

**REPUBLIC OF KENYA  
COUNTY GOVERNMENT OF MACHAKOS  
COUNTY ASSEMBLY OF MACHAKOS**



County Hall  
Along Mwatu WA Ngoma Rd  
P.O BOX 1168-90100  
MACHAKOS



Email: [assemblymks@gmail.com](mailto:assemblymks@gmail.com)

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**THE BUDGET AND APPROPRIATIONS COMMITTEE'S FIRST REPORT  
ON THE COUNTY GOVERNMENT BUDGET IMPLEMENTATION REVIEW  
REPORT BY THE OFFICE OF THE CONTROLLER OF BUDGET FOR THE  
FIRST NINE MONTHS FOR FINANCIAL YEAR 2023/2024**

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**(SUMMARY)**

**SEPTEMBER, 2024**

## 1.0 OVERVIEW AND ADHERENCE TO LEGAL PROVISIONS

1. **Hon. Speaker**, this report has been prepared in accordance with Article 228 (6) of the Constitution of Kenya (CoK), 2010 read with Sections 9 and 16 (1) (b) of the Controller of Budget (COB) Act, 2016, which requires the Office of the Controller of Budget (OCOB) to submit a report to each house of Parliament on the implementation of the National and County Governments' budgets every four months. Further, this also complies with Section 166 (2) (a) of the Public Finance Management (PFM) Act, 2012 which states that "In preparing a quarterly report for a County Government entity, the Accounting Officer shall ensure that the report contains information on the financial and non-financial performance of the entity". In addition, Section 168 (1) of the PFM Act, 2012 requires the Administrator of a County public fund established by the Constitution, an Act of Parliament or County Legislation, shall prepare quarterly financial statements for the Fund and Section 168 (3) which requires the Administrator to submit the quarterly reports not later than fifteen days after the end of each quarter, to the County Treasury and a copy to the Controller of Budget.
2. This First nine months County Governments Budget Implementation Review Report (CGBIRR) examines the cumulative budget performance of the forty-seven Counties for the period from 1<sup>st</sup> July, 2023 to 31<sup>st</sup> March, 2024. The analysis and preparation of this report is based on the financial and non-financial reports submitted to the Controller of Budget by the County Treasuries, the approved County Budgets, performance reports submitted to OCOB, exchequer requisition records and reports generated from the Integrated Financial Management Information System (IFMIS). The report presents the budget performance analysis of the approved budgets, receipts into the County Revenue Fund (CRF), exchequer issues, expenditure by major economic classification of Personnel Emoluments, Operations and Maintenance and Development Expenditure, expenditure by programmes, and the absorption of funds against the approved budget allocation. The report helps promote the prudent use of public funds and inform the public to hold to account the leaders.

## 2.0 OVERALL OVERVIEW OF THE FIRST NINE MONTHS BUDGET IMPLEMENTATION FY 2023/24

3. **Hon. Speaker**, the aggregate budget for FY 2023/24 for the County Governments was Kshs. 563.53 billion, with Kshs. 203.48 billion (36%) allocated to development expenditure and Kshs. 361.05 billion (64%) to recurrent expenditure. The allocation for development activities met the

requirement of allocating at least 30 per cent of the budget to development expenditure as stipulated by the PFM Act, 2012.

4. To finance the FY 2023/24 budget, the County Governments expected to receive Kshs. 385.42 billion as the equitable share of revenue raised nationally, Kshs. 46.36 billion as additional conditional allocations from the National Government and Development Partners, Kshs. 80.78 billion from ordinary own sources of revenue and FIF/A-I-A, and utilize Kshs.42.26 billion of unspent funds carried forward from FY 2022/23.
5. The total available funds to the County Governments in the first nine months amounted to Kshs. 316.91 billion. This amount comprised Kshs. 223.55 billion as the equitable share of revenue raised nationally authorized for withdrawal from Consolidated Fund to respective CRF accounts by the Controller of Budget in line with Article 206(4) of the Constitution; Kshs. 42.26 billion as cash balances from FY 2022/23; Kshs. 41.40 billion as revenue mobilized from own source revenue streams, and Kshs. 9.69 billion as balances in the Special Purpose Account.

