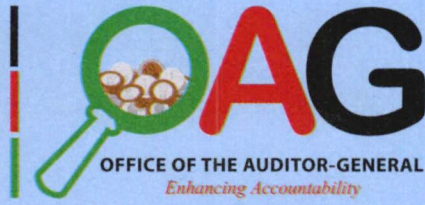


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REPORT

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OF

THE AUDITOR-GENERAL

ON

BUNGOMA MUNICIPALITY

FOR THE YEAR ENDED
30 JUNE, 2025

PAPERS LAID	
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**BUNGOMA MUNICIPALITY
COUNTY GOVERNMENT OF BUNGOMA**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025**

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

8 DEC 2022

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1. Acronyms and Definition of Key Terms

A. Acronyms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
UACA	Urban Areas and Cities Act
CPSB	County Public Service Board
CECM	County Executive Committee Member

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

2. **Key Entity Information and Management**

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, 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 Cities and Urban Areas Act, 2011 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.

a) 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.

b) Key Management

The Municipality management is under the following key organs:

County Government of Bungoma

Bungoma Municipality

Annual Report and Financial Statements for the year ended June 30, 2025

Ref	Position	Name
1.	CECM Lands,Physical, planning,Housing Urban Centres & Municipalities	Dr.Monicah Salano Fedha
2.	Chairperson of the Board	Arch Ham Wesonga
3.	Vice Chairperson	Dr. Dorcas Katiambo
4.	Board Member	Mr. Philip Wanyonyi
5.	Board Member	Ms Christine Simiyu
6.	Board Member	Mr. Job Munyasia
7.	Board Member	Mr Paul Kamala
8.	Board Member	Mr. Ben Karuga
9.	Board Member	CPA DR. Rashid Fwamba
10.	Board Member	Miss.Wilkister Nafula Wafula
11.	Secretary to Board/Manager	Mr. Joel M. Peka

c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 20xx and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Municipality Manager	Mr. Joel M. Peka
2	Principal Administration officer	Mr.Peter Nyukuri
3	Finance and Economic Planning Officer	CPA Roselyne Makonjio
5	Public Health Officer	Mr.Pascal Wakafura
6	Environmental Services officer	Mr. Godfrey S. Muloboti

d) Fiduciary Oversight Arrangements

The key fiduciary oversight bodies at the Municipality for the Year ended June 30, 2025 were:

i) 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 Bungoma Municipality's reporting functions to ensure the integrity of financial reports.

To monitor the effectiveness of the Bungoma Municipality's performance management and performance information.

To provide strong and effective oversight of Bungoma Municipality'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 Bungoma Municipality effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behaviour.

ii) County Assembly committees

The responsibilities of the County Assembly of Bungoma were as follows:

To vet and approve nominees for appointment as Board members

To perform the roles set out under Article 185 of the Constitution of Kenya 2010;

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 of Kenya 2010;

To approve the borrowing by the county government in accordance with Article 212 of the Constitution Kenya 2010;

To approve county development planning; and

To perform any other role as may be set out under the Constitution of Kenya 2010 or other legislation

iii) Committees of the Senate

Sessional Committee on County Public Accounts and Investments: - to execute the mandate of the Senate pursuant to the provisions of Article 96 (3), to exercise oversight over national revenue allocated to county governments. The relevant enabling provisions are Articles 228 (6), 229(7, 8).

e) Registered Offices

P.O. Box 437-50200,
Public Works Buildings,
Next to Governors Office,
Bungoma, Kenya.

f) Contacts

Bungoma Municipal manager
Telephone:(254) 721402843
E-mail: bungomamunicipality@bungoma.go.ke
Website: www.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 Advisor

County Attorney
County Government of Bungoma
P.O Box 437
Bungoma.

The Attorney General - State Law Office,
Harambee Avenue,
P.O. Box 40112-00200,
Nairobi, Kenya.

3. Municipality Board

<p>1. Independent Chairperson</p>  <p>Arch. Ham Wesonga</p>	<p>Arch Ham Wesonga is a graduate of Jomo Kenyatta University of Agriculture and Technology with a Bachelors in Architecture. He is a registered Architect in Kenya by the Board of Registration of Architects and Quantity Surveyors (BORAQS) with more than 17years experience in the architectural and urban space. He is a corporate member of Architectural Association of Kenya. Arch Wesonga is an international chartered architect with the Royal Institute of British Architects (RIBA). He is a certified built industry Accessibility Auditor by the national council of persons with disability (NCPWD). Arch Wesonga has served as Treasurer of the East African Institute of Architects and The Architectural Association of Kenya-Architects Chapter and has been a member of the governing Council for 8 years. He has previously headed The Multisectoral Covid –19 emergency response Technical Teams In Charge of Kenyatta University Teaching And referral Hospital and Mbagathi hospital. Architect Wesonga Is now the chairman of Bungoma Municipality Board.</p>
<p>1. Independent Vice Chair</p>  <p>Dr. Dorcas Katiambo</p>	<p>Date of Birth: 1968</p> <p>EDUCATIONAL BACKGROUND</p> <p>2025: Induction course for Municipality Board Members at Kenya School of Government, Mombasa</p> <p>2021: Senior Management Course (SMC), Kenya School of Government.</p> <p>2019: Doctor of Philosophy (PhD), Kibabii University</p> <p>2002: Master of Education (MED), Kenyatta University</p> <p>1994: Bachelor of Education (BED), Moi University.</p> <p>INSTITUTIONAL AND DEPARTMENTAL RESPONSIBILITIES</p>

