



REPUBLIC OF KENYA

COUNTY GOVERNMENT OF KITUI

BUDGET IMPLEMENTATION REPORT

Quarter 3

FY 2014/ 2015

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1.0 INTRODUCTION

This Budget implementation report is prepared in conformity with Article 228(6) of the Constitution of Kenya, 2010 and section 39(8) of the Public Finance Management Act, 2012's requirement that counties report on the implementation progress of their budgets. It covers the period January 2015 to March 2015.

The report presents revenue and expenditure performance by the county. Revenue is disaggregated by source while expenditure is analyzed by economic classification. It also highlights the County government's activities for the period under review and seeks to objectively review budget implementation in the county by highlighting performance of revenues, transfers received from the National Government and actual expenditure. Key issues that affect budget implementation during the financial year are identified and appropriate recommendations made on how the issues can be addressed in order to enhance effectiveness in budget execution.

The county budget was not approved by the Controller of Budget since it did not comply with the Commission on Revenue Allocation ceilings. The county was able to access only 50% of the submitted budget of Kshs. 7,693,137,357 following the court order issued on 1st August, 2014 by Justice Isaac Lenaola.

2.0 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION

The County had a budget of Kshs. 9,357,027,782 which consisted of Kshs. 4,584,690,471 (49%) for recurrent expenditure and Kshs. 4,772,337,311 (51%) for development expenditure.

The table below shows the various components of the budget:

SOURCE	AMOUNT	% OF TOTAL BUDGET
Balance b/f from FY 2013/2014	2,279,504,452	23.82
National Equitable Share	6,340,498,549	66.26
Local Revenue Sources	650,000,000	6.79
Grants	299,716,518	3.13
TOTAL	9,569,719,519	100.00

2.1 Transfers from the National Government

For the third quarter of FY 2014/2015 under review, the County received Kshs. 1,648,529,623 as the national equitable share of revenue disbursed as below:

RELEASE DATE	AMOUNT (KSHS)
14/01/2015	538,942,377
02/02/2015	538,942,377
12/03/2015	570,644,869
Total	1,648,529,623

2.2 Locally Generated Revenue

The revenue collected from local sources amounted to Kshs. 103,565,608 and the monthly collection breakdown is as below:

SOURCE	JAN 2015	FEB 2015	MAR 2015	TOTAL
	KSHS	KSHS	KSHS	KSHS
Ministry of Finance & Economic Planning	20,272,125	18,925,016	14,991,836	54,189,027
Ministry of Agri., Water & Irrigation	934,747	1,527,647	933,290	3,395,684
Office of the Governor	204,000	232,000	68,000	504,000
Ministry of Trade, Industry, Cooperatives & ICT	0	65,466	34,342	99,808
Ministry of LIUD	0	134,500	1,550,787	1,685,287
Ministry of Health & sanitation	7,229,870	7,556,844	13,030,118	27,816,832
Direct Deposits	8,106,321	4,283,952	3,664,197	16,054,470
Receipted Direct Deposits For Previous Period	-179,500	0	0	-179,500
				103,565,608

2.3 Funds Released to the County by the Controller of Budget

The Controller of Budget approved the release of Kshs. 7,098,123,728 broken down into the below expenditure lines:

Expenditure Line	Kshs	%
Recurrent	4,218,579,907	59
Development	2,879,543,821	41
Total	7,098,123,728	100

3.0 EXPENDITURE ANALYSIS

3.1 County Summary

During the period under review, the County spent a total of Kshs. 1,522,590,873 which was 21% of the funds released. The County Executive spent Kshs. 1,392,731,458 while County Assembly spent Kshs. 129,859,415 which represent 91% and 9% respectively. The County spent Kshs. 916,463,011 (60%) on recurrent expenditure and Kshs. 606,127,762 (40%) on development activities.

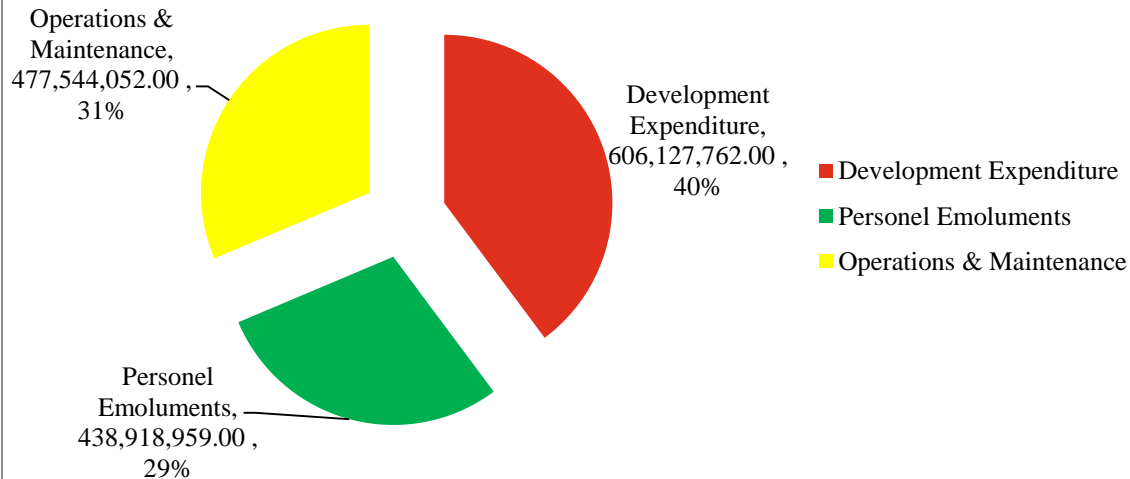
Analysis of recurrent expenditure reveals that the County spent Kshs. 438,918,959 on personnel emoluments translating to 48% of the total recurrent expenditure, while Kshs. 477,544,052 was spent on operations & maintenance accounting for 52%.

