



REPUBLIC OF KENYA

COUNTY GOVERNMENT OF KITUI

BUDGET IMPLEMENTATION REPORT

Quarter 2

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 October 2014 to December 2014.

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 second quarter of FY 2014/2015 under review, the County received Kshs. 1,046,182,260 as the national equitable share of revenue disbursed as below:

RELEASE DATE	AMOUNT (KSHS)
23/10/2014	570,644,869
25/11/2014	475,537,391
TOTAL	1,046,182,260

2.2 Locally Generated Revenue

The revenue collected from local sources amounted to Kshs. 83,944,517 and the monthly collection breakdown is as below:

SOURCE	OCT 2014	NOV 2014	DEC 2014	TOTAL
	KSHS	KSHS	KSHS	KSHS
Ministry of Finance & Economic Planning	19,180,949	15,486,584	14,025,553	48,693,086
Ministry of Agri., Water & Irrigation	850,255	1,113,705	174,085	2,138,045
Ministry of Energy, Environment & Mineral Investments Dev	9,900	0	0	9,900
Office of the Governor	934,000	246,000	195,000	1,375,000
Ministry of Trade, Industry, Cooperatives & ICT	24,220	0	0	24,220
Ministry of Tourism & Natural Resources	10,000	130,900	0	140,900
Ministry of LIUD	0	211,360	0	211,360
Ministry of Health &	7,763,498	6,298,990	6,413,472	20,475,960

sanitation				
Direct Deposits	1,634,889	1,502,212	8,059,795	11,196,896
Receipted Direct Deposits For Previous Period	0	-320,850	0	-320,850
				83,944,517

- i) There was Kshs. 89,034,399 brought forward from the previous quarter
- ii) The County received Kshs. 8,652,500 as part of the DANIDA HSSF grant.

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. 1,727,143,418 which was 24% of the funds released. The County Executive spent Kshs. 1,506,064,086 while County Assembly spent Kshs. 221,079,330 which represent 87% and 13% respectively. The County spent Kshs. 959,745,293 (56%) on recurrent expenditure and Kshs. 767,398,125 (44%) on development activities.

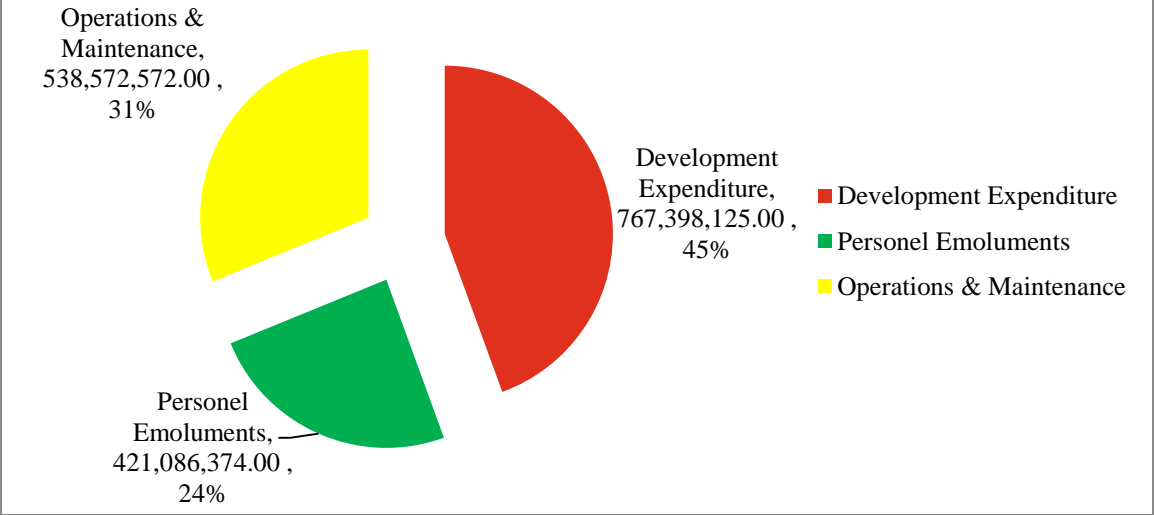
Analysis of recurrent expenditure reveals that the County spent Kshs. 421,086,374 on personnel emoluments translating to 44% of the total recurrent expenditure, while Kshs. 538,572,572 was spent on operations & maintenance accounting for 56%.

The table below analyses expenditure by the various spending entities.

