

COUNTY GOVERNMENT OF BUNGOMA



COUNTY ASSEMBLY OF BUNGOMA
OFFICE OF THE CLERK

THIRD ASSEMBLY
THIRD SESSION

TRADE, ENERGY AND INDUSTRIALIZATION COMMITTEE

**REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
DEPARTMENT OF TRADE, ENERGY AND INDUSTRIALIZATION FOR THE
FINANCIAL YEAR 2023/2024.**

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

DECEMBER, 2024

TABLE OF CONTENTS

CHAPTER ONE	3
1.0 Preamble	3
1.1 The Mandate of the Committee	3
1.2 Committee Membership.....	4
1.3 Guiding principles in the Examination of the Bungoma County Government Quarterly Reports and Financial statements	5
1. Constitutional Principles on Public Finance	5
2. Direct Personal Liability.....	5
3. Obligations of Accounting Officers	5
1.4 Acknowledgement.....	6
CHAPTER TWO	7
2.1 Trade, Energy & Industrialization Expenditure Analysis.....	7
2.1.1 Budget execution by programmes and sub-programmes.....	7
2.1.2 Budget execution by programs and sub-programs under Development	8
CHAPTER THREE	13
COMMITTEE OBSERVATION AND RECOMMENDATIONS.....	13
3.1 Committee observations.....	13
3.2 Committee Recommendations	14

CHAPTER ONE

1.0 Preamble

Mr. Speaker,

It is my duty to present the report by the Committee on Trade, Energy and Industrialization on the consolidated Financial Statements for the Financial Year 2023/2024. The document was tabled in this County Assembly of Bungoma on 16th October, 2024 and stood committed to the Committee for interrogation, input and recommendation through a report to this Honorable House. The committee invited the department to appear before it within the precincts of the County Assembly of Bungoma vide a letter **REF CAB/ADM/6VOL.V (16)**. The committee carried its interrogation on 8th November 2024, at 9:00 am.

1.1 The Mandate of the Committee

Hon. Speaker,

The Trade, Energy and Industrialization committee was established on 26th October, 2022 in accordance with the Standing Order No.179.

The mandate of the Committee is derived from the 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

1.2 Committee Membership

The following is the committee membership as currently constituted;

1. Hon. Benard Kikechi	Chairperson
2. Hon. Joan Kirong	Member
3. Hon. Milliah Masungo	Member
4. Hon. Wafula Waiti	Member
5. Hon. Kimeta Polycarp	Member
6. Hon. Jack Wambulwa	Member
7. Hon. Alfred Mukhanya	Member
8. Hon. Ali Machani	Member
9. Hon. George Makari	Member
10. Hon. Cornelius Makhana	Member
11. Hon. Tony Barasa	Member
12. Hon. Godfrey Mukhwana	Member
13. Hon. Charles Nangulu	Member
14. Hon. Jerusa Aleu	Member
15. Hon. Stephen Kaiser	Member

1.3 Guiding principles in the Examination of the Bungoma County Government Quarterly Reports and Financial statements

Hon. Speaker,

In the execution of its mandate, the Committee on Trade, Energy & Industrialization is given a legal backing under the Constitution of Kenya 2010, Public Finance Management Act, 2012, and County Governments Act, 2012. These statutory provisions include:

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.*

Section 149(1) (a) and (b) of the PFM Act 2012 provides as follows...”*an accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is;*

- a) Lawful and authorized*
- b) Effective, efficient, economical and transparent*

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 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*

1.4 Acknowledgement

On behalf of the Committee, I wish to thank the office of the Speaker and that of the Clerk of the County Assembly for the willingness to facilitate the Committee during its assignment. I also acknowledge the Honourable Members and the secretariat for their utmost commitment towards the compilation of this report. I further do confirm that the recommendations of the Committee in this report were unanimous.

It is therefore my pleasant privilege and honour to present to this House the report of the Committee on Trade, Energy and Industrialization on the consolidated financial statements for the financial year 2023/2024.

SIGNATURE.....Kibochi..... DATE.....05/02/2025

HONBernard Kibochi.....

CHAIRPERSON, TRADE, ENERGY & INDUSTRIALIZATION COMMITTEE.

CHAPTER TWO

2.1 Department of Trade, Energy & Industrialization Expenditure Analysis

Hon. Speaker,

The department of Trade, Energy & Industrialization had a budget of Kshs. 836,274,599 comprising of Kshs 68,931,358 recurrent and Kshs. 767,343,241 for Development as per the approved 2nd supplementary budget 2023/24. During the period under review the department had an absorption rate of Kshs. 355,721,294, translating to 43%.

2.1.1 Budget execution by programmes and sub-programmes

Budget execution by programmes and sub-programmes provided under the recurrent vote reveals the following;

i. Trade sub-section

Under Trade, the allocation as per the approved supplementary budget was Kshs. 25,637,165 while the absorption was Kshs. 24,983,629 translating to 97%. The sub programs that incurred expenditures are; salaries absorbing Kshs. 21,188,073 of the allocated Kshs. 21,316,482 (99%), and operations and maintenance Kshs. 3,152,235 of the allocated Kshs. 4,320,683 indicating (73%) absorption.

ii. Energy sub-section

In the Energy sub-sector, the allocation as per the approved supplementary budget was Kshs. 36,222,416 while the absorption was Kshs. 20,750,187 translating to an absorption rate of 57%. The sub programs that incurred expenditures are; Human Resources development which includes basic salaries and personal allowances paid as part of salary which absorbed Kshs. 2,351,397 (56%) of the allocated Kshs. 4,219,452. Planning and support services recorded NIL absorption of the allocated Kshs. 587,361. Further, administrative services in the sub-section absorbed Kshs. 18,398,790 (59%) against an allocation of Kshs. 31,415,603. Electricity expenses had an allocation of Kshs. 26,000,000 and incurred an expenditure of Kshs. 13,832,660, indicating (51%) absorption.

iii. Industrialisation sub-section

Hon. Speaker,

In the Industrialization sub-section, the allocation as per the approved supplementary budget was Kshs. 7,071,777. During the period under consideration the section absorbed a total of Kshs. 3,523,500 translating to 50%. Administrative services had a total allocation of Kshs. 5,185,857 while salaries had Kshs. 1,885,920. The salaries vote under the sub-section had NIL absorption.

The committee observed low absorption in the salary votes; the Energy sub-section absorbed Kshs. 2,351,397 (56%) whereas Industrialization had NIL. During interrogation, the department elaborated that the low absorption in the salary vote in the Energy subsection occurred because one officer was transferred to a parastatal and other four engineers were due for promotions. However, CHRAC (County Human Resources Advisory Committee) did not fulfill the department's request with regard to the promotions.

2.1.2 Budget execution by programs and sub-programs under Development

Hon. Speaker,

The development budget with a total allocation of Kshs. 767,343,241 realized absorption of Kshs. 306,463,979 translating to 40% of the entire development budget. Further, Ward Based Projects with an allocation of Kshs. 48,336,000 realized an absorption of Kshs. 42,405,382 (88%).

The execution by programs and sub-programs under Development were as follows;

Trade Sub-section

a) Market infrastructure development

There were absorptions under Market development of Kshs. 85,639,736 from an allocation of Kshs. 124,000,000 translating to (69%) absorption rate. The allocation is broken down as follows; Kipsigon market had (Kshs. 5,000,000), Chwele market (Kshs. 27,000,000) and Kamukuywa (Kshs. 92,000,000).

Documents submitted with regard to market infrastructure to the County Assembly for interrogation of budget performance reveal payments made to a tune of Kshs. 76,834,818. A total of Kshs. 4,802,350 contract sum was paid for fencing Kipsigoni Market, Kshs. 72,032,468 a cumulative of 3 payment certificates honoured for the construction of Kamukuywa Market and NIL payment for Chwele Market infrastructure.

With regard to the status of absorption/payments made to construction of Markets with a total allocation of Kshs. 124 million i.e (Kamukuywa - 92M, Chwele - 27M and Kipsigoni - 5M), the department submitted as follows:

Kipsigoni market had absorbed 100% of the total allocation since the initial scope of work had been done. Chwele market infrastructure development was estimated to be at 90% complete with regard to scopes of work. It was noted that the remaining works are drainage works; however, there was Nil absorption. The department submitted that payments with regard to Chwele market were processed but due to exchequer delays, the contractor was not paid. Further, the committee was informed that the idea of the National government taking up the Kamukuywa market was at the discussion stage.

b) Bungoma County Trade Development Loan

From the financial statements, there was an expenditure of Kshs. 39, 631,856 on the Business loan program which is indicated to have an allocation of Kshs. 165,673,533 yet the approved supplementary budget had allocated the program Kshs. 125,679,933. However, during interrogation, the department submitted that the discrepancy was an erroneous entry that was meant for REREC grant under Energy whose allocation was Kshs. 90,000,000 in the budget and not Kshs. 50,006,400 as submitted in the financial Statements submitted. Therefore, the expenditure on the Bungoma County Trade loan was for REREC co-funding.