The table below analyses expenditure by the various spending entities.

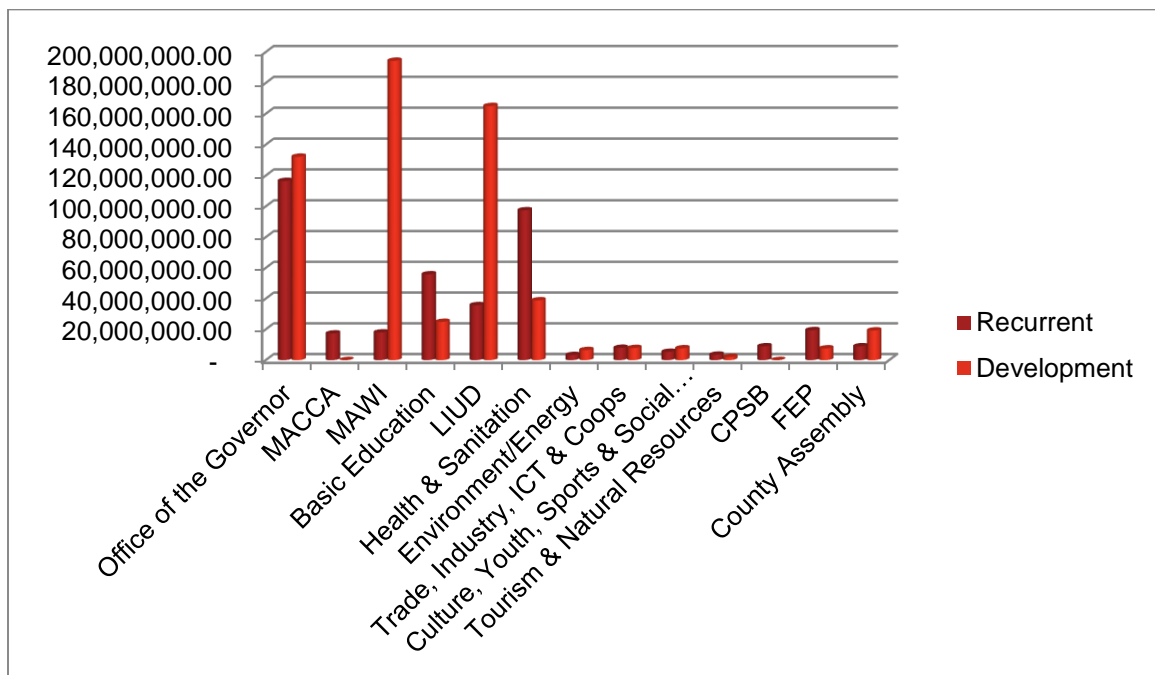
ENTITY	PERSONNEL EMOLUMENTS		OPERATIONS & MAINTENANCE		DEVELOPMENT		TOTAL
	KSHS	%	KSHS	%	KSHS	%	
Office of the Governor	24,230,639	9	116,459,210	43	132,148,857	48	272,838,706
Ministry of Administration & coordination of County Affairs	20,677,383	54	17,296,340	46	0	0	37,973,723
Ministry of Agriculture, Water & Coordination	57,674,968	21	17,965,874	7	194,332,732	72	269,973,674
Ministry of Basic Education, Training & Skills Development	8,739,039	10	55,777,871	62	24,853,732	28	89,370,642

Ministry of Lands, Infrastructure & Urban Development	64,516,910	24	35,723,734	13	165,007,096	63	265,247,740
Ministry of Health & Sanitation	207,676,091	60	97,430,996	28	38,852,385	12	343,959,472
Ministry of Trade, Industry & Cooperatives	9,044,056	48	3,296,439	17	6,504,989	35	18,845,484
Ministry of Culture, Youth, Sports & Social Services	6,743,850	30	7,979,993	35	7,861,875	35	22,585,718
Ministry of Environment, Energy and Mineral Investments Development	3,176,235	20	5,347,469	33	7,653,439	47	16,177,143
Ministry of Tourism & Natural Resources	2,931,410	34	3,500,215	41	2,079,300	25	8,510,925
Ministry of Finance & Economic Planning	5,617,492	17	19,456,746	60	7,583,260	23	32,657,498
County Public Service Board	5,626,474	39	8,964,259	61	0	0	14,590,733
County Assembly	22,264,412	17	88,344,906	68	19,250,097	15	129,859,415
TOTAL	438,918,959	29	477,544,052	31	606,127,762	40	1,522,590,873

