



THE REPUBLIC OF KENYA

COUNTY GOVERNMENT OF THARAKA NITHI

BUDGET IMPLEMENTATION REVIEW REPORT

FOURTH QUARTER

FINANCIAL YEAR 2017/18

Courtesy of Controller of Budget

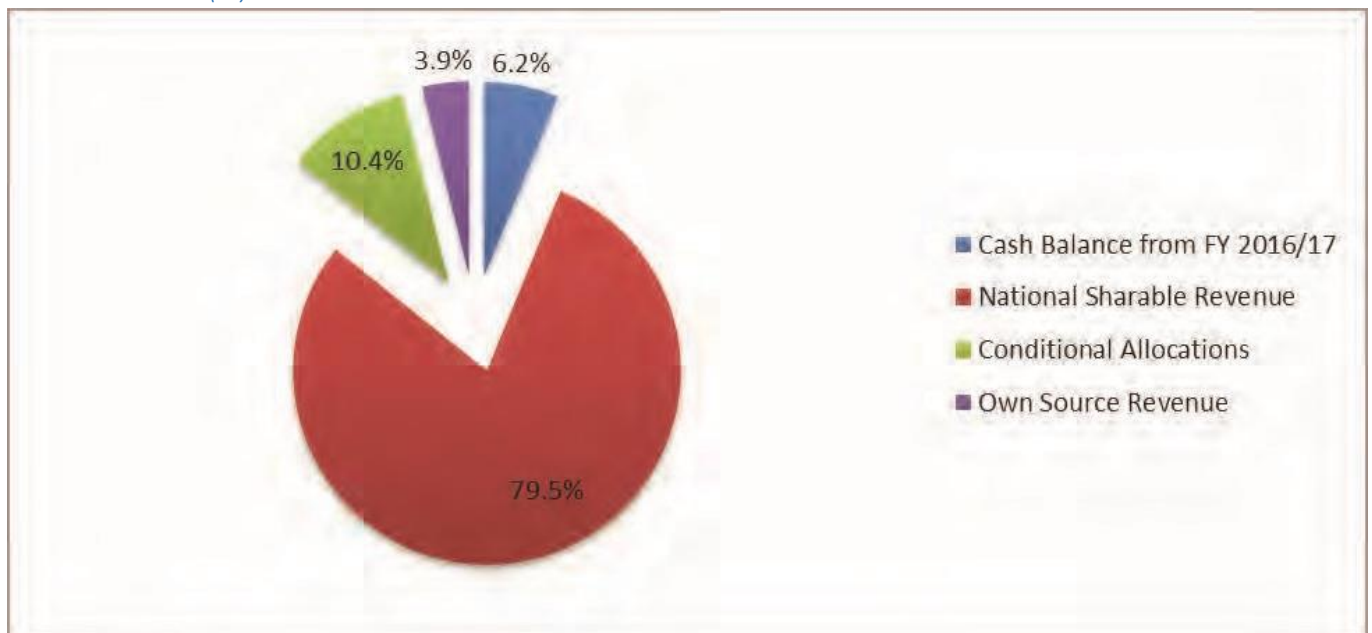
September 2018

1.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Supplementary Budget is Kshs.4.63 billion, comprising of Kshs.3.04 billion (65.6 per cent) and Kshs.1.60 billion (34.4 per cent) allocation for recurrent and development expenditure respectively. To finance the budget, the County expected to receive Kshs.3.68 billion (79.5 per cent) as equitable share of revenue raised nationally, Kshs.480.37 million (10.4 per cent) as total conditional grants, generate Kshs.179.92 million (3.9 per cent) from own source revenue, and Kshs.287.55 million (6.2 per cent) cash balance from FY 2016/17.

