



THE REPUBLIC OF KENYA

COUNTY GOVERNMENT OF THARAKA NITHI

BUDGET IMPLEMENTATION REVIEW REPORT

FIRST NINE MONTHS

FINANCIAL YEAR 2017/18

Courtesy of Controller of Budget

May 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.1.6 billion (34.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expect 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 revenue sources, and Kshs.287.55 million (6.2 per cent) cash balance brought forward from FY 2016/17.

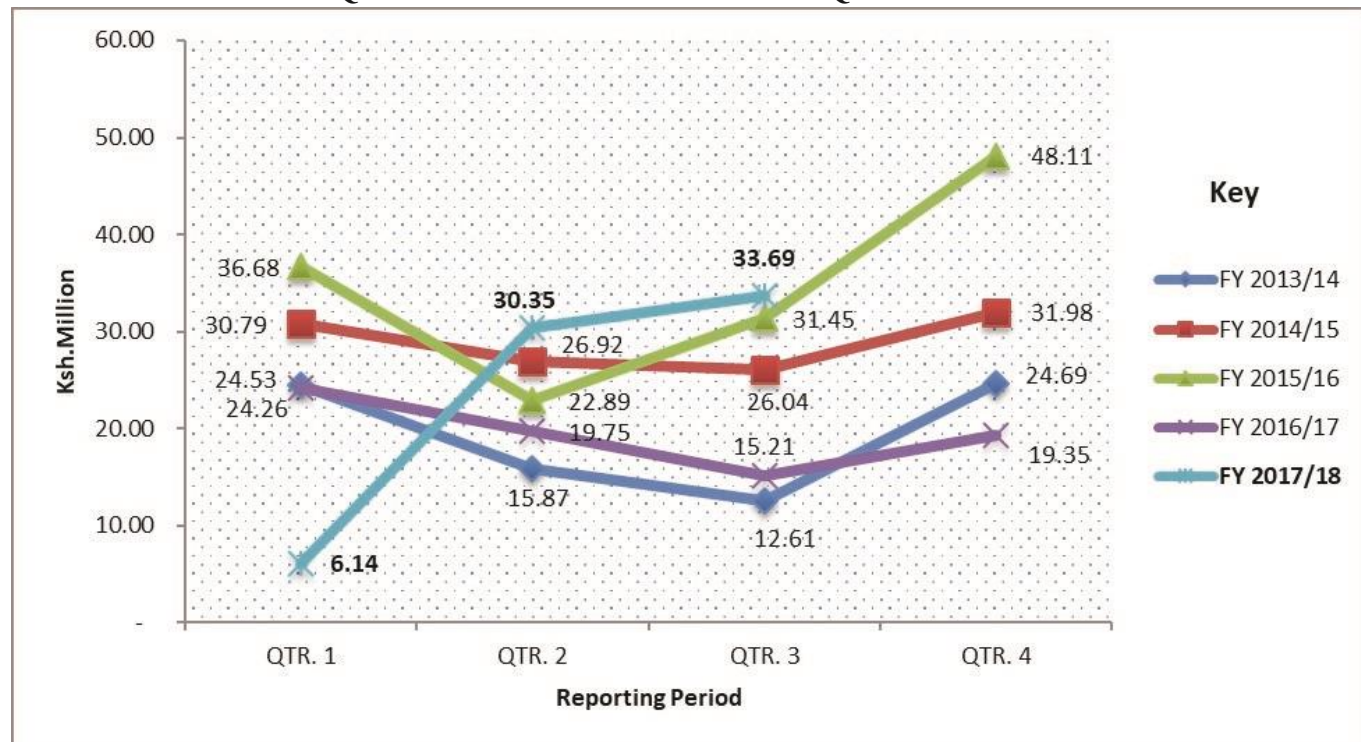
The conditional grants contained in the CARA, 2017 comprise of Kshs.95.74 million (19.2 per cent) for Leasing of Medical Equipment, Kshs.133.68 million (26.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.22 million (1.7 per cent) as compensation for User Fee Foregone, Kshs.9.06 million (1.8 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) for Construction of County Headquarters, and Kshs.14.98 million (3 per cent) as Other Loan and Grants.

## **1.2 Revenue Analysis**

During the first nine months of FY 2017/18, the County received Kshs.2.19 billion as equitable share of revenue raised nationally, Kshs.142.74 million as total conditional grants, raised Kshs.70.18 million from own source revenues, and had a cash balance of Kshs.287.55 million from FY 2016/17. The total available funds amounted to Kshs.2.71 billion.

