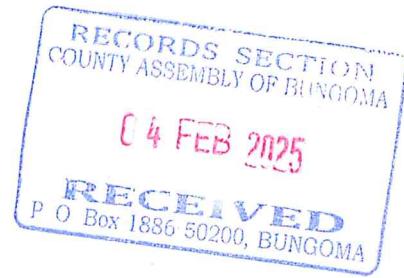


COUNTY GOVERNMENT OF BUNGOMA

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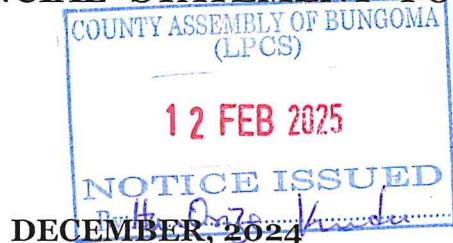
COUNTY ASSEMBLY OF BUNGOMA OFFICE OF THE CLERK

THIRD SESSION

SECTORAL COMMITTEE ON FINANCE AND ECONOMIC PLANNING

REPORT ON THE 4TH QUARTER FINANCIAL STATEMENT FOR FINANCIAL YEAR 2023/2024.

Clerk's Chambers,
County Assembly Buildings,
P.O BOX 1886 – 50200,
BUNGOMA, KENYA



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1.0 CHAPTER ONE

1.1 Preamble

Hon. Speaker, I present the report by the Committee on Finance and Economic Planning for the 4th quarter Financial Statements for the Financial Year 2023/2024 for period ended 30th June 2024. The report was tabled in this County Assembly of Bungoma on 16th October 2024 and stood committed to Finance and Economic Planning Sectoral Committee for interrogation, input and recommendation through a report to this Honorable House.

The Committee critically analyzed the report and had an engagement with department on 7th November 2024 to clarify on areas of concern out of which this report was generated.

1.2 The Mandate of the Committee

The Committee on Finance and Economic Planning falls under Sectoral Committees whose mandate is derived from 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 to the Constitution.

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) Study the program and policy objectives of departments and the effectiveness of the implementation;
- (c) Study and review all county legislation referred to it;
- (d) Study, access and analyze the relative success of the departments as measured by the results obtained as compared with their stated objectives;
- (e) 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;
- (f) To vet and report on all appointments where the constitution or any law requires the County Assembly to approve, except those under Standing Order 185 (Committee on Appointments); and
- (g) Make reports and recommendations to the County Assembly as often as possible, including recommendation of proposed legislation.

One of the most important features of our Constitutional framework is the requirement of the County Assemblies having the mandate to exercise oversight over their respective County Executives and their organs/departments. Article 185(3) of the Constitution of Kenya, 2010 on legislative authority of County Assemblies state inter-alia that, 'A County Assembly, while respecting the principle of the separation of powers, may exercise oversight over the County Executive Committee and any other County Executive organs.

1.3 Committee membership

The Committee comprises of the following members;

1. Hon. James Mukhongo	Chairperson
2. Hon. Orize Kundu	Vice Chairperson
3. Hon. Stephen Wamalwa	Member
4. Hon. Everton Nganga	Member
5. Hon. Aggrey Mulongo	Member
6. Hon. Vitalis Wangila	Member
7. Hon. Evelyn Mutiembu	Member
8. Hon. Violet Makhanu	Member
9. Hon. Tony Barasa	Member
10. Hon. George Makari	Member
11. Hon. Jack Kawa	Member
12. Hon. Francis Chemion	Member
13. Hon. Godfrey Mukhwana	Member
14. Hon. Christine Mukhongo	Member
15. Hon. Jerusa Aleu	Member

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

In the execution of its mandate, the County Assembly is guided by core constitutional and statutory principles on Public Finance Management, as well as established customs, traditions, practices and usages. These principles include the following

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

1.4 Acknowledgment

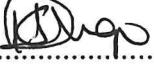
Mr. Speaker,

I take this opportunity to thank all Hon members of the Committee and secretariat for dedicating their time to interrogate the Finance and Economic Planning departments 4th Quarter Financial Statements for the Financial Year 2023/2024 for period ended 30th June 2024 .

Further, this Committee extends its gratitude to the Executive Arm of the County Government, for the role they played in offering explanations and supporting documents as requested by the Committee

Lastly, the Committee is grateful to the offices of the Speaker and the Clerk to the County Assembly of Bungoma for logistical support received as it discharged its mandate.

It is therefore my privilege, on behalf of the Committee on Finance and Economic Planning, to table this report.

Signed.....  Date.....

Hon. James Mukhongo
MCA Chwele/ Kabuchai Ward.

Chairperson, Sectoral Committee on Finance and Economic Planning.

CHAPTER TWO

2.1 Overview of FY 2023/24 Budget

The County's approved 2nd supplementary budget for the Financial Year 2023/24 was Kshs. 15,243,651,077 comprising Kshs. 5,284,307,323 (35%) and Kshs. 9,959,343,755 (65%) allocation for development and recurrent programmes, respectively.