Figure 1.1 shows the expected sources of budget financing in FY 2017/18

Figure 1.1: Tharaka Nithi County, Expected Sources of Budget Financing in FY 2017/18 (%)



Source: Tharaka Nithi County Treasury

The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (19.2 per cent) for Leasing of Medical Equipment, Kshs.133.68 million (26.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.23 million (1.7 per cent) as compensation for User Fee Foregone, Kshs.9.06 million (1.8 per cent) from DANIDA, Kshs.18.77 million (3.8 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.38.12 (7.7 per cent) for Development of Youth Polytechnic, Kshs.35.99 million (7.2 per cent) for the World Bank Kenya Devolution Support Program, Kshs.22 million (4.4 per cent) as World Bank loan for Transforming Health System for Universal Care Project, Kshs.121 million (24.3 per cent) as Supplement for Construction of County Headquarters and Kshs.14.98 (3 per cent) as Other Loan and Grants.

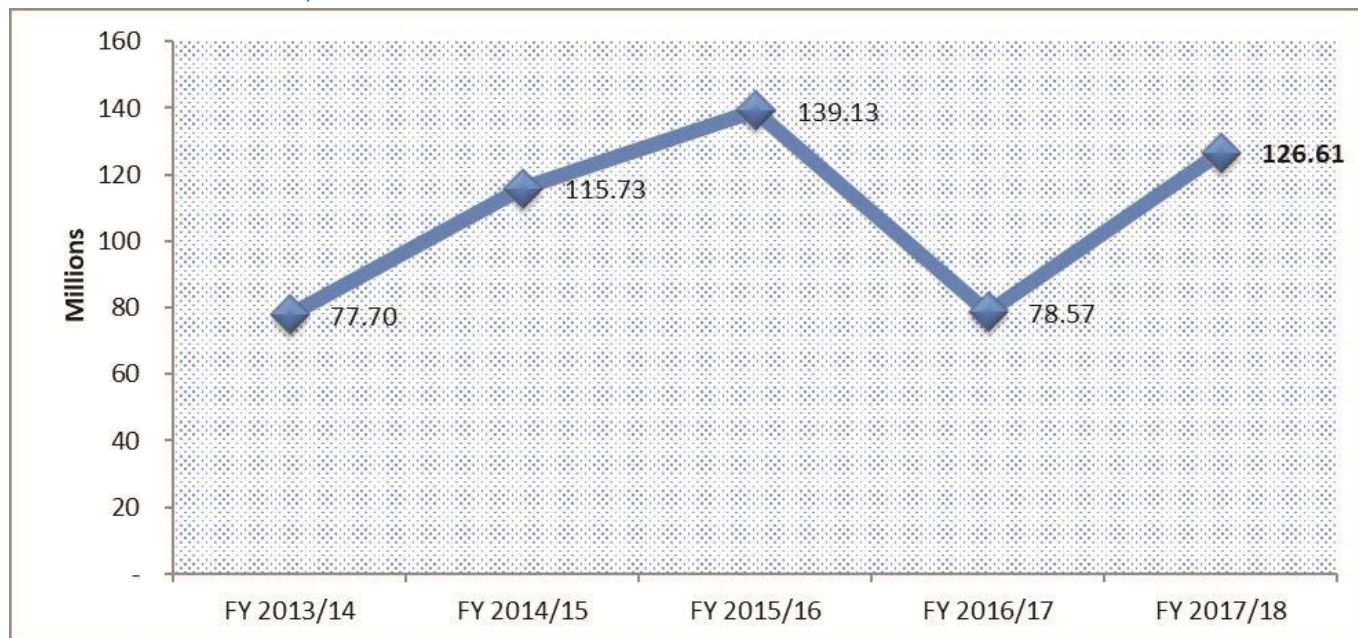
1.2 Revenue Analysis

During the FY 2017/18, the County received Kshs.3.68 billion as equitable share of revenue raised nationally, Kshs.279.93 million as total conditional grants, raised Kshs.126.61 million from own

source revenue, and had a cash balance of Kshs.287.55 million from FY 2016/17. The total available funds amounted to Kshs.4.38 billion.

Figure 1.2 shows the annual trend in own source revenue collection from FY 2013/14 to FY 2017/18.