## 2.1 Own Source Revenue

6. Hon. Speaker, In the first nine months of FY 2023/24, the County Governments generated Kshs. 41.40 billion from their own revenue sources, which accounted for 51.3% of the annual own revenue target of Kshs. 80.78 billion. This represented an increase of 43.9% compared to a similar period in FY 2022/23.
7. Uasin Gishu, Samburu, Isiolo, Kirinyaga, Turkana, and Nandi counties achieved higher percentages of own revenue collection at 92.5%, 90.7%, 87.6%, 86%, 81.6% and 81.1% respectively. Bungoma, Mandera, Kericho, Nyandarua, Machakos, and Lamu counties had lower percentages at 36.7%, 32.7%, 30.8%, 27.1%, 25.61% and 20.7% respectively. A substantial proportion of the revenue was from the health FIF collections.

## 2.2 Authorized Withdrawals and Expenditures

8. Hon. Speaker, during the reporting period, the Controller of Budget authorized the withdrawals of Kshs. 263.55 billion from the CRF accounts to the County Operational Accounts for the County Governments. Of this amount, Kshs. 219.94 billion (83.4%) was for recurrent activities, and Kshs. 43.67 billion (16.6%) was for development activities.
9. The total expenditure by the County Governments in the period amounted to Kshs. 274.08 billion (of which Kshs. 229.18 billion (83.6%) for recurrent activities and Kshs.44.89 billion (16.4%) for development activities). The expenditure represented 48.5% of the annual County Governments' budget and showed improvement compared to the same period in FY 2022/23 when the total

expenditure was Kshs. 239.67 billion. The Counties that achieved higher overall absorption rates of their respective approved annual County Governments' budgets were Uasin Gishu(59.9%,) Kitui (59.8%,) Narok (58.8%), Bomet (58.6%,) Nandi (57.9%), and Isiolo (57.5%). while Garissa, Kisumu, Migori, Siaya, Bungoma, and Kisii recorded the lowest aggregate absorption rates at 43.5%, 43.1%, 42.9%, 42.8%, 38.3% and 37.3% respectively. The overall absorption rate for Machakos County was 46.4%.

10. The County Governments' recurrent expenditure during the period amounted to Kshs. 229.18 billion, (an improvement of 9.2% compared to a similar period in FY 2022/23). The expenditure included Kshs. 146.53 billion (63.9 per cent) for personnel emoluments and Kshs. 82.65 billion (36.1 per cent) for operations and maintenance. The County Assemblies spent Kshs. 1.09 billion on MCAs' sitting allowances against an approved annual FY 2023/24 budget allocation of Kshs. 2.00 billion, representing an increase of 34.6 per cent compared to the similar period of FY 2022/23.
11. The development expenditure for the County Governments in the first nine months of FY 2023/24 amounted to Kshs. 44.89 billion, translating to an absorption rate of 22.1% of the annual FY 2023/24 development budget of Kshs. 203.48 billion, showing an improvement from an absorption rate of 17.5% realized in a similar period of FY 2022/23.
12. Narok, Bomet, Uasin Gishu, Mandera and Kitui Counties achieved higher absorption rates of their respective approved development budgets at 54.4%, 48.8%, 41.5%, 38% and 36.6% respectively. The Counties that had the lowest absorption rates of their respective approved development budgets included Bungoma at 11.7%, Nairobi City at 9%, Mombasa at 7.7%, Taita Taveta at 7% and Kisii at 5.7%. Machakos County recorded development budget absorption rate of 18.7%.

### 2.3 Pending Bills

13. Hon. Speaker, Counties reported outstanding pending bills of Kshs.152.37 billion as of 31st March, 2024. These comprised Kshs.150.85 billion by the County Executive and Kshs.1.52 billion by County Assemblies. Nairobi City County accounted for 70 per cent of the total pending bills at Kshs.106.59 billion. County governments with the lowest outstanding pending bills were Elgeyo Marakwet at Kshs.2.73 million, Nyeri at Kshs.18.22 million, Uasin Gishu at Kshs.37.10 million, Baringo at Kshs.46.11 million, and Lamu at Kshs.58.24 million.
14. Machakos County had pending bills amounting to Kshs. 2.90 billion. The CoB recommends that all pending bills be budgeted as a first charge in the budgets in line with Regulation 55 (2) b of the Public Finance Management (County Governments) Regulations, 2015