	<p>2021: Member of the St. Paul’s Kibabii DTTC Performance Contracting and Strategic Planning Committee.</p> <p>2021: Chairperson, Science, Technology and Innovation Committee (STI), St. Paul’s Kibabii DTTC.</p> <p>2021: Focal Person, Science, Technology, and Innovation, St. Kibabii DTTC.</p> <p>2013: Assist. Dean of Students</p> <p>2017: Senior Mistress, Boarding, Kibabii DTTC</p> <p>2014: Teaching Practice Zone Coordinator, Kibabii DTTC</p> <p>2013: Member of the College Admissions Committee, Kibabii DTTC</p> <p>2013: Member of the Youth and Women Empowerment Committee, Kibabii DTTC</p> <p>2002: HOD, Education Department; Kaimosi Teachers’ College</p>
<p>2. Independent Board Member</p>  <p>Mr. Philip Wekesa Wanyonyi</p>	<p>D.O.B: 1973</p> <p>EDUCATION</p> <p>1994 -1995 Amersham & Wycombe College Diploma (Health & Social Care)</p> <p>1989 – 1992 Namwela Secondary School - K.C.S.E.</p> <p>1980 – 1988 Bokoli FYM Primary School - K.C.P. E</p> <p>EXPERIENCE</p> <p>– 1999 Bungoma care centre - program officer</p>

3. Independent Board Member



Mr. Job Wekesa Munyasia

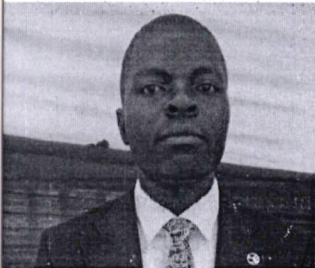

D.O.B: 1969.


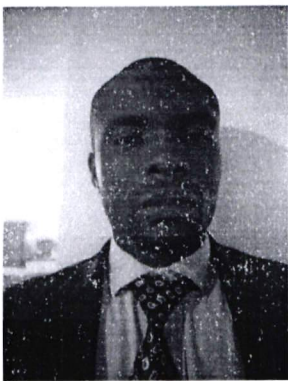
EDUCATION.

- **1993- Egerton University-** Second class honours degree (Bachelor of arts Education (BED)- Economics/Geography.
- **1989-** Kenya Advanced Certificate of Education - Economics, Geography and Kiswahili- 3 principles and 1 subsidiary. **Bungoma High School.**
- **1987-**Kenya Certificate of Education -Division one. Kibabii High School. Bungoma
- **1983 –** Certificate of Primary Education – 28 points. Commonwealth Primary School, Bungoma.

EXPERIENCE.

- **2020-Date** Internet and Computer sales outlet manager/Director- Capital Point Cyber.
- **2004-2020-**Good Friends Restaurant Director and Proprietor
- **20113-2015-**Regional communication and sales agent (Bungoma region)- Orange/telecom Kenya.
- **1994-2003-**High School teacher TSC Number- 351857/2.Head of department and logistics.
- 1994-1994-Insurance sales representative, ALICO INSURANCE.
- Ability to work without supervision and for extended hours in order to achieve the desired results.
- Good inter-personal relations and communication skills.
- Community activities participant.

<p>4. Independent Board Member</p> <p>Mr. Paul Maloba Kamala</p> 	<p>Educational Background</p> <ul style="list-style-type: none">• 2023-2024 Masinde Muliro University MSc. Human Resource Management(<i>Ongoing</i>)• 2023-2024 Human Resource Management Examination Board (HRMPEB) CHRP (<i>Ongoing</i>)• 2018-2022 Masinde Muliro University Bachelor of Commerce• MAY-JUNE, 2019 Kenya School of Government Certificate, Crime and Violence Prevention• 2013-2014 University of Eldoret Diploma in Human Resource Management• MAY, 2012 African Research Institute Certificate In Computer Packages• 2003-2007 St. Tadeos Secondary School K.C.S.E Certificate• 1996-2002 Makutano S.A Primary School K.C.P.E Certificate
<p>5. Independent Board Member</p>  <p>Ms. Wilkister Nafula Wafula</p>	<p>D.O.B: 20th February 1995</p> <p>EDUCATION:</p> <p>2019-2022: Kenya Medical Training Collage, Siaya Campus Diploma in Health Records and information Technology.</p> <p>2015-2018: Kenya Medical Training Collage. Siaya Campus. Certificate in Health Records and Information Technology.</p> <p>2011-2014: Kenya Certificate of Secondary Education Friends Secondary School Lwanda.</p> <p>2002-2010: Kenya Certificate of Primary Education Musikoma Primary School.</p>

	<p>Professional Membership</p> <p>Registered member of Association of Medical Records Officers (Kenya)</p>
<p>6. Independent Board Member</p>  <p>Mr. Ben Ndichu Karuga</p>	<p>EDUCATION</p> <ul style="list-style-type: none"> • Bachelor of Arts; University of Nairobi – Ongoing • 2003-2005: KASNEB; CS PART 2 • KCSE: 1998-2001: Mangu High School • KCPE: 1994-1997: Lugulu Primary <p>EXPERIENCE</p> <ul style="list-style-type: none"> • 2008 to Date: Managing Director; Liam Investment. Transport and Logistics. • 2018 to Date: Operations Manager; Parugam Company Limited. Oil Industry, Transport and Logistics. • 2023 to Date: Director; Samui Limited. Construction and Hospitality Industry. • 2006-2007: Marketer Barclays Bank of Kenya. • 2004: Marketer Mumias Sugar Company
<p>7. Executive Board Member</p>  <p>CPA Dr. Rashid Simiyu Fwamba</p>	<ul style="list-style-type: none"> • MSc. Entrepreneurship from JKUAT University in 2010 • Bachelors degree in Agribusiness management • SLDP and SMC - Kenya School of Government <p>19 Years of work experience as a civil servant. Upto and including Deputy Director Administration, Sub County Administrator, District head of Agricultural extension service in Athi river district.</p>

8. Secretary to Board/manager





Mr. Joel Mukanda Peka

Mr. Joel Peka is a graduate of MSc. Entrepreneurship from JKUAT University in 2010. He has a Bachelors degree in Agribusiness management



He has attained a course of SLDP and SMC - Kenya School of Government .

Has 19 Years of work experience as a civil servant. Upto and including Deputy Director Administration, Sub County Administrator Webuye, District head of Agricultural extension service in Athi river district Kajiado District.

