

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

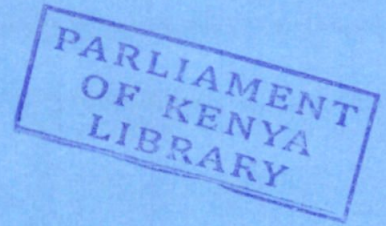
OF

THE AUDITOR-GENERAL

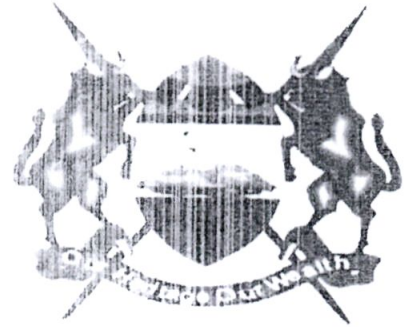
ON

BUNGOMA MUNICIPALITY

**FOR THE YEAR ENDED
30 JUNE, 2024**



PAPERS	
DATE	26.02.2025
TABLED BY	MAJORITY LEADER
COMMITTEE	
CLERK AT THE TABLE	BELINDA



BUNGOMA MUNICIPALITY
County Government of Bungoma

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2024

Prepared in accordance with the Accrual Basis of Accounting Method under the International
Public Sector Accounting Standards (IPSAS)

TABLE OF CONTENTS

1. Acronyms &Glossary of Terms.....	ii
2. Key Entity Information and Management	iii
3. City/Municipality Board.....	viii
4. Key Management Team.....	xi
5. Municipality Board Chairperson’s Report.....	xiii
6. Report of the Municipality Manager.....	xv
7. Statement of Performance Against Predetermined Objectives for the FY 2023/2024	i
8. Corporate Governance Statement.....	iii
9. Management Discussion and Analysis.....	vii
10. Environmental and Sustainability Reporting	ix
11. Report of the Municipality Board Members.....	xii
12. Statement of Management’s Responsibilities.....	xiii
13. Report of the Auditor General on Bungoma Municipality.....	xv
14. Statement of Financial Performance for The Year Ended 30 June 2024.....	1
15. Statement of Financial Position as at 30 June 2024.....	2
16. Statement of Changes in Net Assets for the Year Ended 30 June 2024.....	3
17. Statement of Cash Flows for The Year Ended 30 June 2024.....	4
18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2024.....	5
19. Notes to the Financial Statements.....	6
20. Appendices	28

1. Acronyms & Glossary of Terms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

a) Background information

Bungoma Municipality was established on 5th January, 2018 by Bungoma County Government after its charter being ratified by the County Assembly of Bungoma. It derives its authority and accountability from the Urban Areas and Cities Act, 2012 and is an agency of the County Government of Bungoma, domiciled in Kenya.

The Municipality is charged with the responsibility of prudently managing the municipal economy to facilitate socio-economic development, management and control of public financial resources. The Cities and Urban Areas Act, 2012 provides for the establishment of urban management structures including Cities and Municipal Boards as well as Town Committees. Bungoma County in compliance with this law established a municipal board for the management of the Municipality.

Economic growth has been accompanied by rapid urbanization; nonetheless, Kenya remains under urbanized implying that Kenya can still leverage the benefits of urbanisation for improving economic opportunities and living conditions. The Government of Kenya has recognized the need to manage urbanization as part of its overall development strategy. Kenya vision 2030 highlights rapid urbanization as one of the four key challenges facing the country.

b) Principal Activities

The Municipality's principal activity is to facilitate a sustainable urbanization process through an integrated urban and regional planning management framework of Kenyan urban centres and towns. Aligned to that goal, the Municipality identifies a series of investment programs to enhance Infrastructure, connectivity and accessibility, safety and security. Developing the basic institutions required for effective urban management is critical to deliver these investments and for urbanization to contribute to the sustainable growth in Kenya as highlighted in our vision and mission below.

Vision:

A thriving, safe, and cosmopolitan Municipality.

Mission:

To progressively build a resilient Municipality through prudent management of resources, effective and affordable services.

Key Management

Ref	Position	Name
1.	Chairperson of the Board	Ms. Jacqueline P. Malomba
2.	County Executive Committee Member responsible for Cities and Urban areas.	Arch. Douglas W. Sasita
3.	Board Member 1	Hon. John B. Munyasia
4.	Board Member 2	Hon. Edith Shitandi
5.	Board Member 3	Hon. Justus B. Mbinga
6.	Board Member (C.O, H&M)	Denson W. Barasa
7.	Municipality Manager	Cs John Ndombi

c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Municipality Manager	Cs John Ndombi
2	Deputy Director Administration	Joel Peka
3	Finance and Economic Planning	Michael Wekesi
4	Division of Physical and Land Use Planning	Andrew Barasa Keya
5	Division of Environmental Health Services	Pascal Wakafura

d) Fiduciary Oversight Arrangements

The key fiduciary oversight bodies at the County for the year ended 30th June 2024 were:

i) County Assembly Committees

The responsibilities of the County Assembly committees were as follows:

- To vet and approve nominees for appointment to county public offices as may be provided for in the relevant laws;
- To perform the roles set out under Article 185 of the Constitution;
- To approve the budget and expenditure of the county government in accordance with Article 207 of the Constitution, and the legislation contemplated in Article 220(2) of the Constitution, guided by Articles 201 and 203 of the Constitution;
- To approve the borrowing by the county government in accordance with Article 212 of the Constitution;
- To approve county development planning; and
- To perform any other role as may be set out under the Constitution or legislation

ii) Audit and Risk Management Committee

The functions and responsibilities of the audit committee were as follows:

- To obtain assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably.
- To provide an independent review of the County Executive's reporting functions to ensure the integrity of financial reports.
- To monitor the effectiveness of the County Executive's performance management and performance information.
- To provide strong and effective oversight of County Executive's internal audit function.
- To provide effective liaison and facilitate communication between management and external audit.
- To provide oversight of the implementation of accepted audit recommendations.
- To ensure that the County Executive effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behaviour.

iii) **Public Accounts Committee**

The main function of the Public Accounts Committee is to invite the Accounting Officer to appear before it to adduce evidence on the reports of the Auditor-General.

iv) **Budget and Appropriations Committee**

Budget and Appropriations Committee approves expenditure budget for the execution of governance

e) **Registered Offices**

P.O. Box 437-50200,
Public Works Buildings,
Huduma Centre – Bungoma Tourist Road,
Bungoma, Kenya.

f) **Contacts**

Telephone:(254) 720754325
E-mail: bungomamunicipality@bungoma.go.ke
Bungomamunicipality039@gmail.com

Website: bungoma.go.ke

g) **Bankers**

1. Central Bank of Kenya,
Haile Selassie Avenue,
P.O. Box 60000-00200,
Nairobi, Kenya.
2. Family Bank of Kenya,
P.O Box -50200,
Bungoma, Kenya.

h) Independent Auditor

Auditor General,

Office of the Auditor General,

Anniversary Towers, University Way,

P.O Box 30084-00100,

Nairobi, Kenya.

i) Principal Legal Adviser



The Attorney General - State Law Office,




Harambee Avenue,


P.O. Box 40112-00200,

Nairobi, Kenya.



3. Municipal Board




Name	Details of Qualifications and Experience
<p>1. Board Member 1</p> <p>Ms. Jacqueline P. Malomba</p> 	<p>D.O.B – April, 1970.</p> <p>Graduate in Business Leadership Management at Strathmore University and an MBA holder in Global Business Sustainability. Certified Professional Coach (ICF). Zuri Awards 2019 Winner Community Impact. Founder & Consultant (AWC) Accredited Member Fremwise. Empretec, UNCTAD Program-Graduate & Certified Business Master Mentor. Board Member on several Boards of Institutions.</p> <p>Chairperson of Bungoma Municipal Board.</p> <p><mailmalomba@gmail.com></p>
<p>2. Board Member 3</p> <p>Hon. John Munyasia</p> 	<p>D.O.B – January, 1949.</p> <p>Holder of Master's degree in International Relations and Diplomacy from Masinde Muliro University; Post Graduate Diploma in Strategic Studies from the University of Nairobi. Bachelor of Education-Makerere University and Cambridge Higher School Certificate.</p> <p>Key work experiences held include:</p> <ul style="list-style-type: none"> ▪ Bungoma County Government C.E.C.M for Lands Urban & Physical Planning and Housing and Sanitation; ▪ Director at Nzoia Sugar Company; ▪ Political Officer with British High Commissioner; ▪ Member of Parliament for Sirisia Constituency; ▪ Branch Executive Secretary of KNUT; ▪ Member Institute of Directors and Chair - Kavirondo Readers Trust.

