



REPUBLIC OF KENYA

COUNTY GOVERNMENT OF KITUI

BUDGET IMPLENTATION REPORT

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 June 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 year 2014/2015 under review, the County received Kshs. 5,199,208,810 as the national equitable share of revenue disbursed as below:

RELEASE DATE	AMOUNT (KSHS)
29/08/2014	792,562,319
23/10/2014	570,644,869
25/11/2014	475,537,391
14/01/2015	538,942,377
02/02/2015	538,942,377
12/03/2015	570,644,869
16/04/2015	602,347,362
28/04/2015	538,942,377
10/06/2015	570,644,869
Sub Total	5,199,208,810
DANIDA HSSF	34,610,000
TOTAL	5,233,818,810

There were two other disbursements each of Kshs. 570,644,869 totaling Kshs 1,141,289,738 done on 09/07/2015.

2.2 Locally Generated Revenue

The revenue collected from local sources amounted to Kshs. 434,268,205 and monthly collection breakdown is as below:

SOURCE	2014						2015						
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOT
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
FEP	23,185,511	23,443,616	21,004,307	19,180,949	15,486,584	14,025,553	20,272,125	18,925,016	14,991,836	25,783,677	34,356,917	30,964,448	261,620,539
AWI	2,655,962	1,582,749	114,555	850,255	1,113,705	174,085	934,747	1,527,647	933,290	34,020	65,290	486,800	10,473,105
EEMID	2,200	16,500	18,700	9,900	-	-	-	-	-	26,700	-	-	74,000
OG	-	-	84,000	934,000	246,000	195,000	204,000	232,000	68,000	249,000	5,139,130	2,803,000	10,154,130
MACCA	-	-	379,687	-	-	-	-	-	-	-	-	-	379,687
TICTCO	-	-	-	24,220	-	-	-	65,466	34,342	-	35,343	18,860	178,231
TOURIS M	-	-	-	10,000	130,900	-	-	-	-	-	-	-	140,900
LIUD	-	-	-	-	211,360	-	-	134,500	1,550,787	847,160	228,694	1,029,001	4,001,502
EDUC.	-	-	162,200	-	-	-	-	-	-	-	-	-	162,200
CULTUR E	-	-	-	-	-	-	-	-	-	-	-	12,000	12,000
HEALTH	7,211,868	3,910,572	13,007,973	7,763,498	6,298,990	6,413,472	7,229,870	7,556,844	13,030,118	14,906,640	14,998,036	11,419,030	113,746,911
D. DEPOSIT S	-	-	-	1,634,889	1,502,212	8,059,795	8,106,321	4,283,952	3,664,197	2,490,910	3,002,136	1,080,939	33,825,350
D. DEP B/F	-	-	-	-	320,850	-	179,500	-	-	-	-	-	-500,350
													434,268,205

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.6,901,263,416 which was 97% of the funds released. The County Executive spent Kshs. 6,309,395,146 while County Assembly spent Kshs. 591,868,270 which represent 91% and 9% respectively. The County spent Kshs. 3,936,510,141 (57%) on recurrent expenditure and Kshs. 2,964,753,275 (43%) on development activities.

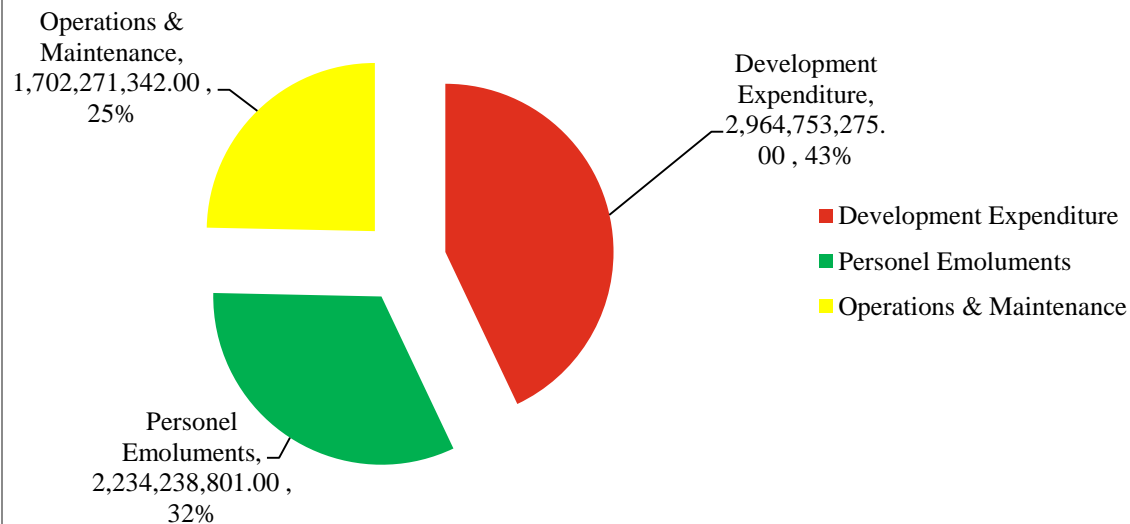
Analysis of recurrent expenditure reveals that the County spent Kshs. 2,234,238,801 on personnel emoluments translating to 57% of the total recurrent expenditure, while Kshs. 1,702,271,342 was spent on operations & maintenance accounting for 43%.