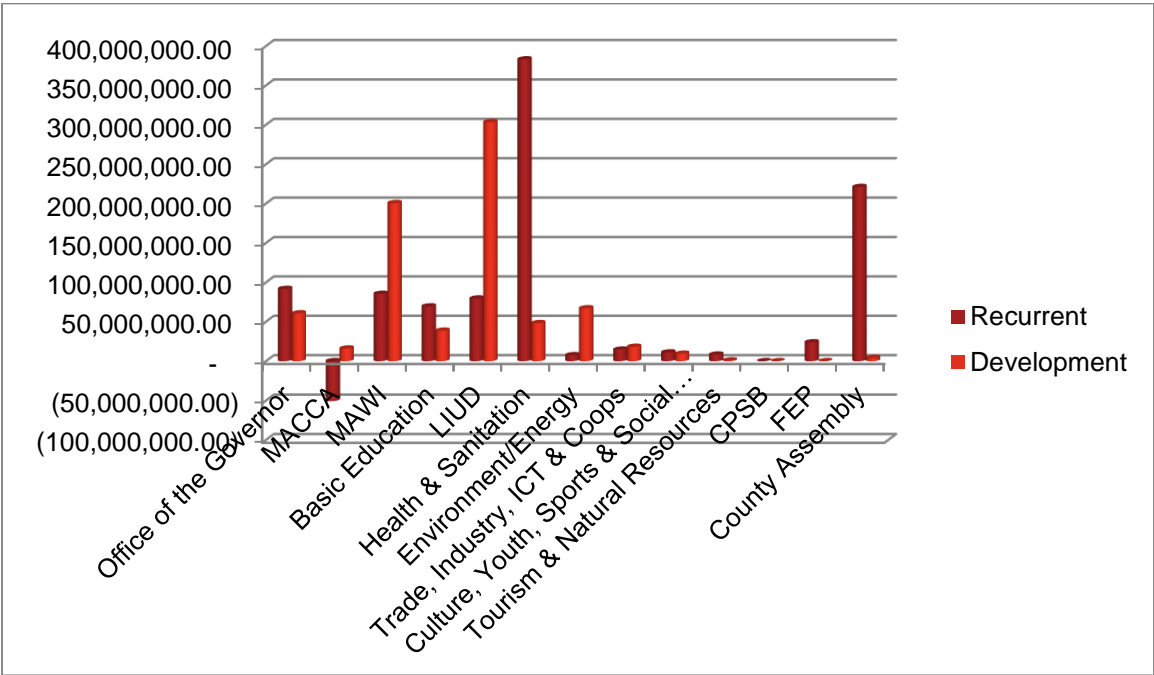
ENTITY	PERSONNEL EMOLUMENTS		OPERATIONS & MAINTENANCE		DEVELOPMENT		TOTAL
	KSHS	%	KSHS	%	KSHS	%	
Office of the Governor	33,744,074	22	57,879,920	38	60,661,363	40	152,285,357

Ministry of Administration & coordination of County Affairs	-71,024,313	0	20,490,494	56	16,002,250	44	-34,531,569
Ministry of Agriculture, Water & Coordination	73,725,649	26	11,699,609	4	200,591,656	70	286,016,914
Ministry of Basic Education, Training & Skills Development	3,931,457	4	65,519,157	61	38,678,483	35	108,129,097
Ministry of Lands, Infrastructure & Urban Development	54,252,461	14	25,300,480	6	303,400,904	70	382,953,845
Ministry of Health & Sanitation	265,126,223	61	117,913,271	27	48,275,926	18	431,315,420
Ministry of Trade, Industry & Cooperatives	12,336,232	38	2,318,498	7	18,206,997	55	32,861,727
Ministry of Culture, Youth, Sports & Social Services	8,163,945	40	2,933,731	14	9,449,118	46	20,546,794
Ministry of Environment, Energy and Mineral Investments Development	4,288,782	6	3,259,005	4	67,055,382	90	74,603,169
Ministry of Tourism & Natural Resources	3,831,653	41	4,512,763	49	933,640	90	9,278,101
Ministry of Finance & Economic Planning	7,315,814	92	650,213	8	0	0	7,966,027
County Public Service Board	9,312,793	64	5,251,999	36	0	0	14,564,792
County Assembly	16,081,604	7	220,843,432	93	4,142,406	0	241,067,542
TOTAL	421,086,374	24	538,572,572	31	767,398,125	45	1,727,057,071