Figure 1.1 shows the quarterly trend in own source revenue collection from the first quarter of FY 2013/14 to the first nine months of FY 2017/18.

**Figure 1.1: Tharaka Nithi County, Trend in Own-Source Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2017/18**



Source: Tharaka Nithi County Treasury

The total own source revenue collected in the first nine months of FY 2017/18 amounted to Kshs.70.18 million, representing an increase of 18.5 per cent compared to Kshs.59.22 million generated in a similar period of FY 2016/17, and represented 39 per cent of the annual own source revenue target.

### 1.3 Conditional Grants

Table 1.1 shows an analysis of conditional grants received in the first nine months of FY 2017/18.

**Table 1.1: Tharaka Nithi County, Analysis of Conditional Grants Received in the First Nine**

**Months of FY 2017/18**

S/No	Grants or Loan Details	Annual CARA, 2017 Allocation in Kshs)	Annual Budget Allocation in Kshs)	Actual receipts in First Nine Months of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	<b>Grants Contained in the CARA, 2017</b>				
1	Road Maintenance Fuel Levy Fund	133,682,063	133,682,063	62,346,143	47
2	World Bank loan to supplement financing of County Health facilities	18,767,500	28,767,500	-	-
3	Kenya Devolution Support Programme (KDSP)	35,989,349	59,889,349	12,475,095	35
4	Compensation for User Fee Foregone	8,218,119	8,218,119	4,209,598.50	51.2

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	Development of Youth Polytechnics	38,121,638	38,121,638	-	-
9	World Bank Loan for Transforming Health System for Universal Care System	22,000,000	66,650,000	54,654,343	248.4
10	Leasing of Medical Equipment	95,744,681	-	-	-
<b>S/No</b>	<b>Grants or Loan Details</b>	<b>Annual CARA, 2017 Allocation in Kshs)</b>	<b>Annual Budget Allocation in Kshs)</b>	<b>Actual receipts in First Nine Months of FY 2017/18 (in Kshs)</b>	<b>Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)</b>
<b>A</b>	<b>Grants Contained in the CARA, 2017</b>				
<b>Grand Total</b>		<b>497,564,521</b>	<b>480,369,840</b>	<b>142,744,000</b>	<b>29</b>

*Source: Tharaka Nithi County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the World Bank loan for Transforming Health System for Universal Care System recorded the highest receipt at 248 per cent of annual allocation ( the receipt included balances of FY 2016/17), followed by DANIDA grant, Compensation for User Fee Foregone, the Road Maintenance Fuel Levy Fund and the Kenya Devolution Support Programme (KSDP)which recorded 100 per cent, 51.2 per cent, 47 per cent and 35 per cent of annual target respectively.

#### **1.4 Exchequer Issues**

During the period under review, the Controller of Budget approved withdrawal of Kshs.2.36 billion from the CRF account, which was 48.8 per cent of the Approved Supplementary Budget. This amount represented a decline of 8.2 per cent from Kshs.2.57 billion approved in a similar period of FY 2016/17 and comprised of Kshs.2.09 billion (88.6 per cent) for recurrent expenditure and Kshs.267.85 million (11.4 per cent) for development activities.

#### **1.5 Overall Expenditure Review**

The County spent Kshs.2.07 billion, which was 87.7 per cent of the total funds released for operations. This was an increase of 6.7 per cent from Kshs.1.94 billion incurred in a similar period of FY 2016/17.

A total of Kshs.1.81 billion was spent on recurrent activities while Kshs.264.16 million was spent on development activities. The recurrent expenditure was 86.6 per cent of the funds released for recurrent activities, while development expenditure was 98.6 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.43.15 million for development activities and Kshs.28.5 million for recurrent expenditure as at March 31, 2018.