4. Key Management Team

Name	Detail of qualifications and experience
<p>1. Municipal Manager</p>  <p>Mr. Joel M. Peka</p>	<p>Mr. Joel Peka is a graduate of MSc. Entrepreneurship from JKUAT University in 2010. He has a Bachelors degree in Agribusiness management</p> <p>He has attained a course of SLDP and SMC - Kenya School of Government .</p> <p>Has 19 Years of work experience as a civil servant. Upto and including Deputy Director Administration, Sub County Administrator Webuye, District head of Agricultural extension service in Athi river district Kajiado District.</p>
<p>2. Principal Administrative Officer</p>  <p>Mr. Peter Juma Nyukuri</p>	<p>D.O.B – 8th October 1976</p> <p>Educational Background</p> <p>MSc. (pure Maths) - ongoing</p> <p>Holds a Bachelor of Education Science (Maths and Physics)</p> <p>KSG Baringo – Senior Management Course (SMC)</p> <p>Experience</p> <ul style="list-style-type: none"> • Physics and Maths teacher Chiliba Secondary School • Principal: Sacred training institute • CQASO: Department of Education and Vocational training, County Government of Bungoma • Principal Adiministrarive Officer: The Municipality of Bungoma • BOM chair St. veronica Siritanyi Secondary school • BOM chair St. Wilfridah Primary School mulukoba • BOM member Feriends scool Kamusinga, St. Teresa Kabula Secondary school, Friends school Lwanda Girls

<p>3. Accountant CPA Makonjio Khaindi Roselyne</p>	<p>DOB – August, 1982.</p> <p>Holder of Bachelor of Commerce degree in Finance from Kibabii University College and ICPAK Member no 17264.</p> <p>Highly competent professional with over 13 Years of experience gained in both public and private entities having worked as Accountant in NGO, Audit consultant and Lecturer at Sang’alo Institute of Science and Technology.</p> <ul style="list-style-type: none">▪ Proven Financial Management experience▪ Proven audit and investigation experience.
<p>4. Physical Planner Mr. Benson Wangila</p>	<p>Date of Birth: 24/04/1978</p> <p>Academic and Professional Qualifications</p> <p>Bachelor of Arts Urban & Regional Planning from Maseno University.</p> <ul style="list-style-type: none">▪ Has more than 20 years’ experience in the field.▪ Worked in Kimilili Municipality as a senior physical planner and transferred to Bungoma municipality in the year 2025.

<p>5. Environmental Officer Mr. Godfrey S. Muloboti</p> 	<p>Date of birth: 26TH, SEPTEMBER, 1979</p> <p>CAREER OBJECTIVES Support formulation, design and implementation of projects to build capacity of people and contribute to development of National and regional projects for global environment.</p> <p><u>EDUCATIONAL BACKGROUND</u> JAN 2016 – MARCH 2016: Carsons Technology Training – Certificate of Computer Technology 2000 - 2005: Egerton University – Bachelor of Science Natural Resources Management 1995 – 1998: Friends’ School Kamusinga – Kenya Certificate of Secondary Education.</p> <p><u>PROFESSIONAL EXPERIENCE</u> 02/04/2024 up to date: County Government of Bungoma – Environment & Climate Change Officer 2009 – 2011: Mini Group of Companies – Water Quality Analyst. 2008 – 2009: Univeter Kenya Ltd – Environment Assistant. 2007 – 2008: Ministry of Environment – Skilled Casual Aug – Nov 2004: Kaptugat Forest Station – Attachment.</p>
<p>6. Public Health Officer Mr Pascal Wakafura</p> 	<p>DOB – September, 1986. Holder of Diploma in Environmental Health Sciences from Kenya Medical Training College. 15 Years of working experience as a Public Health Officer II with the County Government of Bungoma.</p>

5 Municipality Board Chairperson's Report

On behalf of the Bungoma Municipality Board, it is my distinct pleasure to present the Annual Report and Financial Statements for the fiscal year ended 30th June 2025. This report outlines our performance, details our commitment to prudent financial management, and charts our course for the future.

This past year has been one of dedicated effort towards realizing our vision of "A thriving, safe, and cosmopolitan Municipality." We have operated within a dynamic environment of rapid urbanization, which presents both immense opportunities for growth and significant challenges for urban management. Our focus has remained steadfast on our mission: to progressively build a resilient Municipality through the prudent management of resources and the delivery of effective, affordable services to our citizens.

Performance and Operational Highlights

The 2024/2025 financial year saw the Municipality make significant strides in its core mandate. Our principal activities were centered on creating a sustainable urbanization process through an integrated management framework.

Key achievements during the year include:

Infrastructure Development: We continued our investment programs to enhance local infrastructure. Notable projects included: the construction of the Kanduyi Bus park. This initiative is critical for improving not only connectivity and accessibility for our residents but also enhancing businesses through provision of modern market stalls.

Financial Performance: We maintained a focus on sound financial stewardship. For the year, our total revenue was Ksh 272,327,705 of which, recurrent is Kshs. 33,610,421 and development is Kshs. 168,488,999. A detailed comparison of our budget versus actual spending is available in the financial statements, demonstrating our commitment to fiscal discipline.

Governance and Oversight: The Board has worked diligently to ensure robust governance and accountability. We have been guided by the oversight of the County Assembly of Bungoma, our Audit and Risk Management Committee, and the Public Accounts Committee, ensuring that all our operations are transparent and adhere to the highest standards of public service.

Challenges

Despite our successes, the year was not without its challenges. Like many growing urban centers, we faced pressures related to waste management, dilapidated infrastructure including Roads and storm water drainage and reduced budgetary allocation. We are actively developing strategies to address these issues in a sustainable manner.

Future Outlook

Looking ahead, we are optimistic and energized. Our strategic focus for the 2025/2026 financial year will be to build upon the foundations we have laid. Our key priorities will be:

Enhancing Service Delivery: Leveraging technology to improve the efficiency and accessibility of municipal services.

Sustainable Growth: Promoting environmentally sound development and investing in green public spaces.

Economic Empowerment: Creating a conducive environment for local businesses to thrive through strategic partnerships and investment in market infrastructure.

