



**COUNTY GOVERNMENT OF KITUI**

**BUDGET IMPLEMENTATION REPORT**

**Quarter 1**

**FY 2016/ 2017**

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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 2016 to September 2016.

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.

## 2.0 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION

The County had a budget of Kshs. 10,466,468,973 which consisted of Kshs. 5,594,903,884 (53%) for recurrent expenditure and Kshs. 4,871,565,089 (47%) for development expenditure.

The table below shows the various components of the budget:

| SOURCE                        | AMOUNT                | % OF TOTAL BUDGET |
|-------------------------------|-----------------------|-------------------|
| Balance b/f from FY 2015/2016 | 1,573,640,249         | 18.02             |
| National Equitable Share      | 7,841,480,359         | 72.28             |
| Local Revenue Sources         | 668,610,000           | 6.16              |
| Grants                        | 382,738,363           | 3.53              |
| <b>TOTAL</b>                  | <b>10,466,468,971</b> | <b>100.00</b>     |

### **Breakdown of Grants**

| <b>SOURCE OF GRANT</b>             | <b>AMOUNT</b>      |
|------------------------------------|--------------------|
| Free Maternal Healthcare           | 54,367,434         |
| Compensation for User Fees Forgone | 23,144,997         |
| Road Maintenance Fuel Levy         | 120,484,293        |
| Grants from World Bank             | 34,721,395         |
| HSSF/HSPS – (DANIDA/IDA)           | 150,020,244        |
| <b>TOTAL</b>                       | <b>382,738,363</b> |

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

For Q1 of 2016/2017 under review, the County received Kshs. 2,059,609,044 as the national equitable share of revenue disbursed as below:

| <b>RELEASE DATE</b> | <b>AMOUNT (KSHS)</b> |
|---------------------|----------------------|
| 28/07/2016          | 307,709,790.00       |
| 29/07/2016          | 416,704,200.00       |
| 16/08/2016          | 450,419,099.00       |
| 02/09/16            | 400,261,470.00       |
| 14/09/2016          | 83,311,236.00        |
| 22/09/2016          | 401,203,249.00       |
| <b>Total</b>        | <b>2,059,609,044</b> |

### **2.2 Locally Generated Revenue**

The County Government budgeted to locally collect Kshs 668,610,000 during FY 2016/2017. Q1 collection was Kshs 91,246,586.20 which is 14% of the targeted collection and 146% of the amount collected at the same period last financial year.

The monthly collection breakdown is as below:

| SOURCE   | JUL 2016      | AUG 2016      | SEPT 2016    | TOTAL                |
|--|---------------|---------------|--------------|----------------------|
|  | KSHS          | KSHS          | KSHS         | KSHS                 |
| Office of the Governor                         | 1,136,300.00  | 2,040,700.00  | 1,976,900.00 | 5,153,900.00         |
| Ministry of Agri, Water and Irrigation         | 5,384,025.00  | 282,895.00    | 2,090,950.00 | 7,757,870.00         |
| Ministry of Energy/Environment/Mineral Inv Dev | 1,010,280.00  | 1,105,830.00  | 557,300.00   | 2,673,410.00         |
| Ministry of Health and Sanitation              | 6,585,038.00  | 9,693,810.50  | 7,520,641.70 | 23,799,490.20        |
| Ministry of LIUD                               | 1,996,142.00  | 1,765,689.00  | 1,739,388.00 | 5,501,219.00         |
| Ministry of Trade                              | 30,492.00     | 0             | 18,018.00    | 48,510.00            |
| Ministry of Finance and Economic Planning      | 11,420,062.00 | 14,378,558.00 | 8,178,022.00 | 33,976,642.00        |
| Kitui Town Administration                      | 2,940,430.00  | 3,178,840.00  | 3,326,505.00 | 9,445,775.00         |
| Mwingi Town Administration                     | 1,765,225.00  | 1,619,580.00  | 1,239,055.00 | 4,623,860.00         |
| Receipted Direct Deposits                      | (730,958.00)  | (400,707.00)  | (602,425.00) | (1,734,090.00)       |
|  |               |               |              | <b>91,246,586.20</b> |

## 2.3 Funds Released to the County by the Controller of Budget

The Controller of Budget approved the release of Kshs. 2,059,609,044 broken down into the below expenditure lines:

| Expenditure Line | Kshs                 | %          |
|------------------|----------------------|------------|
| Recurrent        | 1,135,235,460        | 55         |
| Development      | 924,373,584          | 45         |
| <b>Total</b>     | <b>2,059,609,044</b> | <b>100</b> |

## 3.0 EXPENDITURE ANALYSIS

### 3.1 County Summary

During the period under review, the County spent a total of Kshs. **1,455,766,716** which was 71% of the funds released. Out of this amount, Kshs. 841,613,121 (58%) went to finance recurrent activities while Kshs. 614,153,595 (42%) financed development.