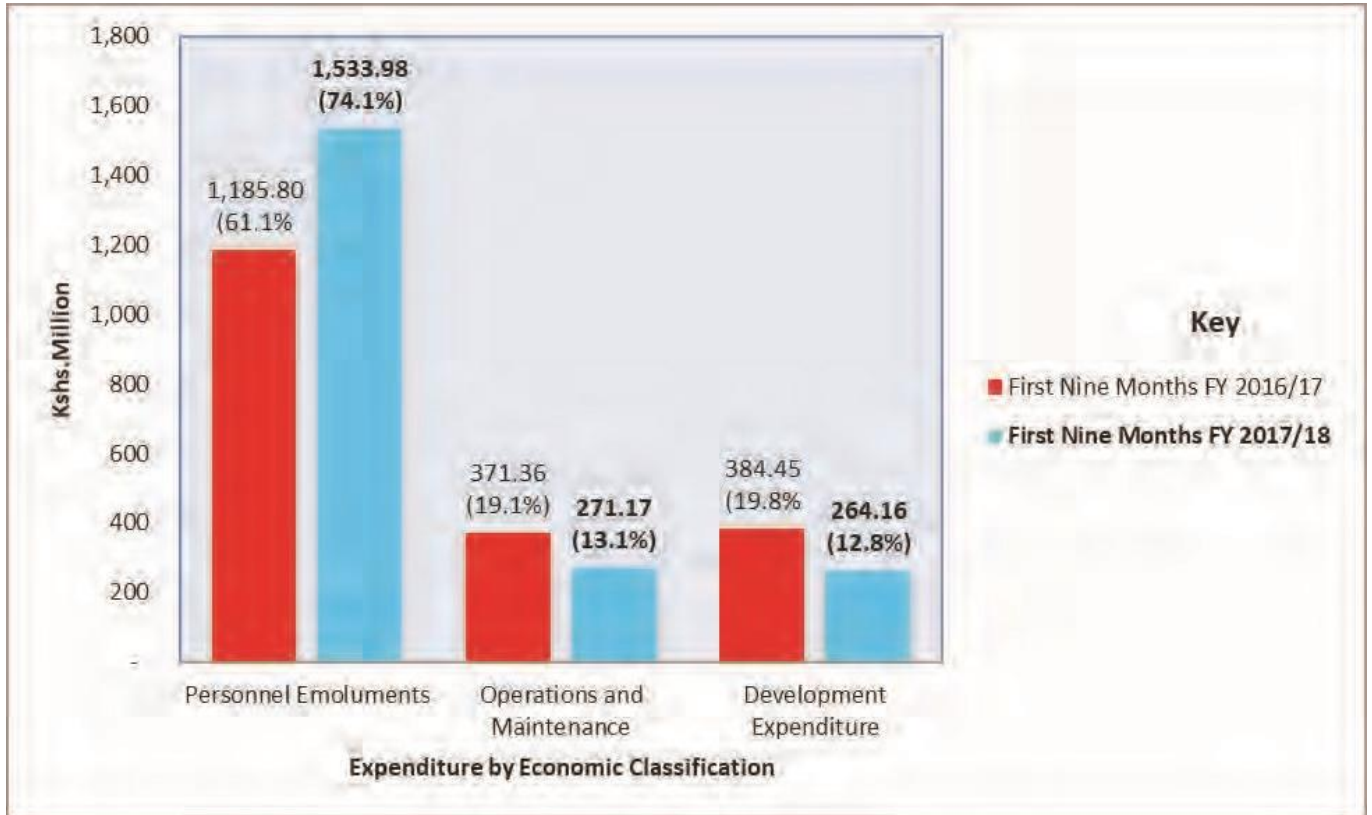
The recurrent expenditure represented 59.5 per cent of the annual recurrent budget, an increase from 58 per cent recorded in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 16.5 per cent, which was a decrease from 30 per cent attained in the first nine

months of FY 2016/17. Figure 1.2 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2017/18.