We will continue to manage the Municipality's resources with prudence and integrity, ensuring that every shilling is used to the maximum benefit of the people of Bungoma.

d) Challenges

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

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

e) Future Outlook

In the financial year 2025/2026, the Municipal Board of Bungoma has a total budget of Kshs. 119,640,398 of which, recurrent is Kshs.44,248,371 and development is Kshs. 75,392,027. The budget intends to fund various project, which include:

- Construction of modern market stalls and bus-park at Kanduyi in Bungoma Municipality
- Proposed upgrading of Mumias road Tete point-Mupeli Pri.Crescent road to bitumen standards

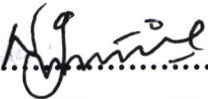
f) Key Risk Management Strategies

The Management employs robust risk management strategies. While Risk Management has not matured in the Bungoma Municipality 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.



.....
CPA/CS Vincent Ngeyo

Municipal Manager

Statement of Performance Against Predetermined Objectives for the FY2024/2025

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, 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 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. 272,327,705 that was to be financed by the County Government. As at the closure of the Year, Kshs 202,099,419 had been received leading to an underperformance.

The key development objectives of Bungoma Municipality for the FY 2024/2025 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

County Government of Bungoma
Bungoma Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Urban Governance	To control urban development	orderly development in urban areas	Number of development plans approved	In FY under 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 of review
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

8. 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 ten members. Up-to-date.
 - e) Bungoma Municipality board has had the following members

NO	NAME	GENDER	NOMINATING INSTITUTION	REMARKS
1	Arc. Ham Wesonga	M	Arch. Institution of Kenya	Chair Person
2	Dr. Dorcas Katiambo	F	Kenya National Chamber Commerce	Vice Chairperson
3	Mr. Job Munyasia	M	Competitive	Member
4	Mr. Philip Wanyonyi	M	Informal Sector	Member
5	Mr. Paul Kamala	M	Competitive	Member
6	Ms. Wilkister N. Wafula	F		Member
7	Hon. Ben Karuga	M	Competitive	Member
8	Mr. Joel M. Peka	M	Municipal Manager	Board secretary
9	Ms. Christine Simiyu	F	CECM R	Member
10	CPA Dr. Rashid Fwamba	M	Chief officer	Member

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 2024/2025 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, some functions have been transferred to the Municipality.

The key board projects or investments decisions implemented since the inception of the Municipality include;

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 Wambiya 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 Ksh 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. 2,500,00.00
- ❖ 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

County Government of Bungoma
Bungoma Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

- ❖ 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
- v) **For the Year 2024/2025**
 - ❖ Construction of Market Stalls and Bus park at Kanduyi at a cost Kshs 248,158,489 work in progress.

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.

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

Bungoma Municipality has positioned itself in a first changing environment through continuous capacity building for its staff and board members to impress upcoming issues and engaging public through citizen fora meetings

2). Environmental performance

The Bungoma municipality environmental policy guiding the organisation has been maintained ie by undertaking projects that reduces environmental impact of the organisation's products. The rehabilitation of drainage and pavement works at the Bungoma town Municipal Market at a cost of Kshs. 9,399,514.

The municipality undertook a draft waste management plan. The fabrication and installation of colour coded two in one litter bins within the town.

3). Employee welfare

Institutional policy set in place for hiring employees. Guidelines on developing intents, needs assessment, hire process, placement. Stakeholder engagement ant creation of awareness.

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

Aspects of two thirds gender rule most applicable during hiring of employees. The Municipality has made efforts on Improving of the 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.

Market place practices in the workplace involve combination of internal talent market places, focusing on employee development, and external facing strategies. Key practices for internal talent market places include preparing a business case, training human resource, engaging employees, implementing clear processes, and continuously monitoring.

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 ant-corruption. Be able to negotiate and navigate to make sure the political levels are fully involved accordingly.

a) 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.

b) Responsible marketing and advertisement

Follow requisite procedure during tendering and awards. Making sure payment is done on time and within required period.

c). 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). Corporate Social Responsibility/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 coordinated 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.

11. Report of the Municipality Board Members

The Board Members submit their report together with the audited financial statements for the Financial Year ended June 30, 2025 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 performances of the Municipality for the Financial Year ended June 30, 2025 are set out on page xx to xxii

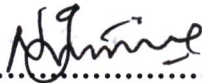
Board Members

The members of the Board who served during the year are shown on page viii to xix.

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



.....
CPA/CS Vincent Ngeywo

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 June 30, 2025 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, 2025, 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.

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON BUNGOMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on 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 the 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; and,
- C. Report on 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 11 to 46 which comprise of the statement of financial position as at

30 June, 2025 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, 2025 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 in comply with Urban Areas and Cities Act, 2011 (Amended 2019), and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Nets Assets Balance

The statement of changes in net assets reflects net assets balance of Kshs.259,228,877 in respect to accumulated surplus. The balance includes additions for prior year assets of Kshs.2,329,000 and a reduction by accumulated depreciation for prior year of Kshs.1,373,198. However, these adjustments had not been explained and supported by any documentation. Further, the net assets opening balance of Kshs.94,210,569 differs with the previous year audited financial statements for the year ended 30 June, 2024 balance of Kshs.97,632,672 by an unexplained variance of Kshs.3,422,103.

In the circumstances, the accuracy and completeness of net assets balance of Kshs.259,228,877 could not be confirmed.

2. Unconfirmed Amount of Net Cash Flows from Operating Activities

The statement of cash flows reflects use of goods and services payments amounting to Kshs.6,136,912, which differs with statement of financial performance amount of Kshs.7,909,239, by an unexplained variance of Kshs.1,772,327. Further, the statement of cash flows amount of Kshs.6,136,912 was not supported by a transactional ledger.

Further, Note 14 to the financial statements in respect to cash generated from operations indicates net cash flows from operating activities amounting to Kshs.168,488,999, which includes increase in payables of Kshs.2,203,582. However, the statement of financial position indicates a decrease in payables of Kshs.3,049,991 resulting to an unexplained variance of Kshs.5,253,573.

In the circumstances, the accuracy and completeness of net cash flows from operating activities amounting to Kshs.168,488,999 could not be confirmed.

