



OFFICE OF THE CONTROLLER OF BUDGET

NAKURU COUNTY  
BUDGET IMPLEMENTATION  
REVIEW REPORT

FOURTH QUARTER  
FY 2012 /2013

AUGUST 2013

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## **Foreword**

This report on the Budget Implementation Review covers the period March 2013 to June 2013 and it captures the exchequer releases to the Nakuru County.

According to Article 228 (6) of the constitution of Kenya 2010, the Office of the Controller of Budget is required to submit a report on the implementation of budget to the executive and parliament, for both the National and County on Quarterly basis. A critical aspect of this mandate is the requirement that the Controller of Budget oversee the implementation of the budget of these two levels of Government by Authorizing withdrawals from public funds under articles 204,206 and 207. Coming soon after the swearing in of Governor and devolved functions in Fourth Schedule of the Constitution 2010, this report therefore provides an opportunity for the public to interrogate, participate in the implementation of the public funds at the County level as well as monitor service delivery.

In this report, the office of controller of budget have compared budgetary allocations of different expenditure votes in order to evaluate expenditure prioritization. The report further shows a comparison of expenditure by votes. In addition, the report has captured County revenue and expenditure performance highlights.

The report has been produced at a time when the Nakuru County is struggling to put up structures to march the numerous constitutional functions that were devolved.



**Mrs. Agnes N. Odhiambo**  
**Controller of Budget**

## **EXECUTIVE SUMMARY**

In the last four months of the financial year 2012/13 (March-June 2013) Nakuru county experienced numerous transition challenges. The transition Authority staff in collaboration with other County staff steered the county smoothly through the transition.

One of the functions of the Office of Controller of Budget (OCOB) as stipulated in the Constitution (Article 228(4)), is to oversee implementation of the budgets of the National and County governments. The office received reports from county treasury and monitored budget implementation for the period between March 2013 –June 2013.

The report reveals lack of capacity in terms of personnel and systems to adequately implement prudent finance management system. During the period under review the county used LAIFORMs (Local Authority Financial management system) to manage the finances allocated to the county, however the National Treasury trained county personnel on IFMIS and G pay systems. The county revenues collection was low and there was a general apathy among the county residence due to the transitional uncertainty on channels and modalities of payment of levies previously charged by defunct local authorities. The county should therefore enhance revenue collection and exploit the full potential of the county.

The county received ksh.305, 694,565.00 from National Government for the period under review and spent Ksh 298,803,091.25 on personnel emoluments and administrative expenses. The county also received Ksh 61,592,200 from Transition Authority for infrastructure and civil works. The amount was to start the infrastructure development however the whole amount was refunded back to the County Revenue Account held at Central Bank of Kenya at the lapse of the 2012/2013 financial year. Locally generated revenue released during the same period under review amounted to Ksh 777,422,680.

The report reveals that the former Local Authority spent locally collected revenue from March to June for administrative and personnel expenses. It is important to note that the County did not comply with the provision under PFM Act Article 2012 136(2), that instructed counties to freeze former Local Authorities bank accounts as from 1<sup>st</sup> March 2013. However as from 28<sup>th</sup> of June former Local Authorities accounts were closed and the revenue banked in County Revenue collection accounts and periodically swept to the County Revenue Fund (CRF) as per PFM Act, 2012 requirement.

Given that budget monitoring is a fundamental principle of the budget execution process, there is need for stakeholders and the public at large to interrogate participate and monitor the implementation of Nakuru County Government budgets with a view of evaluating respective service delivery.

The report recommend enhancement of the internal control system in the area of revenue collection in order to minimize local revenue leakages and early preparation of procurement plans to hasten budget implementation. Effective budget implementation at the county level therefore should involve continuous capacity building, robust systems and processes, prioritization close monitoring and evaluation and involvement of all stakeholders in budget preparation and execution.

## **ACRONOMYS**

CGR	County Generated Revenue
FY	Financial year
Ksh	Kenya shillings
LATF	Local Authority Transfer Fund
GDI	Gender Development Index
HPI	Human Poverty Index
HDI	Human Development Indicators
CRF	County Revenue Fund
GDP	Gross Domestic Product
PFM	Public Financial Management Act
MCA	Members of County Assembly
OCoB	Office of Controller of Budget

## **1.0 INTRODUCTION**

Nakuru County is Located in the south eastern part of the Rift Valley and borders 7 counties with Baringo to the north, Laikipia to the north east, Nyandarua to the east, Kajiado to the south, Narok to the south west with Bomet and Kericho to the west

### **1.1 County political landscape**

Nakuru County has eleven (11) Sub Counties namely, Molo Njoro, Naivasha Gilgil, Kuresoi South, Kuresoi North, Subukia, Rongai, Bahati, Nakuru Town West and Nakuru Town East and Fifty Five (55) wards. **Annex 1** shows the distribution of wards in the county.