### 3.0 OVERVIEW OF THE MACHAKOS COUNTY GOVERNMENT BUDGET IMPLEMENTATION FIRST NINE MONTHS OF FY 2023/24

15. The County's approved supplementary budget for the FY 2023/24 is Kshs.16.58 billion, comprising Kshs. 5.91 billion (35.6%) and Kshs. 10.67 billion (64.4%) allocation for development and recurrent programmes, respectively. The approved budget estimates represented an increase of 12.3% compared to the previous financial year where the approved budget was Kshs.14.75 billion and comprised Kshs.5.16 billion towards development expenditure and Kshs.9.59 billion for recurrent expenditure.
16. To finance the budget, the County expected to receive Kshs.9.55 billion (57.6%) as the equitable share of revenue raised nationally, Kshs.1.47 billion (8.8%) as additional allocations/conditional grants, a cash balance of Kshs.1.46 billion (8.8%) brought forward from FY 2022/23, and generate Kshs.4.11 billion (24.8%) as gross OSR. The OSR includes: Kshs.100 million (2.5%) as ordinary Appropriations-in-Aid (A-I-A), Kshs. 1.0 billion (24.5%) as FIF (revenue from health facilities), and Kshs.3.0 billion (73%) as ordinary OSR.

#### 3.1 Revenue Performance

***Table 1: Revenue Performance in the First Nine Months of FY 2023/24***

No.	Revenue Category	Annual Budget Allocation (Kshs.)	Actual Receipts During the First Nine Months (Kshs.)	Actual Receipts Percentage of Annual Budget
1.	ESR Raised Nationally	9,547,295,309.00	5,537,431,280.00	58.0
2.	OSR	4,106,879,462.00	1,051,979,267.00	25.61
3.	Balances b/f from FY 2022/2023	-	1,456,001,038.00	100
4.	Additional Allocations/Conditional Grants	1,465,101,103.00	186,605,472.00	12
<b>TOTAL</b>		<b>16,575,276,912.00</b>	<b>8,232,017,057.00</b>	<b>49.7</b>

**Source: OCOB First Nine Months Report 2023/24**

### 3.2 Own Source Revenue

**Table 2: First Nine Months OSR Summary for Machakos County and other selected Counties**

No.	County	Annual OSR Target FY 2023/24 in Kshs.	First Nine Months of FY 2023/24 OSR Collected in Kshs.	% of OSR Collection Against Annual Target
1.	Uasin Gishu	1,179,043,370.00	1,090,822,709.00	92.5
2.	Samburu	256,027,400.00	232,299,041.00	90.7
3.	Isiolo	271,208,180.00	237,641,664.00	87.6
4.	Embu	750,000,000	507,142,020	67.6
5.	Makueni	1,240,000,000.00	741,886,887	59.8
6.	Nairobi	19,690,072,415.00	9,232,015,328	46.9
7.	Kericho	1,273,421,600.00	392,356,222.00	30.8
8.	Nyandarua	1,225,000,000.00	332,511,837.00	27.1
<b>9.</b>	<b>Machakos</b>	<b>4,106,879,462.00</b>	<b>1,051,979,268.00</b>	<b>25.6</b>
10.	Lamu	350,000,000.00	72,616,911.00	20.7

**Source: OCOB First Nine Months Report 2023/24**

Note: The actual OSR is inclusive of health revenue/FIF

17. Hon. Speaker, between July, 2023 and March, 2024, analysis of OSR as a proportion of the annual revenue target indicated that Uasin Gishu, Samburu and Isiolo counties achieved the highest percentages at 92.5%, 90.7% and 87.6% respectively. Conversely, counties with the lowest proportion of own source revenue raised against targets were Nyandarua (27.1%), Machakos (25.6%) and Lamu (20.7%).

**Table 3: Trend in Machakos County OSR Collection for the First Nine Months of FYs 2019/20 - 2023/24 (in Millions)**

2019/20	2020/21	2021/22	2022/23	2023/24
1,029.64	702.80	771.81	768.51	1,051.98

**Source: OCOB First Nine Months Report 2023/24**

18. The Kshs. 1.05 billion generated in the First Nine Months represented an increase of 36.89% compared to Kshs. 768.51 million realized in a similar period in FY 2022/23. The highest revenue stream of Kshs. 209.92 million was from the single business permit, contributing to 20.0% of the total OSR receipts during the reporting period.
19. The other top revenue streams were **Health Revenue** (Kshs. 183,052,577.00, 17%), **Land Rates & Ground Rent** (Kshs. 155,791,860.00, 15%), **Quarry Extraction Fees** (Kshs. 97,582,121.00, 9%) and **Building Plan Approvals** (Kshs. 84,753,906.00, 8%).