3. Unsupported Property, Plant and Equipment Balance

The statement of financial position and Note 12 to the financial statements reflect property, plant and equipment balance of Kshs.348,886,623 which includes additions to work in progress amounting to Kshs.160,788,128. However, the supporting general ledgers indicating invoice number, date, contractor, amount and other supporting documents including measurement certificates were not provided for audit review.

Further, transfers and adjustments amounting to Kshs.2,329,000 which comprises furniture and fittings of Kshs.1,146,000 and computers of Kshs.1,183,000, were not explained or supported.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.348,886,623 could not be confirmed.

4. Inaccuracy of Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.89,818,280 and as disclosed in Note 13 to the financial statements. However, supporting ledger indicates a balance of Kshs.89,767,053 resulting to unexplained variance of Kshs.51,227.

In addition, the ageing analysis revealed that debts amounting to Kshs.83,010,115 had been outstanding for a period of more than twelve (12) months and no reason was provided for failure to pay debts when due. This was contrary to Regulation 150(1) of the Public Procurement and Assets Disposal Regulations, 2020 which states that subject to availability of funds and certification of goods, works or services payments are made within 60 days from date of receipt of invoice.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.89,818,280 could not be confirmed.

The audit was conducted in accordance with 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 final revenue budget and actual on comparable basis amounts of Kshs.272,488,241 and Kshs.202,259,955

respectively, resulting to under-funding of Kshs.70,228,286 or 26% of the budget. Similarly, the Municipality expended Kshs.168,488,999 against approved budget of Kshs.224,865,924 resulting to under-expenditure of Kshs.56,376,925 or 25% of the budget.

The under-funding and under-expenditure affected the implementation of planned activities and impacted negatively on the operations of the Municipality.

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 effect of matters described in the Basis for Qualified Opinion section, 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, issues were raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance as detailed in **Appendix I**. The Management has indicated under the progress on follow up of Auditor's recommendations section of the financial statements that five issues were resolved, one partially resolved, five issues not resolved, and two issued were omitted in the disclosure. However, no supporting documents were provided for audit review to show how the issues were resolved, and no reasons were given for not resolving the outstanding issues.

Other Information

The Management is responsible for the Other Information set out on page iii to ix 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, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of The Municipality Board Members and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Municipality's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have

performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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 Appoint a Substantive Municipality Manager

During the year under review, the Municipality was headed by acting managers who were deployed from the county executive of Bungoma. The acting manager at the time of audit in September, 2025 was deployed on January, 2025 and later removed from office before the audit exercise was concluded. No explanation was provided on failure to appoint a substantive manager as required by Section 29 of the Urban Areas and Cities Act, 2011 and Paragraph 1.1.66 of the Bungoma County Municipality charter which states that the Municipality manager shall be competitively recruited and appointed by the County Public Service Board.

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

2. Lack of Operational Autonomy of the Municipality

During the year under review, it was observed that all the functions of the Municipality were carried out by the County Executive of Bungoma through 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 ISSAI 3000 and ISSAI 4000. The standards require 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 effects of the matter 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

Lack of Board Charter and Board Work Plan

Review of the Board operations during the year under review revealed lack of Board charter and annual work plan. This was contrary to Governance parameter No.1.9 of Mwongozo Code of Governance, 2015 which directs the Board to have in place an annual work plan which should at a minimum focus on review of management implementation of strategies, policies and plans and budgeting and financial management, and Governance parameter No.1.11 which directs the Board to have in place a Board Charter defining the roles and responsibilities of the Board members.

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

The audit was conducted in accordance with ISSAI 2315 and ISSAI 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 those Charged with Governance

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 cease 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.

Those charged with governance are 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 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/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 December, 2025

Appendix I: Unresolved Prior Year Matters


Reference No. of the Auditor-General's Report	Title of Audit Issue
	Report on the Financial Statements
1	Inaccuracy of the Statement of Cash Flows
2	Misstatement of Transfers from County Government
3	Unsupported Use of Goods and Services Expenditure
4	Unsupported Staff Costs
5	Unconfirmed Property, Plant and Equipment Balance
6	Inaccuracy of the Statement of Comparison of Budget and Actual Amounts
	Report on Lawfulness and Effectiveness in the Use of Public Resources
1	Failure to Act on Internal Audit Reports
2	Operating without an Approved Budget
3	Lack of Operational Autonomy of the Municipality
	Report on Effectiveness of Internal Controls, Risk Management and Governance
1	Failure to Fill Vacant Positions of Municipality Board
2	Lack of Risk Management Policy

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In preparing the financial statements, the municipality board has assessed the Fund's ability to continue as a going concern. 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.

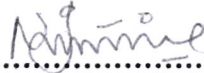
Approval of the financial statements

The Municipality's financial statements were approved by the Board on 25/08/2025 and signed on its behalf by:



.....

Arch. Ham Wesonga
Chairperson of the Board



.....

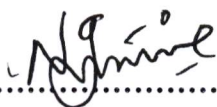
CPA/CS Vincent Ngeywo
Municipal Manager

County Government of Bungoma
Bungoma Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

14. Statement of Financial Performance for The Year Ended June 30, 2025.

	Notes	2024/2025 Kshs.	2023/2024 Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	202,099,419	80,665,133
Other Income	11		
Total revenue		202,099,419	80,665,133
Expenditure			
Use of goods and services	7	7,909,239	11,061,252
Staff costs	8	23,203,064	11,595,013
Board expenses	9	4,701,700	2,516,200
Depreciation & Amortization	10	2,222,910	757,724
Total expenses		38,036,913	25,930,189
Surplus/(deficit) for the period		164,062,506	54,734,944

The notes set out on pages 6 to 33 form an integral part of these Financial Statements. The entity financial statements were approved on **August 25, 2025** and signed by:



.....
Name: CPA/CS Vincent Ngeywo
Bungoma Municipality Manager




.....
Name: Makonjio K. Roselyne
Head of Finance
ICPAK M/No. 17264

County Government of Bungoma
 Bungoma Municipality
 Annual Report and Financial Statements for the year ended June 30, 2025

15. Statement of Financial Position as at June 30, 2025

Details	Note	2024/2025 Kshs.	2023/2024 Kshs.
Assets			
Current assets			
Cash and cash equivalents	11	160,535	160,535
Non-current assets			
Property, plant, and equipment	12	348,886,623	190,339,408
Total Non-current Assets		348,886,623	190,339,408
Total assets A		349,047,158	190,499,943
Liabilities			
Current liabilities			
Trade and other payables	13	89,818,280	92,868,271
Total liabilities B		89,818,280	92,868,271
Net assets(A-B)		259,228,877	97,631,672
Represented By:			
Capital/Development Grants/Fund			
Reserves Revaluation			
Accumulated surplus		259,228,877	97,631,672
Total net assets and liabilities		259,228,877	97,631,672

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 **August 25, 2025** and signed by:

.....


**Name: CPA/CS Vincent
 Ngeywo
 Bungoma Municipality
 Manager
 Date:**

.....


**Name: Roselyne K. Makonjio
 Head of Finance
 ICPAK M/No. 17264
 Date:**

County Government of Bungoma
Bungoma Municipality
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16. Statement of Changes in Net Assets For the Year Ended June 30, 2025

	Capital/	Revaluation	Accumulated surplus	Total
	Development	Reserve		
	Grants/Fund			
		Kshs.	Kshs.	Kshs.
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	-	-	94,210,569	97,631,672
Balance as at 1 July 2024	-	-	94,210,569	94,210,569
Surplus/(deficit) for the Year			164,062,506	164,062,506
Funds received during the year				-
Additions of prior year Assets			2,329,000	2,329,000
Accumulated Depreciation from Prior year			(1,373,198)	(1,373,198)
Revaluation Reserve				-
Balance as at 30 June 2025	-	-	259,228,877	259,228,877

County Government of Bungoma
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Annual Report and Financial Statements for the year ended June 30, 2025

17. Statement of Cash Flows for The Year Ended 30 June 2025

Details	Note	2024/2025 Kshs.	2023/2024 Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		202,099,419	80,665,134
Total Receipts		202,099,419	80,665,134
Payments			
Use of goods and services		6,136,912	11,061,252
Staff costs		22,771,809	11,595,013
Board expenses		4,701,700	2,516,200
Finance costs			
Total Payments		33,610,421	25,172,464
Adjusted for:			
Increase/(decrease) in deposits and retention/ Trade Payables			89,957,662
Net cash flows from operating activities		168,488,999	145,450,332
Cash flows from investing activities			
Purchase of PPE & intangible assets	12	(168,488,999)	(160,788,128)
Net cash flows used in investing activities		(168,488,999)	(160,788,128)
Net increase/(decrease) in cash & cash equivalents		-	(15,337,796)
Cash And Cash Equivalents At 1 July 2025	11	160,536	15,498,332
Cash And Cash Equivalents At 30th June,2025	11	160,536	160,536

18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June, 2025

Description	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
Budget carryovers from the previous year		160,536	160,536	160,536		
Revenue						
Transfers from the County Government	155,015,897	117,311,808	272,327,705	202,099,419	70,228,286	74%
Public contributions and donations						
Interest income						
Other income					-	
Total Revenue	155,015,897	117,472,344	272,488,241	202,259,955	70,228,286	74%
Expenses						
Use of goods and services	19,435,328	(1,000,000)	18,435,328	6,136,912	12,298,416	33%
Board expenses	5,085,370	-	5,085,370	4,701,700	383,670	92%
Staff Costs	23,129,275	972,344	24,101,619	22,771,809	1,329,810	94%
Finance costs						
Total Expenditure	47,649,973	(27,656)	47,622,317	33,610,421	14,011,896	71%
Capital Expenditure	107,365,924	117,500,000	224,865,924	168,488,999	56,376,925	75%
Surplus for the period	-	-	-	160,536	(160,536)	0%

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	160,536
1	Reason for differences	-
2	Reason for differences	-
3	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	160,536

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 judgement 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 Bungoma Municipality.

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 Year presented.

3. Application of New and revised standards (IPSAS)

i. New and amended standards and interpretations in issue effective in the Financial Year ended June 30, 2025

There are no new standards effective in the financial Year ended June 30, 2025

ii. New and amended standards and interpretations in issue but not yet effective in the Financial Year ended June 30, 2025

Standard	Effective date and impact:
IPSAS 43: Leases	Applicable 1st January 2025 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	Applicable 1st January 2025 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	Applicable 1st January 2025 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

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	<p>criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples.</p> <p>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.</p>
IPSAS 46: Measurement	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across 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>Applicable 1st January 2026</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>Applicable 1st January 2026</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</p>

	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.
IPSAS 49: Retirement Benefit Plans	Applicable 1st January 2026 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.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	Applicable 1st January 2027 The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

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 Municipality 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 2024/25 was approved by the County Assembly on 28/06/2024. 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 upwardward adjustment of appropriations of 117,500,000 on 09/4/2025 following the governing body's approval.

The Bungoma 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 Bungoma 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 Bungoma 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 Bungoma 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 Bungoma 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 Bungoma 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 Bungoma 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 Bungoma Municipality creates and maintains reserves in terms of specific requirements.

l) Changes in accounting policies and estimates

The Bungoma 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 Bungoma Municipality provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Bungoma Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the Bungoma 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

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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 Bungoma 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 Bungoma Municipality, or vice versa. Members of key management are regarded as related parties and comprise the Board members, the Bungoma Municipality Managers and Bungoma 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 .

The Bungoma 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 Bungoma 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 Bungoma 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 Bungoma 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 Bungoma 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.