County Expenditure by Economic Classification

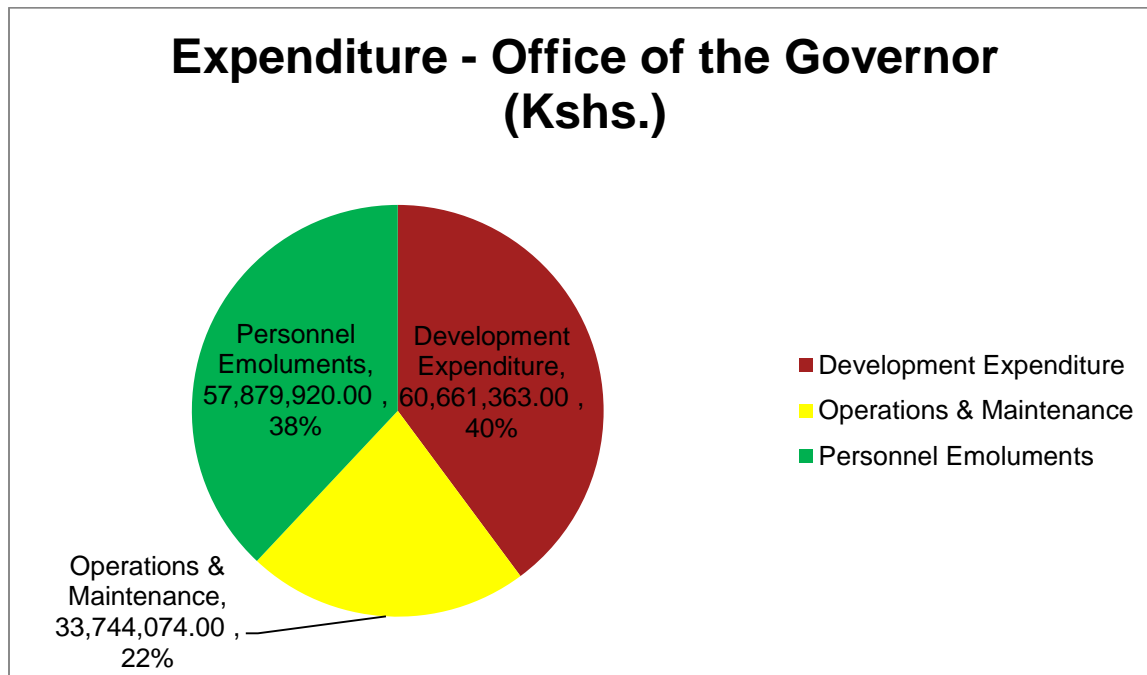


3.2 Expenditure By the Various Spending Entities



3.3 Office of the Governor

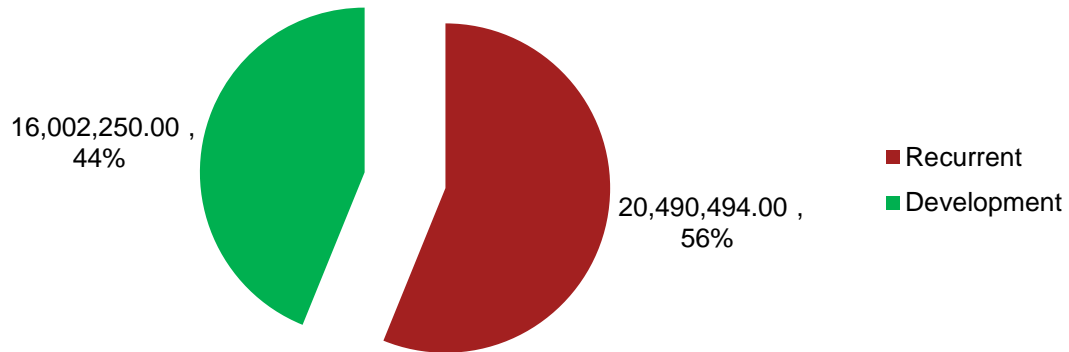
During the period under review, the office of the Governor spent Kshs. 152,285,357. Out of this, Kshs. 60,661,363 (40%) financed development projects, Kshs. 33,744,074 (22%) went to Personnel Emoluments while Kshs. 57,879,920 (38%) was spent on Operations & Maintenance.



3.4 Administration & Coordination of County Affairs

Analysis of the Ministry of Administration and Coordination of County Affairs' expenditure reveals that Kshs. 20,490,494 (56%) was recurrent while development took Kshs 16,002,250 (44%)