Hon. Speaker,

The department highlighted that the Bungoma County Trade Development Loan had not incurred any expenditure by the end of financial year on 30th June 2024. Further, it was noted that the only disbursement that was made during the period under review

was Kshs 10,000,000 that was received during the current financial year and was being disbursed to all the 45 Wards.

Energy Sub-section

Hon. Speaker,

Energy access (purchase of Energy equipment) with an allocation of Kshs. 6,000,000 had an absorption of Kshs. 4,999,170 translating to an absorption of 83%. REREC program meant for installation of transformers across the County whose allocation was stated as Kshs. 50,006,400 but corrected to Kshs. 90,000,000 had an absorption rate of Kshs. 46,958,300 (52%).

The department submitted that they had plans to launch the project once there is a budget. It was highlighted that the first phase would only cover the 21 wards. The department submitted that REREC did mapping based on the cost and the number of users.

Industrialization Sub-section

Industrialization sub-section had only one program of Industrial development with an allocation of Kshs. 350,000,000 (Kshs. 100 Million from County and Kshs. 250 million County Aggregated Industrial Park (CAIP) grant). From the financial statements, the absorption by end of financial year under consideration was Kshs. 66,889,347 representing 19% of the entire budget. Documents from the department revealed an expenditure of Kshs. 50,011,448, i.e the first payment certificate of Kshs. 40,000,000 was made on 8th April, 2024 and the 2nd certificate of Kshs. 10,011,448 paid on 7th June, 2024. Additionally, the CAIP bank account at CBK had a balance of Kshs. 87,785,732 as at 30th June 2024.

The department highlighted that CAIP situated in Sang'alo is matching fund project between the National government and the County government with a total of Kshs 500,000,000 and a contract sum of Kshs. 474,000,000. The department submitted that as at 30th June, 2024, the National government had so far remitted Kshs 122,000,000 to the special purpose account and the total sum paid to the contractor is Kshs. 50,011,448. It was reported that Work was in progress and it entailed doing 5 go-downs and an

administrative block. Further, slabs for one of the go-downs, an administration block and abolition block had been put up.

It was also noted that the counterpart fund from the County Government funding shrunk from an initial allocation of Kshs. 250,000,000 to Kshs. 100,000,000 as per the 2nd supplementary budget 2023/24 leaving a deficit of Kshs. 150,000,000.

Supplier credit

Hon. Speaker,

There was a budget provision of Kshs. 36,327,308 in the second supplementary budget meant to offset some of the pending bills with Kshs. 13,000,000 being recurrent (electricity bills) and Kshs. 23,327,308 being development under Ward based projects. As at the end of financial year, Kshs. 84,793,391 had been paid (Kshs. 16,052,471 being recurrent and Kshs. 68,740,920 development).

During interrogation, the department submitted that Kshs 12,000,000 out of Kshs 27,000,000 meant for Chwelwe market infrastructure development was used to clear some of the pending bills. However, the department did not account for the source of the remaining 36.3 Million.

The Kshs. 12,000,000 sourced from Chwele is 44.4% of that votes allocation with is contrary to the provisions of section 154 (2) (c) of the PFM Act,2012 which states that:

An accounting officer for a county government entity may reallocate funds between programs, or between Sub- Votes, in the budget for a financial year, but only if the total of all reallocations made to or from a program or Sub-Vote does not exceed ten percent of the total expenditure approved for that program or Sub-Vote for that year.

Staff receivables

The Department has no Pending staff receivables/outstanding imprest holders which points to proper adherence to PFMA provisions on imprest management.

County Funds

The department administers the Bungoma County Trade Loan Fund that has an allocation of Kshs. 125,679,933 with Kshs. 10,000,000 being allocated in the financial year 2023/24. By the end of the financial year, the balance at the Trade loan account at the Central Bank of Kenya was Kshs. 10,740,295. The fund's collection account and operational account domiciled at Equity Bank had closing balances of Kshs. 44,403 and Kshs. 3,123 respectively. With regard to the balance in the Bungoma County Trade Loan bank accounts, the department admitted that the loan had two accounts i.e. the operation account and the collection account. The operation account was closed in January 2024 and the Kshs 3,123 balance transferred to Central Bank Special purpose account. The Department informed the committee that the balance in the collection account was Kshs. 1,955,066.20 and not as submitted by the County treasury.

CHAPTER THREE

COMMITTEE OBSERVATION AND RECOMMENDATIONS

3.1 Committee observations

Hon. Speaker,

The committee observed the following:

1. There were no pending outstanding imprests.
2. The department recorded an overall budget absorption rate of 43% indicating significant underutilization; salary votes in Energy recorded an absorption of (56%) and NIL under Industrialization.
3. There were absorptions under Market development of Kshs. 76,835,118 from an allocation of Kshs. 124,000,000 (61.9%); Kipsigon market had (Kshs. 5,000,000) for fencing, Chwele market (Kshs. 27,000,000) for laying of cabros and drainage works and Kamukuywa (Kshs. 92,000,000) for construction. Kipsigon had Kshs. 4,802,650 absorption, Kamukuywa had an absorption of Kshs. 72,032, 468 and Chwele had Nil absorption.
4. Industrial development under County Aggregated Industrial Park recorded only a 19% absorption rate. It was also noted that the counterpart fund from the County Government funding shrunk from an initial allocation of Kshs. 250,000,000 to Kshs. 100,000,000 as per the 2nd supplementary budget 2023/24.
5. The REREC program co-funded by the National government and the County government showed an absorption rate of 94%.
6. The department's total expenditure on pending bills was Kshs. 84.8 Million against an allocation of Kshs. 36.3 million with the extra expenditure having been sourced from other votes within the development vote;

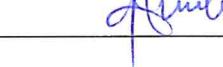
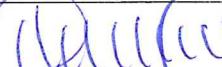
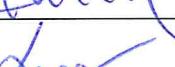
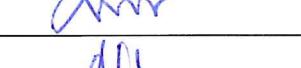
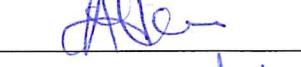
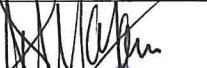
3.2 Committee Recommendations

The committee recommended the following;

- 1. THAT**, the department should develop and implement strong planning and monitoring mechanisms to improve the overall budget absorption.
- 2. THAT**, the department should streamline payment processes to prevent project stalls and ensure timely contractor payments affecting i.e Chwele Market that had NIL absorption despite 90% project completion.
- 3. THAT**, the department should engage the relevant stakeholders to fast-track implementation of the County Aggregated Industrial Park. Additionally, the department should put measures raise Kshs. 150,000,000 deficit meant for co-funding of the project. The department should also submit a status report with regard to Sang'alo industrial park within 30 days from the date of adoption of this report.
- 4. THAT**, the department should expedite completion of the REREC transformer installation program. Additionally, the department should consult with the Members of the County Assembly in the implementation of the program in respective wards and furnish the committee with a status report with regard to the program 30 days from the date of adoption of this report.
- 5. THAT**, the department should always adhere to provisions of section 154 of the PFM Act, 2012 on the limited powers of an accounting officer to reallocate appropriated funds since the reallocation done on pending bills from Kshs. 36.3 Million to Kshs. 84.8 Million was more than 100% yet the law provides for only 10%.

ADOPTION SCHEDULE

We the undersigned Members of Trade, Energy and Industrialization Committee affix our signatures adopting this report with the contents therein

	MEMBERS NAME	DESIGNATION	SIGN
1	Hon. Benard Kikechi	Chairperson	
2	Hon. Ali Machani	Member	
3	Hon. Joan Kirong'	Member	
4	Hon. Godfrey Wanyama	Member	
5	Hon. Wafula Waiti	Member	
6	Hon. Tony Barasa	Member	
7	Hon. Jack Wambulwa	Member	
8	Hon. Charles Nangulu	Member	
9	Hon. Kimeta Polycarp	Member	
10	Hon. Jerusa Aleu	Member	
11	Hon. Milliah Masungo	Member	
12	Hon. George Makari	Member	
13	Hon. Cornelius Makhanu	Member	
14	Hon. Alfred Mukhanya	Member	
15	Hon. Stephen Kaiser	Member	