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Notes to the Financial Statements

6. Transfers from the County Government

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers from County Govt. – Development	-	1,194,560
Payments by County on behalf of the entity	202,099,419	79,470,574
Total	202,099,419	80,665,134

7. Use of Goods and Services

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Utilities, supplies and services	28,537	
Communication, supplies and services		175,088
Domestic travel and subsistence	3,489,040	2,929,190
Foreign travel and subsistence		
Printing, advertising, supplies & services	88,160	394,400
Rent and rates		
Training expenses	1,368,882	
Hospitality supplies and services	1,655,550	5,216,612
Insurance costs		
Specialized materials and services	184,700	
Office and general supplies and services	594,370	824,900
Fuel, oil and lubricants	500,000	
Other operating expenses (<i>Specify</i>)		1,818,000
Routine maintenance – vehicles and other equipment		
Routine maintenance – other assets		
Audit fees		
Hire of Transport, equipment etc		
Bank Charges		3,061
Depreciation and amortisation		
Total	7,909,239.00	11,061,251.68

8. Staff costs

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Salaries and wages	23,203,064	11,595,012.50
Staff gratuity		
Social security contribution		
Other staff costs (<i>Specify</i>)		
Total	23,203,064	11,595,012.50

9. Board expenses

Description	2024/2025 Kshs.	2023/2024 Kshs.
Chairman/Members' Honoraria		
Sitting allowances	1,171,500	273,000.00
Medical Insurance		
Induction and Training	1,374,400.00	
Travel and accommodation	2,038,600.00	2,243,200.00
Conference Costs	117,200.00	
Other allowances (Specify)		
Total	4,701,700.00	2,516,200.00

10. Depreciation and amortization

Description	2024/2025 Kshs.	2023/2024 Kshs.
Property, plant and equipment	2,222,910	757,725.00
Intangible assets		
Investment property carried at cost		
Total depreciation and amortization	2,222,910.31	757,725.00

11. Cash and cash equivalents

Description	2024/2025 Kshs.	2023/2024 Kshs.
Current account	160,535	160,535
Others(specify)		
Total cash and cash equivalents	160,535	160,535

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

Financial institution	Account number	2024/2025 Kshs.	2023/2024 Kshs.
a) Current account			
Family Bank-UIG	,077000039017	4,581	4,581
Family Bank-UDG	,077000039018	104,728	104,728
Family Bank-Retention Account	,0770000042514	51,227	51,227
Grand total		160,535	160,535

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12. Property, Plant and Equipment

	Civil works & Roads	Building	Motor vehicles	Furniture and fittings	Computers	Work in progress	Total
						Buildings, civil works	
Description	shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1st July 2023							
Additions	31,086,159					160,788,128	191,874,287.00
Disposals							
Transfer/adjustments							
As at 30th June 2024	31,086,159	-	-	-	-	160,788,128	191,874,287.00
As at 1st July 2024	31,086,159	-	-	-	-	160,788,128	191,874,287
Additions			6,989,000		499,600	152,325,723	159,814,322.60
Disposals	-						
Transfer/adjustments				1,146,000	1,183,000		2,329,000.00
As at 30th June, 2025	31,086,159	-	6,989,000	1,146,000	1,682,600	313,113,851	354,017,609.60
							-
Depreciation and impairment							
As at 1st July 2023	777,154						777,154.00
Depreciation	757,725						757,725.00
Impairment							
Transfers/ Adjustments							
As at 30th June 2024	1,534,879	-	-	-	-	-	1,534,879.00
Depreciation and impairment							
As at 1st July 2024	1,534,879	-	-				1,534,879
Depreciation for the year	738,782		1,165,066.30	83,971	235,091.49		2,222,910
Impairment							
Transfers/ Adjustments				474,236	898,962		1,373,198
As at 30th June, 2025	2,273,661	-	1,165,066	558,206	1,134,053	-	5,130,987
NBV as at 30th June 2024	29,551,280	-	-	-	-	160,788,128	190,339,408
NBV as at 30th June, 2025	28,812,498.00	-	5,823,933.70	587,793.64	548,546.81	313,113,850.60	348,886,622.75
	2.5%		17%				
(Include a brief description of WIP as a footer.)				12.50%	30%		

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WORK IN PROGRESS PROJECT

<i>Description</i>	<i>Contract no.</i>	<i>Contractor</i>	<i>Contract amount</i>	<i>Amount paid</i>	<i>balance</i>	
Construction of Market Stalls, Kitchen and Stores, Toilet Block and Associated External Works at Kanduyi Market in Bungoma Municipality	1354100-2023/2024	Taxan Investment Limited	248,158,489	215,086,967	33,071,522	

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13. Trade and Other Payables

Description	2024/2025		2023/2024	
	Kshs.		Kshs.	
Trade payables				
Retentions	51,227		51,227	
Accrued expenses(Trade Payables)	89,767,054		92,817,044	
Other payables (<i>Specify</i>)				
Total trade and other payables	89,818,280		92,868,271	
Ageing analysis:	Current FY	% of the Total	Current FY	% of the Total
Under one year	6,808,166	8%	92,868,271	100%
1-2 years	83,010,115	%		%
2-3 years		%		%
Over 3 years		%		%
Total	89,818,280	8%	92,868,271	100%

14. Cash generated from operations

	2024/2025	2023/2024
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	164,062,505.89	54,734,944.00
Adjusted for:		
Depreciation	2,222,910.31	757,725.00
Amortisation		
Gains/ losses on disposal of assets		
Interest income		
Finance cost		
Working Capital adjustments		
Increase in inventory		
Increase in receivables		
Increase in payables	2,203,582.00	89,957,662.00
Net cash flow from operating activities	168,488,998.20	145,450,331.00

15. Related party balances

a) Nature of related party relationships

Entities and other parties related to the 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 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) City/Municipality Board; etc.

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 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 xxx.

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 to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

IV. Capital risk management.


The objective of the Municipality's capital risk management is to safeguard the Municipality's ability to continue as a going concern. The Municipality capital structure comprises of the following Municipality:

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20. Appendices

Appendix 1. 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.