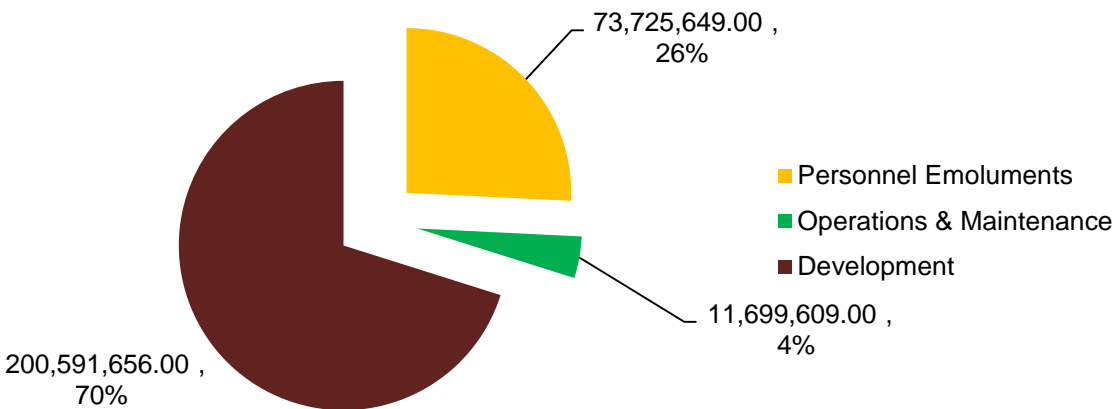
Expenditure by Economic Classification



3.5 Agriculture, Water & Irrigation

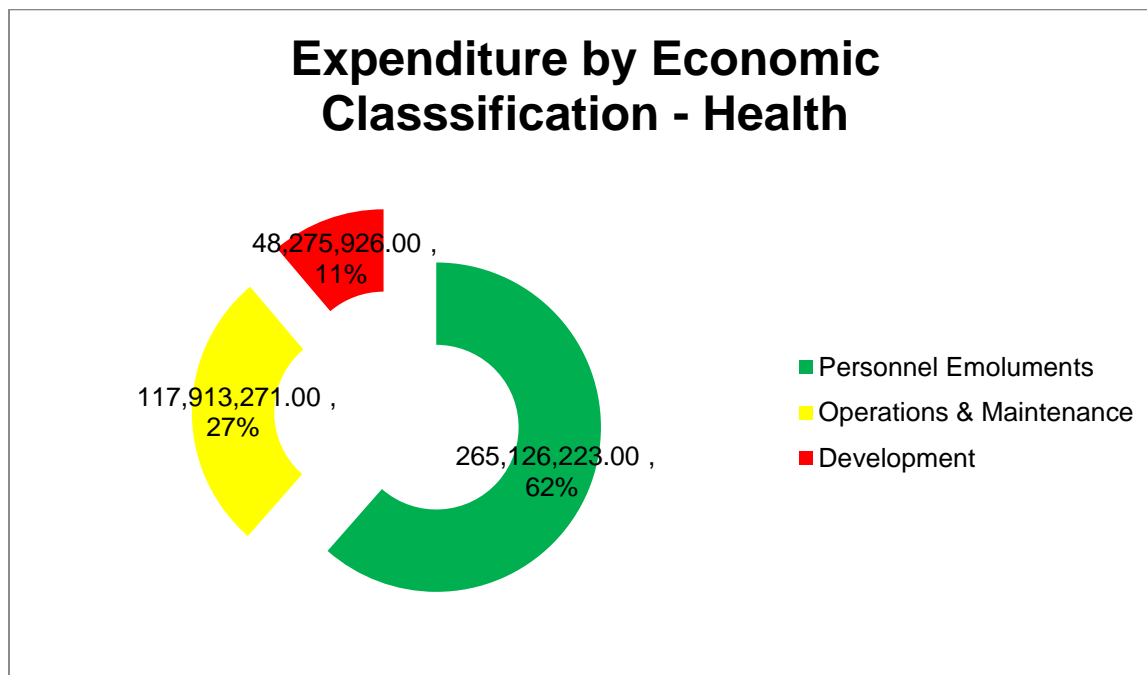
During the period under review, the county ministry of Agriculture, Water and Irrigation spent a total of Kshs. 286,016,914. Out of this, Kshs. 200,591,656 (70%) was spent on development, Kshs. 73,725,649 (26%) on personnel emoluments and Kshs. 11,699,609 (4%) on Operations and Maintenance.

Expenditure By Economic Classification- AWI



3.6 Health and Sanitation

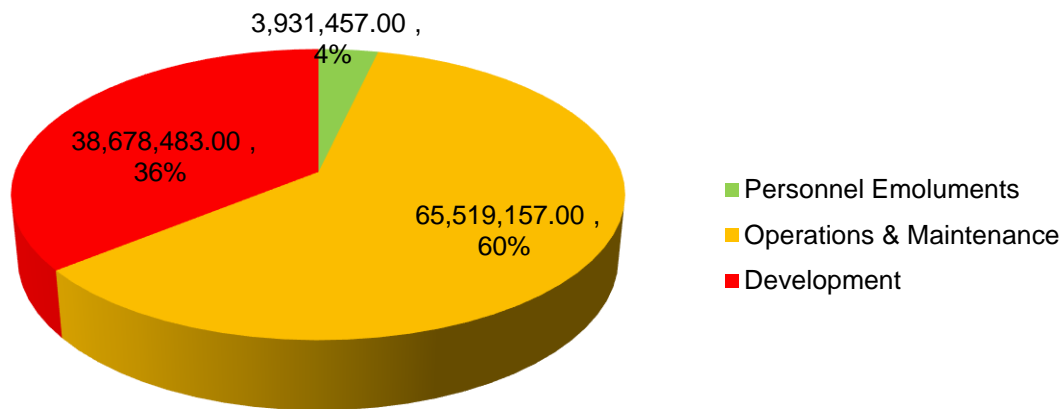
The County Ministry of Health and Sanitation had, in Q2 of 2014/2015, a total expenditure of Kshs. 431,315,420. Out of this Kshs. 48,275,926 (11%) was spent on development activities and Kshs.383,039,494 (89%) was recurrent expenditure. Further analysis of the recurrent expenditure reveals that, Kshs. 265,126,223 (69%) went to Personnel emoluments while Kshs. 117,913,271 (31%) went to Operations & Maintenance.



