



# **REPUBLIC OF KENYA**

## **COUNTY GOVERNMENT OF KITUI**

### **BUDGET IMPLEMENTATION REPORT**

#### **Quarter 1**

**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 July 2014 to September 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 1<sup>st</sup> 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:

<b>SOURCE</b>	<b>AMOUNT</b>	<b>% OF TOTAL BUDGET</b>
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
<b>TOTAL</b>	<b>9,569,719,519</b>	<b>100.00</b>

### **2.1 Transfers from the National Government**

On 29<sup>th</sup> August, 2014 the County received Kshs. 792,562,319 as the national equitable share.

## 2.2 Locally Generated Revenue

The revenue collected from local sources amounted to Kshs. 96,238,513 and the monthly collection breakdown is as below:

SOURCE	JULY 2014	AUGUST 2014	SEPTEMBER 2014	TOTAL
	KSHS	KSHS	KSHS	KSHS
Ministry of Finance & Economic Planning	23,185,511	23,443,616	21,004,307	67,633,434
Ministry of Agri., Water & Irrigation	2,655,962	1,582,749	114,555	4,353,266
Ministry of Energy, Environment & Mineral Investments Dev	2,200	16,500	18,700	37,400
Office of the Governor	0	0	84,000	84,000
Ministry of Health & sanitation	7,211,868	3,910,572	13,007,973	24,130,413
				<b>96,238,513</b>

There was a DANINDA HSSF grant amounting to Kshs. 8,652,500.

## 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
<b>Total</b>	<b>7,098,123,728</b>	<b>100</b>

## 3.0 EXPENDITURE ANALYSIS

### 3.1 County Summary

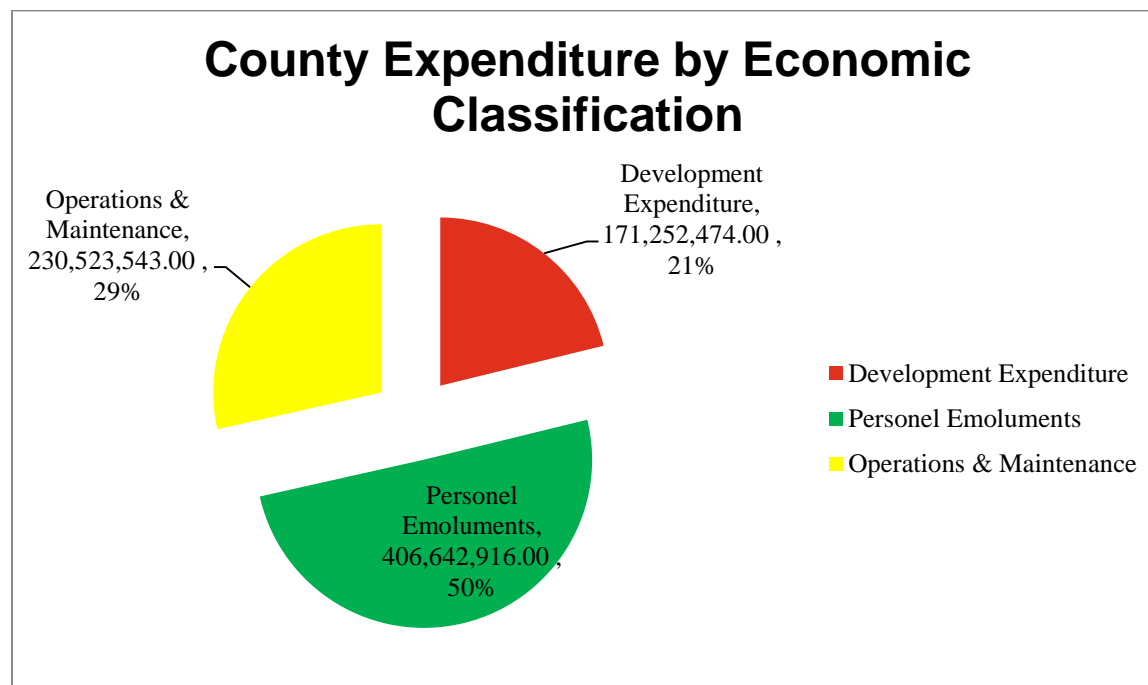
During the period under review, the County spent a total of Kshs.808,418,933 which was 90% of the funds available. The County Executive spent Kshs. 754,338,073 while County Assembly spent Kshs. 54,080,860 which represent 93% and 7% respectively. The County spent Kshs. 637,166,459 (79%) on recurrent expenditure and Kshs. 171,252,474 (21%) on development activities.

Analysis of recurrent expenditure reveals that the County spent Kshs. 406,642,916 on personnel emoluments translating to 54% of the total recurrent expenditure, while Kshs. 347,695,157 was spent on operations & maintenance accounting for 46%.