<p>3. Board Member 4 Hon. Edith Shitandi</p> 	<p>D.O.B–December, 1965. Diploma holder in Public Administration; Certificate in Social Work. Key work experiences held: ▪ Deputy Mayor- Bungoma Municipal Council; ▪ Nominated Member of County Assembly - Bungoma County; ▪ Secretary – Posh Marketing & Communication Services. <edithshitandin@gmail.com.></p>
<p>4. Board Member 5 Hon. Justus B. Mbinga</p> 	<p>D.O.B– July, 1970. Diploma holder in Public Administration and in Shipping Warehousing and Clearing & Forwarding. Certificate of Participation-Health Development Council and Government Trainings Institute. Other key training includes: UN Habitat training on slum upgrading in RIO DE; World leaders forum on capacity building for Mayors; Improvement on service delivery on Cities and Municipalities (Mexico); Seminar on Constitutional making and devolution; Green solutions and sustainable development. ▪ Councillor and Mayor of Municipal Council of Bungoma.</p>
<p>5. Board Member 6 Mr. Denson W. Barasa</p> 	<p>D.O.B –1978 Holder of Bachelor of Education Arts degree from the University of Nairobi. Chief Officer - Housing, Urban Areas and Municipalities, Trade, Energy and Industrialization, Public Service Management and Administration, Other key work experience: ▪ Director of studies and Deputy Principal - Kibabii High School; ▪ Board Member on several public institutions.</p>

<p>6. Board Member 7 Manager/Secretary Cs John Ndombi</p> 	<p>D.O.B – 12th July, 1974</p> <p>Holder of MBA (Human Resource Management) from Moi University</p> <p>Certified Secretary and Practicing Member of the Institute of Certified Secretaries of Kenya.</p> <p>Accredited Trainer in Leadership and Management with Kenya School of Government. Examiner (KASNEB). 25 years' experience in public service, in Audit, Accountancy, Administration and Human Resource Management.</p>
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4. Key Management Team

Name	Details of qualifications and experience
<p>1. Municipal Manager Cs John Ndombi</p> 	<p>D.O.B – 12th July, 1974</p> <p>Holder of MBA (Human Resource Management) from Moi University</p> <p>Certified Secretary and Practicing Member of the Institute of Certified Secretaries of Kenya.</p> <p>Accredited Trainer in Leadership and Management with Kenya School of Government. Examiner (KASNEB). 25 years' experience in public service, in Audit, Accountancy, Administration and Human Resource Management.</p>
<p>2. Administrator Mr. Caleb Kisyombe</p> 	<p>D.O.B – February, 1979.</p> <p>Holds a Bachelor of Commerce in Human Resource Development from Masinde Muliro University of Science and Technology.</p> <p>14 years of work experience in administration and 2 years in community work.</p> <ul style="list-style-type: none"> ▪ Senior management trainings; ▪ Office management & co-ordination; ▪ Policy formulation.
<p>3. Finance Officer Mr. Wekesi F. Michael</p>	<p>DOB – July, 1987.</p> <p>Holder of Bachelor of Science degree in Mathematics from Jomo Kenyatta University of Agriculture & Technology and ACCA finalist.</p> <p>Highly competent professional with over 13 years of experience gained in both public and private entities having worked as M&E officer, Data analyst, research analyst and consultant.</p> <ul style="list-style-type: none"> ▪ Proven Financial Management experience ▪ Focused understanding of Monitoring and Evaluation

	<p>frameworks / Statistical modelling and methods, Research initiatives and its applications /Business analytics / Strategic planning /Project management</p>
<p>4. Municipal physical planner Mr. Andrew B. Keya</p> 	<p>DOB – February, 1988. Holder of Bachelor of arts degree in urban and regional planning from Maseno University. 7years of working experience as a physical planner with the County Government of Bungoma.</p>
<p>5. Public health officer Mr Pascal Wakafura</p> 	<p>DOB – September, 1986. Holder of Diploma in Environmental Health Sciences from Kenya Medical Training College. 13years of working experience as a Public Health Officer II with the County Government of Bungoma.</p>

5. Municipality Board Chairperson's Report

It is my pleasure to present to you my remarks of the financial performance of the Bungoma Municipal Board. Bungoma County Government established this Board upon realization that there is need to spur economic growth of the people of Bungoma by improving on infrastructure and creating a clean and viable enabling environment for its citizens.

The Board members appointed by His Excellency the Governor manages the Municipality and during the year, they were no changes of board members. In the year ended 30 June 2024, the Board had projected revenues of Kshs.216,257,800 from county government of which KShs.192,125,073 was received. Bungoma Municipality had an absorption rate of 42%, total expenditure being Kshs. 81,090,432 against an approved budget of Kshs. 192,125,073.

Out of the total expenditure, Kshs.21,319,897 was general administration expenditure while KShs.59,770,535 was development expenditure.

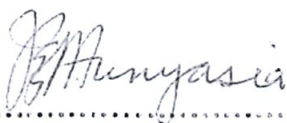
In the financial year 2023/2024, the Municipal Board of Bungoma has a total budget of Kshs. 192,125,073 of which, recurrent was Kshs. 23,025,073 and development is Kshs. 169,100,000. The budget funded various project, which included:

- Construction and rehabilitation of Market Stalls, Kitchen and Stores, Toilet Block and Associated External Works at Markets.
- Drilling and Upgrading of Borehole and Water Pipeline Distribution
- Installation and Repair of Grid Powered Streetlights in urban centres
- Routine Maintenance of Roads
- Erection and Completion of Works for Dispensary
- Drilling and Upgrading of Central Baptist Primary Borehole
- Drilling and Upgrading of Wamalwa Kijana Secondary Borehole
- Routine Maintenance of Total - Namuyemba - Wamalwa Kijana - Mewa Road
- Drilling and Upgrading of Bungoma DED Primary Borehole and Waterline
- Routine Maintenance of Siloba Pri. Junction - Former Assistant Chief Office - Ngoli River Road

Major milestone projects undertaken by the Municipal board included phase II Construction of Market Stalls, Kitchen and Stores, Toilet Block and Associated External Works at Kanduyi Market to provide conducive working environment for trading activities and provide orderly parking for psv vehicles, Rehabilitation of Drainage and Pavement Works at the Municipal Market in Bungoma to boost market conditions and purchase of land for expansion of Chepkube market.

Implementation challenges of strategic objectives for the County municipal board included the following: - non-processing of payments by county treasury, Inadequate and delayed funding, high poverty level and associated socio-economic vices, political interference in project prioritization and implementation, delay in the procurement processes among other challenges.

Bungoma municipality board remains steadfast and committed to its core mandate, to deliver efficient and effective services to municipality citizenry and improve urban infrastructure despite the inhibiting dynamics of an ever-changing climate and financial environment. The secretariat remains a critical entity at the core of implementing board resolutions in pursuit of its objectives.



.....

for Ms. Jacqueline P. Malomba

Chairperson of the Board

6. Report of the Municipality Manager

It is my pleasure to present the Bungoma Municipal board financial statements for the year ended 30th June 2024. The financial statements present the true financial performance of the County Government over the past year.

The promulgation of the Constitution of Kenya, 2010, under Chapter 11 ushered Kenya into a new system of governance, replacing the centralized system with a devolved system of governance. The devolved system of governance consists of the National Government and 47 County Governments. The Bungoma Municipality is established under the urban areas and cities act 2016.

Financing of the Municipal Board

In the financial year 2023/2024, the Municipal Board of Bungoma was majorly funded by Kenya government through Bungoma county government releases.

Financial Performance

a) Revenue

In the year ended 30th June 2024, the Board had projected revenues of Kshs.216,257,800 from the county government of which Kshs. 192,125,073 was received.

b) Payments

The total expenditure budget for the financial year was Kshs.192,125,073 and total actual expenditure amounted to Kshs 81,090,432 representing 42.2 % budget absorption. Out of the total expenditure, Kshs. 21,319,897 was general administration expenditure while Kshs. KShs.59,770,535 was development expenditure.

c) Bungoma Municipality Projects

The projects undertaken by the Municipal board bordered on delivering on all our core-mandate objectives. These were:

- Construction of Market Stalls, Kitchen and Stores, Toilet Block and Associated External Works at Kanduyi Market.
- Rehabilitation of Drainage and Pavement Works at the Municipal Market in Bungoma Town