The table below analyses expenditure by the various spending entities.

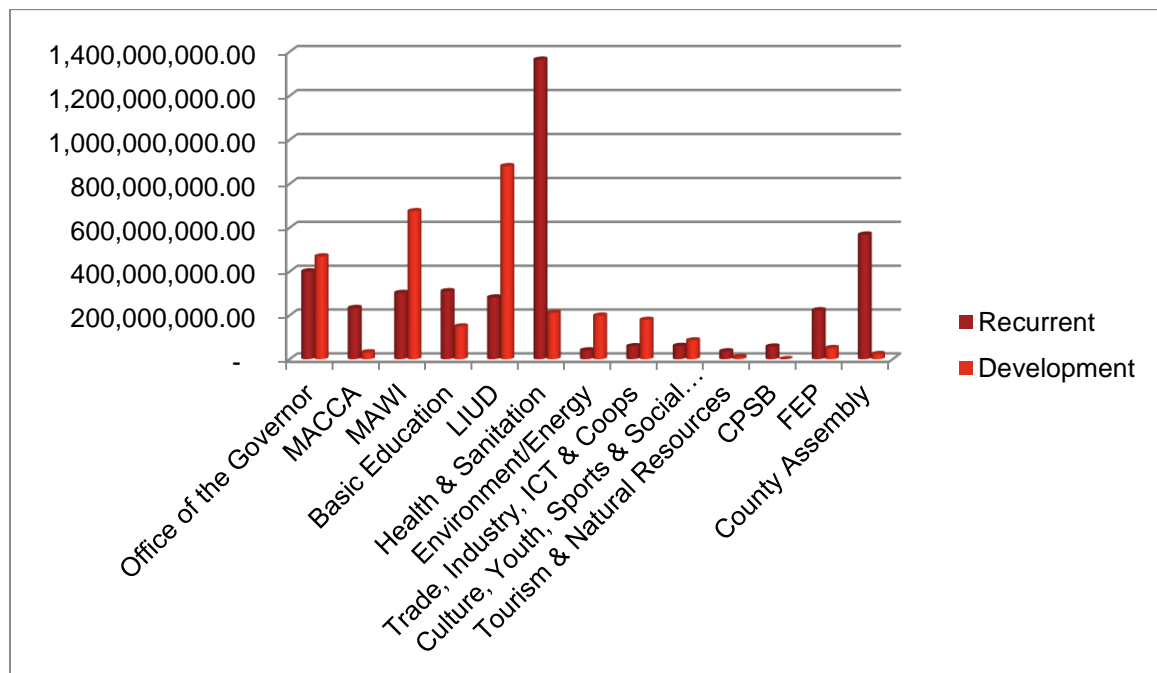
ENTITY	PERSONNEL EMOLUMENTS		OPERATIONS & MAINTENANCE		DEVELOPMENT		TOTAL
	KSHS	%	KSHS	%	KSHS	%	
Office of the Governor	100,637,692	8	299,839,616	24	869,530,628	68	1,270,007,936
Ministry of Administration & coordination of County Affairs	110,034,425	41	123,477,628	47	31,280,061	12	264,792,114
Ministry of Agriculture, Water & Coordination	241,330,466	25	60,910,367	6	675,445,349	69	977,686,182
Ministry of basic education, training & Skills	272,963,769	59	37,286,224	8	149,242,992	33	459,492,985

Development							
Ministry of Lands, Infrastructure & Urban Development	187,168,986	16	94,356,478	8	880,286,863	76	1,161,812,327
Ministry of Health & Sanitation	827,656,527	53	536,289,711	34	211,856,195	13	1,575,802,433
Ministry of Trade, Industry & Cooperatives	272,963,769	59	37,286,224	8	149,242,992	33	459,492,985
Ministry of Culture, youth, Sports & Social Services	85,583,735	59	23,951,997	16	36,486,953	25	146,022,685
Ministry of Environment, Energy and Mineral Incestments Development	15,555,259	19	40,134,188	50	24,578,929	31	80,268,376
Ministry of Tourism & Natural Resources	11,931,751	26	23,998,807	53	9,728,987	21	45,659,545
Ministry of Finance & Economic Planning	109,748,749	40	113,276,916	41	50,769,628	19	273,795,293
County Public Service Board	33,320,271	58	24,265,773	42	0	0	57,586,044
County Assembly	272,586,031	46	295,889,736	50	23,392,503	4	591,868,270
TOTAL	2,541,481,430	32	1,710,963,665	25		43	7,364,287,175