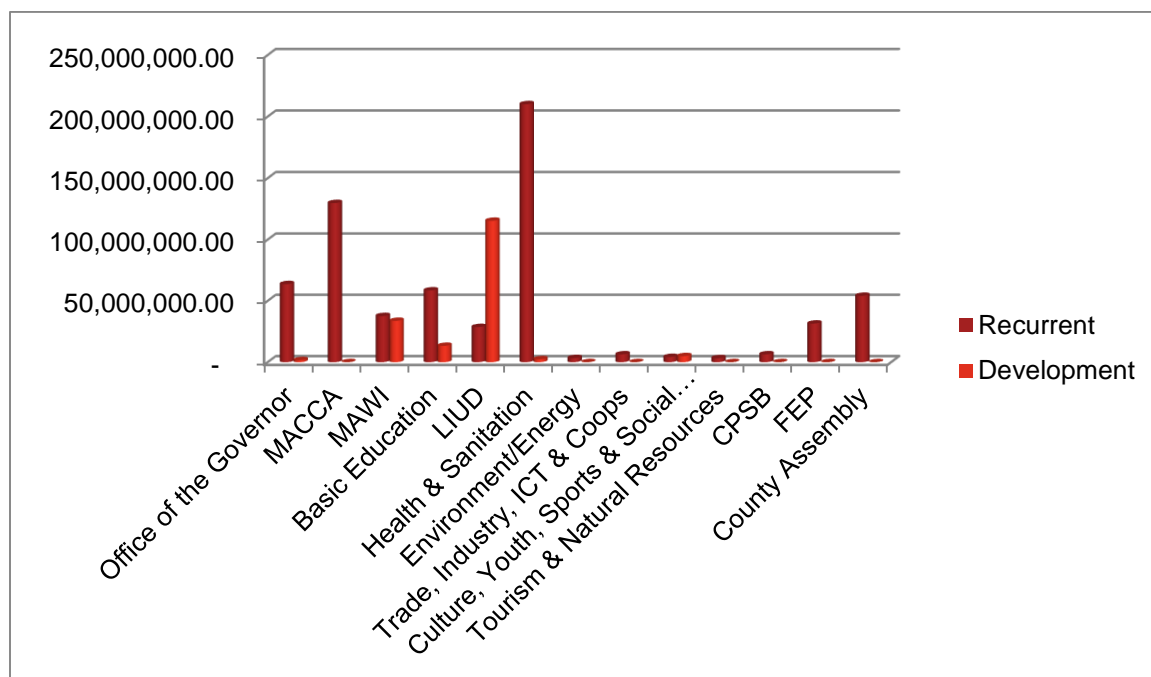
The table below analyses expenditure by the various spending entities.

ENTITY	PERSONNEL EMOLUMENTS		OPERATIONS & MAINTENANCE		DEVELOPMENT		TOTAL
	KSHS	%	KSHS	%	KSHS	%	
Office of the Governor	15,973,806	25	47,358,488	73	1,647,826	2	64,980,120
Ministry of Administration & coordination of County Affairs	128,149,184	99	1,595,483	1	0	0	129,744,667
Ministry of Agriculture, Water & Coordination	35,185,963	49	2,430,085	4	33,682,670	47	71,298,718
Ministry of Basic Education, Training & Skills Development	4,707,445	7	53,787,223	75	13,292,631	18	71,787,291
Ministry of Lands, Infrastructure & Urban Development	22,477,684	16	6,173,168	4	115,286,229	80	143,937,081
Ministry of Health & Sanitation	139,946,656	66	70,135,458	33	2,408,406	1	212,490,520
Ministry of Trade, Industry & Cooperatives	5,723,629	90	660,435	10	0	33	6,384,064
Ministry of Culture, Youth, Sports & Social Services	3,645,696	40	610,538	6	4,928,712	54	9,183,946

Ministry of Environment, Energy and Mineral Investments Development	1,962,497	58	1,413,939	42	6,000	0	3,382,436
Ministry of Tourism & Natural Resources	1,929,611	59	1,343,324	41	0	0	3,272,935
Ministry of Finance & Economic Planning	21,267,290	68	10,204,531	32	0	0	31,471,821
County Public Service Board	3,352,805	52	3,050,661	48	0	0	6,403,466
County Assembly	22,320,650	41	31,760,210	59	0	0	54,080,860
<b>TOTAL</b>	<b>406,642,916</b>	<b>50</b>	<b>230,523,543</b>	<b>29</b>	<b>171,252,474</b>	<b>21</b>	<b>808,418,933</b>

