

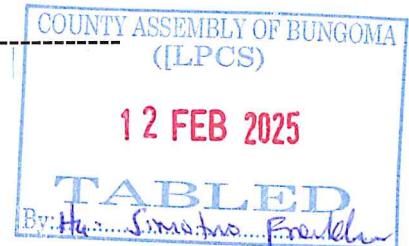
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**COUNTY GOVERNMENT OF BUNGOMA**



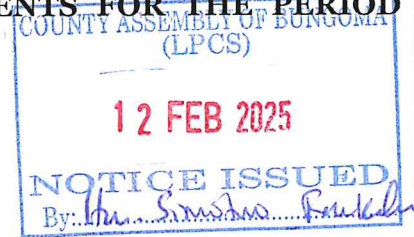
**COUNTY ASSEMBLY OF BUNGOMA  
OFFICE OF THE CLERK**

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THIRD ASSEMBLY  
THIRD SESSION  
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**SECTORAL COMMITTEE ON ROADS, TRANSPORT, INFRASTRUCTURE AND PUBLIC  
WORKS**

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**REPORT ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED 30<sup>TH</sup> JUNE 2024**



**Clerks Chambers  
County Assembly Buildings  
P.O BOX 1886 - 50200  
BUNGOMA, KENYA**

**DECEMBER, 2024**

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## CHAPTER ONE

### 1.1 INTRODUCTION

**Mr. Speaker Sir and Hon. Members,**

Pursuant to section 166(4) of the PFM Act 2012, the County Treasury is mandated to prepare quarterly reports on all county departments and submit the same to the County Assembly not later than 30 days of the succeeding month after the end of each quarter. It is in this regard that the County Executive Committee Member for Finance and Economic Planning submitted the Bungoma County quarterly report and financial statements for the period ended 30<sup>th</sup> June 2024.

The report was subsequently tabled in this House on 16<sup>th</sup> October 2024. The Hon speaker directed that the report be committed to all sector committees for legislative processing and reporting.

**Hon Speaker,** the quarterly reports and financial statements presents budget execution status covering the period 1<sup>st</sup> April 2024 to 30<sup>th</sup> June 2024 with comparative actual achievements and budget amounts for the previous financial year. Further, it contains the revenue performance both locally generated and an equitable share from the National Government.

Finally, the Committee has herein comprehensively considered the Bungoma County quarterly report and Financial Statements for the period ended 30<sup>th</sup> June 2024 and presents this as the committee report for consideration by this House.

### 1.2. Mandate of the Committee

**Hon Speaker,**

The mandate of the Committee is derived from the County Assembly of Bungoma Standing Order 217 (5) and matters assigned under the Second Schedule which shall be exercised within the limits contemplated under Part 2 of the Fourth Schedule of the Constitution of Kenya, 2010.

The functions of a Sectoral Committee shall be to;

- (a) Investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned departments;

- (b) Consider quarterly reports of the assigned departments and report to the House within twenty one sitting days upon being laid.
  - (c) Study the programme and policy objectives of departments and the effectiveness of the implementation;
  - (d) Study and review all County legislation referred to it;
  - (e) Study, access and analyze the relative success of the departments as measured by the results obtained as compared with their stated objectives;
  - (f) Investigate and inquire into all matters relating to the assigned departments as they may deem necessary, and as may be referred to them by the County Assembly;
  - (g) To vet and report on all appointments where the constitution or any law requires the County Assembly to approve, except those under Standing Order 208 (Committee on Appointments); and
  - (h) Make reports and recommendations to the County Assembly as often as possible, including recommendation of proposed legislation.
2. In accordance with the Second schedule of the Bungoma County Assembly Standing Orders, the committee is mandated to deal with all matters related to:

All matters related to County Transport Including County roads, street lighting, traffic and parking, public road transport; firefighting services and disaster management and County Public Works Services.

### **1.3. Terms of Reference (ToR)**

#### **Hon Speaker and Hon Members,**

In order to comprehensively review the quarterly report and financial statements as committed to the committee, the committee set out a specific approach in which it clearly spelt out specific terms of reference to guide its operations. The terms of reference with regard to the analysis were as follows;

1. Establish compliance with section 164(4) of the PFM Act 2012 on submission of financial reports.

2. To establish the receipts and payments during the quarter ended 30<sup>th</sup> June 2023.
3. To establish the budget utilization for both the development and recurrent expenditures of the department.
4. To examine in details the nature and behavior of the expenditures for the quarter.
5. Identify any significant details or information in the reports that may be of material importance to this Honorable house.

#### **1.4 Committee Membership**

The Committee membership as currently constituted is as follows;

1. Hon. Franklin	Simotwo	Chairperson
2. Hon. Polycarp	Kimeta	Vice Chairperson
3. Hon. Stephen	Kaiser	Member
4. Hon. Jerusa	Aleu	Member
5. Hon. Meshack	Simiyu	Member
6. Hon. Charles	Nangulu	Member
7. Hon. Hentry	Nyongesa	Member
8. Hon. Johnston	Ipara	Member
9. Hon. Violet	Makhanu	Member
10. Hon. Godfrey	Mukhwana	Member
11. Hon. Job	Mukoyandali	Member
12. Hon. Ali	Machani	Member
13. Hon. Everton	Nganga	Member
14. Hon. Everlyne	Mutiambu	Member
15. Hon. Idd	Owongo	Member

## 1.5 Acknowledgement


**Hon Speaker,**

It is now my privilege and pleasure on behalf of the Honorable Members of the Sectoral Committee on Roads, Transport, Infrastructure and Public Works to convey my gratitude to all Members of the Committee for the valuable input throughout its proceedings. The Committee equally extends appreciations to its members for taking their time out of their busy schedule to participate robustly during the interrogation and scrutiny of this quarterly report and financial statements.

The committee also appreciates the offices of the Hon. Speaker and Clerk of the County Assembly for providing a conducive atmosphere to prepare this report.

**Hon Speaker,**

It is therefore my privilege, on behalf of the Honorable Members of the Sectoral Committee on Roads, Transport, Infrastructure and Public Works, to table this report for consideration and adoption.

Signed  Date 4/2/2024

**(Hon. Franklin Simotwo, MCA-Chepyuk Ward)**

*Chairperson, Sectoral Committee on Roads, Transport, Infrastructure and Public Works*

## CHAPTER TWO

### LEGAL FRAMEWORK

#### 1. Constitutional Principles on Public Finance

Article 201 of the Constitution of Kenya, 2010 enacts fundamental principles that “...**shall guide all aspects of public finance in the Republic...**” These principles include, *inter alia*, that: **201(a)** *there shall be openness and accountability, including public participation in financial matters;* **201(d)** *Public money shall be used in a prudent and responsible way;* and **201(e)** *financial management shall be responsible, and fiscal reporting shall be clear.*

#### 2. Direct Personal Liability

Article 226(5) of the Constitution of Kenya, 2010 is emphatic that “*If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not.*”

#### 3. Obligations of Accounting Officers

The Public Finance Management Act, 2012 section 149 **(1),(2), (a), (f) and (q)** states as follows;

**Section 149 (1)** *an accounting officer is accountable to the County Assembly for ensuring that resources of the entity for which the officer is designated are used in a way that is;*

- *Lawful and authorized*
- *Effective, efficient, economical and transparent*

**Section 149 (2)** *in carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned;*

**Section 149 (2) (a)** *ensure that all expenditure made by the entity complies with subsection 1*

**Section 149 (2) (f)** *bring a matter to the attention of the Executive Committee member responsible for the entity if, in the accounting officer’s opinion a decision or policy or proposed decision or policy of the entity may result in resources being used in a way that is contrary to subsection (1)*

**Section 149 (2) (q)** *provide information on any fraud, losses, or any violations of subsection (1) and provide explanations for the actions taken to prevent similar conduct in future.*

The Public Finance Management Act, 2012 section 166 states as follows;

1. *An accounting officer for a county government entity shall prepare a report for each quarter of the financial year in respect of the entity.*
2. *In preparing a quarterly report for a county government entity, the accounting officer shall ensure that the report—*
  - (a) contains information on the financial and nonfinancial performance of the entity; and*
  - (b) is in a form determined by the Accounting Standards Board.*
3. *Not later, than fifteen days after the end of each quarter, the accounting officer shall submit the quarterly report to the County Treasury.*
4. *Not later than one month after the end of each quarter, the County Treasury shall—*
  - (a) consolidate the quarterly reports and submit them to the county assembly;*
  - (b) deliver copies to the Controller of Budget, National Treasury and the Commission on Revenue Allocation; and*
  - (c) publish and publicize them*



## EXPENDITURE BY THE DEPARTMENT OF ROADS TRANSPORT AND PUBLIC WORKS

**Hon. Speaker,**

The Department had an initial allocation of Kshs.1,396,626,350 in the approved budget, this was reduced to Kshs.1,246,541,914 in the 2nd supplementary budget, broken down as Kshs.113,463,594 recurrent and Kshs.1,133,078,320 development expenditure.

During the period, Kshs.1, 073,219,438 (86%) was received broken down as Kshs.91, 601,016 recurrent and Kshs.981, 618, 422 development.

### **Expenses in the period include:**

1. General Administration, Planning and support services with an allocation of Kshs.129,463,594, received Kshs.107,665,593 (83% absorption) .Kshs.91,601,016 was recurrent while Kshs.16,064,577 was development.

The expenditure was as follows:

- i. Staff salaries Kshs.89, 213,635 against a budget of Kshs.101, 121, 330 , (83%absorption). (Kshs.73, 149,058 recurrent while Kshs.16, 064,577 development).
  - ii. Administration services Kshs.18, 451,958 against a budget of Kshs.23, 615,544 (78% absorption).
  - iii. Financial services, planning and stewardship with a budget of Kshs.4, 726, 720 had no expenditure in the period.
2. Transport infrastructure Development and Management which is development expenditure with an allocation of Kshs.1, 092, 278, 320 received Kshs.965, 553,845 which is 88 % absorption.

Major expenses were:

- i. Construction of Roads, Bridges and drainage works Kshs.834,582,276 against an allocation of 946,778,320 which is 88% **(the specific project list is annexed)**
- ii. Maintenance of roads received Kshs. 130,971,569 against a budget of Kshs.145,500,000 which is 90% absorption.**( The list is annexed).**

iii. Building standards and research with an allocation of Kshs.29.075, 000 had an expenditure of Kshs. 13,401,000 in the period representing 46% .(The list is annexed)

iv. 2.3 Accounts receivables

### **Imprest**

- i. Roads and Public Works had Kshs. 488,961 dating back to May 2023 in total contravention of PFM Act. The imprest was facilitation for a director in the department to attend Lake Region Economic block meeting which never took place. The committee invoked PFM Regulation 93(7) and held the accounting officer responsible for the outstanding imprest and the breach of financial regulations. As of the time of this report, the recovery process had commenced. Supporting documents were submitted to the committee for verification.

### **3.1 Deposits and Retentions**

#### **Hon. Speaker,**

Retentions are portions of the contract payment that are withheld by the government or project owner until the project is completed and accepted. This practice is used to incentivize contractors to complete the project to a high standard and address any defects or deficiencies. Retentions can be used as leverage to ensure compliance with contract terms and conditions.

As at 30<sup>th</sup> June, the cash maintained in the retention account was Kshs.262, 034, 469 compared to Kshs.272, 608,533 held in same period the previous financial year. The retention account made total payment of Kshs. 193, 197,584 in the period under review. The details of the items paid worth Kshs. 193.1m were not provided. The details did not specify what relates to roads department. The list of pending bills however has a total of Kshs. 46,035,759 worth of contractor retention monies which appeared as pending bills in the financial statements. The committee noted that the County borrowed Kshs.150m from the retention account to finance the budget financial year 2023/24 and be refunded in the financial year 2024/25 budget ,but this refund did not feature in the approved budget.

#### **Analysis of retention**

Outstanding retentions bf 1<sup>st</sup> July 2023

272,608,533

Additions during the period to March 2024	182,623,520
<b>Total balance</b>	<b>455,232,053</b>
Less retention payments in the period	193,197,584
<b>Balance as at 30<sup>th</sup> June 2024</b>	<b>262,034,469</b>

### 3.2 Settlement of Pending Bills

#### Honorable Speaker,

According to the Financial Statements report, the department of Roads and Public Works had a total of Kshs. 287,682,258 at the start of the financial year, Kshs. 49,020,170 was paid towards offsetting the bills leaving a balance of Kshs. 238, 662, 089. However the ADP indicates the closing balance of pending bills as Kshs. 825,805,494. Understating pending bills means the County Government has not given the issue the attention it deserves. According to the PFM Act, pending bills should get 1<sup>st</sup> charge to money allocated in a financial year.