The largest part of the budget is expected from exchequer issues contributing 73% of the requirement, local revenue 13% and other receipts including grants 14%.

To finance the budget, the County expects to receive Kshs. 11,111,983,608 as the equitable share of revenue raised nationally, Kshs.1, 162,071,383 as Facility Improvement Fund (revenue from health facilities), Kshs. 1,463,020,370 as conditional grants from both government and development partners, Kshs. 213,023,948 fund balances, generate Kshs.868, 201,471 as ordinary own-source revenue and Kshs.150m from retention account. Kshs.275, 350,297 was brought forward as opening balance as at July 1st

2.1.1 RESOURCE ENVELOPE AND REVENUE PERFORMANCE 2023-2024

A. REVENUE				
NO.	Source	Approved 2nd Sup. FY 2023/24	Actual realized	%
1	Transfers from Central Govt	11,111,983,608	10,223,024,920	92
2	Grant- National Govt & Devt partners	1,463,020,371	727,696,364	50
3	Funds	213,023,948	55,357,076	26
4	AIA& Local revenue as per finance act	2,030,272,854	1,099,396,441	54
5	Return issues to CRF		606,980	
6	Opening balances for non-refundable bank balances(<i>retention</i>)	425,350,297	244,543,335	57
	Total	15,243,651,077	12,350,625,117	81

Out of the projected revenue of Kshs.15, 243,651,077, below is a breakdown of revenue received within the period to June 2024. The county received a total of Kshs.12, 350,625,117 (81%) of budget. Kshs. 10,223,024,920 being exchequer release, against a budget of Kshs.11,111,983,608 (92%),Kshs.1,099,396,441 as local revenue against a budget of Kshs.2,030,272,854 (54%) and

Kshs. 1,027,596,775 as other receipts from other government agencies ,return to CRF issues Kshs.606,900

The total Grants Kshs. 727,696,364 entails:

➤ Development partners Kshs. 663,696,364

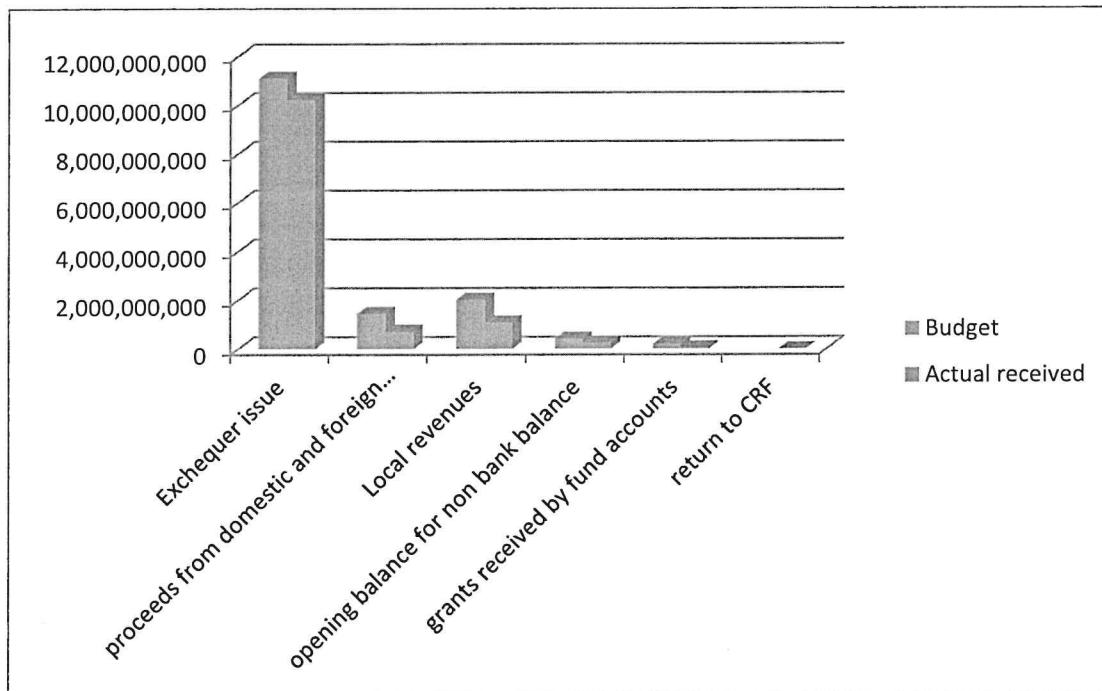
- NARIGP Kshs. 4,729,897
- NAVCDP Kshs. 195,112,952
- KELCLOP Kshs 31,650,142
- DANIDA Kshs. 16,227,750
- ASDSP II Kshs. 1,593,849
- FFLoCA Kshs. 331,781,944
- KISP II Kshs. 82,599,830

➤ National Government kshs. 64million for Aggregated Industrial Park program.

It is important to note that 345.7million worth of grants from National Government were not released and it had a considerable impact on the budget: Kshs. 58.7 million shillings earmarked for the equalization fund, 45 million shillings expected from the Rural Electrification and Renewable Energy Corporation (REREC), and 242 million shillings for the fertilizer subsidy program were not disbursed.