### **1.2 Social Economic and demographic features**

Nakuru County has an area of 7496.5 Km<sup>2</sup>. The population census of 2009 puts Nakuru county at a population of 1,603, 325 (Male - 50.2 %, Female - 49.8 %) and a population density of 213.9 people per Km<sup>2</sup>. Natural resources include Forests, water (Lakes and rivers), geothermal energy resources, wildlife, minerals, pasture and land. Despite the existence of varied tourist attractions such as Lakes, scenic beauty and National Parks in the County, their economic potentials as revenue resource has not been fully exploited.

Main Economic Activities in the County include Subsistence and commercial agriculture, Energy generation in Menengai and Olkaria, small-scale trade, dairy farming, Flower farming, Eco-tourism, Commercial Businesses. Potential Mineral includes; trona, kyanite, garnet, graphite, wollastonite among others.

## 2.0 COUNTY BUDGET IMPLEMENTATION

The County revenue in the period March – June 2013 was Kshs 466,275,412 excluding LATF. The County revenue collection potential has not been fully realized, there is therefore need to put concerted effort including putting in place necessary legislation to improve County revenue.

### 2.1 County's Revenue

The county total revenues from all sources for the period under review amounted to Kshs 1,004,245,820 comprising of Kshs 367,286,765 from the exchequer, County local revenue (period March – June 2013) Kshs 466,275,412 and LATF of Kshs 170,683,643 received by former Nakuru Municipal Council.

#### 2.1.1 Local revenue

The local revenue received for the period March to June 2013 amounted to Kshs. 466,275,412 million against a target of Kshs 700,000,000 million, a performance of 66 per cent. Revenue generated locally for former Nakuru Municipal Council recorded the highest amount of Ksh 313 million and former Molo Town Council contributed the lowest amount of Ksh 9.4 million. The shortfall of revenue was said to have been greatly affected by the residence resistance to payment of taxes and fees during the transition period. However, there has been concerted effort to sensitize the public on the changes. In addition the County is in the process of Mapping out County resources in order harmonizes fees and charges and also to identify more revenue sources.

**Table 1: Local Revenues**

	Units	March-June 2013 Local collections
1	Nakuru Municipal Council	313,583,522.00
2	Nakuru County Council	94,571,914.00
3	Naivasha Municipal Council	48,681,086.00
4	Molo Town Council	9,438,890.00
	<b>TOTAL</b>	<b>466,275,412.00</b>
	<i>Source; County Treasury</i>	



### 2.1.2 Exchequer Releases

The county government received a total of Kshs 367,286,765 from the exchequer which was for salaries and administrative expenses for the period between March-June 2013. The funds were released to the County in three tranches of 40 percent, 30 percent and the last 30 percent in the months of April, May and June 2013 respectively

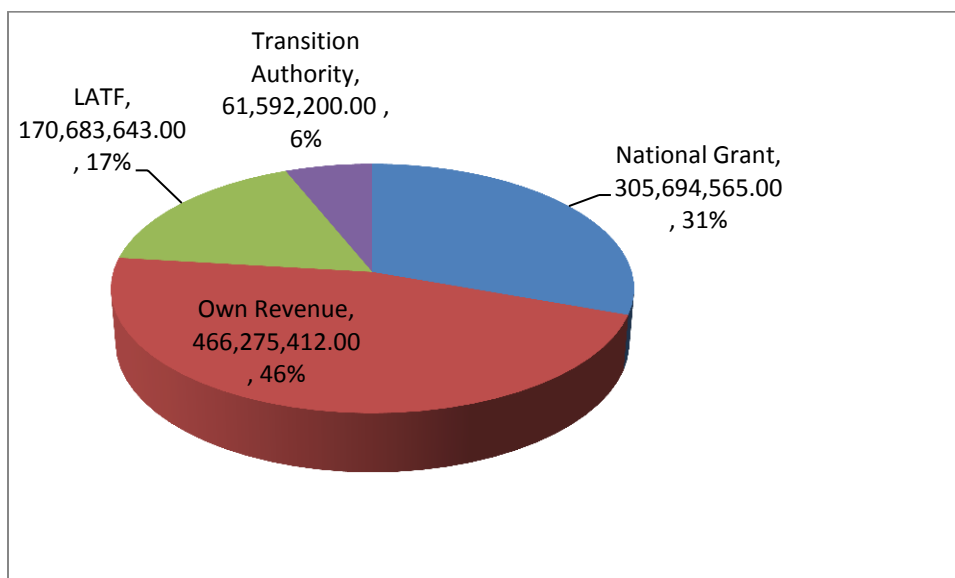
The exchequer release was within the approved budget guidelines and the county appropriation Act passed by the national government prior to the general election of March 2013. There were however minimal reallocation on the budget guidelines provided by the national treasury which was done as per the PFM act 2012.

### 2.1.3 Transitional Authority Transfer

The county received Ksh 61,592,200 from Transition Authority for infrastructure and civil works. The amount was to start the infrastructure development of the sub County's offices.

The various categories of revenue received can be illustrated by the diagram below which indicates revenues collected/received by the County in the last quarter of the financial year 2012/13. Locally Generated revenue accounted for the largest share (46 %) of revenue received by the County in the period under review.

**Figure 1: Total Revenue Received.**



*Source: County Treasury*

## 2.2 County Budget Expenditure

The County spent a total of Kshs. 298,803,091.25 on recurrent out of Kshs 367,286,765 allocated to the County for the period March- June 2013. This represented 81.4 per cent absorption rate on recurrent expenditure. Kshs 61,592,200 allocated by the Transition Authority for infrastructural and civil work was repaid back to the County Revenue Account held at Central Bank at the lapse of financial.

### 2.2.1 Total County Expenditure

The County in the period under review had three spending units which included County Assembly Services, County Executive Services and Financial Management Services. Table 6 indicates the expenditure and absorption rate of the spending units in the County.

**Table 2: County Expenditure**

S/no.	Item Details	Allocation	Total Payment/Expenditure	Rate of Absorption
001	County Assembly Service	102,126,827.00	102,126,827.00	100
002	County executive Services	107,666,940.00	88,772,410.30	91.2
003	Financial Management Services	259,619,825.00	200,761,766.25	77.3
	<b>GRAND TOTAL</b>	<b>367,286,765.00</b>	<b>298,803,091.25</b>	<b>81.4</b>

*Source; County Treasury*

## **2.2.2 Economic classification of county expenditure**

### *2.2.2.1 Allocations on Domestic Travel & Subsistence and Other transport cost*

The total allocation for domestic travel and subsistence and other transport cost to both County executive services and Finance management Services was Kshs73 million. This represents 20 per cent of the total appropriated revenue and 95.6 per cent of this allocation had been absorbed at the close of the year.

### **2.2.2.2 Refurbishment of non-residential Building**

The total allocation to this vote was Kshs 139 million which represent 38 percent of the total exchequer issues. At the end of financial year ending June 2013, 62.4 per cent of the total allocation to refurbishment had been absorbed. Major renovations included; refurbishment of county headquarters ground floor, 2<sup>nd</sup> floor, ground landscaping and refurbishment of the Governors' house.

### **2.2.2.3 General office supplies**

The expenditure allocated to this vote head amounted to Kshs 27 million which is 8 per cent of the total exchequer issues. 78.5 percent of this expenditure had been absorbed by the close of the year ending June 2012.

### **2.2.2.4 Personnel emoluments**

Personnel emoluments were allocated Kshs 68 million which represents 19 per cent of the total exchequer receipts. This amounts covered salaries for the executives and the members of the county assembly. Former local authority's staffs were paid by their respective Councils until the end of June 2013 which was illegal as these payments had not been appropriated by the County Assembly. The exact amount paid is yet to be provided as at reporting time.

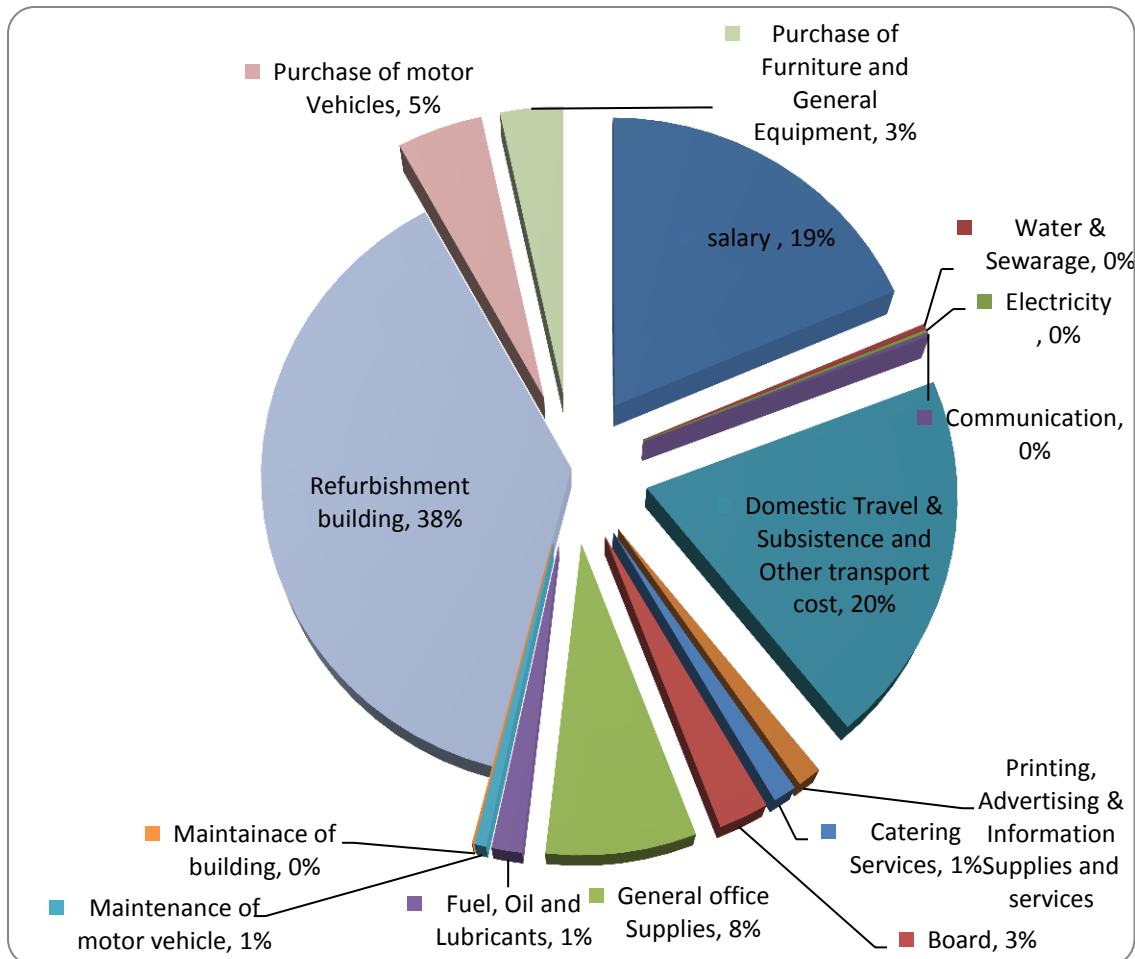
### **2.2.2.5 Purchase of vehicles**

Total allocations to this vote were Kshs 17 million which is 5 per cent of the total exchequer issues. 100 per cent of this expenditure was absorbed by the end of June 2013.

### 2.2.2.6 Other expenditure

Allocations to water & sewerage, electricity, communication and supplies, fuel oil and lubricants, catering services and maintenances of motor vehicle were allocated amounts ranging from less than 1 per cent to 1 percent of total receipts. Absorption rates for these expenditures were well above 90 per cent

**Figure 2 shows the summary of vote allocation.**



**Source; County Treasury**

### 3.0 DEPARTMENTAL REPORTS

The county in the period under review had three department/units which included County Assembly Services, County Executive services and Financial Management Services.

#### 3.1 County Assembly

Nakuru County Assembly has 55 elected Members and seventeen nominated members. The County Assembly is the legislative authority of the County and its role is clearly spelt out in Article 185 of the Constitution and Section 8 of the County Governments Act, 2012.

During the period under review, County Assembly undertook refurbishment activities of its offices and payment of personnel and incurred other administrative expenses, capacity building among other activities. County Assembly has a role to ensure that all necessary bills are implemented, initiate social and economic reforms through legislation and play an oversight role in the county.

##### 3.1.2 Key Priorities

In respect to budget implementation the County Assembly's mandate is to oversee prudent public financial management in the county. County Assembly has a role of approving the budget and expenditure of the County Government in accordance with Article 207 of the Constitution, and the legislation contemplated in Article 220(2) of the Constitution, guided by Articles 201 (Principles of public finance) and 203(Equitable share and other financial laws) of the Constitution.

##### 3.1.3 County Assembly Allocation

County Assembly was allocated Ksh 102,126,827 for the period under review; the Assembly spent Ksh 102,126,827 representing 100 percent absorption. This expenditure excludes the payment of salaries. Assemble salaries were paid by the executive.

**Table 3: Department Allocation**

COUNTY ASSEMBLY	ALLOCATION	EXPENDITURE	PERFORMANCE (%)
Recurrent Operations	92,032,587	92,032,587	100
Hansard	10,094,240	10,094,240	100
<b>Total</b>	<b>102,126,827</b>	<b>102,126,827</b>	<b>100</b>

*Source; County Treasury*

**Note;** These expenditures excludes the payment of salaries which was paid by the Executive.

### 3.2 County Executive

The executive authority of the County is vested in the County Executive as stated in Article 179 of the Constitution. Through the exercise of the powers conferred by section 35 of the County Governments Act 2012, and upon approval by County Assembly, the Governor appointed ten members of the Nakuru County Executive.

### 3.3 Key Priorities for the Department

The mandate of the executive is to supervise administration and delivery of services in the county and all decentralized units (Sub counties, wards and Village).In exercising their functions, the county executive should adhere to the principles of public finance as set out in Chapter Twelve of the Constitution and maintain fiscal responsibility principles as provided in section 107 of PFM act.

### 4.0 Development expenditure analysis

The development expenditure for March 2013 to June 2013 was Kshs **61,592,200** release by the OCOB through the Transitional Authority. This development funds was returned to Nakuru County exchequer Account held at Central Bank of Kenya to be re-appropriated in the new financial year 2013/2014. This is because the amount was released 5 days to the end of financial year and could not be committed as per the procurement regulations within this short time to the year end and lapsed on 30<sup>th</sup> June 2013. See Table 3 and figure 4

**Table 4: County assembly Allocations**

	Title	Total Payment	Balance
<b>1</b>	Basic salaries	-	-
<b>2</b>	Domestic travel & subsistence	32,803,619	-
<b>3</b>	Hospitality Supplies & service	29,612,856	-
<b>4</b>	Refurbishment of Buildings	29,616,112	-
	Hansard	10,094,240	-

*Source: County Assembly*

#### **4.1 Allocations on Domestic Travel & Subsistence and Other transport cost**

The total allocation for domestic travel and subsistence and other transport cost to County represents 32 per cent of the total appropriated revenue and 100 per cent of this allocation had been absorbed at the close of the year. This is a substantial amount which may not be directly contributing to service delivery and development. It is therefore imperative that future budget should focus on those activities that are geared towards development.

#### **4.2 Conclusion and Recommendations**

##### **4.2.1 Challenges on budget implementation**

###### **a) Operationalization of IFMIS and G-PAY**

The Government needs to fast track the roll out and implementations of IFMIS and G-PAY at the county level to achieve the intended results. During the period under review the county used LAIFORMs (Local Authority Financial management system) to manage the finances allocated to the County. There is an urgent need to integrate LAIFORMS and IFMIS in order to manage both the Revenue and Expenditure reports. Currently the infrastructure and corresponding human capacity is inadequate to provide efficient and timely reports.

###### **b) Allocation on Travelling and Hospitality**

It was observed that substantial amount of money during the period March to June 2013 was allocated to domestic travel and subsistence, some of which may not be directly contributing towards County's Development and Service Delivery to the Public. In future the budget estimates should be carefully interrogated by the county Assembly to ensure that only expenditure on essential activities are included in the budget as this non-core expenditure promotes wastage of public funds.

### 4.3 Recommendation

- a) Continuous monitoring of local revenue collections and funds transfer need to be enhanced to comply with the law. Regular and thorough monitoring of the flow of funds should be sustained.
- b) There is need to enhance the internal control system in the area of revenue collection in order to minimize local revenue leakage. Automation of revenue collection process is highly recommended to maximize local revenue.
- c) County treasury should put measures to ensure revenue collected is deposited in the County revenue collection account and further swept to the County Revenue Fund Account as per the set regulations.
- d) Frequent and regular reconciliation of payroll with the actual number of staff working in the former local authorities/ and in each department. Payroll audit should be initiated to ensure that payroll is clean and accurate.
- e) The County should rationalize the pay for personnel and establish a clear job description of the former local authority employees and align them to the county structure. The job description and the salary scale should ensure that the counties derive value from personnel expenditure.
- f) Need for early preparation of procurement plans to hasten budget implementation and link budget implementation to those plans.
- g) Improve the monthly reporting and analysis of outstanding commitments and arrears.
- h) The County should adopt programme based budgeting.
- i) Continuous Strengthening of technical capacity of the County Treasury should be a priority so as to ensure public funds are managed soundly as per the requirements of PFM Act 2012.



#### **4.4 CONCLUSION**

Nakuru county expenditure for March to June 2012/2013 was the first expenditure under the County Government. In order to efficiently and prudently use public resource, there is urgent need to rationalize resources on noncore activities and focus more on core activities that spur development and service delivery to the Public.

Given that budget monitoring is a fundamental principle of the budget execution process, there is need for all stakeholders and the public at large to interrogate, participate and monitor the implementation of Nakuru County Government budgets with a view of evaluating respective service delivery and hold the County Executive to account for any delays in budget execution.

Lastly, there is need to improve revenue collection and seal all leakages in order to improve and realize the potential of the County.

## Annex 1

S/N	Sub County	Wards
1	Molo	Mariashoni, Elburgon, Turi And Molo Central
2	Njoro	Mau Narok, Mauche, Kihingo, Nessuit, Lare & Njoro Central
3	Naivasha	Biashara, Hells Gate, Lake view, mai Mahiu, Naivasha East, Maela, Olkaria & Viwanda
4	Gilgil	Gilgil Central, Mbaruk/Eburu, Elementaita, Maela West & Morendati
5	Kuresoi South	Amalo, Keringet, Kiptagich & Tinet
6	Kuresoi North	Kiptororo, Nyota, Sirikwea & Kamara
7	Subukia	Subukia Central, Weseges & Kabazi
8	Rongai	Menengai west, Soin, Mosop & Solai
9	Bahati	Dundori, Kabatini, Kiamana, Lanet/Umoja & Bahati Central
10	Nakuru East	Biashara, Kivumbini, Flamingo, Menengai & Nakuru East
11	Nakuru West	Baruti, London, Kaptembwa, kapkures, Ronda & Shabaab
<b>Total</b>	<b>11</b>	<b>55</b>

## ANNEX 2

<b>Summary of payments</b>				
<b>ITEM</b>	<b>ALLOCATION</b>	<b>EXPENDITURE</b>	<b>BALANCE</b>	<b>ABSORPTION RATE (%)</b>
salary	68,250,855.00	61,956,133.30	6,294,721.70	90.8
Water & Sewerage	1,000,000.00	1,000,000.00	-	100.0
Electricity	500,000.00	177,209.00	322,791.00	35.4
Communication, Supplies and Services	800,000.00	798,680.00	1,320.00	99.8
Domestic Travel & Subsistence and Other transport cost	73,434,061.00	70,227,680.95	3,206,380.05	95.6
Printing, Advertising & Information Supplies and services	4,500,000.00	4,495,322.00	4,678.00	99.9
Catering Services, Accommodation, Gifts, Food and Drinks	4,400,000.00	4,387,360.00	12,640.00	99.7
Board, Committees, Conferences and Seminars	9,416,085.00	9,268,915.00	147,170.00	98.4

General office Supplies	27,971,000.00	21,949,837.00	6,021,163.00	78.5
Fuel, Oil and Lubricants	5,692,973.00	5,692,973.00	-	100.0
Maintenance of motor vehicle	2,200,000.00	2,200,000.00	0	100.0
Maintenance of building	200,000.00	183,200.00	16,800.00	91.6
Refurbishment building	139,440,536.00	86,984,526.00	52,456,010.00	62.4
Purchase of motor Vehicles	17,000,000.00	17,000,000.00	-	100.0
Purchase of Furniture and General Equipment	12,481,255.00	12,481,255.00	-	100.0
<b>Total</b>	<b>367,286,765.00</b>	<b>298,803,091.25</b>	<b>68,483,673.75</b>	<b>81.4</b>