County Expenditure by Economic Classification

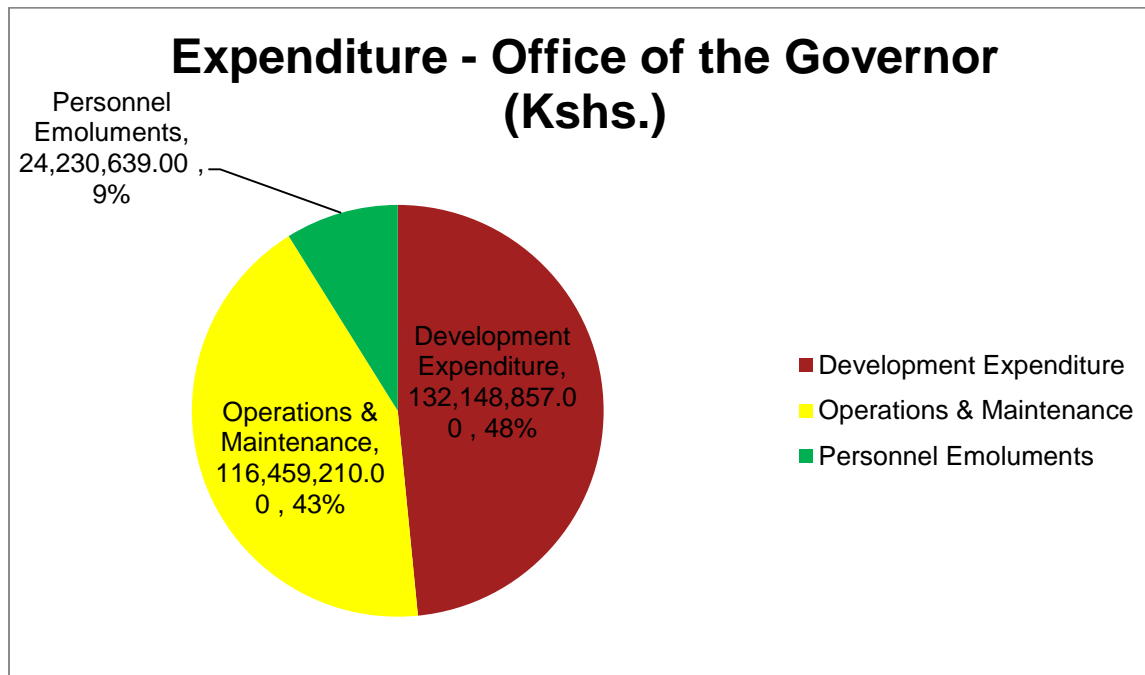


3.2 Expenditure By the Various Spending Entities



3.3 Office of the Governor

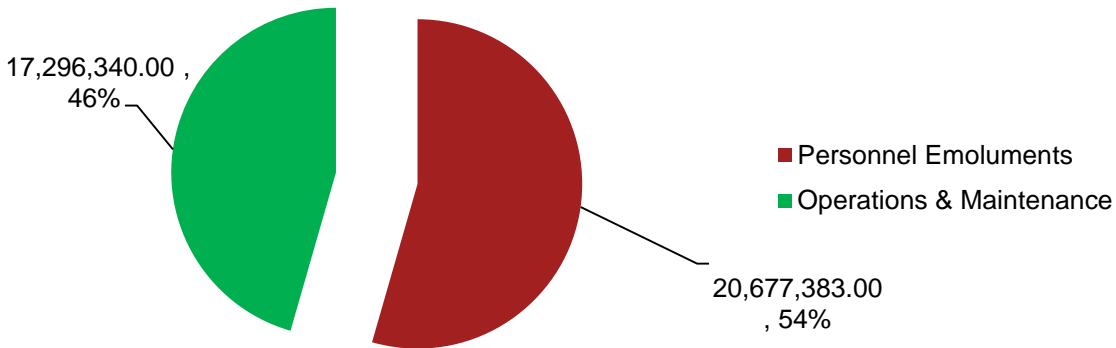
During the period under review, the office of the Governor spent Kshs. 272,838,706. Out of this, Kshs. 132,148,857 (48%) financed development projects, Kshs. 24,230,639 (9%) went to Personnel Emoluments while Kshs. 116,459,210 (43%) was spent on Operations & Maintenance.



3.4 Administration & Coordination of County Affairs

Analysis of the Ministry of Administration and Coordination of County Affairs' expenditure reveals that Kshs. 20,677,383(54%) financed personnel emoluments while Kshs. 17,296,340 (46%) was spent on operations & maintenance. There was development expenditure during this quarter.