**Figure 1.2:**

**Tharaka Nithi County,  
Expenditure by Economic  
Classification in the First  
Nine**

**Months of FY 2016/17 and the First Nine Months of FY 2017/18**



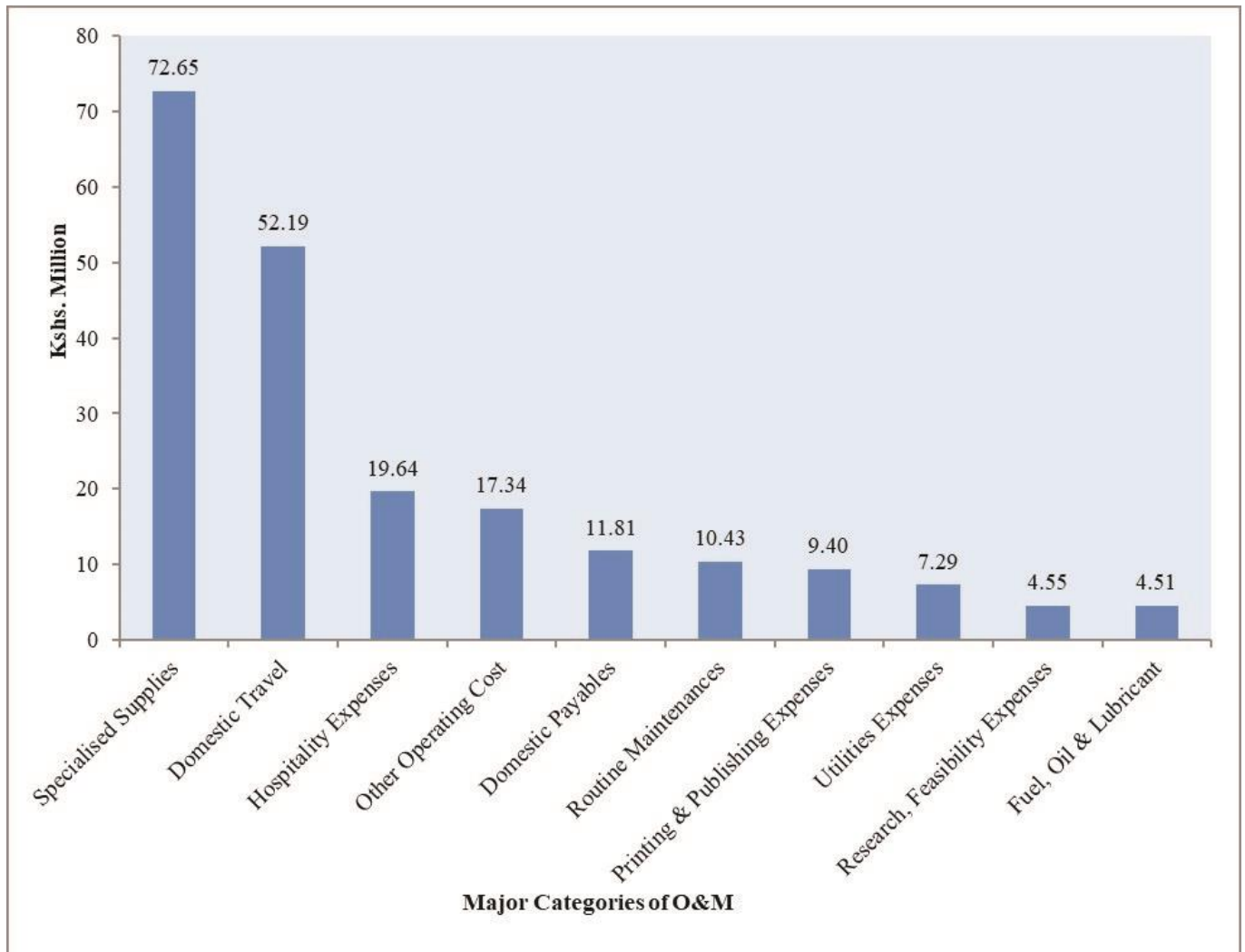
Source: Tharaka Nithi County Treasury

### 1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.81 billion comprised of Kshs.1.53 billion (85 per cent) incurred on personnel emoluments and Kshs.271.67 million (15 per cent) on operations and maintenance as shown in Figure 1.2.

Expenditure on personnel emoluments represented an increase of 29.4 per cent compared to the first nine months of FY 2016/17 when the County spent Kshs.1.18 billion, and was 74.1 per cent of total recurrent expenditure. Figure 1.3 shows a summary of operations and maintenance expenditure by major categories.

**Figure 1.3: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2017/18**



Source: Tharaka Nithi County Treasury

The County incurred Kshs.3.66 million on committee sitting allowances to the 20 MCAs and Speaker against the annual budget allocation of Kshs.15.95 million. This was a decline of 75.2 per cent compared to Kshs.14.76 million incurred in the first nine months of FY 2016/17. The average monthly sitting allowance was Kshs.19,339 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic travel amounted to Kshs.52.19 million and comprised of Kshs.30.21 million spent by the County Assembly and Kshs.21.97 million by the County Executive. This represented 33.6 per cent of total recurrent expenditure and was a decrease of 36.8 per cent compared to Kshs.96.26 million spent in the first nine months of FY 2016/17.

## 1.7 Development Expenditure Analysis

The total development expenditure of Kshs.264.16 million represented 16.5 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 the first nine months of FY 2017/18.