- Drilling and Upgrading of Samoya Dispensary Borehole and Water Pipeline Distribution
- Installation and Repair of Grid Powered Streetlights in Township Ward
- Routine Maintenance of Oldrex - Sio Primary Junction - Mwanda Bridge Road
- Routine Maintenance of Soroti - Lubinda Pork Butchery Road
- Drilling and Upgrading of Mupeli D.E.B Primary Borehole
- Installation and Repair of Grid Powered Streetlights in Khalaba Ward
- Routine Maintenance of Nelson Mangoli - Sio River Road
- Erection and Completion of Works for Dispensary at Namuyemba Village Unit (Phase 1)
- Drilling and Ugrading of Central Baptist Primary Borehole
- Drilling and Upgrading of Wamalwa Kijana Secondary Borehole
- Routine Maintenance of Total - Namuyemba - Wamalwa Kijana - Mewa Road
- Drilling and Upgrading of Bungoma DED Primary Borehole and Waterline
- Routine Maintenance of Siloba Pri. Junction - Former Assistant Chief Office - Ngoli River Road
- Routine Maintenance of Siritanyi Ass. Chief Office - Kisawayi - Namisi ECDE Road
- Routine Maintenance of Elmas - Mukolwe - Namasanda River Road
- Construction and Rehabilitation of Pombo Mbili Water Project

d) Challenges

Implementation challenges of strategic objectives for the Municipal Board of Bungoma included the following: -

- i. Inadequate and uncondusive working space for municipality secretariat
- ii. Inadequate and delayed Government funding,
- iii. rise in social crimes occasioned by high poverty levels,
- iv. political interference in project prioritization and implementation, inadequate infrastructure and delay in procurement processes among other challenges.

v. Future Outlook

In the financial year 2024/2025, the Municipal Board of Bungoma has a total budget of Kshs. 155,015,897 of which, recurrent is Kshs. 55,949,973 and development is Kshs. 99,065,924. The budget intends to fund various project, which include:

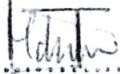
- Construction of modern market stalls and bus-park at Kanduyi in Bungoma Municipality
- Purchase of 4-acre piece of land for trailer parking in Bungoma Municipality
- Securing and protection of Bungoma Municipality public land and spaces

vi. Key Risk Management Strategies

The Management employs robust risk management strategies. While Risk Management has not matured in the Bungoma Municipal Board, the Management has developed the following structured approach in identifying and managing risks;

- a) Risk registers, based on a standardised methodology, are used to identify, assess and monitor the key risks (both financial and non-financial) faced by the municipal board.
- b) Risks are identified, assessed, evaluated, responded to depending on the risk ranking and monitored. Depending on the ranking of the risk, the management employs the following strategies as per the Approved Risk Management Policy Framework of the County;
 - i. Risks ranked as high – The event creating the risk is immediately stopped and a comprehensive action plan immediately prepared with appropriate risk responses that include transferring the risks, avoiding the risk or reducing the risk
 - ii. Risks ranked as significant – An action plan is developed and action taken within three months. The approved actions include transferring the risks, avoiding the risk or reducing the risk
 - iii. Risks ranked as moderate - An action plan is developed and action taken within six months. The approved actions include transferring the risks, avoiding the risk or reducing the risk. Where such risks are accepted, a contingency plan is immediately developed
 - iv. Risks ranked as low - An action plan is developed and action taken. The approved actions include reducing the risk or accepting the risks where it is deemed to be cost-effective. The risks ranked low are continuously monitored so as to assess the changed status

- c) We have continuously enhanced our internal systems to mitigate risks such as fraud, poor service delivery, failed targets among others and to improve efficiency and effectiveness.



.....
Cs John Ndombi
Municipal Manager

7. Statement of Performance Against Predetermined Objectives for the FY 2023/2024

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government Fund's performance against predetermined objectives.

Bungoma Municipality as established on 5th January, 2018 by Bungoma County Government after its charter being ratified by the County Assembly of Bungoma, derives its authority and accountability from the Urban Areas and Cities Act, 2011 and is an agency of the County Government of Bungoma, domiciled in Kenya. The Municipality is charged with the responsibility of prudently managing the municipal economy to facilitate socio-economic development, management and control of public financial resources.

The key development objectives of the Municipality are to provide quality physical urban infrastructure; enhance the urban economy, environment and human social services leading to the growth of opportunities created, improved wellness and safety, quality living environment and good governance as highlighted in the Municipality strategic plan of 2020 - 2024 financial years.

During the year under review, the Municipality budgeted for Kshs. 216,257,800 that was to be financed by the County Government. As at the closure of the year, Kshs 192,025,073 had been received leading to an underperformance. The activities of the Municipality were also financed by Kshs 80,665,133 that were payments made by the County Government.

The key development objectives of Bungoma Municipality for the FY 2023/2024 plan were to:

- a) Provide quality physical infrastructure.
- b) Urban planning.
- c) Urban governance and administration
- d) Promotion of accountability and transparency in sustainable resource management

Program	Objective	Outcome	Indicator	Performance	STATUS
Urban	To control	orderly	Number of	In FY under	Completed

County Government of Bungoma
 Bungoma Municipality
 Annual Report and Financial Statements for the year ended June 30, 2024

Program	Objective	Outcome	Indicator	Performance	STATUS
Governance	urban development	development in urban areas	developments plan approved No. of policies / regulations / by-laws reviewed and developed	review, Municipality by-laws were reviewed, land use and zoning plans were developed.	
Urban Infrastructure Development and Management	To improve accessibility to urban centres	an efficient transport network	No. of access roads maintained	Municipality executed routine maintenance of 7 access roads in the FY under review	Completed
Urban Environment, Health, Culture and Social Services	To ensure a resilient municipal environment and provision of quality human services	a resilient municipal environment and provision of quality human services	No. of green parks established, cultural centres built and heritage sites protected.	No progress encountered due to lack of allocation of funds	No progress

3. Corporate Governance Statement

1) Composition of the board

The Bungoma Municipal board consists of representatives that serve on part time basis and are constituted from two main categories;

- i) Three members appointed through a competitive process by the county public service board and approved by county assembly.
- ii) Five members of the board nominated by the following umbrella bodies.
 - a) An umbrella body representing professional association in the area.
 - b) An association body representing the private and informal sector in the area.
 - c) A cluster representing registered neighbourhood association in the area.
 - d) An association of the Municipality and appointed by the county executive committee with the approval of county assembly. A total of 10 members. Up-to-date the Bungoma Municipality board has had the following members.

NO	NAME	GENDER	NOMINATING INSTITUTION	REMARKS
1	Jackie Malomba	F	Chamber of commerce	Board chair
2	Hon Munyasia	M	Competitive Process	Member
3	Hon Justus Mbinga	M	Competitive Process	Member
4	Hon Edith Shitandi	F	Community Representative	Member
5	Hon Jeremiah Kuloba	M	Informal sector	Resigned
6	Walinywa Mukhamule	M	Competitive Process	Deceased
7	Arch Douglas Sasita	M	Professional Association	Resigned
8	Cs John Wekesa Ndombi	M	Municipal Manager	Board secretary
9	Ms Christine Simiyu	F	CECM Representative	Member
10	Denson Barasa	M	Chief officer	Member

To complete the composition of the board there is need to appoint 3 more members from;

- a) A cluster representing registered association of the informal sector in the area.
- b) A cluster representing professional association in the area.
- c) Competitive process

However, the 7 members out of the 10 meet the threshold of two third quorum.

BOARD DIVERSITY

Members who have experience in accountancy, corporate governance, legal constitution, works and engineering and business establish the board.

ROLE AND RESPONSIBILITY OF THE BOARD MEMBERS

The powers, objectives and functions of the Municipality are stipulated in the Municipal charter (here with attached).

BOARD COMPOSITION AND COMMITTEES

The following table represents the board composition and its committees. There are four committees of the board. The table below shows the chairs and members of each committee of the board.

RE F	MEMBER S	FULL BOARD	A FEPT COMMITTEE	LUPPH COMMITTEE	ESC&S COMMITTEE	AUDIT COMMITTEE
1	Jackie Malomba	✓ *	–	–	–	
2	Hon John Munyasia	✓	✓	✓ *	✓	
3	Hon Justus Mbinga	✓	✓ *	✓	✓	
4	Hon Edith Shitandi	✓	✓	✓	✓ *	
5	Christine Simiyu	✓	✓	✓	–	
6	Denson Barasa	✓	✓	–	–	
7	Cs John Wekesa Ndombi	✓	✓	✓	✓	

N/B (*) Represent the Chairpersons of the board/ Committees.
The Audit Committee is not yet composed.

iii) Board attendance.

Best practice requiring that every board member attend minimum of 75% of all board meetings. Below is an extract from the attendance register for the board meetings held in the period from 1st July 2023 to 30th June 2024.

NO.	MEMBERS	NUMBER OF MEETINGS ATTENDED
1	Jackie Malomba	5
2	Hon John Munyasia	5
3	Hon Edith Shitandi	5
4	Hon Justus Mbinga	5
5	Christine Simiyu	5
6	Denson Barasa	3
7	Cs John Wekesa Ndombi (Secretary)	5
8	Caleb Kisyombe- In attendance	5

Committee meetings attendance

1) Administration, Finance, Economic Planning and Trade Committee

This committee deals with promotion of good governance, prudent financial management, good planning and promotion of businesses within the Municipality.