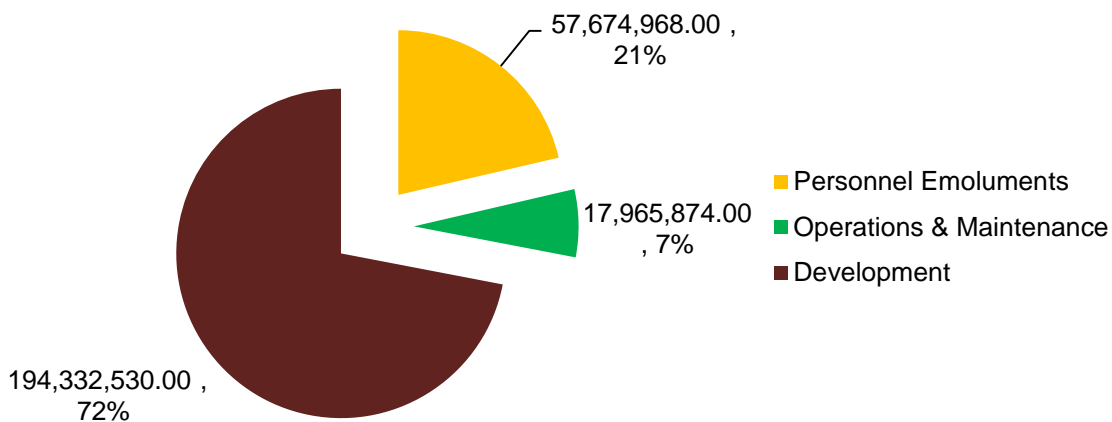
Expenditure by Economic Classification



3.5 Agriculture, Water & Irrigation

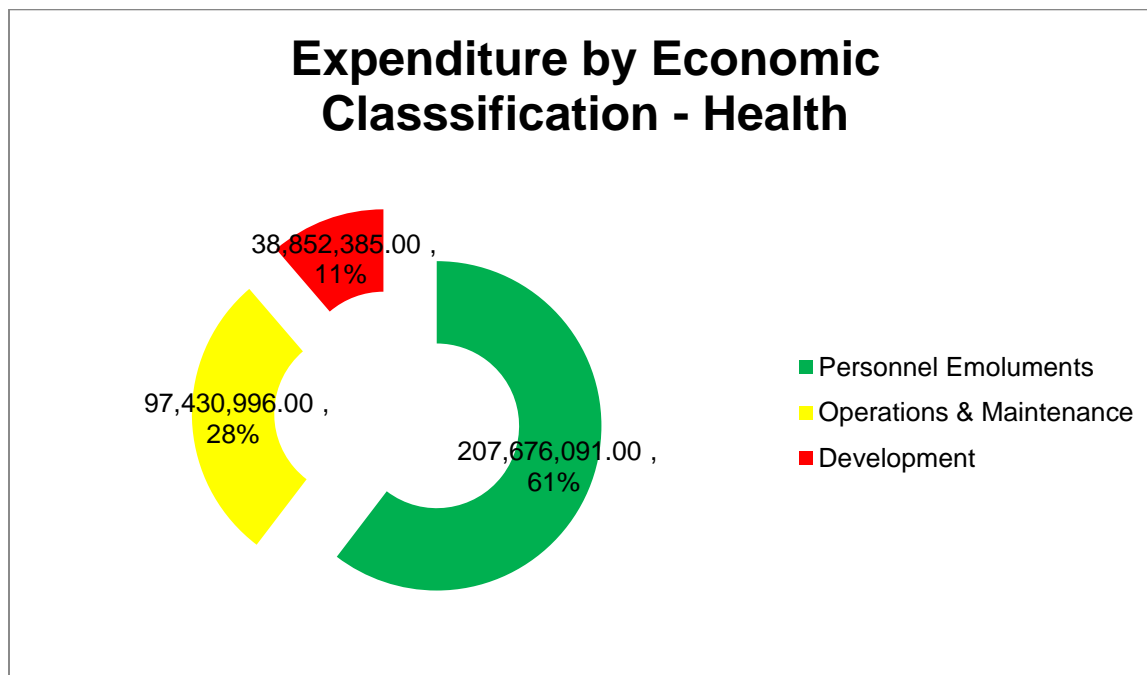
During the period under review, the county ministry of Agriculture, Water and Irrigation spent a total of Kshs. 264,755,416. Out of this, Kshs. 194,332,530 (72%) was spent on development, Kshs. 57,674,968 (21%) on personnel emoluments and Kshs. 17,965,874 (7%) on Operations and Maintenance.

Expenditure By Economic Classification- AWI



3.6 Health and Sanitation

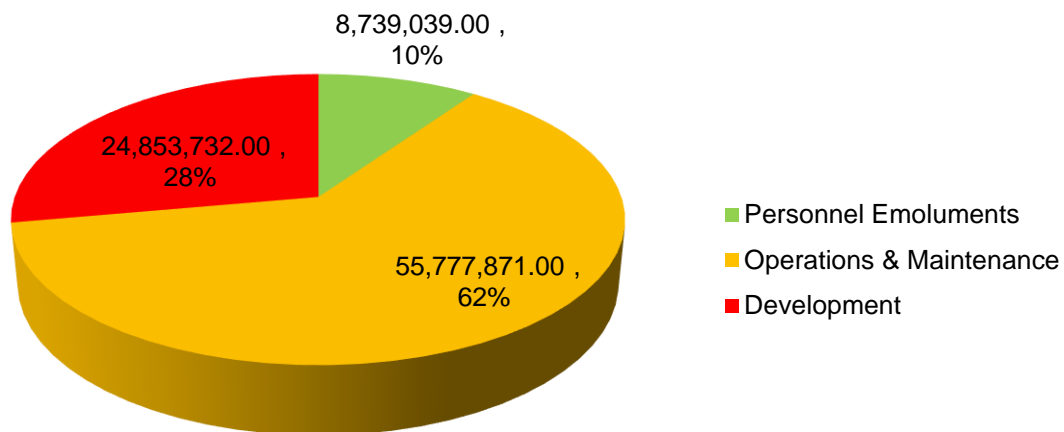
The County Ministry of Health and Sanitation had, in Q3 of 2014/2015, a total expenditure of Kshs. 343,959,472. Out of this Kshs. 38,852,385 (11%) was spent on development activities and Kshs. 305, 107,087 (89%) was recurrent expenditure. Further analysis of the recurrent expenditure reveals that, Kshs. 207,676,091 (68%) went to Personnel emoluments while Kshs. 97,430,996 (32%) went to Operations & Maintenance.



3.7 Basic Education, Training & Skills Development

A total of Kshs. 89,370,642 was spent in Q3 of FY 2014/2015. This was broken into Personnel Emoluments (Kshs. 8,739,039– 10%), Operations & Maintenance (Kshs. 55,777,871- 62%) while development expenditure was Kshs. 24,853,732 (28%).

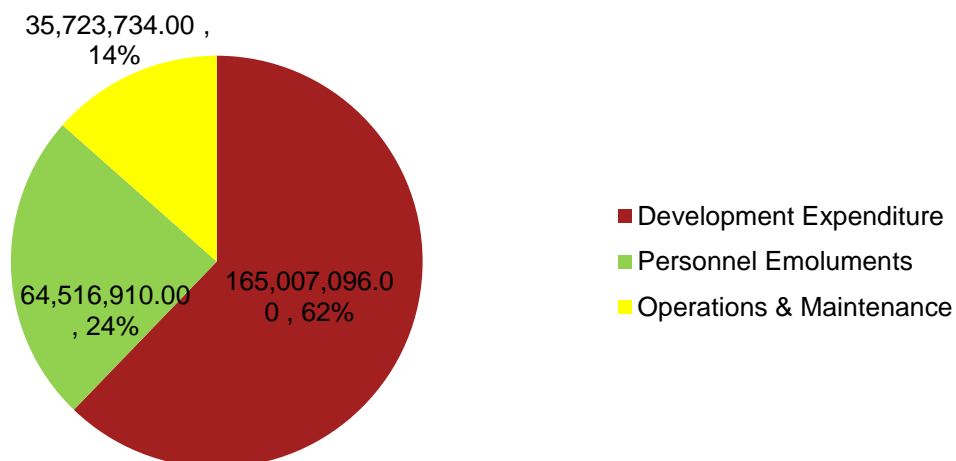
Expenditure by Economic Classification -Basic Education



3.8 Lands Infrastructure & Urban Development

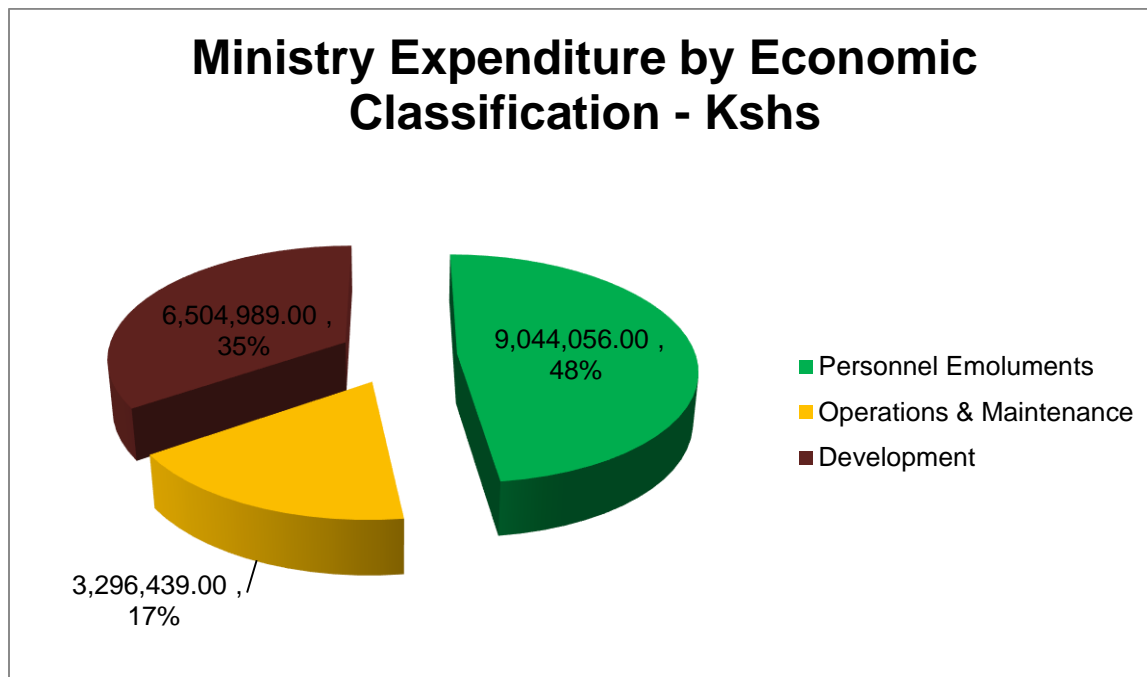
At the Lands, Infrastructure & Urban Development ministry, a total of Kshs. 165,007,096 was spent on development, Kshs. 64,516,910 on personnel emoluments and Kshs. 35,723,734 on Operations and Maintenance. This translated to 62%, 24% and 14% of total ministry expenditure respectively.

Lands, Infrastructure and Urban development - Expenditure



3.9 Trade, Industry, ICT & Cooperative

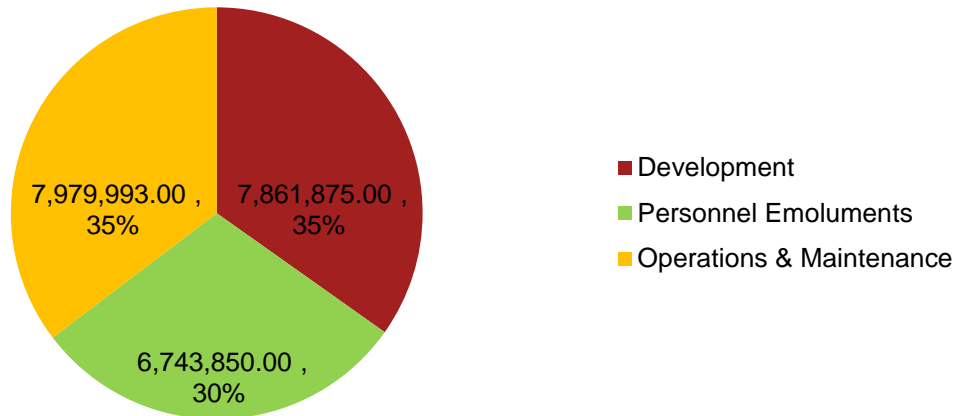
During the period under review, the total expenditure for the County Ministry of Trade, Industry, Cooperatives and ICT was Kshs. 18,845,484. Out of this amount, Kshs. 9,044,056 (48% of total expenditure) went to personnel emoluments, while Kshs. 3,296,439 (17%) to Operations & Maintenance. Development expenditure amounted to Kshs 6,504,989 (35%).



3.10 Youth, Sports, Culture & Social Services

At the Youth, Sports, Culture & Social Services ministry, a total of Kshs. 22,585,718 was spent in the third quarter of FY 2014/2015. The development component of this expenditure was Kshs. 7,861,875 (35%), Kshs. 6,743,850 (30%) was spent on personnel emoluments while Kshs. 7,979,993 (35%) financed operations and maintenance.

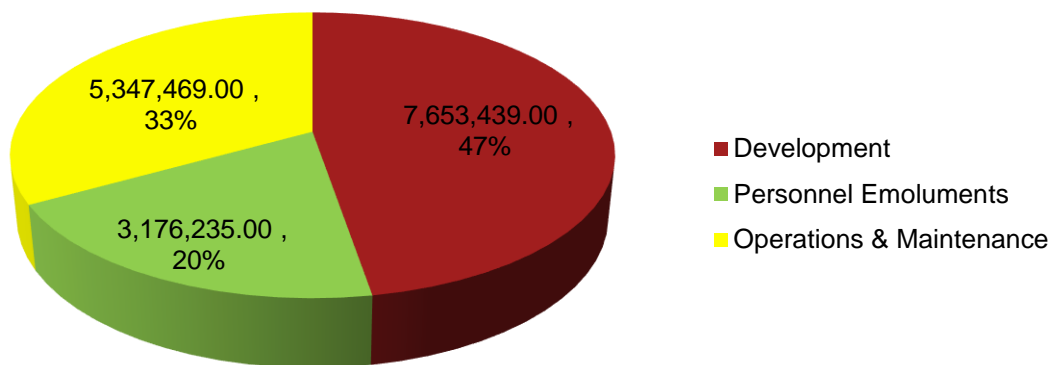
Expenditure By Economic Classification



3.11 Environment, Energy & Mineral Investments Development

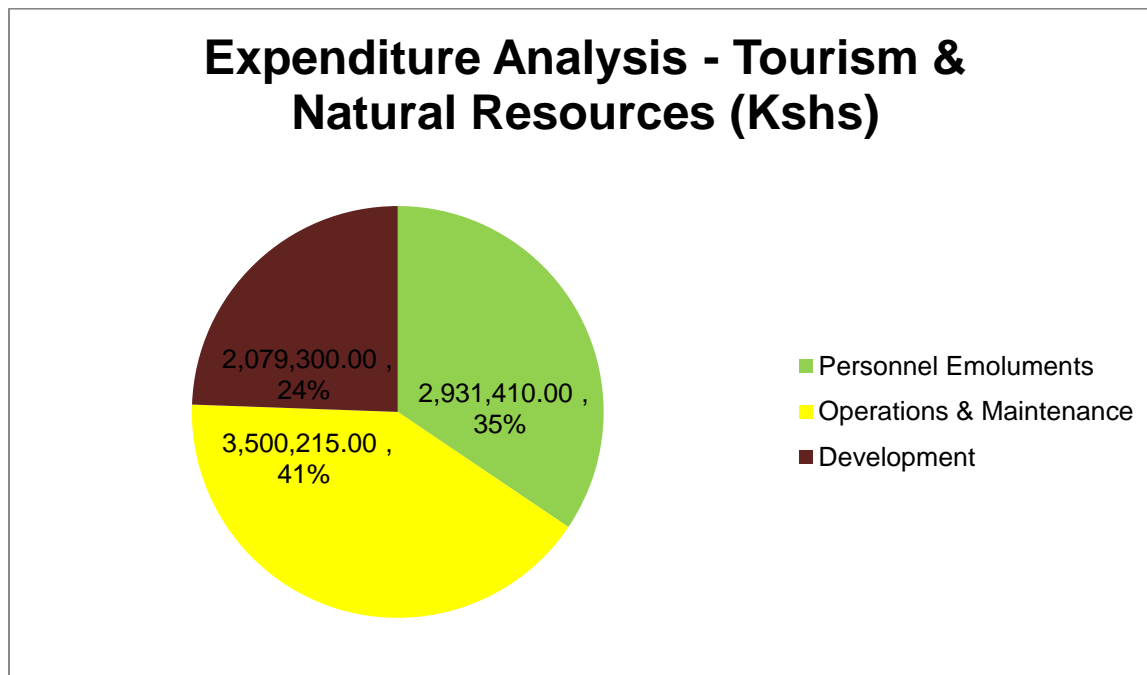
Expenditure analysis at the ministry of Environment, Energy & Mineral Investments Development reveals that a total of Kshs.16, 177,143 was spent in the third quarter of FY 2014/2015. The expenditure was broken down into; Development (Kshs. 7,653,439- 47%), Personnel Emoluments (Kshs.3, 176,235 – 20%) and Operations & Maintenance (Kshs.5, 347,469 – 33%).

Expenditure By Economic Classification - Kshs



3.12 Tourism & Natural Resources

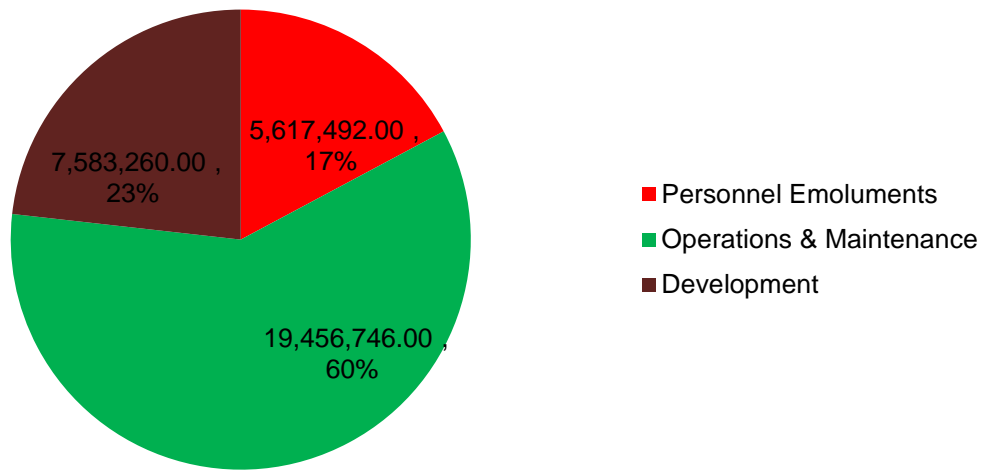
At the Tourism & Natural Resources ministry, Kshs. 2,931,410 (35%) was spent on personnel emoluments, Kshs. 3,500,215 (41%) on operations & maintenance and Kshs. 2,079,300 (24%) on development.



3.13 Finance & Economic Planning

During Q3 of FY 2015/2015, the County Ministry of Finance & Economic Planning spent a total of Kshs.32, 657,498. This expenditure was broken down into; personnel emoluments (Kshs. 5,617,492- 17%) , operations & maintenance (Kshs. 19,456,746- 60%) while development expenditure amounted to Kshs. 7,583,260 (23%)

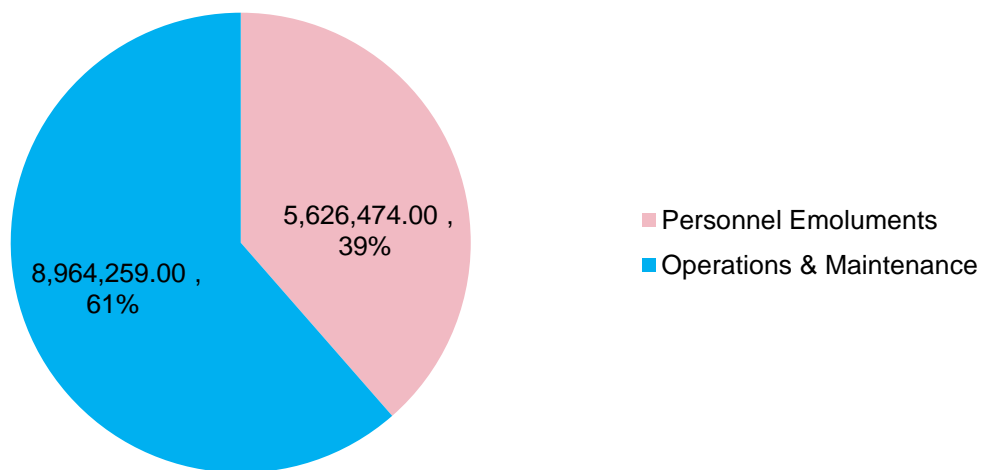
Expenditure Analysis- FEP)



3.14 The County Public Service Board

The County Public Service Board did not undertake any development projects. An analysis of the recurrent expenditure reveals that Kshs. 5,626,474 (39% of expenditure) was spent on Personnel Emoluments while Kshs.8, 964,259 (61%) was spent on Operations & Maintenance.