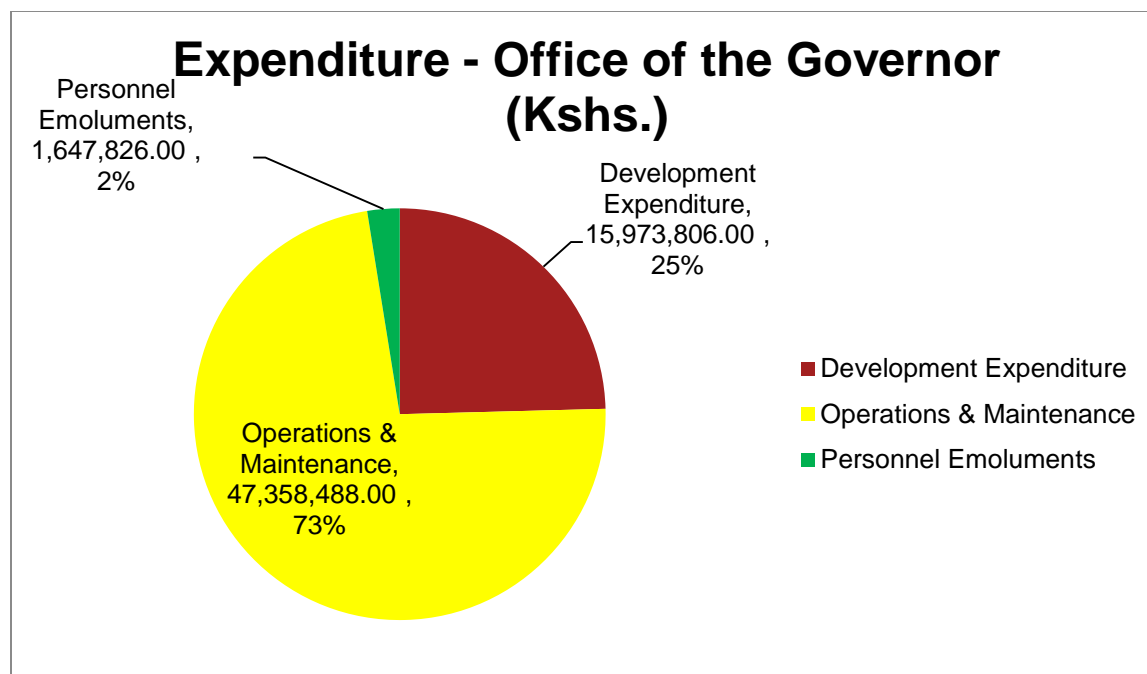


### 3.2 Expenditure By the Various Spending Entities



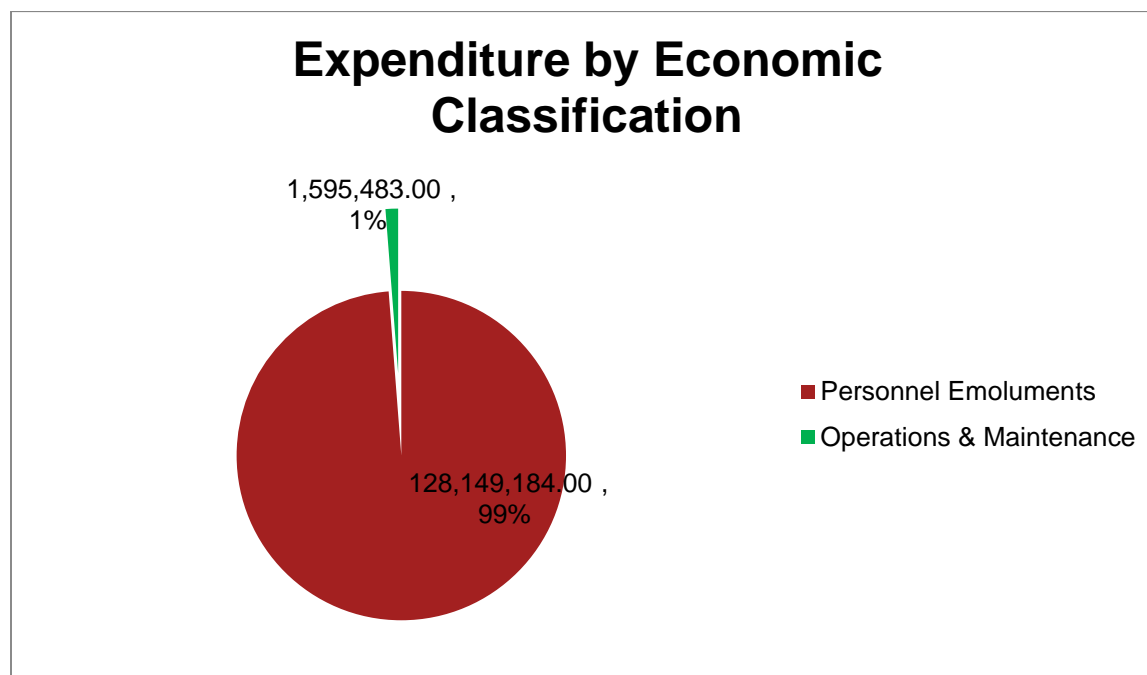
### 3.3 Office of the Governor

During the period under review, the office of the Governor spent Kshs. 64,980,120. Out of this, Kshs. 1,647,826 (2%) financed development projects, Kshs. 15,973,806 (25%) went to Personnel Emoluments while Kshs. 47,358,488 (73%) was spent on Operations & Maintenance.