### 3.3 Exchequer Issues

20. The CoB approved withdrawals of Kshs. 7.42 billion from the CRF account during the reporting period which comprised Kshs. 873.95 million (11.8%) for development programmes and Kshs. 6.55 billion (88.2%) for recurrent programmes.
21. Analysis of the recurrent exchequers released in the first Nine Months of FY 2023/24 indicates that Kshs. 4.37 billion was released towards Employee Compensation and Kshs. 2.18 billion was for Operations and Maintenance expenditure. The cash balance in CRF at the end of the First Nine Months was Kshs. 694.53 million.

### 3.4 Expenditure Review

22. The County spent Kshs. 7.7 billion on development and recurrent programmes in the reporting period. The expenditure represented 103.6% of the total funds released by the CoB and comprised of Kshs. 1.10 billion and Kshs. 6.59 billion on development and recurrent programmes respectively. Expenditure on development programmes represented an absorption rate of 18.7%, while recurrent expenditure represented 61.8% of the annual recurrent expenditure budget.

### 3.5 Settlement of Pending Bills

23. At the beginning of FY 2023/24, the County reported a stock of pending bills amounting to Kshs.3.07 billion, comprising Kshs.1.45 billion for recurrent expenditure and Kshs.1.62 billion for development activities. In the first nine months of FY 2023/24, the County settled pending bills amounting to Kshs.177.33 million. They comprised Kshs.33.89 million for recurrent expenditure and Kshs.143.46 million for development programmes. Therefore, as of 31st March 2024, the outstanding amount was Kshs.2.9 billion. The County Assembly reported outstanding pending bills of Kshs.83.11 million.

### 3.6 Expenditure by Economic Classification

24. The County Executive spent Kshs. 4.67 billion on employee compensation, Kshs. 1.17 billion on operations and maintenance, and Kshs. 1.09 billion on development activities. Similarly, the

County Assembly spent Kshs.390.04 million on employee compensation, Kshs.351.51 million on operations and maintenance, and Kshs.17.89 million on development activities.

### 3.7 Expenditure on Employees' Compensation

25. In the first nine months of FY 2023/24, expenditure on employee compensation was Kshs.5.06 billion, or 60.1% of the available revenue, which amounted to Kshs.8.43 billion. This expenditure represented an increase from Kshs.3.99 billion reported in a similar period in FY 2022/23.

### 3.8 County Emergency Fund and County-Established Funds

26. The County allocated Kshs.347.56 million to county-established funds in FY 2023/24, constituting 2.1 per cent of the County's overall budget. Further, the OCOB notes that the County government uses commercial bank accounts to operate these established public funds contrary to Regulations 82(1) (b) of the PFM (County Governments) Regulations, 2015, which require that County government bank accounts be opened and maintained at the Central Bank of Kenya.

### 3.9 Budget Performance by Department.

27. The Department of Health recorded the highest absorption rate of development budget at 46.6%, followed by the Department of Finance, Economic Planning & Revenue Management at 32.2%. The Department of Devolution had the highest percentage of recurrent expenditure to budget at 70.9 per cent. In comparison, the Department of Office of the County Attorney had the lowest at 29%.

28. Further analysis shows expenditures to exchequer issues for the Department of Finance, Economic Planning & Revenue Management is at 111.5% for recurrent expenditure, which is above 100% as indicated by the financial information generated from IFMIS. This also applies to the Department of Trade, Industry, Tourism & Innovation (129.6%), Department of Lands, Urban Development, Housing & Energy (111.5%), Devolution (124.9%), and County Assembly (100.7%).

29. Regarding development expenditure, the Department of Health has 787.5% expenditure, above 100 per cent, and Roads, Transport and Public Works. 105.1%.

30. Generally, a substantial number of transactions may appear to have been paid in IFMIS, but in practice, they are awaiting funding at the CBK Internet Banking (IB) level. The approved recurrent budget for the County Executive was Kshs.628.89 million, which was above the recurrent expenditure ceiling set in the County Allocation of Revenue Act (CARA), 2023 of Kshs.618.89 million. The County Executive, therefore, did not comply with the legal ceiling. On the other hand, the County Assembly's approved recurrent budget was Kshs.1.00 billion, which



was within the legal ceiling set in the County Allocation of Revenue Act, 2023 at Kshs.1.02 billion.