Of the amount received, Kshs. 1,225,248,281 was transferred to County Assembly Kshs.93,010,115 was utilized on development programmes while Kshs.1,132,238,166 on recurrent.

Kshs. 9,158,277,714.00 was transferred to the Executive, Kshs.2, 373,979,682 being development and Kshs.6,784,298,032 recurrent.



2.2 Own source revenue

Most revenue streams did not perform well with key revenue streams recording way below expected target. The table below shows how each of the revenue stream performed realizing a total of Kshs. 1,099,396,441. The county realized 54% of the set target of Kshs. 2,030,272,854.

Out of the total collection, Kshs.691,875,874 was realized from AIA against a target of Kshs.1,162,071,383 (60%).Kshs.618,550,575 was from level 4 and 5 Hospital facilities,Kshs.60,086,574 from level 1,2 and 3 hospitals and Kshs.13,242,574 from Vocational Training Centres. In the previous financial year 2022/23, Health Facilities collected Kshs.743,911,773,a negative variance of Kshs. 52,035,899. Local revenue sources collected Kshs. 408,313,055 against a budget of Kshs.868, 201,471 (47%).This should guide target setting financial year 2024/25 to avoid hidden budget deficit.

The core sources of revenue performed as follows, Hospital fees achieved 59%, single business permit 51%, Administration control fees 27%, market fees 45%, cess 30%,land rates 49%,advertising 22%,property rent 36%, Physical Planning and Development 33% public health services 18% against the budget.

Receipt	Budget	Actual collection	Variance	% Of Realization
County Own Source Revenue	Kshs	Kshs	Kshs	Kshs.
Hospital Fees	1,152,938,163	678,633,149	- 474,305,014	59%
Single/Business Permits	228,921,263	115,605,431	- 113,315,832	51%
Administration Control Fees and Charges	149,913,598	40,693,046	- 109,220,552	27%
Market Fees	98,427,988	44,643,875	- 53,784,113	45%
Cess	70,192,478	21,274,695	- 48,917,783	30%
Parking Fees	101,517,423	70,686,786	- 30,830,637	70%
Land/Poll Rate	47,500,495	23,198,375	- 24,302,120	49%
Advertising	42,967,742	9,385,390	- 33,582,352	22%
Public Health Service Fees	23,076,730	4,062,101	- 19,014,629	18%
Conservancy Administration	30,100,000	14,029,112	- 16,070,888	47%
Property Rent	30,569,789	15,374,769	- 15,195,020	50%
Physical Planning and Development	23,608,481	7,823,492	- 15,784,989	33%
Other Fines, Penalties, And Forfeiture Fees	6,793,200	724,300	- 6,068,900	11%
Public Administration	-	-		

Other Sources	Revenue	-		
Education, Science and ICT	9,133,220	13,242,725	4,109,505	145%
Hire Of County Assets	9,073,724	14,709,411	5,635,687	162%
Miscellaneous Receipts	5,538,560	25,309,785	19,771,225	457%
Total Own Revenue	County Source	2,030,272,854	1,099,396,442	-930,876,412
				54%

2.3 County Expenditure review

2.3.1 Payments Budget Vs Actual

Total expenditure for the period was Kshs.11, 892,754,940 (96.2%) of total money received leaving a balance of Kshs. 457,870,176. The total recurrent expenditure for the period was Kshs. 8,795,796,751, which is 88% of the budgeted amount of Kshs. 9,959,343,754. Expenditure for the period was below the 100% mark because of delay in release of funds from the National Government and inability to meet the target collection from own source revenue. The expenditure on development amounted to Kshs. 3,096,958,189, which is 59% of the target budget of Kshs. 5,284,307,323

Expenditure	Expenditure budget Kshs.	Actual Expenditure Kshs.	Realization %
Recurrent	9,959,343,754	8,795,796,751	88
Development	5,284,307,323	3,096,958,189	59
Total	15,243,651,077	11,892,754,940	78

Kshs.11, 500,844,136 was transferred from County Revenue Fund and distributed as follows,

- i. County Executive recurrent Kshs.6,784,298,032
- ii. County Executive Development Kshs 2,373,979,682
- iii. County Assembly recurrent Kshs. 1,132,238,166
- iv. County Assembly Development Kshs. 93,010,115
- v. Transfers from other government agencies (donors) Kshs.663,696,364
- vi. Transfer from other government entities (industrial park) Kshs.64m

The major expenses during the period were:

1. Compensation to employees Kshs.4, 839,623,225, compared to Kshs.5, 533,936,483 utilized same period previous financial year 2022/23 being a negative of Kshs 694,313,258 difference)

- i. These are

- i. basic salary permanent employees Kshs.4,438,699,312 against Kshs.4,784,554,673 previous year
- ii. Basic wages temporary staff Kshs.194,798,749 against Kshs.192,469,861
- iii. Personal allowances paid as part of salary Kshs.113,903,769 against Kshs.215,569,943 previous year
- iv. Employer contribution to compulsory national entities Kshs.89, 062,917 compared to Kshs.307,708,967 previous year which was a serious drop.