**The table below gives a breakdown of the pending Bills as per ADP.**

Development Projects	386,799,693
Misikhu Brigadier	116,508,408
Salmond Road	73,002,788
Kandui -Musikoma dual	249,494,605
<b>Total</b>	<b>825,805,494</b>

## **CHAPTER THREE**

### **COMMITTEE OBSERVATIONS AND RECOMMENDATIONS**

#### **COMMITTEE OBSERVATIONS**

##### **The committee made the following observations**

1. THAT, Kshs. 150 million was transferred from the retention account to facilitate payments for other items, the details of which were not submitted for review. Consequently, the Committee was unable to verify the total amount of funds transferred in relation to roads, since the necessary documentation was not provided.
2. THAT, the imprest advanced to the Director of Roads and Public Works, intended to facilitate attendance at the Lake Region Economic Bloc meeting in 2023 which did not take place has not been fully recovered. However, the department submitted the evidence to the committee of ongoing recoveries from the affected officer.
3. THAT there is need for a special audit of county retention accounts to establish the accuracy, completeness, and proper utilization of the retained funds.
4. The Committee observed significant discrepancies in the reporting of pending bills by the Department of Roads and Public Works, with the Financial Statements showing Ksh. 238,662,089, while the ADP reported Ksh. 825,805,494. This understatement raises concerns over transparency, accountability, and compliance with the PFM Act, which prioritizes pending bills in budget allocations.

#### **COMMITTEE RECOMMENDATIONS**

1. The Committee recommends that the Office of the Auditor-General conducts a special audit of county retention accounts to ascertain the accuracy, completeness, and prudent utilization of the retained funds. The audit should also assess compliance with financial regulations and identify any irregularities for corrective action.
2. The Committee recommends that the County Treasury ensures all fund transfers from the retention account are duly supported by relevant documentation and submitted to the County Assembly for review. Further, the responsible accounting officers should provide a




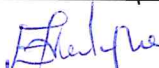
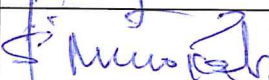

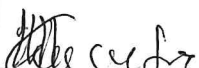
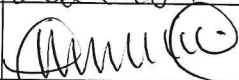



comprehensive breakdown of the amounts transferred, particularly in relation to roads, to facilitate accountability and transparency sixty days after adoption of this report.

3. The Committee recommends that the County Treasury ensures full recovery of the unsurrendered imprest in accordance with the Public Finance Management (PFM) Regulation 93(7). The status of the recovery should be reflected in the subsequent Financial Statements that will be submitted to the County Treasury.
4. The Committee recommends that the department of Roads reconciles and verifies the pending bills reported in the Financial Statements and the ADP to ensure accuracy and transparency. The department should prioritize the settlement of pending bills in accordance with the Public Finance Management (PFM) Act and submit to the County Assembly a comprehensive report detailing the outstanding obligations, payments made, and a clear plan for settling the remaining balance sixty days after adoption of this report.

**Thank you.**

#### 4.0 Adoption Schedule

The Members of Roads, Transport, Infrastructure and Public Works Committee hereby adopt and append the signatures to this report.

S/N	Name	Designation	Signature
1	Hon. Franklin Simotwo	Chairperson	
2	Hon. Polycarp Kimeta	V/Chairperson	
3	Hon. Meshack Simiyu	Member	
4	Hon. Everlyne Mutiembu	Member	
5	Hon. Ali Machani	Member	
6	Hon. Violet Makhanu	Member	
7	Hon. Jerusa Aleu	Member	
8	Hon. Hentry Nyongesa	Member	
9	Hon. Charles Nangulu	Member	
10	Hon. Godfrey Mukhwana	Member	
11	Hon. Stephen Kaiser	Member	
12	Hon. Johnston Ipara	Member	
13	Hon. Everton Nganga	Member	
14	Hon. Job Mukoyandali	Member	
15	Hon. Idd Owongo	Member	