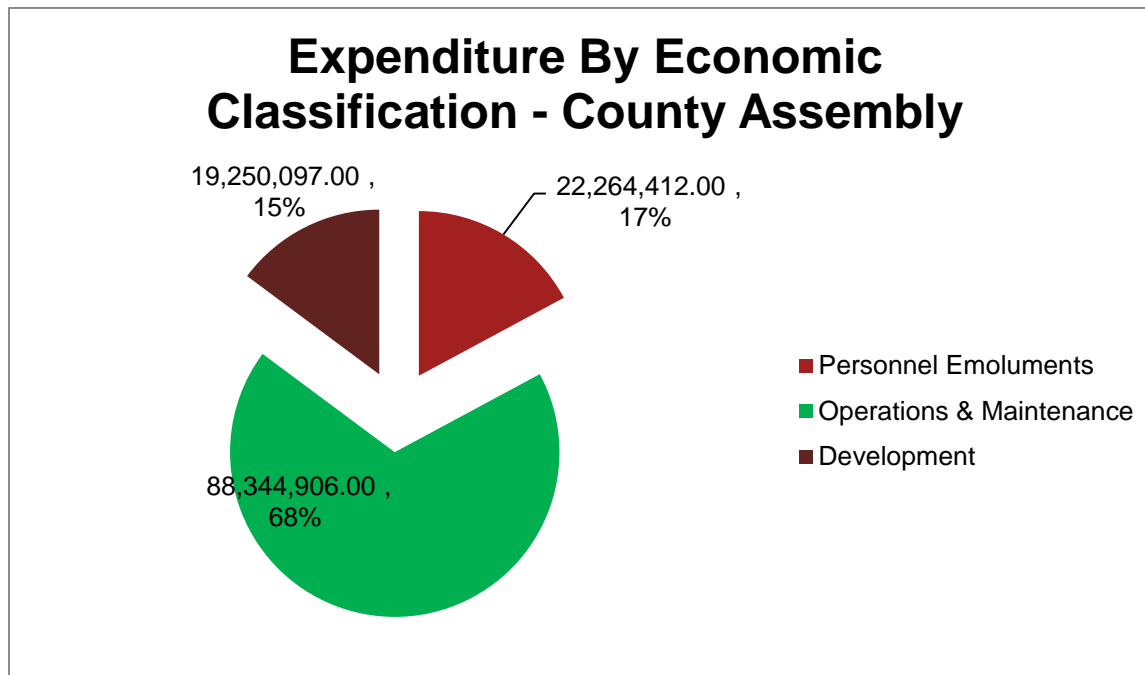
Recurrent Expenditure- CPSB



3.15 The County Assembly

During Q3 of FY 2014/2015, the Kitui County Assembly incurred a total expenditure of Kshs. 129,859,415. The amount spent on personnel emoluments was Kshs. 22,264,412 (17% of total expenditure), that spent on operations & maintenance was Kshs. 88,344,906 (68%).

Development expenditure amounted to Kshs. 19,250,097 (15%)



4.0 CHALLENGES

The county experienced several challenges/issues that affected budget implementation during Q3 of FY 2014/2015. These are:

1. Low local revenue collection. The county collected Kshs. 103,565,808 compared to the expected of Kshs. 162,500,000. This underperformance of revenue collection affected the implementation of planned activities.
2. Inadequate physical infrastructure /office space to accommodate staff. This adversely affected delivery of services to the public.
3. Delays in preparation and submission of departmental procurement plans by departments to the County Treasury. This delayed the requisition of funds for the implementation of County programmes and ultimately led to the low absorption of funds.
4. Failure to fully implement the IFMIS and GPAY systems and the use of manual revenue collection systems.

5. Inadequate preparation of procurement plans and work plans delayed the procurement processes particularly for development expenditure.

5.0 RECOMMENDATIONS

1. Develop an efficient local revenue collection and enforcement mechanism to enhance revenue collection in line with the County finance Act.
2. Fast-track the refurbishment and/or construction of building to provide adequate working space for county staff.
3. All departments should link their procurement plans to cash flow projections in order to facilitate project implementation and absorption of development expenditure.
Procurement processes by all departments should be completed before funds are released from the exchequer.
4. Ensure IFMIS is fully operationalized for all financial transactions. The approved budget should be uploaded into the system to facilitate effective budget monitoring.
5. Ensure all the required plans are prepared in time as required by the PFM Act, 2012 to enable smooth implementation of the budget.