### 3.4 Administration & Coordination of County Affairs

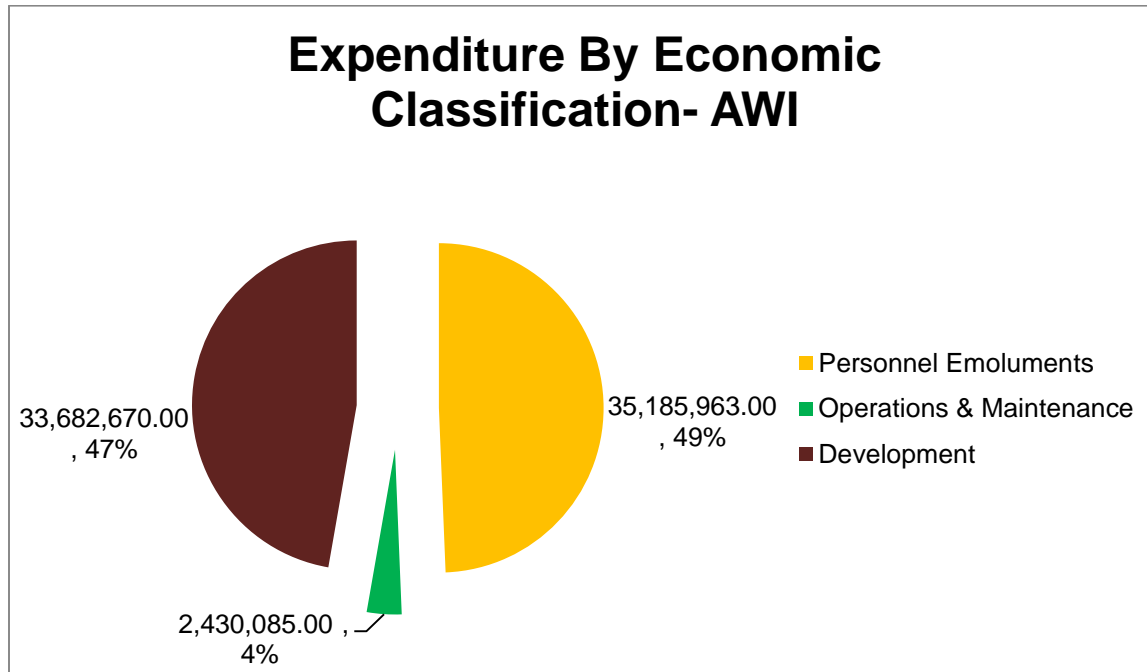
Analysis of the Ministry of Administration and Coordination of County Affairs' expenditure reveals that Kshs. 128,149,184 (99%) financed personnel emoluments while Kshs. 1,595,48 (1%) financed operations & maintenance. There was no development expenditure.



### 3.5 Agriculture, Water & Irrigation



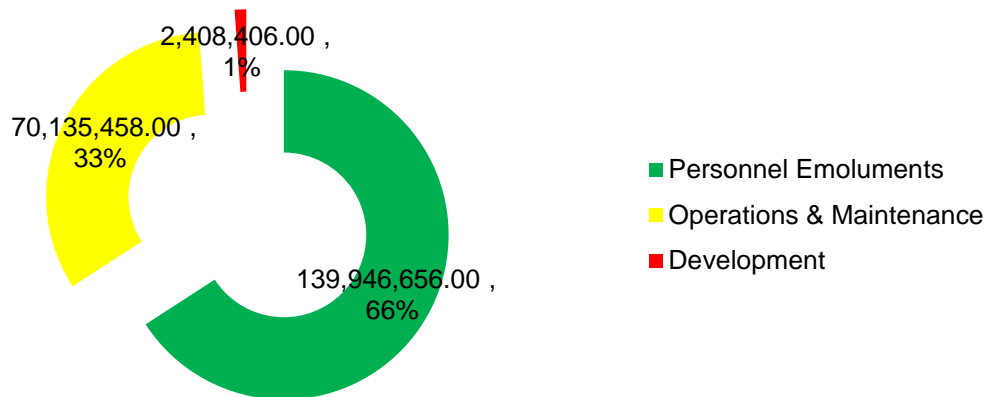
During the period under review, the county ministry of Agriculture, Water and Irrigation spent a total of Kshs. 71,298,718. Out of this, Kshs. 33,682,670 (47%) was spent on development, Kshs. 35,185,963 (49%) on personnel emoluments and Kshs. 2,430,085 (4%) on Operations and Maintenance.



### 3.6 Health and Sanitation

The County Ministry of Health and Sanitation had, in Q1 of 2014/2015, a total expenditure of Kshs. 212,490,520. Out of this Kshs. 2,408,406 (1%) was spent on development activities and Kshs. 210,082,114 (87%) was recurrent expenditure. Further analysis of the recurrent expenditure reveals that, Kshs. 139,946,656 (67%) went to Personnel emoluments while Kshs. 70,135,458 (33%) went to Operations & Maintenance.