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status (Resolved/Not Resolved)	Timeframe:
 BUNGOMA Municipality Audit Report: 2023-2024 FINANCIAL YEAR. Bungoma Municipality - Auditor General Report for 2023/2024					
REPORT ON THE FINANCIAL STATEMENTS					
Basis of the qualified opinion					
1	Inaccuracy of the Statement of Cash Flows. Amounts that did not involve movement of cash did not involve movement of cash such as; cash transfer of Kshs.1,194,559 made on 10 March, 2023 in the previous financial year and direct	Management will re-state the Financial Statements for the period ending 30 th June, 2025 as provided under paragraph 1.5.4 of IPSAS.	Accountant	Resolved	

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status (Resolved/Not Resolved)	Timeframe:
	<p>payments made by the County Government on behalf of the Municipality amounting to Kshs.79,470,574.</p> <p>Further, 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.</p>				
2	<p>Misstatement of Transfers from County Government .</p> <p>Irregular inclusion of an amount of Kshs.1,194,560 in the statement of financial performance and Note 6 to the financial statements. The amount was for the prior year</p>	<p>This was a transfer from Kimilili Municipality on 3rd October 2023 to recurrent which was within the Financial Year.</p>	Accountant	Resolved	

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status (Resolved/Not Resolved)	Timeframe:
	financial statements since it was received on 10 March, 2023.				
3	<p>Unsupported Use of Goods and Services Expenditure. Payment vouchers totaling to Kshs.1,969,800 out of Kshs. 2,629,190 for domestic travel and subsistence were not provided for audit. Payment vouchers for Kshs.2,891,562 out of Kshs. 5,216,612 for hospitality, supplies and services were not provided for audit verification.</p>	<p>Management has provided the payment vouchers for domestic travel and subsistence expenses and hospitality, supplies and services of Ksh.1,969,800 and Ksh.2,891,562 respectively.</p>	Accountant	Not Resolved	

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status (Resolved/Not Resolved)	Timeframe:
4.	<p>Unsupported Staff Costs. Staff costs amounting to Kshs.11,595,013 were not supported by monthly payrolls, payment vouchers, and other supporting documents</p>	<p>Staff costs constituted in kind payments from the County Executive. The County Executive maintains a centralized payroll system IPPD. The payment vouchers have been provided for audit verification.</p>	Accountant	Partially Resolved	
5.	<p>Unconfirmed Property, Plant and Equipment Balance</p> <ul style="list-style-type: none"> Expenditure of Kshs.32,729,000 for purchase of land for the expansion of Chepkube market was not supported by the sale agreement and ownership documents for the land The amount of the land was not disclosed separately as required 	<p>The sale agreement and ownership document for the land is available for audit verification. It's worth noting that the payment of Kshs.32,729,000 has not been made. This balance was disclosed as a payable in the Financial Statements. The fixed asset register is available for audit verification.</p>	Accountant	Resolved	

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status (Resolved/M Resolved)	Timeframe:
	<p>by accounting standards.</p> <ul style="list-style-type: none"> The Municipality did not maintain a fixed asset register. 				
6.	<p>Inaccuracy of the Statement of Comparison of Budget and Actual Amounts</p> <p>The statement of comparison of budget and actual amounts indicates actual capital expenditure of Kshs.31,086,159, while the corresponding property, plant and equipment schedule shows addition to work-in-progress amounting to Kshs.160,788,128 which results to a variance of Kshs.129,701,969.</p> <p>Note 4(b) (significant accounting policies – budget</p>	<p>This was misstatement in financial statements, the actual budget for Municipality was Kshs.192,125,073. The Development expenditure was Kshs.56,258,623 but not Kshs.31,086,159 as stated. The management commits the address misstatement in our 2024-2025 financial statements.</p>	Accountant	Not Resolved	

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status (Resolved/Not Resolved)	Timeframe:
	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 a variance of Kshs.3,379,273.				
REPORT ON THE LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES					
1	<p>Failure to Act on Internal Audit Reports</p> <p>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</p>	<p>During the year under review the Municipality experienced transitional challenges on the board membership where some resigned/exited creating a quorum hitch.</p> <p>County has constituted the new Board for the Municipality and has</p>	Manager	Not Resolved	3 Months

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status (Resolved/N ot Resolved)	Timeframe:
	Municipality manager for implementation. There was no documentary evidence that the Accounting Officer presented responses on the audit reports and action plan, to the audit committee for discussion and for tracking its implementation	directed on sharing of internal audit functions and the internal audit committee. The Executive Internal Audit committee deliberated on internal audit reports of the Municipality.			
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	The Municipality budget was prepared and submitted to the County Treasury for consolidation. The County Treasury subsequently submitted to the County Assembly and approved as part of the annual County Appropriation Bill. We have noted the concern, previously the	Manager/Board	Resolved	12 Months

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status (Resolved/Not Resolved)	Timeframe:
		bmunicipal board had no quorum to deliberate on the budget. The municipal board was fully constituted and has embarked on its mandate fully by deliberating and 1 st supplementary FY 25/26.			
3.	<p>Lack of Operational Autonomy of the Municipality</p> <p>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</p>	<p>Management has engaged the County Executive on full autonomy of the Municipality. The County Executive Committee has considered and approved progressive transfer of functions to the Municipality. Further, the Municipal Manager has been appointed as an</p>	Manager/Board	Not Resolved	12 Months

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status (Resolved/Not Resolved)	Timeframe:
	Planning, and Road and Public Works. This was contrary to Section 21(1)(a) of the Urban Areas and Cities Act, 2011	accounting officer unlike previously where the Chief officer urban areas and housing was the accounting officer to further enhance autonomy and the Municipality Board has been fully constituted.			
REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS,RISK MANAGEMENTAND GOVERNANCE					

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status (Resolved/N Resolved)	Timeframe:
1.	<p>Failure to Fill Vacant Positions of Municipality Board</p> <p>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.</p>	<p>The Board has been fully constituted.</p>	<p>Manager</p>	<p>Resolved</p>	
2.	<p>Lack of Risk Management Policy</p> <p>The Municipality did not have a risk management policy in place and therefore lacked approved processes and guidelines on how to mitigate</p>	<p>The Municipality being an entity of the County Government has adopted the County Risk Management Policy framework.</p>	<p>Manager</p>	<p>Not Resolved</p>	

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status (Resolved/Not Resolved)	Timeframe:
	operational, legal and financial risks. The risks associated with the operations of the Municipality could not be mitigated.	The policy has been developed waiting for the approval			

Accounting Officer Name..... Vincent Ngeyo
 Signature..... [Handwritten Signature]
 Date

Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report.
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue.