenue; however the County received an advance of Kshs.385.86 million from the National Treasury, collected Kshs.32.96 million from local sources, and had Kshs.596.19 million as cash balance from FY 2013/14. The local revenue raised in the first quarter amounting to Kshs.32.96 million or 4.5 per cent of the annual local revenue target, was an improvement from Kshs.29.6 million collected in the same period of FY 2013/14. **Figure 58** shows the trend in local revenue collection by quarter.

Figure 58: Quarterly Trend in Local Revenue Collection



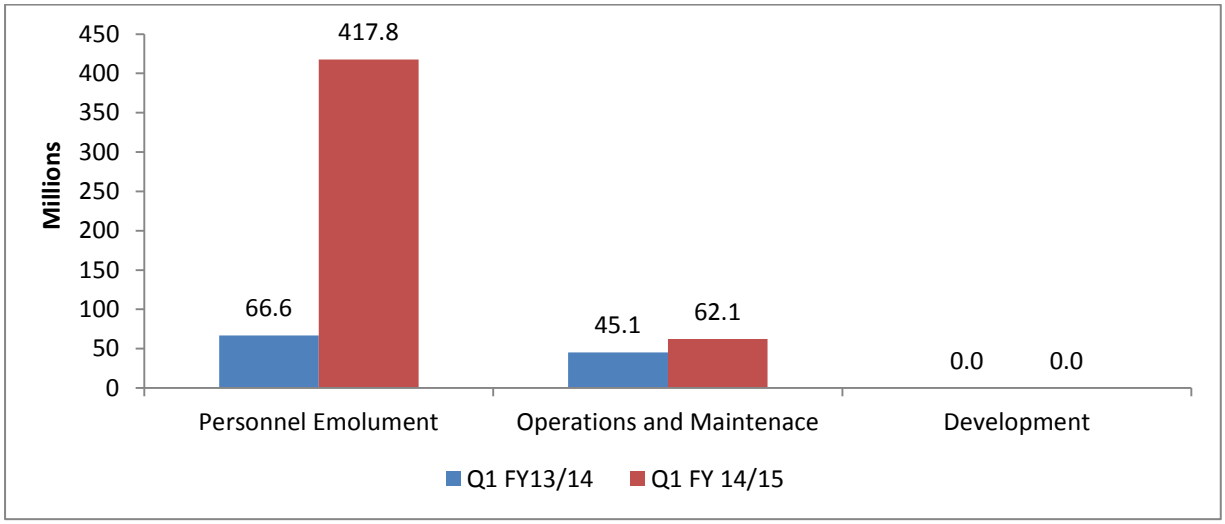
Source: *Kirinyaga County Treasury*

Funds released to the County during the period under review amounted to Kshs.620.06 million which was for recurrent expenditure, no development funds were requested.

In the first quarter, the total expenditure was Kshs.479.96 million which was 77.4 per cent of the funds released. The expenditure for the period under review was an increase from Kshs.111.7 million spent in the first quarter of FY 2013/14. The County spent Kshs.479.96 million on recurrent activities, no development activities were funded in the first quarter. The recurrent expenditure for the period under review represented an absorption rate of 18.8 per cent of the annual recurrent budget, an increase from an absorption rate of 4.9 per cent realized in the first quarter of FY2013/14.

Analysis of Kshs. 479.96 million spent on recurrent activities shows that the County spent Kshs.417.85 million on personnel emoluments which translates to 87.1 per cent of the total recurrent expenditure and Kshs.62.11 million on operations and maintenance expenditure which is 12.9 per cent of the total recurrent expenditure for the period as shown in **Figure 59** below.

Figure 59: First Quarter Expenditure Kirinyaga County



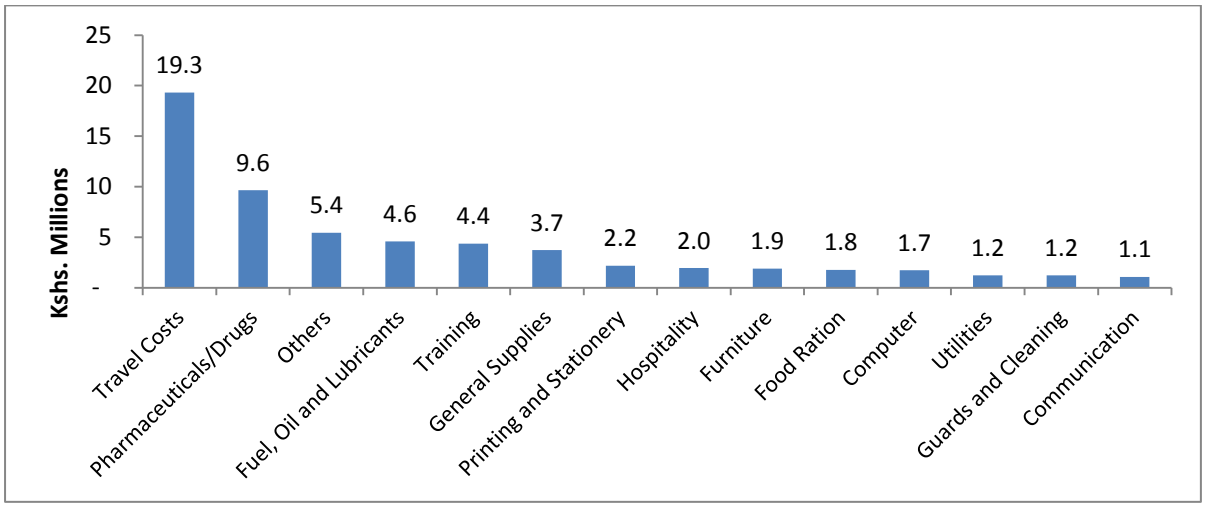
Source: *Kirinyaga County Treasury*

Note. There was no development Expenditure in the first quarter of both 2013/14 and 2014/15 Financial Years

A total of Kshs.10.50 million was spent on payment of sitting allowances to the 30 members of the County Assembly against an annual budget of Kshs.104.4 million representing an absorption rate of **10.1 per cent**.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 60** below. Expenditure on domestic and foreign travel was Kshs.19.3 million in the first quarter of FY 2014/15 compared to Kshs.10.92 million in the first quarter of FY 2013/14.

Figure 60: Operations and Maintenance Expenditure, Kirinyaga County



Source: *Kirinyaga County Treasury*

In previous CBIRRs, the OCOB has made various recommendations to improve budget implementation. The recommendations were informed by the following challenges; low local revenue collection, failure to fully adopt IFMIS, low absorption of development funds, weak internal controls, and high wage bill, among others.

During monitoring of budget implementation, the office noted that the County government has taken measures to improve revenue collection such as creation of a directorate for revenue collection and signing performance contract with revenue collectors. The County is also in the process of automating revenue collection in the County. IFMIS implementation at the County Treasury is currently at full usage while the County Assembly have trained and acquired the necessary infrastructure to implement IFMIS.

In the first quarter of FY 2014/15, OCOB noted the following issues that need to be addressed:

1. **Delay in the disbursement of funds by the National Treasury**. The first disbursement to the County was done towards the end of August 2014. Delay in the disbursement of funds affects the implementation of County Budgets.
2. **High County wage bill.** In the first quarter the County total expenditure was Kshs.479 million of which Kshs.417 million (representing 87 per cent) was spent on personnel emolument. The County wage bill has been increasing every month due to the increasing employment by the County Government.
3. **Failure to adopt IFMIS by the County Assembly.** The County Assembly is yet to adopt IFMIS in their transaction, however staff were trained and the necessary infrastructure has been put in place. IFMIS and GPAY system have been fully adopted by the County Executive.
4. **Low local revenue collection.** The County collected Kshs.32.96 million in local revenue against a target of Kshs.135.7 million in the first quarter. This represented a 24.3 per cent achievement of the target set for the period. The County is unlikely to meet its annual local revenue target of Kshs.729 million.

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

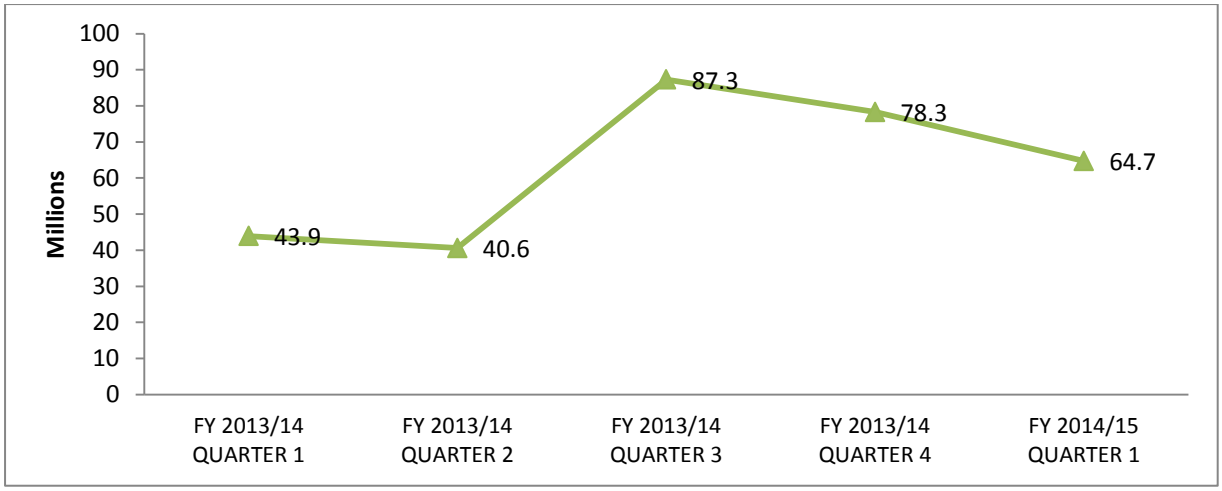
1. *Parliament should enact the requisite legislations on time to enable the National Treasury to disburse funds to Counties on a timely basis and as per the approved disbursement schedule.*
2. *There is need for staff rationalization to ensure the County is deriving value from all staff in the payroll. The staffs audit conducted by the County should help guide the County in future employments to avoid employing more staff where there exist other personnel.*
3. *The County Assembly must fast track the adoption of IFMIS and GPAY system for transparency in financial management and standardized reporting. There is also need for regular training of County Treasury and County Assembly finance department staff to enhance their technical skills on IFMIS and GPAY operations.*
4. *The County should map out and enhance local revenue, particularly from the devolved units.*

Kisii County

The Kisii County Budget for the FY 2014/15 amounted to Kshs.7.29 billion comprising of Kshs.4.73 billion (64.9 per cent) allocated for recurrent expenditure and Kshs.2.56 billion (35.1 per cent) for development expenditure. The budget will be financed by Kshs.6.19 billion (84.7 per cent) from the national equitable share, and, Kshs.1.12 billion (15.3 per cent) from local revenue sources.

During the first quarter of FY2014/15, the County received Kshs.565.39 million as the national equitable share of revenue, Kshs.782.03 million as an advance from the National Treasury, collected Kshs 64.73 million from local sources, and had Kshs.527.12 million as cash balance from FY 2013/14. The local revenue realised in the first quarter of Kshs.64.73 million or 5.8 per cent of the annual local revenue target, was an improvement from Kshs.43.9 million collected in the same period of FY 2013/14. **Figure 61** shows the trend in local revenue collection by quarter.

Figure 61: Quarterly Trend in Local Revenue Collection



Source: *Kisii County Treasury*

Funds released to the County during the period under review amounted to Kshs.1.35 billion, of which, Kshs.993.85 million (73.5 per cent) was for recurrent expenditure while Kshs.358.50 million (26.5 per cent) was for development activities.

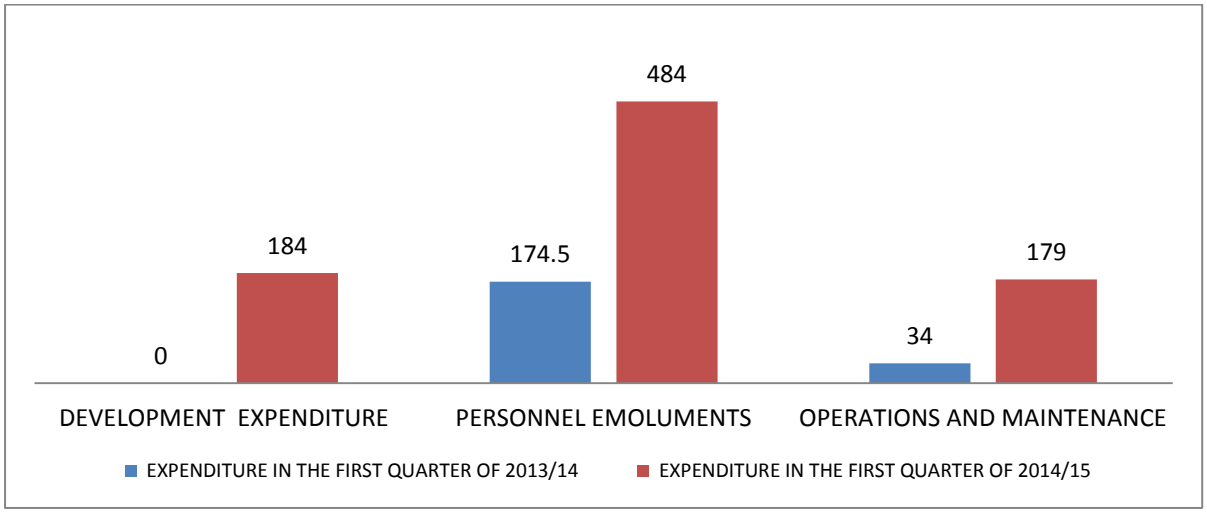
In the period under review, the total expenditure was Kshs.846.74 million which was 62.6 per cent of the funds released. The expenditure for the period under review is a significant increase from the Kshs.208.5 million spent in the first quarter of FY 2013/14. The County spent Kshs.662.97 million (78.3 per cent) on recurrent activities and Kshs.183.76 million (21.7 per cent) on development activities. Recurrent expenditure was 66.7 per cent of the funds released for recurrent activities while development expenditure accounted for 51.3 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represented an absorption rate of **14.0 per cent** of the annual recurrent budget, an increase from an absorption rate of **5 per cent** realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **7.2 per cent** of the annual development budget, an improvement from the same period last financial year where there was no development expenditure.

Analysis of Kshs.662.97 million spent on recurrent activities shows that the County spent Kshs.484.31 million on personnel emoluments which translates to 73.1 per cent of the total recurrent expenditure and Kshs.178.67 million on operations and maintenance expenditure which is 26.9 per cent of the total recurrent expenditure for the review period.

A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 62**.

Figure 62: First Quarter Expenditure, Kisii County

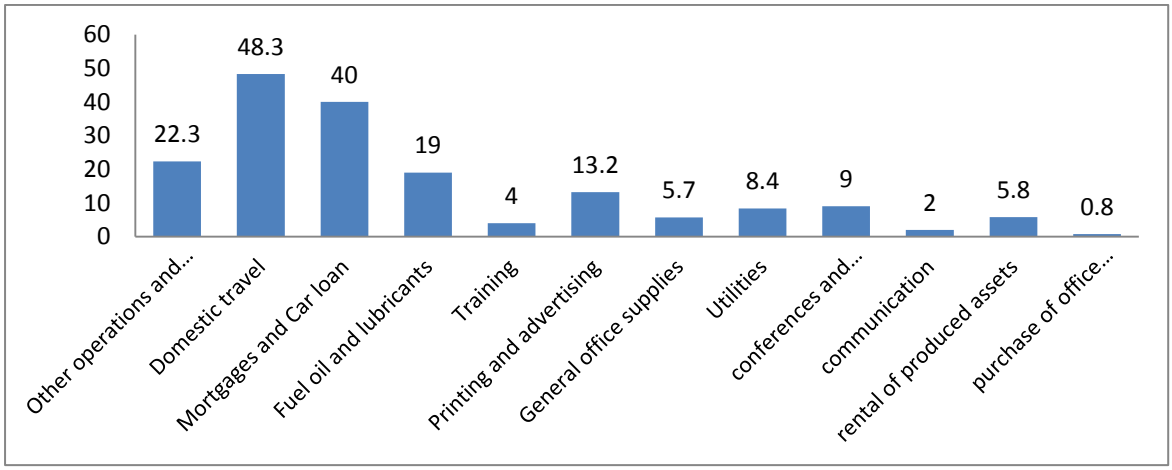


Source: *Kisii County Treasury*

A total of Kshs.20.95 million was spent on payment of sitting allowances to the 72 members of the County Assembly against an annual budget of Kshs.158.75 million representing an absorption rate of **13.2 per cent.**

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 63**. Expenditure on domestic and foreign travel was Kshs. 48.36 million in the first quarter of FY 2014/15 compared to Kshs.15.13 million in the first quarter of FY 2013/14.

Figure 63: Operations and Maintenance Expenditure, Kisii County (Kshs. Millions)

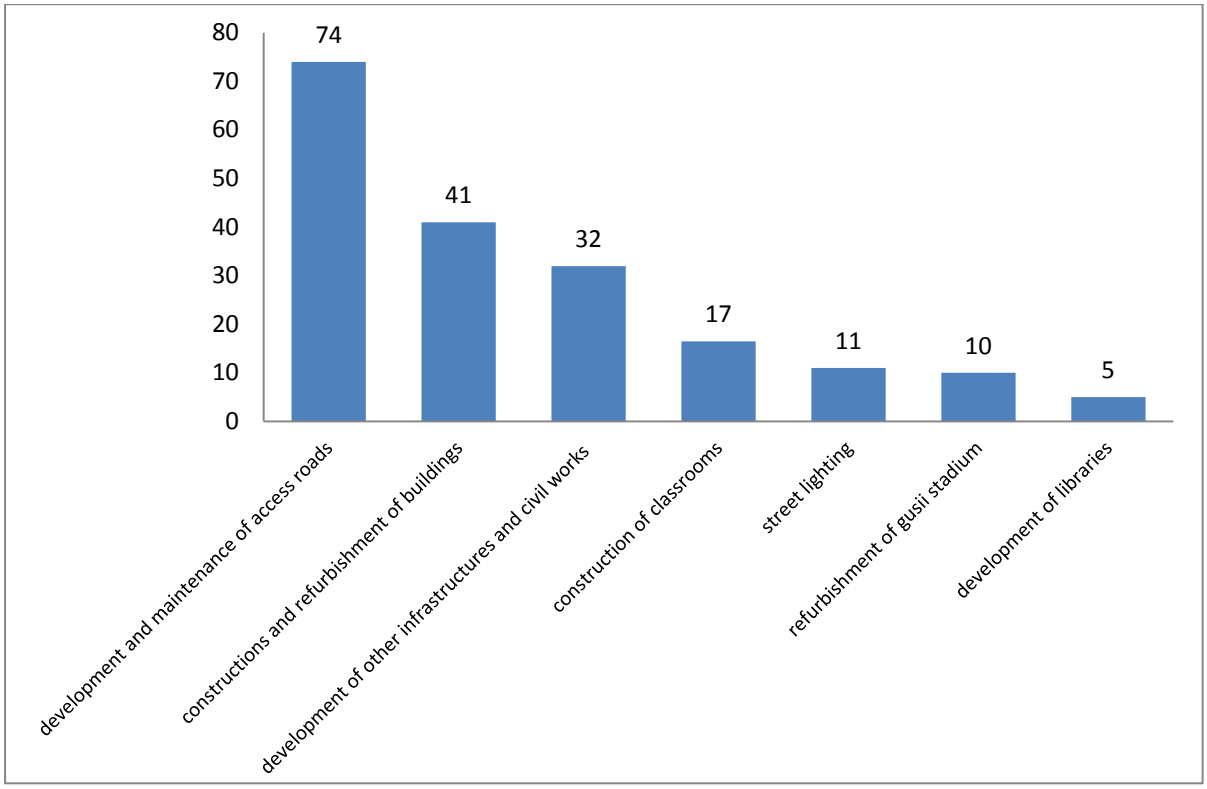


Source: *Kisii County Treasury*

The development expenditure for the first quarter of FY 2014/15 was Kshs.184 million. Analysis of the development expenditure for the period under review shows that the County spent Kshs.74 million on development and maintenance of access roads, Kshs.41 million on

construction and refurbishment of buildings; Kshs.16.5 million on construction of classrooms and Kshs.31.6 million on development of other infrastructure and civil works (see **Figure 64**).

Figure 64: Analysis of Development Expenditure, Kisii County (Kshs. Million)



Source: *Kisii County Treasury*

During the last financial year, OCOB made several recommendations to the County for effective budget execution. Although the County made efforts to address the recommendations, some issues are yet to be fully addressed such as the need to; i) deposit all money raised or received on behalf of the County to the CRF, ii) fully adopt IFMIS for transparency in financial reporting, and iii) establish elaborate mechanisms to enhance local revenue collection, including the timely enactment of the Finance Act.

During monitoring of the budget, the office noted the following issues that need to be addressed:

1. Some devolved units such as the Health department continue to spend directly from the revenue generated by the department. This contravenes Article 207 of the Constitution and Section 109 (2) of the PFM Act, 2012 which require all funds to be deposited intact into the County Revenue Fund.
2. Underperformance of local revenue collection. The County was only able to collect

Kshs.64.73 million (5.8 per cent) out of the projected local revenue of Kshs.1.1 billion. If this trend persists, it is likely to affect the implementation of planned activities.

In order to improve budget execution, the County should consider the following recommendations:

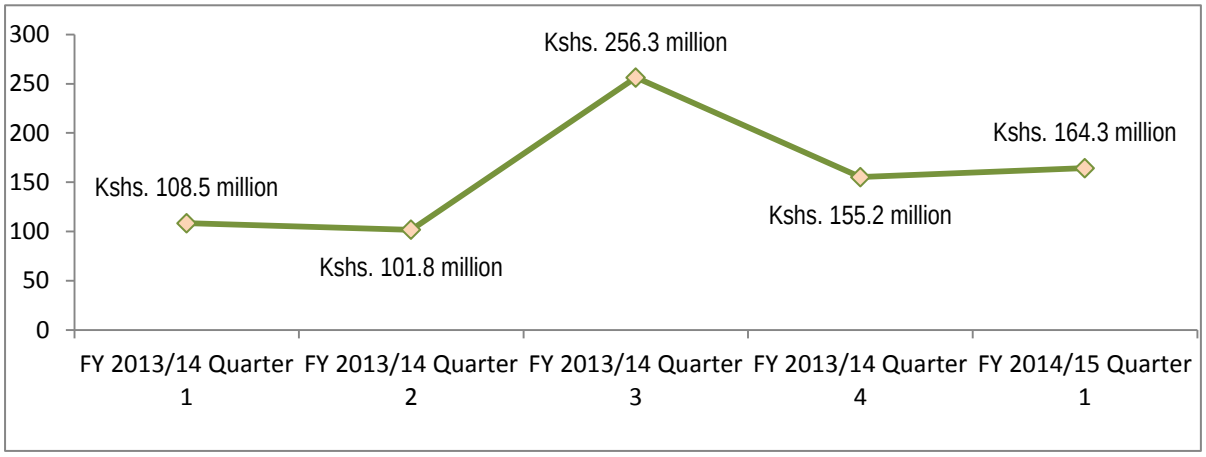
1. *As provided in Article 207 of the Constitution and Section 109 of the PFM Act, 2012, all money received by or on behalf of the County Government should be deposited in the CRF account.*
2. *The County must set realistic local revenue targets and come up with concrete strategies to improve local revenue collection.*

Kisumu County

The Kisumu County has a budget of Kshs.11.43 billion for the FY 2014/15, comprising of Kshs.5.65 billion (49.4 per cent) for recurrent expenditure and Kshs.5.78 billion (50.6 per cent) for development activities. This budget will be financed by Kshs.4.95 billion (43.7 per cent) from the national equitable share, Kshs.2.84 billion (24.8 per cent) from local revenue sources, Kshs.2.26 billion (19.8 per cent) from donor loans and grants, and Kshs.1.33 billion (11.6 per cent) being projected cash balance from FY 2013/14.

During the first quarter of FY2014/15, the County received Kshs.644.48 million as an advance from the National Treasury, collected Kshs.164.25 million from local revenue sources, and had Kshs.614.29 million as cash balance brought forward from FY 2013/14. The local revenue raised in the first quarter amounting to Kshs. 164.25 million (5.8 per cent of the annual local revenue target), was an improvement from Kshs.108.52 million collected in the same period of FY 2013/14. **Figure 65** shows the trend in local revenue by quarter.

Figure 65: Quarterly Trend in Local Revenue Collection



Source: *Kisumu County Treasury*

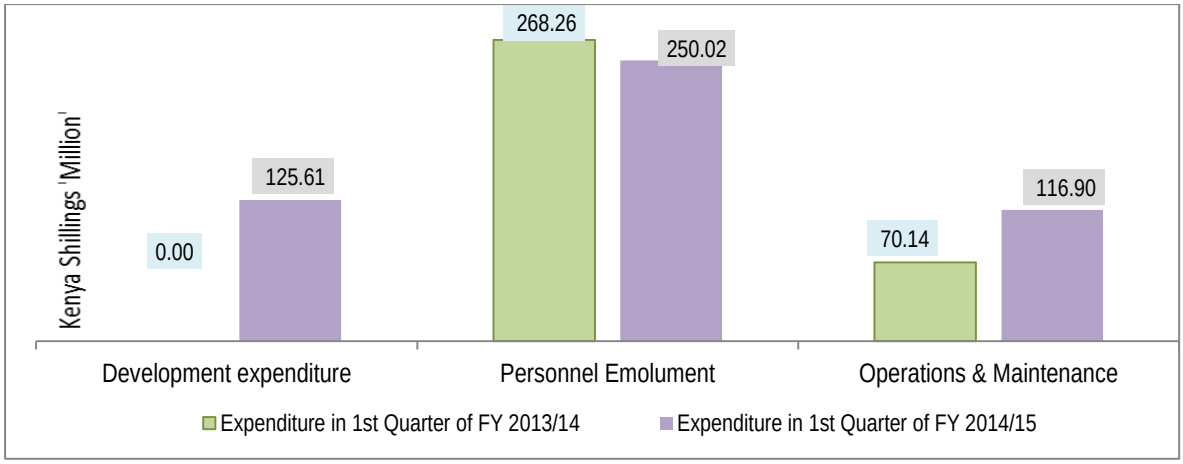
Funds released to the County during the period under review amounted to Kshs.1.80 billion, of which, Kshs.1.30 billion (72.2 per cent) was for recurrent expenditure while Kshs.500.04 million (27.8 per cent) was for development activities.

In the period under review, the total expenditure was Kshs.492.54 million which was 27.4 per cent of total funds released, and an improvement from Kshs.338.40 million spent in the first quarter of FY 2013/14. The County spent Kshs.366.93 million (74.5 per cent) on recurrent activities and Kshs.125.61 million (25.5 per cent) on development activities. Recurrent expenditure was 28.2 per cent of the funds released for recurrent activities while development expenditure accounted for 25.1 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represents an absorption rate of **6.5 per cent** of the annual recurrent budget, a decline from an absorption rate of **7 per cent** realized in the first quarter of FY2013/14. Development expenditure translates to an absorption rate of **2.2 per cent** of the annual development budget. There was no development expenditure in the same period in the FY 2013/14.

Analysis of the recurrent expenditure shows that the County spent Kshs.250.02 million on personnel emoluments which translates to 68 per cent of the total recurrent expenditure and Kshs.116.90 million on operations and maintenance expenditure which is 32 per cent of the total recurrent expenditure for the period under review. A comparison of the total expenditure between the period under review and the same period in the FY 2013/14 is shown in **Figure 66**.

Figure 66: Analysis of Total Expenditure, Kisumu County

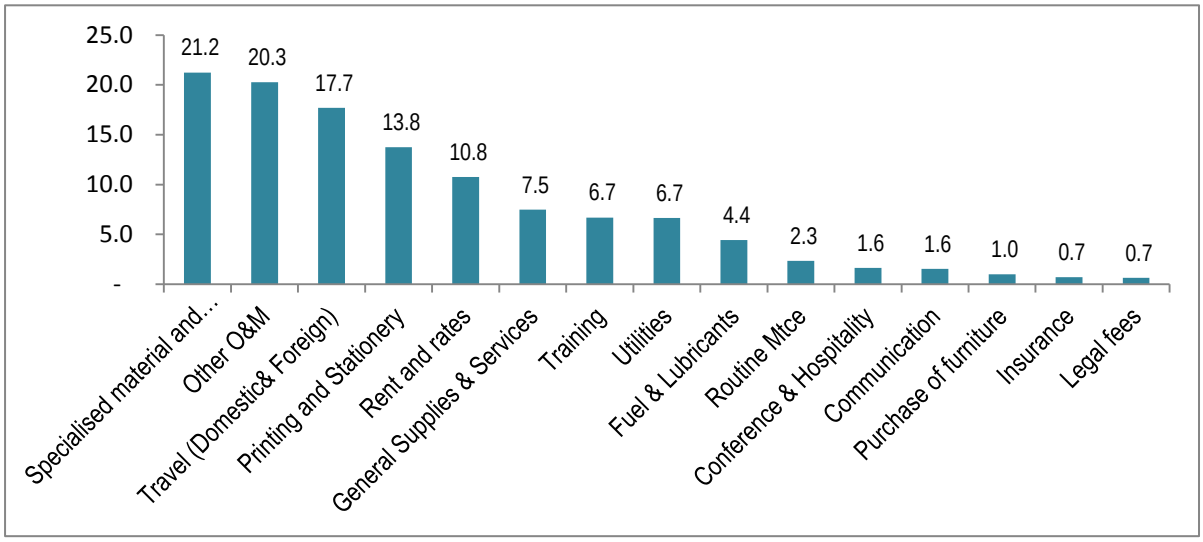


Source: Kisumu County Treasury

A total of Kshs.10.24 million was spent on payment of sitting allowances to the 50 members of the County Assembly against an annual budget of Kshs.123.97 million representing an absorption rate of **8.3 per cent**.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 67**. Expenditure on domestic and foreign travel was Kshs.17.69 million in the first quarter of FY 2014/15 compared to Kshs.14.14 million in the first quarter of FY 2013/14.

Figure 67: Operations and Maintenance Expenditure, Kisumu County (Kshs. Millions)

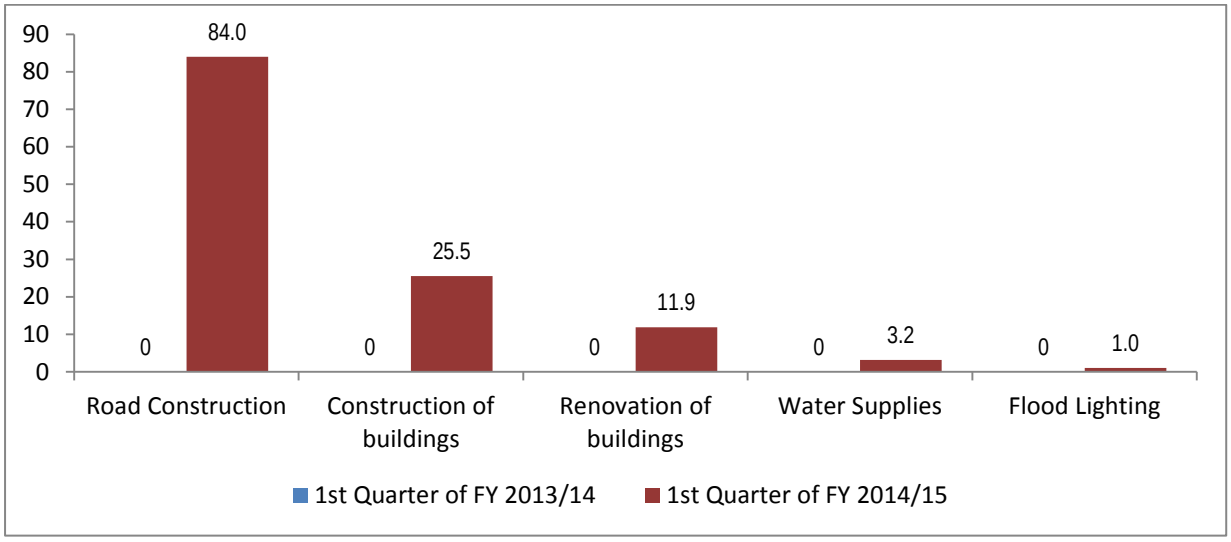


Source: *Kisumu County Treasury*

The development expenditure in the first quarter of FY2014/15 was Kshs.125.61 million. Analysis of this expenditure shows that the County spent Kshs.84.0 million on development and maintenance of access roads, Kshs.37.4 million on construction and refurbishment of

buildings, Kshs.3.2 million on maintenance and construction of water supplies and irrigation, and Kshs.1.0 million on development of other infrastructure and civil works (see **Figure 68**).

Figure 68: Analysis of Development Expenditure, Kisumu County (Kshs. Million)



Source: *Kisumu County Treasury*

The County has implemented some of the recommendations made by OCOB in the previous reports especially on stoppage of use of local revenue at source, generation of expenditure reports from IFMIS, improving human capacity through secondment of staff from the National Government and partly on low absorption of development funds. However, some of the issues such as non-remittance of revenue by devolved entities intoinfrastructurethe County Revenue Fund, huge wage bill, and underperformance in local revenue collection are still pending.

The challenges that affected budget implementation in the first quarter of FY 2014/15 included:

1. Lack of laws governing revenue collection from the various revenue streams, upon which the Finance Bill could be anchored. This has exposed the County to the risk of litigation and also prevents optimal revenue collection.
2. Low local revenue performance exacerbated by non-remittance of revenue to the County Revenue Fund (CRF) by devolved entities, and thereby limiting the county from attaining its local revenue target.
3. Lack of a current property register to guide the collection of levies on County properties which affected performance of revenue from rates.
4. Low absorption of development funds due to delays in the procurement processes.

5. Poor state of some revenue generating infrastructure such as bus parks, markets and sanitation.

In order to improve budget execution, the County should consider the following recommendations:

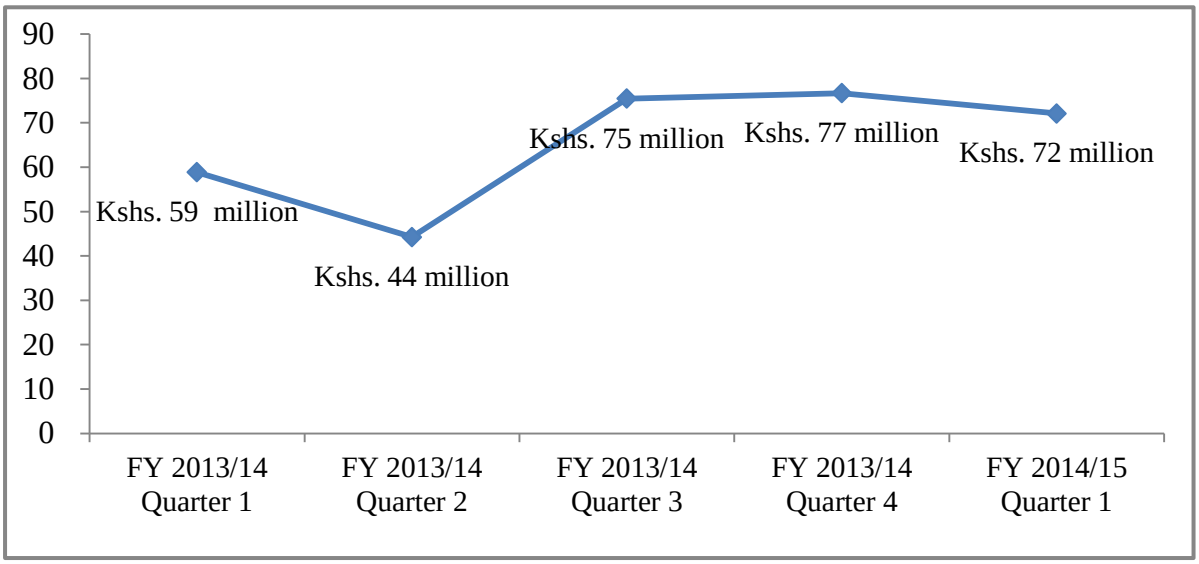
1. *The County should fast track enactment of requisite revenue laws to enhance revenue collection.*
2. *All revenue raised or received by or on behalf of the County should be paid into County Revenue Fund as per Section 109 (2) of the PFM act, 2012.*
3. *A property register should be in place to provide a basis of determining property taxes/rates.*
4. *The County should enhance staff capacity in procurement, project management, and also develop and operationalize appropriate decentralized structure and systems to improve absorption of development funds.*
5. *There is need to prioritize the development, refurbishment or improvement on revenue generating infrastructure/assets in order to increase revenue raising potential*.

Kitui County

The County Budget for the FY 2014/15 is Kshs.7.69 billion comprising of Kshs.4.60 billion (51.0 per cent) for recurrent expenditure and Kshs.3.09 billion (49 per cent) for development expenditure. This budget will be financed by Kshs.6.32 billion (82.2 per cent) from the national equitable share, Kshs.650 million (8.5 per cent) from local revenue sources, Kshs.421 million (5.5 per cent) being projected cash balance from FY 2013/14, and Kshs.299.72 million (3.9 per cent) from donor funded projects/conditional grant. The equitable share in the budget estimate was Kshs.18 million less than the approved amount for Kitui County as given in the CARA, 2014.

During the first quarter of FY2014/15, the County received Kshs.792.56 million as the national equitable share of revenue, collected Kshs.72.11 million from local revenue sources and had Kshs.2.22 billion as actual bank balance brought forward from FY 2013/14. The local revenue realised in the first quarter amounting to Kshs.72.11 million or 11.1 per cent of the annual local revenue target and was an improvement from Kshs.58.9 million collected in the same period of FY 2013/14.

Figure 69: Quarterly Trend in Local Revenue Collection



Source: *Kitui County Treasury*

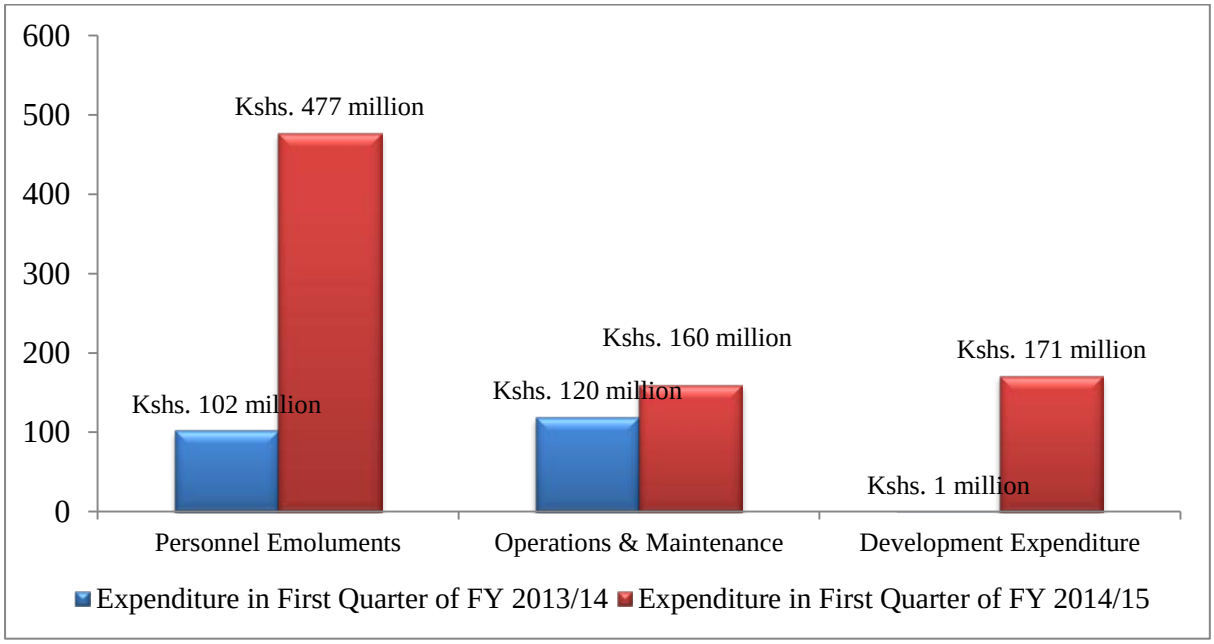
Funds released to the County during the period under review amounted to Kshs.1.55 billion, of which, Kshs.1.11 billion (71.8 per cent) was for recurrent expenditure while Kshs.438.61 million (28.2 per cent) was for development activities.

In the first quarter, the total expenditure was Kshs.808.10 million which was 52.0 per cent of the funds released. The expenditure for the period under review is an improvement from the Kshs.222.4 million spent in the first quarter of FY 2013/14. The County spent Kshs.637.16 million (78.8 per cent) on recurrent activities and Kshs.170.93 million (21.2 per cent) on development activities. Recurrent expenditure was 57.2 per cent of the funds released for recurrent activities while development expenditure accounted for 39.0 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represented an absorption rate of **13.9 per cent** of the annual recurrent budget, an increase from an absorption rate of **6 per cent** realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **3.6 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.477.49 million on personnel emoluments which translates to 74.9 per cent of the total recurrent expenditure and Kshs.159.68 million on operations and maintenance expenditure which is 25.1 per cent of the total recurrent expenditure for the period. A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 70**.

Figure 70: Analysis of Total Expenditure, Kitui County (Kshs. Million)

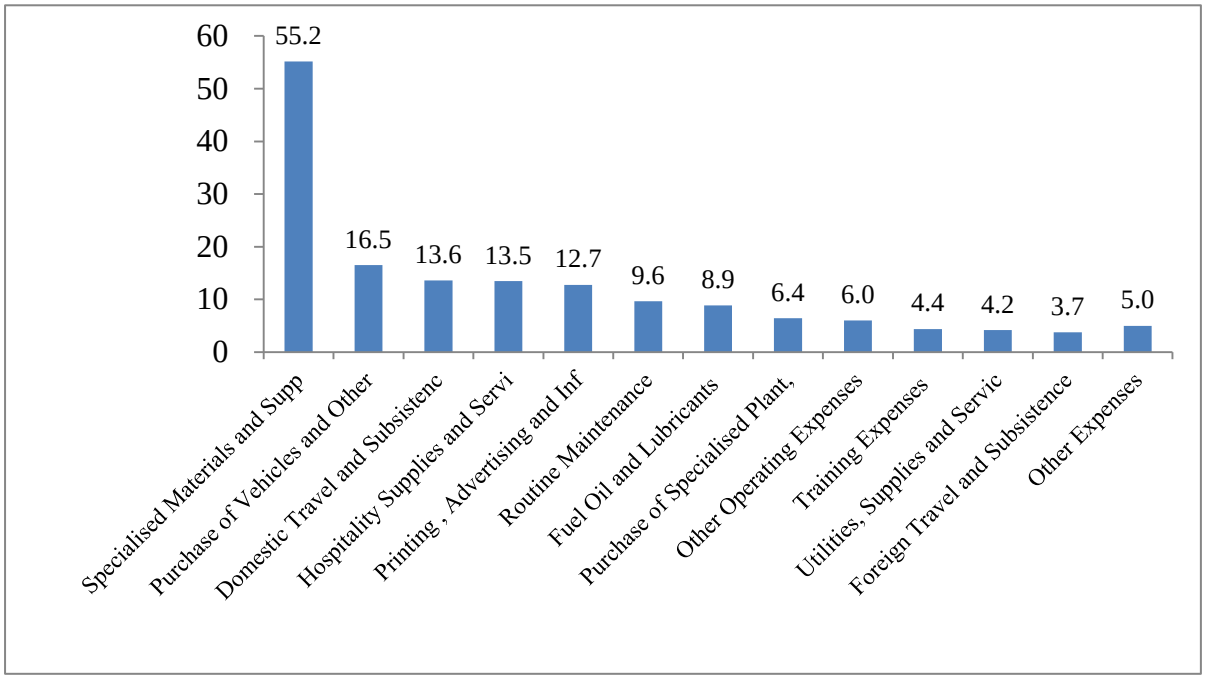


Source: *Kitui County Treasury*

A total of Kshs.10.47 million was spent on payment of sitting allowances to the 58 members of the County Assembly against an annual budget of Kshs.95.37 million representing an absorption rate of **11.0 per cent**.

The breakdown of operations and maintenance expenditure for the period under review is show in **Figure 71**. Expenditure on domestic and foreign travel amounted to Kshs.17.32 million in the first quarter of FY 2014/15 compared to Kshs.25.04 million in the first quarter of FY 2013/14.

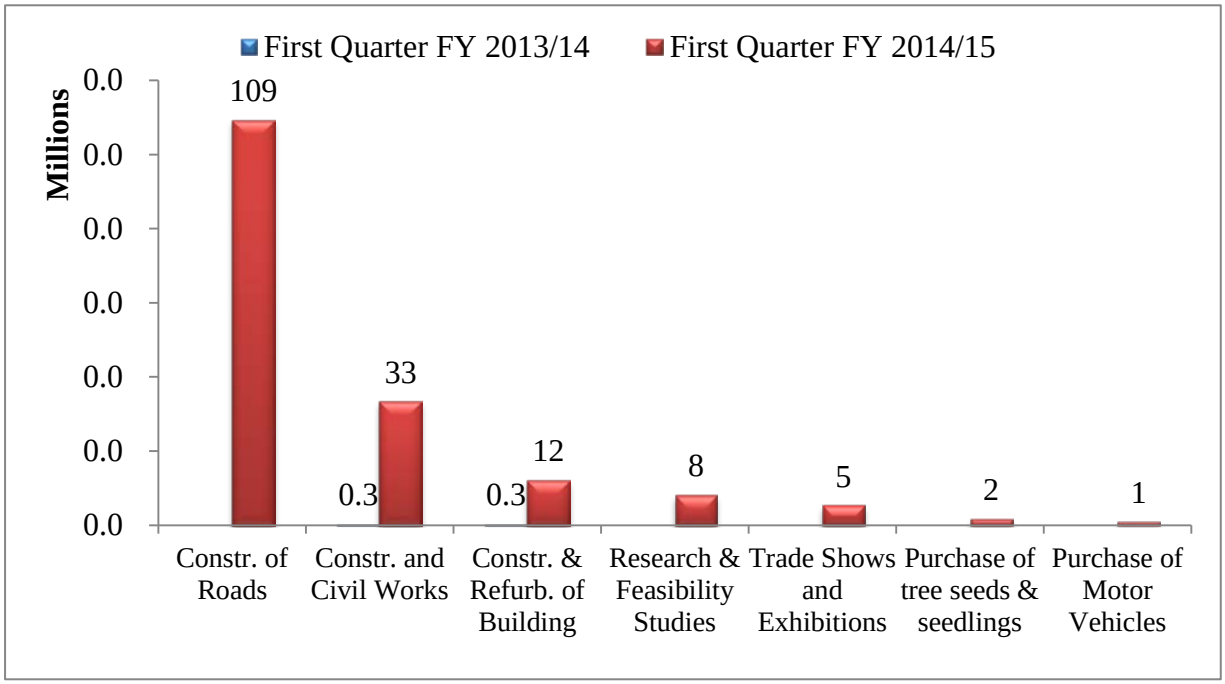
Figure 71: Operations and Maintenance Expenditure, Kitui County (Kshs. Millions)



Source: *Kitui County Treasury*

The development expenditure for the first quarter of FY2014/15 was Kshs.170.93 million, an improvement from Kshs.0.614 million spent in the first quarter of FY 2013/14. Analysis of this development expenditure shows that the County spent Kshs.109.3 million on construction of roads (Kshs.107.8 million on construction of access roads and Kshs.1.5 million on development of major roads), Kshs.33.4 million on construction and civil works, Kshs.12.2 million on construction and refurbishment of buildings, Kshs.8.1 million on Research & Feasibility Studies under the Department of Basic Education, Kshs.5.3 million on Trade Shows and Exhibitions under the Department of Agriculture, Kshs.1.6 million on Purchase of tree seeds and seedlings under the Youth Investment Savings and Investment Programme, and Kshs.1 million for purchase of motor vehicle under management of the Kitui Town. (See **Figure 72**).

Figure 72: Analysis of Development Expenditure, Kitui County (Kshs. Million)



Source: *Kitui County Treasury*

The first quarter of FY 2014/15 was marked by improvement in development activities (Kshs.170.93 million) compared to the first quarter of FY 2013/14 where Kshs.0.6 million was spent. This improvement of development activity implementation in the first quarter of FY 2014/15 was mainly due to the spill over of development projects that commenced towards the end of FY 2013/14.

The office also noted that the County Treasury accurately uploaded the FY 2014/15 budget to IFMIS compared to the previous year where there were several differences between the approved budget and that uploaded in IFMIS. It is also worth noting that the County is maintaining up-to-date exchequer ledgers as recommended by the OCOB.

Nonetheless, there were a number of challenges that affected budget implementation in the first quarter of the FY2014/15. These included:

1. Some County entities spent more than the amount issued to them, which points towards lapses in financial controls.
2. Local revenue performance stood at 11.1 per cent of the annual local revenue target lagging behind the projected amount.
3. The development expenditure fell below the projected amount to be utilised during the same period based on the annual cash-flow statement for FY 2014/15.

In order to improve budget execution, the County should consider the following recommendations;

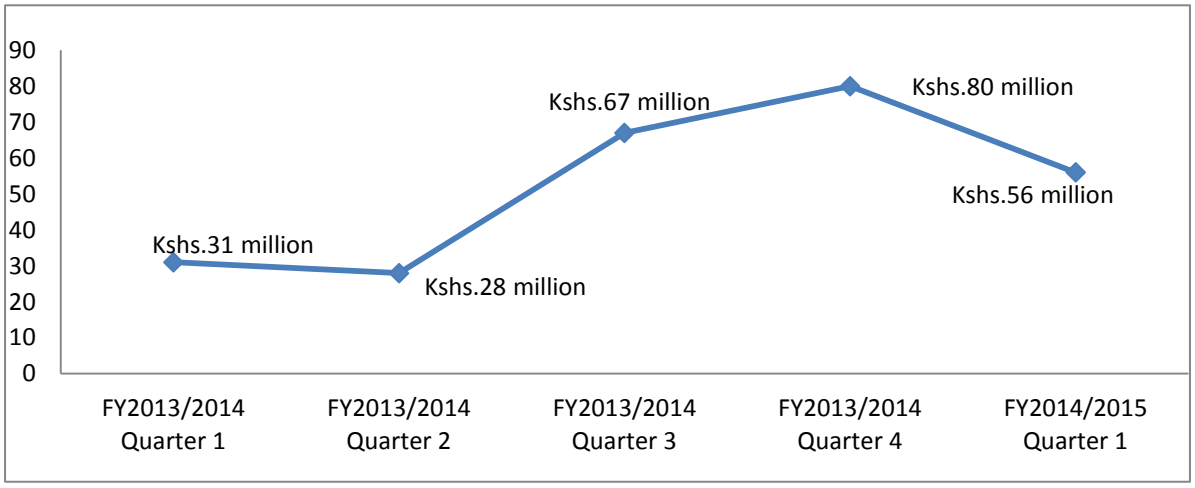
1. *County Treasury should strengthen financial controls in line with section 104 of the PFM Act, 2012.*
2. *The Revenue Department should address the factors affecting realisation of projected revenue targets and fully implement the revenue improvement strategies that were listed in the County Fiscal Strategic Paper. In addition, the County Assembly and the County Executive and should enact and implement the Finance Bill 2014 and the Revenue Administration Bill.*
3. *The County Government should enhance absorption of development funds.*

Kwale County

The County Budget for the FY 2014/15 amounted to Kshs.5.66 billion comprising of Kshs.2.74 billion (48 per cent) for recurrent expenditure and Kshs.2.92 billion (52 per) for development activities. This budget will be financed by Kshs.4.49 billion (79 per cent) from national equitable share and Kshs.500 million (9 per cent) from local revenue collections. The County also included an estimate of Kshs.661 million (12 per cent) as cash balance from FY 2013/14.

During the first quarter of FY 2014/15, the County received Kshs.559.07 million as an advance from the National Treasury, collected Kshs.56.62 million from local revenue sources, and had Kshs.903.30 million as the actual balance brought forward from FY 2013/14. The local revenue raised of Kshs.56.62 million was 11 per cent of the annual local revenue target. **Figure 73** shows the trend in local revenue collection by quarter.

Figure 73: Quarterly Trend in Local Revenue Collection



***Source**: Kwale County Treasury*

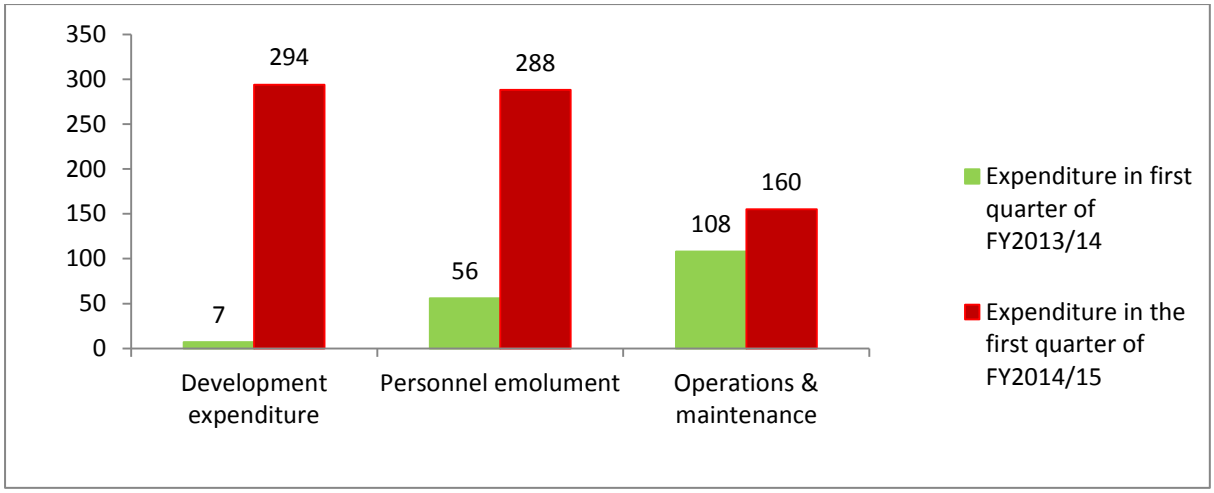
Funds released to the County during the period under review amounted to Kshs.1.58 billion of which Kshs.883.01 million (56 per cent) was for recurrent expenditure and Kshs.693.75 million (44 per cent) for development expenditure.

In the first quarter, the total expenditure was Kshs.742.31 million which was 47 per cent of the total funds released. The expenditure for the period under review is an increase from the Kshs.171 million spent in the first quarter of FY 2013/14. The County spent Kshs.448.16 million (60.4 per cent) on recurrent activities and Kshs.294.15 million (39.6 per cent) on development activities.

The Recurrent expenditure was 50.8 per cent of the funds released for recurrent activities while development expenditure accounted for 42.4 per cent of the funds released for development projects. The recurrent expenditure for the period under review represented an absorption rate of **16.4 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **10.1 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.288.46 million on personnel emoluments which translates to 64.4 per cent of the total recurrent expenditure and Kshs.159.7 million (35.6 per cent) on operations and maintenance. Figure 74 shows a comparison between recurrent expenditure incurred during the first quarter of FY 2014/15 and a similar period in FY 2013/14.

Figure 74: Analysis of Total Expenditure, Kwale County (Kshs. Million)

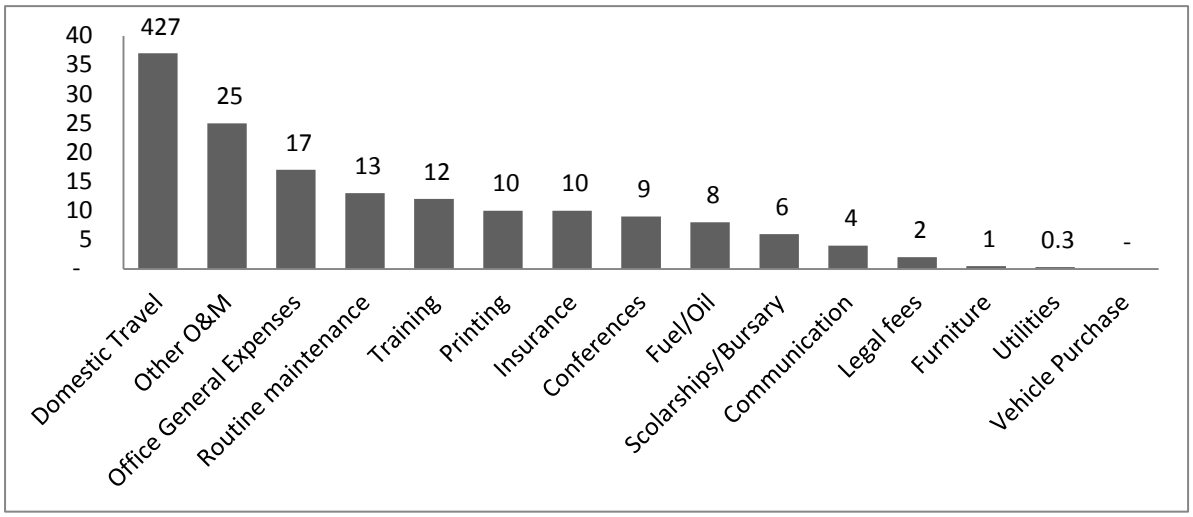


Source: *Kwale County Treasury*

The County spent Kshs.7.6 million for payment of sitting allowances to the 33 members of the County Assembly against an annual budget of Kshs.66 million representing an absorption rate of 11 per cent of the annual sitting allowance budget. The comparable expenditure in FY 2013/14 is Kshs.3.2 million.

The breakdown of operations and maintenance expenditure of Kshs.159.7 million for the period under review is shown in Figure 75. Expenditure on domestic and foreign travel amounted to Kshs.42.44 million in the first quarter of FY 2014/15 compared to Kshs.19.70 million in the first quarter of FY 2013/14.

Figure 75: Analysis of Operations and Maintenance Expenditure, Kwale County

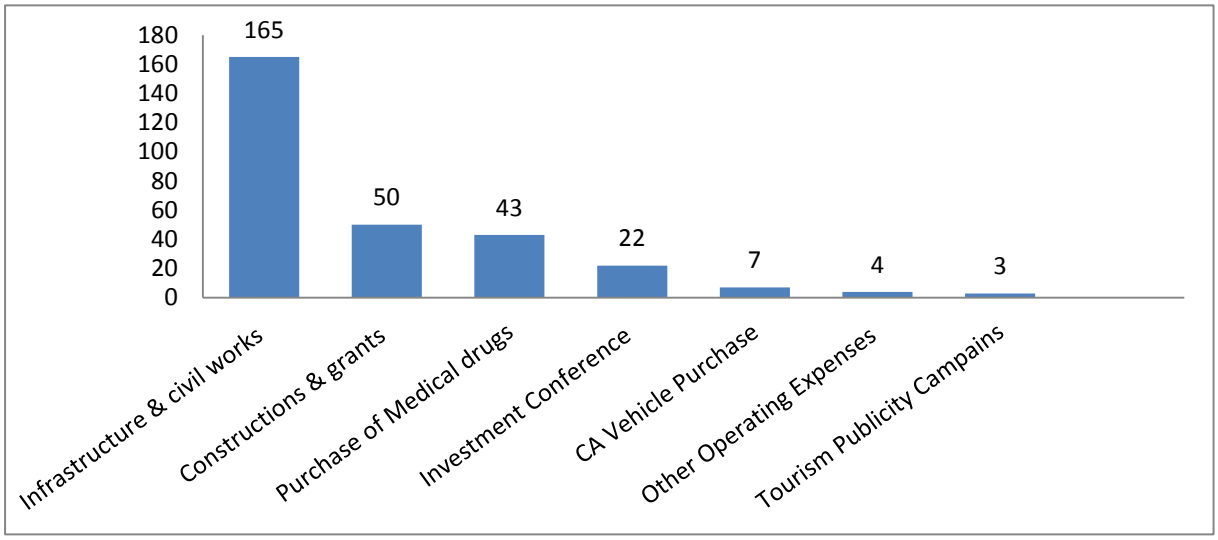


Source: *Kwale County Treasury*

Analysis of the development expenditure for the FY2014/15 shows that the County spent Kshs.294 million on development activities. The main projects undertaken were

infrastructure and civil works at Kshs.165 million and Kshs.50 million for various projects on land acquisition and building construction. Others development projects are as shown in Figure 76.

Figure 76: FY 2014/15 First Quarter Analysis of Development Expenditure (Kshs. Millions)



Source: *Kwale County Treasury*

In the financial year ended 30th June, 2014, the office identified some challenges in budget implementation faced by the County. These included, low local revenue collection, low absorption of development budget, and delays in submitting financial reports to the OCOB. Since then, the County has instituted measures to address these challenges, such as, enhancing internal controls and has resulted in improved local revenue collection in the first quarter of FY 2014/15.

During the period under review, the county experienced other challenges that affected budget implementation. These were:

1. Delayed financial reporting by the County Treasury that was compounded by submission of inaccurate reports that occasioned several subsequent amendments.
2. Failure by the County Assembly to use IFMIS in processing financial transactions, resulting in delays in expenditure posting through journals.
3. Low local revenue collection at Kshs.57 million (11.4 per cent) against an annual target of Kshs.500 million.

In order to improve budget execution, the County should consider the following recommendations;

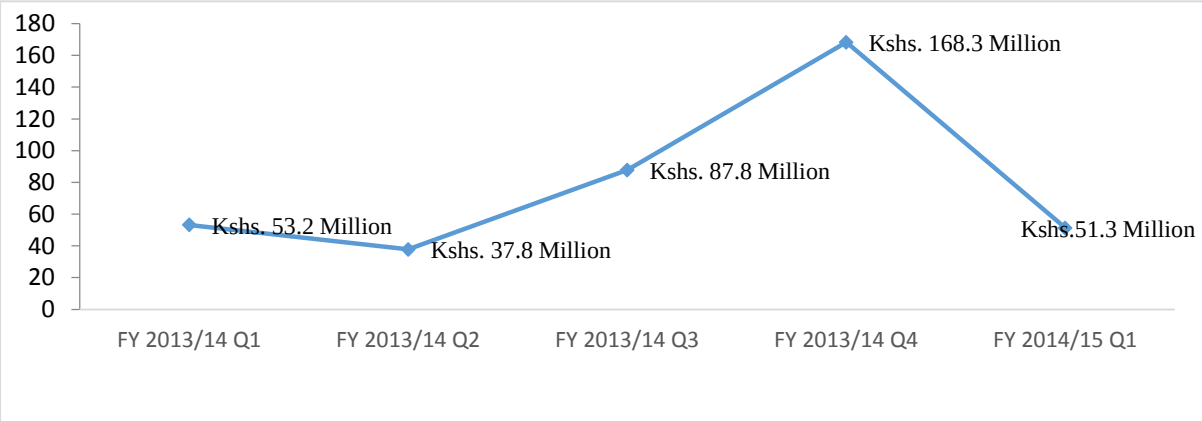
1. *Ensure accurate returns are submitted to the OCOB and other oversight institutions on a timely basis.*
2. *County Assembly should adopt the IFMIS accounting system.*
3. *The Revenue Department should implement revenue improvement strategies to enhance local revenue collection.*

Laikipia County

The County Budget for the FY2014/15 is Kshs.3.35 billion comprising of Kshs.2.35 billion (70 per cent) for recurrent expenditure and Kshs.1.01 billion (30 per cent) for development expenditure. This budget will be financed by Kshs.3.01 billion (89 per cent) from the national equitable share, and Kshs.400 million (11 Per cent) from local revenue sources.

During the first quarter of FY 2014/15, the County received Kshs.647.08 million as the national equitable share of revenue, collected Kshs.51.38 million from local revenue sources and had Kshs.303.49 million as cash balance from FY 2013/14. The local revenue raised in the first quarter was Kshs. 51.38 million or 12.8 per cent of the annual local revenue target. Figure 77 shows the local revenue trend by quarter. However, the local revenue collected is a decline by Kshs.1.82 million compared to Kahs.53.2 million realized in the same period in FY 2013/14.

Figure 77: Quarterly Trend in Local Revenue Collection



Source: *Laikipia County Treasury*

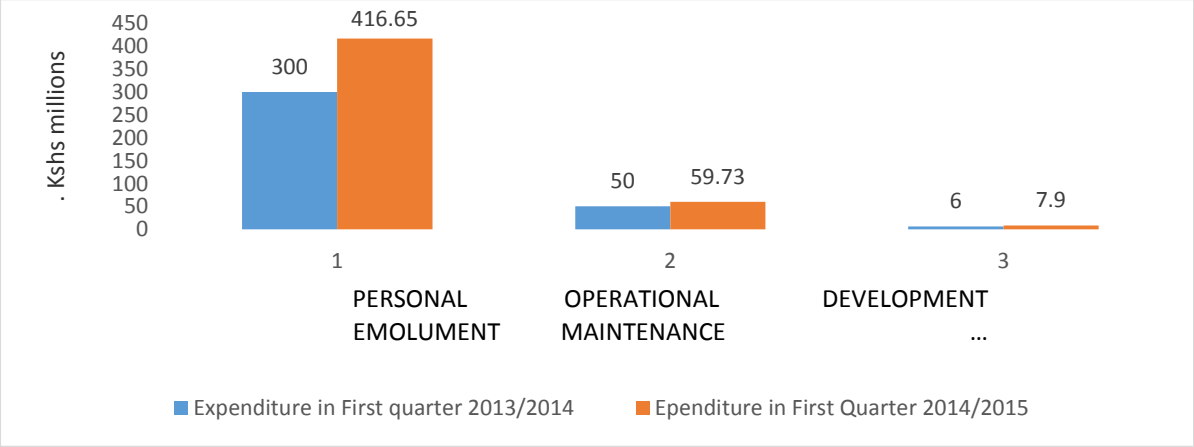
Funds released to the County during the period under review amounted to Kshs.626.17 million, of which, Kshs.603.17 (96.3 per cent) was for recurrent expenditure while Kshs.23 million (3.7 per cent) was for development activities.

In the first quarter, the total expenditure was KShs.484.28 million which was 77 per cent of the funds released. The County spent Kshs.476.38 million (98 per cent) on recurrent activities and Kshs.7.9 million (2 per cent) on development activities. Recurrent expenditure was 79 per cent of the funds released for recurrent activities while development expenditure accounted for 34 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represented an absorption rate of **20 per cent** of the annual recurrent budget, an increase from an absorption rate of 12 per cent realized in the first quarter of FY2013/14.The development expenditure translated to an absorption rate of **0.8 per cent** of the annual development budget, an improvement from absorption rate of 0.3 per cent recorded in the same period last financial year.

Analysis of the recurrent expenditure shows that the County spent Kshs.416.65 million on personnel emoluments which translates to 87 per cent of the total recurrent expenditure and Kshs.59.7 million on operations and maintenance expenditure which is 13 per cent of the total recurrent expenditure for the period under review. A comparison of total expenditure between the period under review and same period of FY 2013/14 is shown in **Figure 78**.

Figure 78 : Analysis of Total Expenditure, Laikipia County (Kshs.484.3 Million)

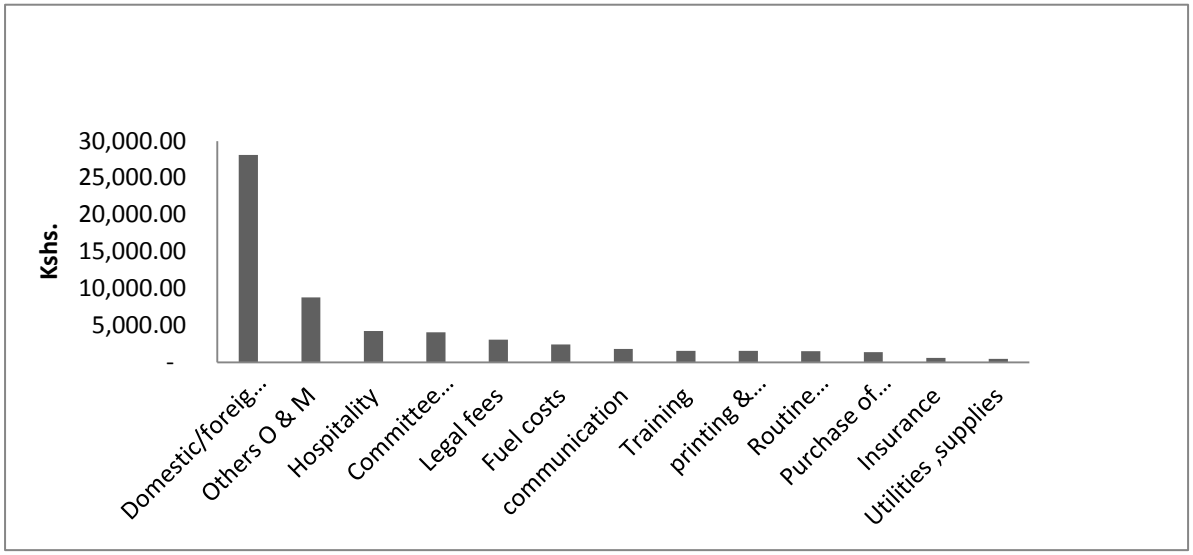


***Source: Laikipia** County Treasury*

A total of Kshs.2.73 million was spent on sitting allowances to members of the County Assembly against an annual budget of Kshs. 49.92 million representing an absorption rate of **5.4** per cent. The comparable expenditure in FY 2013/14 was Kshs.2.33 million.

The breakdown of O&M expenditure for the period under review is shown in **Figure 79**. A total of Kshs.28.11 million was spent on domestic and foreign travel, which represents 47 per cent of the total O&M expenditure for the period. In the first quarter of FY 2014/15, the County spent Kshs.46.68 million on this category.

Figure 79: Operations and Maintenance Expenditure, Laikipia County (Kshs.59.7 Million)



Source: *Laikipia County Treasury*

The development expenditure for the first quarter of FY2014/15 was Kshs.7.9 million which was spent on construction of the County Assembly chambers.

During the period under review, the office noted that the county implemented the recommendations made by OCOB in previous CBIRRs. However, there are a number of challenges that were identifies during monitoring of budget implementation that need to be addressed. These included:

1. The budget estimates used to requisition for funds did not include a provision for payment of pending bills. This had not been factored in the budget presented to the County Assembly by the CEC for Finance and has undermined confidence of suppliers to continue doing business with the County Government.
2. Underperformance of local revenue collection. The County attained 12.8 per cent of the

annual local revenue target

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

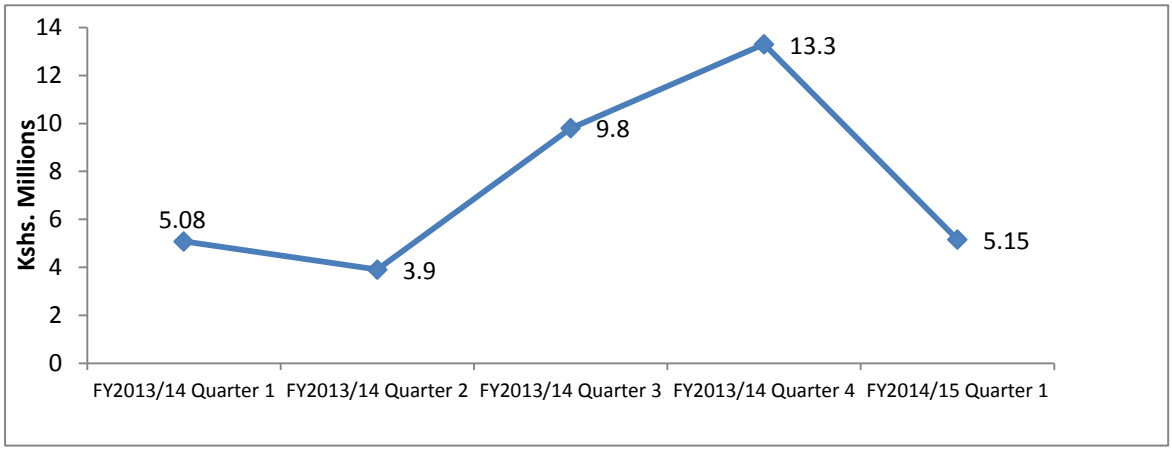
1. *Establish adequate measures and controls to ensure all planned activities are implemented within the financial year. Pending bills should be included in the FY 2014/15 budget estimates through a Supplementary Budget.*
2. *Enact the Finance and Revenue Bills and also build the capacity of revenue collection officers to optimize on revenue collection as well as seal revenue leakages.*

Lamu County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.1.94 billion comprising of Kshs.1.25 billion (63.5 per cent) for recurrent expenditure and Kshs.691.25 million (36.5 per cent) for development expenditure. This budget will be financed by Kshs.1.75 billion (89 per cent) from the national equitable share, Kshs.65.44 million (3.4 per cent) from local revenue sources and Kshs.144.34 million (7.4 per cent) being projected cash balance from FY 2013/14.

During the first quarter of FY2014/15, the County collected Kshs.5.15 million from local sources, and had Kshs.772.19 million as balance brought forward from FY 2013/14. The County received Kshs.223.74 million as the national equitable share of revenue. The local revenue raised in the first quarter of Kshs.5.15 million was 7.9 per cent of the annual local revenue target, an improvement from Kshs.5.08 million collected in the same period of FY 2013/14. **Figure 80** shows the trend in local revenue collection by quarter.

Figure 80: Quarterly Trend in Local Revenue Collection



Source: *Lamu County Treasury*

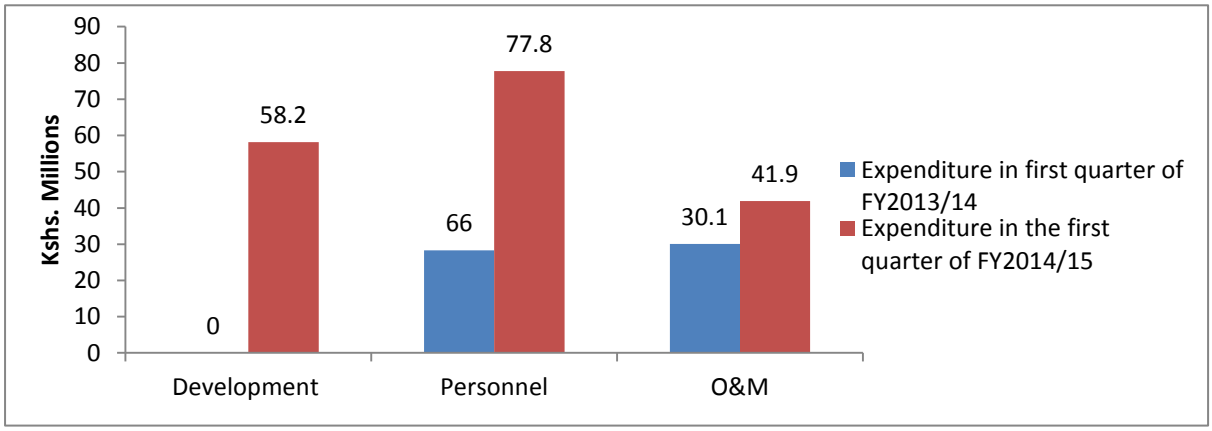
Funds released to the County during the period under review amounted to Kshs.689.1 million, of which, Kshs.359.97 million (52 per cent) was for recurrent expenditure while Kshs.329.1 million (48 per cent) was for development activities.

In the first quarter, the total expenditure was Kshs.177.87 million which was 25.8 per cent of the funds released. The expenditure for the period under review is an improvement from the Kshs.58.6 million spent in the first quarter of FY 2013/14.The County spent Kshs.119.63 million (67.3 per cent) on recurrent activities and Kshs.58.24 million (32.7 per cent) on development activities. Recurrent expenditure was 33.2 per cent of the funds released for recurrent activities while development expenditure accounted for 17.7 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **9.6 per cent** of the annual recurrent budget, an increase from an absorption rate of **5.1 per cent** realized in the first quarter of FY 2013/14.The development expenditure translated to an absorption rate of **8.1 per cent** of the annual development budget, compared to no development expenditure in the same period during FY 2013/14.

Analysis of the recurrent expenditure shows that the County spent Kshs.77.74 million on personnel emoluments which translates to 65 per cent of the total recurrent expenditure and Kshs.41.89 million on operations and maintenance expenditure which is 35 per cent of the total recurrent expenditure for the period. A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 81**.

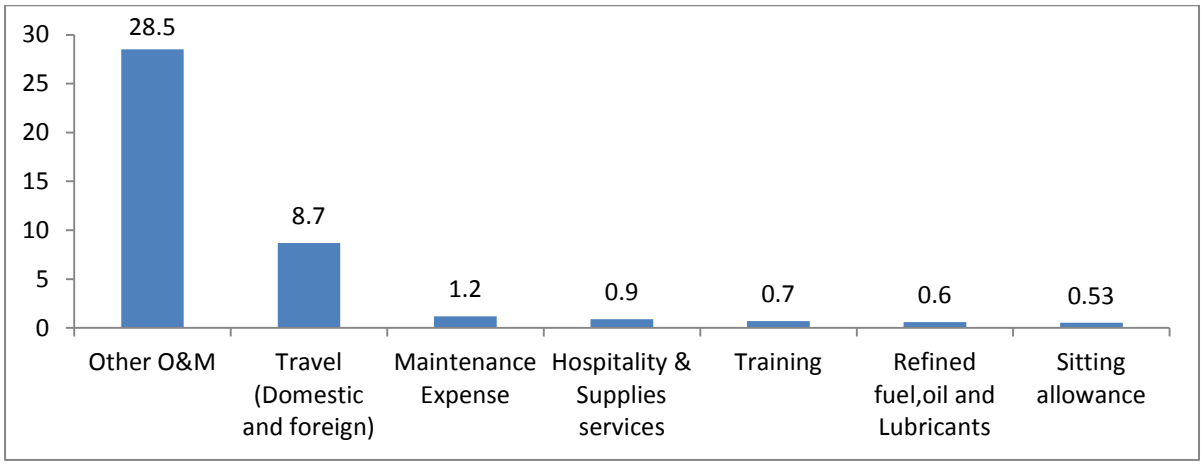
Figure 81 : Analysis of Total Expenditure, Lamu County (Kshs. Million)



Source: *Lamu County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 82**. The county spent a total of Kshs. 0.7 million in MCA sitting allowances and Kshs.8.73 on domestic and foreign travel.

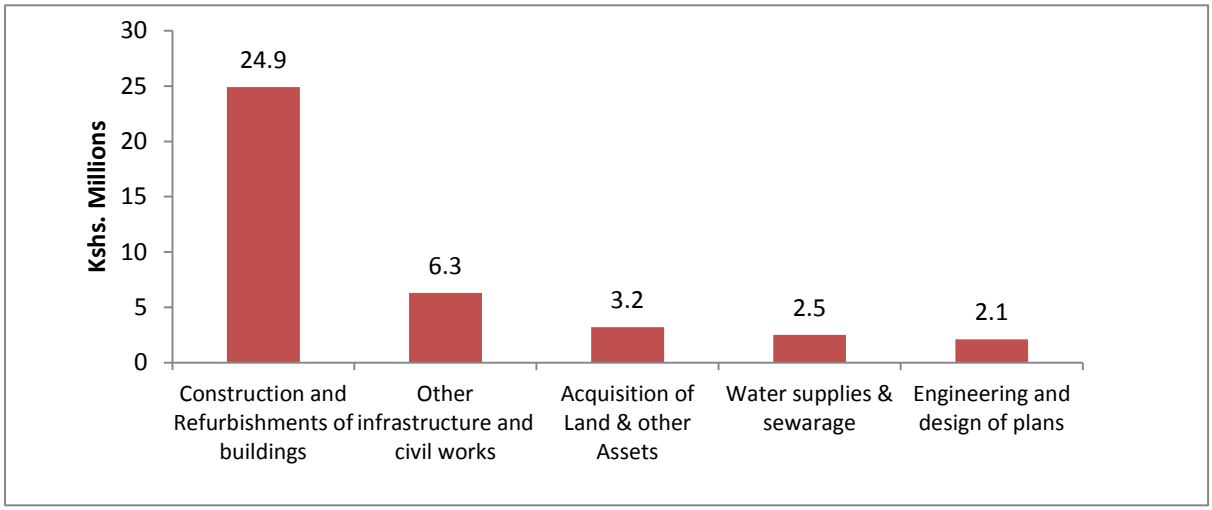
Figure 82: Operations and Maintenance Expenditure, Lamu County (Kshs. Millions)



Source: *Lamu County Treasury*

The development expenditure for the first quarter of FY2014/15 was Kshs.58.24 million. Analysis of the development expenditure for the period under review shows that the County spent Kshs.24.9 million on construction and refurbishment of buildings, Kshs.2.5 million on water supplies and sewerage, Kshs.2.1 million for engineering and design plans, Kshs.3.2 million for Acquisition of Land and other assets, Kshs.0.6 million for security operations and Kshs.6.3 million on development of other infrastructure and civil works (see **Figure 83**).

Figure 83: Analysis of Development Expenditure, Lamu County (Kshs. Million)



Source: *Lamu County Treasury*

During the period under review, the County made significant progress in implementing the recommendations made by OCOB in previous CBIRRs. However, the office noted some challenges that affected budget implementation in the first quarter of the FY2013/14. These included:

1. Upgrade of the IFMIS system was done during the period under review and led to the delay in making payments. The County Treasury commenced transacting in IFMIS in August, 2014 and OCOB has noted the need to train IFMIS users to enhance their effectiveness.

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

1. *The County should liaise with the IFMIS Directorate to address the technical problems concerning IFMIS. Further, there is need for continuous training of the IFMIS users to enhance their capacity.*

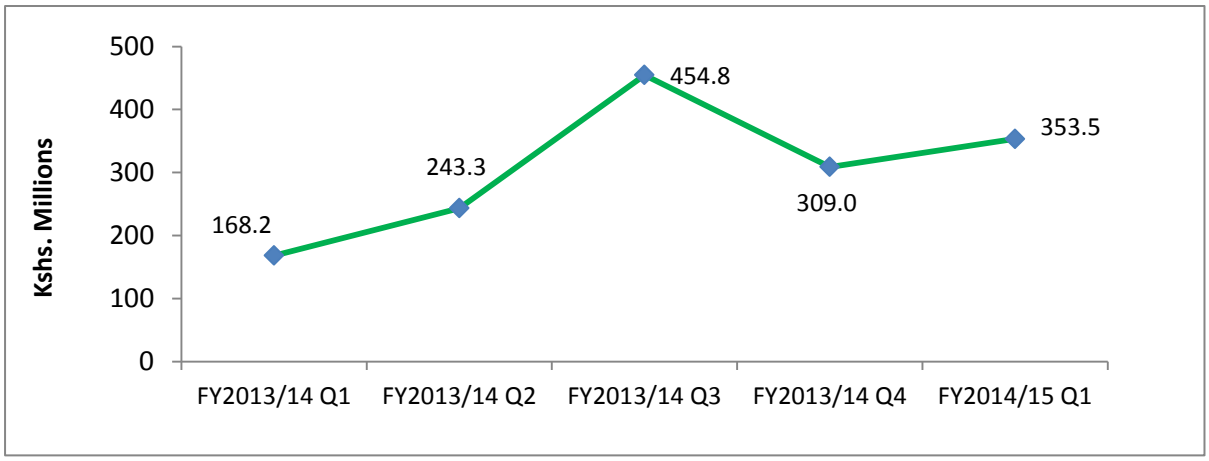
Machakos County

The Machakos County Budget Estimates for the FY 2014/15 amounted to Kshs.9.55 billion comprising of Kshs.4.6 billion (48.2 per cent) for development expenditures and Kshs.4.95 billion (51.8 per cent) for recurrent activities. This budget was to be financed by Kshs.5.91 billion (61.9 per cent) from the national equitable share; Kshs.459.90 million (4.8 per cent) as

conditional grant, and Kshs.2.53 billion (26.5 per cent) from local revenue sources. The County had a budget deficit of Kshs.649.10 million (6.8 per cent).

During the period July 2014 to September 2014, the County received Kshs.1.30 billion as the national equitable share of revenue, raised Kshs.353.46 million from local sources, and had Kshs.15.53 million as cash balance from FY 2013/14. The local revenue raised during the period under review of Kshs.353.46 million was 13.96 per cent of the annual local revenue target, an improvement from Kshs. 168.21 million raised during same period last financial year. Figure 84 shows the trend in local revenue performance by quarter.

Figure 84 : Quarterly Trend in Local Revenue Collection



Source: *Machakos County Treasury*

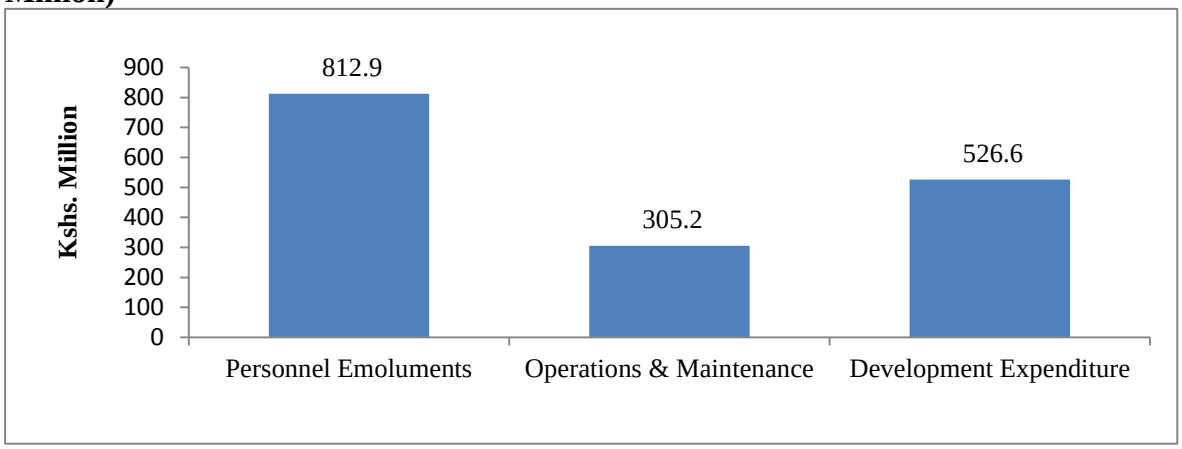
Funds released to the County during the period under review amounted to Kshs.1.65 billion of which Kshs.1.12 billion (67.9 per cent) was for recurrent expenditure and Kshs.529.82 million (32.1 per cent) for development expenditure.

The total expenditure for the period under review amounted to Kshs.1.65 billion which was 99.7 per cent of the funds released. The County spent Kshs.1.12 billion (68 per cent) on recurrent activities and Kshs.526.61 million (32 per cent) on development activities. The recurrent expenditure was 99.8 per cent of the funds released for recurrent activities while development expenditure accounted for 99.4 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represents an absorption rate of **22.6 per cent** of the annual recurrent budget while development expenditure translates to an absorption rate of **11.5 per cent** of the annual development budget.

Analysis of the recurrent expenditure of Kshs.1.12 billion shows that in the first quarter of FY 2014/15 the County spent Kshs.812 million on personnel emoluments which translates to 72.6 per cent of the total recurrent expenditure and Kshs.305 million on operations and maintenance expenditure, which is 27.4 per cent of the total recurrent expenditure for the first quarter of FY 2014/15. (See **Figure 85**).

Figure 85: Analysis of the 1st Quarter Total Expenditure, Machakos County (Kshs. Million)

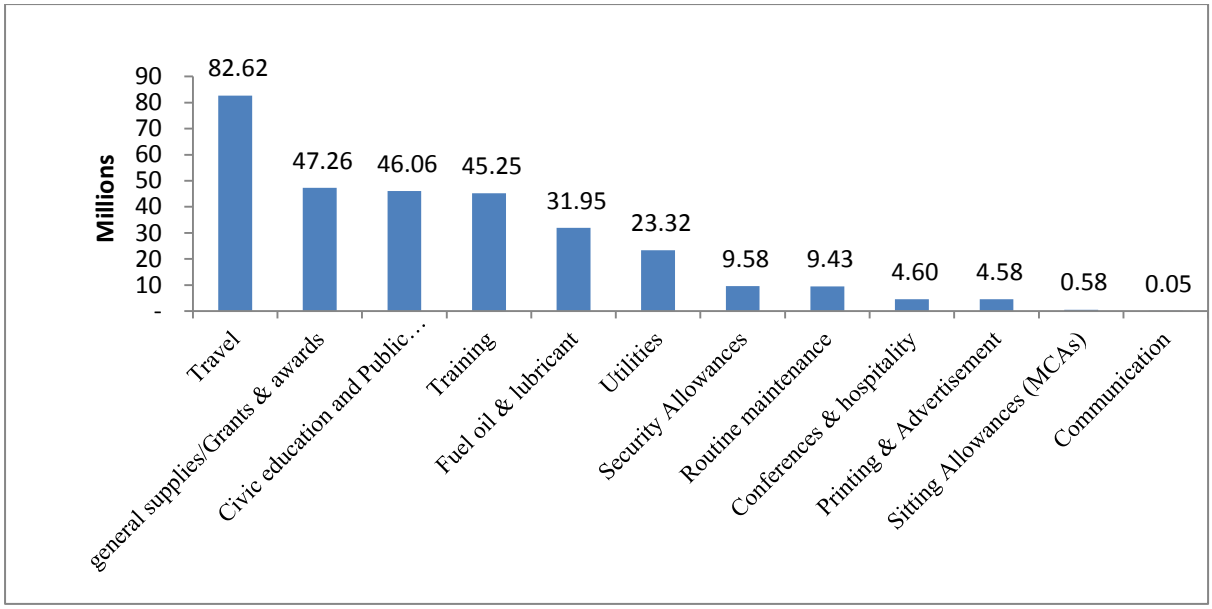


Source: *Machakos County Treasury*

The County spent Kshs.0.7 million for payment of sitting allowances to the 60 members of the County Assembly against an annual budget of Kshs.67.50 million representing an absorption rate of 1.1 per cent. The comparable expenditure is the FY 2013/14 was Kshs.9.48 million. Expenditure on domestic and foreign travel was Kshs.71.37 million in the first quarter of FY 2014/15 compared to Kshs.52.42 million in the first quarter of FY 2013/14.

A breakdown of operations and maintenance expenditure of Kshs.305.25 million for the period under review is shown in Figure 86.

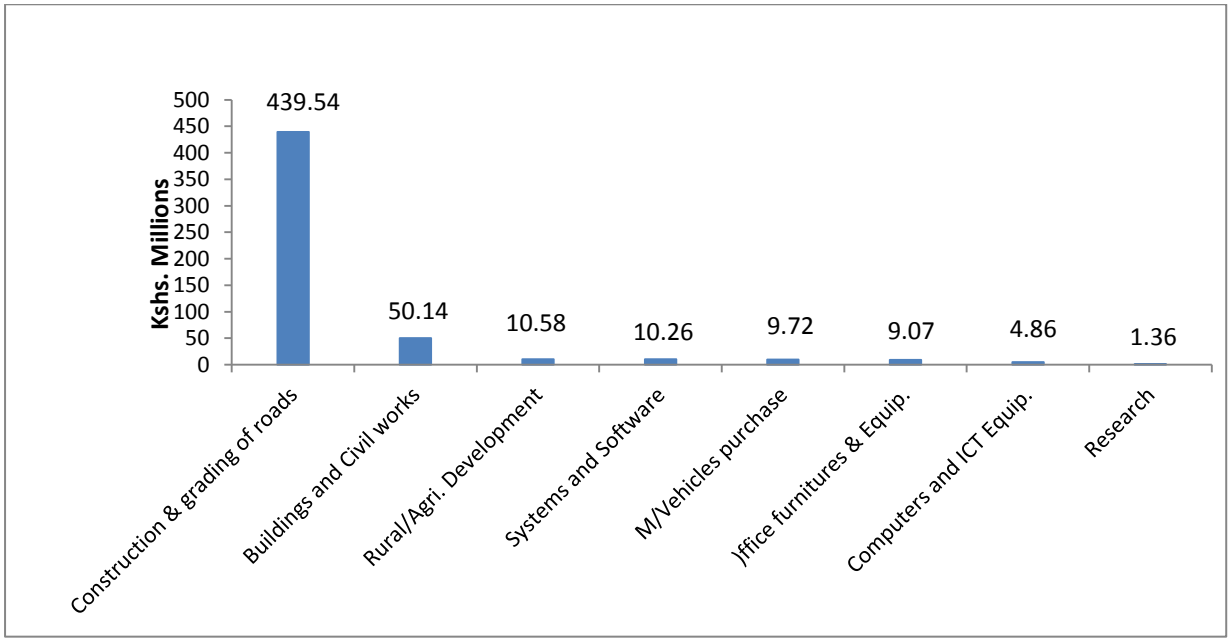
Figure 86: Analysis of Operations and Maintenance Expenditure



Source: *Machakos County Treasury*

A breakdown of the Kshs.526.61 million spent on development expenditure for the first quarter of FY2014/15 reveals that the County spent Kshs.439 million on construction and grading of roads, Kshs.50 million on buildings and civil works, Kshs.9.7 million on M/Vehicle purchases, Kshs.9.06 million on Purchase of Office furniture & equipment, Kshs.4.86 million on Computers and ICT equipment, Kshs.10.26 million on software and systems, Kshs.10.58 million on Rural/Agricultural development, Kshs.1.36 million on research programmes (see Figure 87).

Figure 87: Analysis of Development Expenditure, Machakos County



Source: *Machakos County Treasury*

During the period under review, the County made progress in implementing the recommendations made by OCOB in previous CBIRRs. However, the office noted some challenges that affected budget implementation in the first quarter of the FY2013/14. These included:

1. Failure to fully use the IFMIS financial management system, which limits accurate generation of financial reports on budget implementation.
2. Lack of an Internal Audit Committee.
3. The repayment of debt and pending bills was not guided by a Debt Management Strategy as provided in law. The payment of these bills was captured as ongoing projects, which create ambiguity.
4. Delays in preparing key policy documents guiding the budgetary process such as Budget Review and Outlook paper, Debt Management Strategy Paper, Annual Development Plan and publicizing the Development Plan and Financial statements/returns.

The County should implement the following recommendation in order to address these challenges/issues and improve budget execution in the FY2014/15:

1. *The County Treasury should fully adopt the use of IMIS to manage public resources. All spending units should fully adopt IFMIS.*
2. *The Internal Audit committee should be urgently operationalised.*
3. *The County should develop a Debt Management Strategy paper to provide a framework for the management of public debt.*
4. *The County should expedite preparation of key policy documents guiding the budgetary process such as Budget Review and Outlook paper, Debt Management Strategy Paper, Annual Development Plan and publicizing the Development Plan and Financial statements/returns for smooth implementation of the budget.*

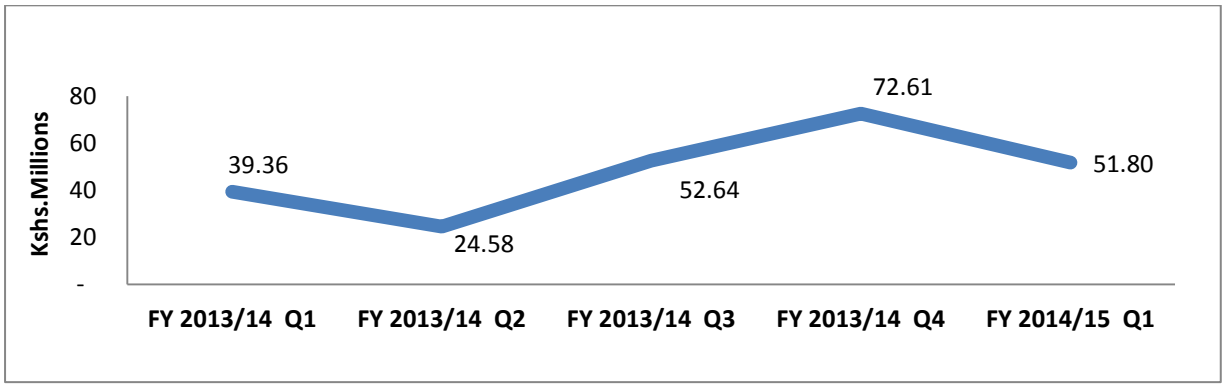
Makueni County

The budget for Makueni County for FY 2014/15 is Kshs.5.60 billion comprising of Kshs.3.59 billion (64.1 per cent) allocated for recurrent expenditure and Kshs.2.01 billion (35.9 per cent) for development expenditure. This budget will be financed by Kshs.5.21billion (93.0 per cent) from the national equitable share, Kshs.500.90 million (8.9 per cent) from local

revenue sources, Kshs.21.75 million (0.4 per cent) from DANIDA. The County had a budget surplus of Kshs.130 million.

During the first quarter of FY2014/15, the County received Kshs.651.11 million as an advance from the National Treasury, collected Kshs.51.80 million from local sources and had Kshs.1.33 billion as cash balance from FY 2013/14. The local revenue raised in the first quarter of Kshs.51.80 million translates to 10.3 per cent of the annual local revenue target and is an improvement from Kshs.39.36 million collected in the same period of FY 2013/14. **Figure 88** shows the trend in local revenue collection by quarters.

Figure 88: Quarterly Trend in Local Revenue Collection



Source: *Makueni County Treasury*

Funds released to the County during the period under review amounted to Kshs.1.32 billion of which Kshs.593.68 million (44.8 per cent) was for recurrent expenditure while Kshs.730.60 million (55.2 per cent) was for development activities.

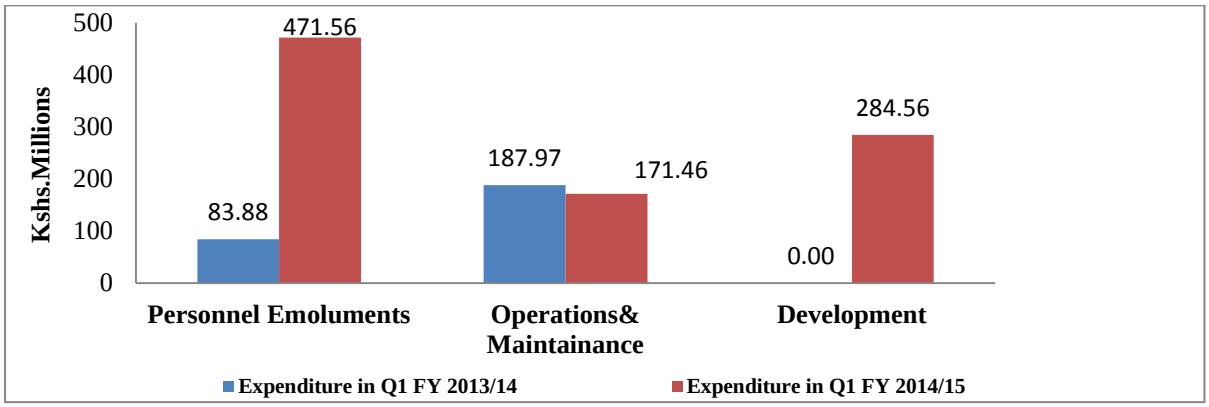
In the first quarter, the total expenditure was Kshs.927.57 million which was 70 per cent of the funds released. The expenditure for the period under review is an increase from the Kshs.271.8 million spent in the first quarter of FY 2013/14. The County spent Kshs.643.02 million (69.3 per cent) on recurrent activities and Kshs.284.56 million (31.0 per cent) on development activities. Recurrent expenditure was 108.3 per cent of the funds released for recurrent activities while development expenditure accounted for 38.9 per cent of the funds released for development projects. This implies that funds for development activities were diverted to support recurrent expenditure.

The Recurrent expenditure for the period under review represented an absorption rate of 17.9 per cent of the annual recurrent budget, an increase from an absorption rate of 9 per cent realized in the first quarter of FY2013/14. The development expenditure translated to an

absorption rate of 14.1 per cent of the annual development budget, an increase from the same period last financial year where there was no development expenditure.

Analysis of the Kshs.643.02 million spent on recurrent expenditure reveals that the County spent Kshs.471.56 million on personnel emoluments which translates to 73.3 per cent of the total recurrent expenditure and Kshs.171.46 million on operations and maintenance expenditure which represents 26.7 per cent of the total recurrent expenditure. A comparison of the expenditure between the period under review and the same period last financial year is shown in **Figure 89**.

Figure 89: First Quarter Expenditure, Makueni County

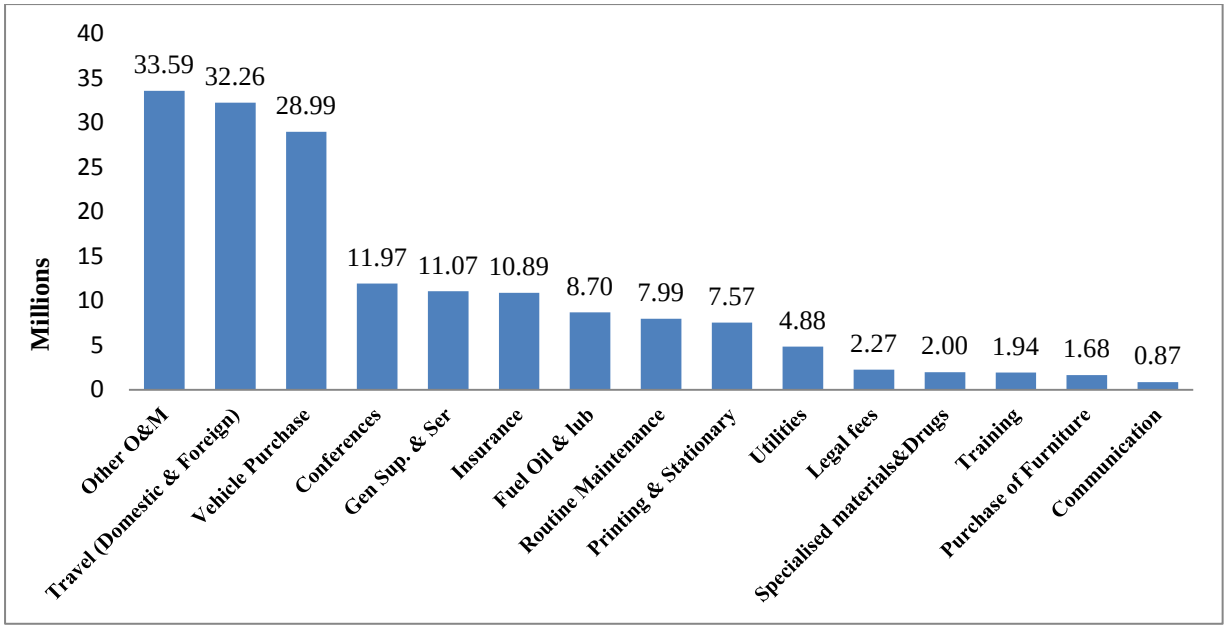


Source: Makueni County Treasury

The County spent Kshs.4.8 million for payment of sitting allowances to the 48 members of the County Assembly against an annual budget of Kshs.51.33 million representing an absorption rate of 9.3 per cent. Expenditure on domestic and foreign travel was Kshs.32.26 million in the first quarter of FY 2014/15 compared to Kshs.41.34 million in the first quarter of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 90**.

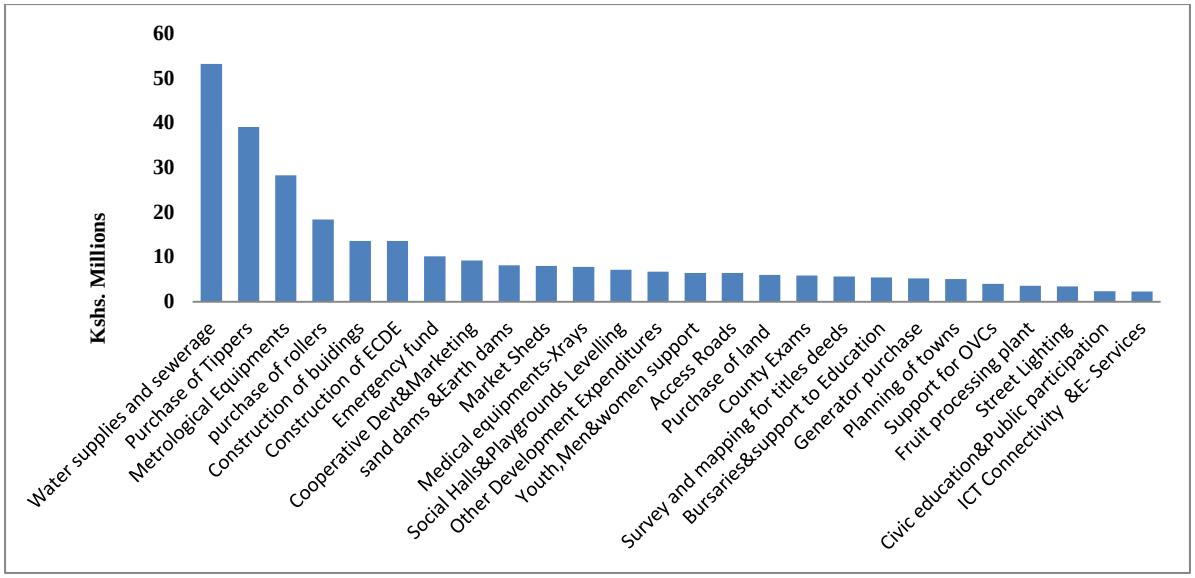
Figure 90: Operations and Maintenance Expenditure, Makueni County



Source: *Makueni County Treasury*

Analysis of the Kshs.284.56 million spent on development expenditure during the period under review shows that the County spent Kshs.53 million on water and sewerage, Kshs.39 million on purchase of tippers, Kshs.28 million on Metrological equipment, Kshs.18 million on Purchase of Rollers, Kshs.13 million on Construction of buildings, Kshs.13 million on Construction of ECDE classes, Kshs.10 million on Emergency fund, Kshs.9 million on Cooperative Development and marketing, Kshs.8 million on sand dams & earth dams, Kshs.8 million on Construction of Market sheds, Kshs.7 million on Medical equipment, Kshs.7 million on construction of social halls and Levelling of playgrounds among other development expenditures as shown in **Figure 91** below.

Figure 91: Analysis of Development Expenditure, Makueni County



Source: *Makueni County Treasury*

The County has implemented the previous recommendations by the office especially on fully utilization of IFMIS, generation of expenditure reports from IFMIS, low uptake of development funds and the issue of office space has been addressed.

However, the office noted some challenges that affected budget implementation in the first quarter of the FY2013/14. These included:

1. Underperformance of local revenue collection. The County was able to collect Kshs.51.8 million (10.3 per cent of the annual local revenue target) which may affect project funding.
2. The County wage bill has been on an increasing trend. The wage bill accounted for 73 per cent of the total recurrent expenditure which, if not rationalized, may negatively affect development projects.
3. Dismal relationships between the County Assembly and County Executive, which has negatively affected both the budget making process and budget implementation.

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

1. *The County should institute appropriate measures to enhance revenue collection. This should include collections from devolved functions and sealing all leakages of revenue.*
2. *There is need for County Public Service Board to conduct staff audit and rationalization to establish optimal staffing structures.*

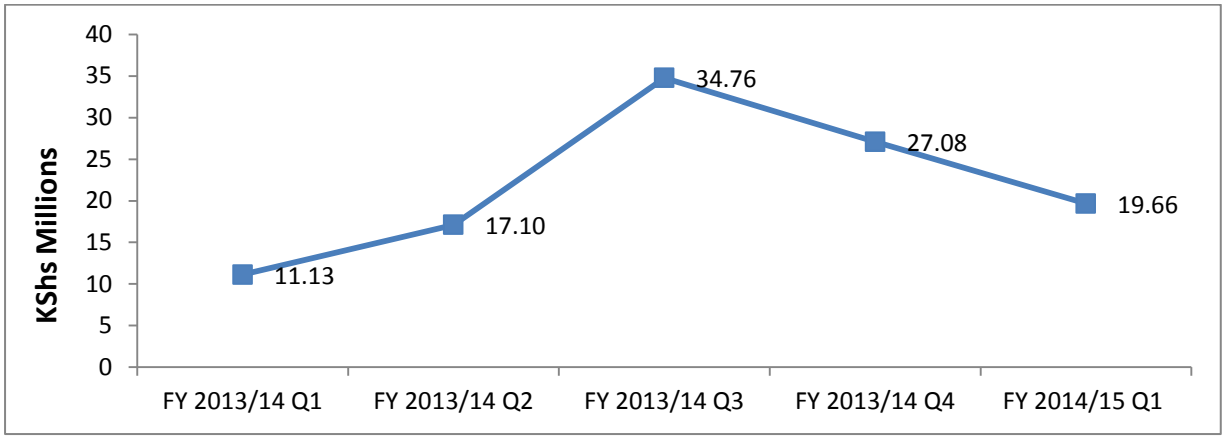
3. *Both arms of the County Government should work together in harmony for the budget to be effectively executed. Further, in line with Article 190 (3), Parliament should legislate on interventions to be taken if the County is unable to perform its function.*

Mandera County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.11.57 billion comprising of Kshs.4.60 billion (39.8 per cent) for recurrent expenditure and Kshs.6.96 billion (60.2 per cent) for development expenditure. This budget will be financed by Kshs.7.81 billion (67.5 per cent) from the national equitable share, Kshs.251.29 million (2.2 per cent) from local revenue sources, Kshs.284 million (2.5 per cent) from the conditional allocations including DANIDA and Kshs.3.22 billion (27.87 per cent) being projected cash balance from FY 2013/14.

During the first quarter of FY 2014/15, the County received Kshs.976.72 million as an advance from the National Treasury, collected Kshs.19.06 million from local sources, and had Kshs.3.22 billion as balance brought forward from FY 2013/14. The local revenue raised during the period under review of Kshs.19.06 million represents 7.6 per cent of the annual local revenue target, an improvement from Kshs.11.13 million raised during the same quarter of FY 2013/14. **Figure 92** shows the trend in local revenue collection by quarters.

Figure 92: Quarterly Trend in Local Revenue Collection



Source: *Mandera County Treasury*

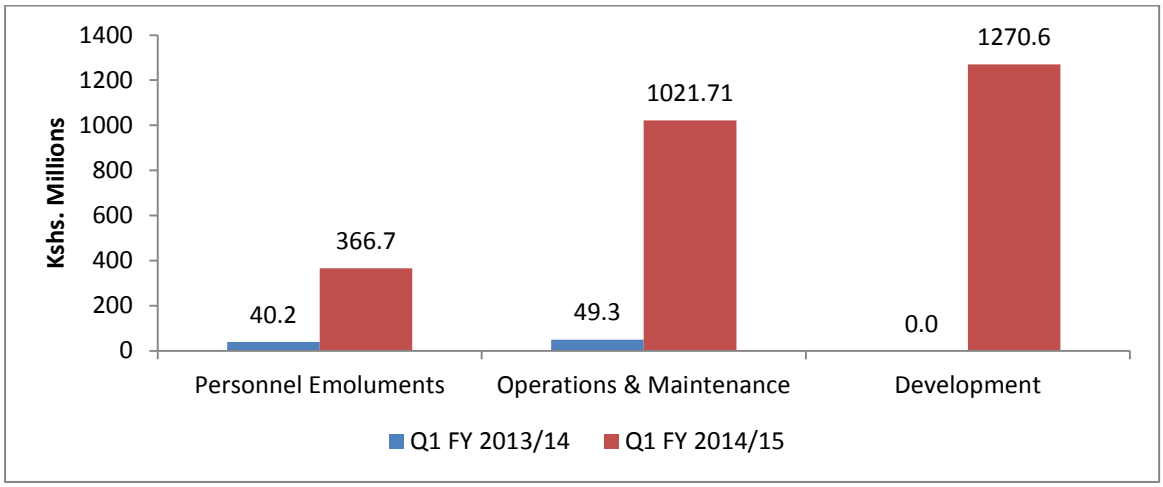
Funds released to the County during the period under review amounted to Kshs.2.63 billion, of which, Kshs.1.28 billion (48.6 per cent) was for recurrent expenditure while Kshs.1.35 billion (51.4 per cent) was for development activities.

In the first quarter, the total expenditure was Kshs.2.66 billion which was **101.2** per cent of the funds released. The County spent Kshs.1.39 billion (52.2 per cent) on recurrent activities and Kshs.1.27 billion (47.8 per cent) on development activities. Recurrent expenditure was **108.7** per cent of the funds released for recurrent activities while development expenditure accounted for 94.2 per cent of the funds released for development projects.

The Recurrent expenditure of Kshs.1.39 billion for the period under review represented an absorption rate of **30.2 per cent** of the annual recurrent budget, an increase from an absorption rate of 3 per cent realized in the first quarter of FY2013/14. The development expenditure of Kshs.1.27 billion for the period under review translates to an absorption rate of **18.2 per cent** of the annual development budget, an improvement compared to the same period last financial year where no development expenditure had been reported in the first quarter.

An analysis of the recurrent expenditure of Kshs.1.39 billion for the period under review of Kshs.1.39 billion shows that the County spent Kshs.366.68 million on personnel emoluments which translates to 26.3 per cent of the total recurrent expenditure and Kshs.1.02 billion on operations and maintenance expenditure which is 73.4 per cent of the total recurrent expenditure for the period under review. A comparison of the expenditure between the period under review and first quarter of FY 2013/14 is shown in **Figure 93**.

Figure 93: First Quarter Expenditure, Mandera County



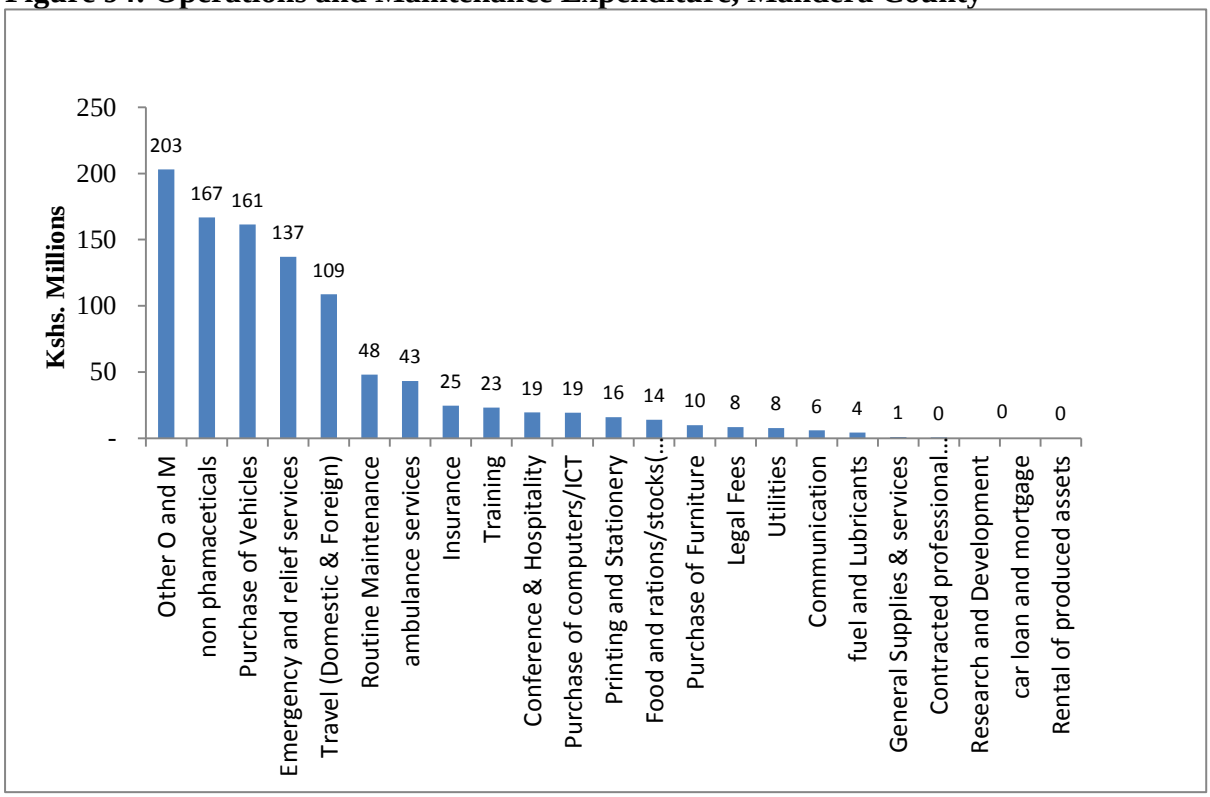
Source: *Mandera County Treasury*

A total of Kshs.28.5 million was spent on payment of sitting allowances to the 49 members of the County Assembly against an annual budget of Kshs.97.8 million representing an absorption rate of **29.1 per cent**. Expenditure on domestic and foreign travel was Kshs.108.6

million in the first quarter of FY 2014/15 compared to Kshs.14.96 million in the first quarter of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 94**.

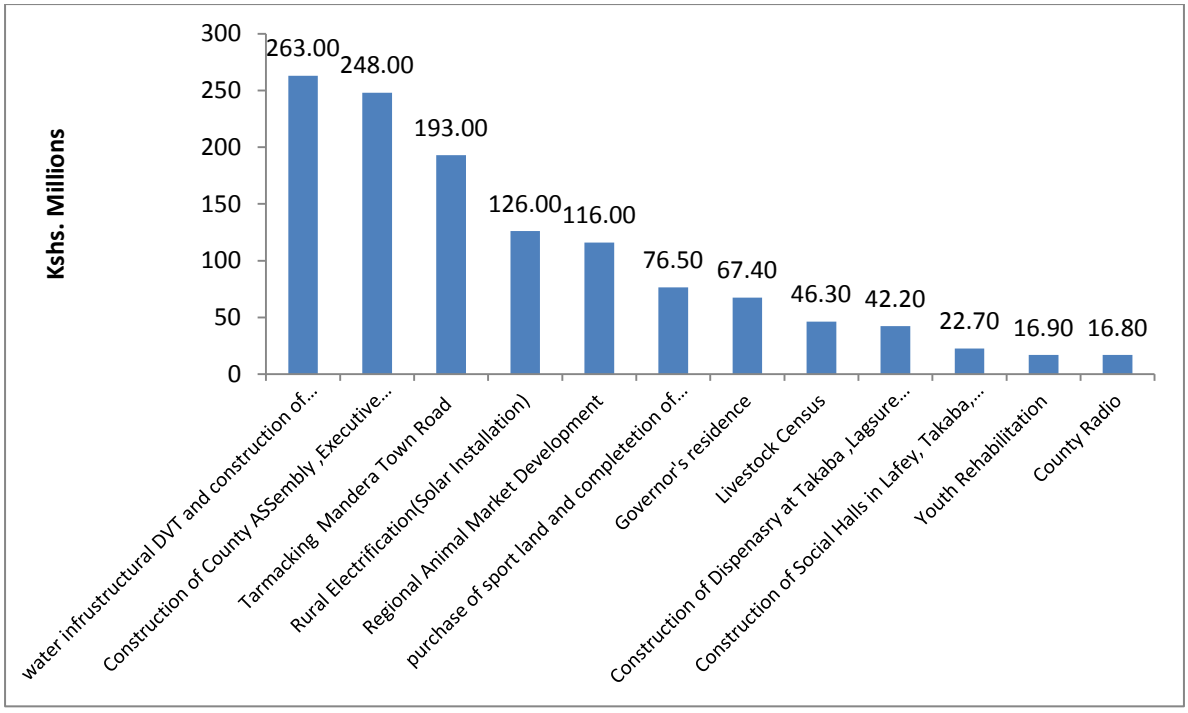
Figure 94: Operations and Maintenance Expenditure, Mandera County



Source: *Mandera County Treasury*

Analysis of total development expenditure of Kshs.1.27 billion shows that the County spent Kshs.193 million on road infrastructure, Kshs.248 million on construction and refurbishment of buildings, Kshs.263 million on water infrastructure and development of other infrastructure and civil works (see **Figure 95**).

Figure 95: Analysis of Development Expenditure, Mandera County



Source: *Mandera County Treasury*

During the period under review, the office noted that the county had made progress in implementing recommendations contained in previous CBIRRs. However, there were still a number of issues that affected budget implementation in the first quarter of the FY2014/15. These included:

1. Low revenue collection during the period under review.
2. Delay in submission of quarterly financial reports by the County Treasury.
3. Lack of Monitoring and Evaluation Committees that would have monitored implementation of development projects in the County.
4. Use of funds at source contrary to Article 203 of the Constitution and Section 109 pf the PFM Act, 2012.

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

1. *Automate its revenue collection system to minimize revenue leakages. In addition, there is need to broaden the county revenue base to maximise on local revenue potential.*
2. *The County Government should submit financial reports on a timely basis as required by the PFMA, 2012.*
3. *The County should fast-track setting up of a monitoring and evaluation team to monitor development projects implementation.*

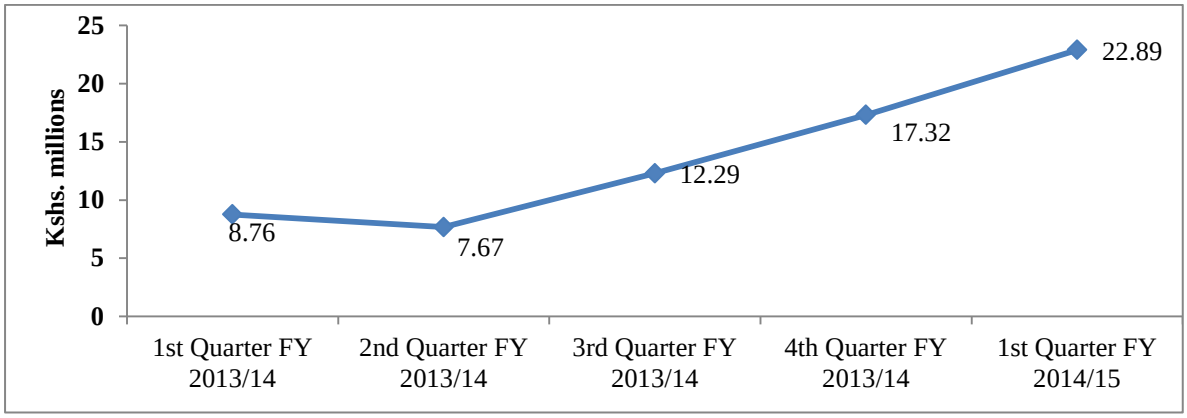
4. *The County should ensure all revenue collected is deposited into the CRF in compliance to the legal provisions.*

Marsabit County

The FY 2014/15 Budget for Marsabit County amounted to Kshs.5.66 billion comprising of Kshs.2.39 billion (42.2 per cent) for recurrent expenditure, Kshs.2.09 billion (36.9 per cent) for development expenditure and Kshs.1.18 billion (20.8 per cent) for debt repayment and pending bills. This budget will be financed by Kshs.4.53 billion (80.0 per cent) from the national equitable share, Kshs.48.40 million (0.9per cent) from local revenue sources, Kshs.13.17 million (0.2per cent) as conditional grant from *DANIDA* and Kshs.1.00 billion (17.7 per cent) being projected balance brought forward from FY 2013/14.

During the first quarter of FY 2014/15, the County received Kshs.565.97 million as advance from the National Treasury, collected Kshs.22.89 million from local revenue sources, and had Kshs.1.15 billion as balance brought forward from FY 2013/14. The local revenue raised in the first quarter of Kshs.22.89 million translates to 47.3 per cent of the annual local revenue target), a significant improvement from Kshs.8.7 million collected in the same period of FY 2013/14. **Figure 96** shows the trend in local revenue collection by Quarter.

Figure 96: Quarterly Trend in Local Revenue Collection



Source: *Marsabit County Treasury*

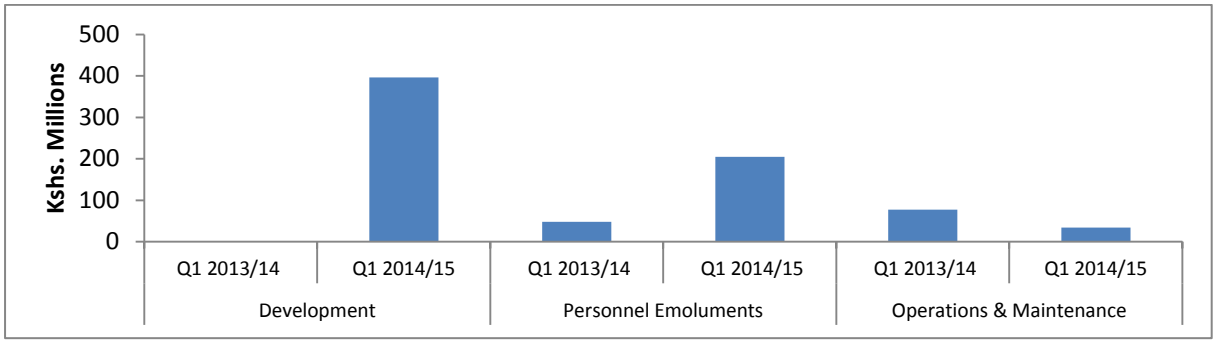
Funds released to the County during the period under review amounted to Kshs.1.45 billion, of which Kshs.638.46 million (44.0 per cent) was for recurrent expenditure and Kshs.812.00 million (56.0 per cent) development activities.

In the first quarter, total expenditure by the County was Kshs.634.67 million which was 43.8 per cent of the funds released. The County spent Kshs.250.11 million (39.4 per cent) on recurrent activities and Kshs.384.56 million (60.6 per cent) on ongoing development projects. Recurrent expenditure was 39.2 per cent of the funds released for recurrent activities while development expenditure was 47.4 per cent of funds released for development projects

The Recurrent expenditure for the period under review of Kshs.250.11 million represented an absorption rate of **7 per cent** of the annual recurrent budget. This was an increment from an absorption rate of 5.8 per cent recorded in the same period last financial year. The development expenditure for the period under review of Kshs.384.56 million represented an absorption rate of **18.4 per cent** of the annual development budget which was an improvement since there was no development expenditure reported during same period in the last financial year.

A breakdown of Kshs.250.11 million spent on recurrent expenditure shows that the County spent Kshs.204.67 million on personnel emoluments which translates to 81.8 per cent of the total recurrent expenditure and Kshs.45.44 million on operations and maintenance expenditure which is 18.2 per cent of the total recurrent expenditure for the period. A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 97**

Figure 97 : First Quarter Expenditure, Marsabit County

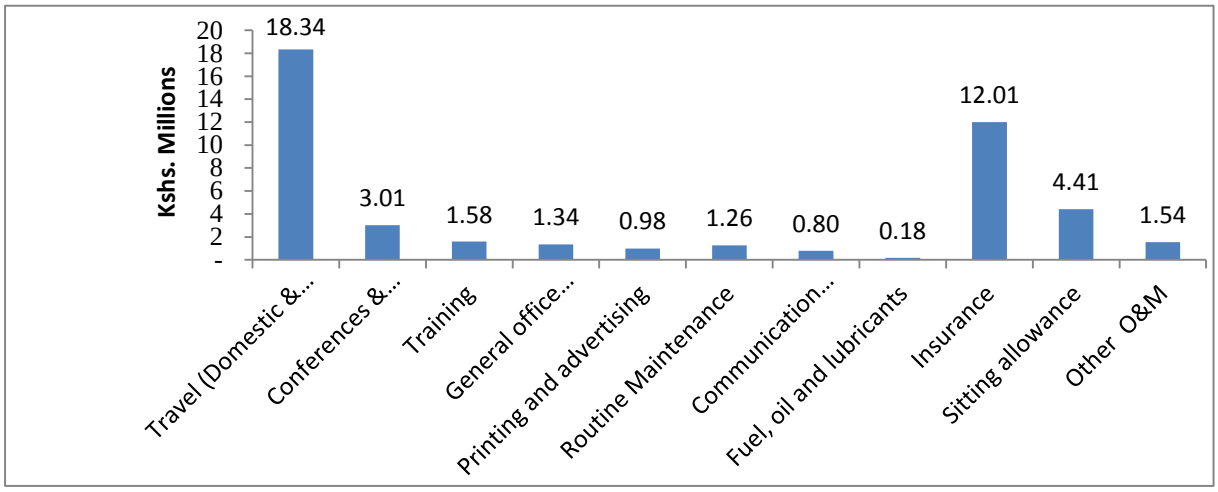


Source: *Marsabit County Treasury*

The County spent Kshs.4.41 million for payment of sitting allowances to the 34 members of the County Assembly against an annual budget of Kshs.67.65 million representing an absorption rate of 6.5 per cent. Expenditure on domestic and foreign travel amounted to Kshs.18.34 million in the first quarter of FY 2014/15 compared to Kshs.19.67 million in the first quarter of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 98.

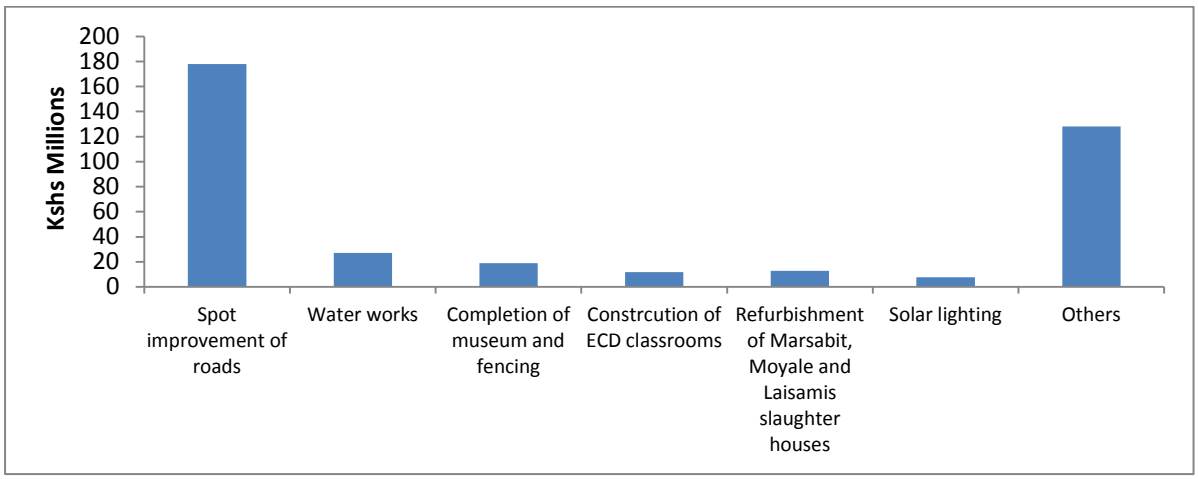
Figure 98: Operations and Maintenance Expenditure, Marsabit County



Source: *Marsabit County Treasury*

A review of the total development expenditure of Kshs.384.56 shows that the County spent Kshs.177.8 million on improvement of road networks, Kshs.27 million on construction of water tanks and repair of water supplies, Kshs.18.9 million on completion of the desert museum and fencing of several markets, Kshs.11.8 on construction of ECD classrooms, Kshs.12.9 million on refurbishment of Marsabit, Moyale and Laisamis slaughter houses, and Kshs.7.8 million on solar lighting among other projects as shown in **Figure 99**.

Figure 99: Analysis of Development Expenditure, Marsabit County



Source: *Marsabit County Treasury*

During the period under review, the office noted that the county made progress in implementing recommendations contained in previous CBIRRs. However, there were still a number of issues that affected budget implementation in the first quarter of the FY2014/15. These included:

1. Failure by the County Assembly to adopt use of IFMIS, which caused set-back on accurate financial reporting.
2. Payment of salaries and other expenditure items from the imprest account at KCB-Marsabit rather than from the operational account at the CBK.
3. Delay in release of funds by the National Treasury which affected budget implementation

The County should implement the following recommendations in order to improve budget implementation.

1. *The County Assembly should adopt use the recommended financial management system; IFMIS.*
2. *The County Treasury should ensure that salaries and other recurrent items are paid directly from the operational account at the CBK and not from the imprest account maintained at KCB-Marsabit.*
3. *The National Treasury should ensure timely release of funds to the county so that budget implementation is not negatively affected.*

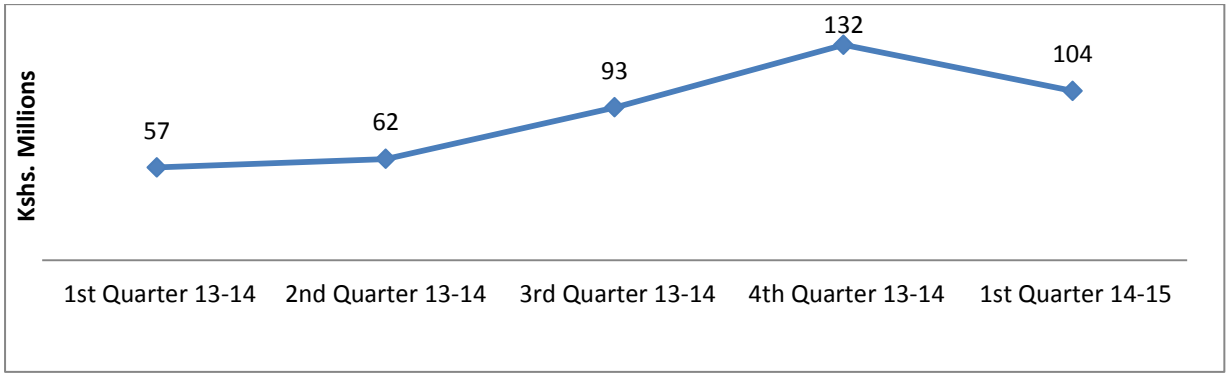
Meru County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.6.20 billion comprising of Kshs.3.86 billion (62.3 per cent) for recurrent expenditure and Kshs.2.34 billion (37.7 per cent) for development expenditure. The submitted budget estimate will be financed by Kshs.5.66 billion (91.3 per cent) from the national equitable share, Kshs.902.46 million (14.6 per cent) from local revenue sources. The County had a budget surplus of Kshs. 362.45 million.

During the first quarter of FY 2014/15, the County did not receive funds from the national equitable share of revenue, but received Kshs.714.66 million as an advance from the National Treasury, collected Kshs.103.56 million from local sources and had Kshs.1.17 billion as cash balance from FY 2013/14. The local revenue raised in the first quarter of Kshs.103.56 million, representing 11.5 per cent of the annual local revenue target, an improvement from

Kshs.56.69 million collected in the same period of FY 2013/14. **Figure 100** shows the trend in local revenue collection by quarter.

Figure 100: Quarterly Trend in Local Revenue Collection



Source: *Meru County Treasury*

Funds released to the County during the period under review amounted to Kshs.1.05 billion of which, Kshs.798.07 million (76.1 per cent) was for recurrent expenditure while Kshs.250 million (23.9 per cent) was for development activities.

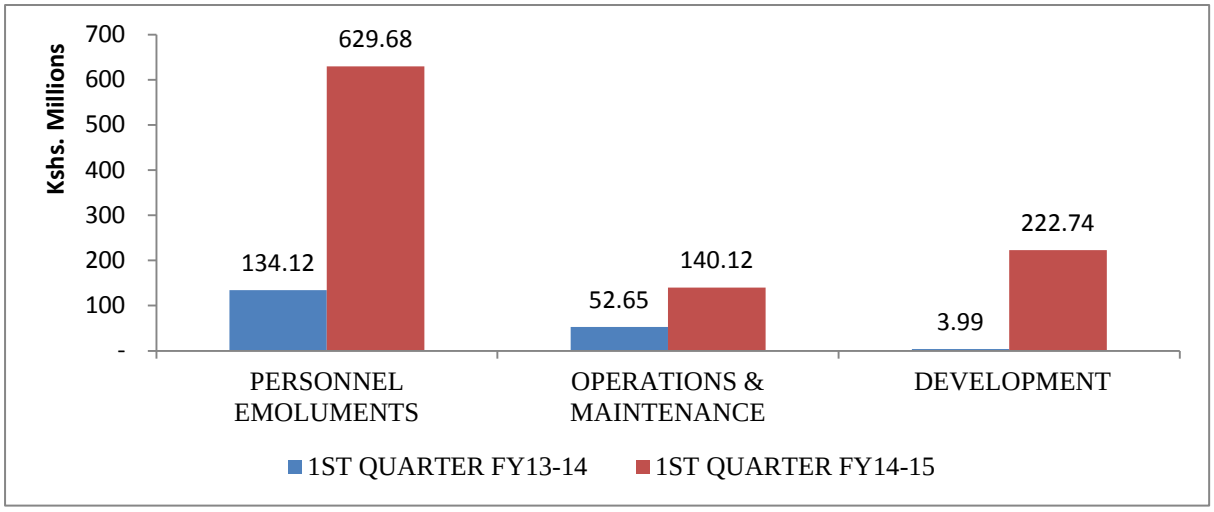
In the first quarter, the total expenditure was Kshs.992.53 million which was 94.7 per cent of the funds released. The expenditure for the period under review is an improvement from the Kshs.190.76 million spent in the first quarter of FY 2013/14. The County spent Kshs.769.80 million (77.6 per cent) on recurrent activities and Kshs.222.74 million (22.4 per cent) on development activities. Recurrent expenditure was 96.5 per cent of the funds released for recurrent activities while development expenditure accounted for 89.1 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represented an absorption rate of 19.9 per cent of the annual recurrent budget, an increase from an absorption rate of 6.6 per cent realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of 9.5 per cent of the annual development budget, an improvement from absorption rate of 0.1 per cent recorded in the same period last financial year.

Analysis of the recurrent expenditure of Kshs.769.80 million shows that the County spent Kshs.629.68 million on personnel emoluments which translates to 81.8 per cent of the total recurrent expenditure and Kshs.140.12 million on operations and maintenance expenditure which is 18.2 per cent of the total recurrent expenditure for the quarter. A comparison of the

total expenditure between the period under review and the same period last financial year is shown in **Figure 101**.

Figure 101: First Quarter Expenditure, Meru County

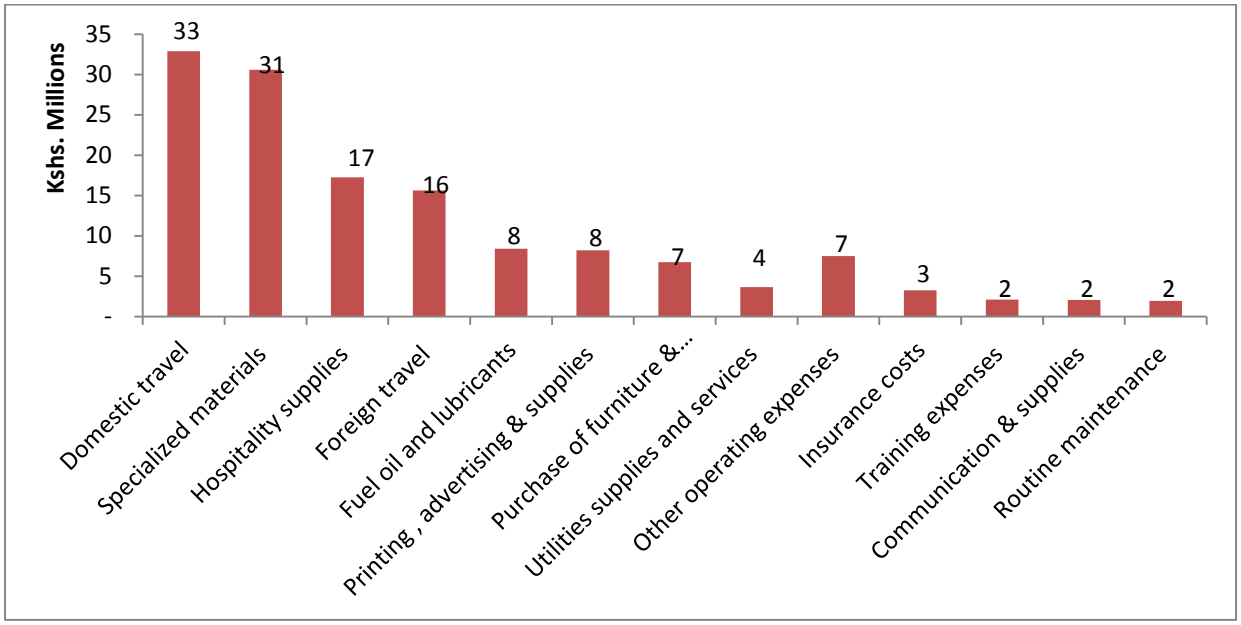


Source: *Meru County Treasury*

The County spent Kshs.12.99 million for payment of sitting allowances to the 70 members of the County Assembly against an annual budget of Kshs.161.11 million representing an absorption rate of 8.1 per cent. Expenditure on domestic and foreign travel was Kshs.48.53 million in the first quarter of FY 2014/15 compared to Kshs.14.89 million in FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 102**

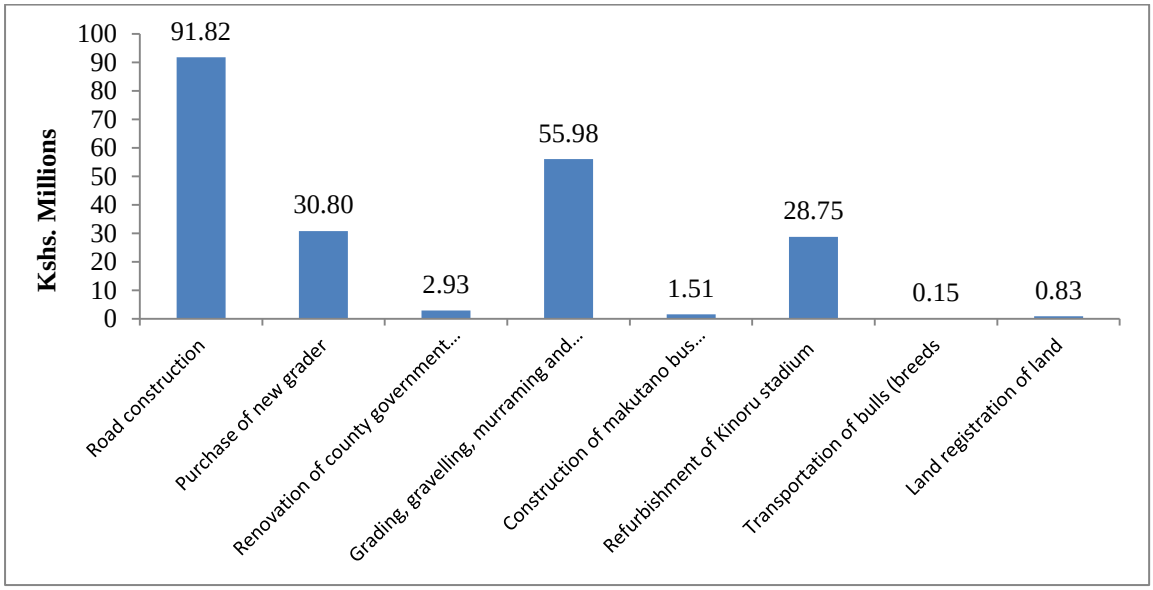
Figure 102: Operations and Maintenance Expenditure, Meru County



Source: *Meru County Treasury*

The development expenditure for the first quarter of FY2014/15 was Kshs.222.74 million, an increase from Kshs.3.98 million spent in the first quarter of last financial year. Analysis of the development expenditure for the period under review shows that the County spent Kshs.91.82 million on road construction, Kshs.30.8 million on purchase of new grader, Kshs.2.92 million on renovation of county government offices, Kshs.55.98 million on grading, gravelling, murraming and roads improvement, Kshs.1.51 million on construction of Makutano bus terminus, Kshs.28.74 million on refurbishment of Kinoru stadium, Kshs.150 thousand on transportation of bulls (breeds) while Kshs.834 thousand was spent on registration of land. However, part of the amounts indicated as development expenditure (Kshs.5.8 million for TV and Radio advertisement) is recurrent expenditure. (See **Figure 103**)

Figure 103: Analysis of Development Expenditure, Meru County



Source: *Meru County Treasury*

The County has not completely implemented the recommendations contained in previous CBIRRs, such as: need for full operationalization of IFMIS, need to ensure exchequer requisitions are based on the County departmental work plans, and timely provision of provision of revenue and expenditure reports to the OCOB.

During monitoring of budget implementation in the period under review, the office noted that the following issues that need to be addressed:

1. The County did not refund all unspent balances at the end of the FY 2013/14 and continued spending these amounts in disregard to the provisions of the PFM Act, 2012.
2. The County Treasury did not submit financial reports to OCOB on a timely basis and thus caused delay in preparing the first quarter, FY 2014/15 CBIRR.

   The County has not fully adopted use of the IFMIS system of accounting. This may affect the accuracy of financial reports.

The County should implement the following recommendation to address these challenges/issues and improve budget execution in the FY2014/15:

1. *Ensure that all cash balances at the close of each financial year are refunded to the CRF and included in the subsequent budget. Meanwhile, the FY 2013/14cash balances should be included in the FY 2014/15 budget through a Supplementary Budget.*
2. *The County Treasury should provide timely financial reports to the OCOB*

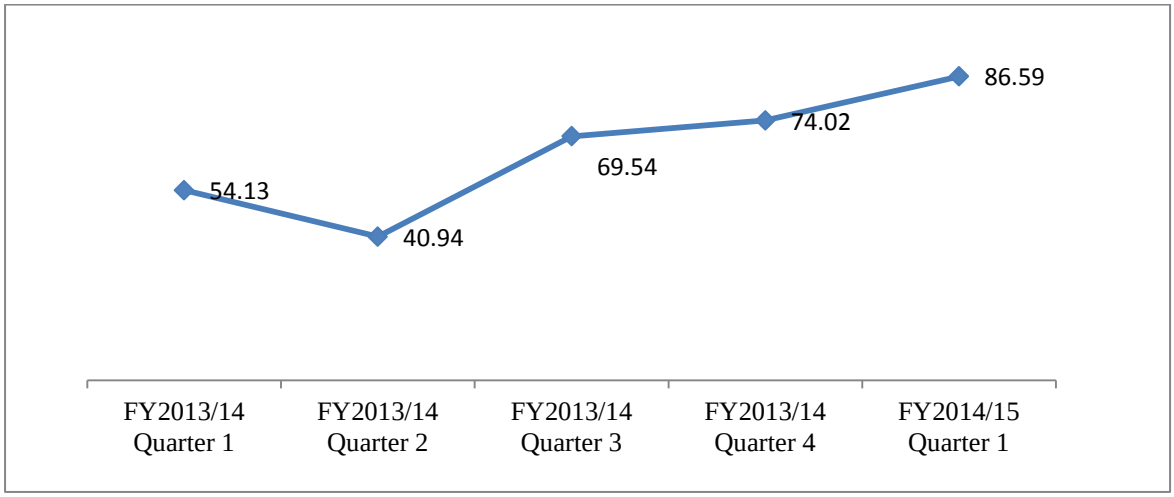
3. *The County should fully use IFMIS and ensure all manual expenditure is captured into the IFMIS for accountability and openness in public financial management*

Migori County

The Migori County Budget for the FY 2014/15 amounted to Kshs.5.27 billion comprising of Kshs.2.93 billion (55.6 per cent) for recurrent expenditure and Kshs.2.34 billion (44.4 per cent) for development expenditure. This budget will be financed by Kshs.5.09 billion (96.6 per cent) from the national equitable share and Kshs.300 million (5.7 per cent) from local revenue sources.

During the first quarter of FY2014/15, the County received Kshs.1.18 billion as the national equitable share of revenue, and collected Kshs.86.59 Million from local sources. The local revenue raised in the first quarter was Kshs.86.59 million, representing 28.9 per cent of the annual local revenue target, an improvement from Kshs.54 million collected in the same period of FY 2013/14. **Figure 104** shows the trend in local revenue collection by quarter.

Figure 104: Quarterly Trend in Local Revenue Collection



Source: *Migori County Treasury*

Funds released to the County during the period under review amounted to Kshs.1.18 billion of which, Kshs.615 million (52.3 per cent) was for recurrent expenditure while Kshs.560 million (47.7 per cent) was for development activities.

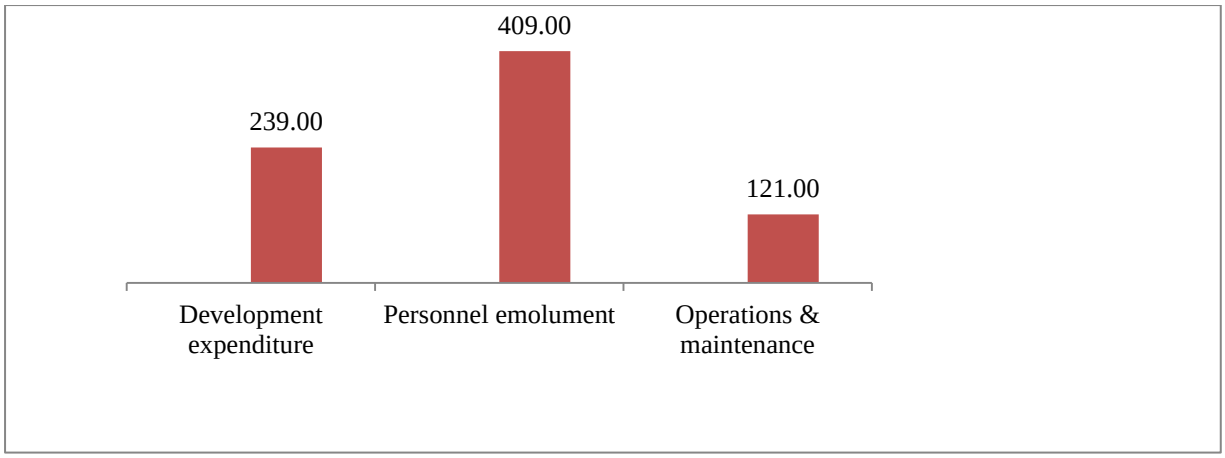
In the first quarter, the total expenditure was Kshs.769.92 million which was 65.5 per cent of the funds released. The expenditure for the period under review is an improvement from the

Kshs.337 million spent in the first quarter of FY 2013/14. The County spent Kshs.531.27 million (69.0 per cent) on recurrent activities and Kshs.238.65 million (31.0 per cent) on development activities. Recurrent expenditure was 86.4 per cent of the funds released for recurrent activities while development expenditure accounted for 42.6 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **18.1 per cent** of the annual recurrent budget, an increase from an absorption rate of 8.7 per cent realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **10.2 per cent** of the annual development budget, a significant improvement since no development expenditure was reported in the first quarter of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.769.92 million shows that the County spent Kshs.409.86 million on personnel emoluments which translates to 77 per cent of the total recurrent expenditure and Kshs.121.41 million on operations and maintenance expenditure which is 23 per cent of the total recurrent expenditure for the first quarter of year (see **Figure 105**).

Figure 105 : First Quarter Expenditure, Migori County

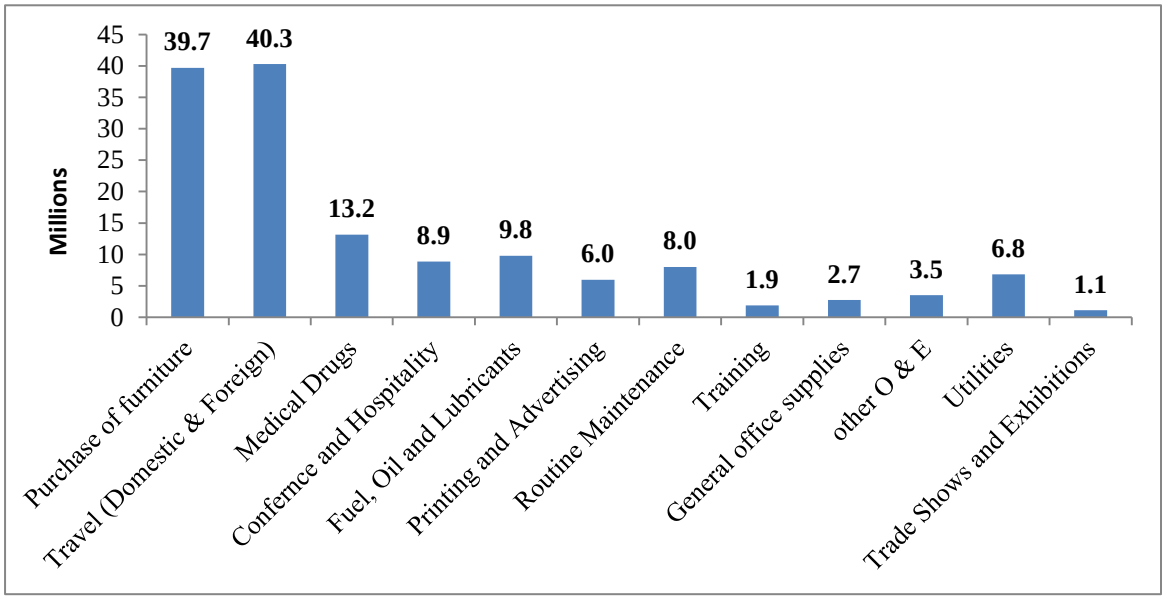


Source: *Migori County Treasury*

The County spent Kshs.35.95 million for payment of sitting allowances to the 65 members of the County Assembly against an annual budget of Kshs.124.31 million representing an absorption rate of 28.9 per cent.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 106**

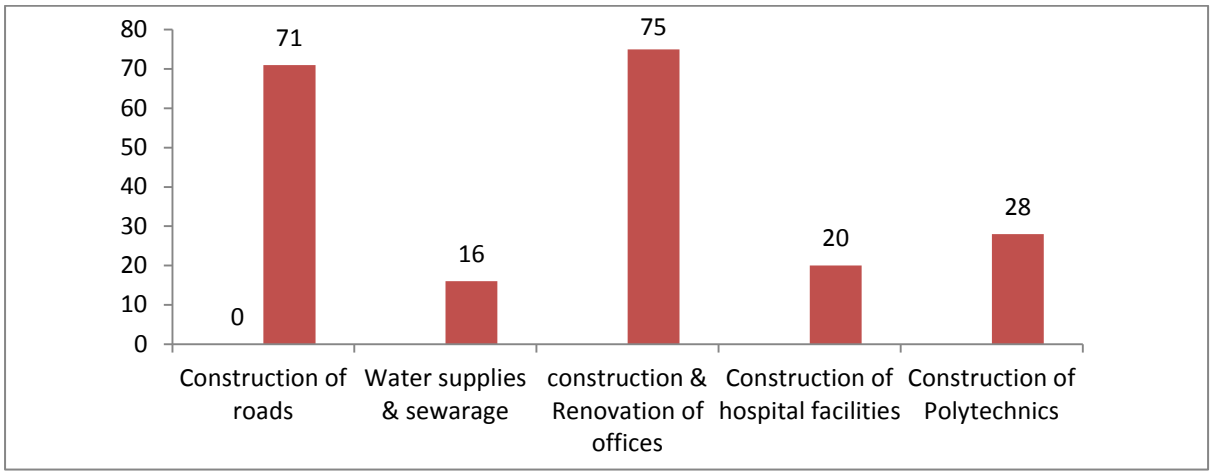
Figure 106: Operations and Maintenance Expenditure, Migori County (Kshs)



Source: *Migori County Treasury*

The development expenditure for the first quarter of FY2014/15 was Kshs.238.65 million. Analysis of the development expenditure for the period under review shows that the County spent Kshs.71 million on development and maintenance of access roads, Kshs.75 million on constructionconstruction and refurbishment of buildings, Kshs.16 million on maintenance and construction of water supplies, Kshs.20 million on construction and refurbishment of hospital facilities and Kshs.28 Million on construction of polytechnics among other projects (see **Figure 107**).

Figure 107: Analysis of Development Expenditure, Migori County



Source: *Migori County Treasury*

While most of the recommendations made by OCOB in the previous CBIRRs were implemented, the county is yet to address the need to put in place an audit committee. During monitoring of budget implementation in the first quarter of FY 2014/15, the office noted that the following issues that need to be addressed:

1. Lack of internal audit committee to provide quality assurance on the financial management and reporting.
2. Delay in the disbursement of the national equitable revenue by National Treasury
3. Slow adoption and connectivity challenges of IFMIS system. The County Assembly did not operationalize the IFMIS system of accounting and continued to transact manually.

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

1. *The County Treasury should establish an internal audit committee in line with the requirement of the public financial framework. The audit committee will enhance effective review and quality assurance of financial operations.*
2. *The delay in disbursement of funds was occasioned by late approval of CARA. Parliament should put in place mechanisms to ensure the passage of the Division of Revenue Bill and the County Allocation of Revenue Bill is done earlier within the legal framework.*
3. *The County Treasury in collaboration with the Directorate of IFMIS should address the challenges of connectivity and continue to build capacity among IFMIS users. County Assembly should adopt IFMIS to improve on financial management.*

Mombasa County

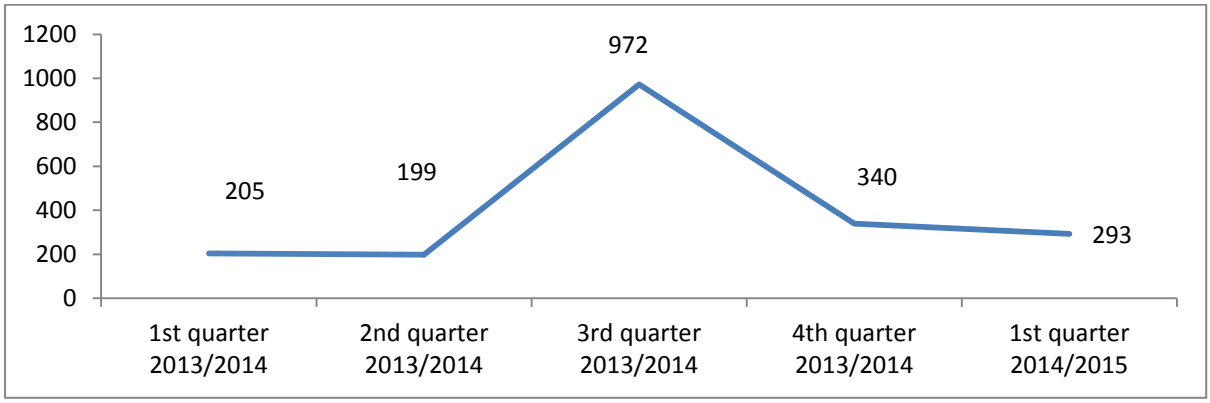
The County had a Budget of Kshs.12.37 billion composed of Kshs.8.14 billion (65.8 per cent) for recurrent expenditure and Kshs.4.23 billion (34.2 per cent) for development activities. This budget was to be financed by Kshs.4.53 billion (36.6 per cent) from national equitable share, Kshs.698.51 million (5.6 per cent) from donor funds and Kshs.7.17 billion (58.0 per cent) from local revenue collections.

During the first quarter of FY 2014/15, the County received Kshs.1.02 billion as the national equitable share and had Kshs.435.49 million as cash balance from FY 2013/14. The local revenue raised during the first quarter of FY 2014/15 is Kshs.292.63 million, representing 4

per cent of the annual local revenue target, an improvement in revenue collection during this first quarter as compared to the same period last year where Kshs.205 million was raised.

Figure 108 shows the trend in local revenue collection by quarter.

Figure 108: Quarterly Trend in Local Revenue Collection



***Source**: Mombasa County Treasury*

Funds released to the County during the period under review amounted to Kshs.1.37 billion of which Kshs.1.23 billion (90.1 per cent) was for recurrent expenditure and Kshs.135 million (9.9 per cent) for development expenditure.

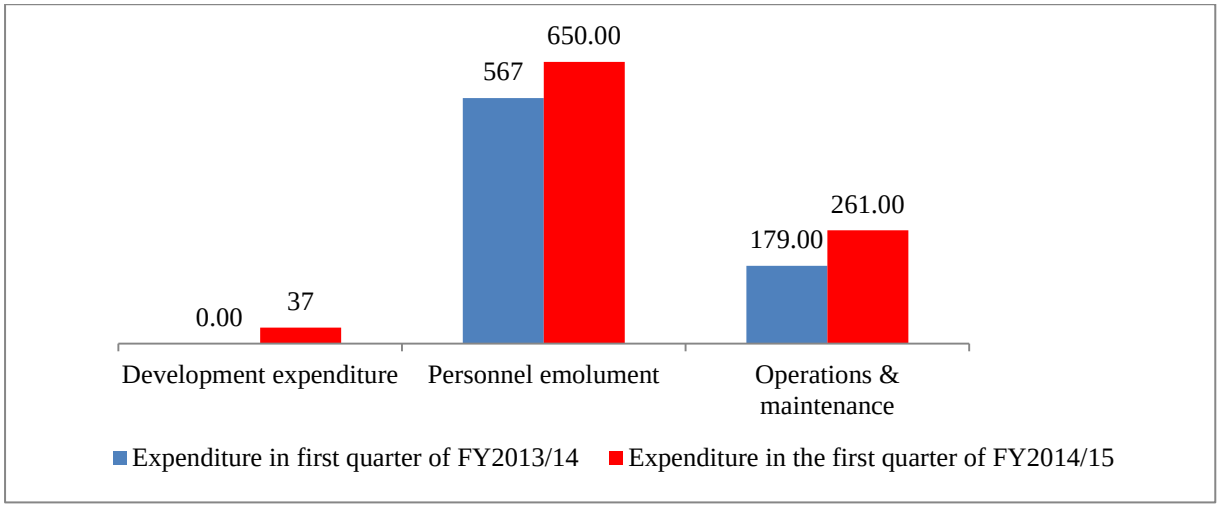
In the first quarter, the total expenditure was Kshs.947.87 million which was 69.3 per cent of the funds released. The expenditure for the period under review is an increase from the Kshs.746 million spent in the first quarter of FY 2013/14. The County spent Kshs.911 million (96.1 per cent) on recurrent activities and Kshs.36.87 million (3.9 per cent) on development activities. The recurrent expenditure was 73.9 per cent per cent of the funds released for recurrent activities while development expenditure accounted for 27.3 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represents an absorption rate of **11.2 per cent** of the annual recurrent budget while development expenditure translates to an absorption rate of **0.9 per cent** of the annual development budget.

Analysis of the total recurrent expenditure of Kshs.911 million shows that the County spent Kshs.650.10 million on personnel emoluments which translates to 71.4 per cent of the total recurrent expenditure and Kshs.260.90 million (28.6 per cent) on operations and

maintenance. A summary breakdown of the first quarter expenditure for FY 2014/15 is as shown in **Figure 109**

Figure 109: First Quarter Expenditure, Mombasa County

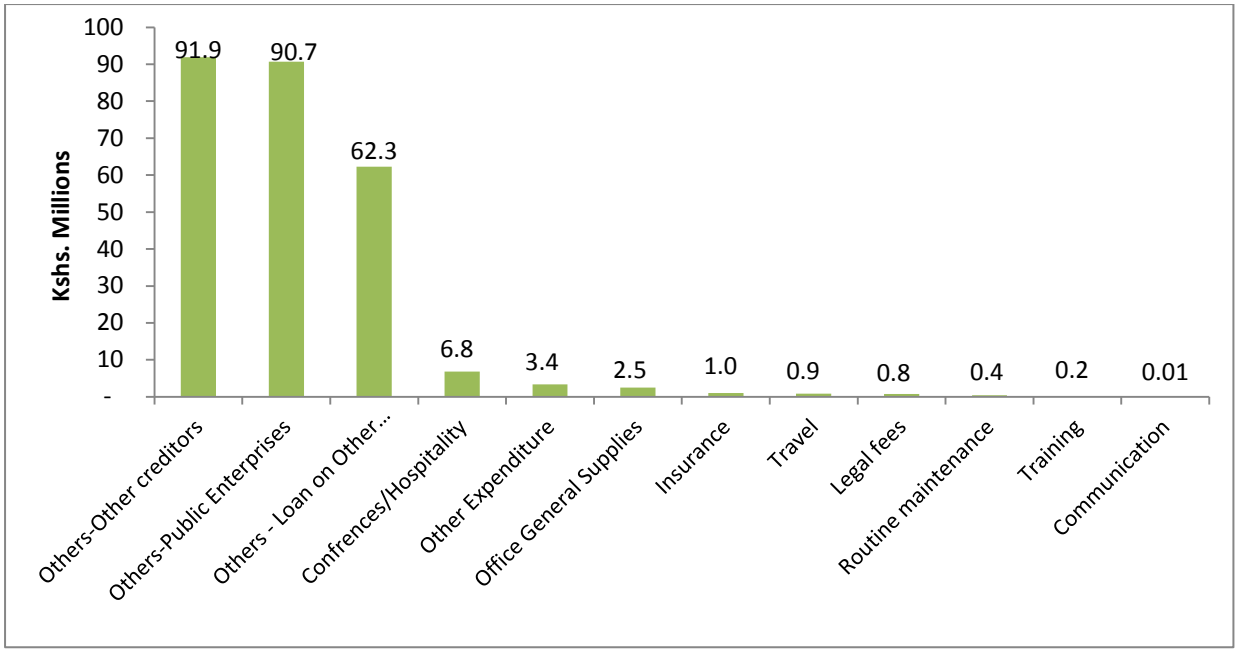


Source: *Mombasa County Treasury*

The County spent Kshs.12.1 million for payment of sitting allowances to the 46 members of the County Assembly against an annual budget of Kshs.36.19 million representing an absorption rate of 33.4 per cent. Expenditure on domestic and foreign travel was Kshs.0.86 million in the first quarter of FY 2014/15 compared to Kshs.21.54 million in the first quarter of FY 2013/14.In the FY 2013/14 Annual CBIRR, it was reported that the County spend Kshs.194.1 million on scholarships. This has been clarified as erroneous.

The breakdown of operations and maintenance expenditure of Kshs.261 million for the first quarter of FY 2014/15 is shown in **Figure 110**.

Figure 110: Analysis of Operations and Maintenance Expenditure, Mombasa County

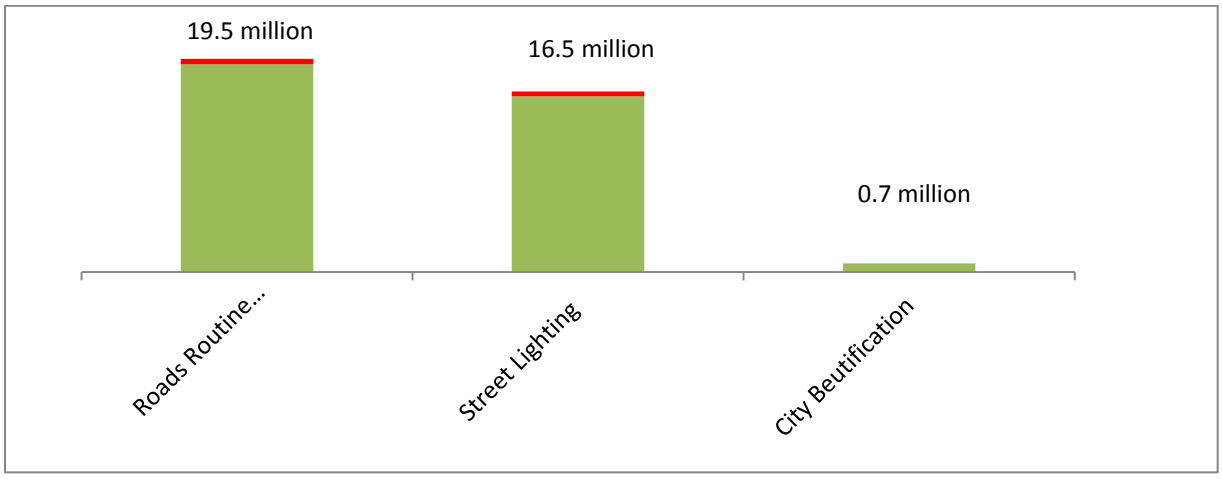


Source: *Mombasa County Treasury*

Debt and pending bills payments during this period amounted to Kshs.245 million as shown in **Figure 110**. This amount included repayment of bank loans taken to pay salaries, payments to Kenya Revenue Authority for outstanding payroll taxes, and payments to Kenya Power and Lighting Company Limited for outstanding electricity bills.

In the period under review, the county spent Kshs.36.87 million on development projects. The main projects implemented included routine maintenance of county roads of Kshs.19.5 million and street lighting of 16.5 million (See **Figure 111**).

Figure 111: First Quarter Analysis of Development Expenditure



Source: *Mombasa County Treasury*

In the previous CBIRRs, the OCOB identified key challenges in budget implementation. These included: low local revenue collection, low absorption of development funds, and delays in submission of quarterly financial reports to OCOB. In the period under review, the office noted that the County has initiated measures to address these challenges. The measures include improved internal controls that resulted in increased local revenue collection in the first quarter of FY 2014/15. However, absorption of development funds still remains low, at 0.9 per cent of the annual development budget.

The office noted that the following issues that need to be addressed:

1. Delays in submission of financial reports to the OCOB.
2. High wage bill as a result of high casual level and contracted staff.
3. Large outstanding debt, which continues to cause fiscal stress, leaving only limited resources for development activities.

The County should implement the following recommendation to address these challenges and improve budget execution:

1. *Ensure returns are submitted to OCOB and other oversight institutions on a timely basis.*
2. *The county should optimally utilize current staff and minimise the hiring of casuals and contractual staff.*
3. *The County should manage the outstanding debts through optimal and efficient use of available resources.*

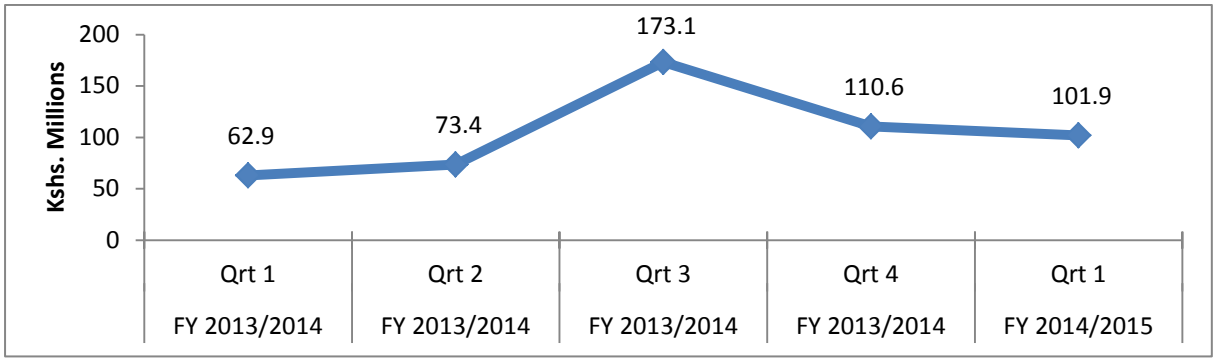
Murang'a County

The County Budget for the FY 2014/15 amounted to Kshs.6.62 billion comprising of Kshs.3.46 billion (52.1 per cent) for recurrent expenditure and Kshs.3.17 billion (47.9 per cent) for development expenditure. This budget will be financed by Kshs.4.67 billion (70.8 per cent) from the national equitable share, Kshs.1.14 billion (17.3 per cent) from local revenue sources, Kshs.311.58 million (4.7 per cent) from the conditional grant, Kshs.450.08 million (6.8 per cent) being projected cash balance from FY 2013/14 and Kshs.22.43 million (0.3 per cent) as DANIDA grants.

During the first quarter of FY 2014/15, the County received Kshs.1 billion as the national equitable share of revenue, collected Kshs.106.04 million from local sources, and had

Kshs.485.73 million as cash balance from FY 2013/14. The local revenue raised in the first quarter was 8.9 per cent of the annual local revenue target. **Figure 112** shows the trend in local revenue collection by quarter.

Figure 112: Quarterly Trend in Local Revenue Collection



Source: *Murang'a County Treasury*

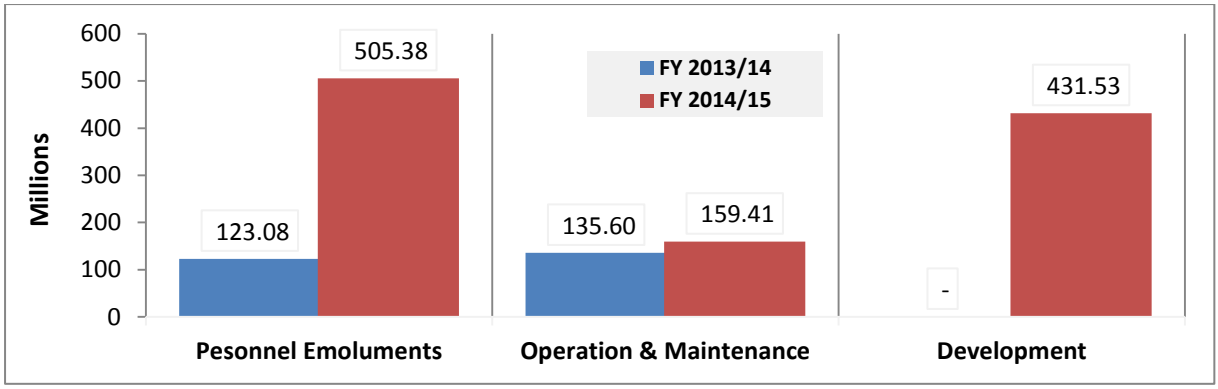
Funds released by COB to the County during the period under review amounted to Kshs.1.11 billion, of which, Kshs.616 million (55.6 per cent) was for recurrent expenditure while Kshs.492 million (44.4 per cent) was for development activities.

In the first quarter, the total expenditure was Kshs.1.09 billion which was 98.9 per cent of the funds released. The County spent Kshs.664.78 million (60.6 per cent) on recurrent activities and Kshs.431.6 million (39.4 per cent) on development activities. Recurrent expenditure was **107.9 per cent** of the funds released for recurrent activities while development expenditure accounted for 87.7 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represented an absorption rate of **19.1 per cent** of the annual recurrent budget, an increase from an absorption rate of **6.9 per cent** realized in the first quarter of FY 2013/14. The development expenditure translated to an absorption rate of **13.6 per cent** of the annual development budget, which is an increase since the County did not report development expenditure in the same period last financial year.

Analysis of the recurrent expenditure shows that the County spent Kshs.505.38 million on personnel emoluments which translates to 76.0 per cent of the total recurrent expenditure and Kshs.159.41 million on operations and maintenance expenditure which is 26.0 per cent of the total recurrent expenditure for the period. A comparison of the total expenditure between the period under review and first quarter of FY 2013/14 is shown in **Figure 113**

Figure 113: First Quarter Expenditure, Murang'a County

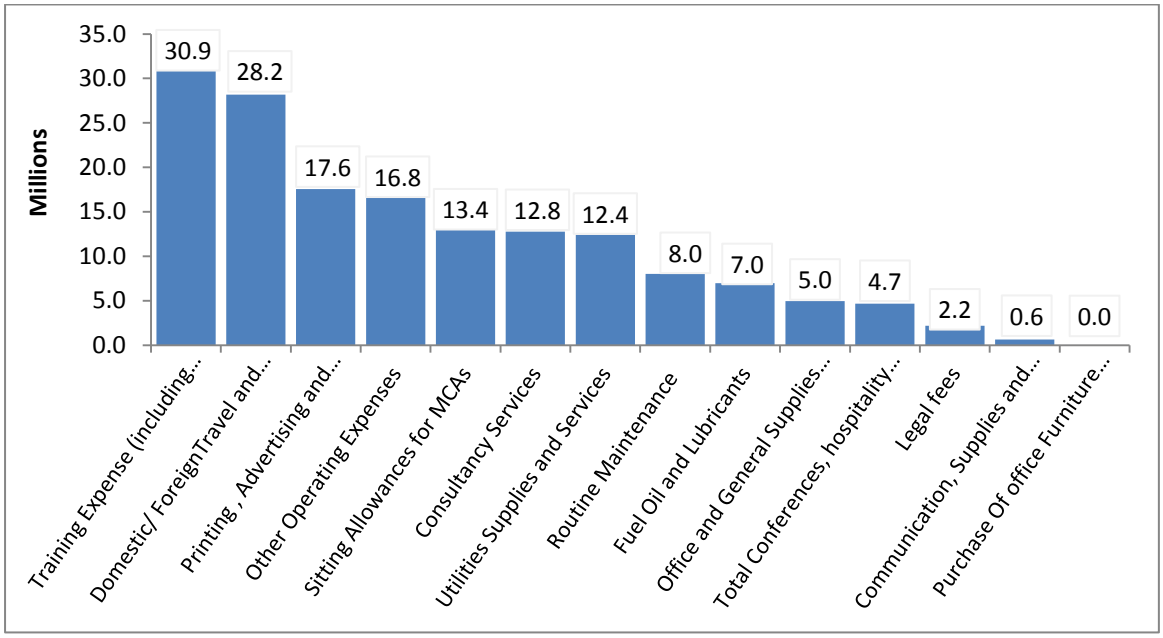


Source: *Murang'a County Treasury*

A total of Kshs.13.38 million was spent on payment of sitting allowances to the 50 members of the County Assembly against an annual budget of Kshs.60.04 million representing an absorption rate of **21.9 per cent**. Expenditure on domestic and foreign travel was Kshs.28.16 million in the first quarter of FY 2014/15 compared to Kshs.22.73 million in FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 114**

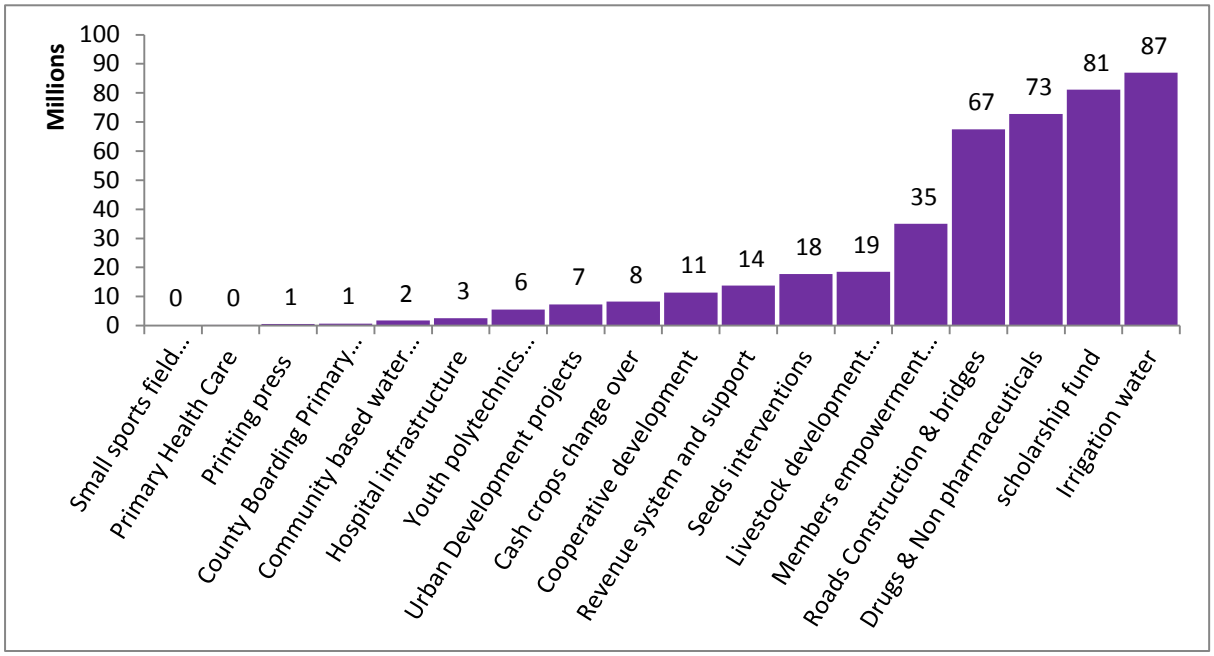
Figure 114: Operations & Maintenance Expenditure, Murang'a County



Source: *Murang'a County Treasury*

The development expenditure for the period under review comprised of Kshs.86.9 million spent on water supplies and irrigation, Kshs.81.1 million on scholarship funds, Kshs.72.8 million on Drugs & Non pharmaceuticals, and Kshs.67.5 million on maintenance of roads and bridges, among others projects (See **Figure 115**).

Figure 115: Analysis of Development Expenditure, Murang'a County



***Source**: Murang'a County Treasury*

Murang'a County faced a number of challenges during the previous under review, but has implemented some of the recommendations contained in prior CBIRRs. Consequently, the quality of reports has improved and expenditure is now reported by department. The County Treasury has also embarked on robust local revenue mobilization strategies, which has seen an increase in local revenue collection. Nonetheless, the County Assembly is yet to adopt the IFMIS system of accounting.

During monitoring of budget implementation in the period under review, the office noted that the following issues that need to be addressed:

1. Failure to adhere to budgeting principles. The County made payments to suppliers for ongoing development projects from FY 2013/14 even though such projects were not re-voted in the FY 2014/15 budget as required by law.
2. The County was spending on the approved budget (keyed in IFMIS system) which is different from the submitted budget to County Assembly used to requisition funds from CRF as per the High Court ruling. This implies that county spending may be outside COB approvals for some votes.
3. OCOB noted that the County was reallocating funds within votes without following the proper procedures in law which may lead to misappropriation of public funds.

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

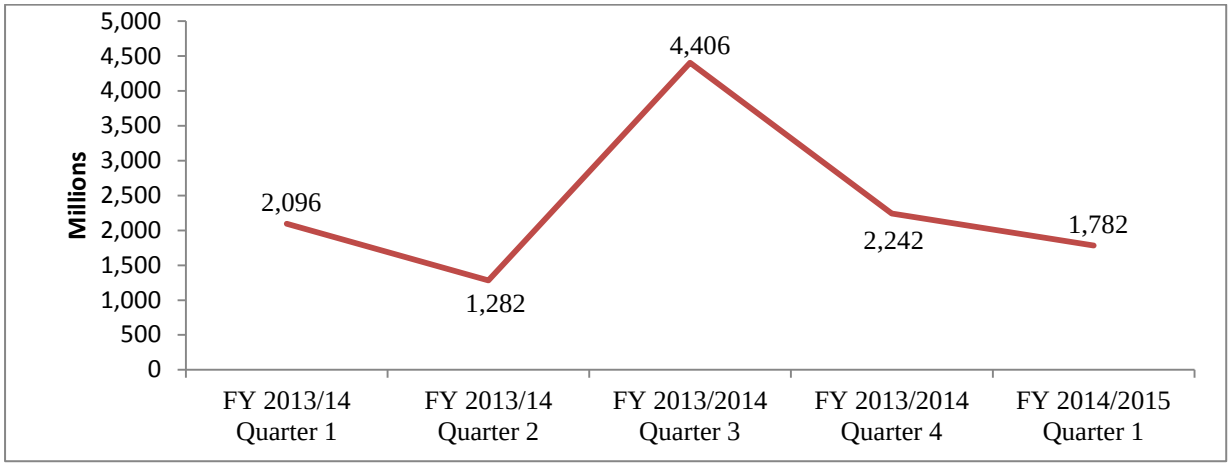
1. *County should prepare a Supplementary Budget, considering development projects for FY 2013/14, outstanding commitments by 30th June 2013 and the approved county allocation contained in CARA 2014.*
2. *There is need for regular reconciliation of the IFMIS system records with the budget estimates used in requisition of funds.*
3. *All reallocations should be in line with Section 154 of the PFM Act, 2014.*

Nairobi County

The County Budget for the FY 2014/15 amounted to Kshs.28.76 billion comprising of Kshs.19.35 billion (67.3 per cent) for recurrent expenditure and Kshs.9.4 billion (32.8 per cent) for development activities. This budget was to be financed by Kshs.11.34 billion (38.9 per cent) from national equitable share, and Kshs.17.78 billion (61.1 per cent) from local revenue sources. The County Budget had a surplus of Kshs.360million.

During the first quarter of FY2014/15, the County received Kshs.2.44 billion as the national equitable share and raised Kshs.1.78 billion from local revenue sources. The local revenue raised during the period under review of Kshs. 1.78 billion represented 10 per cent of the annual local revenue target and was a decline from Kshs.2.10 billion collected in the same period of FY 2013/14. **Figure 116** shows the trend in local revenue collection by quarter.

Figure 116: Quarterly Trend in Local Revenue Collection



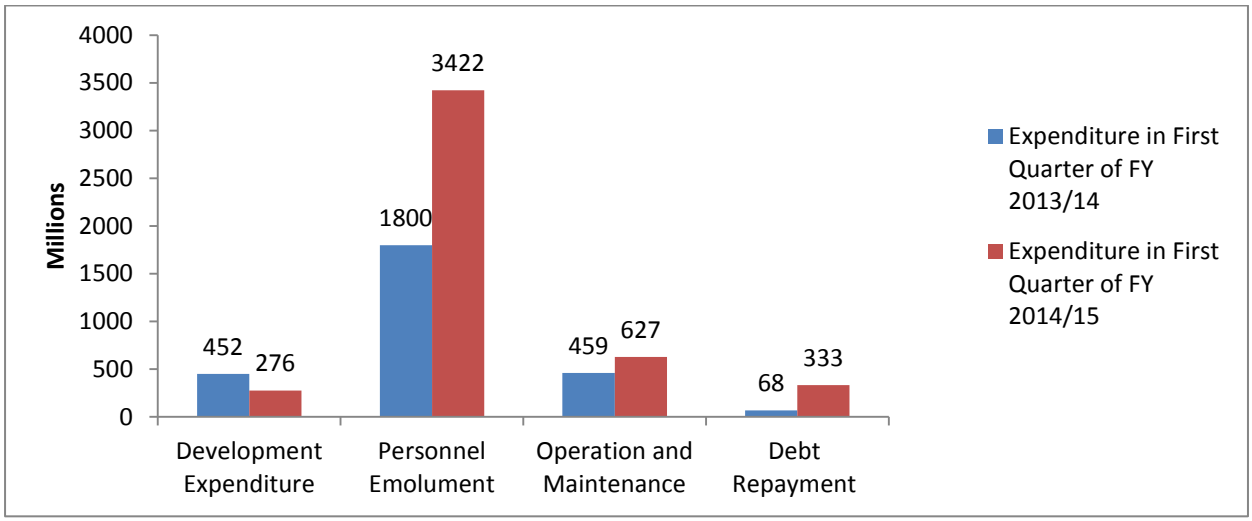
Source: *Nairobi City County Treasury*

Funds released by the COB to the County during the period under review amounted to Kshs.3.44 billion and was for recurrent expenditure.

The total expenditure for the FY 2014/15 amounted to Kshs.4.66 billion which was **135.6 per cent** of the funds released. The County spent Kshs.4.38 billion (87 per cent) on recurrent activities and Kshs.276.84 million (13 per cent) on development activities. The recurrent expenditure was **127.6 per cent** of the funds released for recurrent activities and represented an absorption rate of **22.7 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **2.9 per cent** of the annual development budget. There was a decline in development expenditure as compared to a similar period last financial year where Kshs.452 million was spent.

Analysis of the recurrent expenditure of Kshs.4.38 billion shows that the County spent Kshs.3.42 billion on personnel emoluments which translates to **79 per cent** of the total recurrent expenditure and Kshs.627.12 million on operations and maintenance expenditure which is 21 per cent of the total recurrent expenditure. (See Figure 117)

Figure 117 : First Quarter Expenditure, Nairobi City County

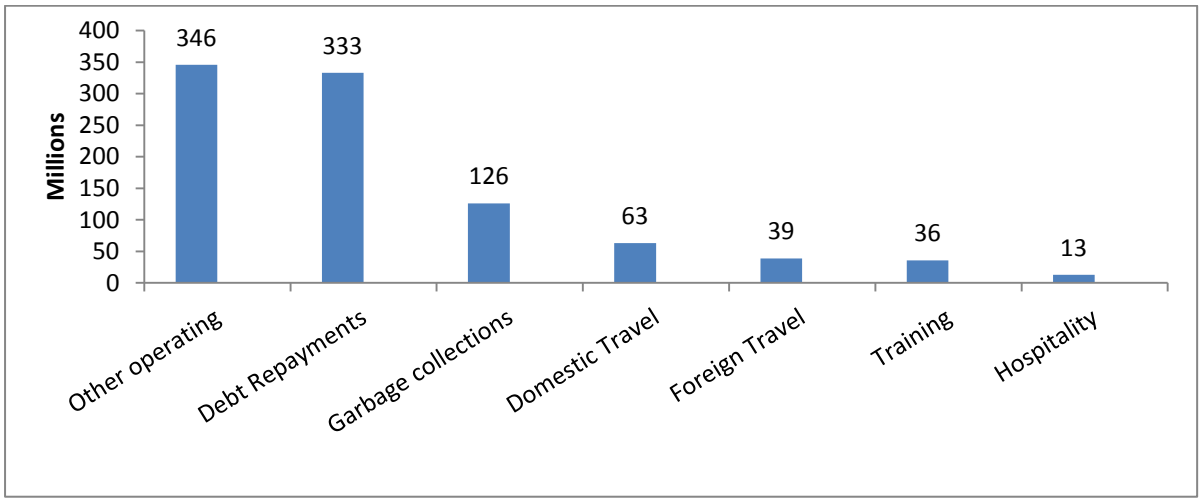


Source: *Nairobi County Treasury*

The County spent Kshs.45.06 million for payment of sitting allowances for the 128 members of the County Assembly against an annual budget of Kshs.201.68 million representing an absorption rate of 22.4 per cent.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 118**

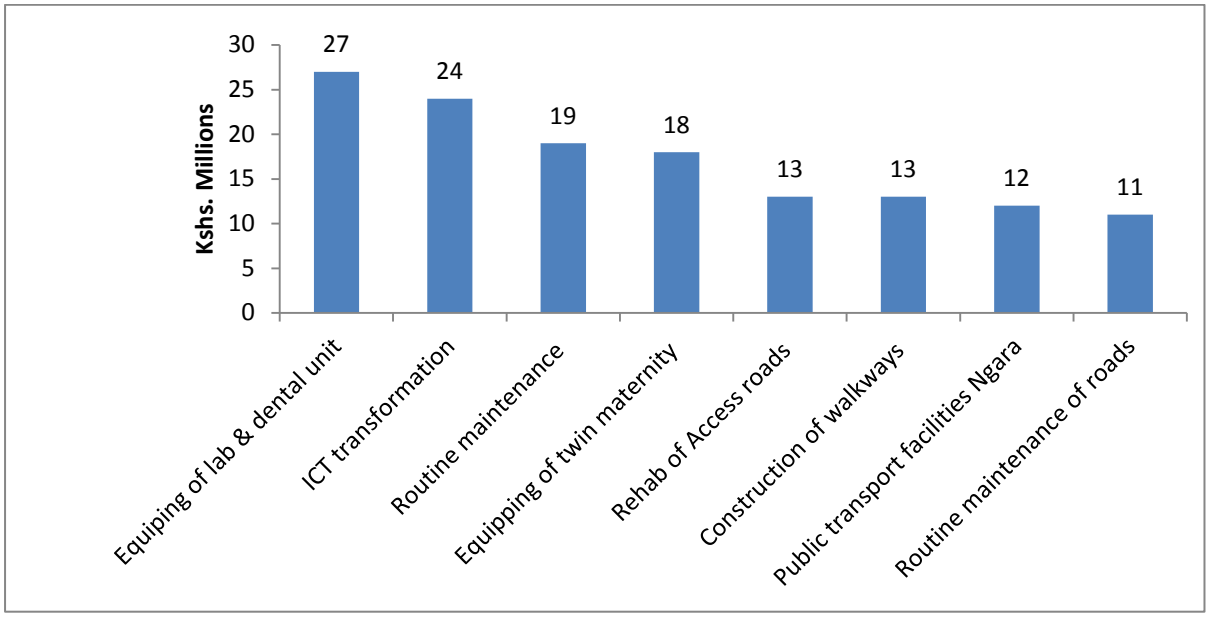
Figure 118: Analysis of Operations and Maintenance Expenditure, Nairobi County



Source: *Nairobi County Treasury*

Analysis of the development expenditure of Kshs.276.84 million shows that the County spent Kshs.27 million to equip laboratory and dental units, Kshs.19 million on ICT transformation, Kshs.18 million on routine maintenance of roads, and Kshs.13 million on rehabilitation of access roads among other projects (See **Figure 119**).

Figure 119: Analysis of Development Expenditure, Nairobi County



Source: *Nairobi County Treasury*

During monitoring of budget implementation, the office noted that the County has implemented some of the recommendations contained in previous CBIRRs. However, the County continues to experience some challenges that affected budget implementation during the first quarter of FY 2014/15. These included:

1. The County has continued to use the locally collected revenue at source contrary to the Law. This issue has been raised in previous OCOB reports and persistent breach of the law may result in stoppage of fund to the county.
2. The County took over huge liabilities from the defunct Nairobi City County Council. Servicing these debts has resulted in planned activities not being fully implemented as this has deprived budget items of adequate funding.
3. Delay in release of exchequer funds from the National Government which has led to slow pace in executing planned activities.
4. The County inherited huge wage bill from the defunct Nairobi City Council and the devolved functions. At 79 per cent of the recurrent expenditure, the personnel emoluments may not be sustainable.

The County should consider the following recommendation to address these challenges and improve budget execution in the FY2014/15:

1. *The County should ensure that all funds received by or on behalf of the county are deposited in CRF account. Persistent breach may lead to OCOB recommending stoppage of funding to the county by the National Treasury.*
2. *The County Treasury should finalize the debt management strategy paper as per sections 123 of the PFM Act, 2012 and ensure it is approved by the County Assembly.*
3. *The National Treasury should ensure the exchequer is released in time as per the agreed disbursement schedule.*
4. *Addressing the issue of the high wage bill will require a concerted approach both by the County and National Government. The ongoing CARPS programme is expected to come up with mechanisms and ways of addressing this challenge, after taking stock of the available staff numbers and skill mix in the County.*

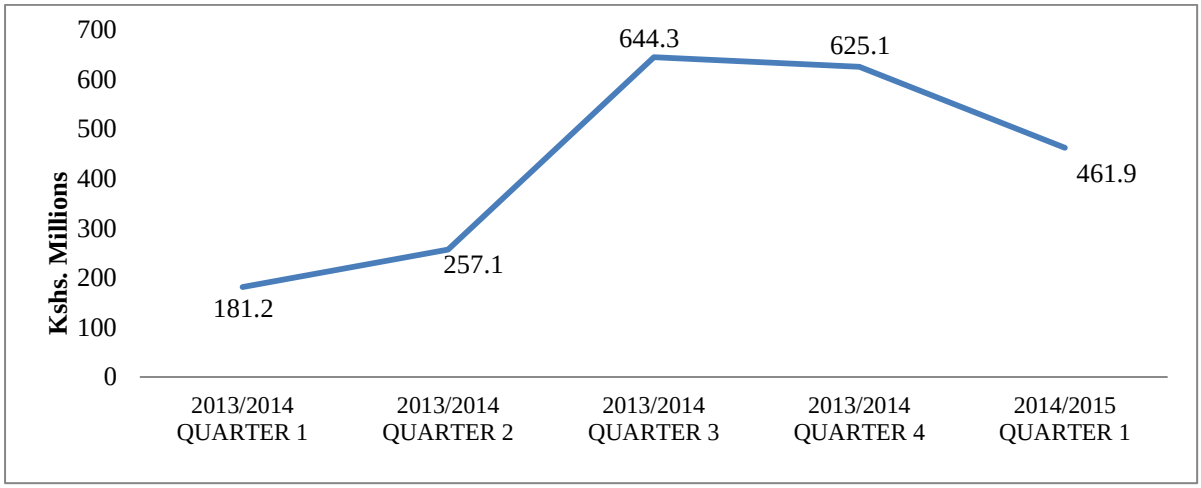
Nakuru County

The County Budget for the FY 2014/15 amounted to Kshs.9.87 billion comprising of Kshs.6.79 billion (69 per cent) allocated for recurrent expenditure and Kshs.3.09 billion (31

per cent) for development expenditure. This budget will be financed by Kshs.7.08 billion (63.0 per cent) from the national equitable share, Kshs.3.22 billion (28.7 per cent) from local revenue sources, Kshs.906.25 million (8.1 per cent) being projected balance brought forward from FY 2013/14, Kshs.317.84 million (2.7 per cent) conditional grant for Level 5 hospital, and Kshs.22.88 million (0.2 per cent) as a grant from DANIDA for health support.

During the first quarter of FY2014/15, the County received Kshs.669.17 million as the national equitable share, Kshs.917.05 million as an advance from the National Treasury, collected Kshs.461.94 million from local sources and had Kshs.1.07 billion as cash balance from FY 2013/14. The local revenue raised in the first quarter was Kshs.461.93 million, representing 14.3 per cent of the annual local revenue target, and an improvement from Kshs.181 million collected in the same period of FY 2013/14. **Figure 120** shows the trend in local revenue collection by quarter.

Figure 120: Quarterly Trend in Local Revenue Collection



Source: *Nakuru County Treasury*

Funds released to the County by the COB during the period under review amounted to Kshs.1.99 billion, of which, Kshs.1.54 billion (77.7 per cent) was for recurrent expenditure while Kshs.443.93 million (22.3 per cent) was for development activities.

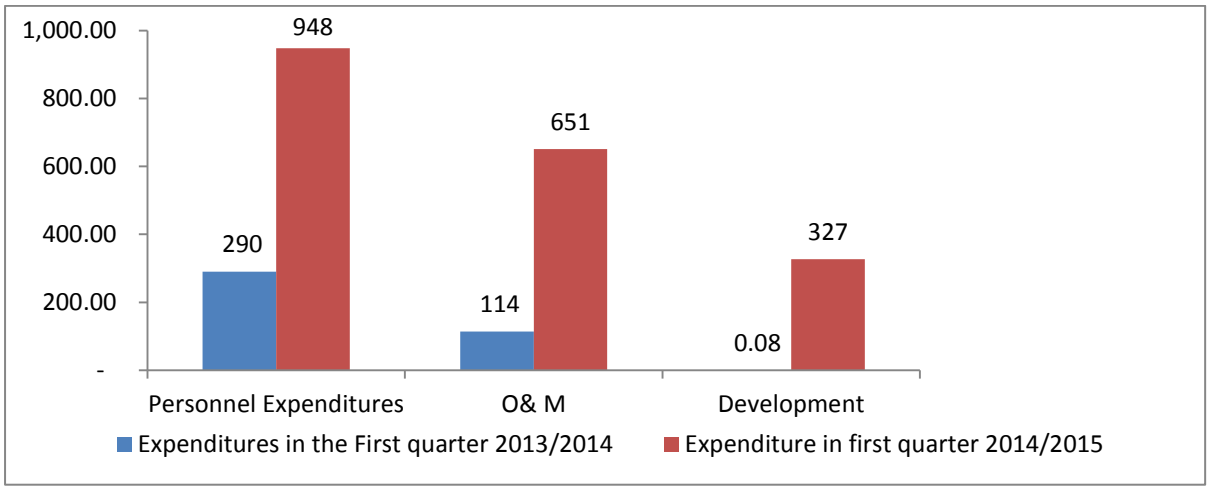
In the first quarter, the total expenditure was Kshs.1.93 billion which was 96.9 per cent of the funds released. The expenditure for the period under review is an improvement from the Kshs.404 million spent in the first quarter of FY 2013/14. The County spent Kshs.1.60 billion (83 per cent) on recurrent activities and Kshs.327.98 million (17 per cent) on development activities. Recurrent expenditure was 103.6 per cent of the funds released for recurrent

activities. The over expenditure was attributed to spending of funds at source, the use of development funds for payment of personnel emoluments as a result of recruitment of addition staff which was irregular and a sign of weak controls and planning by the County. Development expenditure accounted for 73.9 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represented an absorption rate of **23.6 per cent** of the annual recurrent budget, an increase from an absorption rate of **4.03 per cent** realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **10.7 per cent** of the annual development budget, an improvement from absorption rate of **0.001 per cent** recorded in the same period last financial year.

Analysis of the recurrent expenditure shows that the County spent Kshs.948.21 million on personnel emoluments which translates to 59.3 per cent of the total recurrent expenditure and Kshs.651.78 million on operations and maintenance expenditure which is 40.7 per cent of the total recurrent expenditure for the period. A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 121**

Figure 121: First Quarter Expenditure, Nakuru County

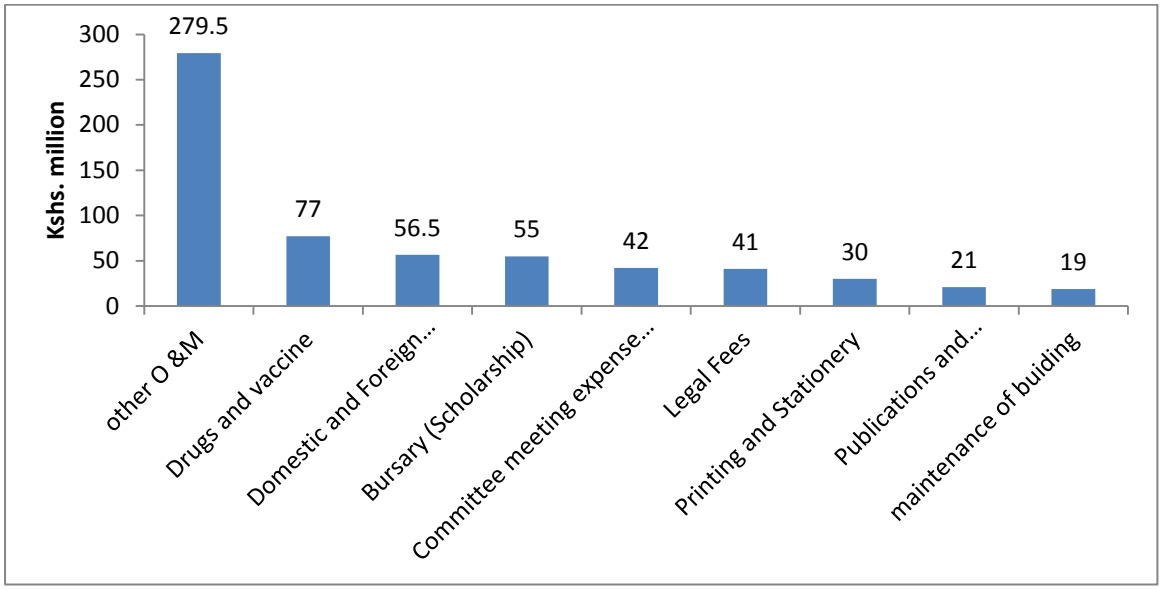


Source: *Nakuru County Treasury*

The County spent Kshs.36.5 million for payment of sitting allowances to the 75 members of the County Assembly against an annual budget of Kshs.135.0 million representing an absorption rate of 27.0 per cent, which is slightly above the absorption rate of 25 per cent expected in the first quarter of the year. Expenditure on domestic and foreign travel amounted to Kshs.56.55 Million in the first quarter of FY 2014/15 compared to Kshs.22.85 million in

FY 2013/14. The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 122**.

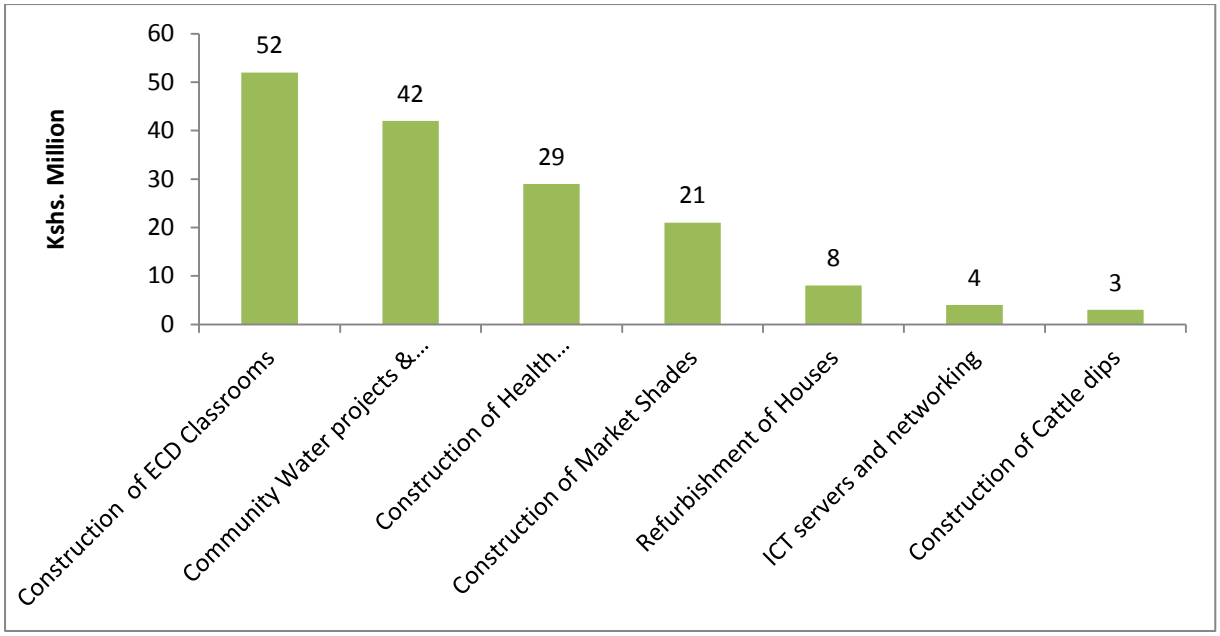
Figure 122: Operations and Maintenance Expenditure, Nakuru County



Source: *Nakuru County Treasury*

The development expenditure for the first quarter of FY2014/15 was Kshs.327.98 million, an improvement from Kshs.84 thousand spent in the first quarter of last financial year. Analysis of the development expenditure for the period under review shows that the County spent Kshs.166 million on development and maintenance of access roads, Kshs.21 million on construction of market shades, Kshs.8 million on Refurbishment of Houses, Kshs.42 million on community water projects and bore holes, Kshs.29 million on Construction of Health dispensaries, 52 million on Construction of ECD classrooms, Kshs.4 million on County ICT servers and Kshs.2 million on other developments (see **Figure 123**).

Figure 123: Analysis of Development Expenditure, Nakuru County



Source: *Nakuru County* Treasury

The County has indicated that most of the projects initiated in FY 2013/14 are complete and have been handed over to the County Government. Nonetheless, about 15 per cent of the projects initiated in FY 2013/14 were rolled over to the FY 2014/15 and are now being implemented. The increase in the development activities in the first quarter FY2014/15 as compared to the first quarter FY2013/14 could be attributed to having established structures in place which were missing during initial stages of the County government formation.

During monitoring of budget implementation, the office noted that County implemented most of the recommendation contained in previous CBIRRs. However, the recommendations on: (i) instituting a monitoring and evaluation framework for development projects, (ii) enforcement of revenue targets, and (iii) establishment of an Internal Audit Committee are yet to be addressed.

The office noted that the following issues that need to be addressed:

1. Inadequate reporting on the status of ongoing projects by the County. This was due to lack of a Monitoring and Evaluation Team.
2. Inadequate enforcements on revenue collection as stipulated by the existing legislations.
3. Delayed disbursement of funds by the National Government for the FY 2014/15 which affected the budget implementation. The County did not report any expenditure in the month of July, 2014.

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

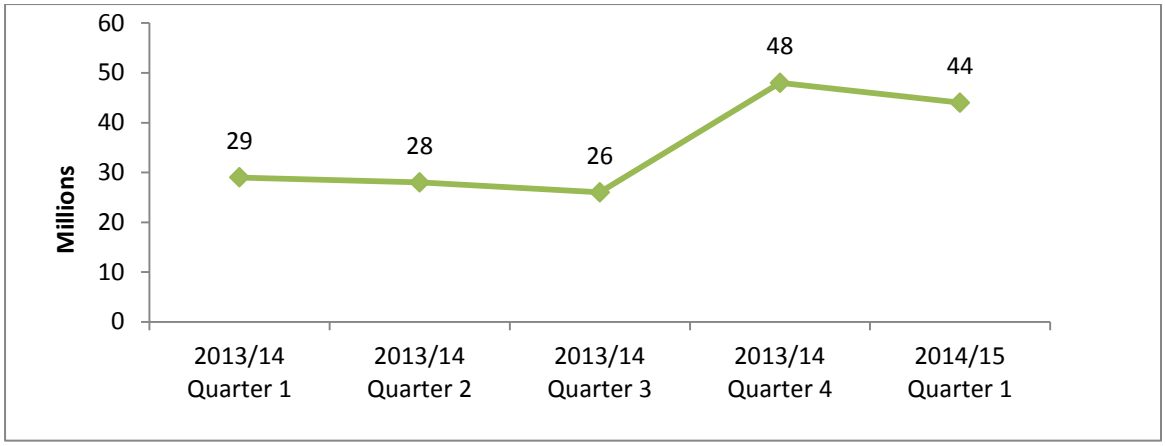
1. *Monitoring and Evaluation is essential towards effective project management. The County should strive to develop a monitoring and evaluation framework as a requirement of the Public Finance Management Act, 2012.*
2. *The County should enhance revenue collection mechanisms to attain its revenue targets to fund budget implementation.*
3. *The National Government should put mechanisms to ensure timely disbursement of funds to counties so as to ensure smooth budget implementation.*

Nandi County

The Budget for the FY 2014/15 is Kshs.3.94 billion comprising of Kshs. 2.44 billion (61.9 per cent) for recurrent expenditure and Kshs.1.50 billion (38.1 per cent) for development expenditure. This budget will be financed by Kshs.4.15 billion (77.4 per cent) from the national equitable share, Kshs.472.00 million (8.7 per cent) from local revenue sources and Kshs.730 million (13.9 per cent) being projected cash balance from FY 2013/14.

During the first quarter of FY 2014/15, the County received Kshs.373.39 million from the national equitable share of revenue, Kshs.518.60 million as an advance from the National Treasury, collected Kshs.43.48 million from local sources, and had Kshs.730 million as cash balance from FY 2013/14. The local revenue raised in the first quarter of FY 2014/15 was Kshs.44 million, representing 9.1 per cent of the annual local revenue target, an improvement from Kshs.29.41 collected in the same period of FY 2013/14. **Figure 124** shows the trend in local revenue collection by quarter.

Figure 124: Quarterly Trend in Local Revenue Collection



Source: *Nandi County Treasury*

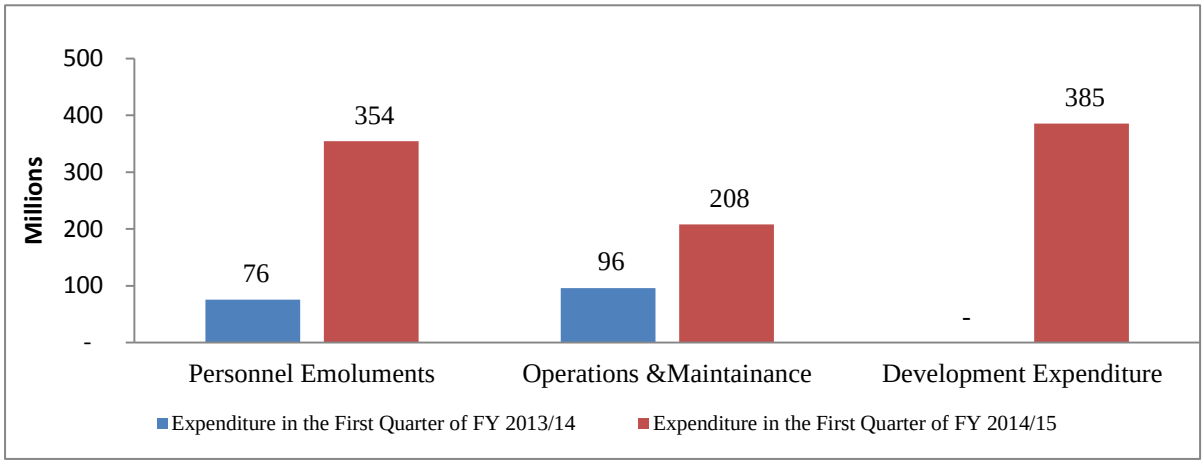
Funds released to the County during the period under review amounted to Kshs.1.26 billion, of which, Kshs.766.76 million (60.7 per cent) was for recurrent expenditure while Kshs.499.6 million (39.3 per cent) was for development activities.

In the first quarter of FY 2014/15, the total expenditure was Kshs.947.64 which was 74.8 per cent of the funds released. The expenditure for the period under review is an increase from Kshs.171.62 million spent in the first quarter of FY 2013/14. During the period under review, the County spent Kshs.562.29 million (59.3 per cent) on recurrent activities and Kshs.385.35 million (40.7 per cent) on development activities. Recurrent expenditure was 73.3 per cent of the funds released for recurrent activities while development expenditure accounted for 77.6 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represented an absorption rate of **23.0 per cent** of the annual recurrent budget, an increase from an absorption rate of 9.5 per cent realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **26.0 per cent** of the annual development budget, an increase compared to the same period last financial year when there was no development expenditure.

Analysis of the recurrent expenditure of Kshs.562.29 million shows that the County spent Kshs.354.29 million on personnel emoluments which translates to 63 per cent of the total recurrent expenditure and Kshs.208 million on operations and maintenance expenditure which is 37 per cent of the total recurrent expenditure for the period. A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 125**

Figure 125 : First Quarter Expenditure, Nandi County

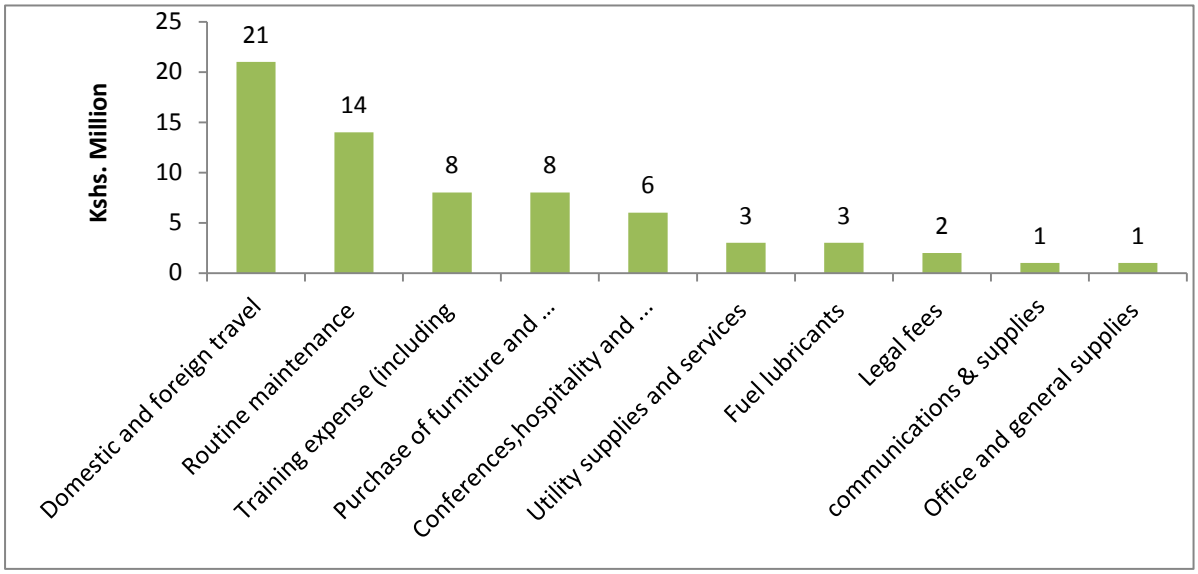


Source: *Nandi County Treasury*

The County spent Kshs. 49 million for payment of sitting allowances to the 49 members of the County Assembly, although, this item was not budgeted for.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 126**.

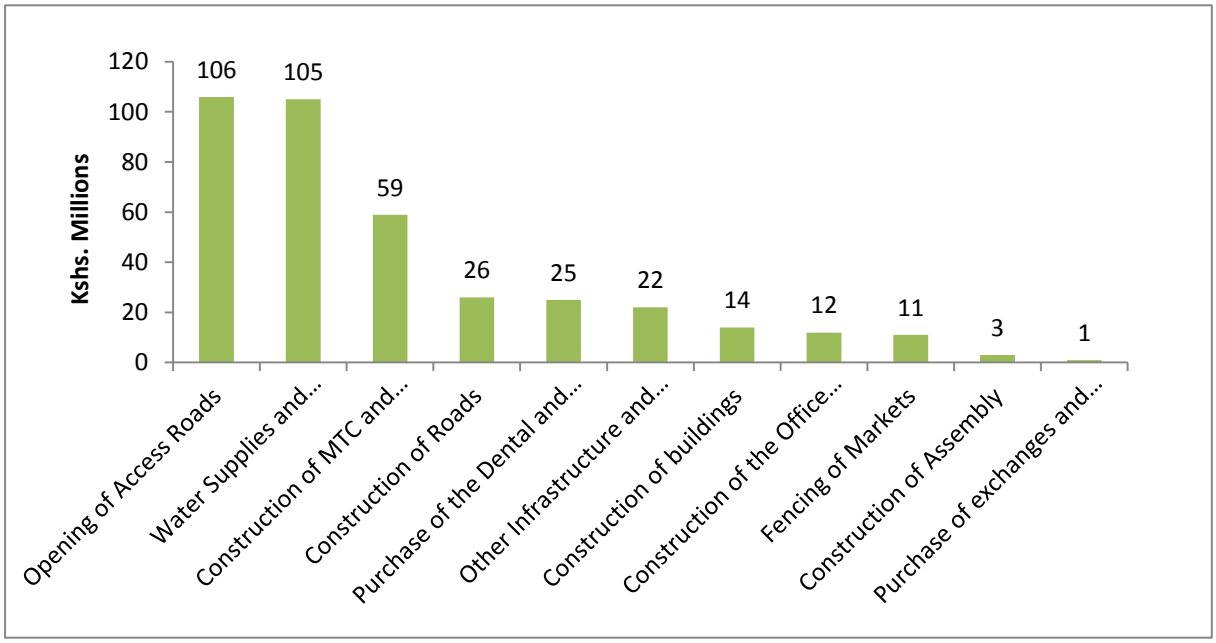
Figure 126: Operations and Maintenance Expenditure, Nandi County



Source: *Nandi County Treasury*

Analysis of the development expenditure of Kshs.385.35 shows that the County spent Kshs.106.42 million on development and maintenance of access roads, Kshs.13.59 million on construction of buildings, Kshs.105.30 million on Water Supplies and Sewerages, Kshs.160.03 million on development of other infrastructure and civil works (see **Figure 127**).

Figure 127: Analysis of Development Expenditure, Nandi County



Source: *Nandi County Treasury*

During the previous reporting periods, OCOB identified challenges that affected smooth budget implementation in the County**.** They included: i) need for establishment of an Audit Committee, ii) need for the County Treasury to build the requisite human capacity through focused training of staff on budgeting and expenditure monitoring tools, iii) need for the County Treasury to harmonize the various revenue streams to ensure consistency, uniformity, certainty and effectiveness in the revenue collection, iv) requirement for the county to develop an M&E framework in order to ensure projects are monitored and implemented within the specified period, and v) need to build capacity in the procurement department by improving staff skills and knowledge in procurement procedures.

The County has been able to implement some of the recommendations by the OCOB while others are yet to be addressed. The outstanding recommendations include: the need to harmonize revenue streams, and, the need to develop an M&E framework.

In the first quarter of FY 2014/15, the office noted the following issues that need to be addressed:

1. Low revenue collection. In the first quarter of the FY 2014/15 the County collected Kshs.43.5 million against an annual target of Kshs.456.1 million. With this trend, the County may not be able to achieve its annual revenue target.
2. Inadequate office space in the County Treasury thereby affecting performance and

delivery of services.

3. High County wage bill which stood at Kshs.354.3 million representing 37.4 per cent of the total actual expenditure in the first quarter. In the same period last financial year, the wage bill was Kshs.76 million.

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

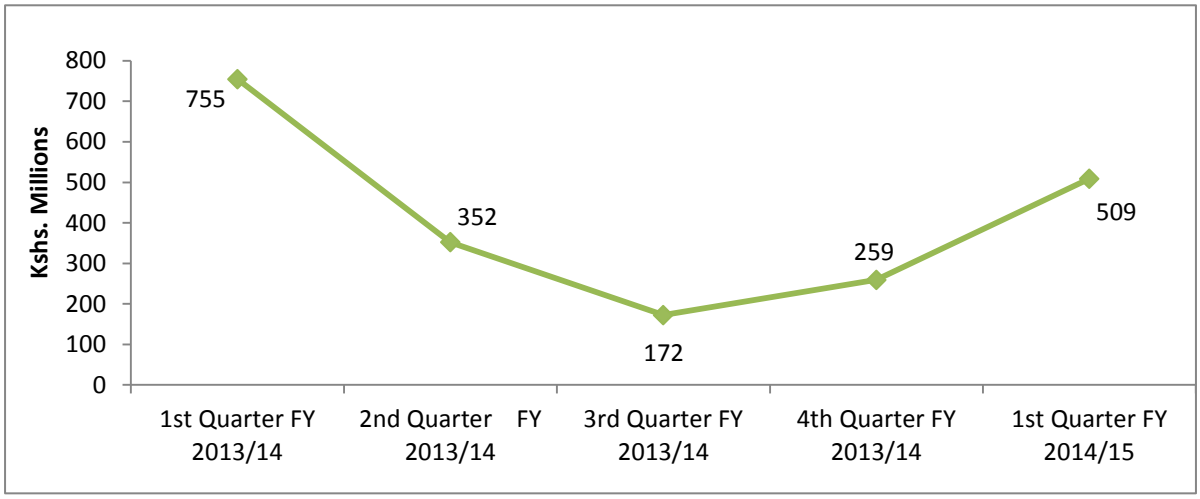
1. *The County institute revenue collection mechanisms to enhance revenue collection.*
2. *The County should fast track the construction of new offices in order to provide adequate space and a conducive working environment.*
3. *There is need for the County to rationalize the staff and harmonize salaries and allowances within its workforce.*

Narok County

The Narok County Budget Estimates for the FY 2014/15 amounted to Kshs.8.58 billion comprising of Kshs.4.48 billion (52.3 per cent) for recurrent expenditure and Kshs.4.09 billion (47.8 per cent) for development expenditure. This budget will be financed by Kshs.4.61 billion (52.8 per cent) from the national equitable share, Kshs.3.91 billion (44.8 per cent) from local revenue sources, and Kshs.205.41 million (2.4 per cent) from conditional grants.

In the period under review, the County was advanced Kshs.576.71 million as an advance from the National Treasury, collected Kshs.509.06 million from local sources and had Kshs.356.10 million as cash balance from FY 2013/14. The local revenue raised in the first quarter was Kshs. 509.06 (13.02 per cent of the annual local revenue target), a decline from Kshs.754.76 million collected in the same period of FY 2013/14.**Figure 128** shows the trend in local revenue collection by quarter.

Figure 128: Quarterly Trend in Local Revenue Collection



Source: *Narok County Treasury*

Funds released directly to the County during the period under review amounted to Kshs.1.89 billion, of which, Kshs.1.16 billion (61.2 per cent) was for recurrent expenditure while Kshs.732 million (38.8 per cent) was for development activities.

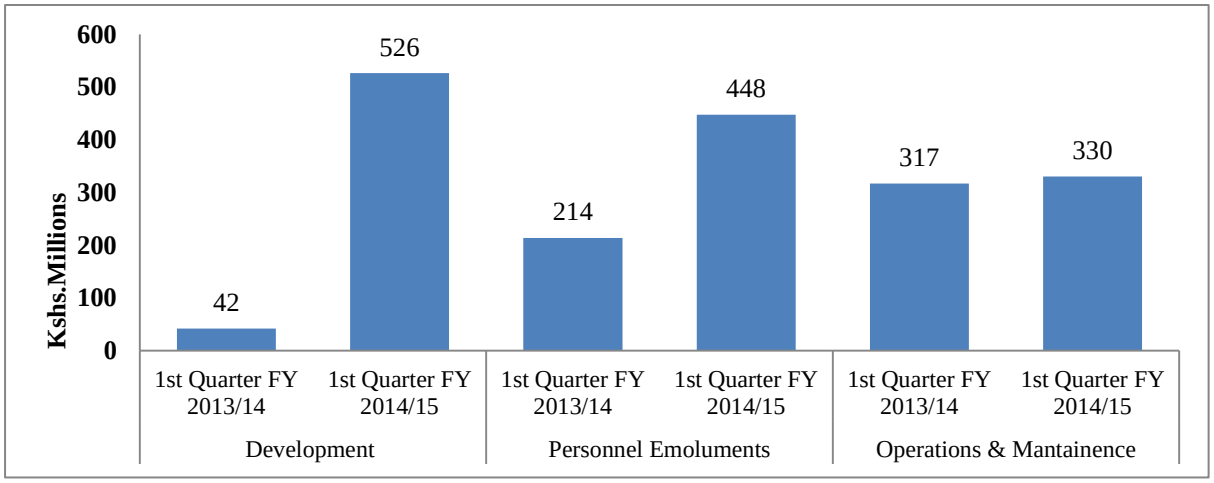
In the period under review, the total expenditure was Kshs.1.30 billion which was 69.1 per cent of the funds released. The expenditure for the period under review is an increase from the Kshs.572.6 million spent in the first quarter of FY 2013/14. The County spent Kshs.777.70 million (59.7 per cent) on recurrent activities and Kshs.526.11 million (40.4 per cent) on development activities. Recurrent expenditure was 67.30 per cent of the funds released for recurrent activities while development expenditure accounted for 71.90 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represented an absorption rate of **17.36 per cent** of the annual recurrent budget, a decline from an absorption rate of **10.12 per cent** in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **12.85 per cent** of the annual development budget, an increase from absorption rate of **2.01 per cent** recorded in the same period last financial year.

Analysis of the recurrent expenditure of Kshs.777.70 million shows that the County spent Kshs.447.60 million on personnel emoluments which translates to 57.6 per cent of the total recurrent expenditure and Kshs.330.10 billion on operations and maintenance expenditure which is 42.5 per cent of the total recurrent expenditure for the period. A comparison of the

total expenditure between the period under review and the same period last financial year is shown in **Figure 129**

Figure 129: First Quarter Expenditure, Narok County

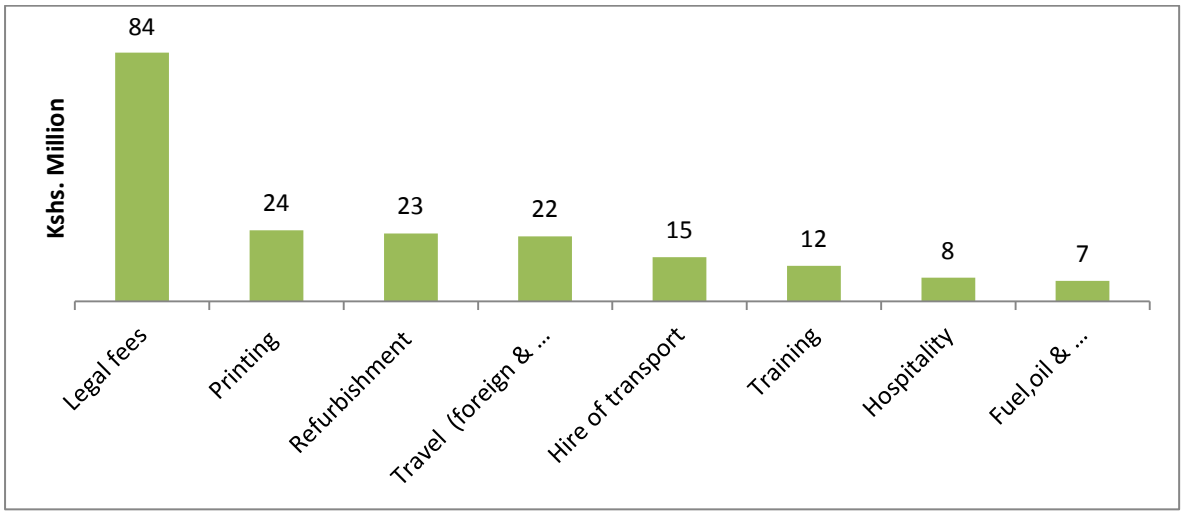


Source: *Narok County Treasury*

The county spent Kshs.5.3 million in MCA sitting allowances during the period under review. Expenditure on domestic and foreign travel was Kshs.21.96 Million in the first quarter of FY 2014/15 compared to Kshs.46.61million in FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 130**.

Figure 130: Operations and Maintenance Expenditure, Narok County

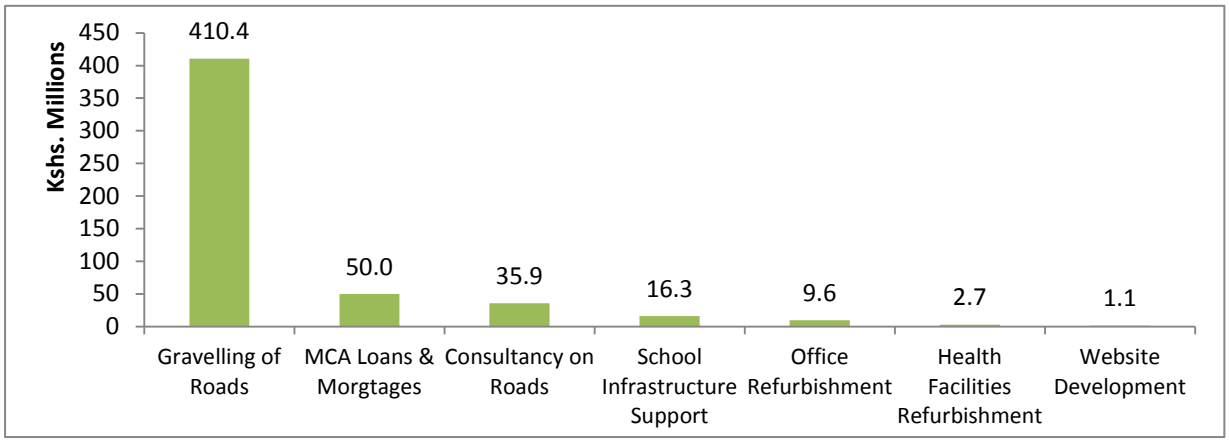


Source: *Narok County Treasury*

The development expenditure for the first quarter of FY 2014/15 was Kshs.526.10 million, an improvement from Kshs.41.90 million spent in the first quarter of last financial year.

Analysis of the development expenditure for the period under review shows that the County spent Kshs.410.45 million on gravelling of access roads, Kshs.35.87 million on consultancy on roads, Kshs.16.30 million on school infrastructural support programme, and Kshs.9.61 million on office refurbishment, Kshs.2.75 million on health facilities refurbishment, and Kshs.1.13 million on purchase of ICT networking and communication equipment. In addition, Kshs.50 million on car loans and mortgages for MCAs was also classified as development expenditure (See **Figure 131**).

Figure 131: Analysis of Development Expenditure, Narok County



***Source**: Narok County Treasury*

During previous reporting periods, OCOB made recommendations aimed at addressing the challenges faced in budget implementation. The County was able to implement the following recommendation: (i) rolled out IFMIS, G-PAY systems and associated support system, (ii) provided civic education on various aspect of devolution, public financial management and the general government operations, (iii) improved the absorption of development funds by developing and implementing procurement plans and the employment of a Chief Officer, (iv) allocated adequate resources for the devolved functions, and (v) established an automated revenue collection system to prevent leakages of revenue.

However, the County has not been able to implement some recommendations as follows: (i) some pending bills and debts still remain unpaid, (ii) unrealistic local revenue targets and/or revenue leakages, (iii) failure to establish of an internal audit committee as per PFM Act, 2012, (iv) failure to finalize and submit key policy documents hence limiting compliance with the PFM, Act 2012 timelines, (v) delays in appointment of accounting officers for respective departments, and inaccurate reporting especially on locally raised revenue without exchequer records and proper reconciliations.

During the first quarter of FY 2014/15, the office the following issues that need to be addressed:

1. Inadequate working space for county personnel: The County staffs have inadequate working space forcing certain officers to share space which has hampered effective service delivery.
2. Personnel expenditure incurred from one vote head: Personnel costs and operational costs are charged to the Office of the Governor vote. This practice makes it difficult to accumulate costs by department.
3. Exchequer requisitions by departments do not reflect funding requirements for the departments. For example, the Lands, Housing, Physical Planning & Urban Development requested a mere 0.77 per cent of their annual approved budget during the 1st Quarter. This has an implication of low absorption of funds and/or inadequate funding
4. There was slow pace in preparing and submitting key policy documents.
5. Underperformance in local revenue collection due to leakage.
6. Reluctance to designate departmental Accounting Officers. Further, the designation of receivers of revenue and collectors of revenue to collect, receive and account for revenue is still pending. This has negatively affected revenue collection.

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

1. *The County should ensure adequate working space by expediting completion of the office building to enable county staff to effectively provide public service.*
2. *In order to enhance transparency and accountability, the accounting officer for each department should be appointed in accordance to Sec. 148 of the PFM Act, 2012. This would enhance budget execution, accountability and ensure prudent utilisation of public funds.*
3. *Requisitions from each department should reflect the approved departmental work plans to ensure adequate funding for approved activities.*
4. *The County should prepare and submit the required policy documents in a timely manner to facilitate timely decision making on budget implementation.*
5. *The County should institute appropriate measures to enhance revenue collection including regular transferring of local revenue to the CRF and sealing all revenue leakages.*

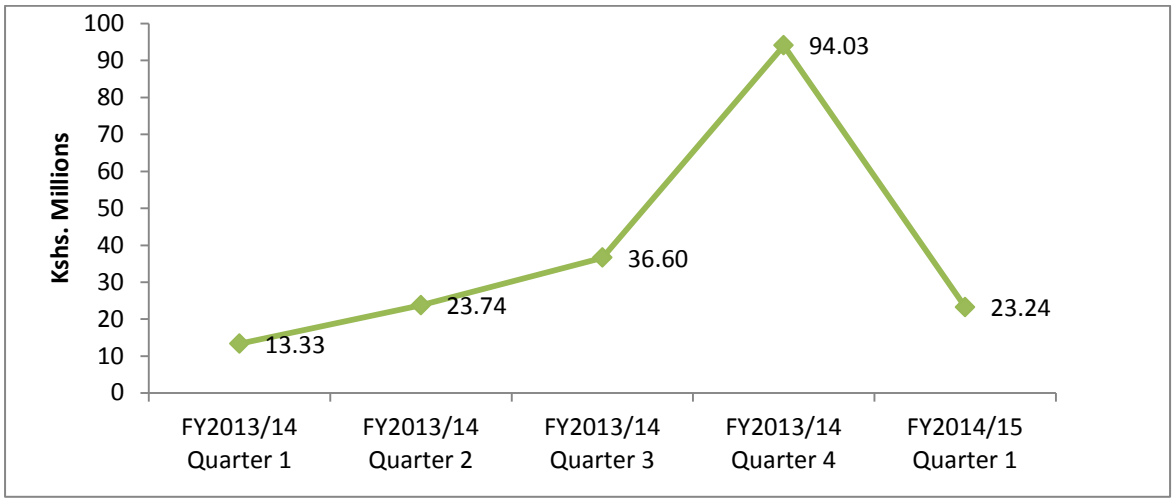
6. *The CEC for Finance and Economic Planning should urgently designate the accounting officers for the various departments to enhance accountability in the use of public resources.*

Nyamira County

The Nyamira County Budget for the FY 2014/15 amounted to Kshs.3.76 billion comprising of Kshs.2.64 billion (70.3 per cent) for recurrent expenditure and Kshs.1.12 billion (29.7 per cent) for development expenditure. This budget will be financed by Kshs.3.63 billion (97 per cent) from the national equitable share, Kshs.110 million (3 per cent) from local revenue sources.

In the period under review, the County was advanced Kshs.453.14 million by the National Treasury, and collected Kshs.23.24 million from local sources. The local revenue raised in the first quarter of Kshs.23.24 million was 21.1 per cent of the annual local revenue target, an improvement from Kshs.13.33 million collected in the same period of FY 2013/14. **Figure 132** shows the trend in local revenue collection by quarter.

Figure 132: Quarterly Trend in Local Revenue Collection



Source: *Nyamira County Treasury*

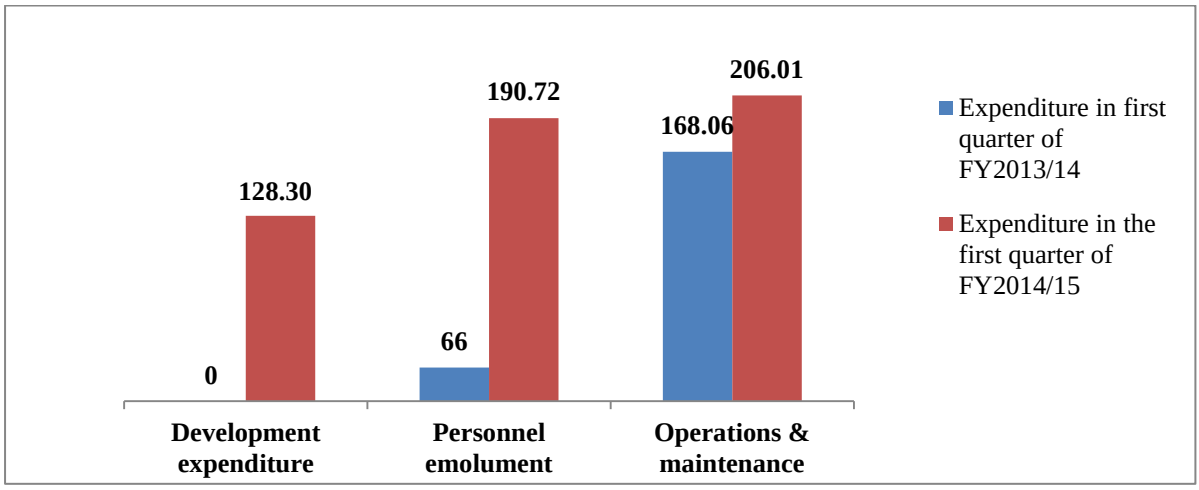
Funds released to the County during the period under review amounted to Kshs.1.02 billion, of which, Kshs.633.41 million (62 per cent) was for recurrent expenditure while Kshs.381.99million (38 per cent) was for development activities.

In the first quarter, the total expenditure was Kshs.525.04 million which was 52 per cent of the funds released. The expenditure for the period under review was an increase from the Kshs.104.26 million spent in the first quarter of FY 2013/14. The County spent Kshs.396.73 million (76 per cent) on recurrent activities and Kshs.128.31 million (24 per cent) on development activities. Recurrent expenditure was 63 per cent of the funds released for recurrent activities while development expenditure accounted for 34 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represented an absorption rate of **15 per cent** of the annual recurrent budget, an increase from an absorption rate of **4 per cent** realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **11 per cent** of the annual development budget, an increase from absorption rate of **0 per cent** recorded in the same period last financial year.

Analysis of the Kshs.396.73 spent on recurrent activities shows that the county spent Kshs.190.72 million on personnel emoluments which translates to 48 per cent of the total recurrent expenditure and Kshs.206.01 million on operations and maintenance expenditure which is 52 per cent of the total recurrent expenditure for the period. A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 133**

Figure 133 : First Quarter Expenditure, Nyamira County (Kshs. Millions)

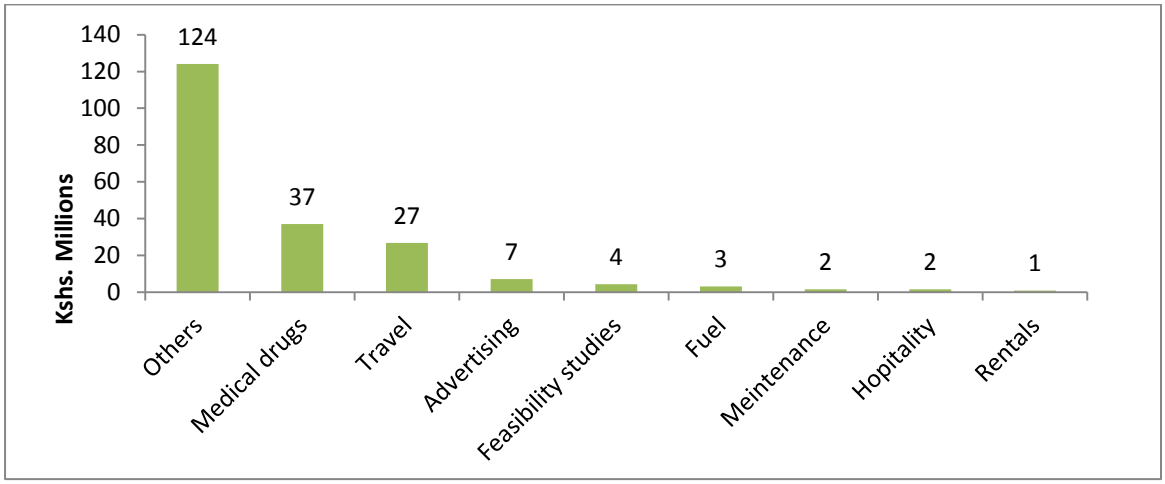


Source: *Nyamira County Treasury*

The county spent Kshs.15.4 million in MCA sitting allowances during the period under review. Expenditure on domestic and foreign travel was Kshs.30.16 Million in the first quarter of FY 2014/15 compared to Kshs.28.91 million in FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 134**

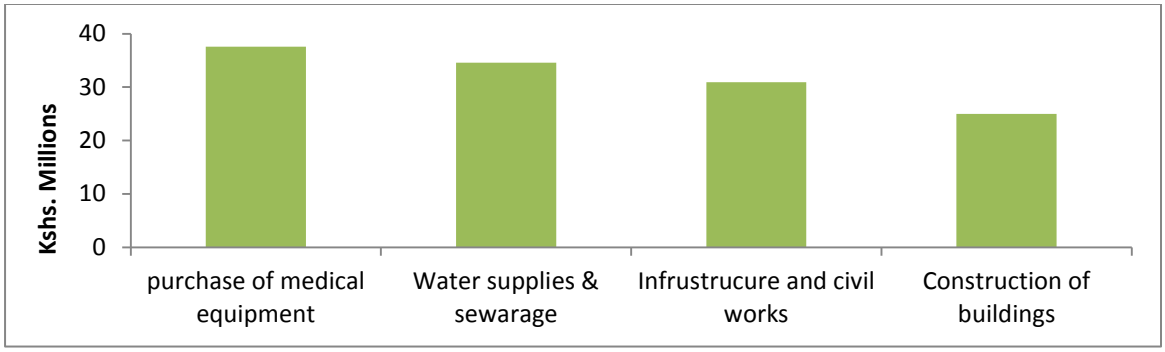
Figure 134: Operations and Maintenance Expenditure, Nyamira County



Source: *Nyamira County Treasury*

Analysis of the development expenditure of Kshs.128.31 million for the period under review shows that the County spent, Kshs.37.7 million on purchase of medical equipment, Kshs.34.6 million on water system, Kshs.31 million on infrastructure and civil works, Kshs.25 million on construction of buildings (See **Figure 135**).

Figure 135: Analysis of Development Expenditure, Nyamira County



Source: *Nyamira County Treasury*

During the period under review, the office noted that the County has implemented most of the recommendations made in the previous CBIRRs. The county has recruited qualified

personnel in key departments and also stepped up its revenue collection mechanism by implementing revenue tracking and enhancement measures.

However, OCOB noted two challenges that affected budget implementation in the first quarter of the FY2014/15. These were:

1. Late disbursement of funds by the National Treasury at the beginning of a new financial year. The delay in disbursement of funds affected execution of planned activities.
2. IFMIS connectivity challenges.

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

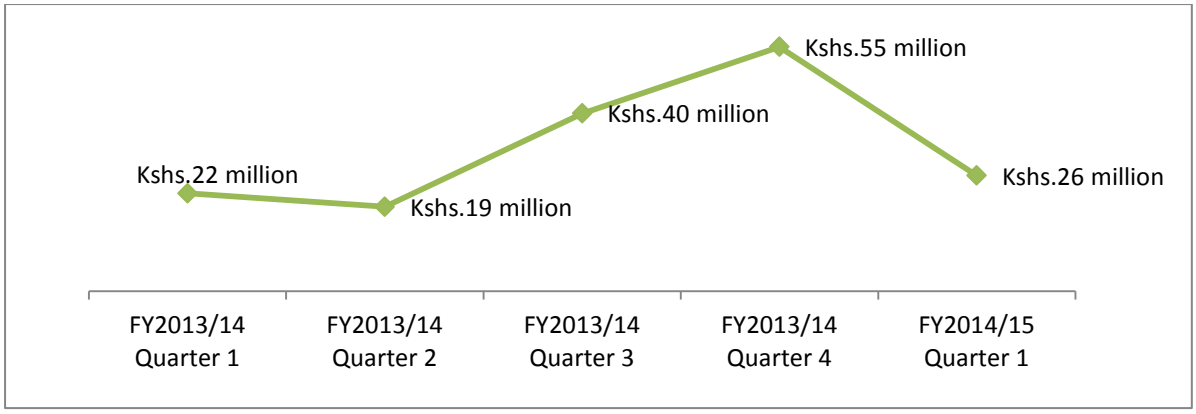
1. *The National Treasury should disburse funds to county governments on a timely basis, especially at the beginning of a new financial year.*
2. *The National Treasury should ensure that challenges related to IFMIS connectivity are addressed.*

Nyandarua County

The Budget Estimates for the FY 2014/15 amounted to Kshs. 3.70 billion comprising of Kshs. 2.88 billion (77.8 per cent) for recurrent expenditure and Kshs. 820 million (22.2 per cent) for development expenditure. This budget will be financed by Kshs.3.76 billion (88.9 per cent) from the national equitable share. The budget did not factor local revenue collections.

In the period under review, the County was advanced Kshs.469.79 million from the National Treasury, collected Kshs.26.88 million from local sources, and had Kshs.469.83 million as cash balance from FY 2013/14. The local revenue raised in the first quarter was Kshs 26.88 million which was an improvement from Kshs.22 million collected in the same period of FY 2013/14.**Figure 136** shows the trend in local revenue collection by quarter.

Figure 136: Quarterly Trend in Local Revenue Collection



Source: *Nyandarua County Treasury*

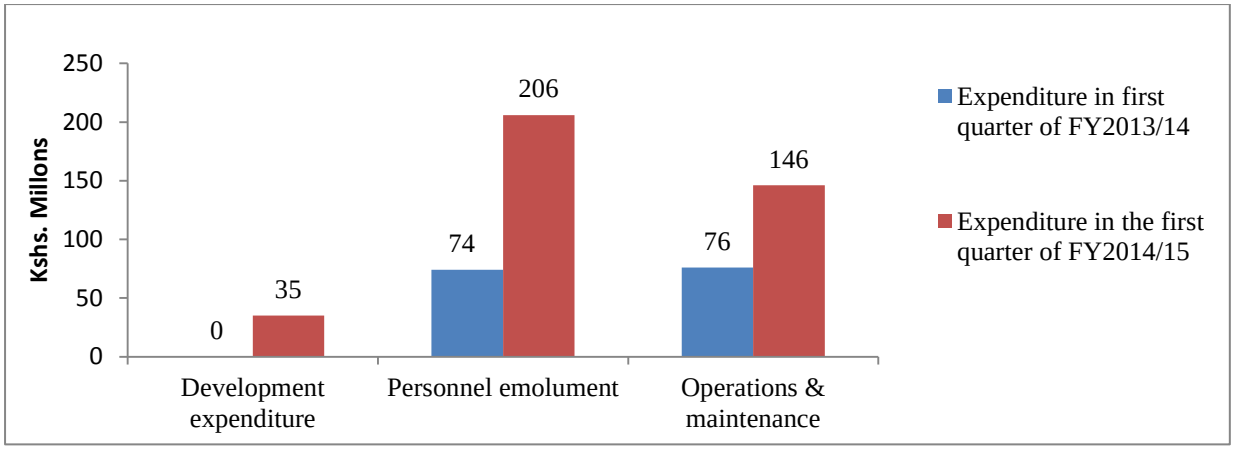
Funds released to the County during the period under review amounted to Kshs.869.92 million, of which, Kshs.675.94 million (77.7 per cent) was for recurrent expenditure while Kshs.193.98 million (22.3 per cent) was for development activities.

In the period under review, the total expenditure was Kshs.388.01 million which was 44.6 per cent of the funds released. The expenditure for the period under review is an improvement from the Kshs.151 million spent in the first quarter of FY 2013/14. The County spent Kshs.352.66 million (90.9 per cent) on recurrent activities and Kshs.35.35 million (9.1 per cent) on development activities. Recurrent expenditure was 52.2 per cent of the funds released for recurrent activities while development expenditure accounted for 18.2 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represented an absorption rate of **12.2 per cent** of the annual recurrent budget, an increase from an absorption rate of **4 per cent** realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **4.3 per cent** of the annual development budget, an increase given that there was no development projects implemented in the same period last financial year.

Analysis of the recurrent expenditure of Kshs.352.66 million shows that the County spent Kshs.206.18 million on personnel emoluments which translates to 58 per cent of the total recurrent expenditure and Kshs.146.48 million on operations and maintenance expenditure which is 42 per cent of the total recurrent expenditure for the period. A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 137**

Figure 137 : First Quarter Expenditure, Nyandarua County

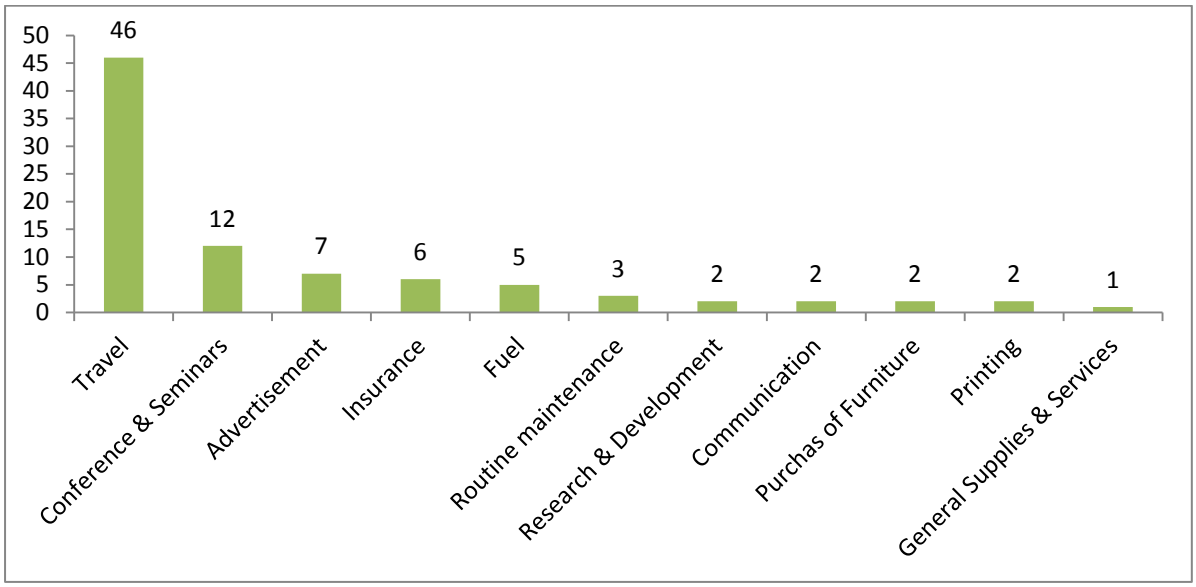


Source: *Nyandarua County Treasury*

The County spent Kshs.20.5 million for payment of sitting allowances to the 42 members of the County Assembly against an annual budget of Kshs.79.1 million representing an absorption rate of 25.9 per cent. Expenditure on domestic and foreign travel was Kshs.46.05 Million in the first quarter of FY 2014/15 compared to Kshs.23.23 million in FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 138**

Figure 138: Operations and Maintenance Expenditure, Nyandarua County

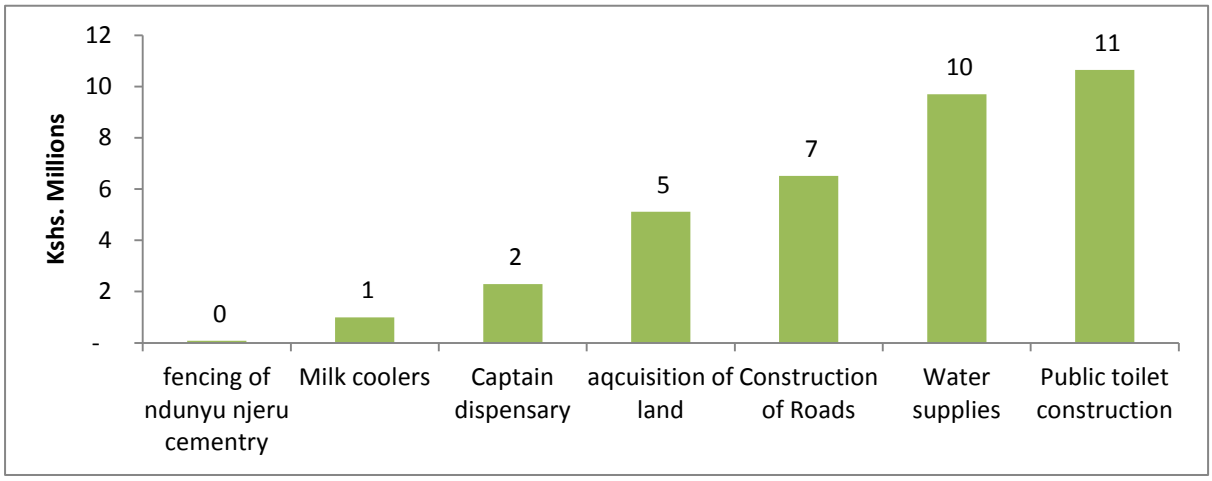


Source: *Nyandarua County Treasury*

Analysis of the development expenditure of Kshs.35.35 million shows that the County spent Kshs.6.5 million on development and maintenance of access roads, Kshs.10.6 million on construction of public toilets, Kshs.2.2 million on Kaptain dispensary, Kshs.9.7 million on Maintenance and construction of water supplies and irrigation and Kshs.5 million on land

acquisition and Ksh.1 million on milk coolers and Kshs.86,434 on fencing of Ndunyu Njeru Cemetery (see **Figure 139**).

Figure 139: Analysis of Development Expenditure, Nyandarua County



Source: *Nyandarua County Treasury*

During monitoring of budget implementation during the period under review, the OCOB noted that the county has been able to address most of the recommendations contained in previous CBIRRs. However, the issue of delays in submission of periodic financial reports by the County Government has not been addressed.

The office noted a number of challenges that affected budget implementation in the first quarter of the FY2014/15. These included:

1. Lack of a policy framework on how to complete projects that were started by the defunct local authorities. This has led to the abandonment of some projects.
2. Inadequate human resource capacity in budgeting, accounting and procurement resulting in inaccurate reporting and delayed preparation of budget documents.
3. Inadequate physical infrastructure/office space to accommodate staff leading to disruption of service delivery.

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

1. *The County should develop a framework on how to complete projects that were initiated by the defunct Local Authorities.*
2. *The County should build the capacity of its staff to enhance budget execution and improve service delivery.*

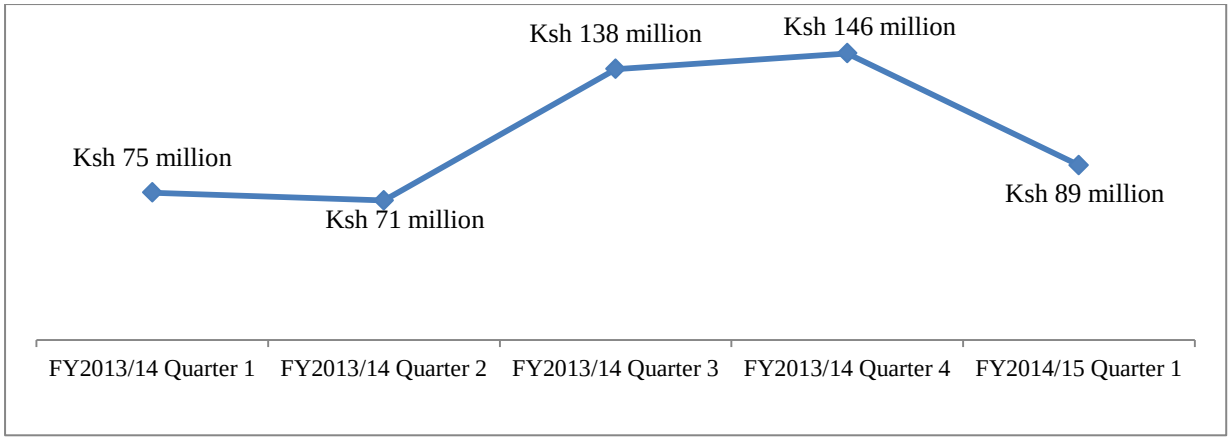
3. *The County should fast-track the refurbishment and/or construction of office buildings in order to accommodate staff and ensure efficient service delivery.*

Nyeri County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.4.85 billion comprising of Kshs.3.94 billion (81.3 per cent) for recurrent expenditure and Kshs. 907.35 million (18.7 per cent) for development expenditure. The annual revenue for FY 2014/15 was projected at Kshs.5 billion consisting of Kshs.3.88 billion (80.84 per cent) transfers from the national government, Kshs.900.01 million (18.74 per cent) as local revenue and Kshs.20.55 million (0.42 per cent) conditional grants from DANIDA.

During the first quarter of FY 2014/15, the County received Kshs.805.06 million as transfers from the National Government, raised Kshs.89.68 million from local sources and had Kshs.150.97 million as cash balance from FY 2013/14. The local revenue raised during the period under review was Kshs.89.68 million (10 per cent of the annual local revenue target), an improvement from Kshs.75 million collected in the same period of FY 2013/14 despite the fact that it fell below the set target of Kshs.900.01 million. Parking fees, business permits and land rates were the main sources of revenue in the county contributing to 45 per cent of the total revenue. **Figure 140** shows the trend in local revenue collection by quarter.

Figure 140: Quarterly Trend in Local Revenue Collection



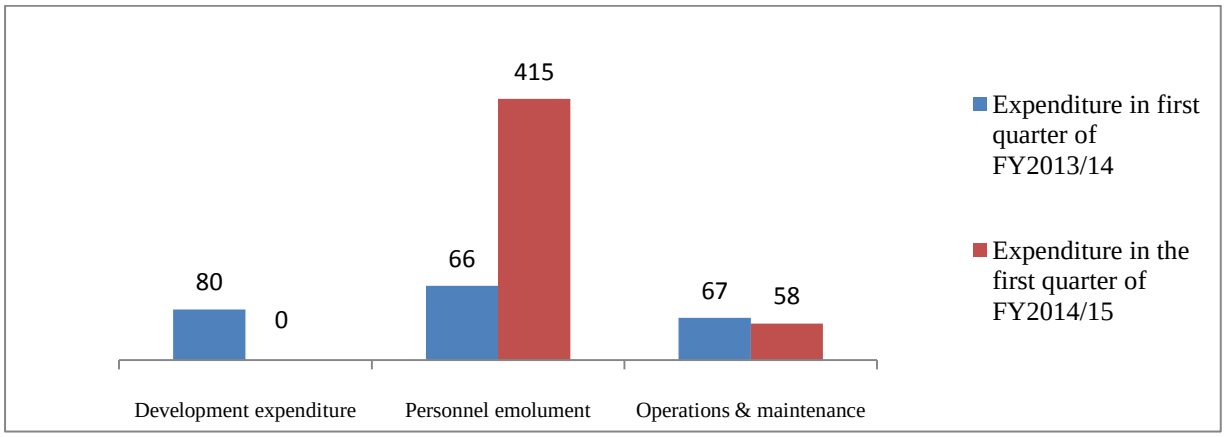
Source: *Nyeri County Treasury*

Funds released to the County during the period under review amounted to Kshs.1.04 billion, of which, Kshs.842.42 million (81 per cent) was for recurrent activities while Kshs.200 million (19 per cent) was for development activities.

During the first quarter, the total expenditure by the County was Kshs.473.77 million, which was only spent on recurrent activities, constituting 45 per cent of the total exchequer released. The recurrent expenditure for the period under review represented an absorption rate of **24 per cent** of the recurrent vote on account, an improvement from an absorption rate of 7 per cent realized in the same period last financial year.

Analysis of the recurrent expenditure of Kshs.473.77 million shows that the County spent Kshs.415.67 million on personnel emoluments which translates to 88 per cent of the total recurrent expenditure and Kshs.58.10 million on operations and maintenance expenditure which is 12 per cent of the total recurrent expenditure. A comparison of the total expenditure between the period under review and the first quarter of FY 2013/14 is shown in **Figure 141**

Figure 141 : First Quarter Expenditure, Nyeri County

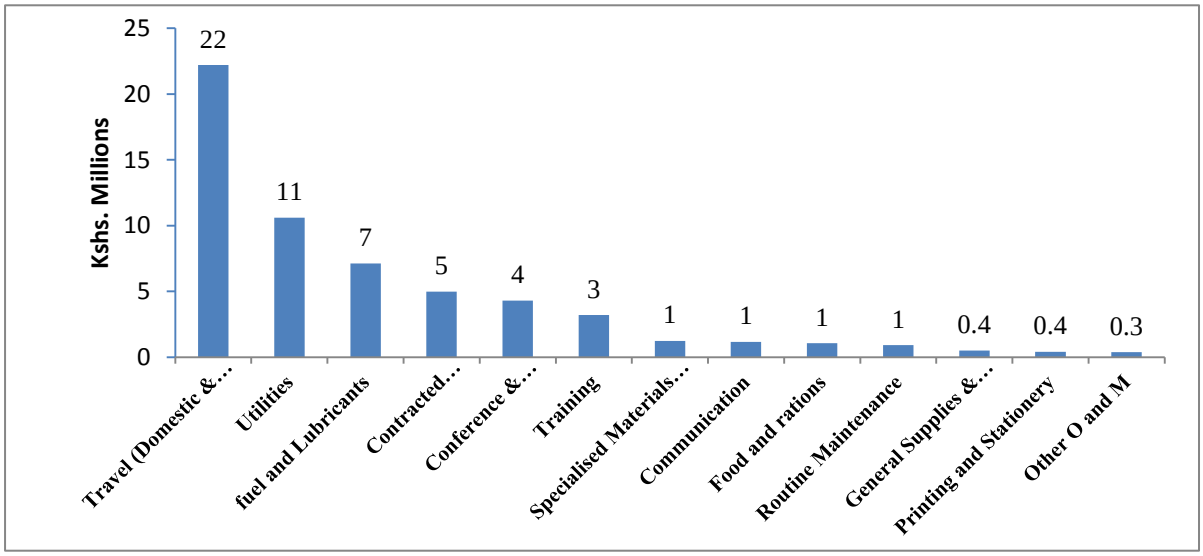


Source: *Nyeri County Treasury*

During the period under review, the County Assembly spent Kshs.20.4 million on payment of sitting allowances to the 47 members of the County Assembly. Expenditure on domestic and foreign travel amounted to Kshs.22.20 million in the first quarter of FY 2014/15 compared to Kshs.37.07 million in FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 142**

Figure 142: Operations and Maintenance Expenditure, Nyeri County



Source: *Nyeri County Treasury*

In the previous reporting periods, the OCOB made recommendations to improve budget execution. They included automation of revenue collection, full operationalization of IFMIS, human capacity building in financial and project management, compliance with legal budgetary timelines, and designation of accounting officers for departments among others. The County Government has been able to implement most of these recommendations. However, the following issues require more attention by the County Government: strengthening of the internal audit mechanisms, development of regulations for the administration of the County Emergency Fund and effective administration of the local revenue collection system.

The office noted some challenges that affected budget implementation in the first quarter of the FY2014/15. These included:

1. Low realization of revenue both from the National Government and county's own sources. Delayed disbursement of funds by the National Treasury, which the County Government is heavily dependent on, was noted. Performance rates for the local revenue streams were also significantly depressed, due to weak regulatory framework and revenue leakages.
2. Failure to spend development funds, despite numerous pending bills from the previous year.
3. High wage bill which threatens to deprive development funding. During the period under review, personnel emoluments was 88 per cent of the recurrent expenditure.

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

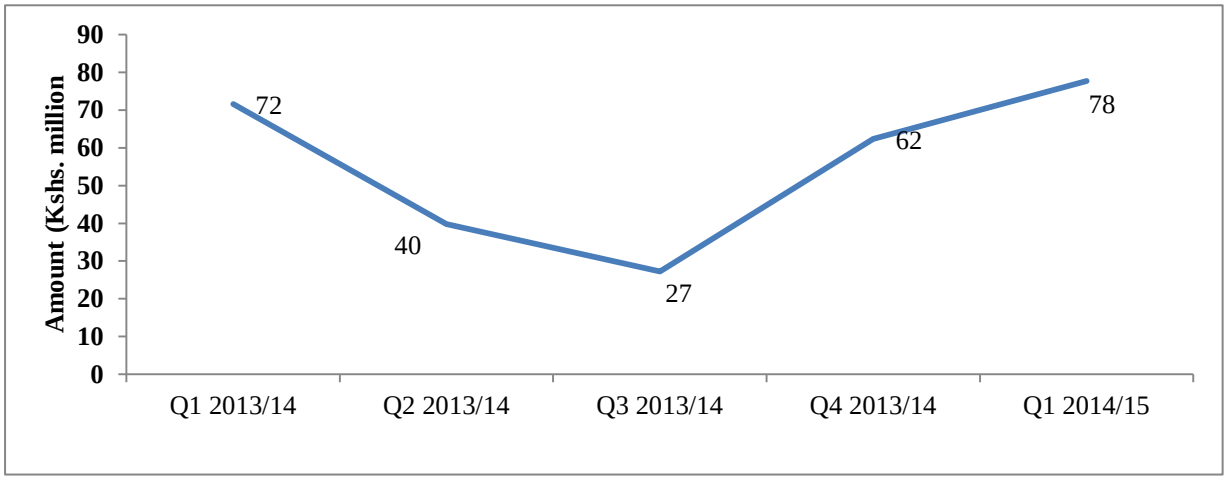
1. *The County should step up local revenue collection efforts in order to increase the revenue yield. It needs to strengthen the regulatory framework by ensuring that the County Finance and Revenue Bills are enacted in a timely manner so as to enhance revenue collection. Further, the National Treasury should strive to release funds to the Counties in accordance with the approved disbursement schedule.*
2. *The County Government should accord more attention to the implementation of development programmes in the remaining period of FY 2014/15 as these projects hold the highest prospects to change the livelihood of the locals while improving the local economy.*
3. *Addressing the issue of the high wage bill will require a concerted approach both by the County and National Government. The ongoing CARPS programme is expected to come up with mechanisms and ways of addressing this challenge, after taking stock of the available staff numbers and skill mix in the county. In addition, it would be advisable to freeze hiring on part of the county government for lower cadres of staff in order to control the escalating wage bill.*

Samburu County

The Samburu County Budget Estimates for the FY 2014/15 amounted to Kshs.3.44 billion comprising of Kshs.2.07 billion (60 per cent) for recurrent expenditure and Kshs.1.37 billion (40 per cent) for development expenditure. This budget will be financed by Kshs.3.02 billion (74.73 per cent) from the national equitable share, Kshs.406.55 million (10.05 per cent) from local revenue sources, Kshs.8.6 million (0.21 per cent) as DANIDA conditional grant, and Kshs.607.38 million (15.01 per cent) being projected cash balance from FY 2013/14.

In the period under review, the County received Kshs.278.90 million as the national equitable share of revenue, advanced Kshs.387.36 million from the National Treasury, collected Kshs.77.65 million from local sources and had Kshs.608.63 million as cash balance from FY 2013/14. The local revenue raised in the first quarter was Kshs.77.6 million (19 per cent of the annual local revenue target), an increase from Kshs.71.6 million collected in the same period of FY 2013/14. **Figure 143** shows the trend in local revenue collection by quarter.

Figure 143: Quarterly Trend in Local Revenue Collection



Source: *Samburu County Treasury*

Funds released to the County during the period under review amounted to Kshs.989.90 million, of which Kshs.689.90 million (69.7 per cent) was for recurrent activities while Kshs.300 million (30.3 per cent) was for development activities.

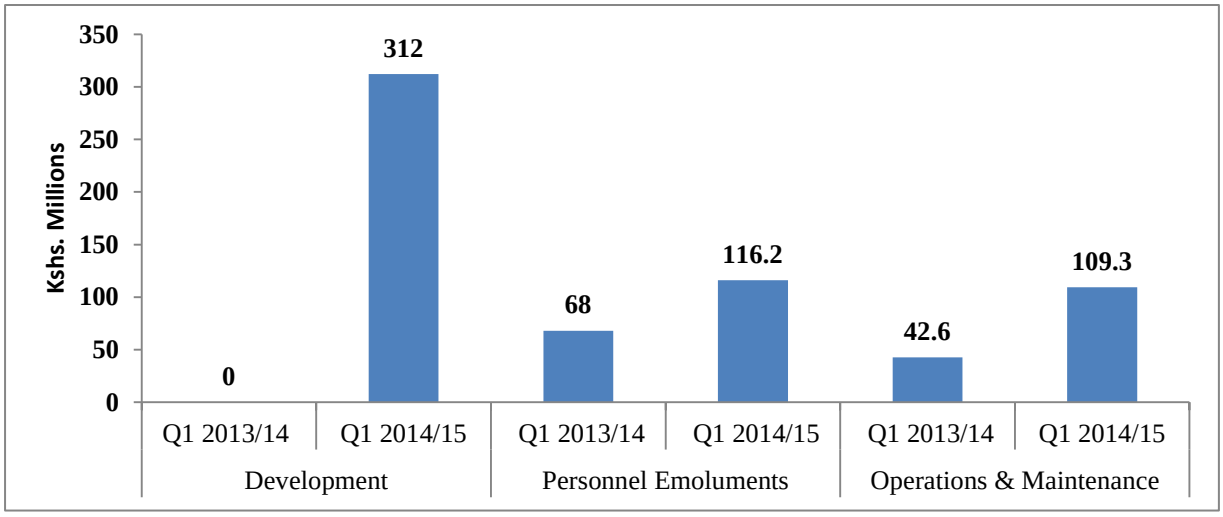
In the period under review, the total expenditure was Kshs.537.64 million which was 54 per cent of the funds released. The expenditure for the period under review is an increase from the Kshs.110.5 million spent in the first quarter of FY 2013/14. The County spent Kshs.225.54 million (41.9 per cent) on recurrent activities and Kshs.312.10 million (58.1 per cent) on development activities. Recurrent expenditure was 32.7 per cent of the funds released for recurrent activities while development expenditure accounted for 104 per cent of the funds released for development projects this is due to the fact that some development pending bills were paid from funds approved for recurrent expenditure. The diversion of funds is an irregularity and contravenes section 154 of the PFM Act, 2012.

The Recurrent expenditure for the period under review represented an absorption rate of **10.9 per cent** of the annual recurrent budget, an increase from an absorption rate of **6.8 per cent** in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **22.7 per cent** of the annual development budget compared to the same period the previous year when no development expenditure was incurred.

Analysis of the recurrent expenditure of Kshs.225.54 million shows that the County spent Kshs.116.20 million on personnel emoluments which translates to an absorption rate of 51.5 per cent of the total recurrent expenditure and Kshs.109.34 million on operations and maintenance expenditure which is an absorption rate of 48.5 per cent of the total recurrent

expenditure for the period. A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 144**

Figure 144 : First Quarter Expenditure, Samburu County

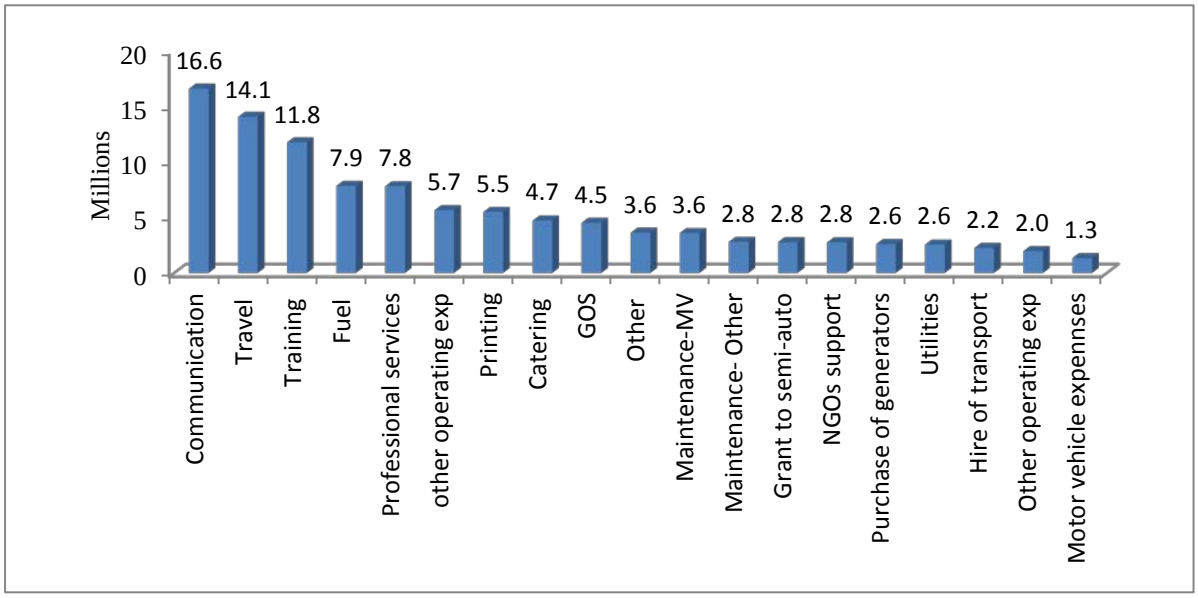


Source: *Samburu County Treasury*

Analysis of operations and maintenance shows that the County spent Kshs.16.6 million on domestic and foreign travel, Kshs.14 million on purchase of medical drugs, Kshs.7.8 million on food and rations, Kshs.3.6 million on hospitality, catering, Board meetings and seminars and Kshs.4.5 million on sitting allowances for MCAs among others. Expenditure on domestic and foreign travel was Kshs.16.61 Million in the first quarter of FY 2014/15 compared to Kshs.23.33 million in FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 145**.

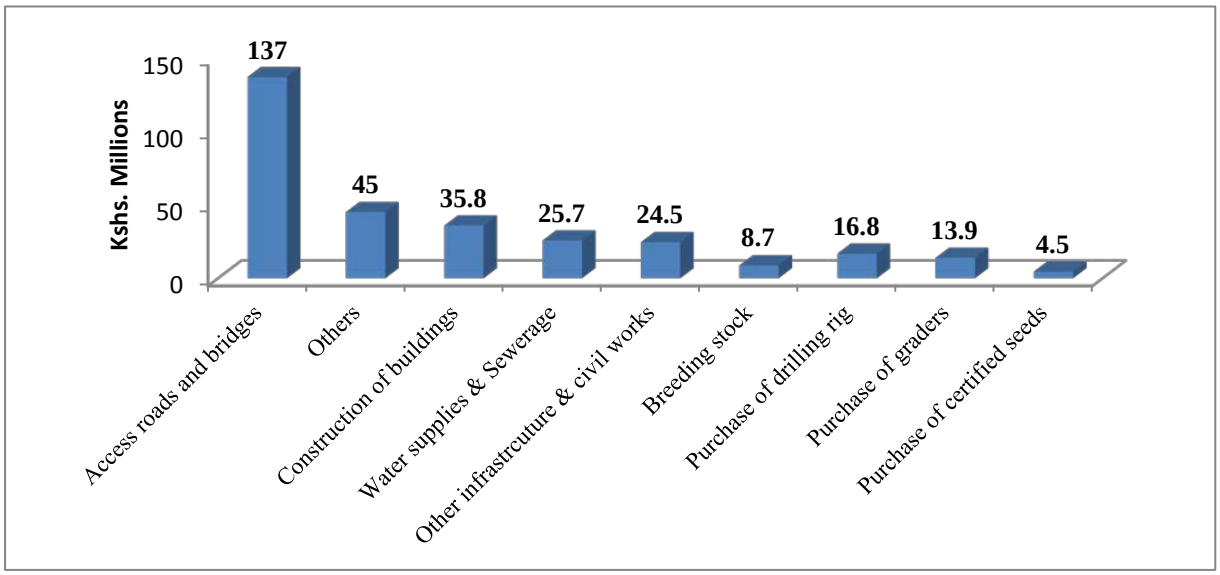
Figure 145: Operations and Maintenance Expenditure, Samburu County



Source: *Samburu County Treasury*

Analysis of the development expenditure of Kshs.312.10 million shows that the County spent Kshs.137 million on development and maintenance of access roads and bridges, Kshs.16.8 million on purchase of drilling rig, Kshs.13.9 million on purchase of a grader, Kshs.4.5 million and Kshs.8.7 million on purchase of certified seeds and breeding stock respectively among other development projects. (See **Figure 146**).

Figure 146: Analysis of Development Expenditure, Samburu County



Source: *Samburu County Treasury*

In the previous reporting periods, the OCOB made recommendations to improve budget execution. During budget monitoring, the office noted that the County has made efforts to address these recommendations. Nonetheless, some recommendations are yet to be fully addressed such as the need to institute an audit committee and issuance of huge imprest to officers before they surrender previous imprest.

During the first quarter of FY 2014/15, there were a number of challenges that affected budget implementation. These included:

1. Inadequate working space for county personnel forcing some officers to share office space which hampered effective service delivery.
2. Lack of an Audit Committee to monitor its operations as provided in law.
3. Issuance of huge imprest to individuals before surrender of previous imprest which is contrary to the public finance regulations.
4. Delay in release of funds by the National Treasury which affected budget implementation.
5. The use of funds approved for recurrent expenditure for development activities is irregular and depicts weak internal controls and lack of proper planning by the County Treasury.

The county should implement the following recommendations to improve budget implementation:

1. *Fast-track the refurbishment and/or construction of buildings in order to facilitate adequate working space for staff.*
2. *Establishment an Audit Committee.*
3. *County Treasury should ensure no officer is given imprest unless he/she surrenders any previous imprest.*
4. *The National Treasury should ensure timely release of funds to the County so that budget implementation is not negatively affected*
5. *The County Treasury should ensure adhering to approved activity plans.*

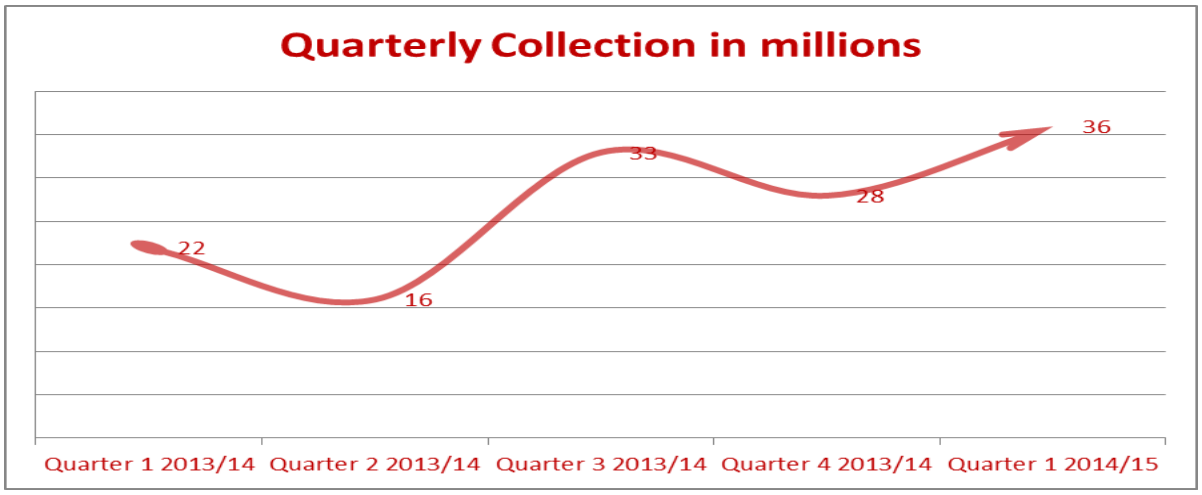
Siaya County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.4.60 billion comprising of Kshs.3.21 billion (70 per cent) for recurrent expenditure and Kshs.1.39 billion (30 per cent) for development expenditure. This budget will be financed by Kshs.4.36 billion (94 per cent) from the national equitable share, Kshs.301.53 million (6 per cent) from local revenue sources, and Kshs.1.22 billion as cash balance from FY 2013/14.

In the period under review, the County was advanced Kshs.544.75 million by the National Treasury, collected Kshs.36.10 million from local revenue sources, and had Kshs.1.22 million as cash balance from FY 2013/14. The local revenue raised in the first quarter was Kshs. 36.10 million or 12 per cent of the annual local revenue target, an improvement from Kshs.22 million collected in the same period of FY 2013/14.

Figure 147 shows the trend in local revenue collection by quarter.

Figure 147: Quarterly Trend in Local Revenue Collection



Source: *Siaya County Treasury*

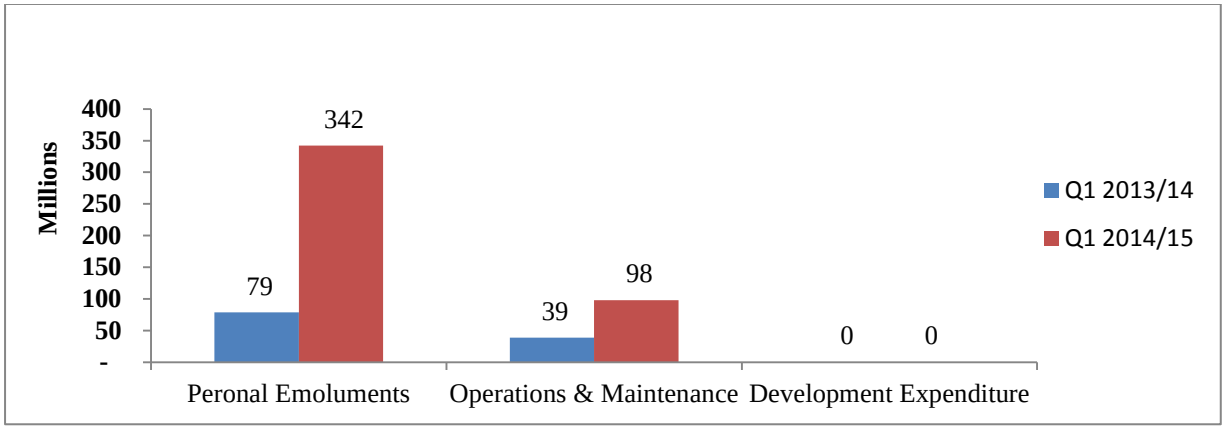
The funds released to the County during the period under review amounted to Kshs.701.80 million and were for recurrent expenditure. The County did not request any funds for development activities.

In the period under review, the total expenditure was Kshs.439.86 million which was 63 per cent of the funds released. The expenditure for the period under review is an increase from the Kshs.297 million spent in the first quarter of FY 2013/14. The County spent Kshs.439.86 million (100 per cent) on recurrent activities. Recurrent expenditure was 63 per cent of the funds released for recurrent activities.

The Recurrent expenditure for the period under review represented an absorption rate of **14 per cent** of the annual recurrent budget, an improvement from an absorption rate of 7 per cent realized in the first quarter of FY2013/14. There was no development expenditure no development expenditure in both the first quarter of FY 2014/15 and the same period in the previous financial year.

Analysis of the recurrent expenditure of Kshs.439.86 million shows that the County spent Kshs.342.09 million on personnel emoluments which translates to 77.8 per cent of the total recurrent expenditure and Kshs.97.77 million on operations and maintenance expenditure which is 22.2 per cent of the total recurrent expenditure for the period. A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 148**

Figure 148 : First Quarter Expenditure, Siaya County

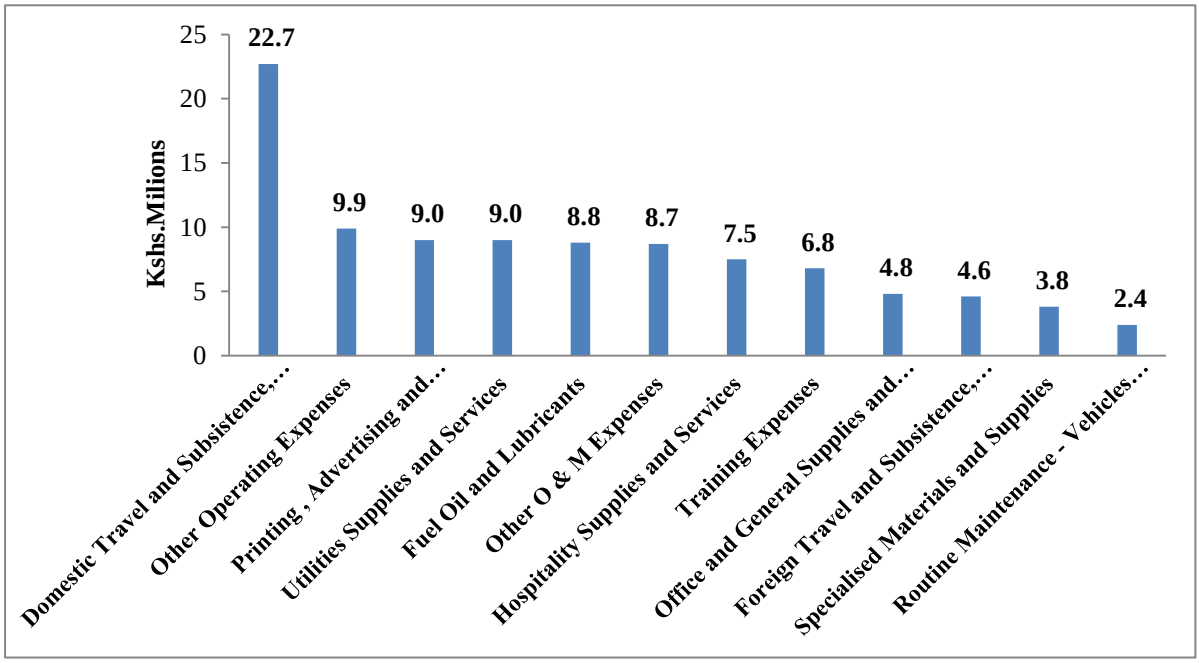


Source: *Siaya County Treasury*

The county spent Kshs.20.4 million on MCA sitting allowances during the period under review compared to Kshs.6.80 million in the same period in FY 2013/14. Expenditure on domestic and foreign travel was Kshs.27.30 Million in the first quarter of FY 2014/15 compared to Kshs.12.80 million in FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 149**.

Figure 149: Operations and Maintenance Expenditure, Siaya County



Source: *Siaya County Treasury*

There was no development expenditure for the first quarter of FY2014/15. The ongoing development projects from FY 2013/14 included ECD, health, roads and water projects.

During the previous reporting periods, OCOB made recommendations to improve its execution. These included under-performance in local revenue collection where it was and recommended that the revenue collection team/office should be adequately facilitated. This is yet to be addressed as the department is not adequately equipped to effectively collect revenue.

In the first quarter of FY 2014/15, the office noted the following issues that must be addressed:

1. Inadequate procurement planning which has resulted in a long lead period from the onset of the procurement process to the point of signing the tender.
2. Budget implementation outside the PFM framework. These are issues such as implementing projects that have not been budgeted for or tying the County into contracts at amounts higher than budgeted amount.
3. The County has been losing public funds in the contracts it enters into with suppliers. OCOB has noted that though the County has comprehensive motor insurance policies but whenever they are unfortunately, involved in accidents, the County has been bearing the cost of the repair which should not be the practice.

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

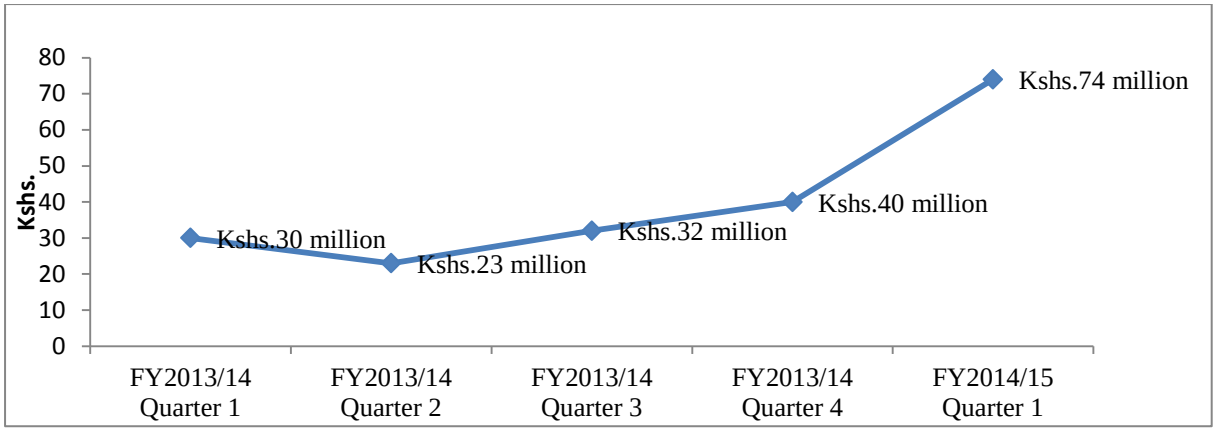
1. *Streamline the procurement process to reduce the duration between the approval of the budget and the commencement of the project.*
2. *The County should only implement budgeted and approved projects.*
3. *The County should consider legal advise when signing contracts to ensure the public receive value for money.*

Taita Taveta County

The Taita Taveta Budget Estimates for the FY2014/15 amounted to Kshs.3.82 billion comprising of Kshs.2.46 billion (64.3 per cent) for recurrent expenditure and Kshs.1.36 billion (35.7 per cent) for development expenditure. This budget will be financed by Kshs.2.89 billion (74.2 per cent) from the national equitable share, Kshs.379.60 million (9.8 per cent) from local revenue sources, Kshs.217 million (5.6 per cent) from equalization fund sources, Kshs.26.83 million grant (0.7 per cent) from DANIDA, and Kshs.379.02 million (9.7 per cent) as cash balance from FY 2013/14.

In the period under review, the County received Kshs.259.87 million as the national equitable share of revenue, was advanced Kshs.360.93 million from the National Treasury, collected Kshs.74.34 million from local sources and had Kshs.379.02 million as cash balance from FY 2013/14. The local revenue raised in the first quarter was Kshs.74.34 or 19.6 per cent of the annual local revenue target, an improvement from Kshs.30 million collected in the same period in FY 2013/14.**Figure 150** shows the trend in local revenue collection by quarter.

Figure 150: Quarterly Trend in Local Revenue Collection



Source: *Taita Taveta County Treasury*

The funds released to the County during the period under review amounted to Kshs.837.17 million, of which, Kshs.657.36 million (78.5 per cent) was for recurrent expenditure while Kshs.179.81 million (21.5 per cent) was for development activities.

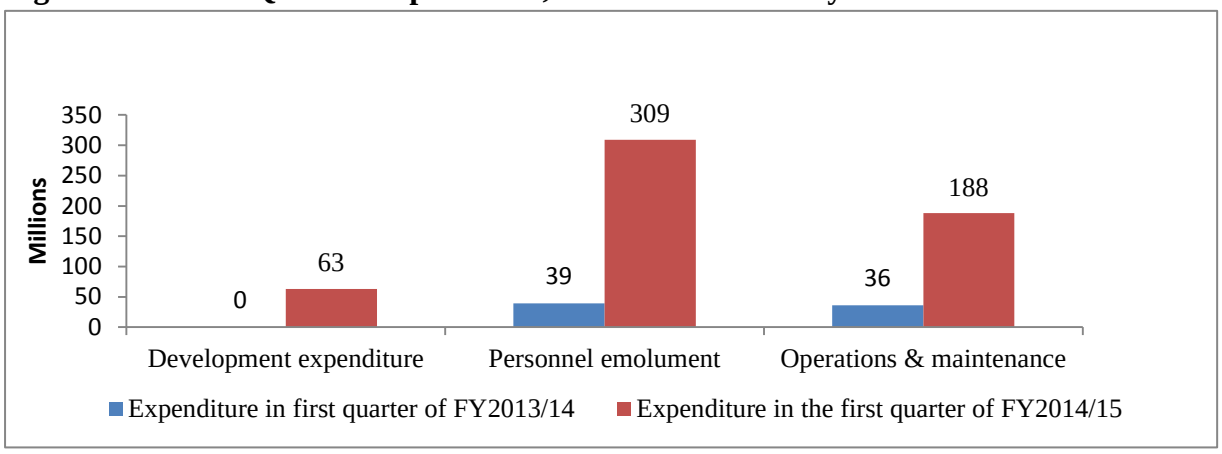
In the period under review, the total expenditure was Kshs.560.82 million which was 67.0 per cent of the funds released. The expenditure for the period under review is an increase from the Kshs.76 million spent in the first quarter of FY 2013/14. The County spent Kshs.497.24 million (88.8 per cent) on recurrent activities and Kshs.63.58 million (11.3 per cent) on development activities. Recurrent expenditure was 75.6 per cent of the funds released for recurrent activities while development expenditure accounted for 35.4 per cent of the funds released for development projects.

The Recurrent expenditure for the period under review represented an absorption rate of **20.2 per cent** of the annual recurrent budget, an increase from an absorption rate of 10 per cent realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **4.7 per cent** of the annual development budget. There was no development expenditure in the same period in the previous financial year.

Analysis of the recurrent expenditure of Kshs.497.24 million shows that the County spent Kshs.309.12 million on personnel emoluments which translates to 62.2 per cent of the total recurrent expenditure and Kshs.188.12 million on operations and maintenance expenditure which is 37.8 per cent of the total recurrent expenditure. The County spent Kshs.13.1 million on sitting allowances to the 36 Members of County Assembly against and annual budget of Kshs.28.2 million, attaining an absorption rate of 46.6 per cent. A comparison of the total

expenditure between the period under review and the same period in the last financial year is shown in **Figure 151**.

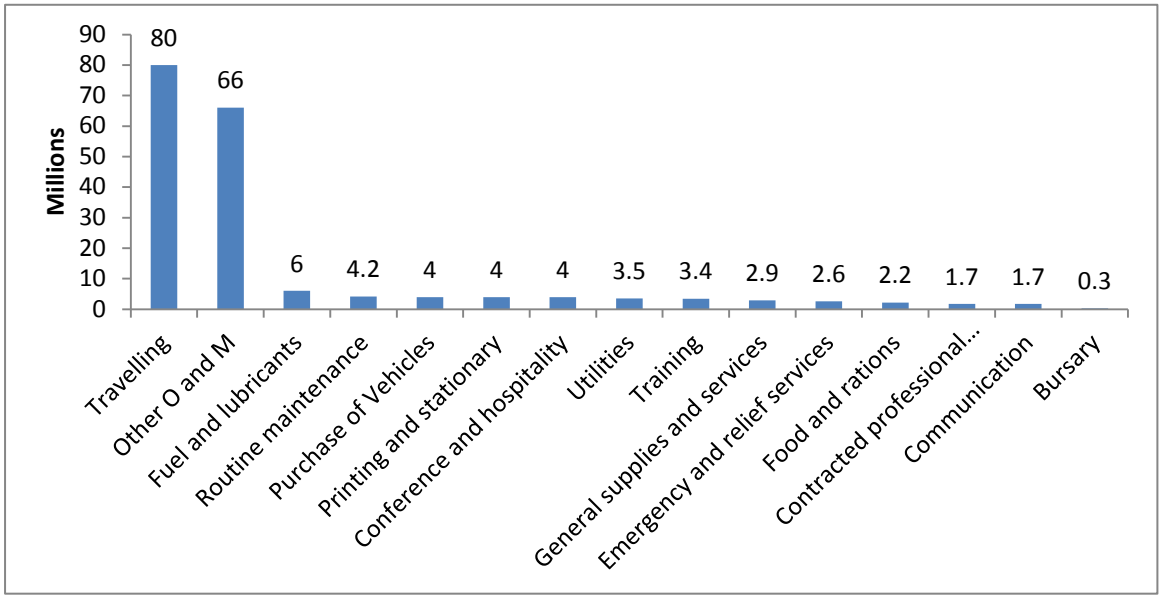
Figure 151 : First Quarter Expenditure, Taita Taveta County



Source: *Taita Taveta County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 152**. Expenditure on domestic and foreign travel was Kshs.80.11 Million in the first quarter of FY 2014/15 compared to Kshs.13.57 million in FY 2013/14.

Figure 152: Operations and Maintenance Expenditure, Taita Taveta County

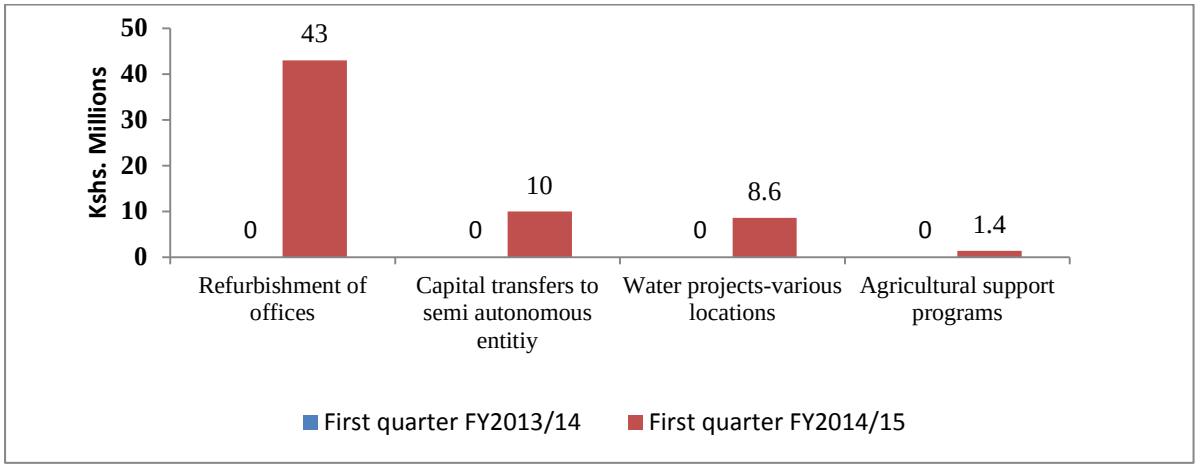


Source: *Taita Taveta County Treasury*

Analysis of the development expenditure of Kshs.63.58 million shows that the County spent Kshs.43 million on refurbishment of offices, Kshs.10 million as transfers to semi-autonomous government agencies, Kshs.8.6 million on maintenance and construction of

water supplies and irrigation and Kshs.1.4 million on agricultural support programmes among other development projects (see **Figure 153**).

Figure 153: Analysis of Development Expenditure, Taita Taveta County



Source: *Taita Taveta County Treasury*

During monitoring of budget implementation in the reporting period, the County was able to address the recommendations made in previous CBIRRs. However, the office noted the following issue that needs to be addressed:

1. Delay in enactment of the Finance Bill, which is a legal tool for revenue collection. This delay may have negative effects on revenue collection.

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

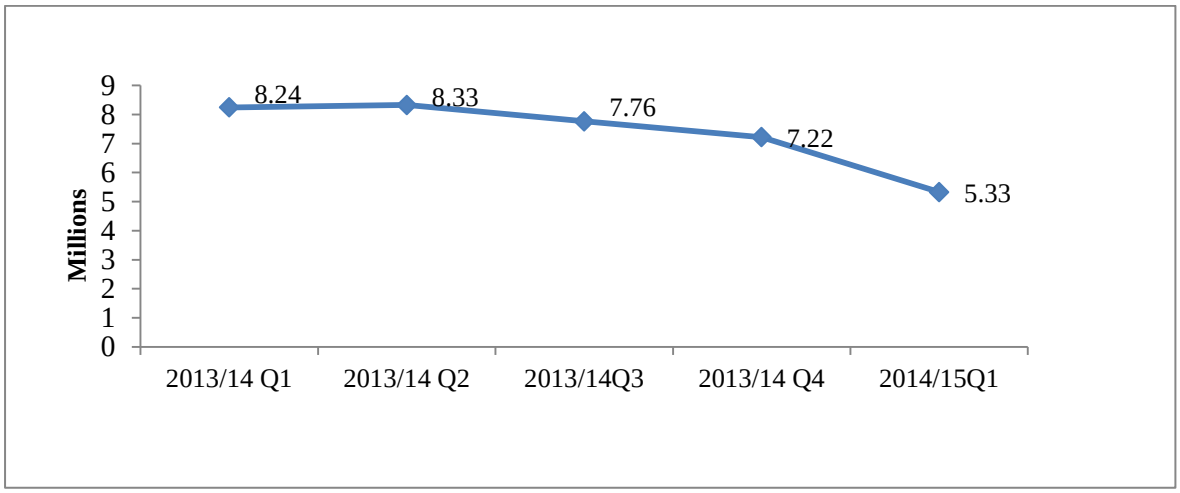
1. *The County should ensure that the Finance Bill is passed timely. Similarly, all statutory deadlines in the budget making process are observed.*

Tana River County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.3.59 billion comprising of Kshs.1.80 billion (50.1 per cent) for recurrent expenditure and Kshs.1.79 billion (49.9 per cent) for development expenditure. This budget will be financed by Kshs.3.48 billion (96.7 per cent) from the national equitable share and Kshs.120 million (3.3 per cent) from local revenue sources.

During the first quarter of FY2014/15, the County received Kshs.434.52 million as the national equitable share of revenue. The entire amount was an advance from the National Treasury pending the approval of the County Allocation Revenue Bill, 2014. The county also collected Kshs.5.33 million from local sources and had Kshs.1.40 billion as cash balance from FY 2013/14. The local revenue raised in the first quarter of Kshs 5.33 million was 4.4 per cent of the annual local revenue target and a decline from Kshs.8.24 million collected in the same period of FY 2013/14. Figure 154 shows the trend in local revenue collection by quarter.

Figure 154: Quarterly Trend in Local Revenue Collection



Source: *Tana River County Treasury*

The funds released to the County during the period under review amounted to Kshs.1.140 billion, of which, Kshs.340 million (30 per cent) was for recurrent expenditure while Kshs.800 million (70 per cent) was for development activities.

In the first quarter of FY 2014/15, the total expenditure was Kshs.692.78 million, equivalent to 61 per cent of the funds released. The expenditure for the period under review is an improvement from the Kshs.144.30 million spent in the first quarter of FY 2013/14.The County spent Kshs.356.46 million on recurrent activities and Kshs.336.32 million on development activities.

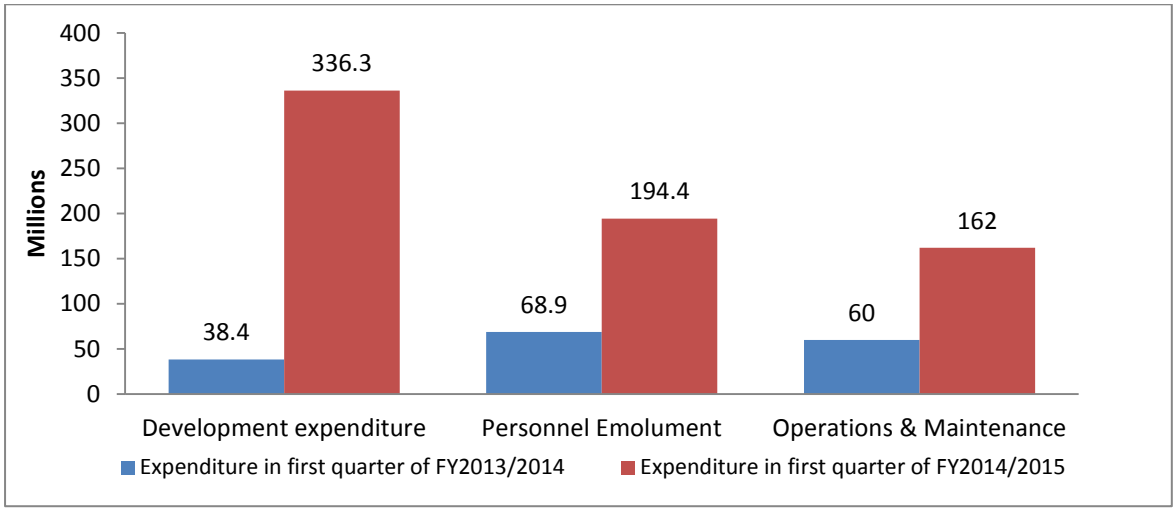
The Recurrent expenditure for the period under review represented an absorption rate of **19.8 per cent** of the annual recurrent budget, an increase from an absorption rate of **4.7 per cent** realized in the first quarter of FY2013/14. The development expenditure translated to an

absorption rate of **18.9 per cent** of the annual development budget, an improvement from absorption rate of 3.3 per cent recorded in the same period last financial year.

Analysis of the recurrent expenditure of Kshs.356.46 million shows that the County spent Kshs.194.42 million on personnel emoluments which translates to 55 per cent of the total recurrent expenditure and Kshs.162.03 million on operations and maintenance expenditure which is 45 per cent of the total recurrent expenditure for the period. A total of Kshs. 3.5 million was spent on payment of sitting allowances to the 27 Members of the County Assembly against an annual budget of Kshs.48.9 million or an absorption rate of 7.1 per cent.

Comparison of the total expenditure between the period under review and the same period in the previous financial year is shown in Figure 155 below.

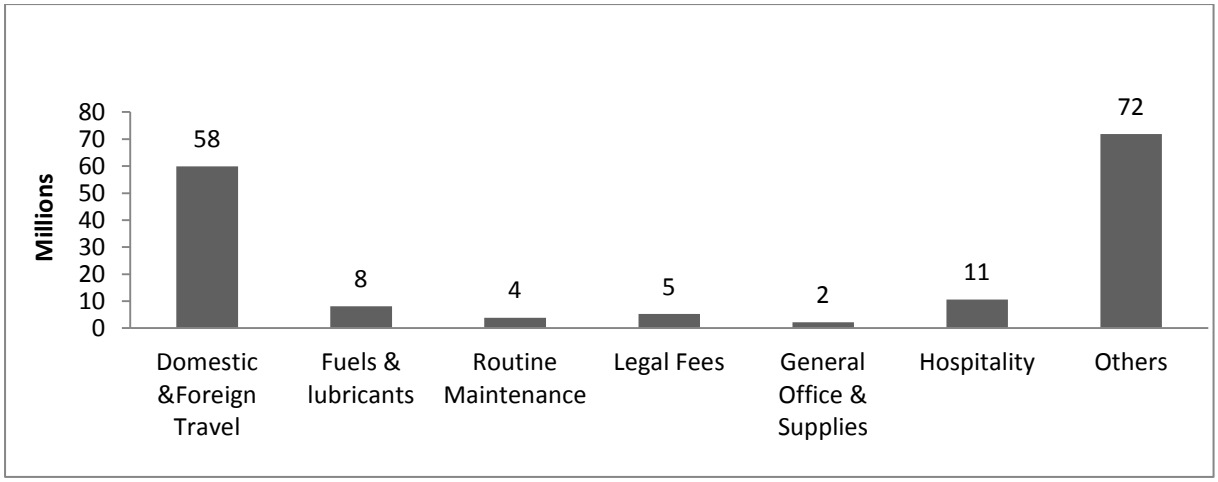
Figure 155: First Quarter Expenditure, Tana River County



Source: *Tana River County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 156. Expenditure on domestic and foreign travel was Kshs.58.29 Million in the first quarter of FY 2014/15 compared to Kshs.30.73 million in FY 2013/14.

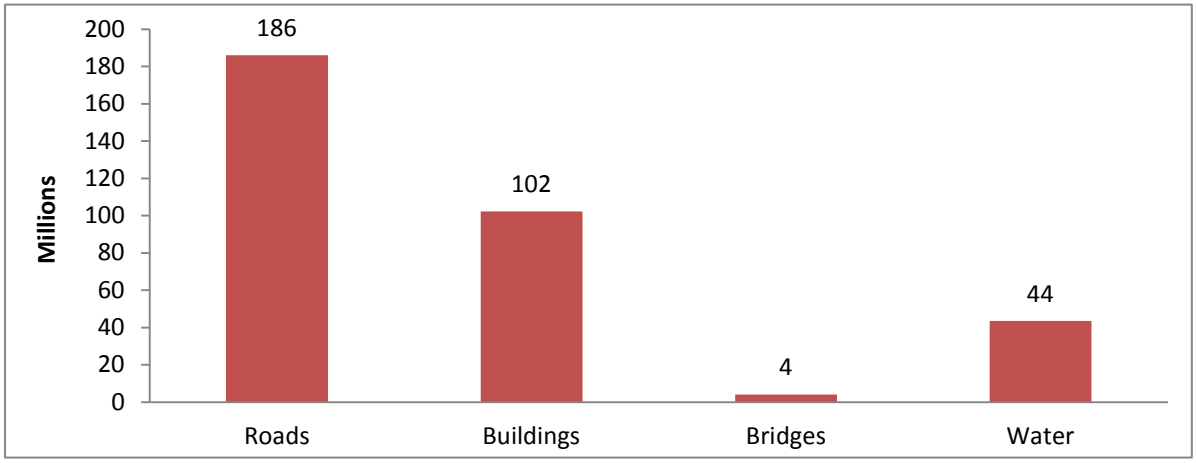
Figure 156: First Quarter Expenditure, Tana River County



Source: *Tana River County Treasury*

The breakdown of the development projects undertaken during the period under review is shown in Figure 157 .

Figure 157: First Quarter Expenditure, Tana River County



Source: *Tana River County Treasury*

There were a number of challenges that affected budget implementation in the first quarter of FY2014/15. These included:

1. Delay in submission of financial reports to the OCOB and other oversight institutions.
2. High Wage bill whereby personnel emoluments costs have increased from Kshs.68.97 million in the 1st Quarter of the 2013/14 to Kshs.194.4 million in the period under review. Lack of adequate office space for staff, which has affected effective delivery of services to the public.

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

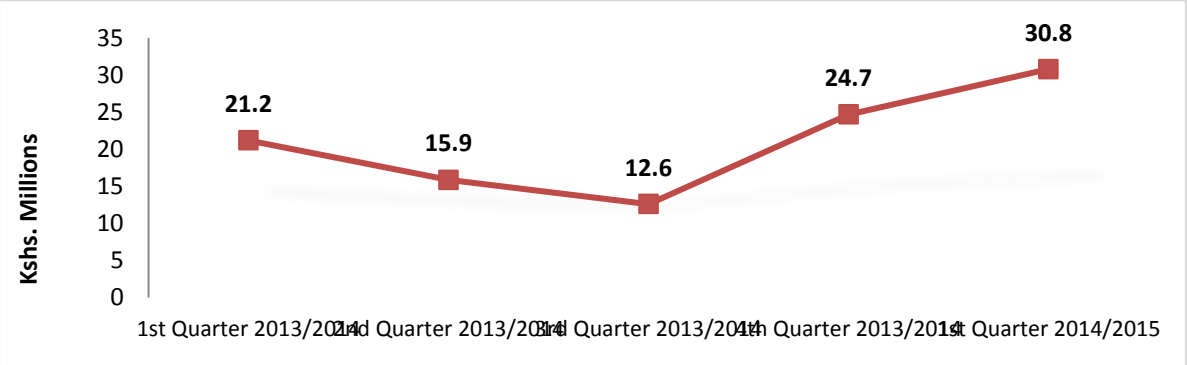
1. *The County should ensure timely submission of reports to oversight institutions and other stakeholders.*
2. *The County Public Service Board should develop an optimal staffing structure for effective monitoring of the wage bill.*
3. *The County should expedite the construction of the prefabricated offices to accommodate staff.*

Tharaka Nithi County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.3.7 billion comprising of Kshs.1.83 billion (49.2 per cent) for recurrent expenditure and Kshs.1.89 billion (50.8 per cent) for development expenditure. This budget will be financed by Kshs.2.7 billion (73.6 per cent) from the national equitable share, Kshs.698.8 million as donor grant (18.8 per cent) and Kshs.250 million (6.7 per cent) from local revenue sources.

During the first quarter of FY2014/15, the County received Kshs.246.4 million as the national equitable share of revenue, Kshs.342.2 million as an advance from the National Treasury, collected Kshs.30 million from local sources and had Kshs.251 million as cash balance from FY 2013/14. The local revenue raised in the first quarter amounting to Kshs.30.8 million was 12 per cent of the annual local revenue target and an improvement from Kshs.21 million collected in the same period of FY 2013/14. **Figure 158** shows the trend in local revenue collection by quarter.

Figure 158: Quarterly Trend in Local Revenue Collection



***Source**: Tharaka Nithi County Treasury*

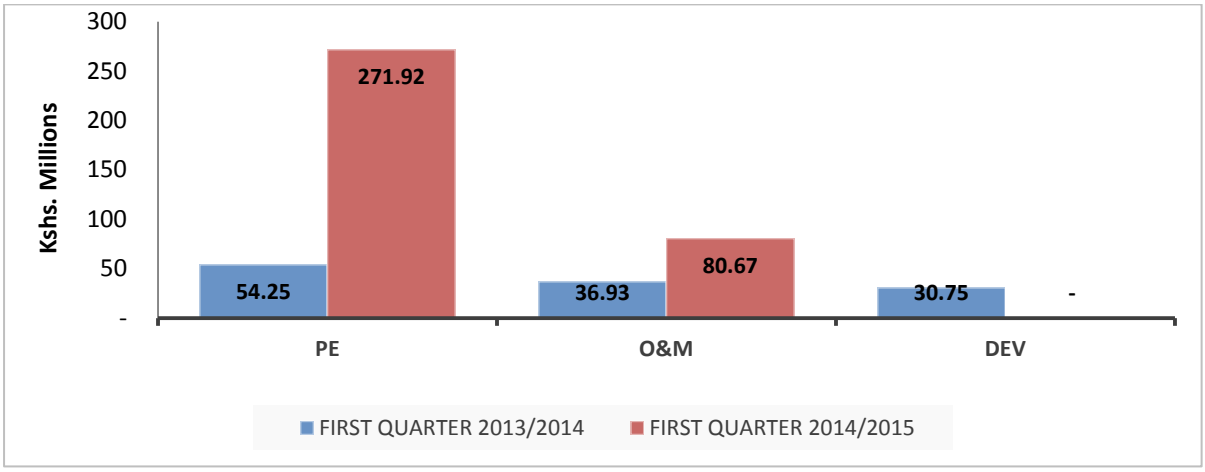
The funds released to the County during the period under review amounted to Kshs.424 million and was entirely for recurrent expenditure.

In the first quarter of FY 2014/15, the total expenditure was Kshs.352.8 million which was 83.1 per cent of the funds released. The expenditure for the period under review is an increase from the Kshs.121 million spent in the first quarter of FY 2013/14. The County did not report any expenditure on development programmes.

The Recurrent expenditure for the period under review represented an absorption rate of **19.3 per cent** of the annual recurrent budget, an improvement from an absorption rate of **5.7 per cent** realized in the same period in FY2013/14.

Analysis of the recurrent expenditure of Kshs.352.8 million shows that the County spent Kshs.272.9 million on personnel emoluments which translates to 77 per cent of the total recurrent expenditure and Kshs.80.7 million on operations and maintenance expenditure which is 23 per cent of the total recurrent expenditure for the period under review. The County spent Kshs. 2.9 million for payment of sitting allowances for the 25 Members of the County Assembly against an annual budget of Kshs.29.5 million, an absorption rate of 9.9 per cent. A comparison of total expenditure between the period under review and the same period last financial year is shown in **Figure 159**.

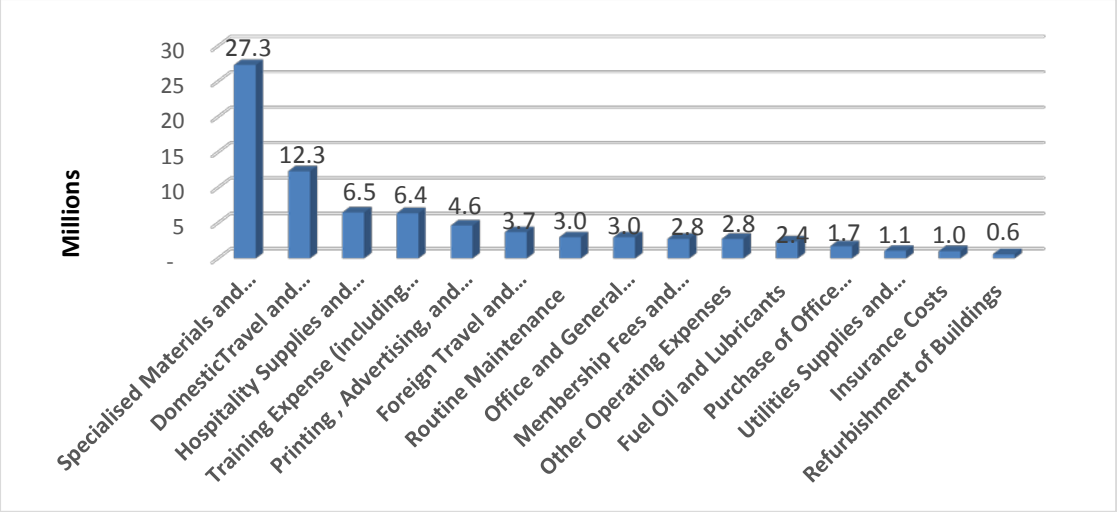
Figure 159 : First Quarter Expenditure, Tharaka Nithi County



Source: *Tharaka Nithi County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 160**. Expenditure on domestic and foreign travel was Kshs.16.15 Million in the first quarter of FY 2014/15 compared to Kshs.15.35 million in FY 2013/14.

Figure 160: Operations and Maintenance Expenditure, Tharaka Nithi County



Source: *Tharaka Nithi County Treasury*

In the previous reporting periods, the OCOB made recommendations improve budget execution. They included; i) the need for implementation of the G-pay system, ii) need to prepare an annual procurement plan, and iii) the need to institute proper accountability mechanisms. These recommendations have been implemented by the county government. However, during monitoring of the budget implementation in the reporting period, the office noted the following issues that need to be addressed:

1. Exchequer requisitions by the County were not based on departmental needs and work plans; this has largely contributed to under and/or over expenditure on exchequer issues by the County Departments.
2. Delayed financial reporting by the County Treasury due to inadequate staff capacity.
3. The CRF account was not regularly reconciled against revenue collections which, if not addressed will lead to incorrect reporting on the financial position of the County.

In order to improve on budget execution in the FY2014/15, the County should implement the following recommendation:

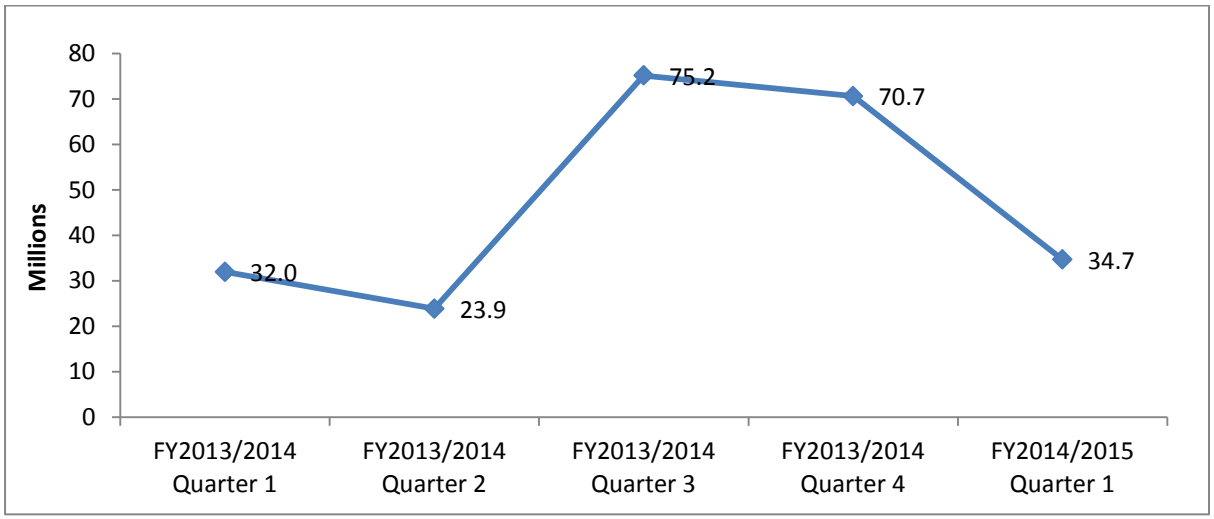
1. *Departments should make formal exchequer requisition to the County Treasury based on approved work plans.*
2. *Staff capacity in financial management should be enhanced through appropriate training.*
3. *The County Treasury should perform regularly reconciliation of the CRF account against revenue collection.*

Trans Nzoia County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.5.02 billion comprising of Kshs.2.7 billion (53.7 per cent) for recurrent expenditure and Kshs.2.32 billion (46.3 per cent) for development expenditure. This budget will be financed by Kshs.4.45 billion (88.6 per cent) from the national equitable share and Kshs.670 million (13.3 per cent) from local revenue sources.

During the first quarter of FY2014/15, the County received Kshs.400.5 million as the national equitable share of revenue, Kshs.556.2 million as an advance from the National Treasury, collected Kshs.35 million from local sources, and had Kshs.429 million as cash balance from FY 2013/14. The local revenue raised in the first quarter of Kshs.34.7 million was 5.2 per cent of the annual local revenue target. Figure 161 shows the trend in local revenue collection by quarter.

Figure 161: Quarterly Trend in Local Revenue Collection



Source: *Trans Nzoia County Treasury*

The funds released to the County during the period under review amounted to Kshs.1 billion, of which, Kshs.676 million (67 per cent) was for recurrent expenditure while Kshs.331 million (33 per cent) was for development activities.

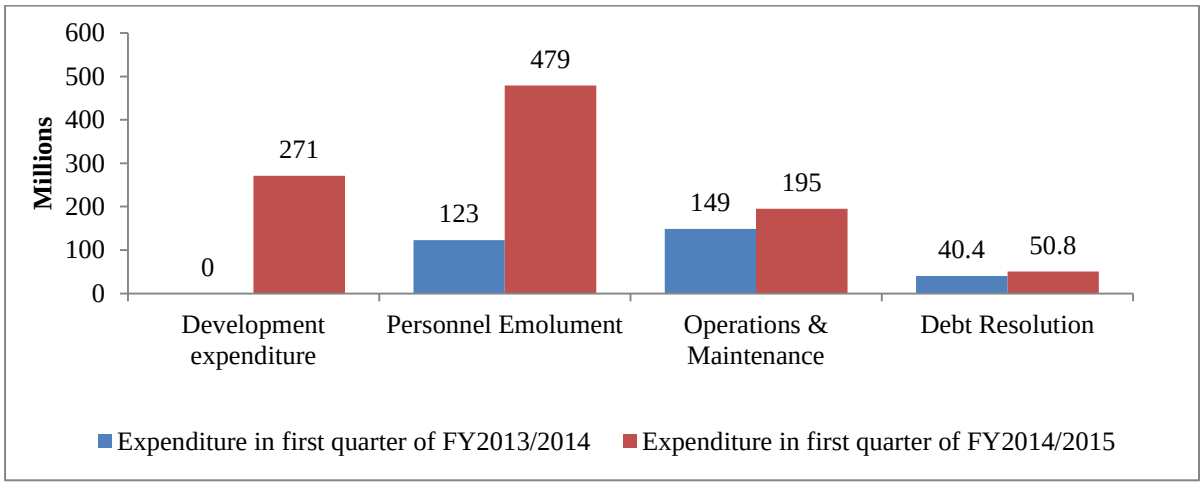
In the first quarter, the total expenditure was Kshs.996 million which was 99 per cent of the funds released. The County spent Kshs.725 million (73 per cent) on recurrent activities and Kshs.271 million (27 per cent) on development activities. Recurrent expenditure was 107.3 per cent of the funds released for recurrent activities while development expenditure accounted for 81.7 per cent of the funds released for development projects. The County transferred Kshs.124 million which had been requisitioned for development activities to the

County Recurrent Operations Account for recurrent expenditure. This is against Section 154 (1) (b) of the PFM Act, 2012 which states that an accounting officer shall not authorize the transfer of an amount that is appropriated for capital expenditure except to defray other capital expenditure.

The recurrent expenditure for the period under review represented an absorption rate of **26.9 per cent** of the annual recurrent budget, an increase from an absorption rate of **10 per cent** realized in the first quarter of FY2013/14. The development expenditure translated to an absorption rate of **11.6 per cent** of the annual development budget. There was no development expenditure in the first quarter of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.725 million shows that the County spent Kshs.479 million on personnel emoluments which translates to 66.1 per cent of the total recurrent expenditure, Kshs.195 million on operations and maintenance expenditure which is 26.9 per cent of the total recurrent expenditure and Kshs.50.8 million on debt repayment representing 7 per cent of the total recurrent expenditure. A comparison of the total expenditure between the period under review and the first quarter of FY2013/14 is shown in Figure 162.

Figure 162: First Quarter Expenditure, Trans Nzoia County



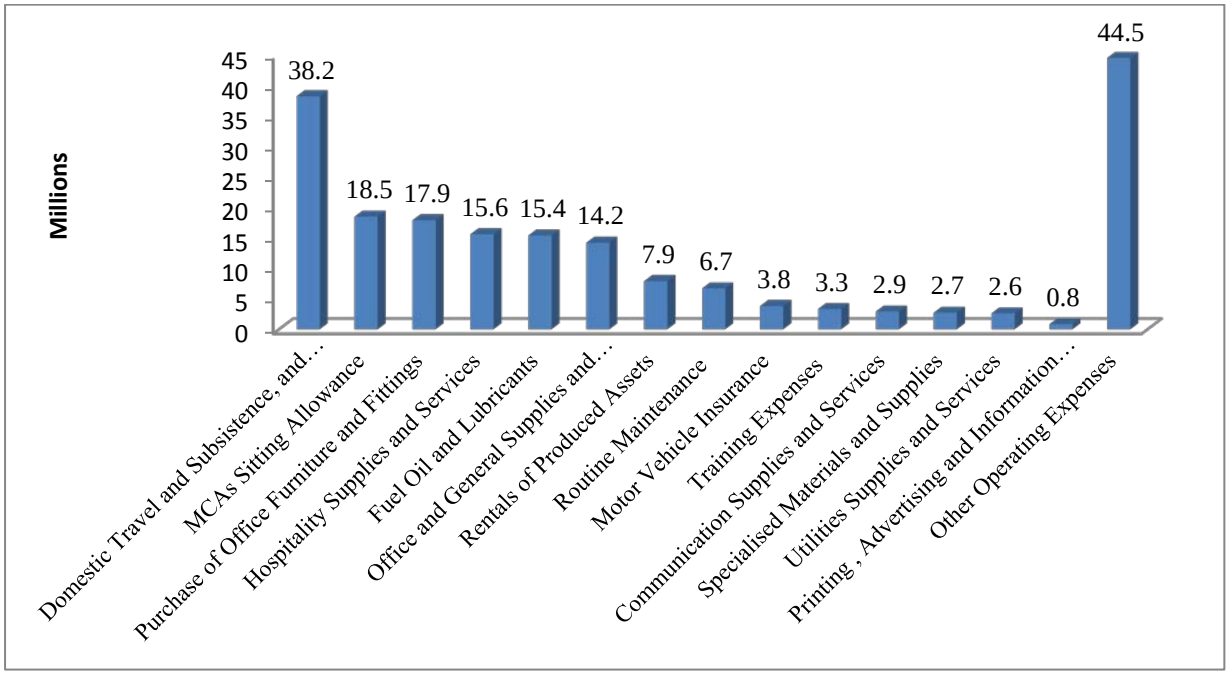
Source: *Trans Nzoia County Treasury*

A total of Kshs.18.5 million was spent on payment of sitting allowances to the 39 members of the County Assembly against an annual budget of Kshs.74 million representing an absorption rate of **25 per cent**. The comparable expenditure in FY 2013/14 was Kshs.7.67 million

Expenditure on domestic and foreign travel was Kshs.38.21 Million in the first quarter of FY 2014/15 compared to Kshs.33.70 million in FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 163.

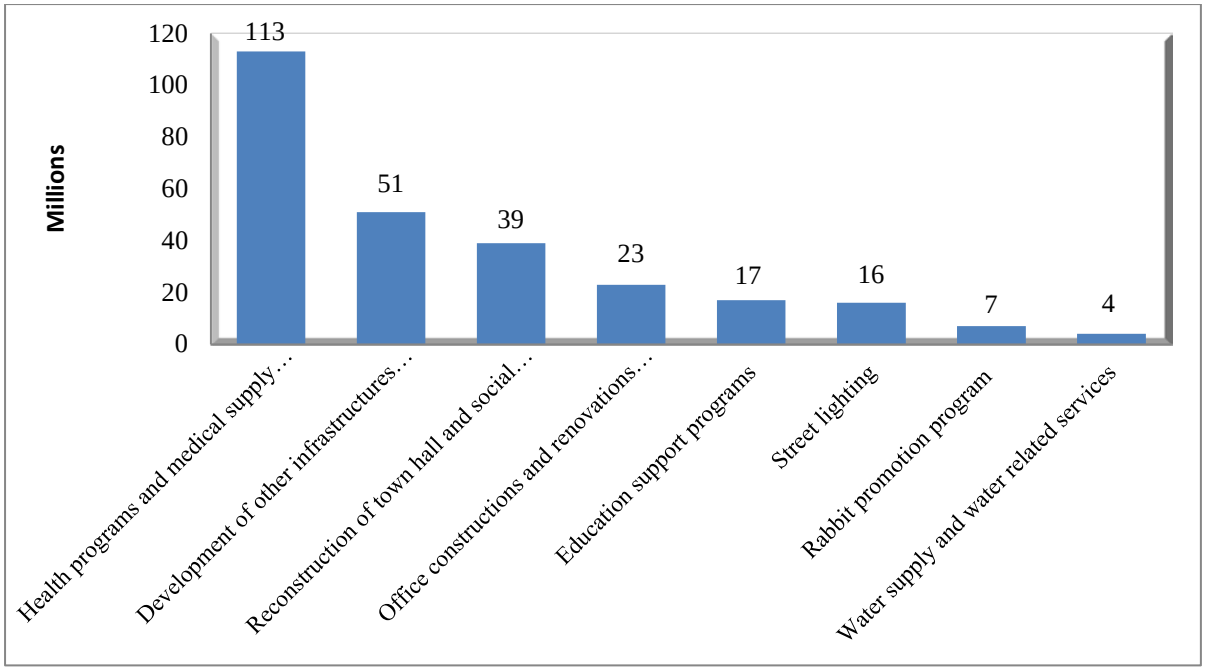
Figure 163 : Operations and Maintenance Expenditure, Trans Nzoia County



Source: *Trans Nzoia County Treasury*

Analysis of the development expenditure Kshs.271 million in the first quarter of FY 2014/15 shows that the County spent Kshs.113 million on Health programmes and medical supply services, Kshs.51 million on development of other infrastructure and civil works, Kshs.39 million on reconstruction of town and social halls, Kshs.23 million on office construction and renovations of buildings, Kshs.17 million on Education support programmes, Kshs.16 million on street lighting, Kshs.7 million on rabbit promotion programme and Kshs.4 million on construction of water supply and water related services. (See Figure 164).

Figure 164 : Analysis of Development Expenditure, Trans Nzoia County



***Source**: Trans Nzoia County Treasury*

In the previous financial year, OCOB made recommendations to improve budget execution. Some of the recommendations were; i) need to establish proper structures and strategies for the coordination of revenue collection, ii) need to expedite vetting and appointment of Chief Offers and other key staff, iii) need for timely submission of reports to the OCOB and other oversight institutions, and iv) need for full implementation of the IFMIS system.

During monitoring of the budget implementation, the office noted that the county has made progress in addressing the recommendations made in previous CBIRRs. However, the office noted the following issues that need to be addressed:

1. Low revenue collection. This is mainly due to non-remittance of revenue collected by devolved units and inadequate enforcement mechanisms for parking fees.
2. Delay in submission of financial reports to the OCOB.
3. Failure to fully adopt the IFMIS whereby financial transactions and reporting is done manually.
4. Inadequate controls in the use of public resources whereby funds approved for development activities are diverted to recurrent expenditure.

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

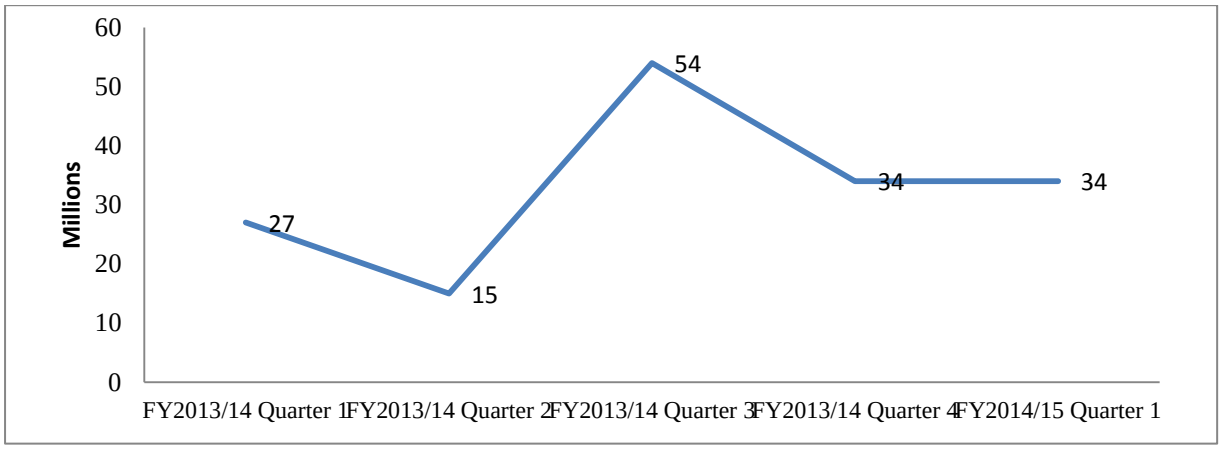
1. *Review local revenue collection mechanisms and strategies to improve revenue collection, particularly on motor vehicle parking fees.*
2. *Submit financial reports to OCOB and all other oversight institutions on a timely manner.*
3. *Adopt and use IFMIS to promote proper monitoring and the efficient management of public resources.*
4. *The County Treasury should not divert funds from development expenditure to recurrent activities.*

Turkana County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.13.99 billion comprising of Kshs.4.05 billion (31.1 per cent) for recurrent expenditure and Kshs.8.95 billion (68.9 per cent) for development expenditure. This budget will be financed by Kshs.9.14 billion (70.4 per cent) from the national equitable share, Kshs.500 million (3.8 per cent) from local revenue sources, and Kshs.3.57 billion (27.5 per cent) as projected cash balance from FY 2013/14.

During the first quarter of FY2014/15, the County received Kshs.1.14 billion as an advance from the National Treasury and had Kshs.3.83 billion as cash balance from FY 2013/14. The local revenue raised in the first quarter was Kshs.34.26 million or 6.9 per cent of the annual local revenue target, and an improvement from Kshs.27 million collected in the same period of FY 2013/14. **Figure 165** shows the trend in local revenue collection by quarter.

Figure 165: Quarterly Trend in Local Revenue Collections



Source: *Turkana County Treasury*

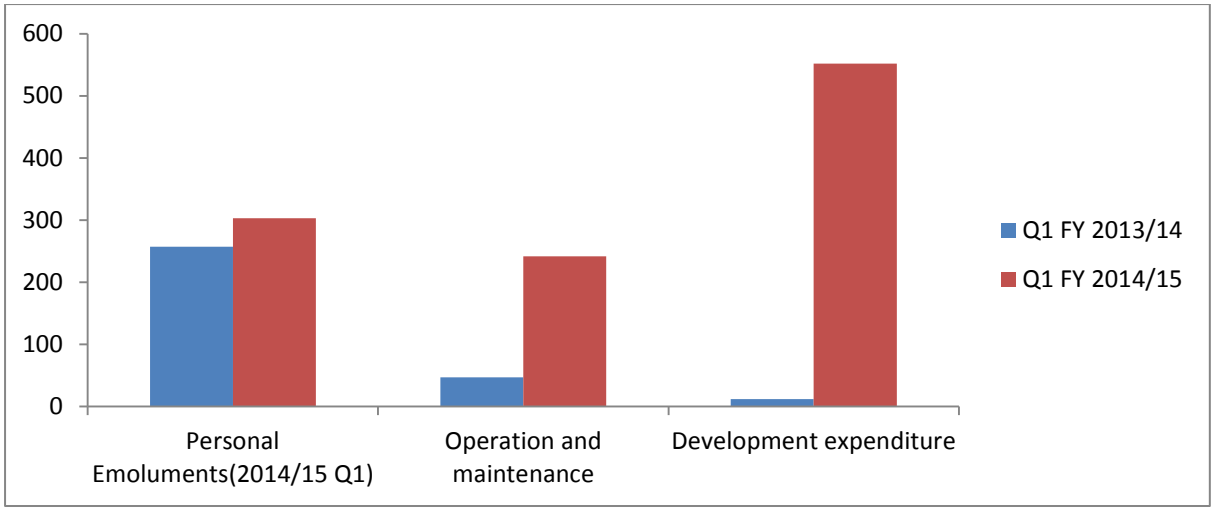
The funds released to the County during the period under review amounted to Kshs.3.49 billion, of which, Kshs.1.49 billion (43 per cent) was for recurrent expenditure while Kshs.2.0 billion (57 per cent) was for development activities.

In the first quarter of FY 2014/15, the total expenditure was Kshs.1.1 billion which was 31.4 per cent of the funds released. This expenditure is an increase from the Kshs.315.60 million spent in the first quarter of FY 2013/14. The County spent Kshs.544.93 million (49.7 per cent) on recurrent activities and Kshs.552.1 million (50.3 per cent) on development activities. Recurrent expenditure was 38.4 per cent of the funds released for recurrent activities while development expenditure accounted for 27.6 per cent of the funds released for development activities.

The recurrent expenditure of Kshs.544.93 million for the period under review represented an absorption rate of **13 per cent** of the annual recurrent budget, an increase from an absorption rate of 6 per cent realized in the first quarter of FY2013/14. The development expenditure of Kshs.552.1 million translated to an absorption rate of **7 per cent** of the annual development budget, an improvement from an absorption rate of 0.03 per cent or Kshs.12.0 million spent in the same period during the previous financial year.

Analysis of the recurrent expenditure shows that the County spent Kshs.303.15 million on personnel emoluments which translates to 56 per cent of the total recurrent expenditure and Kshs.241.78 million on operations and maintenance expenditure which is 44 per cent of the total recurrent expenditure for the period. Out of the Kshs.303.15 million spent on personnel emoluments, County Assembly costs amounted to Kshs.76.94 million, representing 25 per cent of the total personnel emoluments expenditure. A comparison of the total expenditure between the period under review and the same period in the previous financial year is shown in **Figure 166**.

Figure 166 : First Quarter Expenditure, Turkana County

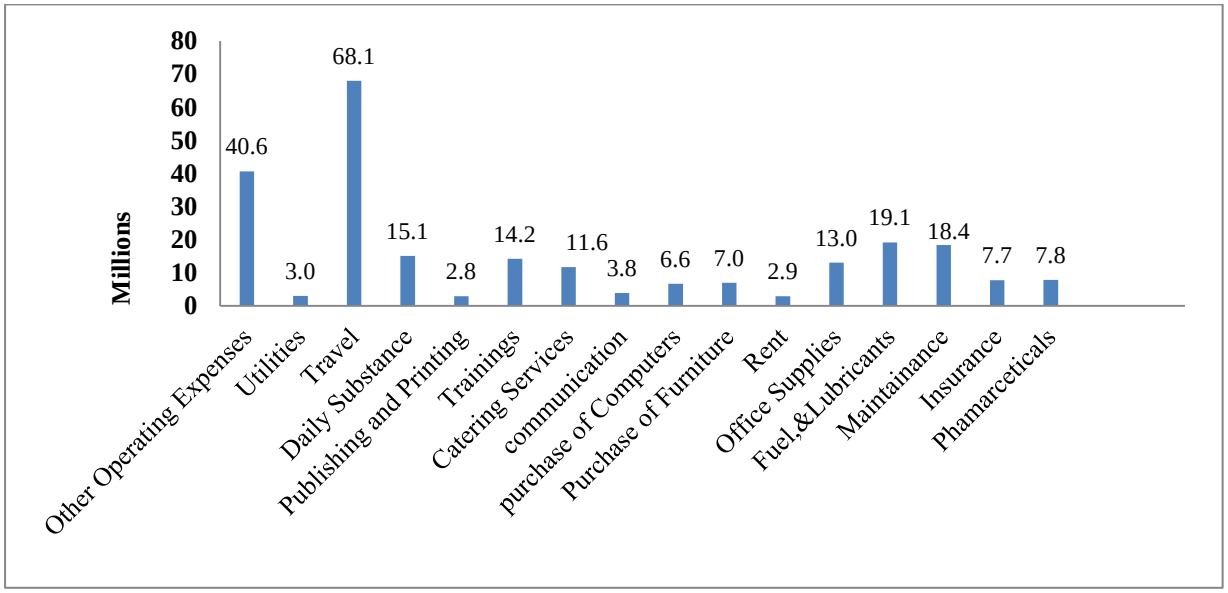


Source: *Turkana County Treasury*

The county spent Kshs.22.5 million on MCA sitting allowances during the period under review compared. Expenditure on domestic and foreign travel was Kshs.68 million in the first quarter of FY 2014/15 compared to Kshs.15.35 million in FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 167**.

Figure 167: Operations and Maintenance Expenditure, Turkana County



Source*: Turkana County Treasury*

Analysis of the development expenditure of Kshs.552.1 million for the period under review shows that the County spent Kshs.125.7 million on construction of ECD Classrooms, Kshs.79.7 million on Turkana Education and Skills Development Fund, Kshs.124.5 million on construction of water projects, Kshs.37.2 million on provision of relief food, Kshs.78.8

million on revival of the Lomidat Abattoir, Veterinary and development services, and revival of the Turkana Fishermen Corporative Society, and Kshs.78.8 million on Turkana Greening among other projects.

During the period under review, the office noted that the County has addressed most of the recommendations made by OCOB in previous CBIRRs. These included; i) need to enhance human capacity, ii) need to develop annual procurement plans to guide budget execution, and, iii) need to address underperformance in revenue collection. However, during monitoring of budget implementation, the office noted the following issues that need to be addressed:

1. Low local revenue collection.
2. The uptake of development funds was low and not as per the approved cash plan. The County did not spend the requisitioned development funds as anticipated in the work plans for the period under review.

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

1. *The County Treasury should institute mechanisms to enhance local revenue collections. These include but not limited to strengthening the regulatory framework by ensuring the County Finance Bill is enacted in a timely manner and implementation of e-revenue systems.*
2. *Prioritise implementation of development programmes which will positively impact on the local economy.*

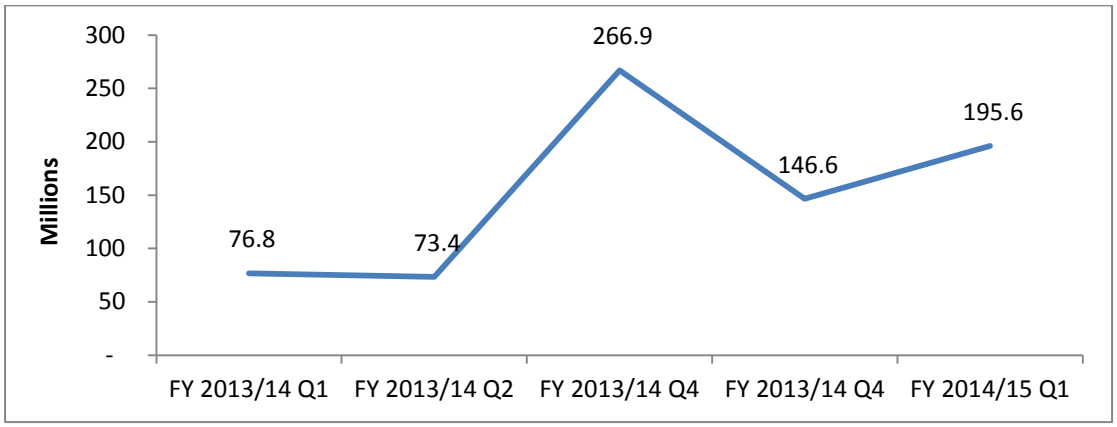
Uasin Gishu County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.5.84 billion which comprised of Kshs.3.74 billion (64.1 per cent) for recurrent expenditure and Kshs.2.10 billion (35.9 per cent) for development expenditure. This budget will be financed by Kshs.4.53 billion (77.5 per cent) from the national equitable share, Kshs.1.49 billion (25.5 per cent) from local revenue sources, and Kshs.14.9 million (0.3 per cent) from conditional grants. The county therefore, had a budget surplus of Kshs.195.54 million.

During the first quarter of FY2014/15, the County received Kshs.566.21 million as advance from the National Treasury, had a Kshs.1.49 billion cash balance from FY 2013/14, and

raised local revenue amounting to Kshs.195.58 million. The local revenue of Kshs.195.58 million raised during the period under review represents 14.3 per cent of the annual local revenue target and is an improvement compared to Kshs.76.77 million collected during the same period in the last financial year. **Figure 168** shows the trend in revenue collections by quarter.

Figure 168: Quarterly Trend in Local Revenue Collection



Source: *Uasin Gishu County Treasury*

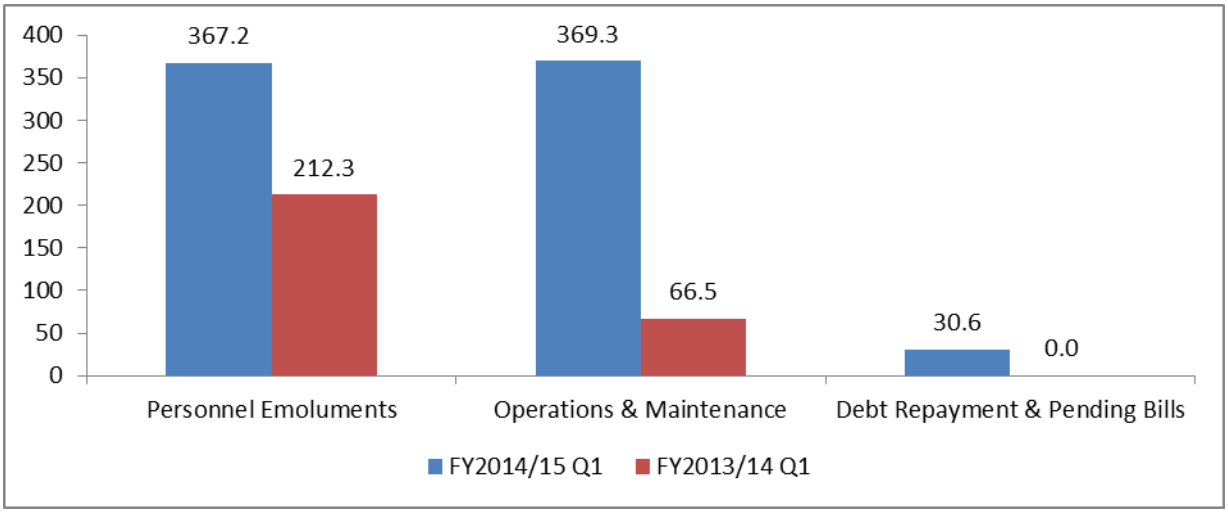
During the period under review, the funds released to the County amounted to Kshs.1.63 billion comprising of Kshs.823.38 million for recurrent expenditure and Kshs.810.5 million for development activities.

In the same period, the total expenditure was Kshs.847.84 million which was 51.9 per cent of the funds released. This expenditure is an increase from the Kshs.362 million spent in the first quarter of FY 2013/14. The County spent Kshs.767.16 million (90.5 per cent) on recurrent activities and Kshs.80.68 million (9.5 per cent) on development activities. Recurrent expenditure was 93.2 per cent of the funds while development expenditure accounted for 10 per cent of the funds released.

The recurrent expenditure for the period under review of Kshs.767.16 million represented an absorption rate of **20.5 per cent** of the annual recurrent budget, an increase from an absorption rate of 8 per cent recorded in the first quarter of FY2013/14. The development expenditure for the first quarter of FY2014/15 was Kshs.80.68 million representing an absorption rate of **4 per cent** and an increase from the first quarter of last financial year where there was no development expenditure.

Analysis of the recurrent expenditure of Kshs.767.16 million during the review period shows that the County spent Kshs.367.20 million on personnel emoluments which translates to 47.9 per cent of the total recurrent expenditure, and Kshs.369.33 million on operations and maintenance expenditure which is 52.1 per cent of the total recurrent expenditure. A comparison of the total expenditure between the period under review and the same period during the last financial year is shown in **Figure 169**.

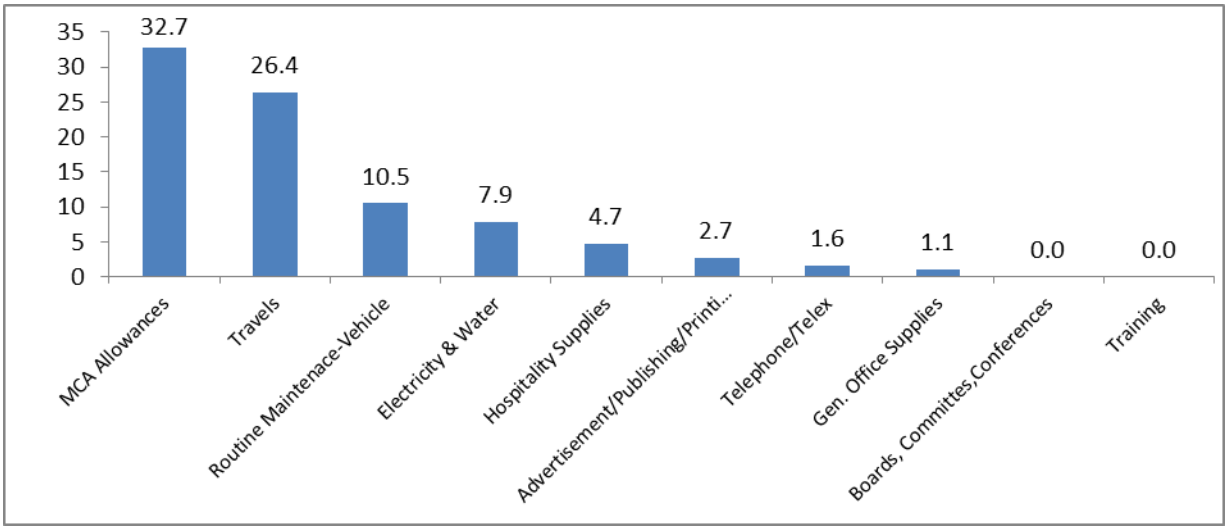
Figure 169 : First Quarter Expenditure, Uasin Gishu County



Source: *Uasin Gishu County Treasury*

The county spent Kshs.32.7 million on MCA sitting allowances during the period under review compared to Kshs.7.67 million in the same period in FY 2013/14. Expenditure on domestic and foreign travel was Kshs.26.41 Million in the first quarter of FY 2014/15 compared to Kshs.33.70 million in FY 2013/14. A breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 170**.

Figure 170: Operations and Maintenance Expenditure, Uasin Gishu County



Source: *Uasin Gishu County Treasury*

Analysis of the development expenditure of Kshs.80.68 million shows that the County spent Kshs.61.1 million on bursaries, and Kshs.19.6 million on Roads.

During the FY 2013/14 financial year, the OCOB made some recommendations to improve budget execution in the County. These included the need for; i) establishment of an internal audit function to monitor and provide quality assurance on financial operations and reporting, ii) human capacity building in financial and project management, iii) compliance with timelines for the submission of reports, iv) enhanced execution of development programmes/projects, and v) adherence to the PFM Act, 2012 on imprest issuance and management.

The County government has implemented most of these recommendations. However, during monitoring of budget implementation in the period under review, the office noted the following issues that need to be addressed:

1. Inadequate working space for county government personnel which has hampered effective service delivery.
2. Failure to prepare key budget policy documents. This contravenes timelines established in the PFM Act, 2012 on the preparation and submission of key budget policy documents such as the Annual Development Plan, Budget Review and Outlook paper and the Finance Bill.
3. Underperformance in local revenue collection. The local revenue collected in the first quarter of FY2014/15 was Kshs.195.8 million representing 14.3 per cent of the annual local revenue target.

4. Delays in submission of financial reports. This was compounded by successive revisions of the submitted reports which affects timely release of budget implementation review reports by OCOB.

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

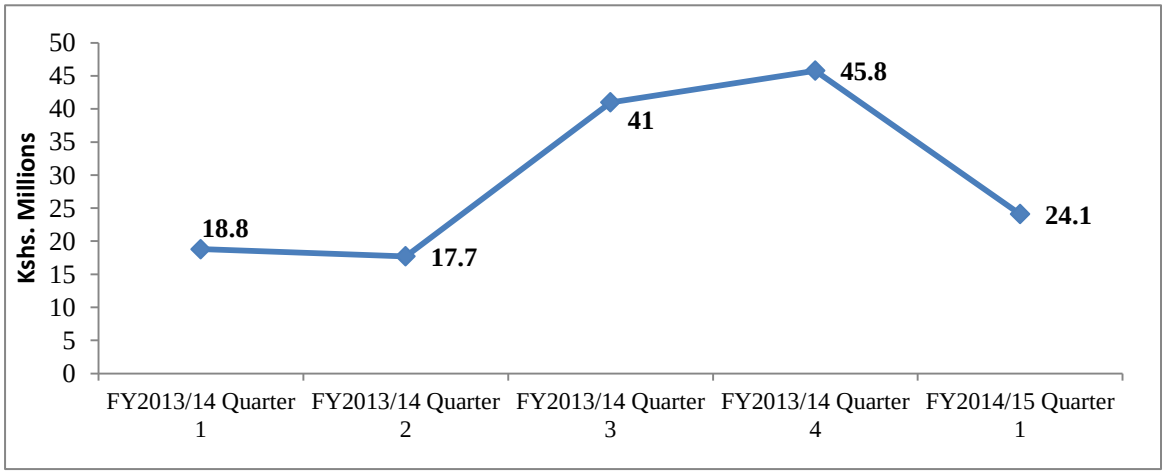
1. *Expedite construction of the administration block to ensure adequate working space for staff.*
2. *Prepare the requisite documents in a timely manner.*
3. *The County Treasury should institute appropriate measures to enhance local revenue collection.*
4. *The County Treasury should ensure timely submission of expenditure reports.*

Vihiga County

The County Budget for the FY 2014/15 amounted to Kshs.3.68 billion comprising of Kshs.2.31 billion (62.8 per cent) for recurrent expenditure and Kshs.1.37 billion (37.2 per cent) for development expenditure. This budget will be financed by Kshs.3.38 billion (91.9 per cent) from the national equitable share, and Kshs.377.74 million (10.3 per cent) from local revenue sources.

During the first quarter of FY 2014/15, the County received Kshs.422.26 million as the national equitable share of revenue, Kshs.304 million as an advance from the National Treasury, and collected Kshs.23.1 million from local revenue sources. The Kshs.23.1 million raised as local revenue in the first quarter was 6.13 per cent of the annual local revenue target and was an improvement from Kshs.18.8 million collected in the same period of FY 2013/14. Figure 171 shows the trend in local revenue collection by quarter.

Figure 171: Quarterly Trend in Local Revenue Collection



Source: *Vihiga County Treasury*

Funds released to the County during the period under review amounted to Kshs.1.01 billion, of which Kshs.0.65 billion (64.4 per cent) was for recurrent expenditure while Kshs.0.36 billion (35.6 per cent) was for development activities.

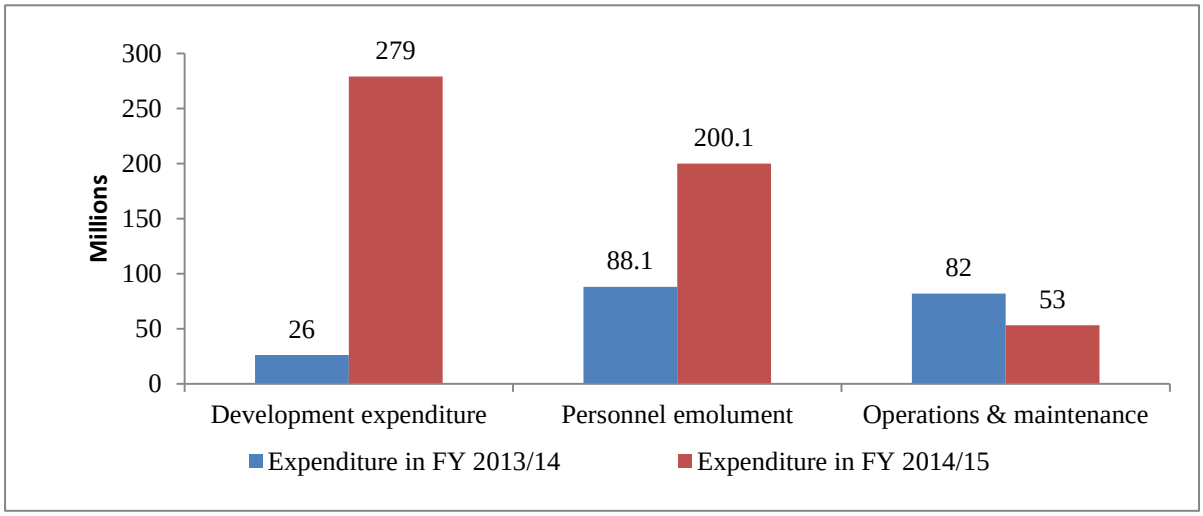
In the first quarter, the total expenditure was Kshs.532.17 million (52.7 per cent) of the funds released. The expenditure for the period under review is an increase from Kshs.336 million spent in the first quarter of FY 2013/14. The County spent Kshs.253.12 million (47.6 per cent) on recurrent expenditure and 279.05 million (52.4 per cent) on development activities. Recurrent expenditure was 38.9 per cent of the funds released for recurrent expenditure while development expenditure accounted for 77.8 per cent of the funds released for development activities.

The Recurrent expenditure represented an absorption rate of **11 per cen**t of annual recurrent budget while development expenditure translated to an absorption rate of **20.4 per cent** of annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.200.09 million on personal emoluments which translates to 79 per cent of the recurrent expenditure and Kshs.53.03 million on operations and maintenance which translates to 21 per cent of the annual recurrent budget. Expenditure on domestic and foreign travel was Kshs.7.19 million in the first quarter of FY 2014/15 compared to Kshs.15.35 million in FY 2013/14.

A comparison of total recurrent expenditure between the period under review and the same period in the last financial year is shown in Figure 172.

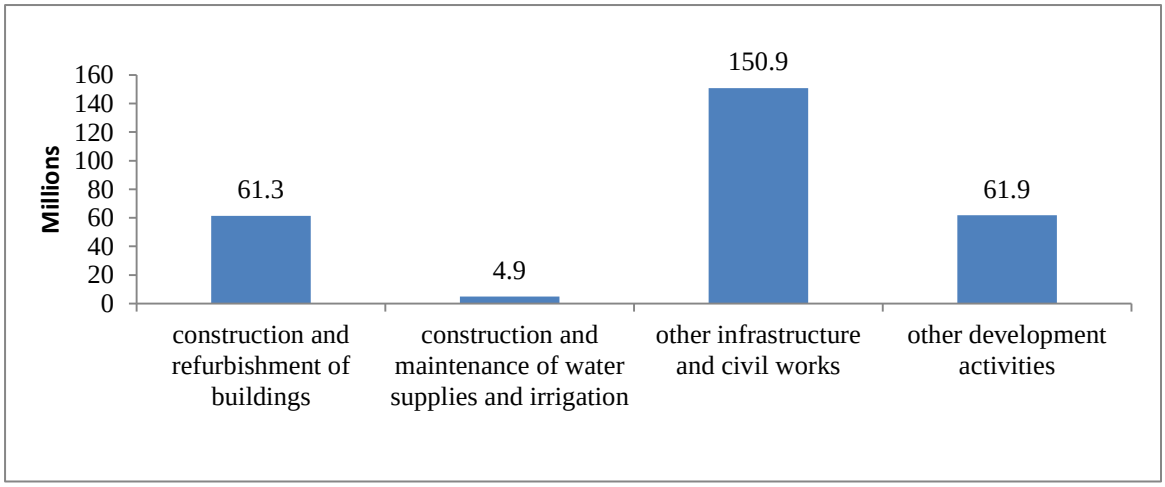
Figure 172: First Quarter Expenditure, Vihiga County



Source: *Vihiga County Treasury*

Analysis of the development expenditure of Kshs.279.05 million for the period under review shows that the County spent Kshs.61.3 million on construction and refurbishment of buildings, Kshs.4.9 million on construction and maintenance of water supplies and irrigation, Kshs.150.9 million on developments of other infrastructure and civil works. Figure 173 shows the analysis of development expenditure.

Figure 173: Analysis of Development Expenditure, Vihiga County



Source: *Vihiga County Treasury*

In the FY 2013/14 the office made recommendations to address financial challenges and improve budget execution in the County. These included the automation of revenue collection, full operationalization of IFMIS, human capacity building in financial and project management, and compliance with legal budgetary timelines among others. The County Government has addressed some of these recommendations by appointing accounting officers

in all its departments, operationalizing IFMIS at the County Treasury, and improved staff capacity in most departments. However, revenue collection is yet to be automated and faces other challenges such as the lack of a proper legal framework.

During monitoring of budget implementation in the period under review, the office noted the following issues that need to be addressed:

1. Low revenue collection which may affect budget implementation.
2. Failure to implement IFMIS by the County Assembly.
3. Failure to effectively manage procurement of development projects, resulting in delays in implementing development activities.

In order to improve budget execution, the County should implement the following recommendations:

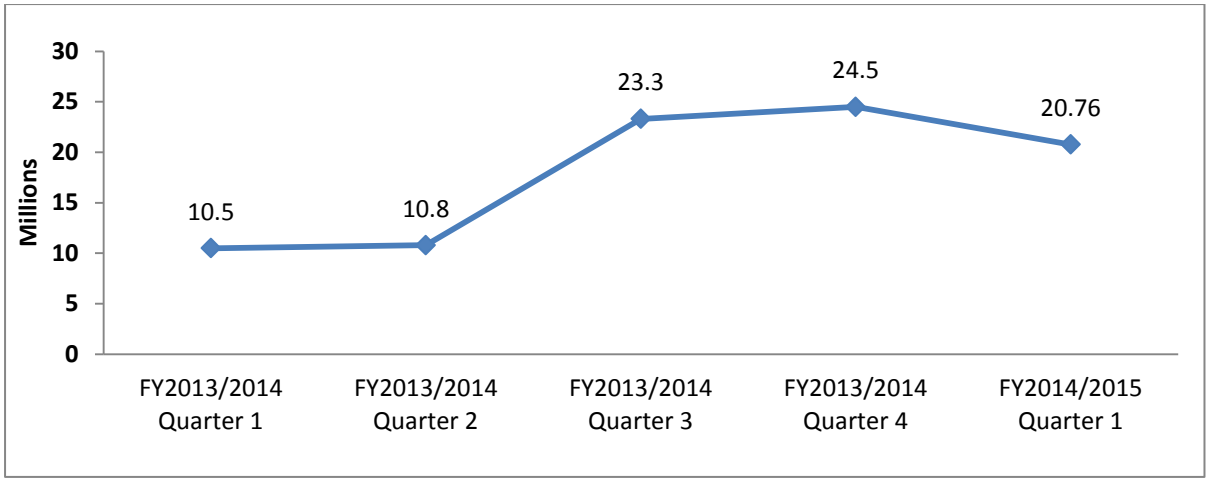
1. *Institute appropriate revenue collection measures to improve local revenue collection.*
2. *The County Assembly should implement IFMIS for proper financial management.*
3. *Effectively manage the procurement process for development projects to ensure timely implementation of development projects.*

Wajir County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.7.26 billion out of which Kshs.2.89 billion or 39.9 per cent is for recurrent expenditure while Kshs.4.37 billion or 60.1 per cent for development expenditure. This budget will be financed by Kshs.6.31 billion (86.9 per cent) from the national equitable share, Kshs.102.29 million (1.4 per cent) from local revenue sources, Kshs 975.18 million (13.4 per cent) as projected cash balance from FY 2013/14 and Kshs.17.71 million (0.2 per cent) as grant from DANIDA.

During the first quarter of FY2014/15, the County received Kshs.788.84 million as the national equitable share of revenue, collected Kshs.20.76 million from local sources, and had Kshs.983.8 million as cash balance brought forward from FY 2013/14. The local revenue raised in the first quarter of Kshs.20.76 million translates to 20.29 per cent of the annual local revenue target and was an improvement from Kshs.10.5 million raised during the first quarter of FY 2013/14. **Figure 174** Shows the trend in local revenue collection by quarter.

Figure 174: Quarterly Trend in Local Revenue Collection



***Source**: Wajir County Treasury*

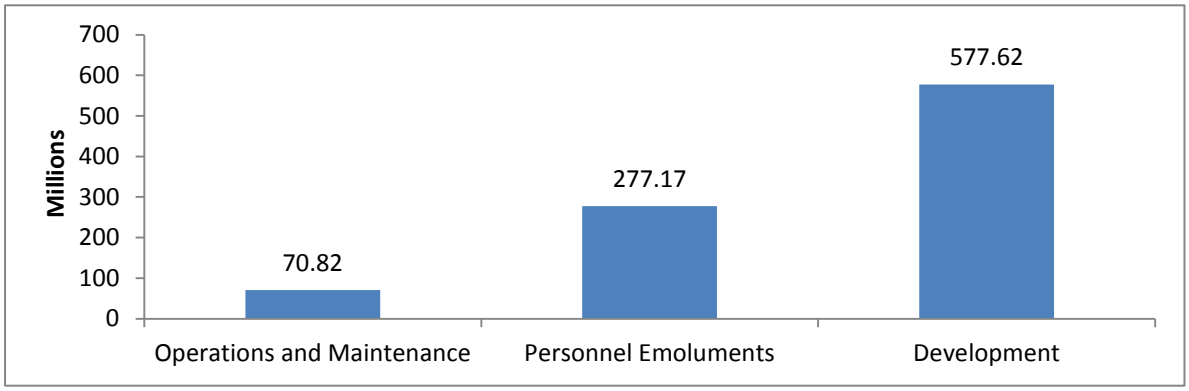
Funds released to the County during the period under review amounted to Kshs.1.43 billion of which, Kshs.787.43 million (55 per cent) was for recurrent expenditure while Kshs.640.47 million (45 per cent) was for development activities.

In the first quarter, the total expenditure was Kshs.925.61 million which was 64.82 per cent of the funds released. The County spent Kshs.347.99 million (38 per cent) on recurrent activities and Kshs.577.62 million (62.4 per cent) on development activities. Recurrent expenditure was 44.2 per cent of the funds released for recurrent activities while development expenditure accounted for 90.2 per cent of the funds released for development activities.

The Recurrent expenditure for the period under review of Kshs.347.99 million represented an absorption rate of **12.01 per cent** of the annual recurrent budget while the development expenditure of Kshs.577.62 million translated to an absorption rate of **13.23 per cent** of the annual development budget.

Analysis of the recurrent expenditure of Kshs.347.99 million shows that the County spent Kshs.277.17 million on personnel emoluments which translates to 79.6 per cent of the total recurrent expenditure and Kshs.70.82 million on operations and maintenance expenditure which is 20.36 per cent of the total recurrent expenditure for the quarter. A comparison of the different expenditure categories for the period under review is shown in **Figure 175**.

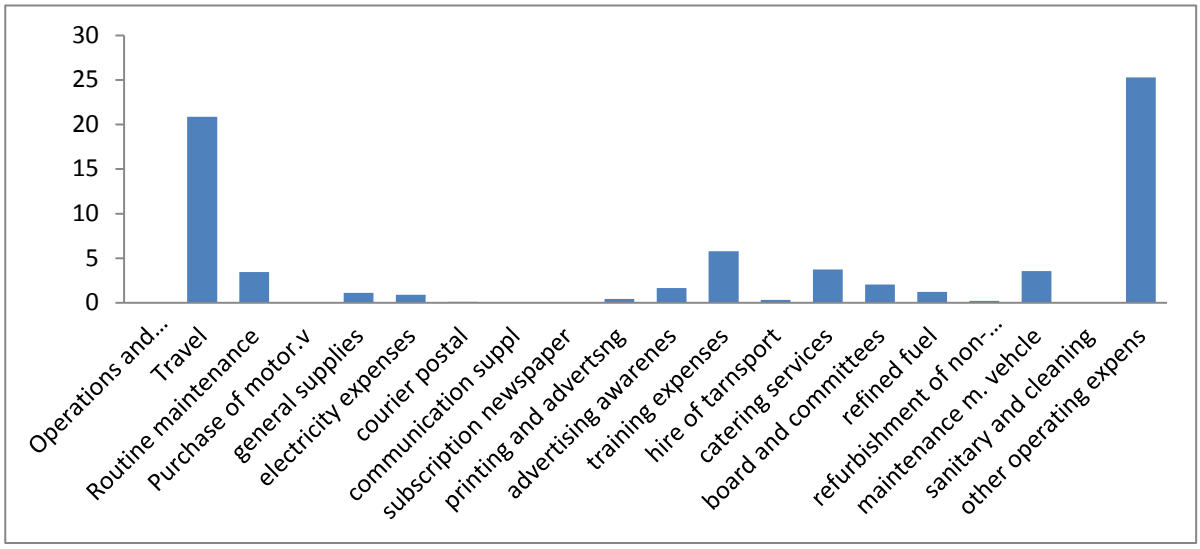
Figure 175 : First Quarter Expenditure, Wajir County



Source: *Wajir County Treasury*

The County spent Kshs.2.1 million on MCA sitting allowances during the period under review compared to Kshs.4.01 million in the same period in FY 2013/14. Expenditure on domestic and foreign travel amounted to Kshs.20.85 Million in the first quarter of FY 2014/15 compared to Kshs.33.70 million in FY 2013/14. The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 176**.

Figure 176: Operations and Maintenance Expenditure Wajir County



Source*: Wajir County Treasury*

Analysis of the development expenditure of Kshs.577.62 million for the period under review reveals that the County spent Kshs.123 million on water works, Kshs.131 million on road development infrastructure and civil works, Kshs.164 million on health related programmes, Kshs.79 million on Agricultural development, among other development activities.

In the FY 2013/14, OCOB made a number of recommendations to address budget execution challenges in the county. These recommendations are contained in previous CBIRR issues by the OCOB and they included; (i) automation of revenue collection, (ii) full operationalization of IFMIS, (iii) human capacity building in financial management, and project monitoring and evaluation, and, (iv) setting up of an Internal Audit department.

During monitoring of budget implementation in the first quarter of FY 2014/15, the office noted that the County Government has implemented most of these recommendations. However, the office noted the following issues that need to be addressed:

1. Failure to establish regulations to operationalise County Funds contrary to Section 116 of the PFM Act, 2012 which, details the requirements to be fulfilled for establishment of County Funds.
2. Increasing wage bill. The County wage bill has been increasing and should be controlled for sustainability.

In order to improve budget execution, the County should implement the following recommendations:

1. *Establish regulations to operationalise all County Funds as provided by the PFM Act, 2012.*
2. *Institute mechanisms to address the increasing wage bill.*

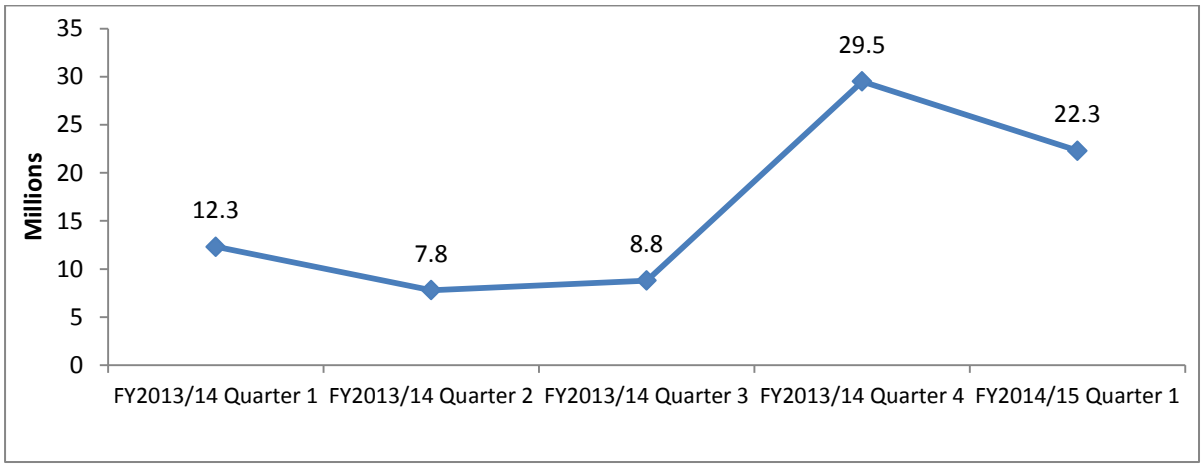
West Pokot County

The County Budget for the FY2014/15 amounted to Kshs.3.78 billion comprising of Kshs.2.26 billion (59.8 per cent) for recurrent expenditure and Kshs.1.52 billion (40.2 per cent) for development expenditure. This budget will be financed by Kshs.3.76 billion (99.6 per cent) from the national equitable share, Kshs.96.20 million (2.5 per cent) from local revenue sources, and Kshs.10.51 million (0.3 per cent) grant from DANIDA to the Health sector.

During the first quarter of FY 2014/15, the County received Kshs.338.71 million as the national equitable share of revenue, Kshs.470.43 million as an advance from the National Treasury, collected Kshs.22.3 million from local revenue sources, and had Kshs.103.68 million as cash balance from FY 2013/14. The local revenue raised in the first quarter of FY

2014/15 amounting to Kshs.22.3 million translates to 23.2 per cent of the annual local revenue target, an improvement from Kshs.12.3 million collected in the same period of FY 2013/14. **Figure 177** shows the trend in local revenue collection by quarter from FY 2013/14.

Figure 177 : Quarterly Trend in Local Revenue Collection



Source: *West Pokot County Treasury*

Funds released to the County during the period under review amounted to Kshs.758.8 million of which Kshs.393.8 million (52 per cent) was for recurrent expenditure while Kshs.365 million (48 per cent) was for development activities.

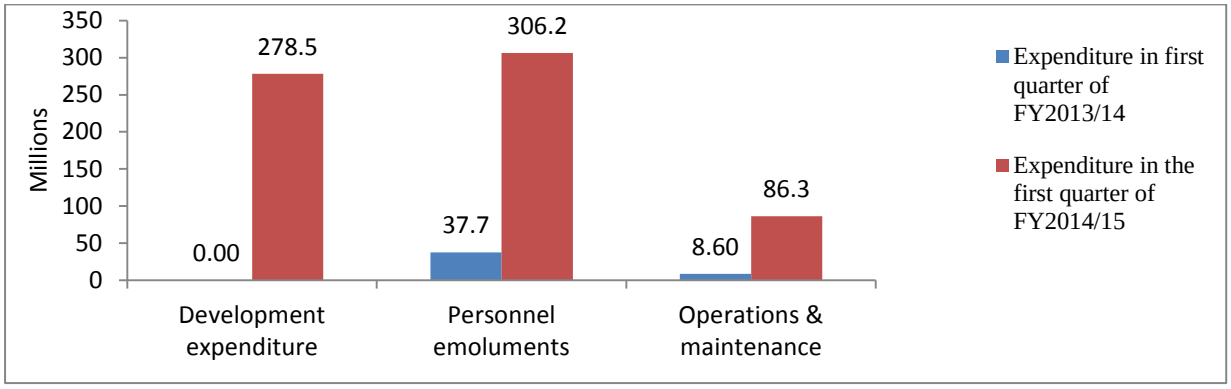
The total expenditure in the first quarter was Kshs.670.99 million (88.4 per cent of the funds released) an increase compared to the Kshs.624.69 million spent during the first quarter of the FY 2013/14. The County spent Kshs.392.48 million (58 per cent) on recurrent activities and Kshs.278.52 million (42 per cent) on development activities. Recurrent expenditure was 99.7 per cent of the funds released for recurrent activities while development expenditure accounted for 76.3 per cent of the funds released for development activities.

The Recurrent expenditure for the period under review was Kshs. 392.48 million representing an absorption rate of **17 per cent** of the annual recurrent budget, an increase from an absorption rate of **1 per cent** realized in the first quarter of FY 2013/14. The development expenditure of Kshs.278.52 million for the period under review represents an absorption rate of **18 per cent** of the annual development budget, an increase from the same period in the last financial year where no expenditure was reported.

Analysis of the recurrent expenditure of Kshs.392.48 million shows that the County spent Kshs.306.17 million on personnel emoluments which translates to 78 per cent of the total

recurrent expenditure and Kshs.86.31 million on operations and maintenance expenditure which is 22 per cent of the total recurrent expenditure. A comparison of the total expenditure between the period under review and the same period in the last financial year is shown in **Figure 178**.

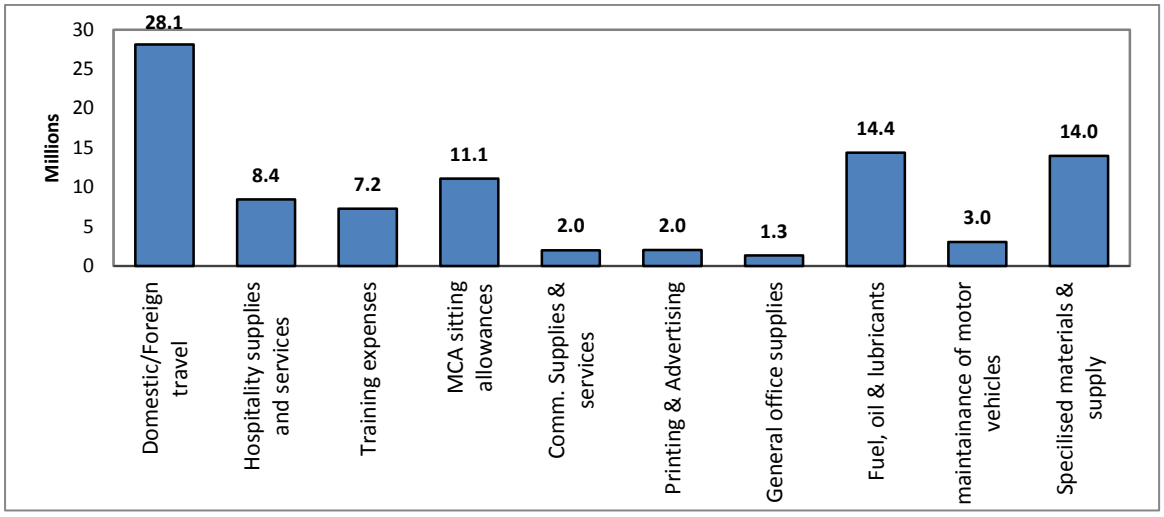
Figure 178 : First Quarter Expenditure, West Pokot County



Source: *West Pokot County Treasury, BIRR First Quarter 2013/2014*

The County spent Kshs.11.1 million in MCA sitting allowances during the period under review. Expenditure on domestic and foreign travel amounted to Kshs.28.12 Million in the first quarter of FY 2014/15 compared to Kshs.15.35 million in FY 2013/14. The breakdown of the operations and maintenance expenditure of Kshs.86.3 million for the period under review is shown in **Figure 179**.

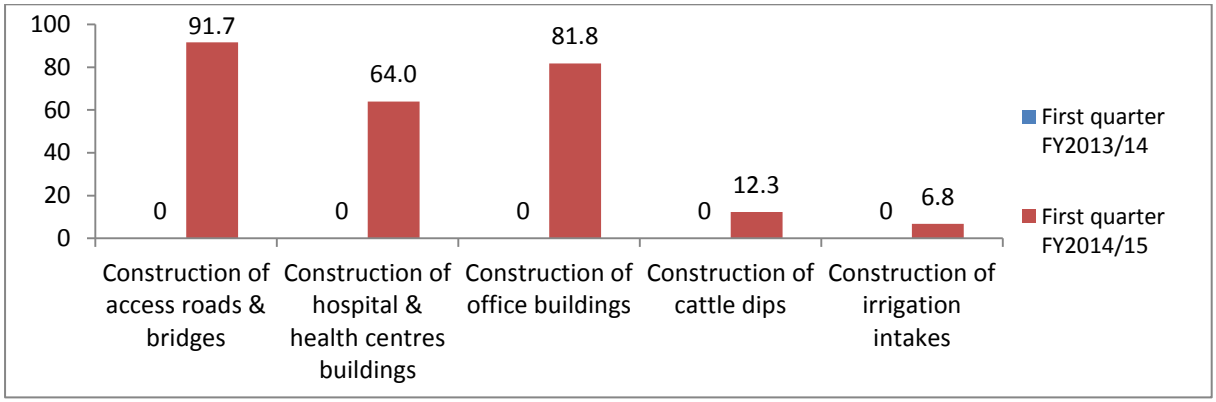
Figure 179: Operations and Maintenance Expenditure, West Pokot County



Source: *West Pokot County Treasury*

The development expenditure for the first quarter of FY 2014/15 was Kshs.278.52 million, an improvement from the first quarter of FY 2013/14 where there was no development expenditure. Analysis of the development expenditure for the period under review shows that the County spent Kshs.91.7 million on development and maintenance of access roads and bridges, Kshs.81.7 million on construction and refurbishment of buildings, Kshs.6.79 million on maintenance and construction of water supplies and irrigation, Kshs.12.33 million on construction of cattle dips and Kshs.64.0 million on construction of buildings for hospitals and health centres (see **Figure 180**).

Figure 180 : Analysis of Development Expenditure, West Pokot County



Source: *West Pokot County Treasury*

During the period under review, the office noted that the County has instituted measures to address challenges that were reported in previous CBIRRs which included; failure to prepare procurement plans in time, and inadequate staff capacity. The County has since recruited staff to fill staffing gaps in the finance and procurement functions. In addition, procurement plans have now been developed.

However, during monitoring of budget implementation, the office noted the following issues that need to be addressed:

1. The County is yet to enact the primary Revenue Bills that anchor the Finance Bill.
2. High wage bill where personal emoluments accounted for 46 per cent and 78 per cent of the total expenditure and total recurrent expenditure respectively.
3. The County is yet to operationalize the IFMIS e-procurement module.

In order to improve budget execution, the County should implement the following recommendations:

1. *Fast track enactment of all revenue bills to facilitate smooth revenue collection.*
2. *Institute mechanisms to address the escalating wage bill.*
3. *The County should operationalize the IFMIS e-procurement module.*

4.0 KEY CHALLENGES AND RECOMMENDATIONS

The first quarter of FY 2014/15 witnessed a slight improvement in budget implementation compared to a similar period in FY 2013/14. Total expenditure stood at Kshs.44.24 billion compared to Kshs.13.33 billion recorded in the same period in FY 2013/14.

Despite the increased level of spending, a number of challenges were observed during monitoring of budget execution in the period under review. Some of these challenges have been highlighted in the previous CBIRRs. Recommendations to the identified challenges are highlighted below;

4.1 Lack of Internal Audit Arrangements

OCOB has continued to observe that some counties are yet to establish an internal audit function.

Internal Audit provides independent and objective assurance designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic and disciplined approach to evaluate, and improve the effectiveness of risk management, control, and governance processes.

All county governments should ensure compliance with Section 155 of the PFM Act, 2012 which provides for the establishment of an internal audit function.

4.2 Lapses in Financial Controls by the County Treasury

The county government responsibilities with respect to management and control of public funds are set out in Section 104 of the PFM Act, 2012. Specific responsibilities and powers of the County Treasury are provided in section 107 of the PFM Act, 2012.

During the period under review, OCOB observed that some county entities spent more than the amounts issued to them through the exchequer, which points to lapses in financial controls. In addition, instances were noted where County Treasuries diverted funds approved for development activities to recurrent expenditures and vice versa, against the provisions of Section 154 of the PFM Act, 2012.

The County Treasuries should strengthen financial controls in management of public funds as stipulated in section 104 of the PFM Act, 2012. Departmental requisitions submitted to the

County Treasuries should be supported by the approved work plans to minimise instances of under/over absorption of funds.

4.3 Delayed disbursement of funds by the National Government due to delayed enactment of the County Allocation of Revenue Act, 2014

The National Government allocated Kshs.226.66 billion to Counties as the national equitable share of revenue. It was expected that by the end of the first quarter; about 25 per cent of the funds (Kshs.56.66 billion) should have been disbursed to the Counties. During the period under review, the National Treasury disbursed Kshs. 37.88 billion to counties which is 16.71 per cent of the approved national equitable share of revenue.

The delay in disbursement of funds was occasioned by the delay in enacting the County Allocation of Revenue Act, 2014 by Parliament. Similar delay was also witnessed in FY 2013/14. It is recommended that Parliament should enact legislations relating to budget execution on time to allow for timely disbursement of funds by the National Treasury to the Counties.

4.4 Non-adoption of IFMIS by some County Assemblies

OCOB observed that the operations of County Assemblies have largely remained manual as witnessed in prior CBIRRs. A number of County Assemblies are yet to fully adopt IFMIS in their financial operations despite most County Assembly staff having been trained and the necessary infrastructure provided.

The non-adoption of IFMIS by County Assemblies is contrary to Section 12 (1) (e) of the PFM Act, 2012. Failure to adopt IFMIS will limit transparency in financial management and standard financial reporting as contemplated by Article 226 of the Constitution.

The County Assemblies should fast track the adoption of IFMIS and the GPAY.

4.5 Use of Local Revenue at Source

During the period under review, three counties reported higher expenditure than the amounts approved by the COB. This implied that the Counties did not deposit all local revenue into the CRF as required by Article 207 of the Constitution, but instead spent the funds at source.

Counties should ensure that all locally generated revenue is deposited into the CRF.

5.0 CONCLUSION

It is now one and a half years since counties became operational. This report looks at budget implementation by counties in the first quarter of FY 2014/15. It observes that much progress has been made in the implementation of county government budgets. The absorption of both recurrent and development expenditure in the first quarter of FY 2014/15 has generally improved compared to the same period in FY 2013/14. The period under review was characterized by most counties adopting the recommendations that were made by the OCOB in prior CBIRRs such as the implementation of the IFMIS system, capacity building, and recruitment of more county staff. However, a few counties are yet to implement these recommendations.

In the first quarter of FY2014/15 counties spent a total of **Kshs. 44.24 billion** compared to **Kshs. 13.33 billion** in the first quarter of FY 2013/14. The absorption rate of development funds has improved from **0.3 per cent** reported in the first quarter of last financial year to **8.4 per cent** in the period under review. The increase in absorption of funds in development is attributed to improved uptake of development activities by counties especially in construction of roads, water supply and sewerage, construction of offices, construction of ECD class rooms, dispensaries, street lighting, scholarships and bursaries among other activities.

Local revenue generation has also shown slight improvement from Kshs.4.35 billion in a similar period in FY 2013/14 to Kshs.6.25 billion in the period under review. Despite this progress, counties are yet to realize their full potential in revenue collection, which is still below the set targets. Underperformance in local revenue collection has featured prominently in previous CBIRRs.

Counties are still faced with a number of challenges such as: use of local revenue at source, lack of effective internal audit functions, delays in release of funds by the National Treasury, and failure to adopt IFMIS especially by County Assemblies. It is our hope that by highlighting these challenges, county governments will take appropriate corrective action.

ANNEXURES

Annex 1: Funds Available to the Counties in the period July to September, 2014

County Title	National Equitable Share of Revenue (Kshs)	Funds Advanced to Counties by the National Treasury (Kshs)	Local Revenue (Kshs)	Opening Balance (Kshs)	Total Funds Available (Kshs)	Funds Approved for withdrawal by OCOB for operations (Kshs)
	A	B	C	D	E=A+B+C+D	F
Baringo	-	484,363,977	102,050,999	784,166,119	1,370,581,095	782,512,741
Bomet	371,077,584	515,385,532	36,431,865	151,967,026	1,074,862,007	1,069,729,752
Bungoma	-	837,208,027	74,863,857	1,867,779,262	2,779,851,146	1,346,131,575
Busia	-	593,355,962	72,793,677	556,772,387	1,222,922,026	830,000,000
Elgeyo/Marakwet	-	356,690,735	24,980,613	959,925,950	1,341,597,298	934,945,337
Embu	-	437,226,962	61,026,110	690,597,709	1,188,850,781	891,738,009
Garissa	-	640,733,605	26,077,833	1,817,006,388	2,483,817,826	1,840,940,388
Homa Bay	442,508,716	614,595,439	31,889,274	19,771,927	1,108,765,356	1,072,000,000
Isiolo	-	333,432,115	49,903,138	319,973,583	703,308,836	380,000,000
Kajiado	-	481,206,821	112,293,534	968,900,908	1,562,401,263	872,967,988
Kakamega	720,161,679	992,200,366	144,832,562	1,675,926,000	3,533,120,607	2,355,818,366
Kericho	352,356,413	489,383,908	67,326,982	183,647,407	1,092,714,710	984,000,000
Kiambu	594,826,706	822,731,695	371,831,803	389,866,834	2,179,257,038	1,922,251,166
Kilifi	-	811,535,522	102,830,781	1,099,393,861	2,013,760,164	2,712,180,182
Kirinyaga	-	385,855,986	32,964,000	596,187,075	1,015,007,061	620,060,000
Kisii	565,393,109	782,026,496	64,732,629	527,123,474	1,939,275,708	1,352,345,500

County Title	National Equitable Share of Revenue (Kshs)	Funds Advanced to Counties by the National Treasury (Kshs)	Local Revenue (Kshs)	Opening Balance (Kshs)	Total Funds Available (Kshs)	Funds Approved for withdrawal by OCOB for operations (Kshs)
	A	B	C	D	E=A+B+C+D	F
Kisumu	-	644,484,468	164,255,478	614,294,823	1,423,034,769	1,799,438,927
Kitui	-	792,562,319	72,108,100	2,219,646,319	3,084,316,738	1,552,663,335
Kwale	-	559,068,045	56,618,666	903,298,338	1,518,985,049	1,576,763,254
Laikipia	270,872,779	376,212,193	51,378,961	303,485,465	1,001,949,398	626,172,348
Lamu	-	223,740,445	5,153,404	144,342,137	373,235,986	689,121,790
Machakos	547,213,128	753,916,190	353,464,417	15,533,013	1,670,126,748	1,649,816,898
Makueni	-	651,109,100	51,802,993	1,328,122,172	2,031,034,265	1,324,279,716
Mandera	-	976,727,768	19,059,145	3,218,124,479	4,213,911,392	2,626,583,870
Marsabit	-	565,974,025	22,888,544	1,145,212,182	1,734,074,751	1,450,460,000
Meru	-	714,664,422	103,562,016	1,171,589,800	1,989,816,238	1,048,072,315
Migori	458,352,881	636,601,223	86,593,618		1,181,547,722	1,175,000,000
Mombasa	429,125,363	587,856,135	292,627,209	435,485,928	1,745,094,635	1,368,000,000
Murang'a	420,584,212	584,144,739	106,042,993	485,730,120	1,596,502,064	1,108,000,000
Nairobi City	1,020,617,224	1,417,523,923	1,781,747,512	-	4,219,888,659	3,435,178,000
Nakuru	669,177,786	917,053,140	461,938,285	1,071,739,088	3,119,908,299	1,988,739,098
Nandi	373,392,000	518,600,000	43,479,188	730,000,000	1,665,471,188	1,263,429,086
Narok	-	576,717,506	509,059,690	356,096,966	1,441,874,162	1,887,960,000
Nyamira	-	453,136,938	23,244,966	607,000,000	1,083,381,904	1,015,404,741

County Title	National Equitable Share of Revenue (Kshs)	Funds Advanced to Counties by the National Treasury (Kshs)	Local Revenue (Kshs)	Opening Balance (Kshs)	Total Funds Available (Kshs)	Funds Approved for withdrawal by OCOB for operations (Kshs)
	A	B	C	D	E=A+B+C+D	F
Nyandarua	-	469,787,065	26,876,169	469,787,065	966,450,299	869,918,832
Nyeri	-	505,063,728	89,680,222	450,971,689	1,045,715,639	1,042,417,670
Samburu	278,897,088	387,357,067	77,646,160	608,634,779	1,352,535,094	989,900,000
Siaya	-	544,751,651	36,095,500	1,219,626,285	1,800,473,436	701,800,000
Taita/Taveta	259,871,033	360,931,991	74,342,799	379,015,694	1,074,161,517	837,168,110
Tana River	-	434,516,589	5,331,796	1,400,000,000	1,839,848,385	1,140,000,000
Tharaka -Nithi	246,362,643	342,170,338	30,794,708	251,678,405	871,006,094	423,363,715
Trans Nzoia	400,489,328	556,235,177	34,696,804	429,486,763	1,420,908,072	1,007,486,763
Turkana	-	1,142,916,776	34,258,055	3,572,836,445	4,750,011,276	3,495,274,142
Uasin Gishu	-	566,207,861	195,978,825	1,451,389,626	3,388,196,975	1,633,883,280
Vihiga	304,028,457	422,261,746	23,143,667	573,445,150	1,322,879,020	1,009,000,000
Wajir	-	788,843,781	20,757,750	983,802,551	1,793,404,082	1,427,903,501
West Pokot	338,709,967	470,430,510	22,314,108	103,684,486	935,139,071	758,843,086
Total	**9,064,018,096**	**28,519,500,007**	**6,253,771,405**	**39,253,065,678**	**83,090,355,186**	**62,889,663,481**

*Opening balance in Nyeri County includes Kshs.300 million advanced to the County in the FY 2013/14.

Annex 2: Analysis of FY 2014/15 County Budgets, Funds Released, Expenditure and Absorption Rates (Amounts in Kshs. millions)

County	Gross Estimates			Funds Released			Expenditure			% of Expenditure to Gross Estimates			% of Expenditure to Exchequer Issue		
	Recurrent Estimates	Dev. Estimates	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total
Baringo	2,904.3	2,438.1	5,342.4	589.2	193.3	782.5	573.8	169.3	743.2	19.8%	6.9%	13.9%	97.4%	87.6%	95.0
Bomet	1,900.1	2,700.9	4,601.0	548.4	521.3	1,069.7	532.9	409.6	942.5	28.0%	15.2%	20.5%	97.2%	78.6%	88.1
Bungoma	4,113.4	4,156.5	8,269.8	821.8	524.3	1,346.1	784.0	188.2	972.3	19.1%	4.5%	11.8%	95.4%	35.9%	72.2
Busia	3,087.4	2,409.1	5,496.5	630.0	200.0	830.0	609.2	61.0	670.2	19.7%	2.5%	12.2%	96.7%	30.5%	80.7
Elgeyo/Marakwet	1,902.0	1,386.5	3,288.5	604.0	330.9	934.9	378.5	103.7	482.2	19.9%	7.5%	14.7%	62.7%	31.3%	51.6
Embu	2,811.0	1,204.7	4,015.7	700.9	190.8	891.7	635.2	-	635.2	22.6%	0.0%	15.8%	90.6%	0.0%	71.2
Garissa	3,128.6	4,372.3	7,501.0	559.4	1,281.5	1,840.9	498.6	778.1	1,276.7	15.9%	17.8%	17.0%	89.1%	60.7%	69.3
Homa Bay	3,603.4	1,689.6	5,293.0	795.0	277.0	1,072.0	1,201.2	217.5	1,418.7	33.3%	12.9%	26.8%	151.1%	78.5%	132.3
Isiolo	1,940.8	826.1	2,766.9	330.0	50.0	380.0	285.7	13.4	299.2	14.7%	1.6%	10.8%	86.6%	26.9%	78.7
Kajiado	3,955.1	1,863.7	5,818.8	873.0	-	873.0	551.6	-	551.6	13.9%	0.0%	9.5%	63.2%	-	63.2
Kakamega	5,686.9	4,634.4	10,321.3	1,469.1	886.7	2,355.8	1,091.1	428.4	1,519.5	19.2%	9.2%	14.7%	74.3%	48.3%	64.5
Kericho	3,094.8	1,458.3	4,553.1	763.9	220.1	984.0	634.9	102.9	737.8	20.5%	7.1%	16.2%	83.1%	46.8%	75.0
Kiambu	6,456.8	3,690.8	10,147.6	1,849.3	73.0	1,922.3	1,395.9	62.3	1,458.2	21.6%	1.7%	14.4%	75.5%	85.3%	75.9
Kilifi	4,745.8	3,689.1	8,434.9	1,769.6	942.6	2,712.2	749.0	243.9	992.9	15.8%	6.6%	11.8%	42.3%	25.9%	36.6
Kirinyaga	2,559.5	1,700.1	4,259.6	620.1	-	620.1	480.0	-	480.0	18.8%	0.0%	11.3%	77.4%	-	77.4
Kisii	4,731.4	2,561.9	7,293.3	993.8	358.5	1,352.3	663.0	183.8	846.7	14.0%	7.2%	11.6%	66.7%	51.3%	62.6
Kisumu	5,650.0	5,780.8	11,430.8	1,299.4	500.0	1,799.4	366.9	125.6	492.5	6.5%	2.2%	4.3%	28.2%	25.1%	27.4
Kitui	3,091.3	4,601.9	7,693.1	1,114.1	438.6	1,552.7	637.2	170.9	808.1	20.6%	3.7%	10.5%	57.2%	39.0%	52.0
Kwale	2,738.7	2,923.1	5,661.9	883.0	693.8	1,576.8	443.3	294.2	737.4	16.2%	10.1%	13.0%	50.2%	42.4%	46.8
Laikipia	2,345.0	1,005.0	3,350.0	603.2	23.0	626.2	476.4	7.9	484.3	20.3%	0.8%	14.5%	79.0%	34.3%	77.3

County	Gross Estimates			Funds Released			Expenditure			% of Expenditure to Gross Estimates			% of Expenditure to Exchequer Issue		
	Recurrent Estimates	Dev. Estimates	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total
Lamu	1,252.0	691.3	1,943.3	360.0	329.1	689.1	119.6	58.2	177.9	9.6%	8.4%	9.2%	33.2%	17.7%	25.8
Machakos	4,950.2	4,599.4	9,549.6	1,120.0	529.8	1,649.8	1,118.2	526.6	1,644.8	22.6%	11.4%	17.2%	99.8%	99.4%	99.7
Makueni	3,591.2	2,012.4	5,603.5	593.7	730.6	1,324.3	643.0	284.6	927.6	17.9%	14.1%	16.6%	108.3%	38.9%	70.0
Mandera	4,604.5	6,962.8	11,567.3	1,277.8	1,348.8	2,626.6	1,388.4	1,270.6	2,659.0	30.2%	18.2%	23.0%	108.7%	94.2%	101.2
Marsabit	3,568.8	2,088.2	5,656.9	638.5	812.0	1,450.5	250.1	384.6	634.7	7.0%	18.4%	11.2%	39.2%	47.4%	43.8
Meru	3,860.7	2,339.3	6,200.0	798.1	250.0	1,048.1	769.8	222.7	992.5	19.9%	9.5%	16.0%	96.5%	89.1%	94.7
Migori	2,930.1	2,339.4	5,269.6	615.0	560.0	1,175.0	531.3	238.6	769.9	18.1%	10.2%	14.6%	86.4%	42.6%	65.5
Mombasa	8,142.7	4,226.8	12,369.5	1,233.0	135.0	1,368.0	911.0	36.9	947.9	11.2%	0.9%	7.7%	73.9%	27.3%	69.3
Murang'a	3,136.9	3,520.6	6,657.5	616.0	492.0	1,108.0	664.8	396.5	1,061.3	21.2%	11.3%	15.9%	107.9%	80.6%	95.8
Nairobi City	19,349.4	9,413.2	28,762.6	3,435.2	-	3,435.2	4,382.9	276.8	4,659.7	22.7%	2.9%	16.2%	127.6%	-	135.6
Nakuru	7,050.4	3,566.1	10,616.5	1,544.8	443.9	1,988.7	1,600.0	328.0	1,928.0	22.7%	9.2%	18.2%	103.6%	73.9%	96.9
Nandi	2,782.2	2,408.2	5,190.3	766.8	496.7	1,263.4	562.3	385.4	947.6	20.2%	16.0%	18.3%	73.3%	77.6%	75.0
Narok	4,481.0	4,094.9	8,575.8	1,156.0	732.0	1,888.0	777.7	526.1	1,303.8	17.4%	12.8%	15.2%	67.3%	71.9%	69.1
Nyamira	2,641.9	1,118.1	3,760.0	633.4	382.0	1,015.4	396.7	128.3	525.0	15.0%	11.5%	14.0%	62.6%	33.6%	51.7
Nyandarua	2,435.8	1,266.1	3,702.0	675.9	194.0	869.9	352.7	35.4	388.0	14.5%	2.8%	10.5%	52.2%	18.2%	44.6
Nyeri	1,951.7	388.2	2,339.9	842.4	200.0	1,042.4	473.8	-	473.8	24.3%	0.0%	20.2%	56.2%	0.0%	45.4
Samburu	2,065.1	1,374.5	3,439.6	689.9	300.0	989.9	225.5	312.1	537.6	10.9%	22.7%	15.6%	32.7%	104.0%	54.3
Siaya	3,208.5	1,393.0	4,601.5	701.8	-	701.8	439.9	-	439.9	13.7%	0.0%	9.6%	62.7%	-	62.7
Taita/Taveta	2,457.2	1,363.3	3,820.5	657.4	179.8	837.2	497.2	63.6	560.8	20.2%	4.7%	14.7%	75.6%	35.4%	67.0
Tana River	1,803.3	1,788.2	3,591.5	340.0	800.0	1,140.0	356.5	336.3	692.8	19.8%	18.8%	19.3%	104.8%	42.0%	60.8
Tharaka -Nithi	1,830.9	1,887.6	3,718.5	423.4	-	423.4	352.8	-	352.8	19.3%	0.0%	9.5%	83.3%	-	83.3
Trans Nzoia	2,696.0	2,324.9	5,020.8	676.3	331.2	1,007.5	725.5	270.7	996.2	26.9%	11.6%	19.8%	107.3%	81.7%	98.9
Turkana	4,046.4	8,948.4	12,994.8	1,495.3	2,000.0	3,495.3	544.9	552.1	1,097.0	13.5%	6.2%	8.4%	36.4%	27.6%	31.4
Uasin Gishu	3,742.8	2,098.1	5,841.0	823.4	810.5	1,633.9	767.2	80.7	847.8	20.5%	3.8%	14.5%	93.2%	10.0%	51.9
Vihiga										11.0%	20.4%	14.5%	38.9%	77.8%	52.7

County	Gross Estimates			Funds Released			Expenditure			% of Expenditure to Gross Estimates			% of Expenditure to Exchequer Issue		
	Recurrent Estimates	Dev. Estimates	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total
	2,310.7	1,367.0	3,677.7	650.2	358.8	1,009.0	253.1	279.0	532.2						
Wajir	2,896.4	4,365.5	7,261.9	787.4	640.5	1,427.9	348.0	577.6	925.6	12.0%	13.2%	12.7%	44.2%	90.2%	64.8
West Pokot	2,259.8	1,519.6	3,779.4	393.8	365.0	758.8	392.5	278.5	671.0	17.4%	18.3%	17.8%	99.7%	76.3%	88.4
Total	**176,492.8**	**134,557.9**	**311,050.7**	**41,762.3**	**21,127.3**	**62,889.7**	**32,833.5**	**11,410.7**	**44,244.2**	**18.6%**	**8.5%**	**14.2%**	**78.6%**	**54.0%**	**70.4**