MEMBERS	NUMBER OF MEETINGS DURING THE YEAR	NUMBER OF MEETINGS ATTENDED
Hon John Munyasia	4	4
Hon Edith Shitandi	4	4
Hon Justus Mbinga	4	4
Christine Simiyu	4	4
Cs John Wekesa Ndombi	4	4
Denson Barasa	4	3

2) Land use Planning, Infrastructure and Housing Committee

This committee deals with Municipal Physical, Urban Planning and development control, Infrastructure development and housing.

Members	Number of meetings during the year	Number of meetings attended
Hon John Munyasia	4	4
Hon Edith Shitandi	4	4
Hon Justus Mbinga	4	4
Christine Simiyu	4	4
Cs John Wekesa Ndombi	4	4

3) Environmental, Social Services, Culture and Sports Committee

This committee deals with environmental conservations, Social and Cultural activities within the Municipality.

Members	Number of meetings during the year	Number of meetings attended
Hon John Munyasia	4	4
Hon Edith Shitandi	4	4
Hon Justus Mbinga	4	4
Cs John Wekesa Ndombi	4	4

Internal audit committee not composed.

Term of Board Members

The term of the board is outlined under the urban areas and cities Act 2011. The members serve for a term of five years' renewable once. The board members were appointed on 15th August 2019 and their five-year period will expire on 15th August 2024, renewable once.

Compliance to law and other legal requirements.

Bungoma Municipal board is a responsible corporate citizen and is alive to the tenets of the constitution of Kenya and is fully compliant with the provisions of the urban areas and Cities Act 2011 under which the board is established. The board also ensures compliance to the other fiduciary Acts

Board Remuneration

As per the PFM act, 2012 section 195 (2), the remuneration payable allowances to the members of the Board are determined by the salaries and remuneration commission. Details of the Board and Committee allowances are included in these financial statements.

Conflicts of interests and declaration of interest.

The board members have established duty to avoid situations in which they have or may have interests that conflict with those of the board. Board members are obligated to disclose the board any real or potential conflicts of interest which may come to their attention whether direct or indirect.

Board Charter

The Board is still using the Bungoma Municipal charter. It's in the process of developing it's on board charter, provided in Mwongozo Code and best cooperate rate governance practises.

Board Evaluation

The performance of the board and its members is to be evaluated on a regular basis. We should do the evaluation at the end of the year June 2024.

9. Management Discussion and Analysis

The board of Bungoma Municipality was actualised as a result of the Urban areas and Cities Act 2011 which stipulates the criteria for classifying Municipalities and Cities and the constitution of the Municipal and cities board.

As a result, the governor of Bungoma granted the charter to the Municipality on 23rd November, 2018. Consequently, He constituted the Municipal board in accordance with the Urban areas and Cities Act of 2011 and the Municipal Charter.

The board became fully operational in January 2020 doing the first board meeting where the elections were held and confide officials were appointed. Operational and financial performance of the board during the period 2023/2024 include among others;

- The board has been able to hold key board and committee's meetings according to the regulations laid down. The board has held meetings and committee meetings.
- It has been able identify projects for the Municipality in conformity with the projects identified by the public through citizen fora held.
- It has already formulated the waste management policy pending the approval of the executive and the County assembly.
- It has been able to develop the five year Municipal integrated and development plan and the strategic plan, pending assembly approval.
- It has also developed the waste management plan, pending assembly approval.
- Transfer of the functions to the Municipality through the gazetted notice. So far 22 functions have been transferred to the Municipality, pending facilitation.

The key board projects or investments decisions implemented during the year 2023-2024 include among others;

i) For the year 2018/2019, the following projects were undertaken,

- ❖ Construction of Kanduyi Makutano road to bitumen standards cost Kshs 52,880,518.00
- ❖ Construction of sheriff centre –prisons –mama Fanta roads to bitumen standards cost Kshs 48,389,766.76

ii) For the year 2019/2020, the following projects were undertaken,

- ❖ Upgrading of sunrise Bungoma high -moi primary and other cbd roads amount allocated was Kshs 48,255,065.04
- ❖ Upgrading of wings Warbiya roads and other connecting roads at a cost of Kshs 52,870,749.12

iii) For the year 2020/2021;

- ❖ Upgrading of Pamus - Ndengelwa road phase 1 to bitumen standards cost K.sh 38,812,934.00.
- iv) For the year 2023/2024;
- ❖ Construction of Market Stalls and Bus park at Kanduyi at a cost Kshs 199,219,003.00
- ❖ Rehabilitation of Drainage and Pavement Works at the Bungoma town Municipal Market at a cost of Kshs. 9,399,514.00
- ❖ Drilling and Upgrading of Samoya Dispensary Borehole and Water Pipeline Distribution at a cost of Kshs. 7,000,000.00
- ❖ Installation and Repair of Grid Powered Streetlights in Township Ward at a cost Kshs. 4,000,000.00
- ❖ Routine Maintenance of Oldrex - Sio Primary Junction - Muanda Bridge Road at a cost of Kshs. 4,126,584.00
- ❖ Routine Maintenance of Soroti - Lubinda Pork Butchery Road at a cost of Kshs. 4,758,204.00
- ❖ Drilling and Upgrading of Mupeli D.E.B Primary Borehole at a cost of Kshs. 5,000,000.00
- ❖ Installation and Repair of Grid Powered Streetlights in Khalaba Ward at a cost of Kshs. 2,500,000.00
- ❖ Routine Maintenance of Nelson Mangoli - Sio River Road at a cost of Kshs. 3,581,094.00
- ❖ Erection and Completion of Works for Dispensary at Namuyemba Village Unit (Phase 1) at a cost of Kshs 3,500,000.00
- ❖ Drilling and Upgrading of Central Baptist Primary Borehole at a cost of Kshs 3,000,000.00
- ❖ Routine Maintenance of Total - Namuyemba - Wamalwa Kijana - Mewa Road at a cost Kshs 4,739,064.00
- ❖ Drilling and Upgrading of Bungoma DED Primary Borehole and Waterline at a cost of Kshs. 3,000,000.00
- ❖ Routine Maintenance of Siloba Pri. Junction - Former Assistant Chief Office - Ngoli River Road at a cost Kshs 3,121,734.00
- ❖ Routine Maintenance of Siritanyi Ass. Chief Office - Kisawayi - Namisi ECDE Road at a cost of Kshs 2,537,964.00
- ❖ Routine Maintenance of Elmas - Mukolwe - Namasanda River Road at a cost of Kshs 3,016,464.00
- ❖ Construction and Rehabilitation of Pombo Mbili Water Project at a cost Kshs 1,000,000.00
- ❖ Purchase of Land for Expansion of Chepkube market at a cost of Kshs 32,729,000.00

Major risks facing the fund material areas in statutory and other financial obligation compliance efforts include inadequate and late disbursement of finances, legal constrains and political interferences.

The view to move the organization to another level, the board is exploring to have other donors to fund the numerous infrastructural needs of the Municipality, to look for parties and to find ways of integrated smart developments. The board also seem to explore ways of creating an inter-governmental forum to have a wholesome multi stakeholder approach to Municipality's development.

- a) Responsible competition practice.
To ensure that officers must be conversant and be involved in every law or policy passed by the County Assembly. Compare and contrast with other established institutions with best practices for service delivery. All to be involved during formulation of policies and basic regulations on anti-corruption.
Be able to negotiate and navigate to make sure the political levels are fully involved accordingly.
- b) Responsible Supply chain and supplier relations
Ensure procurement procedure are well adhered in the accord with procurement and asset disposal Act 2015.
Payment of all supplies as per the required placement orders.
Maintain proper ethical business practices.
- c) Responsible marketing and advertisement
Follow requisite procedure during tendering and awards.
Making sure payment is done on time and within required period.

Product stewardship

To establish and identify your customers.

Maintain proper contacts and network frequently.

To develop a systematic Political, Education, Social, Talents and Economical interests.

5. Community Engagements

Article 1 of the Constitution provides that all the sovereign power belongs to the people.

Through Civic education and awareness, the community is well coordinate and included during program implementation.

Activities carried out like citizen fora meetings, public participation and stakeholder engagements impact positively on community engagements.

Set proper tools of engagement with community which include: -memoranda or letters participating in sector groups, petitions and municipal/County forums.

10. Environmental and Sustainability Reporting

The Municipality of Bungoma exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the following pillars: putting the residents/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

1. Sustainability strategy and profile

The top management especially the Accounting Officer should make reference to sustainable efforts, broad trends in political and macroeconomic factors affecting sustainability priorities, reference to international best practices and key achievements and failure.

2. Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

3. Employee welfare

-Institutional policy set in place for hiring employees Guidelines on developing intents, needs assessment, hire process, placement.

Stakeholder engagement and creation of awareness.

Creation of skills inventory and done periodically to keep a brace with account of work at stake.

Aspects of two thirds gender rule most applicable during hiring of employees.

Improvement of employee working performance in terms of seminars, refresher courses, workshops and other relevant training bodies in career development, reward systems and appraisals, keeping compliance with Occupational Safety and Health Act of 2007.

4. Market place practices

The organisation should outline its efforts to:

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the Municipality affairs.

Principal activities

The principal activities of the Municipality include promotion of urban governance and efficient service delivery, enhancement of urban infrastructural development, promotion of public participation and inclusivity in urban socio-economic development, promotion of accountability and transparency in sustainable resource management

Performance

The performance of the Municipality for the year ended June 30, 2024 are set out on page xx

Board Members

The members of the Board who served during the year are shown on page viii-x .

Auditors

The Auditor General is responsible for the statutory audit of the Municipality in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....
Cs John Ndombi

Secretary of the Board

11. Report of the Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30th, 2024 which show the state of the Municipality affairs.

Principal activities

The principal activity of the Municipality is to facilitate a sustainable urbanization process through an integrated urban and regional planning management framework of Kenyan urban centres and towns.

Performance

The performance of the Municipality for the year ended June 30th, 2024 are set out on page I-V.

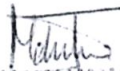
Board Members

The members of the Board who served during the year are shown on page VIII-X,

Auditors

The Auditor General is responsible for the statutory audit of the Municipality in accordance with Article 229 of the Constitution of Kenya 2010 and the Public Audit Act 2015.

By Order of the Board



.....
Name: CS John Ndombi

Secretary of the Board

12. Statement of Management's Responsibilities

Section 180 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of the Municipality established by Urban Areas and Cities Act No. 13 of 2011 shall prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Municipality manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

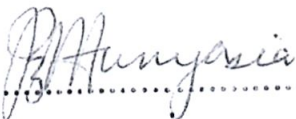
The Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban Areas and Cities Act No. 13 of 2011*. The Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of Municipality's transactions during the financial year ended June 30, 2024, and the financial position as at that date.


The Municipality Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*). Nothing has come to the attention of the Municipality Manager to indicate that the Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

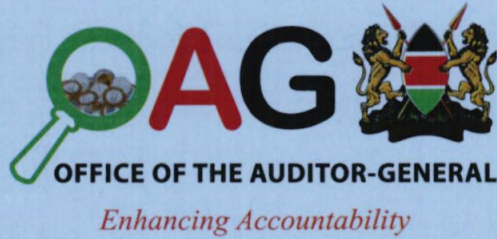
The Municipal's financial statements were approved by the Board on 27/9/2024 and signed on its behalf by:


.....
for Ms. Jacqueline P. Malomba
Chairperson of the Board


.....
Cs John Ndombi
Municipal Manager

REPUBLIC OF KENYA

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site:www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON BUNGOMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Bungoma Municipality set out on pages 1 to 30, which comprise the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets,

statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Bungoma Municipality as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act 2011 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracy of the Statement of Cash Flows

The statement of cash flows indicates receipts in respect of transfers from the County Government amounting to Kshs.80,665,133 which comprises a cash transfer of Kshs.1,194,559 made on 10 March, 2023 in the previous financial year, and direct payments made by the County Government on behalf of the Municipality amounting to Kshs.79,470,574, which did not involve cash movements. Further, the statement indicates payments in respect of use of goods and services of Kshs.11,061,252, staff costs of Kshs.11,595,013, Board expenses of Kshs.2,516,200, and purchase of property, plant and equipment of Kshs.160,788,128 which are direct payments made by the County Executive of behalf of the Municipality, and therefore did not involve cash movements.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

2. Misstatement of Transfers from County Government

The statement of financial performance and Note 6 to the financial statements reflect transfers from the County Government amounting to Kshs.80,665,133, which includes development transfer of Kshs.1,194,560 made on 10 March, 2023 which relates to the previous financial year and therefore should not have been recognized in the year under review as required by accrual basis of accounting.

In the circumstances, the accuracy and completeness of transfers from County Government amounting to Kshs.80,665,133 could not be confirmed.

3. Unsupported Use of Goods and Services Expenditure

The statement of financial performance reflects use of goods and services amounting to Kshs.11,061,252 and as disclosed in Note 7 to the financial statements, which includes domestic travel and subsistence expenses amounting to Kshs.2,629,190. However, payment vouchers totaling to Kshs.1,969,800 were not provided for audit. Further, the use of goods and services expenditure includes hospitality, supplies and services

expenses amounting to Kshs.5,216,612. However, payment vouchers for hospitality, supplies and services totaling to Kshs.2,891,562 were not provided for audit verification.

In the circumstances, the accuracy and completeness of use of goods and services amounting to Kshs.4,861,362 could not be confirmed.

4. Unsupported Staff Costs

The statement of financial performance reflects staff costs amounting to Kshs.11,595,013 and as disclosed in Note 8 to the financial statements. However, the monthly payrolls, payment vouchers, and other supporting documents were not provided for audit verification.

In the circumstances, the accuracy and completeness of staff costs amounting to Kshs.11,595,013 could not be confirmed.

5. Unconfirmed Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.190,339,408 and as disclosed in Note 12 to the financial statements. The balance includes an amount of Kshs.160,788,128 for additions to work-in-progress in respect to buildings and civil works, which in turn includes an expenditure of Kshs.32,729,000 for purchase of land for the expansion of Chepkube market. However, the sale agreement and ownership documents for the land were not provided for audit verification. Further, the balance of the value of land was not disclosed separately as required by accounting standards. In addition, during the year under review, the Municipality did not maintain a fixed asset register.

In the circumstances, the accuracy, ownership and completeness of the property, plant and equipment balance of Kshs.190,339,408 could not be confirmed.

6. Inaccuracy of the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts indicates actual capital expenditure of Kshs.31,086,159, while the corresponding Note 12 to the financial statements in respect to property, plant and equipment includes addition to work-in-progress amounting to Kshs.160,788,128. This results to an unexplained variance of Kshs.129,701,969.

Further, Note 4(b) to the financial statements in respect of budget information indicates that the Municipality made downward adjustment of appropriation of Kshs.27,512,000 which differs in comparison to the statement of comparison of budget and actual amounts which indicates an amount of Kshs.24,132,727, resulting to an unexplained and unreconciled variance of Kshs.3,379,273.

In the circumstances, the accuracy and completeness of the respective statement of comparison of budget and actual amounts' balances could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bungoma Municipality Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget and actual on comparable basis amounts of Kshs.192,125,073 and Kshs.80,665,133 respectively, resulting to under-funding of Kshs.111,459,940 or 58% of the budget. Similarly, the statement indicates that the Municipality incurred recurrent expenditure of Kshs.25,172,464 against final budget of Kshs.32,125,073, resulting to under-expenditure of Kshs.6,952,609 or 22% of the budget.

The under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the previous year audit, several issues were raised under Report on the financial statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risks Management and Governance. Management has indicated under the progress on follow up on Auditor's recommendations section of the financial statements, that the issues were resolved but the report did not include all the issues raised. Further, no documentary evidence was provided indicating how the issues were resolved and no explanations were provided for failure to include all the issues raised.

Other Information

Management is responsible for the other information set out on page iii to xiv which comprise of Key Entity Information and Management, Municipality Board, Key Management Team, Municipality Board Chairperson's Report, Report of the Municipality Manager, Statement of Performance Against Predetermined Objectives, Environmental

and Sustainability Reporting, Corporate Governance Statement, Management Discussion and Analysis, Report of the Municipality Board Members and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

The statement of performance against predetermined objectives indicates that the Municipality had a budget of Kshs.216,257,800, actual revenue of Kshs.192,025,073, and received direct payments of Kshs.80,665,133. However, the financial statements indicate a budget of Kshs.192,125,073, actual revenue of Kshs.80,665,133, and direct payments amounting to Kshs.79,470,574. This results in unexplained variances of Kshs.24,132,727, Kshs.111,359,940 and Kshs.1,194,559 respectively. In the circumstances, the accuracy of the performance information could not be confirmed.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Act on Internal Audit Reports

During the financial year under review, Bungoma County Executive's internal unit conducted two separate audits of the Municipality in the months of July, 2024 and August, 2024 and reports were submitted to the Municipality manager for implementation. However, there was no documentary evidence that the Accounting Officer presented responses to the audit reports and action plan, to the audit committee for discussion and for tracking its implementation in accordance with Regulation 165(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer of the concerned entity shall be responsible for the implementation of the recommendations made in the audit reports and shall develop response and action plan which they shall submit to the chairperson of the audit committee within fourteen days.

In the circumstances, Management was in breach of the law.

2. Operating without an Approved Budget

During the year under review, the Municipality did not have an approved budget contrary to Section 20 (1) (L) of the Urban Areas and Cities Act, 2011 which states that subject to the provisions of this Act, a Board of a Municipality shall prepare and submit its annual budget estimates to the relevant County Treasury for consideration and submission to the County Assembly for approval as part of the annual County Appropriation Bill.

In the circumstances, Management was in breach of the law.

3. Lack of Operational Autonomy of the Municipality

During the year under review, it was observed that only office operations activities were carried out by the Municipality Board while other core functions were carried out by the County Executive through the Departments of Lands, Housing, Urban Areas Development and Physical Planning, and Road and Public Works. This was contrary to Section 21(1)(a) of the Urban Areas and Cities Act, 2011 which gives Municipalities executive authority as delegated by County Executive.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI) 4000. The Standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Failure to Fill Vacant Positions of Municipality Board

During the year under review, Bungoma Municipality operated with only six (6) members of the Board out of the required nine (9) members as indicated in Paragraph 1.1.14 of the Bungoma Municipal Charter. As at the time of audit in November, 2024, the positions had not been filled which causes the Board to lack quorum for its governance functions.

In the circumstances, effectiveness of governance of the Municipality could not be confirmed.

2. Lack of Risk Management Policy

During the year under review, the Municipality did not have a risk management policy in place and therefore lacked approved processes and guidelines on how to mitigate operational, legal and financial risks.

In the circumstances, the risks associated with the operations of the Municipality could not be mitigated.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and the Municipal Board

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Municipality's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Municipality or to cease its operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Municipal Board is responsible for overseeing the Municipality's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance

and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I also consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 December, 2024


14. **Statement of Financial Performance for The Year Ended 30 June 2024.**

COUNTY EXECUTIVE OF BUNGOMA
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2023/2024 Kshs.	2022/2023 Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	80,665,133	26,984,888
Other income	11	80,665,133	26,984,888
Total revenue			
Expenditure			
Use of goods and services	7	11,061,252	14,531,399
Staff costs	8	11,595,013	8,263,512
Board expenses	9	2,516,200	2,737,000
Depreciation & Amortization	10	757,725	777,154
Total expenses		25,930,189	26,309,065
Surplus/(deficit) for the period		54,734,944	675,823

The notes set out on pages 6 to 25 form an integral part of these Financial Statements. The entity financial statements were approved on 27/9/2024 and signed by:



.....
Cs John Ndombi
Municipality Manager

Date:



.....
Susan Misiko
Head of Finance
ICPAK M/No.


Date:

County Government of Bungoma
 Bungoma Municipality
 Annual Report and Financial Statements for the year ended June 30, 2024

15. Statement of Financial Position as at 30 June 2024

	Note	2023/2024 Kshs.	2022/2023 Kshs.
Assets			
Current assets			
Cash and cash equivalents	11	160,535	15,498,332
Non-current assets			
Property, plant, and equipment	12	190,339,408	30,309,005
Total Non-current Assets		190,339,408	30,309,005
Total assets A		190,499,943	45,807,337
Liabilities			
Current liabilities			
Trade and other payables	13	92,868,271	2,910,609
Total liabilities B		92,868,271	2,910,609
Net assets(A-B)		97,631,672	42,896,728
Represented By:			
Capital/Development Grants/Fund			
Reserves Revaluation		97,631,672	42,896,728
Accumulated surplus		97,631,672	42,896,728
Total net assets and liabilities		97,631,672	42,896,728

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/2024 and signed by:

.....


Cs John Ndombi
Municipality Manager

Date:

.....


Susan Misiko
Head of Finance
ICPAK M/No.

Date:

16. Statement of Changes in Net Assets for the Year Ended 30 June 2024

COUNTY EXECUTIVE OF BUNGOMA
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

1. Statement of Changes In Net Assets As At 30 June 2024

	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.		
Balance as at 1 July 2022		-	42,220,905	42,220,905
Surplus/(deficit) for the Year			675,823	675,823
Funds received during the year				-
Revaluation Reserve				-
Balance as at 30 June 2023	-	-	42,896,728	42,896,728
Balance as at 1 July 2023	-	-	42,896,728	42,896,728
Surplus/(deficit) for the Year			54,734,944	54,734,944
Funds received during the year				-
Revaluation Reserve				-
Balance as at 30 June 2024	-	-	97,631,672	97,631,672

17. Statement of Cash Flows for The Year Ended 30 June 2024

	Note	2023/2024	2022/2023
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	80,665,133	26,984,888
Total Receipts		80,665,133	26,984,888
Payments			
Use of goods and services	7	11,061,252	14,531,399
Staff costs	8	11,595,013	8,263,512
Board expenses	9	2,516,200	2,737,000
Finance costs			
Total Payments		25,172,464	25,531,911
Adjusted for:			
Increase/(decrease) in deposits and retention/ Trade Payables	14	89,957,662	2,910,609
Net cash flows from operating activities		145,450,331	4,363,586
Cash flows from investing activities			
Purchase of PPE & intangible assets	12	(160,788,128)	(31,086,159)
Net cash flows used in investing activities		(160,788,128)	(31,086,159)
Net increase/(decrease) in cash & cash equivalents		(15,337,797)	(26,722,573)
Cash And Cash Equivalents At 1 July 2023	11	15,498,332	42,220,905
Cash And Cash Equivalents At 30 June 2024	11	160,535	15,498,332

18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2024

COUNTY EXECUTIVE OF BUNGOMA
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

1. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2024

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue						
Transfers from the County Government	216,257,800	24,132,727	192,125,073	80,665,133	111,459,940	42%
Total Revenue	216,257,800	24,132,727	192,125,073	80,665,133	111,459,940	42%
Expenses						
Use of goods and services	10,123,967	4,637,508	14,761,475	11,061,252	3,700,223	75%
Board expenses	4,213,000	(1,053,250)	3,159,750	2,516,200	643,550	80%
Staff Costs	14,408,833	(204,985)	14,203,848	11,595,013	2,608,836	82%
Total Expenditure	28,745,800	3,379,273	32,125,073	25,172,464	6,952,609	78%
Surplus for the period	187,512,000	20,753,454	160,000,000	55,492,669	104,507,331	35%
Capital Expenditure	187,512,000	(27,512,000)	160,000,000	31,086,159	128,913,841	19%

Reason for below 90% funds absorption

- i) inadequate and unconducive working space for municipality secretariat
- ii) inadequate and delayed Government funding,
- iii) political interference in project prioritization and delayed/shoddy implementation of projects

19. Notes to the Financial Statements

1. General Information

Bungoma Municipality is established by and derives its authority and accountability from Urban areas and cities Act. The Municipality is under the Bungoma County Government and is domiciled in Kenya.

The entity's principal activity is urban planning and infrastructure development.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Application of New and revised standards (IPSAS)

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2024.*

There are no new standards effective in the financial year ended 30th June 2024.

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

Standard	Effective from
IPSAS 43: Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across

	<p>IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48: Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services, and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Entity* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period.

b) Budget information

The original budget for FY 2023/24 was approved by the County Assembly on 22/6/2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality recorded downward adjustment of appropriations of (27,512,000) on 17/5/2024 following the governing body's approval.

The City/Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial

statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts,

prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the City/Municipality recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in

surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

e) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value

through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through a surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out.

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

f) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

Raw materials: purchase cost using the weighted average cost method

Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Municipality.

g) Provisions

Provisions are recognized when the City/Municipality has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the City/Municipality expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

h) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and/or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the needs of society as a whole. The entity recognises a social benefit as an expense for the social benefits scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

i) Contingent liabilities

The City/Municipality does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

j) Contingent assets

The City/Municipality does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the City/Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured

reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

k) Nature and purpose of reserves

The City/Municipality creates and maintains reserves in terms of specific requirements.
City/Municipality to state the reserves maintained and appropriate policies adopted

l) Changes in accounting policies and estimates

The City/Municipality recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee benefits – Retirement benefit plans

The City/Municipality provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the City/Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the City/Municipality does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to scheme obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefits are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported in the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting

of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

The City/Municipality regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the City/Municipality, or vice versa. Members of key management are regarded as related parties and comprise the Board members, the City/Municipality Managers and City/Municipality Accountant.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

r) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

s) Events after the reporting period

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:

(a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

(b) Those that are indicative of conditions that arose after the reporting date (*non-adjusting events after the reporting date*).

The City/Municipality should indicate whether there are material adjusting and non-adjusting events after the reporting period.

t) Currency

The financial statements are presented in Kenya Shillings (Kshs.) and the values rounded off to the nearest shilling.

5. Significant judgments and sources of estimation uncertainty

The preparation of the City/Municipality's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The City/Municipality based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the City/Municipality. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- i) The condition of the asset based on the assessment of experts employed by the City/Municipality.
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii) The nature of the processes in which the asset is deployed.
- iv) Availability of funds to replace the asset.
- v) Changes in the market in relation to the asset.

County Government of Bungoma
 Bungoma Municipality
 Annual Report and Financial Statements for the year ended June 30, 2024

Notes to the Financial Statements

6. Transfers from the County Government

Description	2023/2024 Kshs.	2022/2023 Kshs.
Transfers from County Govt. - Development	1,194,560	2,998,186.90
Payments by County on behalf of the entity	79,470,574	23,986,700.80
Total	80,665,133	26,984,887.70

7. Use of Goods and Services

Description	2023/2024 Kshs.	2022/2023 Kshs.
Communication, supplies and services	175,088.30	120,000
Domestic travel and subsistence	2,629,190.00	5,029,510
Printing, advertising, supplies & services	394,400	
Training expenses		1,896,820
Hospitality supplies and services	5,216,612.05	5,917,970
Office and general supplies and services	824,900.00	844,689
Other operating expenses (Specify)	181,800.00	720,550
Bank Charges	3061.33	1,860
Total	11,061,251.68	14,531,398.80

8. Staff costs

Description	2023/2024 Kshs.	2022/2023 Kshs.
Salaries and wages	11,595,012.50	8,263,512.00
Total	11,595,012.50	8,263,512.00

9. Board expenses

Description	2023/2024 Kshs.	2022/2023 Kshs.
Sitting allowances	273,000.00	
Travel and accommodation	2,243,200.00	2,737,000.00
Total	2,516,200.00	2,737,000.00

10. Depreciation and amortization.

Description	2023/2024 Kshs.	2022/2023 Kshs.
Property, plant and equipment	757,725	777,153.98
Total depreciation and amortization	757,725.13	777,153.98

County Government of Bungoma
 Bungoma Municipality
 Annual Report and Financial Statements for the year ended June 30, 2024

11. Cash and cash equivalents.

Description	2023/2024	2022/2023	2021/22
	Kshs.	Kshs.	Kshs.
Current account	160,535	15,498,332	42,220,905
Total cash and cash equivalents	160,535	15,498,332	42,220,905

The amount agrees with the closing and opening balances as included in the statement of cash flows.

Detailed analysis of the cash and cash equivalents are as follows:

Financial institution	Account number	2023/2024	2022/2023	2021/22
		Kshs.	Kshs.	Kshs.
a) Current account				
Family Bank-UIG	,077000039017	4,581	321,462	61,184
Family Bank-UDG	,077000039018	104,728	12,264,460	42,157,920
Family Bank-Retention Account	,0770000042514	51,227	2,912,410	1,801
Grand total		160,535	15,498,332	42,220,905

**County Government of Bungoma
Bungoma Municipality
Annual Report and Financial Statements for the year ended June 30, 2024**

17. Property, Plant and Equipment

Description	Civil works & Roads		Building		Motor vehicles		Furniture and fittings		Computers		Work in progress Buildings, civil works		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 30 th June 2022														
Additions	31,086,159													31,086,159
As at 30 th June 2023	31,086,159													31,086,159
As at 30 th June 2023	777,154													777,154
NBV as at 30 th June 2023	30,309,005													30,309,005
As at 1 st July 2023	30,309,005											160,788,128		160,788,128
Additions												160,788,128		160,788,128
As at 30 th June 2023	30,309,005													30,309,005
Depreciation and impairment														
As at 30 th June 2023	777,154													777,154
Depreciation														
As at 30 th June 2023 (Accumulated Depreciation)	757,235													757,235
NBV as at 30 th June 2024	1,534,879											160,788,128		160,788,128
NBV as at 30 th June 2024	29,591,280													190,339,408

County Government of Bungoma
 Bungoma Municipality
 Annual Report and Financial Statements for the year ended June 30, 2024

13. Trade and other payables from exchange transactions.

Description	2023/2024		2022/2023	
	Kshs.		Kshs.	
Retentions	51,227		2,910,609	
Accrued expenses (Trade Payables)	92,817,044			
Other payables (Specify)				
Total trade and other payables	92,868,271		2,910,609	
Ageing analysis:	Current FY	% of the Total	Current FY	% of the Total
Under one year	92,868,271	100%	2,910,609	100%
Total	92,868,271	100%	2,910,609	100%

14. Cash generated from operations

	2023/2024	2022/2023
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	54,734,944.01	675,822.93
Adjusted for:		
Depreciation	757,725.13	777,153.98
Increase in payables	89,957,661.61	2,910,609.00
Net cash flow from operating activities	145,450,330.75	4,363,585.90

15. Related party business

a) Nature of related party relationships

Entities and other parties related to the City/Municipality include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The City/Municipality/scheme is related to the following entities:

- a) The County Government.
- b) The Parent County Government Ministry.
- c) County Assembly.
- d) Key management.
- e) Municipality Board.

16. Financial risk management

The Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The City/Municipality's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Municipality does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Municipality's financial risk management objectives and policies are detailed below:

I. Credit risk

The Municipality has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Municipality's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Municipality has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Municipality has significant concentration of credit risk on amounts due from FY 2023/2024

The Municipality Board sets policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

II. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Municipality Manager, who has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term liquidity management requirements. The Municipality manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Municipality under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

III. Market risk:

The Board has put in place an internal audit function to assist it in assessing the risk faced by the Municipality on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Municipality's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Municipality's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change in the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

IV. Foreign currency risk

The Municipality has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

**County Government of Bungoma
Bungoma Municipality
Annual Report and Financial Statements for the year ended June 30, 2024**

20. Appendices

Appendix i. Progress on Follow up of Auditors Recommendations.

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Issue	Management Comments	Resolution	Year
OAG/WRC/BUNGOMA M./2022/2023/(26) Inaccuracy of transfers from county government	1. Unconfirmed opening balances	Resolved	FY 2023/2024
	2. Unsupported trade and other payables	Resolved	FY 2023/2024
	Opening balances of Kshs 42,220,905 was generated from the bank statements		
	The said amount of Kshs 2,910,609 is retention money held in retention account for upgrading of Pamus-Ndengelwa road to Bitumen standards.		
	Cert no. 1 Kshs 788,510		

County Government of Bungoma
Bungoma Municipality
Annual Report and Financial Statements for the year ended June 30, 2024

Area	Issue / Finding	Value / Amount	Status	Resolution Period
		and cert n0. 2 Kshs 2,122.099		
Emphasis of matter budgetary control and performance	3. Lack of an approved budget	Municipality is a semi- autonomous entity with its own budget which must be approved by County Assembly before Appropriation of funds. The has an approved budget for the period under review.	Resolved	FY 2023/2024
	4. Lack of operational autonomy	Municipality not in control of its mandated functions as required by law.	Unresolved	FY 2024/2025
Internal control and risk management	5. Lack of internal audit	Audit reports are available for the said period	Resolved	FY 2023/2024

County Government of Bungoma
 Bungoma Municipality

Annual Report and Financial Statements for the year ended June 30, 2024

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Transfers from County Govt. - Development	1,194,560	2,998,186.90
Payments by County on behalf of the entity	79,479,574	23,986,700.80
Total	80,665,133	26,984,887.70

*County Government of Bungoma
Bungoma Municipality
Annual Report and Financial Statements for the year ended June 30, 2024*

Appendix 2. Trade Payables.

**County Government of Bungoma
Bungoma Municipality
Annual Report and Financial Statements for the year ended June 30, 2024**