County Expenditure by Economic Classification



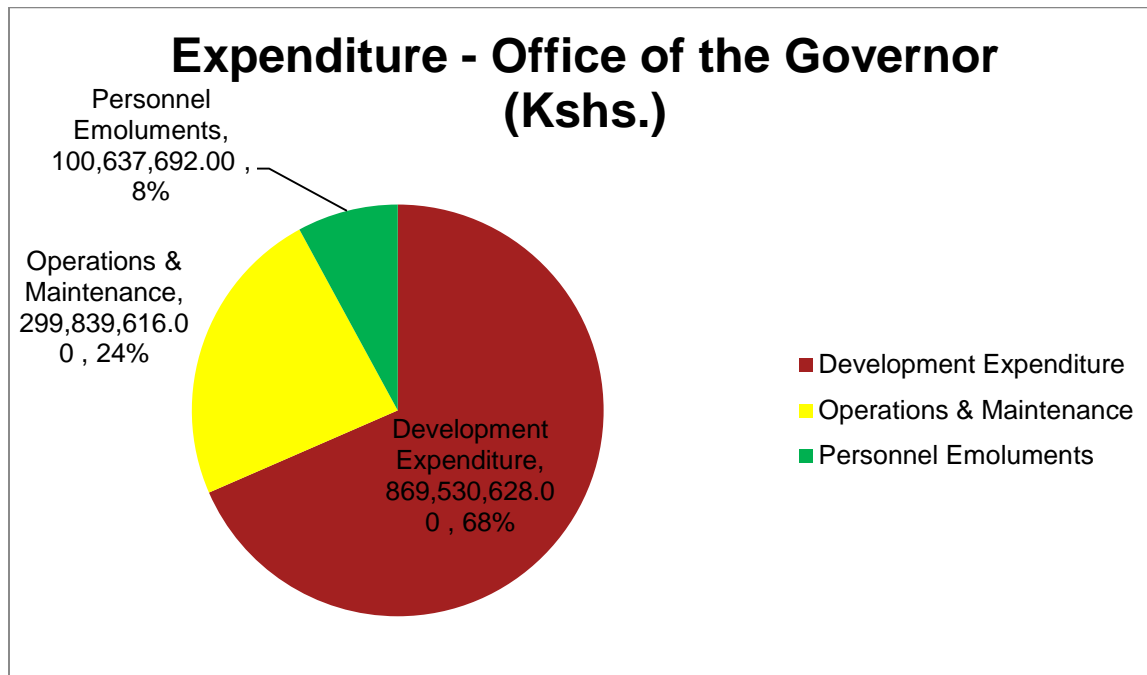
3.2 Expenditure By the Various Spending Entities



3.3 Office of the Governor

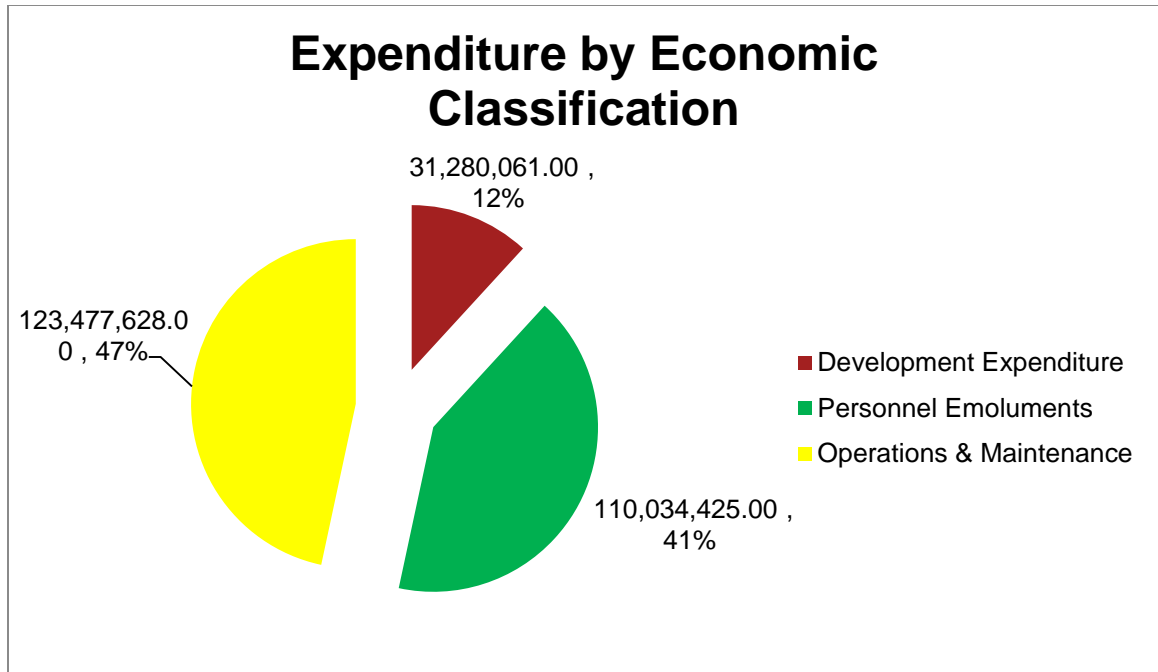
During the period under review, the office of the Governor spent Kshs. 869,530,628. Out of this, Kshs. 469,053,320 (54%) financed development projects, Kshs. 100,637,692(12%) went to Personnel Emoluments while Kshs. 299,839,616(34%) was spent on Operations & Maintenance.

Further analysis reveals that recurrent expenditure was 94% of the funds budgeted for recurrent activities while development expenditure accounted for 52% of the funds released for development projects.