The total budget for personnel stands at Kshs. 5,992,141,777 excluding County Assembly's. This expenditure represents absorption of 80.7% .Salaries for the months of May and June were paid after end of Financial year through borrowing from the bank.

Compensation to employees

	Period ended June 2024	Comparative Period	variance
	Kshs	Kshs	Kshs.
Basic salaries of permanent employees	4,438,699,312	4,784,554,673	- 345,855,362
Basic wages of temporary employees	194,798,749	192,469,861	2,328,887
Personal allowances paid as part of salary	113,903,769	215,569,943	- 101,666,174
Personal allowances paid as reimbursements	3,158,479	-	3,158,479
Employer contribution to compulsory national social schemes	89,062,917	307,708,967	- 218,646,050
Pension and other social security contributions		15,961,038	
Other personnel payments		17,672,000	
Total	4,839,623,225	5,533,936,483	- 694,313,258

2.Use of goods and services Kshs.2,712,314,233,281 compared to Kshs.3,542,003,307 same period previous year a variance of Kshs.829,689,010 .Major expenses were,

- a. utilities Kshs.57,299,976,
- b. communication supplies Kshs.24,362,992,
- c. domestic travel and subsistence allowance Kshs.504,033,018 against Kshs.785,383,166 previous year
- d. foreign travel and subsistence Kshs.5,612,875 compared to 26,268,233 ,
- e. printing advertising Kshs.13,546,176 compared to Kshs.82,640,060 previous period ,
- f. rentals Kshs.38,770,036 compared Kshs.31,269,180 ,
- g. Training Kshs.6,532,520 compared to Kshs.128,077,573 previous period
- h. Hospitality supplies and servicesKshs.317,792,497 compared to Kshs.560,619,368.
- i. Insurance costs Kshs.258,677,705 compared to Kshs.213,854,710

- j. specialized materials and services,Kshs.603,272,798
- k. Office and general supplies Kshs.51,166,620 compared to Kshs.90,174,011
- l. Fuel and lubricants Kshs.75,243,236 compared to Kshs.112,727,878
- m. other operating expenses,Kshs.674,920,359compared to Kshs.626,460,471
- n. Routine maintenance-vehicles & other equipment Kshs.23,289,670 compared to Kshs.91,621,446
- o. Routine maintenance other assets Kshs.57,793,817 compared to Kshs.101,860,599 previous comparative period

	Period ended June 2024	Comparative Period	variance
	Kshs	Kshs	Kshs
Domestic travel and subsistence	504,033,018	785,383,166	- 281,350,147.65
Hospitality supplies and services	317,792,497	560,619,368	- 242,826,871.45
Training expenses	6,532,520	128,077,573	- 121,545,053.45
Printing, advertising and information supplies & services	13,546,176	82,640,060	- 69,093,883.55
Routine maintenance – vehicles and other transport equipment	23,289,670	91,621,446	- 68,331,776.15
Routine maintenance – other assets	57,793,817	101,860,599	- 44,066,781.75
Office and general supplies and services	51,166,620	90,174,011	- 39,007,390.90
Fuel Oil and Lubricants	75,243,236	112,727,878	- 37,484,642.12
Foreign travel and subsistence	5,612,875	26,268,233	- 20,655,358.00
Communication, supplies and services	24,362,992	39,052,832	- 14,689,840.20
Utilities, supplies and services	57,299,976	62,723,374	- 5,423,397.96
Rentals of produced assets	38,770,036	31,269,180	7,500,855.90
Specialized materials and services	603,272,798	589,270,404	14,002,393.87
Insurance costs	258,677,705	213,854,710	44,822,994.75
Other operating expenses	674,920,359	626,460,471	48,459,887.97
Total	2,712,314,296		-

3. Transfer to other Government entities include:

- i. County Assembly Kshs. 1,225,248,281
- ii. Vocational Training Centres Kshs.14, 985,000

4. Other grants and payments Kshs.850,521,133 composed of Scholarships Kshs.188,194,700 compared to Kshs.465,767,042 previous year and other capital grants and transfers Kshs.662,326,433 compared to Kshs.499,310,490 same period previous year 2022/23.

5. Social security benefits Kshs.37, 820,714 compared to Kshs.66, 673,420 previous financial year. This is gratuity for the Chief Officers and CEC members, governor and DG paid to lap trust, pension fund. Included in financial year 2022/23 is Kshs.15,299,339 gratuity paid to members of County Assembly.

6. Acquisition of assets Kshs.2, 091,872,220 which are majorly development projects. The major expenses being overhaul and refurbishment of construction and civil works Kshs.1,525,725,182 ,rehabilitation of civil works Kshs.211,954,662,construction of roads Kshs.173,620,350 etc.