Figure 1.2: Tharaka Nithi County, Trend in Annual Own Source Revenue Collection from FY 2013/14 to FY 2017/18



Source: Tharaka Nithi County Treasury

The total own source revenue generated in FY 2017/18 amounted to Kshs.126.61 million, representing an increase of 61.1 per cent compared to Kshs.78.57 million generated in FY 2016/17 and was 70.4 per cent of the annual own source revenue target.

1.3 Conditional Grants

Table 1.1 shows an analysis of conditional grants Received in FY 2017/18.

Table 1.1: Tharaka Nithi County, Analysis of Conditional Grants Received in FY 2017/18

S/No	Grants or Loan Details	Annual CARA, 2017 Allocation in Kshs)	FY2017/18 Annual Budget Allocation Kshs)	Actual receipts in FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	133,682,063	133,682,063	133,682,063	100
2	World Bank loan to supplement	18,767,500	28,767,500	-	-

	financing of County Health facilities				
3	KDSP	35,989,349	59,889,349	35,989,349	100
4	Compensation for User Fee Foregone	8,218,119	8,218,119	8,419,197	102
5	DANIDA Grant	9,058,820	9,053,820	9,058,820	100
6	Conditional Allocation Other Loans Grants	14,982,351	14,982,351	-	-
7	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
8	Conditional Grants to Development of Youth Polytechnics	38,121,638	38,121,638	38,121,638	100
9	World Bank Loan for Transforming Health System for Universal Care System	22,000,000	66,650,000	54,654,343	248
10	Leasing of Medical Equipment	95,744,681	-	-	-
Total		497,564,521	480,369,840	279,925,410	56

Source: Tharaka Nithi County Treasury

Analysis of the conditional grants released during the period under review indicates that, World Bank Loan for Transforming Health System for Universal Care System recorded the highest receipts at 248 per cent of the annual allocation.

1.4 Exchequer Issues

During the period under review, the Controller of Budget approved withdrawal of Kshs.3.78 billion from the CRF account, which was 81.6 per cent of the Approved Supplementary Budget. This amount represented an increase of 6.2 per cent from Kshs.3.56 billion approved in FY 2016/17 and comprised of Kshs.2.85 billion (75.4 per cent) for recurrent expenditure and Kshs.929.99 million (24.6 per cent) for development activities.

1.5 Overall Expenditure Review

The County spent Kshs.3.65 billion, which was 96.1 per cent of the total funds released for operations. This was an increase of 31.8 per cent from Kshs.2.77 billion spent in FY 2016/17.

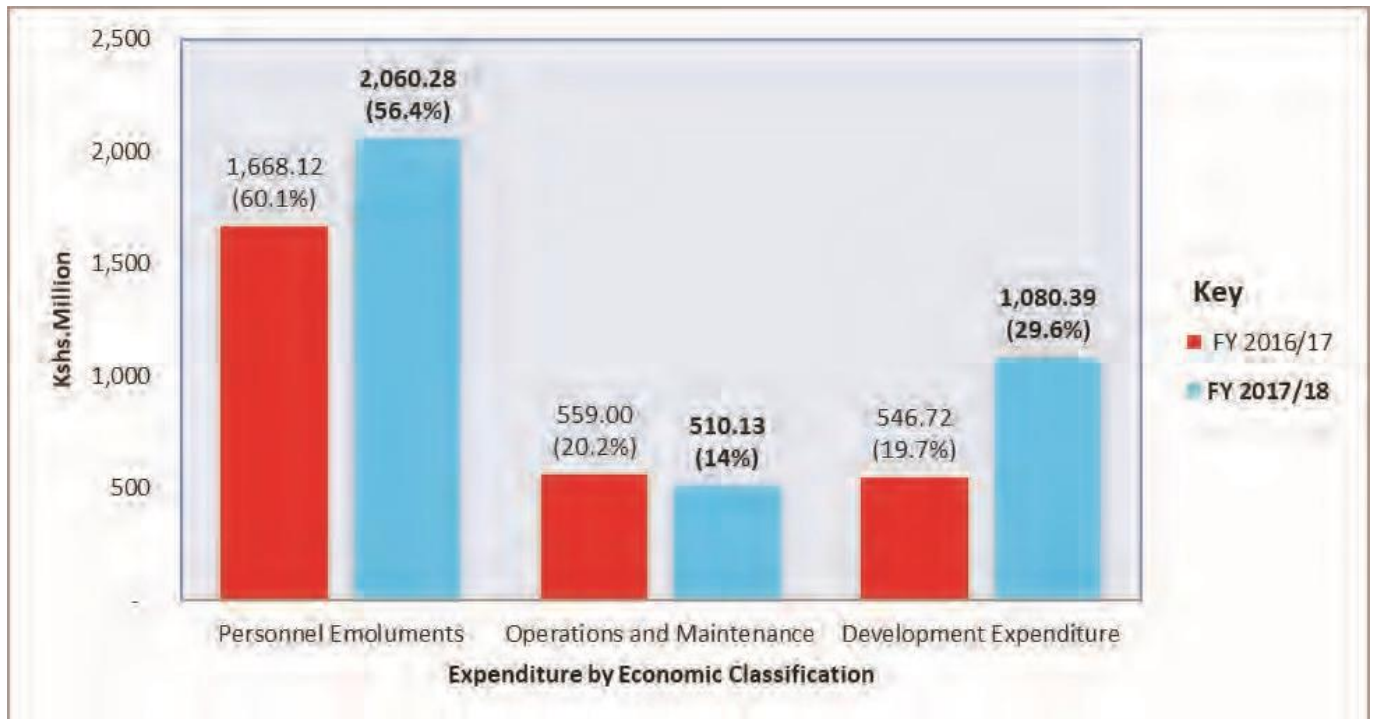
A total of Kshs.2.57 billion was spent on recurrent activities while Kshs.1.08 billion was spent on development activities. The recurrent expenditure was 90.2 per cent of the funds released for recurrent

activities, while development expenditure was 116.1 per cent of funds released for development activities. The expenditure excluded pending bills which amounted to Kshs.221.48 million for development activities and Kshs.39.3 million for recurrent expenditure as at June 30th, 2018.

The recurrent expenditure represented 84.7 per cent of the annual recurrent budget, an increase from 82.9 per cent recorded in FY 2016/17. Development expenditure recorded an absorption rate of 67.7 per cent, which was an increase from 42.9 per cent attained in FY 2016/17.

Figure 1.3 presents a comparison between the total expenditure in FY 2016/17 and FY 2017/18.

Figure 1.3: Tharaka Nithi County, Expenditure by Economic Classification in FY 2016/17 and FY 2017/18



Source: Tharaka Nithi County Treasury

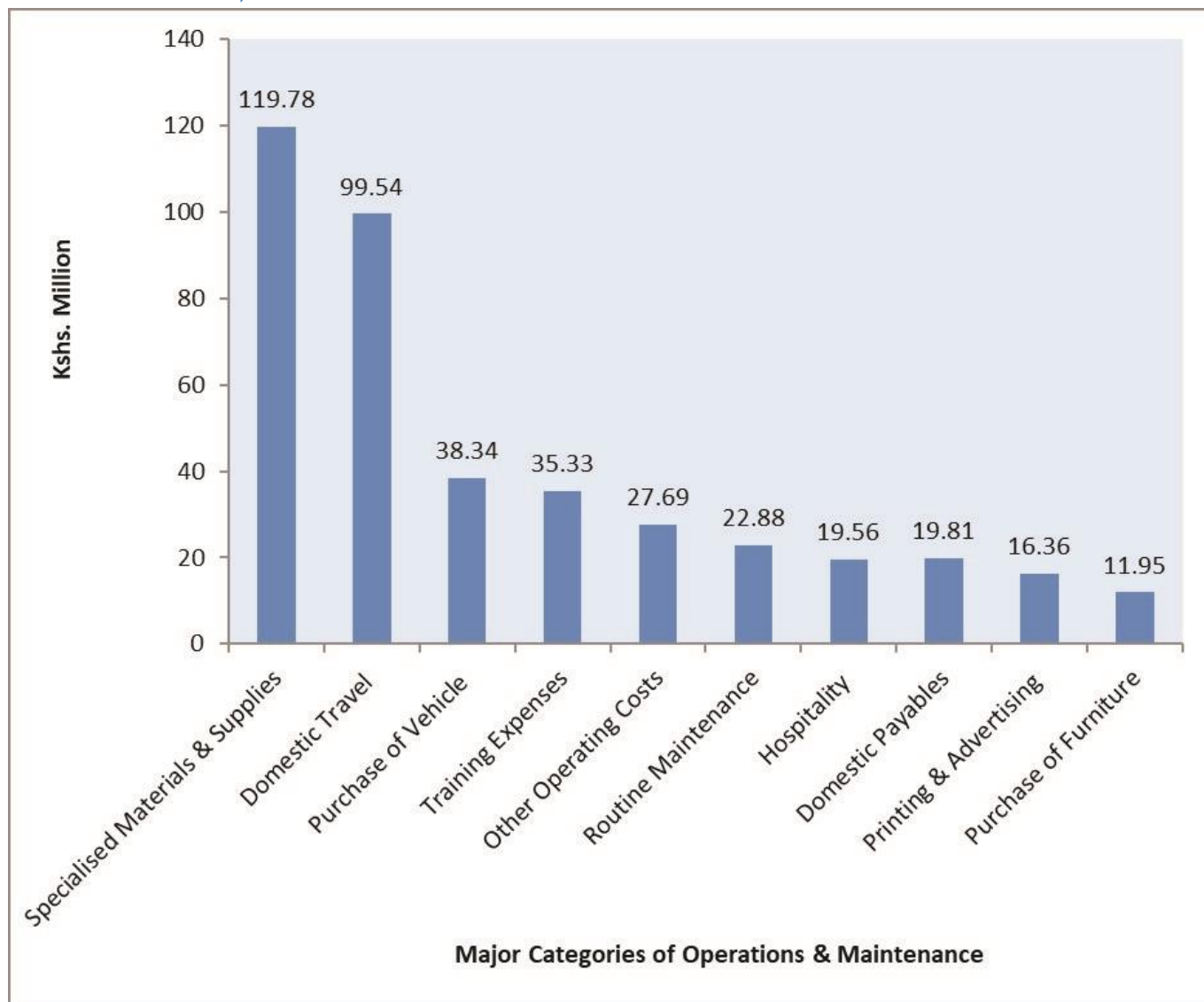
1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.57 billion comprised of Kshs.2.06 billion (79.2 per cent) incurred on personnel emoluments and Kshs.510.13 million (20.8 per cent) on operations and maintenance as shown in Figure 3.163.

Expenditure on personnel emoluments represented an increase of 23.4 per cent compared to FY 2016/17 when the County spent Kshs.1.67 billion, and was 56.4 per cent of total expenditure in FY 2017/18. Figure

1.4 shows a summary of operations and maintenance expenditure by major categories.

Figure 1.4: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories in FY 2017/18



Source: Tharaka Nithi County Treasury

The County spent Kshs.5.95 million on committee sitting allowances to the 21 MCAs against an annual budget allocation of Kshs.8 million. This was a decline of 67 per cent compared to Kshs.18.02 million spent in FY 2016/17. The average monthly sitting allowance was Kshs.23,621 per MCA compared to SRC’s recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.115.29 million and comprised of Kshs.70.14 million spent by the County Assembly and Kshs.45.15 million by the County Executive. This represented 4.5 per cent of total recurrent expenditure, and was a decrease of 11.2 per cent compared to Kshs.129.84 million spent in FY 2016/17.

1.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.08 billion represented 67.7 per cent of the annual development budget of Kshs.1.6 billion. Table 1.2 provides a summary of development projects with the highest expenditure in FY 2017/18.

Table 1.2: Tharaka Nithi County, List of Development Projects with the Highest Expenditure in FY 2017/18

S/No.	Project Name	Project location	Project budget (Kshs.)	FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Construction of Markets	Countywide	130,000,000	106,383,551	82
2	Rehabilitation and Equipping of 15 boreholes	Countywide	105,500,000	104,560,295	99
3	Domestic payables from previous FY	Countywide	79,400,000	77,699,412	98
4	Revenue Automation System	Headquarters	50,000,000	49,905,906	100
5	Construction of headquarter Executive block	Headquarters	28,000,000	25,890,580	92
6	Construction of a modern outpatient block at Chuka Hospital	Karingani	23,000,000	22,608,874	98
7	Construction of Building for KMTC	Karingani	21,000,000	20,169,476	96
8	Purchase of Grader	Headquarters	20,000,000	19,980,000	100
9	Nguruki-Kieni-Kanini-Muragara-Kaare road	Mwimbi	19,576,840	19,411,354	99
10	Electrification of Kathangacini-Partly Rural Electrification	Gatunga	19,300,000	19,000,000	98

Source: Tharaka Nithi County Treasury

1.8 Analysis of Budget Performance by Department

Table 1.3 shows a summary of budget estimates and budget performance by Department in FY 2017/18.

Table 1.3: Tharaka Nithi County, Budget Performance by Department in FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2017/18 (Kshs.Million)		Expenditure in FY 2017/18 (Kshs. Million)	
	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	384.90	100	313.50	36.81	294.10	-
County Executive	174.19	-	170.45	-	133.48	-
Finance and Economic Planning	466.43	79.40	382.02	75.40	393.82	77.70
Agriculture	261.62	107.83	261.59	52.64	246.77	86.52
Environment and Natural Resources	28.81	59	28.80	38.31	23.07	50.18
Education, Gender and Vocational Training	196.84	106.05	175.74	50.32	155.29	34.23
Medical Services	1,091.55	106.75	1,090.60	63.40	1,068.12	58.62
Lands, Physical Planning and Urban Development	30.10	48.25	30.07	17.76	16.47	30.84
Roads, Infrastructure, Transport and Public Works	56.03	508.60	56.03	227.17	19.58	304.52
Administration and Public Services	150.64	-	149.17	-	128.64	-
Trade, Industry and Cooperative Development	54.73	143	54.53	110.73	33.57	108.66
Water Services and Irrigation	19.43	232.40	16.27	181.52	6.81	224.97
County Public Services Board	22.40	-	22.38	-	8.70	-
Livestock, Veterinary and Fisheries	13.16	-	13.16	-	0.50	-
Public Health and Sanitation	22.91	-	22.91	-	16.26	-
Energy and ICT	47.86	104.90	47.78	75.93	23.92	104.16
Youth, Culture, Sport and Tourism	14.47	-	14.47	-	1.31	-
TOTAL	3,036	1,596	2,849	930	2,570	1,080

Source: Tharaka Nithi County Treasury

Analysis of budget performance by department shows that, the Department of Finance and Economic Planning attained the highest absorption rate of development budget at 97.9 per cent. The Department of Medical Services had the highest percentage of recurrent expenditure to recurrent budget at 97.9 per cent while the Department of Livestock, Veterinary and Fisheries had the lowest at 3.8 per cent.

1.9 Key Observations and Recommendations

During the period under review, the office identified the following challenges that affected budget implementation: 1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.

1. The COB has noted, from the analysis of bank statements and expenditure reports that the County has continued to make financial transactions from bank accounts maintained with commercial banks and make payments through cheques. This contravenes Government policy which requires all payments by government to be made online through Internet Banking platform.
2. The County has not constituted the CBEF as per the requirement of Section 137 of the PFM Act, 2012 for consultation in the budget process.
3. Late submission of financial reports by the County Treasury, to the Office of the Controller of Budget which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
4. A high wage bill that increased by 23.4 per cent from Kshs.1.67 billion in FY 2016/17 to Kshs.2.06 billion in the period under review.

The County should implement the following recommendations in order to improve budget execution;

- 1. The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
- 2. All Accounting Officers should ensure that payments are made online through the prescribed Internet Banking platform at the Central Bank of Kenya.*
- 3. The County should establish an effective CBEF for consultation in the budget and economic process in line with Section 137 of the PFM Act, 2012.*
- 4. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012*
- 5. The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*