Supplier Of Goods Or Services	Date Invoiced/Co	Particulars	Original Amount	Addition During the year	Amount paid During the year	Outstanding balance 4=a+b-c
Construction Of Buildings						
1 Barbola Company Limited	1354110-2-2023	Rehabilitation of Drainage at		9,399,914		9,399,914
2 M/S Wanyonyi Johnnex Waswa	BGM/CCTV/B	Purch	00	32,720,000		32,720,000
Sub-Total			38,000,000	42,119,914		42,119,914
Construction Of Civil Works						
3 Banak Constructions Transport and General S	1372205-2023/Drillir	grading of S	50,000	6,228,616		6,228,616
4 Energia Engineering Limited	1372212-2023/Instal	d Repair of Cr	30,000	3,528,000		3,528,000
6 M/BIG Limited	1372364-2023/4 Routi	ance of Sorc	30,204	4,517,504		4,517,504
7 Pasisi Enterprises Limited	1372200-2023/4 Drilli	pending of M	30,000	1,868,610		1,868,610
8 Energia Engineering Limited	1372209-2023/Instal	d Repair of Gr	30,000	2,492,550		2,492,550
9 Safaripiles Limited	1372237-2023/4 Routi	ance of Nel	30,294	3,330,900		3,330,900
10 Qualtech Diverse Investment Limited	1372206-2023/4 Elect	ompletion of	30,000	3,959,380		3,959,380
11 Pristine Construction Company Limited	1372196-2023/4 Drilli	ading of Cer	300,000	3,949,130		3,949,130
14 Besimu Enterprises Limited	1372194-2023/4 Drilli	ading of Bu	90,000	5,026,020		5,026,020
15 Safaripiles Limited	1372317-2023/4 Routi	ance of Silo	30,754	2,617,940		2,617,940
16 Wasser EA Systems	1372360-2023/4 Routi	ance of Silo	30,954	3,322,630		3,322,630
17 Averages Business Solutions Limited	1463085-2023/4 Routi	ance of Elm	30,464	3,996,512		3,996,512
18 Zepkith suppliers limited	1463048-2023/4 Const	and Rehabilita	300,000	989,546		989,546
Sub-Total			0	485,440	0	48,888,440
Supply Of Goods						
20 M/S sawan Hotel	LSO No. 17698	Facilitation of		15,000		15,000
21 M/S county green	LSO No. 17698	force		50,000		50,000
22 M/S county green		ference		14,000		14,000
23 M/S county green	LSO No. 17698	ference		3,750		3,750
24 M/S county green	LSO No. 17698	ference		10,250		10,250
25 M/S sinitamu resort	LSO No. 17698	ference		30,000		30,000
26 M/S sawan Hotel	LSO No. 17698	Half day		32,400		32,400
31 M/S Hotel itoya	LSO No. 17698	Half day confere		474,000		474,000
32 M/S Jadelica investment limited	LSO No. 17698	Provision of full day confere		49,500		49,500
33 M/S Hotel itoya	LSO No. 17698	Provision of full day confere		233,200		233,200
				1,601,800	0	1,601,800
29 M/S Standard media	LSO No. 17698	Request for advertisement		216,920		216,920
30 M/S Standard media	LSO No. 17698	Request for advertisement		177,480		177,480
				394,400	0	394,400
27 M/S African touch		Airticket		178,990		178,990
				178,990	0	178,990
35 M/S Afrique comforts limited	LPO No. 35123	Supply and delivery of gener		224,900		224,900
Sub-Total				224,900	0	224,900
Grand Total				92,817,044	0	92,817,044

County Government of Bungoma
 Bungoma Municipality

Annual Report and Financial Statements for the year ended June 30, 2024

7a. Retention Ledger

No.	Name	Description	Payable	Paid	Balance
	Opening Balance				2,912,410
	EARTH-CARE SERVICES	Upgrading of pampus- muyayai Roads	961,050		3,873,460
	31-Oct 22 EARTH-CARE SERVICES	Upgrading of pampus- muyayai Roads		3,822,233	51,227
		Closing Balance			51,227

**County Government of Bungoma
Bungoma Municipality
Annual Report and Financial Statements for the year ended June 30, 2024**

2b. Trade payables (Accrued Expenses & Assets)

Supplier Of Goods Or Services	Particulars	Date Invoiced/Co	Original Amount	Addition During the	Amount paid During the	Outstanding Balance
				b		d=a+b-c
Construction Of Buildings						
1	Barbora Company Limited	135410-2-2023	9,500.00	9,299,514	-	9,309,514
2	M/S Wanyonyi Johnnex Waswa	BGM/CNTY/B	38,000,000	32,720,000	-	32,720,000
	Sub-Total		38,000,000	42,128,514		42,128,514
Construction Of Civil Works						
3	Banak Constructions Transport and General S	1372205-2023/1	Ksh. 7,000,000	6,838,616	-	6,838,616
4	Energia Engineering Limited	1372242-2023/2	Ksh. 4,000,000	3,988,080	-	3,988,080
6	M/BIG Limited	1372364-2023/1	Ksh. 4,758,204	4,517,594	-	4,517,594
7	Pasi Enterprises Limited	1372200-2023/1	Ksh. 5,000,000	4,868,612	-	4,868,612
8	Energia Engineering Limited	1372309-2023/1	Ksh. 2,500,000	2,492,550	-	2,492,550
9	Safaripiles Limited	1372357-2023/2	Ksh. 3,581,094	3,220,000	-	3,220,000
10	Qualtech Diverse Investment Limited	1372206-2023/1	Ksh. 3,500,000	3,959,380	-	3,959,380
11	Pristine Construction Company Limited	1372196-2023/1	Ksh. 3,000,000	3,949,130	-	3,949,130
14	Besimu Enterprises Limited	1372194-2023/2	Ksh. 3,000,000	5,926,022	-	5,926,022
15	Safaripiles Limited	1372347-2023/1	Ksh. 3,121,734	2,617,946	-	2,617,946
16	Wasser E.A Systems	1372360-2023/1	Ksh. 2,432,630	2,432,630	-	2,432,630
17	Averencia Business Solutions Limited	1465085-2023/1	Ksh. 2,916,464	2,956,512	-	2,956,512
18	Zepkih suppliers limited	1462948-2023/1	Ksh. 1,000,000	989,545	-	989,545
	Sub-Total		48,888,440	48,888,440	0	48,888,440
Supply Of Goods						
20	M/S sawan Hotel	LSO No. 176698	-	45,000	-	45,000
21	M/S county green	LSO No. 176698	-	50,000	-	50,000
22	M/S county green	-	-	14,000	-	14,000
23	M/S county green	LSO No. 176698	-	3,750	-	3,750
24	M/S county green	LSO No. 176698	-	19,950	-	19,950
25	M/S siritamu resort	LSO No. 176698	-	80,000	-	80,000
26	M/S sawan Hotel	LSO No. 176698	-	32,400	-	32,400
31	M/S Hotel Itoya	LSO No. 176698	-	474,000	-	474,000
32	M/S Jadelica investment limited	LSO No. 176698	-	49,500	-	49,500
33	M/S Hotel Itoya	LSO No. 176698	-	233,200	-	233,200
	Sub-Total		0	1,001,800	0	1,001,800
29	M/S Standard media	LSO No. 176698	-	216,920	-	216,920
30	M/S Standard media	LSO No. 176698	-	177,480	-	177,480
	Sub-Total		0	394,400	0	394,400
27	M/S African touch	-	-	178,990	-	178,990
	Sub-Total		0	178,990	0	178,990
35	M/S Afrique conforts limited	LPO No. 35123	-	224,900	-	224,900
	Sub-Total		0	224,900	0	224,900
	Grand Total		0	92,817,044	0	92,817,044

County Government of Bungoma
Bungoma Municipality
Annual Report and Financial Statements for the year ended June 30, 2024

Appendix 3: Bank Reconciliation.

Bungoma Municipality- UDG

ACCOUNT NAME: UDG

FACILITY A/C NO:

077000039018

Bank Reconciliation statement as at 30/06/2024

Balance as per Bank Certificate

LESS 1. Payment in cash book not yet recorded in

Bank Statement(Unpresented Cheques)(Note 1)

4. Receipts in Cash Book not yet recorded in

Bank Statement

Bank Balance as per Cash Book as at 30/06/2024

KSHS	KSHS
	104,727.70
	-
	-
	104,727.70

I certify that I have verified the Bank Balance in the cash Book with the Bank statement and that the above Reconciliation is correct.

Prepared By

Signature.....*[Signature]*.....

Designation...*Accountant*.....Accountant Date

Approved BY:

Signature.....

Designation.....Accountant Date

County Government of Bungoma
Bungoma Municipality
Annual Report and Financial Statements for the year ended June 30, 2024

Bungoma Municipality- UIG

ACCOUNT NAME: UIG

FACILITY A/C NO:

077039039017

Bank Reconciliation statement as at 30/06/2024

Balance as per Bank Certificate
 LESS 1. Payment in cash book not yet recorded in
 4. Receipts in Cash Book not yet recorded in
 Bank Statement
 Bank Balance as per Cash Book as at 30/06/2024

KSHS	KSHS
	4,581.00
	-
	4,581.00

I certify that I have verified the Bank Balance in the cash Book with the Bank statement and that the above Reconciliation is correct.

Prepared By

Signature..... *[Signature]*

Designation... *Accountant* Accountant Date

Approved BY:

Signature..... ..

Designation..... Accountant Date

*County Government of Bungoma
 Bungoma Municipality
 Annual Report and Financial Statements for the year ended June 30, 2024*

Bungoma Municipality- Special Purpose Retention Account

ACCOUNT NAME: Special Purpose Retention Account

FACILITY A/C NO:

077000042514

Bank Reconciliation statement as at 30/06/2024

Balance as per Bank Certificate

LESS 1. Payment in cash book not yet recorded in

4. Receipts in Cash Book not yet recorded in

Bank Statement

Bank Balance as per Cash Book as at 30/06/2024

KSHS	KSHS
	51,226.63
	51,226.63

I certify that I have verified the Bank Balance in the cash Book with the Bank statement and that the above Reconciliation is correct.

Prepared By

Signature..... *[Signature]*

Designation... *Accountant* Accountant Date *30/06/2024*

Approved BY:

Signature..... *[Signature]*

Designation... *M. Mawoojer* Accountant Date *30/06/2024*