3.4 Administration & Coordination of County Affairs

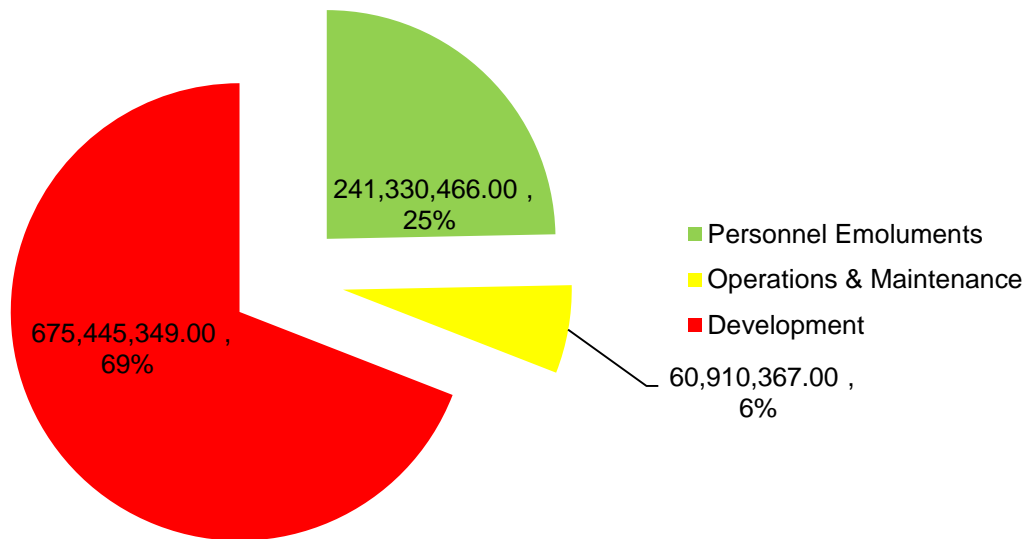
Analysis of the Ministry of Administration and Coordination of County Affairs' expenditure reveals that Kshs. 31,280,061 (12%) went to finance development projects, Kshs. 110,034,425 (41%) went to Personnel Emoluments while the amount spent on Operations & Maintenance was Kshs. 123,034,425 (47%).



3.5 Agriculture, Water & Irrigation

During the period under review, the county ministry of Agriculture, Water and Irrigation spent a total of Kshs. 977,686,182. Out of this, Kshs. 675,445,345 (69%) was spent on development, Kshs. 241,330,466 (25%) on personnel emoluments and Kshs. 60,910,367 (6%) on Operations and Maintenance.

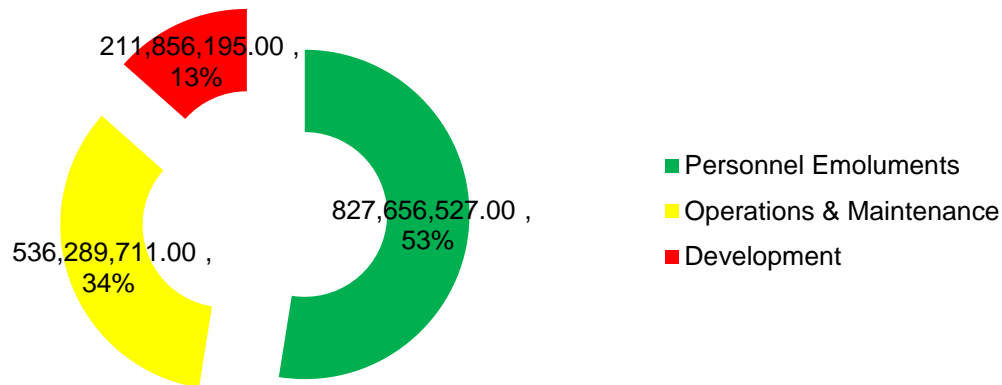
Ministry Expenditure Classification- Kshs



3.6 Health and Sanitation

The County Ministry of Health and Sanitation had, in 2014/2015, a total expenditure of Kshs. 1,575,802,433. Out of this Kshs. 211,856,195 (13%) was spent on development activities and Kshs. 1,363,946,238 (87%) was recurrent expenditure. Further analysis of the recurrent expenditure reveals that, Kshs. 827,656,527 (60%) went to Personnel emoluments while Kshs. 536,289,711 went to Operations & Maintenance.

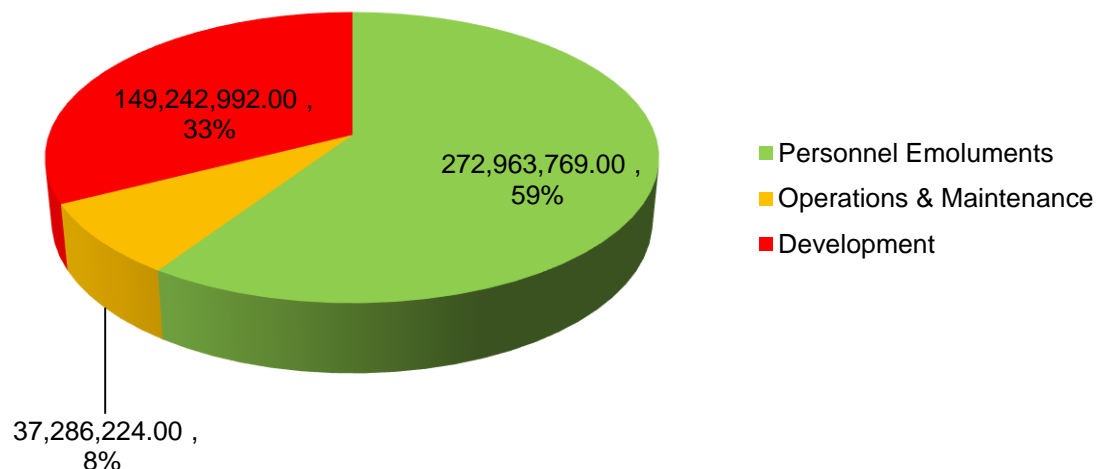
Expenditure by Economic Classification - Health



3.7 Basic Education, Training & Skills Development

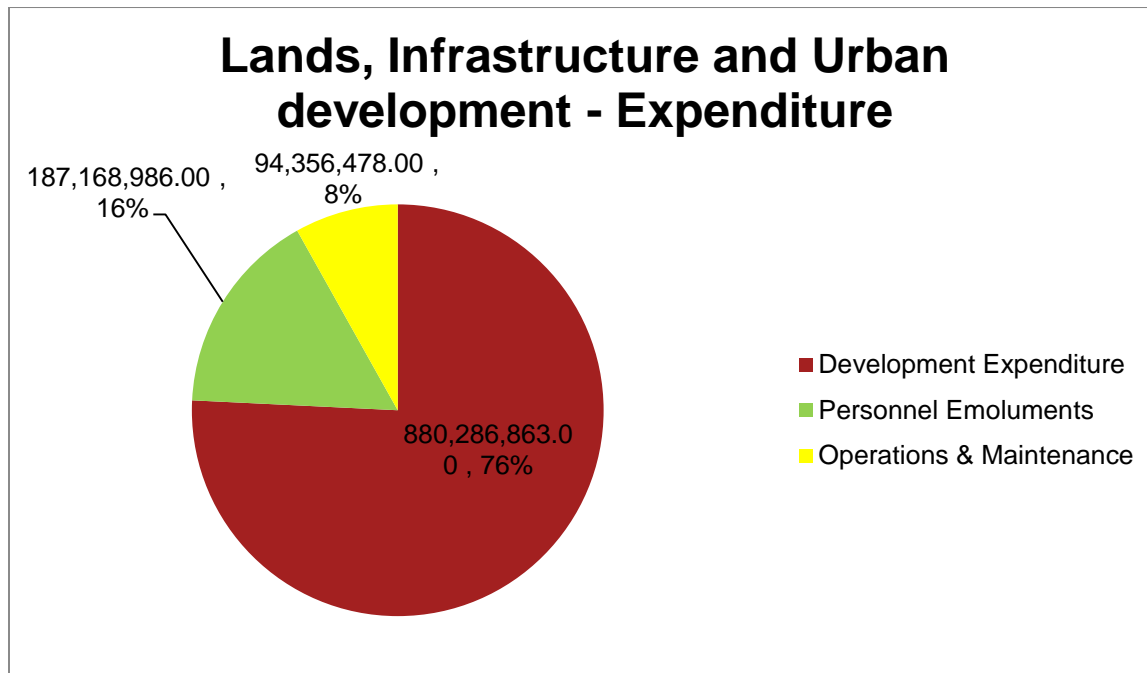
A total of Kshs. 459,492,985 was spent in FY 2014/2015. This was broken into Personnel Emoluments (Kshs. 272,963,769 – 59%), Operations & Maintenance (Kshs. 37,286,224 - 8%) while development expenditure was Kshs. 149,242,992 (33%).

Expenditure by Economic Classification -Basic Education



3.8 Lands Infrastructure & Urban Development

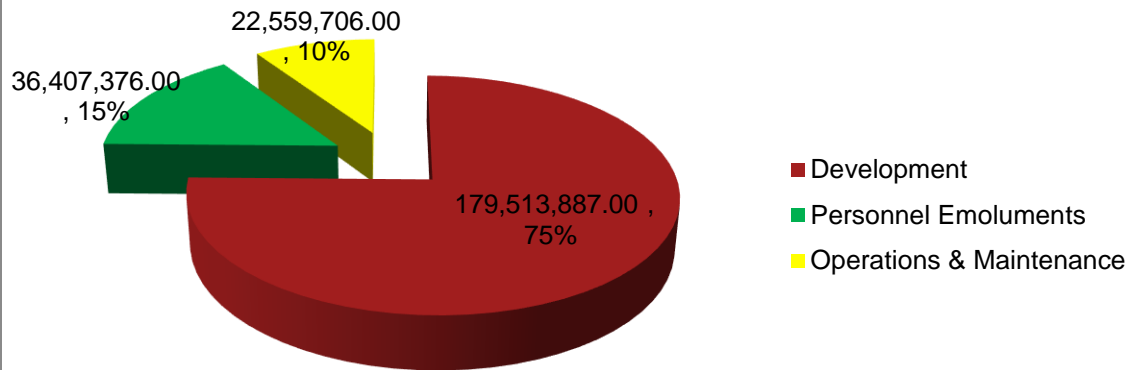
At the Lands, Infrastructure & Urban Development ministry, a total of Kshs. 880,286,863 was spent on development, Kshs. 187,168,986 on personnel emoluments and Kshs.94,356,478 on Operations and Maintenance. This translated to 76%, 16% and 8% of total ministry expenditure respectively.



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. 238,480,967. Out of this amount, Kshs. 36,407,376 (15% of total expenditure) went to personnel emoluments, Kshs. 22,559,706 (10%) to Operations & Maintenance while Kshs. 179,513,887 (75%) financed development projects.

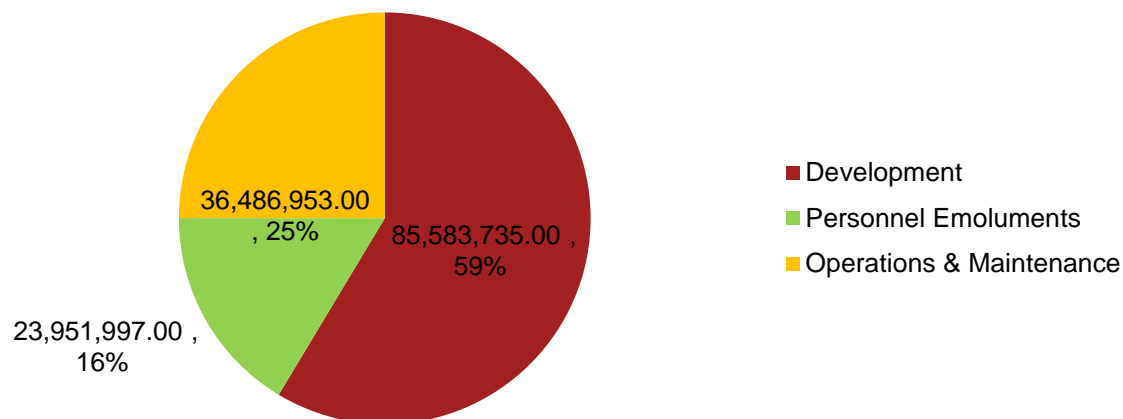
Ministry Expenditure by Economic Classification - Kshs



3.10 Youth, Sports, Culture & Social Services

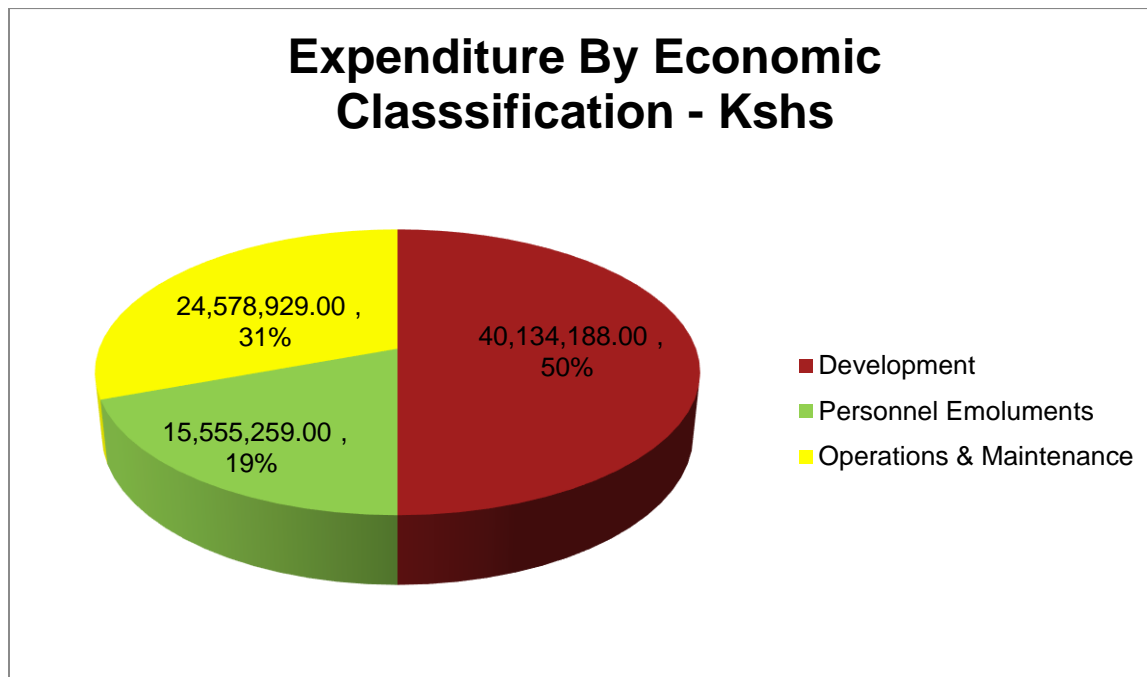
At the Youth, Sports, Culture & Social Services ministry, a total of Kshs. 146,022,685 was spent in FY 2015/2016. The development component of this expenditure was Kshs. 85,583,735 (59%), Kshs. 23,951,997 (16%) was spent on personnel emoluments while Kshs. 36,486,953 (25%) financed operations and maintenance.

Expenditure By Economic Classification



3.11 Environment, Energy & Mineral Investments Development

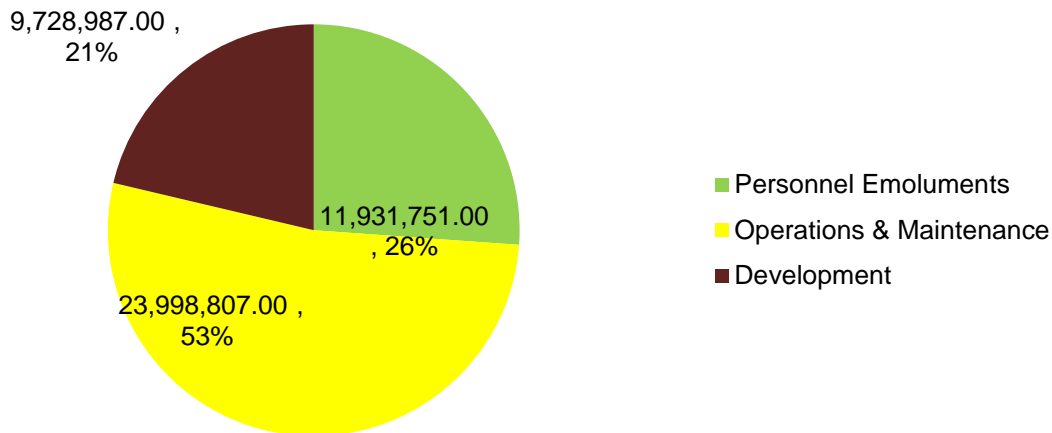
Expenditure analysis at the ministry of Environment, Energy & Mineral Investments Development reveals that a total of Kshs.238,733,947 was spent in FY 2014/2015. The expenditure was broken down into; Development (Kshs. 198,599,759- 83%), Personnel Emoluments (Kshs.15, 555, 259 – 7%) and Operations & Maintenance (Kshs.40, 134,188 – 10%)



3.12 Tourism & Natural Resources

At the Tourism & Natural Resources ministry, a total of Kshs. 9,728,987 was spent on development, Kshs. 11,931,751 on Personnel Emoluments and Kshs.23, 998,807 on Operations and Maintenance. This translated to 21%, 26% and 53%% of total ministry expenditure respectively.

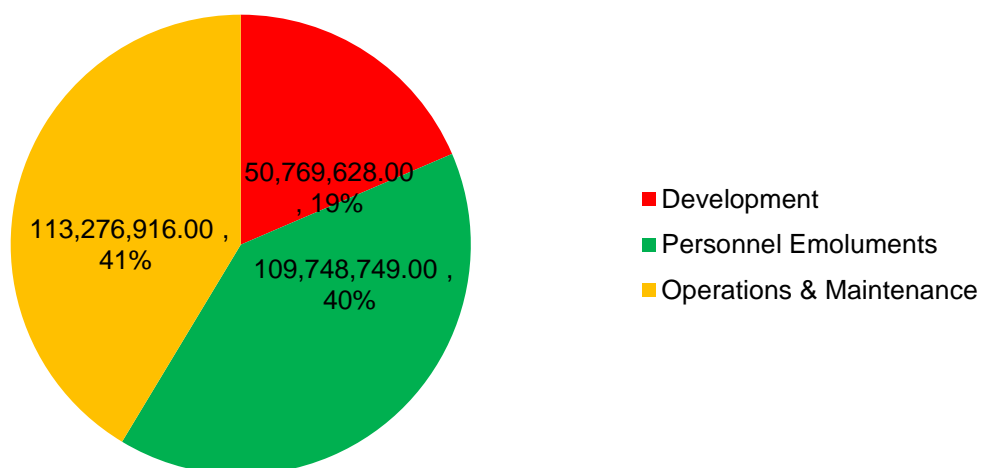
Expenditure Analysis - Tourism & Natural Resources (Kshs)



3.13 Finance & Economic Planning

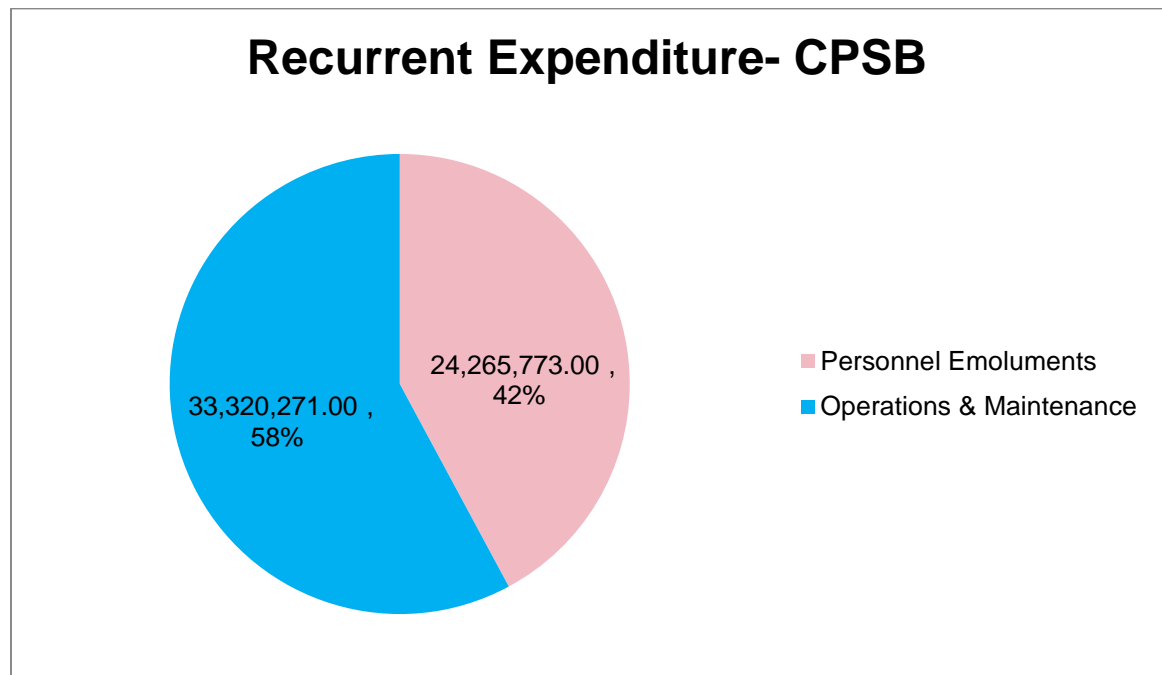
During FY 2015/2015, the County Ministry of Finance & Economic Planning spent a total of Kshs.273, 795,293. The amount spent on development projects was Kshs. 50,769,628 (19% of total expenditure), that spent on Personnel Emoluments was Kshs. 109,748,749 (40%) while expenditure for Operations & Maintenance was Kshs. 113,276,916 (41%).

Expenditure Analysis- FEP)



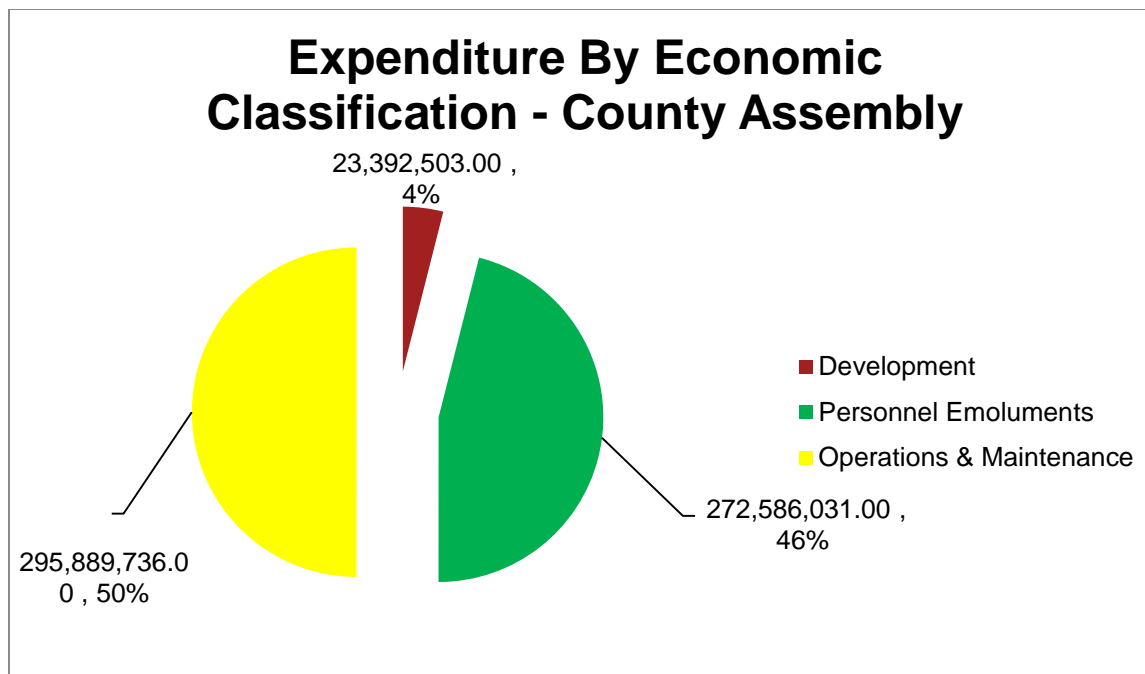
3.14 The County Public Service Board

The County Public Service Board did not undertake any development projects. An analysis of the recurrent expenditure reveals that Kshs. 24,265,773 (42% of expenditure) was spent on Personnel Emoluments while Kshs. 33,320,271 (58%) was spent on Operations & Maintenance.



3.15 The County Assembly

During FY 2014/2015, the Kitui County Assembly incurred a total expenditure of Kshs. 591,868,270. The development component of this expenditure was Kshs. 23,392,503 (4%). The recurrent expenditure was broken down into; Personnel Emoluments – Kshs. 272,586,031 (46%) and Operations & Maintenance – Kshs. 195,889,736 (50%).



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. 434,268,205 compared to the annual target of Kshs. 650,000,000. 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.