3.7 Basic Education, Training & Skills Development

A total of Kshs. 108,129,097 was spent in Q2 of FY 2014/2015. This was broken into Personnel Emoluments (Kshs. 3,931,457 – 4%), Operations & Maintenance (Kshs. 65,519,157 - 60%) while development expenditure was Kshs. 38,678,483 (36%).

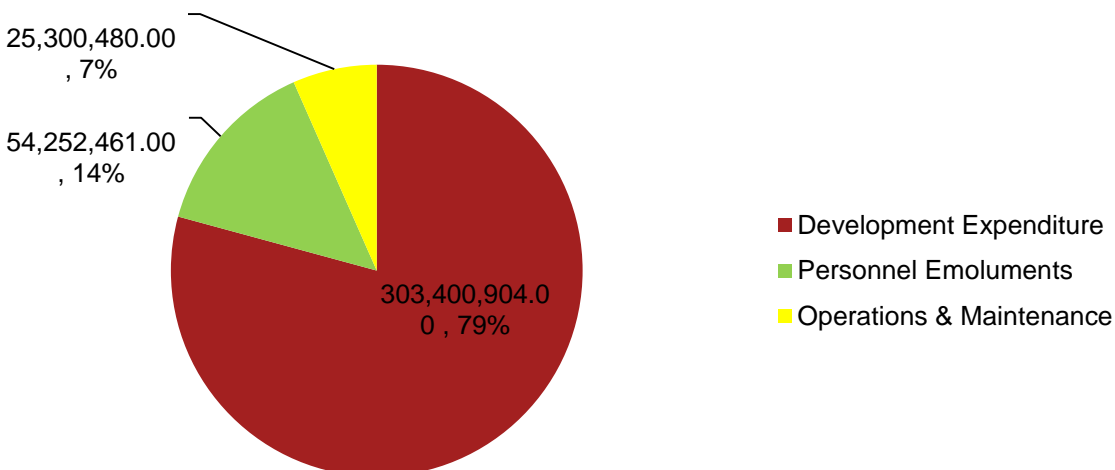
Expenditure by Economic Classification -Basic Education



3.8 Lands Infrastructure & Urban Development

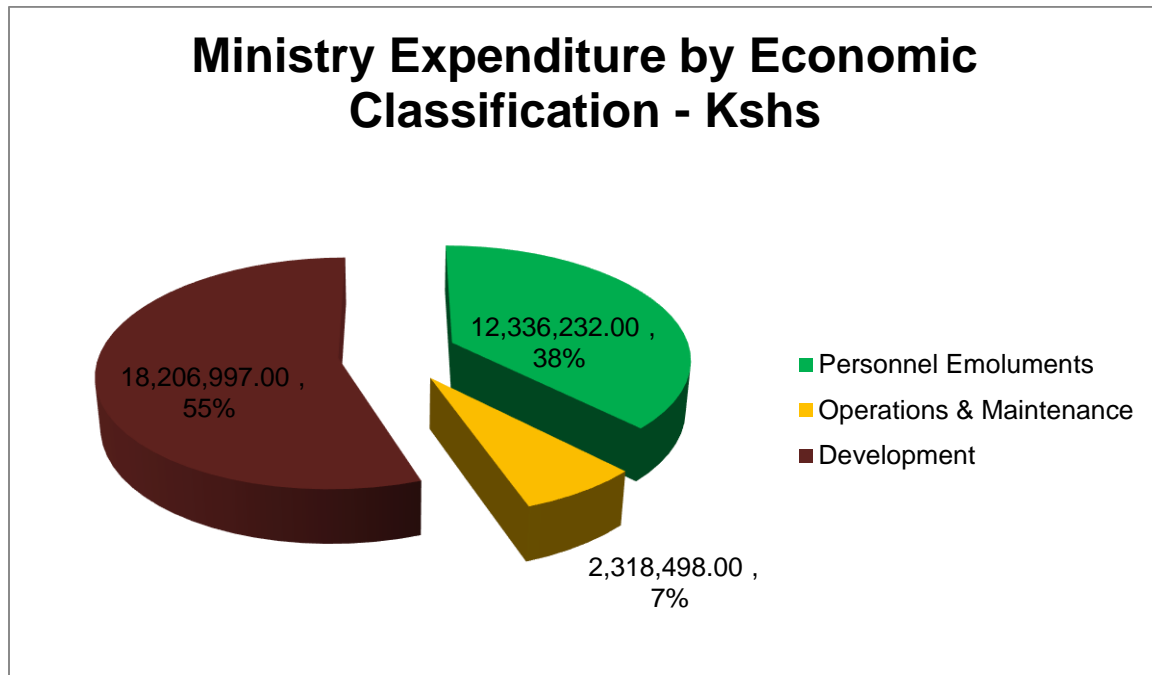
At the Lands, Infrastructure & Urban Development ministry, a total of Kshs. 303,400,904 was spent on development, Kshs. 54,252,461 on personnel emoluments and Kshs.25,300,480 on Operations and Maintenance. This translated to 79%, 14% and 7% of total ministry expenditure respectively.

Lands, Infrastructure and Urban development - Expenditure



3.9 Trade, Industry, ICT & Cooperative

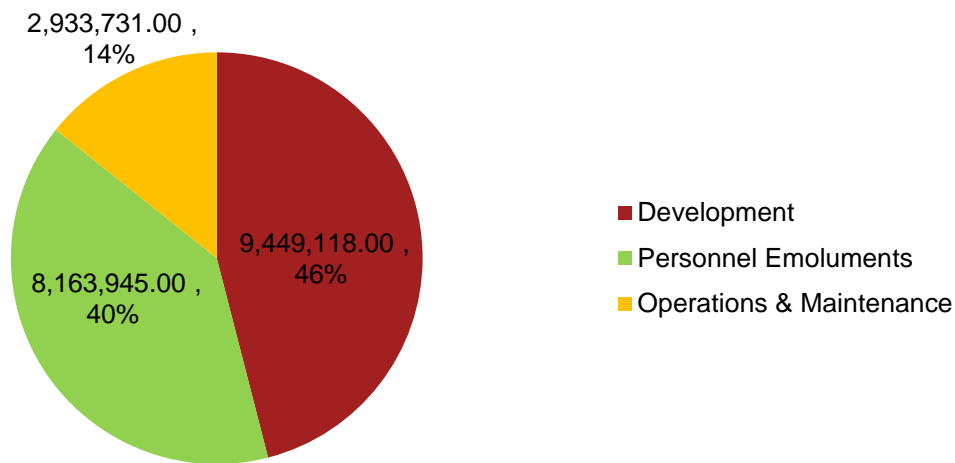
During the period under review, the total expenditure for the County Ministry of Trade, Industry, Cooperatives and ICT was Kshs. 32,861,727. Out of this amount, Kshs. 12,336,232 (38% of total expenditure) went to personnel emoluments, while Kshs. 2,318,498 (7%) to Operations & Maintenance. Development expenditure amounted to Kshs 18,206,997 (55%).



3.10 Youth, Sports, Culture & Social Services

At the Youth, Sports, Culture & Social Services ministry, a total of Kshs. 20,546,794 was spent in the second quarter of FY 2014/2015. The development component of this expenditure was Kshs. 9,449,118 (46%), Kshs. 8,163,945 (40%) was spent on personnel emoluments while Kshs. 2,933,731 (14%) financed operations and maintenance.

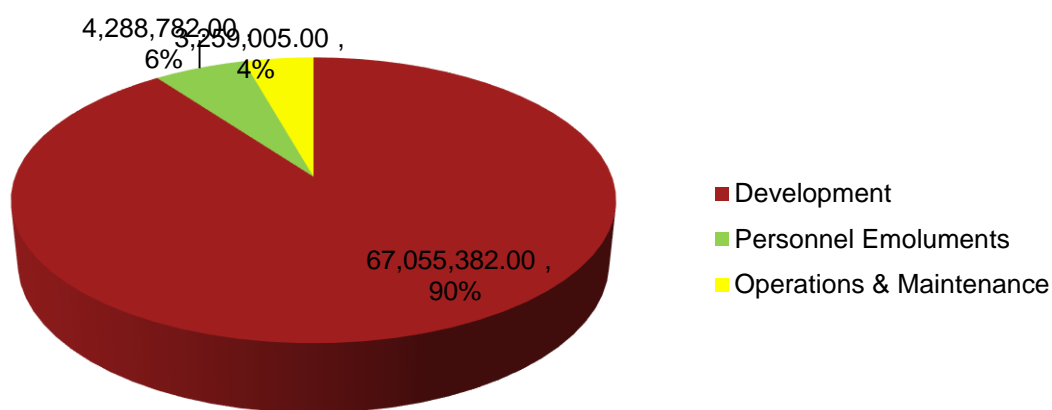
Expenditure By Economic Classification



3.11 Environment, Energy & Mineral Investments Development

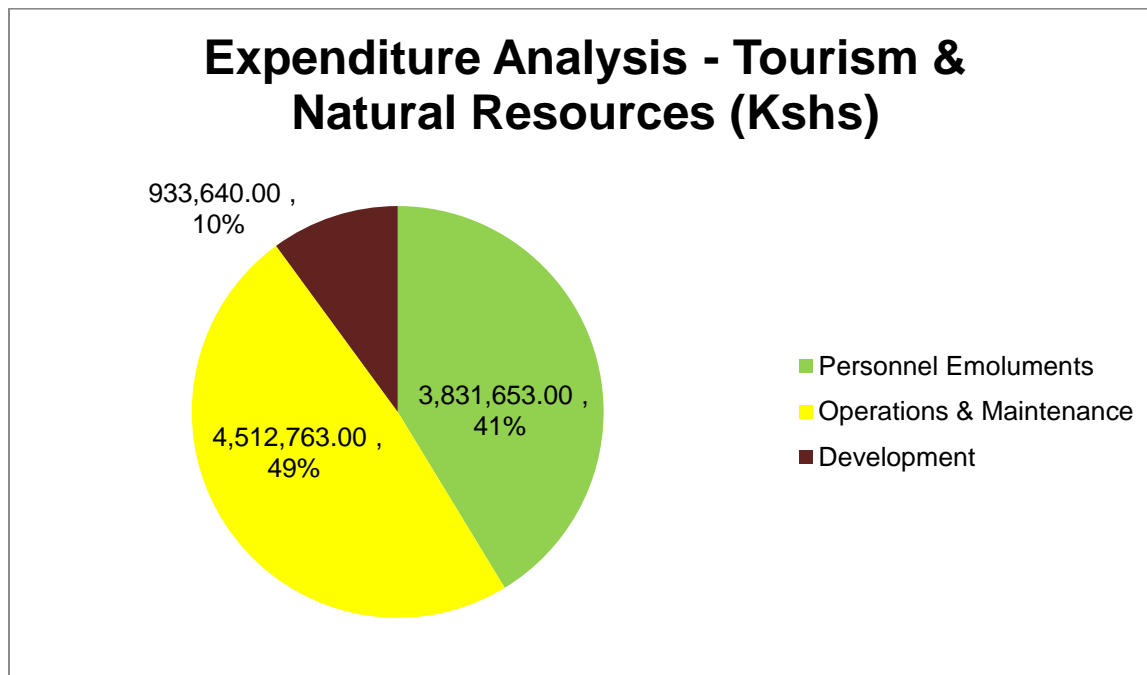
Expenditure analysis at the ministry of Environment, Energy & Mineral Investments Development reveals that a total of Kshs.74, 603,169 was spent in the second quarter of FY 2014/2015. The expenditure was broken down into; Development (Kshs. 67,055,382- 90%), Personnel Emoluments (Kshs.4,288,782 – 6%) and Operations & Maintenance (Kshs.3,259,005 – 4%).

Expenditure By Economic Classification - Kshs



3.12 Tourism & Natural Resources

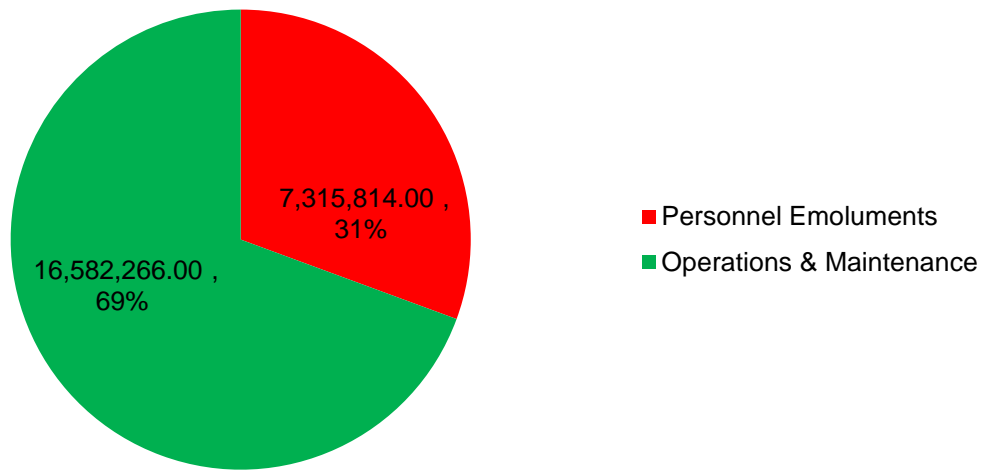
At the Tourism & Natural Resources ministry, Kshs. 3,831,653 (41%) was spent on personnel emoluments, Kshs. 4,512,763 (49%) on operations & maintenance and Kshs. 933,640 (10%) on development.



3.13 Finance & Economic Planning

During Q2 of FY 2015/2015, the County Ministry of Finance & Economic Planning spent a total of Kshs.23, 898,080. This expenditure was broken down into; personnel emoluments (Kshs. 7,315,814- 31%) and operations & maintenance (Kshs. 16,582,266- 69%).

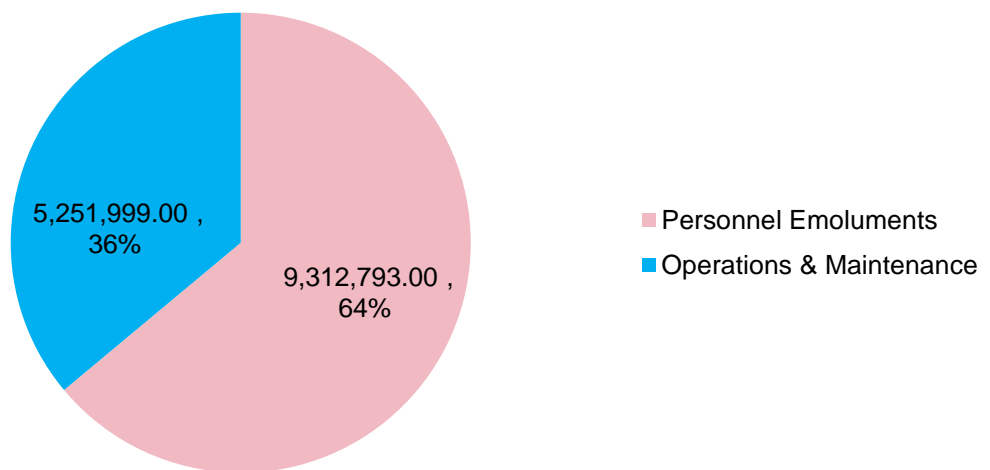
Expenditure Analysis- FEP)



3.14 The County Public Service Board

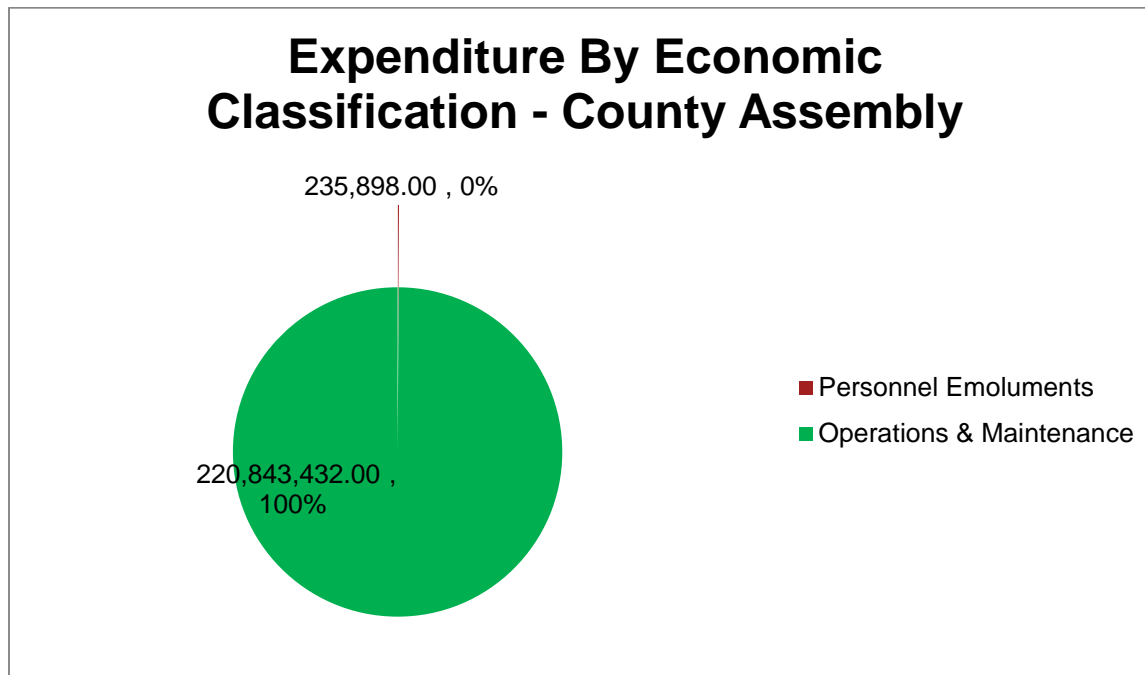
The County Public Service Board did not undertake any development projects. An analysis of the recurrent expenditure reveals that Kshs. 9,312,793 (64% of expenditure) was spent on Personnel Emoluments while Kshs. 5,251,999 (36%) was spent on Operations & Maintenance.

Recurrent Expenditure- CPSB



3.15 The County Assembly

During Q2 of FY 2014/2015, the Kitui County Assembly incurred a total expenditure of Kshs. 221,079,330. This was all recurrent with Kshs. 235,898 (0%) taking care of personnel emoluments and Kshs. 220,843,432 (100%) going to finance operations & maintenance.



4.0 CHALLENGES

The county experienced several challenges/issues that affected budget implementation during Q2 of FY 2014/2015. These are:

1. Low local revenue collection. The county collected Kshs. 83,944,517 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.