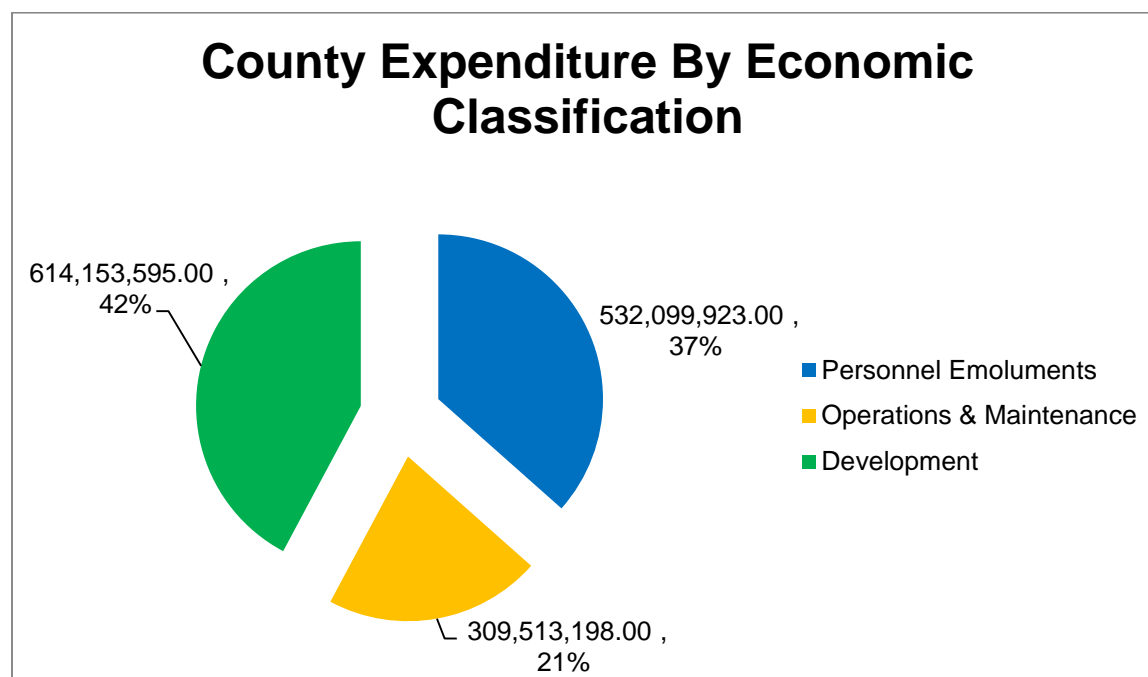
The County Executive spent Kshs. 1,319,082,878 while County Assembly spent Kshs. 136,683,838 which represent 91% and 9% respectively.

Analysis of recurrent expenditure reveals that the County spent Kshs. **532,099,923** on personnel emoluments translating to 63% of the total recurrent expenditure, while Kshs. **309,513,198** (37%) was spent on operations & maintenance.

| ENTITY  | PERSONNEL EMOLUMENTS |      | OPERATIONS & MAINTENANCE |      | DEVELOPMENT |     | TOTAL       |
|---|----------------------|------|--------------------------|------|-------------|-----|-------------|
|   | KSHS                 | %    | KSHS                     | %    | KSHS        | %   |             |
| Office of the Governor  | 27,033,037           | 17   | 52,127,169               | 33   | 78,306,070  | 50  | 157,466,276 |
| Ministry of Administration & coordination of County Affairs         | 28,877,051           | 77.3 | 8,317,946                | 22.3 | 156,220     | 0.4 | 37,351,217  |
| Ministry of Agriculture, Water & Coordination                       | 46,158,209           | 27   | 22,501,707               | 13   | 101,004,764 | 60  | 169,664,680 |
| Ministry of Basic Education, Training & Skills Development          | 80,702,651           | 85   | 5,581,768                | 6    | 8,323,994   | 9   | 94,608,413  |
| Ministry of Lands, Infrastructure & Urban Development               | 28,537,893           | 15   | 17,696,989               | 9    | 146,986,760 | 76  | 193,221,642 |
| Ministry of Health & Sanitation                                     | 183,921,095          | 49   | 115,511,427              | 30   | 80,349,939  | 21  | 379,782,461 |
| Ministry of Trade, Industry & Cooperatives                          | 8,055,148            | 11   | 3,458,233                | 4    | 63,937,134  | 85  | 75,450,515  |
| Ministry of Culture, Youth, Sports & Social Services                | 6,746,665            | 25   | -1,129,390               | -4   | 19,158,099  | 71  | 24,775,374  |
| Ministry of Environment, Energy and Mineral Investments Development | 6,583,870            | 10   | 3,474,438                | 5    | 56,937,358  | 85  | 66,995,666  |
| Ministry of Tourism & Natural Resources                             | 8,281,866            | 39   | 3,470,807                | 16   | 9,749,475   | 45  | 21,502,148  |
| Ministry of Finance & Economic Planning                             | 30,100,936           | 66   | 15,555,777               | 34   | 0           | 0   | 45,656,713  |

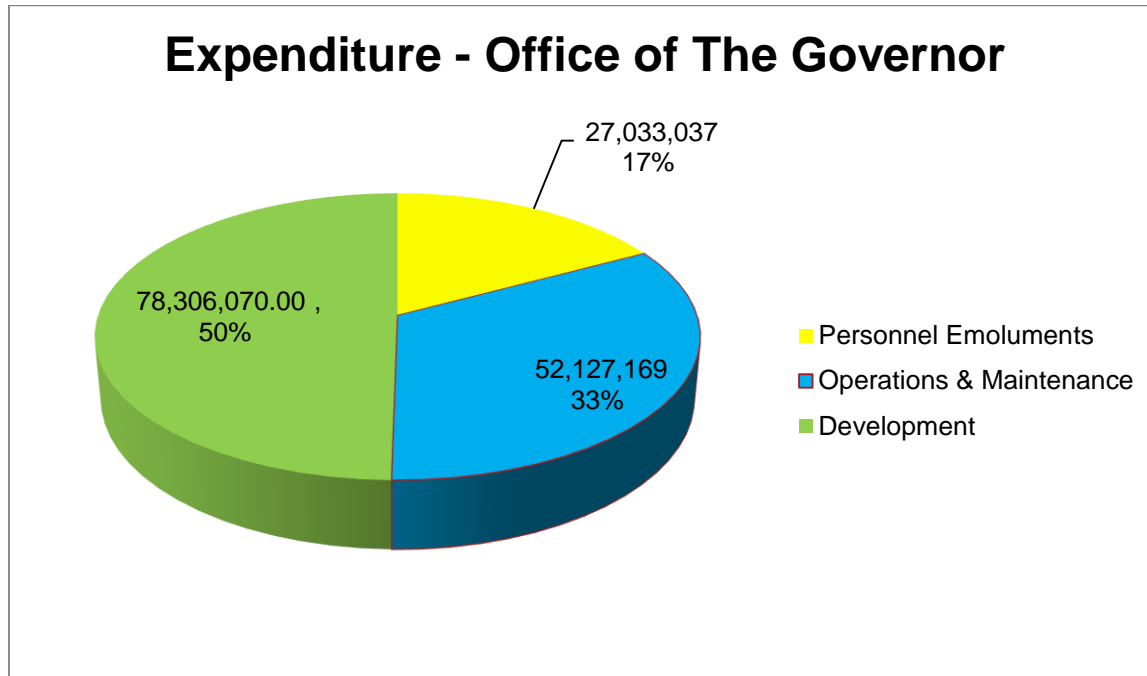
|  |                    |           |                    |           |                    |           |                      |
|--|--------------------|-----------|--------------------|-----------|--------------------|-----------|----------------------|
| County Public Service Board            | 5,922,685          | 59        | 4,110,563          | 41        | 0                  | 0         | 10,033,248           |
| County Assembly                        | 64,986,684         | 37        | 50,959,464         | 48        | 20,737,690         | 15        | 136,683,838          |
| Kitui Town Headquarters Administration | 4,334,401          | 40        | 2,769,836          | 25        | 3,746,403          | 35        | 10,850,640           |
| Mwingi Town Administration             | 1,857,732          | 6         | 5,106,464          | 16        | 24,759,689         | 78        | 31,723,885           |
| <b>TOTAL</b>                           | <b>532,099,923</b> | <b>37</b> | <b>309,513,198</b> | <b>21</b> | <b>614,153,595</b> | <b>42</b> | <b>1,455,766,716</b> |

The table below analyses expenditure by the various spending entities.



### 3.2 Office of the Governor

During the period under review, the Office of the Governor spent Kshs. 157,466,276. Out of this, Kshs. 78,306,070 (50%) financed development projects, Kshs. 27,033,037 (17%) went to Personnel Emoluments while Kshs. 52,127,169 (33%) was spent on Operations & Maintenance.

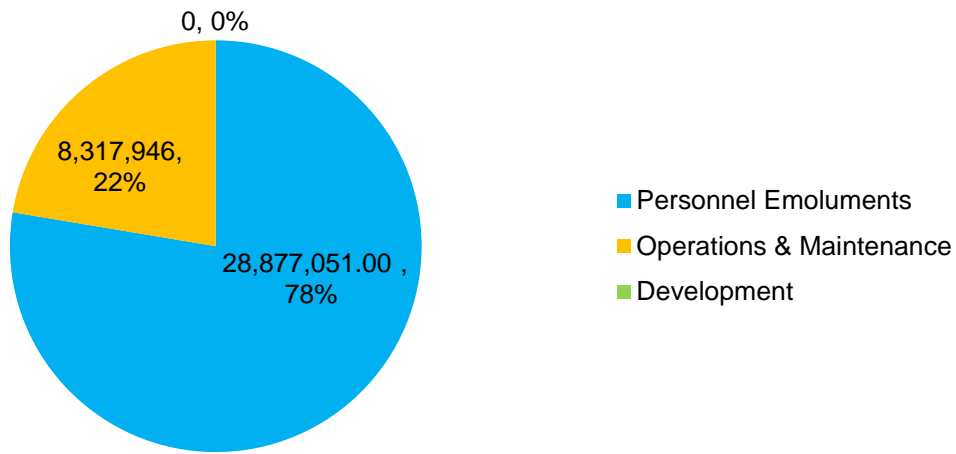


### 3.3 Administration & Coordination of County Affairs

Analysis of the Ministry of Administration and Coordination of County Affairs' expenditure reveals that Kshs. 28,877,051 (77.3%) financed personnel emoluments while Kshs. 8,317,946 (22.3%) was spent on operations & maintenance. There amount spent on development was Kshs.156,220 (0.4%) of total expenditure.



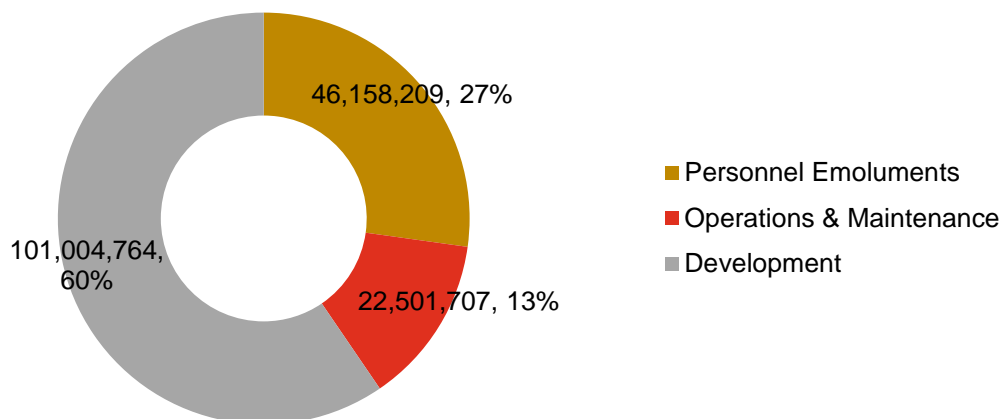
## Expenditure- Administration and Coordination of County Affairs



### 3.4 Agriculture, Water & Irrigation

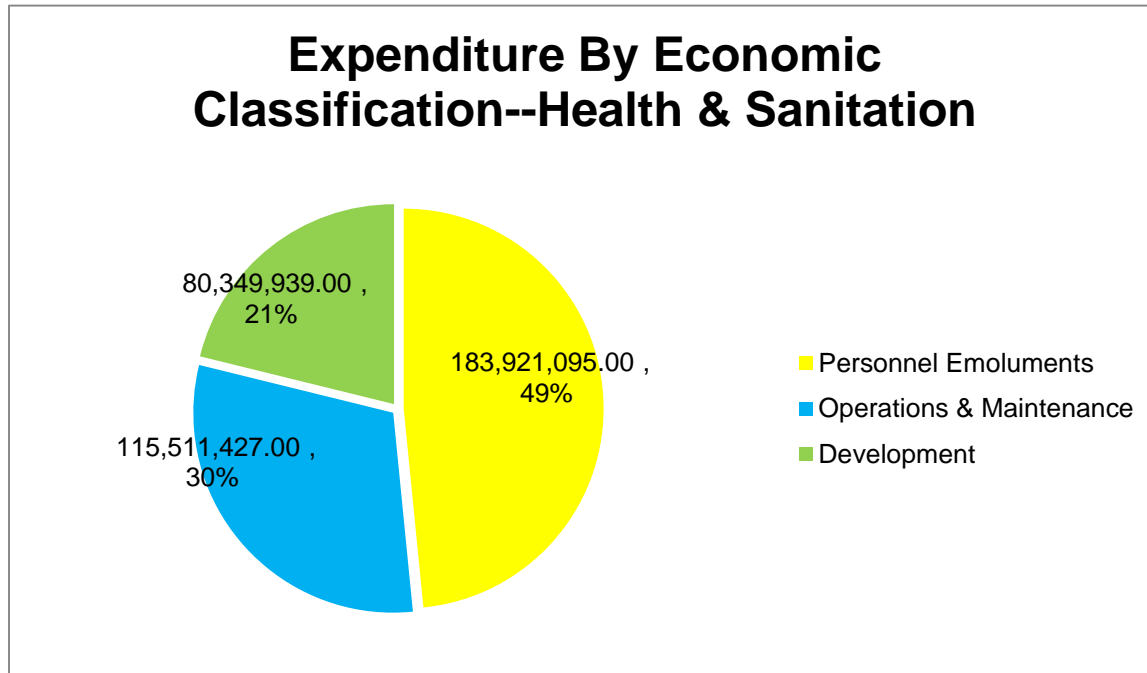
During the period under review, the county ministry of Agriculture, Water and Irrigation spent a total of Kshs. 169,664,680. Out of this, Kshs. 101,004,764 (60%) was spent on development, Kshs. 46,158,209 (27%) on personnel emoluments and Kshs. 22,501,707 (13%) on operations and maintenance.

## Expenditure - Agriculture, Water & Irrigation



### 3.5 Health and Sanitation

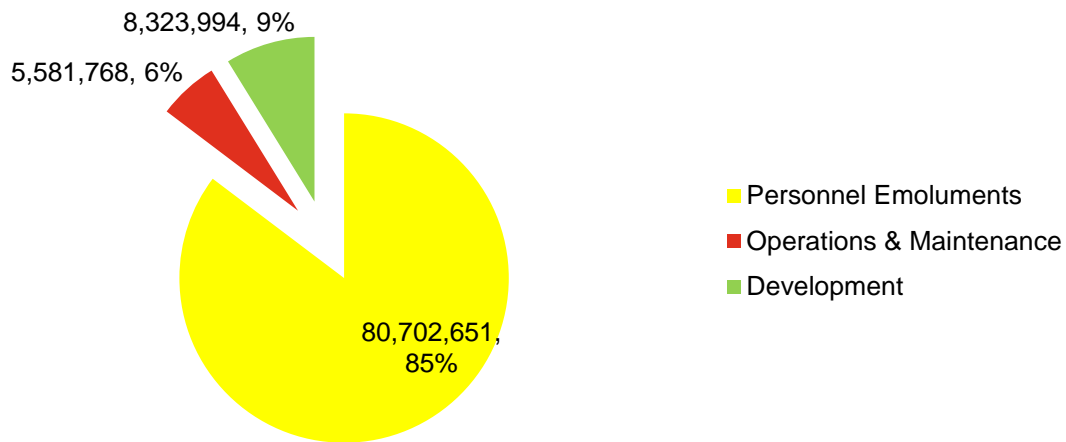
The County Ministry of Health and Sanitation had, in Q1 of 2016/2017, incurred a total expenditure of Kshs. 379,782,461. Out of this Kshs. 80,349,939 (21%) was spent on development activities and Kshs.299,432,522 (79%) was recurrent expenditure. Further analysis of the recurrent expenditure reveals that, Kshs. 183,921,095 (49%) went to Personnel emoluments while Kshs. 115,511,427 (30%) went to Operations & Maintenance.



### 3.6 Basic Education, Training & Skills Development

A total of Kshs. 94,608,413 was spent in Q1 of FY 2016/2017. This expenditure was composed of; Operations & Maintenance (Kshs.5,581,768– 6%), Personnel Emoluments (Kshs. 80,702,651- 85%) while development expenditure was Kshs. 8,323,994 (9%).

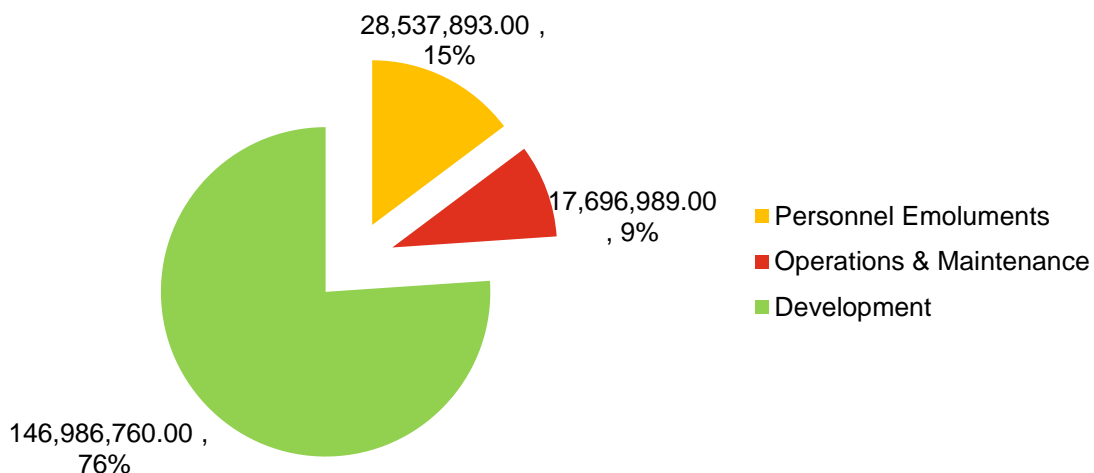
### Expenditure By Economic Classification--BETSD



### 3.7 Lands Infrastructure & Urban Development

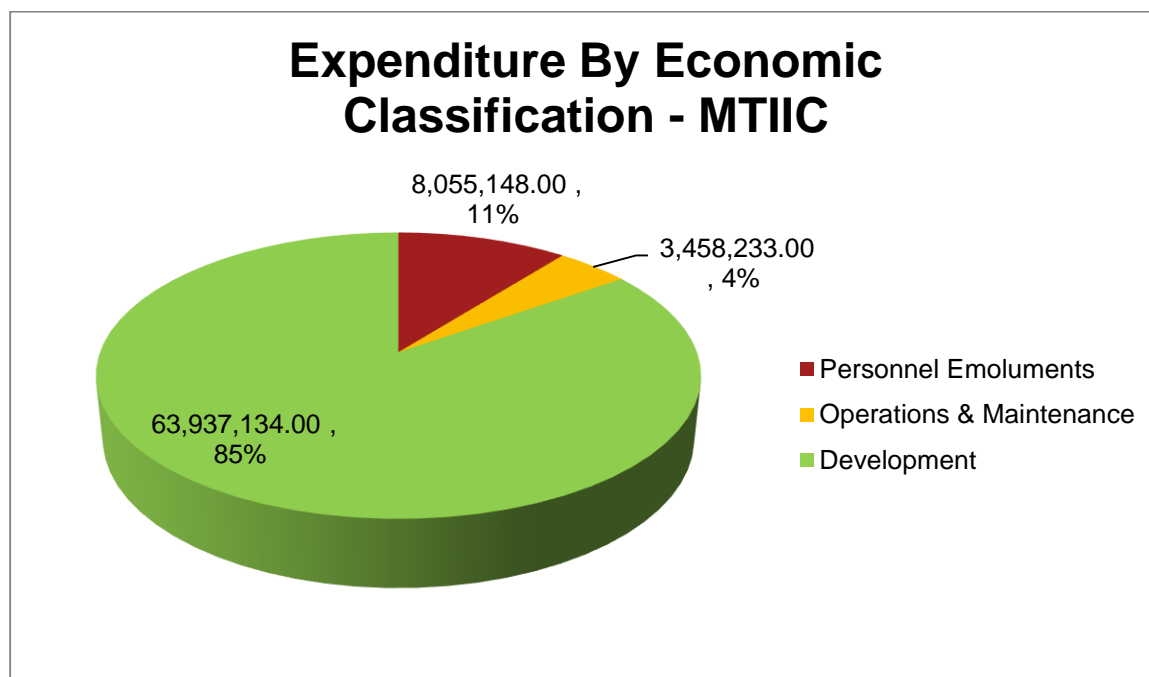
At the Lands, Infrastructure & Urban Development ministry, a total of Kshs. 146,986,760 was spent on development, Kshs. 28,537,893 on personnel emoluments and Kshs. 17,696,989 on Operations and Maintenance. This translated to 76%, 15% and 9% of total ministry expenditure respectively.

### Expenditure By Economic Classification - LIUD



### 3.8 Trade, Industry, ICT & Cooperatives

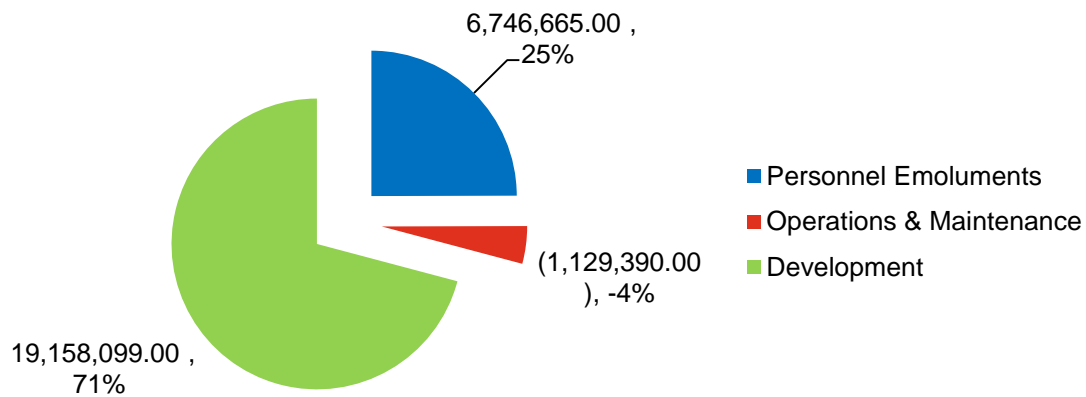
During the period under review, the total expenditure for the County Ministry of Trade, Industry, Cooperatives and ICT was Kshs. 75,450,515. Out of this amount, Kshs. 8,055,148 (11% of total expenditure) went to personnel emoluments, while Kshs. 3,458,233 (4%) to Operations & Maintenance. Development expenditure amounted to Kshs 63,937,134 (85%).



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

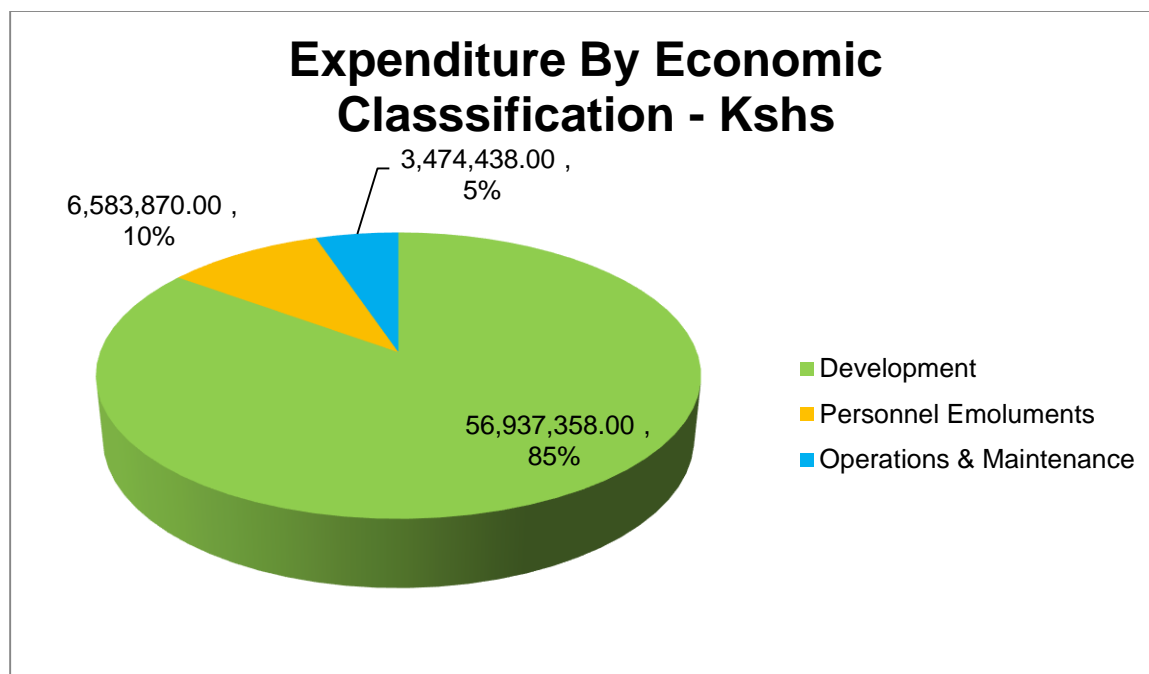
At the Youth, Sports, Culture & Social Services ministry, a total of Kshs. 24,775,374 was spent in the first quarter of FY 2015/2016. The development component of this expenditure was Kshs. 19,158,099 (71%), Kshs. 6,746,665 (25%) was spent on personnel emoluments while Kshs. \*(1,129,390) (-4%) financed operations and maintenance.

### Expenditure By Economic Classification - Youth, Sports, Culture & Social Services



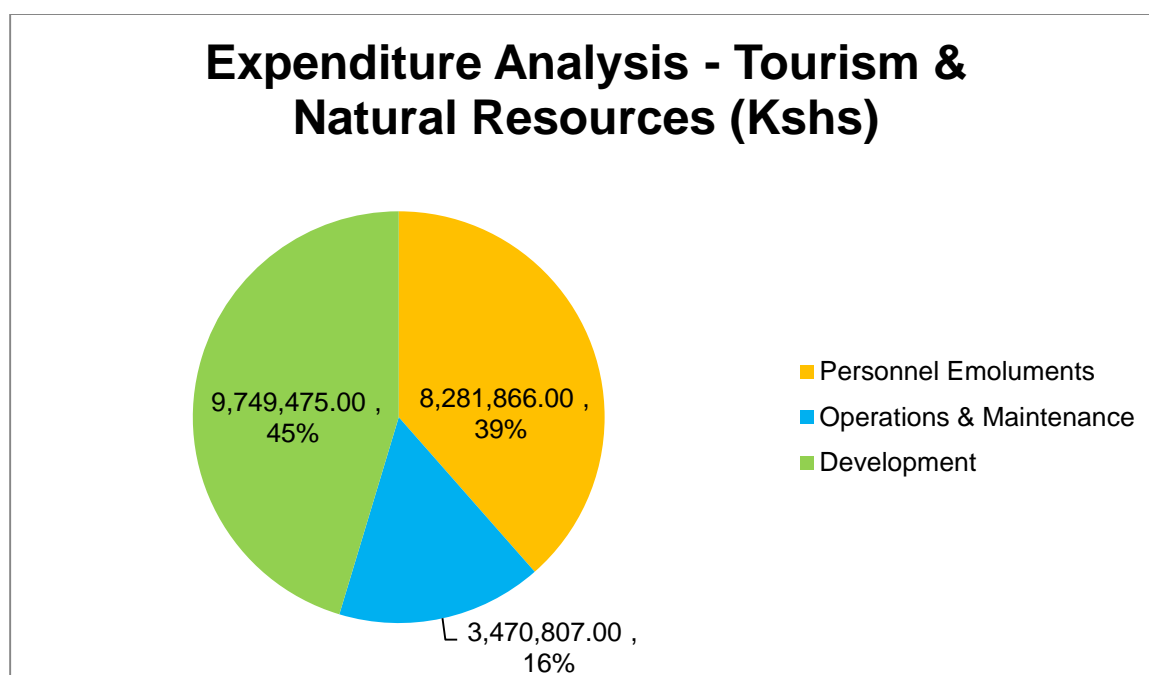
### 3.10 Environment, Energy & Mineral Investments Development

Expenditure analysis at the ministry of Environment, Energy & Mineral Investments Development reveals that a total of Kshs. 66,995,666 was spent in the first quarter of FY 2015/2016. The expenditure was broken down into; Development (Kshs. 56,937,358- 85%), Personnel Emoluments (Kshs. 6,583,870- 10%) and Operations & Maintenance (Kshs. 3,474,438- 5%).



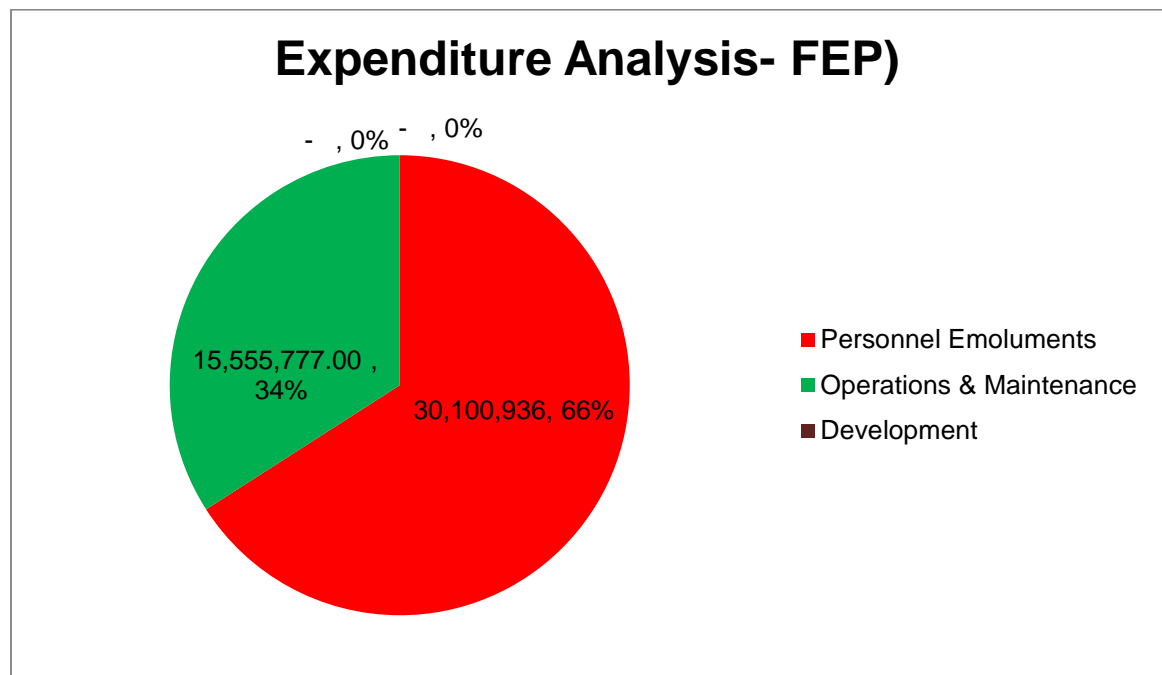
### 3.11 Tourism & Natural Resources

At the Tourism & Natural Resources ministry, Kshs. 8,281,866 (39%) was spent on personnel emoluments, Kshs. 3,470,807 (16%) on operations & maintenance and Kshs. 9,749,475 (45%) on development.



### 3.12 Finance & Economic Planning

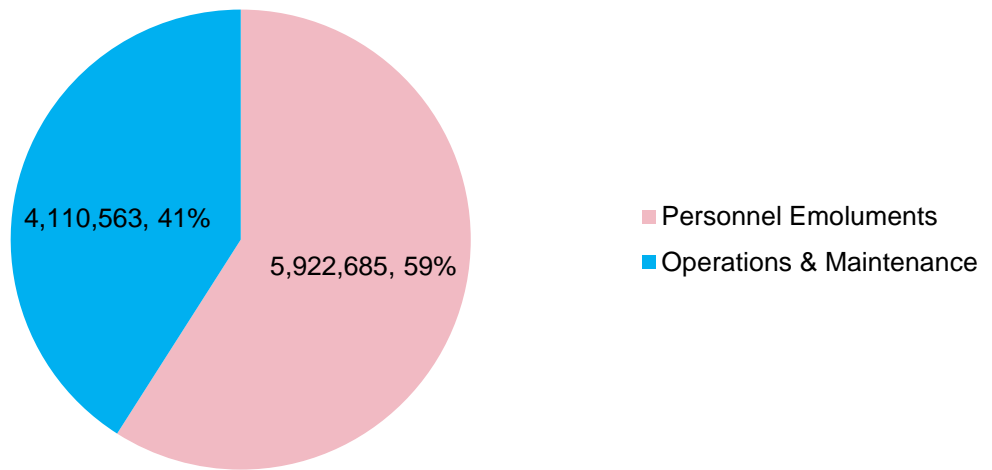
During Q1 of FY 2016/2017, the County Ministry of Finance & Economic Planning spent a total of Kshs. 45,656,713. This expenditure was broken down into; personnel emoluments (Kshs. 30,100,936- 66%), operations & maintenance (Kshs. 15,555,777 (34%) while development expenditure amounted to Kshs. 0 (0%)



### 3.13 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. 5,922,685 (59% of expenditure) was spent on Personnel Emoluments while Kshs. 4,110,563 (41%) was spent on Operations & Maintenance.

### Recurrent Expenditure- CPSB

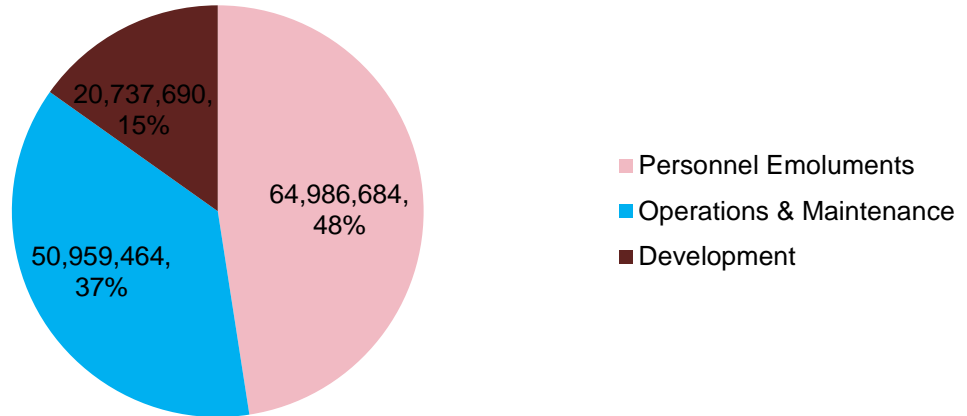


#### 3.14 The County Assembly

The County Assembly spent a total of Kshs. 136,683,838 This expenditure included the Kshs. 50,959,464 (37%) spent on personnel emoluments, the Kshs. 64,986,684 (48%) spent on operations & maintenance and the Kshs. 20,737,690 (15%) spent on development.



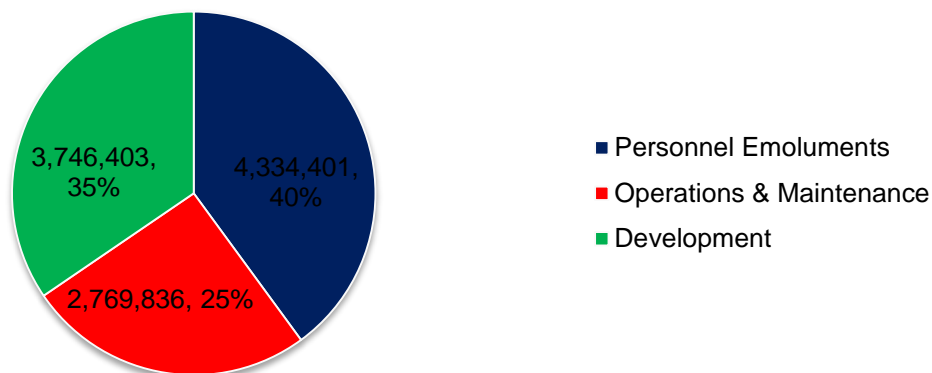
### Expenditure By Economic Classification - County Asembly



#### 3.15 Kitui Town Headquarters Administration

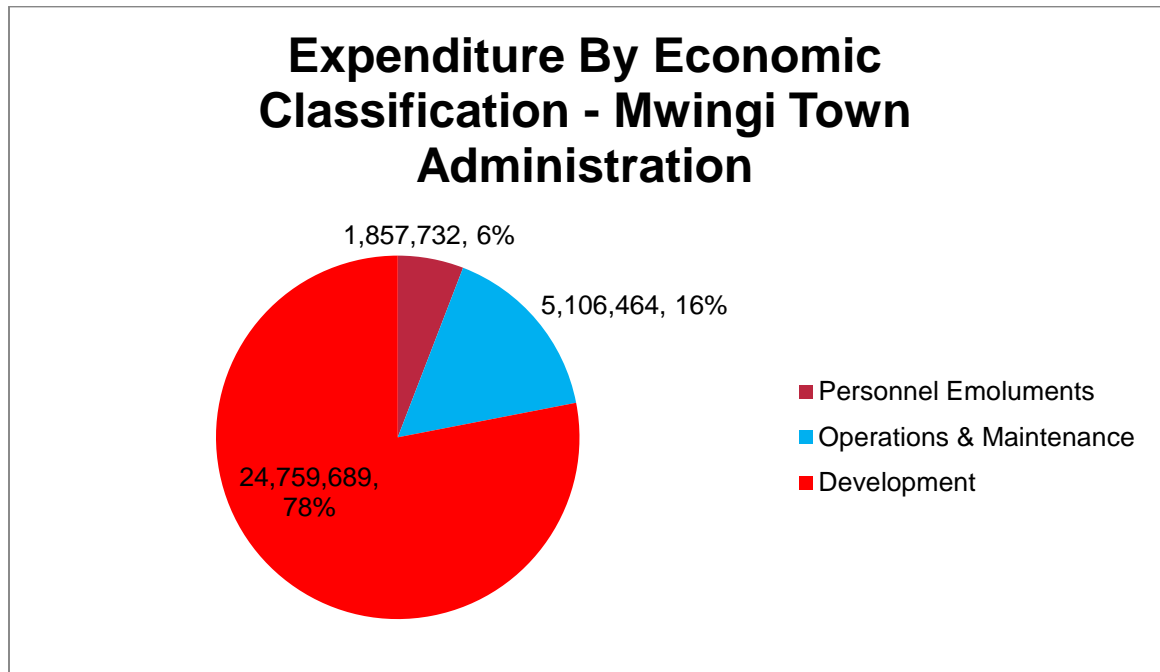
The Kitui Town Headquarters Administration spent a total of Kshs. 10,850,640. This expenditure included the Kshs. 2,769,836 (25%) spent on personnel emoluments, the Kshs. 4,334,401 (40%) spent on operations & maintenance and the Kshs. 3,746,403 (35%) spent on development.

### Expenditure By Economic Classification - Kitui Town Headquarters Administration



### 3.16 Mwingi Town Administration

The Mwingi Town Administration spent a total of Kshs. 31,723,885. This expenditure included the Kshs. 1,857,732 (6%) spent on personnel emoluments, the Kshs. 5,106,464 (16%) spent on operations & maintenance and the Kshs. 24,759,689 (78%) spent on development.



## 4.0 CHALLENGES

The county experienced several challenges/issues that affected budget implementation during Q1 of FY 2016/2017. These are:

1. Inadequate physical infrastructure /office space to accommodate staff. This adversely affected delivery of services to the public.
2. 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.
3. Failure to fully implement the IFMIS and GPAY systems and the use of manual revenue collection systems.
4. 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.