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

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	First Nine Months Project Expenditure (Kshs.)	Absorption rate (%)
1	Rehabilitation of Boreholes (15 Boreholes)	Headquarters	105,500,000	63,471,883	60
2	Electrification of Rungu/Kathangacini	Tharaka	27,800,000	27,800,000	100
3	Purchase of Graders	Headquarters	20,000,000	19,915,548	100
4	Farms Inputs	County wide	22,500,000	17,852,025	79
5	Nguruki –Kieni-Karuini-Muragara-Kaare Roads	Mwimbi	19,576,840	16,759,680	86
6	Katharaka-Mukui-Mumbui Roads	Ganga	16,762,100	15,611,164	93
7	Kibugua-Magenka-Ituguru Roads (15kms)	Magumoni	14,921,499	13,141,988	88
8	Construction of Executive Block (Offices)	Headquarters	28,000,000	11,707,744	42
9	Junction/Kabuuni/Materi Girls –Mutonga Bridge-Kaare Roads( 7.3kms)	Chiakariga	10,938,980	11,574,248	106
10	Baragu-Mwiria-Kirumi Roads	Mwimbi	10,401,704	10,155,568	98

Source: Tharaka Nithi County Treasury

## 1.8 Budget and Budget Performance Analysis by Department

Table 1.3 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2017/18.

**Table 1.3: Tharaka Nithi County, Budget Performance by Department in the First Nine Months of FY 2017/18**

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the First Nine Months of FY 2017/18 (Kshs. Million)		Expenditure in the First Nine Months of FY 2017/18 (Kshs. Million)		First Nine Months of FY 2017/18 Expenditure to Exchequer Issues (%)		First Nine Months FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	384.90	100	183.59	-	156.74	-	85.4	-	40.7	-
County Executive	174.19	-	110.88	-	105.55	-	95.2	-	60.6	-
Finance and Economic Planning	466.43	79.4	277.55	-	135.29	5.62	48.7	-	29	7.1
Agriculture	261.62	107.83	209.69	9.05	156.56	21.85	74.7	241.4	59.8	20.3
Environment and Natural Resources	28.81	59	7.35	33.56	23.06	7.13	313.8	21.2	80.1	12.1
Education, Vocational Training and Social Services	196.84	106.05	138.90	9.15	81.13	3.37	58.4	36.8	41.2	3.2
Medical Services	1,091.55	106.75	927.64	-	999.01	-	107.1	-	91.5	-
Lands, Physical Planning and Urban Development	30.10	48.25	22.95	-	10.21	-	44.5	-	33.4	-
Transport, Infrastructure and Public Works	56.03	508.60	34.40	128.36	15.39	134.92	44.7	105.1	27.5	26.5

Administration and Public Services	150.64	-	105.16	-	94.13	-	89.5	-	62.5	-
Trade, Industry and Cooperatives	54.73	143	27.6	-	11.25	-	40.8	-	20.6	-
Water services and Irrigation	19.43	232.4	2.5	63.01	2.98	63.47	119.2	100.7	15.3	27.3
County Public services Board	22.4	-	15.5	-	6.56	-	42.3	-	29.3	-
Livestock, Veterinary and Fisheries Development	13.16	-	-	-	0.21	-	-	-	1.6	-
Public Health and Sanitation	22.91	-	10	-	0.18	-	18	-	0.8	-
Energy and ICT	47.86	104.9	13.85	24.71	6.88	27.80	49.7	112.5	14.4	26.5
Youth, Culture, Sports and Tourism	14.47	-	-	-	0.05	-	-	-	0.01	-
<b>TOTAL</b>	<b>3,036.06</b>	<b>1,596.18</b>	<b>2,087.54</b>	<b>267.85</b>	<b>1,805.15</b>	<b>264.16</b>	<b>86.6</b>	<b>98.6</b>	<b>59.5</b>	<b>16.5</b>

Source: Tharaka Nithi County Treasury

Analysis of budget performance by department shows that, the Department of Water Services and Irrigation attained the highest absorption of development budget at 27.3 per cent, followed by the Departments of Transport, Infrastructure and Public Works, and Energy and ICT which attained an absorption rate at 26.5 per cent. The Department of Medical Services had the highest percentage of recurrent expenditure to its recurrent budget at 91.5 per cent while the Department of Youth, Culture, Sport and Tourism had the lowest at 0.01 per cent.

## 1.9 Key Observations and Recommendation.

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

- i. Improvement in the use of IFMIS in processing financial transaction.

Despite the above progress, the following challenges continued to hamper effective budget implementation.

1. Failure to establish an Internal Audit Committee contrary to Section 155 of the PFM Act, 2012
2. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 16.5 per cent compared to 30 per cent in a similar period in FY 2016/17.
3. The County has not constituted the County Budget and Economic Forum as per the requirement of Section 137 of the PFM Act, 2012 for consultation in the budget process.

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. *The County should formulate strategies to enhance absorption of development funds.*
3. *The County should establish the CBEF for consultation in the county budget and economic process in line with Section 137 of the PFM Act, 2012.*