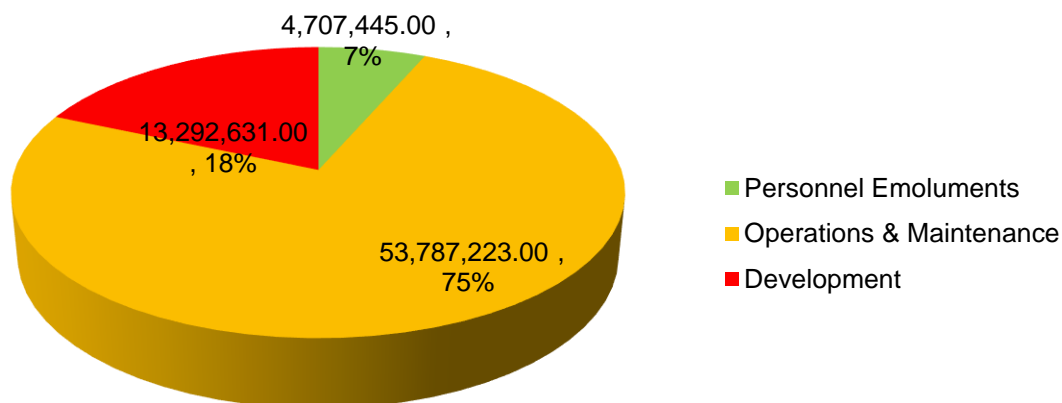
## Expenditure by Economic Classification - Health



### 3.7 Basic Education, Training & Skills Development

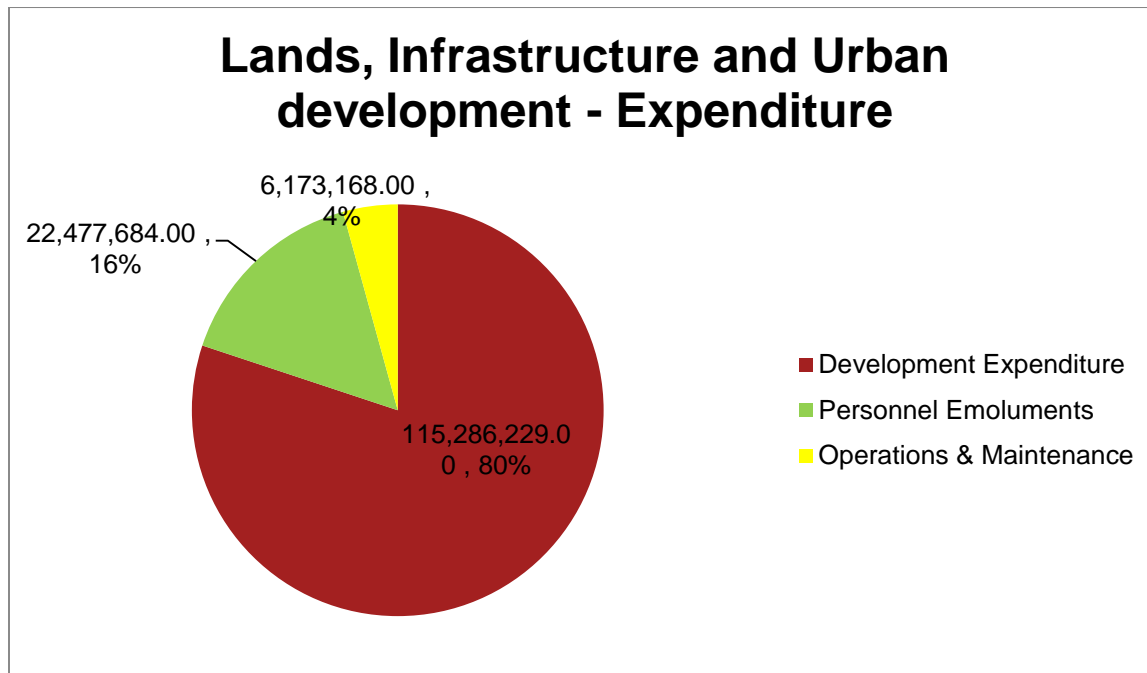
A total of Kshs. 58,494,668 was spent in Q1 of FY 2014/2015. This was broken into Personnel Emoluments (Kshs. 4,707,445 – 7%), Operations & Maintenance (Kshs. 53,787,223 - 75%) while development expenditure was Kshs. 13,292,631 (18%).

## Expenditure by Economic Classification -Basic Education



### 3.8 Lands Infrastructure & Urban Development

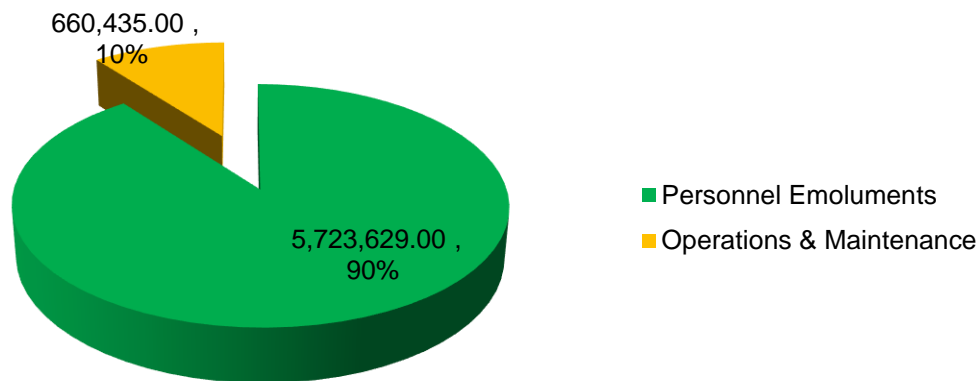
At the Lands, Infrastructure & Urban Development ministry, a total of Kshs. 115,286,229 was spent on development, Kshs. 22,477,684 on personnel emoluments and Kshs. 6,173,168 on Operations and Maintenance. This translated to 80%, 16% and 4% of total ministry expenditure respectively.



### 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. 6,384,064. Out of this amount, Kshs. 5,723,629 (90% of total expenditure) went to personnel emoluments, while Kshs. 660,435 (10%) to Operations & Maintenance. There was no development expenditure.

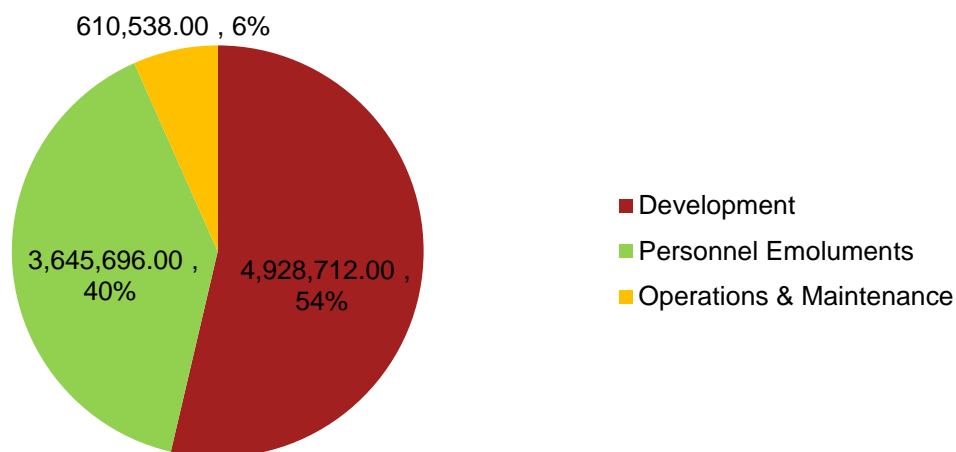
### Ministry Expenditure by Economic Classification - Kshs



#### 3.10 Youth, Sports, Culture & Social Services

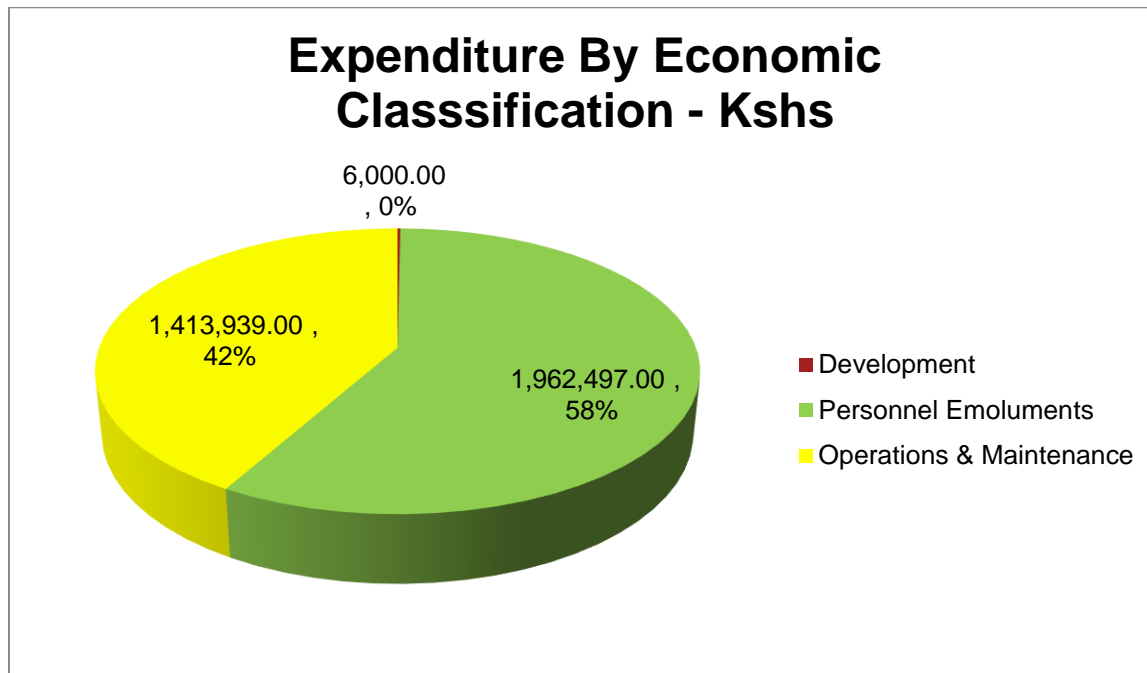
At the Youth, Sports, Culture & Social Services ministry, a total of Kshs. 9,184,946 was spent in the first quarter of FY 2015/2016. The development component of this expenditure was Kshs. 4,928,712 (54%), Kshs. 3,645,696 (40%) was spent on personnel emoluments while Kshs. 610,538 (6%) financed operations and maintenance.

### Expenditure By Economic Classification



### 3.11 Environment, Energy & Mineral Investments Development

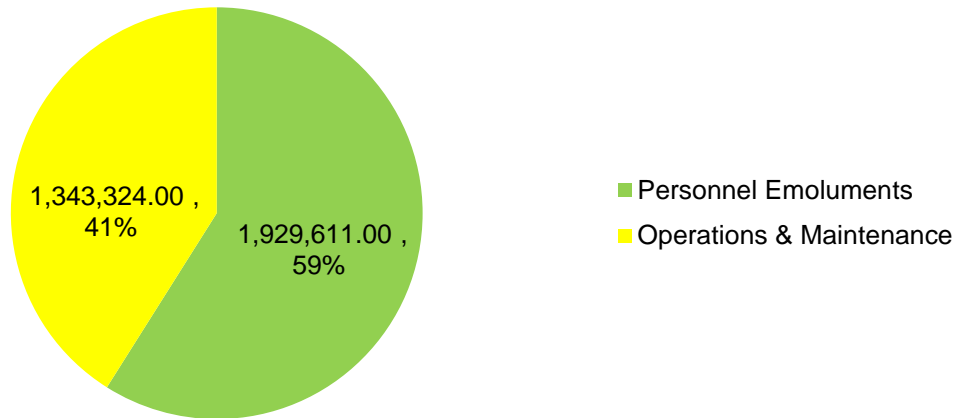
Expenditure analysis at the ministry of Environment, Energy & Mineral Investments Development reveals that a total of Kshs.3, 382,436 was spent in the first quarter of FY 2014/2015. The expenditure was broken down into; Development (Kshs. 6,000- %), Personnel Emoluments (Kshs.1, 962,497 – 58%) and Operations & Maintenance (Kshs.1, 413,939 – 42%).



### 3.12 Tourism & Natural Resources

At the Tourism & Natural Resources ministry, there was no development expenditure. However, Kshs. 1,929,611 was spent on Personnel Emoluments and Kshs.1, 343,324 on Operations and Maintenance. This translated 59% and 41% of total ministry expenditure respectively.

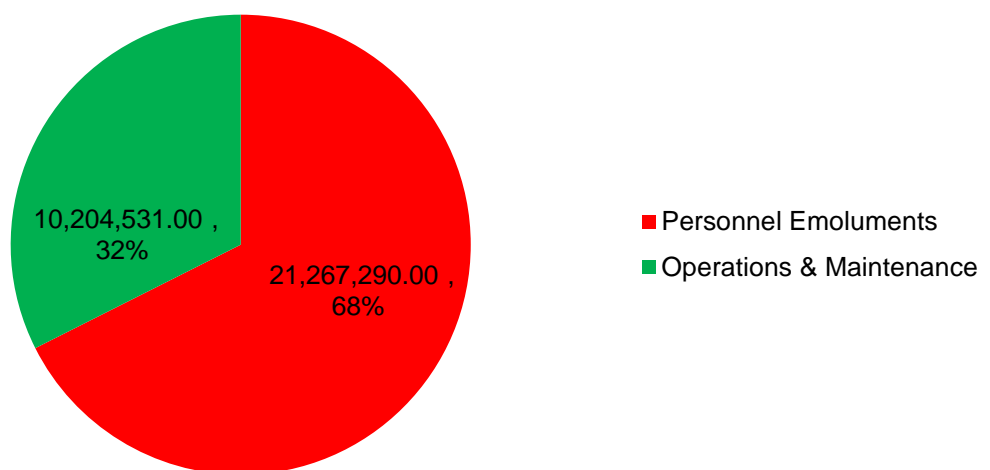
### Expenditure Analysis - Tourism & Natural Resources (Kshs)



### 3.13 Finance & Economic Planning

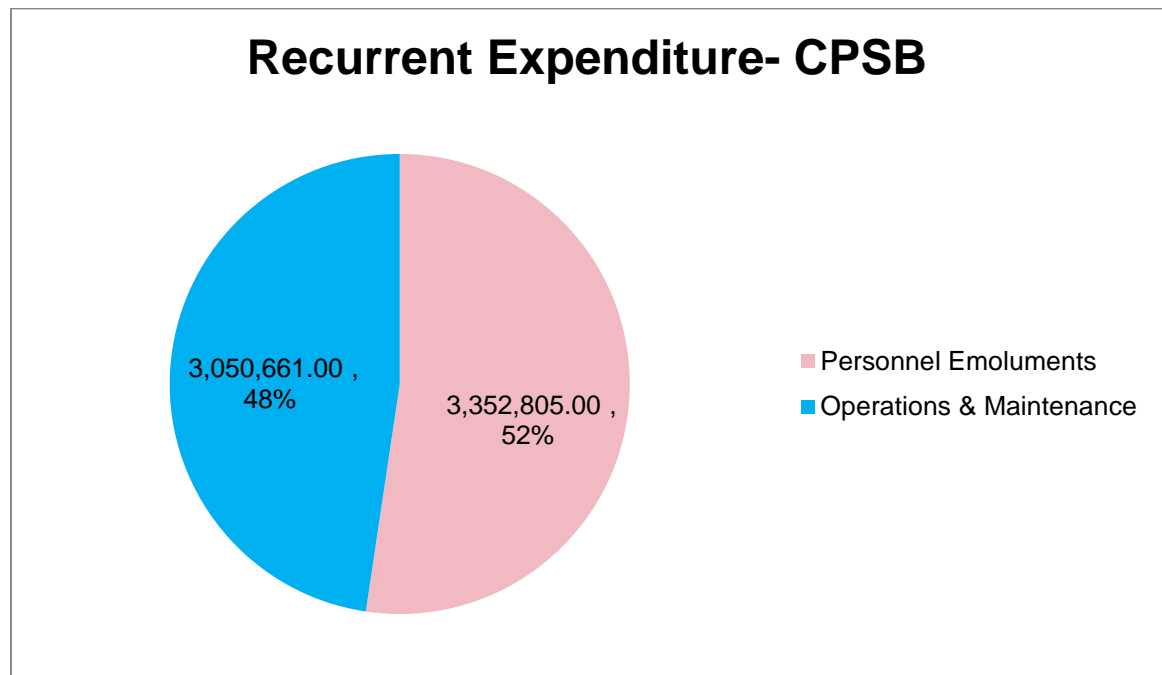
During Q1 of FY 2015/2015, the County Ministry of Finance & Economic Planning spent a total of Kshs.31,471,821. There was no development expenditure but personnel emoluments took Kshs.21,267,290 with operations & maintenance taking Kshs 10,204,531. This translated to 68% and 32% of total recurrent expenditure respectively.

### Expenditure Analysis- FEP)



### 3.14 The County Public Service Board

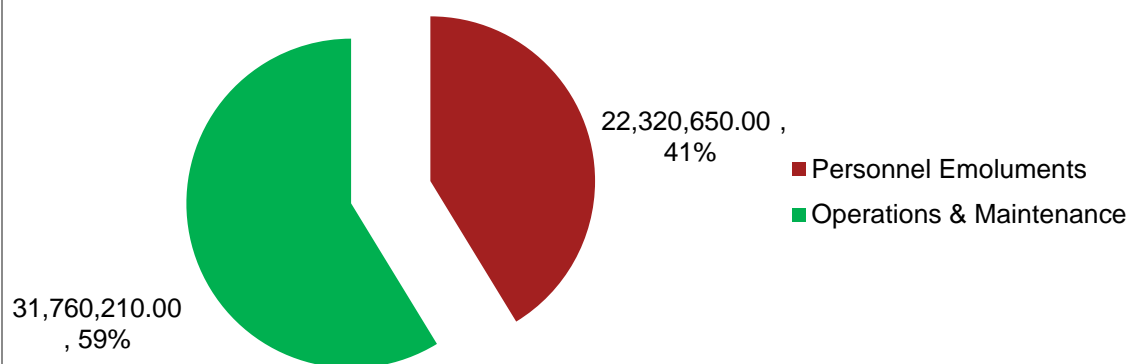
The County Public Service Board did not undertake any development projects. An analysis of the recurrent expenditure reveals that Kshs. 3,352,805 (52% of expenditure) was spent on Personnel Emoluments while Kshs.3, 050,661 (48%) was spent on Operations & Maintenance.



### 3.15 The County Assembly

During Q1 of FY 2014/2015, the Kitui County Assembly incurred a total expenditure of Kshs. 54,080,860. This was all recurrent with Kshs. 22,320,650 (41%) taking care of personnel emoluments and Kshs. 31,760,210 (59%) going to finance operations & maintenance.

## Expenditure By Economic Classification - County Assembly



### 4.0 CHALLENGES

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

1. Low local revenue collection. The county collected Kshs. 96,238,513 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.