7. Other payments (contingency reserves and other payments) Kshs.120, 370,071 against Kshs.131,600, 716 previous year.

2.3.2 Receipts and payments

Statement of receipts and payments for the period ended June 30th 2024

Receipts	Period ended June 2024	Comparative period 2023
	Kshs.	Kshs
Exchequer releases from CRF	10,223,024,920	10,659,435,192
Proceeds from domestic & foreign grants (ASDSP)	663,696,364	256,762,319
Transfer from other government entities	64,000,000	
Own source revenue	1,099,396,441	1,119,187,035
Other receipts(return to CRF issues)	606,980	1,111,963
Total receipts	12,050,724,705	12,036,496,509
Payments		
Compensation to employees	4,839,623,225	5,533,936,483
Use of goods and services	2,712,314,296	3,542,003,307

Transfer to other government entities	1,240,233,281	28,103,856
Other grants & transfers	850,521,133	971,171,131
Social security benefits	37,820,714	66,673,420
Acquisition of assets	2,091,872,220	2,412,128,282
Other payments	120,370,071	131,600,716
Total payments	11,892,754,940	12,685,617,195
Surplus/deficit	157,969,765	-649,120,686

2.3.3 Statement of budgeted Vs Actual amounts for the period ended 30th June 2024 (recurrent and development)

Total cash received was Kshs.11, 892,754,940 which was 78% of the total budget. Exchequer release received of Kshs.10, 223,024,920 was 92% of the budgeted Kshs.11, 111,983,608, this is because the National Government did not remit exchequer for the month of June.

Own source revenue Kshs.1, 099,396,441 was 54% of budgeted Kshs.2, 030,272,853. Proceeds from domestic and foreign grants of Kshs.727,696,364 received is 50% of budgeted Kshs.1,463,020,371.

Opening bank balances non-refundable balances on special purpose accounts eg DANIDA of Kshs.244,543,335 was 57% of the total budget Kshs.425,350,297 and grants received by fund accounts Kshs.55,357,076.

Budget Vs Actual expenditure

The Receipts/expenses	Budget	Actual	variance	%
Exchequer releases	11,111,983,608	10,223,024,920	888,958,688	92
Proceeds from domestic and foreign grants	1,463,020,371	727,696,364	735,324,007	50
Own generated revenue	2,030,272,853	1,099,396,441	930,876,412	54
Return to CRF		606,980	-606,980	
Opening bank balance non-refundable bank balances in special purpose accounts eg DANIDA	425,350,297	244,543,335	180,806,962	57
Grants received by fund account	213,023,948	55,357,076	157,666,872	26
Total	15,243,651,077	12,350,625,116	2,893,025,961	81
Payments			0	
Compensation to employees	5,801,525,584	4,839,623,225	961,902,359	83
Use of goods & services	2,844,324,146	2,712,314,296	132,009,850	95
Transfer to other government units	1,283,975,880	1,240,233,281	43,742,599	97
Other grants and transfers	2,107,116,526	850,521,133	1,256,595,393	40
Social security benefits	42,491,305	37,820,714	4,670,591	89
Acquisition of assets	2,924,746,847	2,091,872,220	832,874,627	72

Other payments	239,470,789	120,370,071	119,100,718	50
Total	15,243,651,077	11,892,754,940	3,350,896,137	78
Surplus/(Deficit)		457,870,176	-457,870,176	

2.3.4 Accounts receivables –Imprest

The County had Kshs.74,564,684 outstanding imprest compared to Kshs.30,994,011 recorded same period last year. Finance and Economic Planning Directorate had the highest un surrendered imprest of Kshs.21,118,650 followed by County Secretary with Kshs.13,339,680, Public Administration Kshs.12,167,820, Governor's office with Kshs.9,253,778.

Department	Amount	comparative period
Finance & Economic Planning	21,118,650	21,299,150
County Secretary	13,339,680	5,320,700
Public Administration	12,167,820	1,347,000
Governors	9,253,778	1,339,200
Lands & Housing	5,651,820	300,000
Education	5,626,575	
Health & Sanitation	3,978,100	
Tourism & Environment	2,240,300	
Gender and Sports	699,000	899,000
Roads and Public Works	488,961	488,961
Total	74,564,684	30,994,011

Kshs.11,482,650 of the imprest in the Finance and Economic Planning department dates back to 2018 ,Kshs.4,772,500 to 2023 raising serious concerns on the recoverability of this money. The committee invokes PFM Regulation 93(7) and holds the accounting officer responsible for the outstanding imprest and the breach of financial regulations.

Date Imprest Taken	Name Of Officer Or Institution	Warrant No.	Personal Number		2022-2023
					Kshs
13/9/2023	Benard Lumba	4775604	20200046094	FACILITATION FOR FINANCE BILL	3,640,000
13/12/2018	Ann Ngano	3551971	20150017833	CEF PROJECT STATUS	1,214,900
22/10/2018	Augustine Kipsang'	3170909	2007004013	CEF PROJECT STATUS	3,455,750
5/15/2023	Mercy Kisaka	4572757	20170090436	FACILITATION FOR SPECIAL POLICY FORMULATION	1,132,500
22/10/201	Dunstone	3150748		KDSP ACTIVITIES	

8	Wafula				3,801,000
5/10/2018	Eldah Mutila Nancy Sikhila	3150746	20150029351	M & E ACTIVITIES	3,011,000
					16,255,150

2.3.5 Accounts payable

Deposits and Retentions

As at 30th June, the cash maintained in the deposit account was Kshs.262,034,469 compared to Kshs.272,608,533 held same period the previous financial year. The retention account made total payment of Kshs. 193,197,584 (286,507,955 march) in the period under review. The details of the items paid worth Kshs. 193.1m were not provided.

The County treasury also made a borrowing of Kshs.150m from the retention account to finance the budget, but the financial statements is silent on the expenditures and outstanding obligation on the retention account. However CBROP recognizes the amount as part of the resource envelop.

Notable is the listing of the contractor retention monies as pending bills yet the account reads a balance of Kshs. 262 million. This discrepancy raises concerns about the accuracy of the pending bills statement and the management of the retention account. To address this issue, the treasury should provide a comprehensive report detailing the operations of the retention account, including all transactions and balances. Additionally, the Treasury should furnish this committee bank statements for the retention account as of the close of the financial year.

Outstanding retentions bf 1 st July 2023	272,608,533
Additions during the period to June 2024	182,623,520
Total balance	455,232,053
Less retention payments in the period	193,197,584
Balance as at 30th June 2024	262,034,469

2.3.6 Pending Bills.

The financial statement illustrates that at the beginning of FY 2023/24, the County reported a stock of pending bills amounting to Kshs.1, 244,506,681. Kshs. 314,030,609 was paid during the period leaving a balance of Kshs. 930,476,072. The information contradicts the data provided in the ADP 2024 indicating the pending bills amounts Kshs. 3.08 billion.

Department	Balance at the beginning of the year July 2023	Amount paid During the year 2023/2024	Outstanding Balance June 2024
Agriculture	106,085,469	37,230,938	68,854,531
county public service board	7,779,830	164,850	7,614,980
county Secretary	8,708,071	2,400,120	6,307,951
Education	13,160,777	1,657,500	11,503,277
Finance	411,641,653	1,240,660	410,400,993
Gender	8,056,329	-	8,056,329
Gender, Youth & sports	28,489,162	8,743,406	19,745,757
Governors	7,989,768	2,965,800	5,023,968
Health	133,583,084	75,976,908	57,606,175
Housing	3,829,837	3,014,704	815,133
Lands	3,347,029	3,182,241	164,788
Municipality	2,117,740	298,670	1,819,070
Public administration	30,333,181	19,624,169	10,709,012
Roads	287,682,258	49,020,170	238,662,089
Trade	136,086,017	84,793,391	51,292,625
Water	45,003,449	22,275,333	22,728,116
Water & Toursim	10,613,026	1,441,750	9,171,276
Grand Total	1,244,506,681	314,030,609	930,476,072

2.3.7 ADP pending bills

Sector/programme	Contract amount (Kshs.)	Amount paid (Kshs.)	Outstanding balance (Kshs.)
Agriculture, Urban and Rural development	1,389,384,735.88	466,744,182.00	456,773,967.15
Development			
Energy, Infrastructure and ICT	815,559,117.66		815,559,117.66
General Economic and Commercial Affairs	75,464,155.00	30,736,155.00	44,728,000.00
Health Sector	132,190,946.00	-	130,814,391.00
Education Sector	218,000,000.00	17,000,000.00	201,000,000.00
Public Administration Sector	195,976,820.00	19,316,062.00	176,660,758.00
Recreation, Culture and Social Protection	902,401,183.20	738,432,631.00	163,967,819.50

Environmental Protection, Water and Natural Resources	1,098,378,003.20	-	1,098,378,003.20
Grand Total	4,827,354,960.94	1,272,229,030	3,087,882,056.51

CHAPTER THREE

3.1 Finance and Economic Planning

Mr. Speaker,

The Department had an initial allocation of Kshs.1,263,723,407 in the approved budget, this was enhanced to Kshs.1,520,256,593 in the 1st supplementary budget, distribute as Kshs.1,174,255,850 recurrent and Kshs.336,594,760 development expenditure. During the period, Kshs.1, 228,500,083 was received which is 81% of budget.Kshs.1, 122,628,732 being recurrent and Kshs.105, 871,352 development.

1. General Administration, Planning and support services with an allocation of , Kshs.1, 013,512,824 received Kshs.965,939,040 (95%) during the period.Kshs.892,967,688 being recurrent expenditure and Kshs.72,971,352 development.

Major expenses were:

- i. Personnel expenditure Kshs.355, 967,688 against a budget of Kshs.398, 061,815 which is 89% of budget.
- ii. Administration services received Kshs.383, 720,138 as recurrent and Kshs.72, 971,352 as development against a budget of Kshs.460,751,741 (99% absorption).
- iii. Employer contribution to staff pension with a budget of Kshs.154,699,268 received Kshs.153,591,687 during the period,(99%).

2. County Planning Management with an allocation of Kshs.125,031,271 received Kshs.120,978,296 during the period as recurrent expenditure being 97 % absorption.

The major expenses were:

- i. Economic Policy and County Planning services Kshs.23, 689,966
- ii. Budgeting Kshs.81, 695,441
- iii. Monitoring and evaluation Kshs.15,592,889
- iv. Resource mobilization strategies and enforcement of revenue collection allocated Kshs 5m each had the money reallocated to other votes .

3. County Financial services with an allocation of Kshs.90,264,226, received Kshs. 82,576,744 on recurrent expenditure, which is 91 % absorption.

The major expenses were:

- i. Revenue mobilization Kshs.28,213,405
- ii. Accounting services Kshs.19,429,230
- iii. Audit services Kshs.17,577,880
- iv. supply chain services Kshs.17,356,229

4. Service delivery and organizational transformation with an allocation of Kshs.291, 448,272 received Kshs.59, 006,004 in the period (20%). Kshs.26, 106,004 being recurrent and Kshs.32, 900,000 developments.

Major expenses were:

- i. Special Coordination unit was Kshs.14,309,930
- ii. System enhancement received Kshs.11,796,074 against a budget of Kshs.20m (59%)
- iii. Emergency fund with an allocation of Kshs.160,415,731 had no expenditure in the period yet in Q3 report it was reported Kshs.59m was received with Kshs.51,769,023 being development and Kshs.7,941,490 being recurrent expenditure. According to COB report, expenditure was Kshs. 57,763,618 .A figure that was confirmed by the Emergency fund report received at the Assembly for period ending June 2024.The fund only received Kshs.10m on its bank account from exchequer in the period, it had an opening balance of Kshs. 52,334,387 brought forward on July 1st 2023. Kshs.48, 118,656 held in in CBK and Kshs.4, 215,731 held in KCB.
- iv. Special delivery unit and investment initiative allocated Kshs.5m each had there allocation reallocated to other votes.
- v. Maintenance of computer software and network allocated Kshs.12m had no expenditure in the period
- vi. Purchase of software Health management system allocated Kshs.37, 955,528 received Kshs.32.9m
- vii. ICT-Purchase of ICT networking and Communications Equipment Kshs.33,250,000 had no expenditure in the period since the money was held in Finance and Economic Planning yet the section is under Public Administration

CHAPTER FOUR

4.1 COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

4.1.1 Observations

Mr.Speaker,

The following are observation noted by the Committee.

1. The Financial statement does not recognise health facilities as distinct entities since there expenditure have been consolidated with the health head quarter budget making it difficult to ascertain their financial operations yet they receive distinct budgets.
2. The Kshs.150m borrowed from retention account to finance budget financial year 2023/24 will be refunded in 1st supplementary budget year 2024/25.
3. The retention account has a balance of Kshs. 262.03 million yet contractor retention monies have been captured under Pending bills given that this funds should be retained and paid as and when they fall due. The listing of the contractor retention monies as pending bills yet the account reads a balance of Kshs. 262 million, is a discrepancy that raises concerns about the accuracy of the pending bills statement and the management of the retention account. To address this issue, the treasury should provide a comprehensive report detailing the operations of the retention account, including all transactions and balances. Additionally, the Treasury should furnish this committee with bank statements for the retention account as at 30th June 2024.
4. The financial statement illustrates that at the beginning of FY 2023/24, the County reported a stock of pending bills amounting to Kshs.1, 244,506,681. Kshs. 314,030,609 was paid during the period leaving a balance of Kshs. 930,476,072. The information contradicts the data provided in the ADP 2024 indicating the pending bills amounts Kshs. 3.08 billion.
5. On the status of unspent funds in the FY 2023/24: There are concerns regarding unpaid salaries across most departments for May and June. The available June exchequer balance of Kshs. 898 million falls short of covering these two months' salary obligations. Additionally, there remains an unspent development balance of Kshs 2.1 billion, while major recurrent expenditure commitments, including Kshs. 216 million for bursaries and scholarships, along with pending medical insurance payments of 98 million, yet there is no substantial exchequer balance to be carried forward to FY 2024/25. The executive did not clarify the issues nor provide the correct status of the balances to be brought forward for these critical recurrent expenditures and development funds.
6. Emergency fund had an allocation of 160million as per the 2nd supplementary budget. There were projects implemented worth Kshs.57m from the fund report yet Financial Statements report indicated zero expenditure .
7. Inconsistencies in Financial Reporting: Critical discrepancies have been identified in the financial reporting processes, where expenditures previously documented in both half-year and nine-month financial statements are notably absent from the annual consolidated reports. There are also inaccuracies in the recording of approved budget

figures across various programmes and sub-programmes within departments. These systemic inconsistencies appear to be instances of arbitrary figure adjustments rather than accurate financial representation. There is need to support the reporting unit under the county treasury.

8. Resource mobilization strategies and enforcement of revenue collection allocated Kshs 5m each had no expenditure in the period, yet revenue collection against target was just 54% an indication that the department does not prioritize revenue enhancement measures
9. Purchase of ICT networking and Communications Equipment Kshs.33,250,000 had no expenditure in the period, denying the section money to finance operations under Public Administration
10. It is not clear whether purchase of health management system software allocated Kshs.37, 955,528 with an absorption of Kshs.32.9m is already in operation and whether it has improved revenue collection and accountability in the Health sector
11. Under use of goods and services, the county Government spent Kshs. 6,532,520 on training, yet there was no budgetary allocation towards training in the year
12. The County had Kshs.74,564,684 outstanding imprest compared to Kshs.94,590,905 recorded in Quarter 3. Finance and Economic Planning Directorate had the highest unsurrendered imprest of Kshs.21,118,650 followed by County Secretary with Kshs.13,339,680, Public Administration Kshs.12,167,820, Governor's office with Kshs.9,253,778. Some staff have multiple unsurrendered imprest in total contravention of the PFM Act. One has no payroll number of the staff who took the imprest.
13. Disclosure notes on the composition of other payments of Kshs.56.3 , civil contingency reserve Kshs.64 million and other operating expenses of Kshs. 674.9 million were not provided
14. Outstanding imprest dating back to 2018

4.1.2 Committee Recommendations.

1. **THAT**, the Treasury must recognise health facilities as distinct entities and prepare financial statements for each separate from Head quarter.
2. **THAT**, the department should cease listing contractor retention as pending bills and pay the money as and when it falls due, and immediately after submission of 1st Supplementary budget, The County Executive Committee Member of finance should prepare a comprehensive report detailing the operations of the retention account and the bank statements for the retention account as at 30th June 2024 and submit the report to the County Assembly thirty (30) days after submission of 1st supplementary budget 2024/2025.
3. **THAT**, the County Executive Committee Member of Finance and Economic Planning should consistently provide an accurate position of pending bills and prioritize their payment as first charge to money allocated to enable completion of projects and inject funds into the county economy, further the said Officer should immediately after

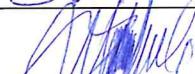
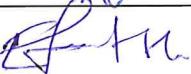
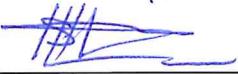
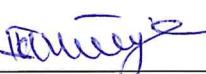
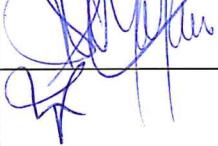
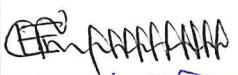
adoption of this report organize a forum with Honorable members and give a true status of pending bills in the County.

4. **THAT**, the Chief Officer department of Finance should clarify the correct status of the balances to be brought forward for critical recurrent expenditures and development funds financial year 2023/24 thirty days after adoption of this report and submit to the Committee the report.
5. **THAT**, the Treasury should treat emergency fund as so and transfer all money due to the fund to its account to allow it furnish financial statements as expected by PFM Act 2012 section 110-115.
6. **THAT**, the County Executive Committee Member of Finance and Economic Planning should immediately upon receipt of these adopted report restructure the reporting unit under the county treasury with competent staff and resources to aid them achieve consistency in reporting.
7. **THAT**, the department should prioritize activities that will help enhance own source revenue collection to avoid over reliance on exchequer .The County Executive Committee member should come up with a strategy to address effectiveness in revenue collection for Cabinet and County Assembly consideration and approval to boost revenue collection.
8. **THAT**, the ICT operations budget should be left under Public Administration where it belongs to ensure budget absorption.
9. **THAT**, the County Executive Committee Member of Finance and Economic Planning should furnish the committee immediately after adoption of this report with a cost benefit analysis report detailing the benefits derived from the new health management system purchased.

10. **THAT**, the County Treasury should lead by example and adhere to PFM Act 2012 on surrender of imprest, holding accounting officers accountable for long outstanding imprest, further County Executive Committee member of Finance being in Charge of compliance should put on notice all Chief Officers in whose departments there are unsurrendered imprest and report to the same forum with Honorable Members the issue of pending bills will be addressed on the status of imprest across all departments.
11. **THAT**, the County Treasury should provide the committee with disclosure notes on the composition of other payments of Kshs.56.3 , civil contingency reserve Kshs.64 million and other operating expenses of Kshs. 674.9 million

Adoption schedule

The following members of Finance and Economic Planning Committee append our signatures confirming the contents there in the consolidated financial statement for the period ending 30th June 2024.

NO	NAME	DESIGNATION	SIGNATURE
1	Hon James Mukhongo	Chairman	
2	Hon Orize Kundu	Vice Chair	
3	Hon Stephen Wamalwa	Member	
4	Hon Aggrey Mulongo	Member	
5	Hon Everlyne Mutiembu	Member	
6	Hon Tony Barasa	Member	
7	Hon Vitalis Wangila	Member	
8	Hon Jack Kawa	Member	
9	Hon Violet Makhanu	Member	
10	Hon George Makari	Member	
11	Hon Francis Chemion	Member	
12	Hon Godfrey Mukhwana	Member	
13	Hon Everton Nganga	Member	
14	Hon Christine Mukhongo	Member	
15	Hon Jerusa Aleu	Member	

Annexures.

- I. Adoption minutes*
- II. Consolidated financial statement for the period ending 30th June 2024*