### 3.10 Budget Execution by Programmes and Sub-Programmes

31. The department of Agriculture, Food Security and Co-operative Development recorded the highest absorption rate of development budget at 58.3%, followed by the Department of Finance, Economic Planning & Revenue Management at 47.7%.

32. The department of Devolution recorded the highest absorption rate of recurrent expenditures budget at 70.9%, followed by the Department of Health and Emergency Services at 69.3%. Sub-programmes with the highest levels of implementation based on absorption rates were: Mwala Level 4 Hospital in the Department of Health at 93.3 per cent, Matuu Level 4 in the Department of Health at 86.9 per cent, Kalama Level 4 in the Department of Health at 85.9 per cent, and General Administration and Support services at 71 per cent of budget allocation.

***Table 4: Summary of the First Nine Months of FY 2023/24 Spending***

Recurrent Expenditure	Development Expenditure	Total Expenditure	Absorption Rate (%)		Overall Absorption Rate (%)
6,590,099,338.00	1,104,358,656.00	7,694,457,994.00	61.8	18.7	46.4

***Source: OCOB First Nine Months Report 2023/24***

## 4.0 COMMITTEE'S KEY OBSERVATIONS

33. **Hon. Speaker**, the OCOB report for the first nine months of fy 2023-2024 identified the following challenges which hampered effective budget implementation;

1. The under-performance of own-source revenue collection at Kshs.1.05 billion against an annual target of Kshs.4.01 billion, representing only 25.61 per cent of the annual target.
2. High level of pending bills, which amounted to Kshs.2.9 billion as of 31<sup>st</sup> March, 2024. Further, there was non-adherence to the pending bills payment plan by the County Treasury.
3. Use of manual payroll, Personnel emoluments amounting to Kshs.427.21 million were processed through the manual payroll, accounting for 8.4 per cent of the total payroll cost. The manual payroll is prone to abuse and may lead to the loss of public funds where there is a lack of proper controls.

4. The county government operates commercial bank accounts contrary to Regulations 82(1)(b) of the PFM (County Governments) Regulations, 2015, which requires that County government bank accounts be opened and maintained at the CBK. There are 31 commercial bank accounts.
5. County Assembly Committees' sitting allowance amounted to Kshs. 48.12 million.
6. Unexplained variances of Kshs.400.90 million between the submitted expenditures reports and IFMIS expenditure reports.
7. The underperformance of the development budget at an 18.7 per cent absorption rate as opposed to the expected absorption rate of 75 per cent of the total development expenditure in the reporting period.

## 5.0 PROPOSED RECOMMENDATIONS

41. **Hon. Speaker**, the Committee recommends the following:

1. The County Treasury should address its own-source revenue performance to ensure the approved budget is fully financed. Meanwhile, appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue. Further, the County Treasury should set realistic OSR targets.
2. The County Treasury should ensure that genuine pending bills are paid promptly in line with the payment plan.
3. The Government requires that salaries be processed through the IPPD system. Accordingly, the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act, 2012 and also ensure strict compliance with the approved staff establishment.
4. The County Government should ensure that bank accounts are opened and operated at the Central Bank of Kenya as the law requires. However, imprest bank accounts for petty cash and revenue collection accounts are exempted.
5. The County Assembly should allocate sufficient budget for committee sitting allowances.
6. The County Treasury should improve the Vote book and budgetary control to ensure expenditure is within the approved budget and plans.
7. The County Government should address the procurement challenges so as to improve the absorption capacity of the development budget.

## 6.0 ACKNOWLEDGEMENT

Hon. Speaker, the Committee on Budget and Appropriations appreciates the Office of the Speaker and the Clerk of the County Assembly for facilitating the committee to undertake its mandate. I also wish to acknowledge the Honorable Members of the Committee who sacrificed their time to participate in the meetings and in preparation of this report. Hon. Speaker, it is therefore my privilege, on behalf of the Budget and Appropriations Committee to table the report on the **First nine months County Budget Implementation Review by the OCOB** for the FY 2023/24 before this Honorable Assembly for consideration and approval.

Thank you, Hon Speaker.

SIGNED  \_\_\_\_\_ DATED: 08/10/24 \_\_\_\_\_

**HON. DOMINIC NDAMBUKI (MCA KATHLANI CENTRAL WARD)**  
**CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE**