

NAIROBI CITY COUNTY



NAIROBI CITY COUNTY ASSEMBLY
SECOND ASSEMBLY – SECOND SESSION

*Paper laid
on
15/3/2018.*

THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS

ON

THE CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL
STATEMENTS OF NAIROBI CITY COUNTY ASSEMBLY FOR THE YEAR ENDED 30TH JUNE,
2016

Clerks Chambers
Nairobi City County Assembly
City Hall Buildings
NAIROBI

MARCH 2018

1.0. PREFACE

Hon. Speaker,

On behalf of the Public Accounts Committee (PAC) and pursuant to the provision of Standing Order 191(6), it is my pleasant privilege and honour to present to this Assembly this report of the Public Accounts Committee on the consideration of the *"The report of the Auditor General on the financial Statements of Nairobi City County Assembly for the year ended 30th June, 2016"*.

1.1. Mandate of the Public Accounts Committee

The Public Accounts Committee derives its mandate from Standing Order 197 (2) of the Nairobi City Assembly, which provides that:-

"The Public Accounts Committee shall be responsible for the examination of the accounts showing the appropriations of the sum voted by the County Assembly to meet the public expenditure and of such other accounts laid before the County Assembly as the Committee may think fit".

The primary mandate of the Committee is therefore to oversight the expenditure of public funds by Nairobi City County entities, to ensure value for money and adherence to government financial regulations and procedures. The Committee further aims at ensuring that Nairobi City County public funds are prudently and efficiently utilized. The Committee executes its mandate on the basis of annual and special audit reports prepared by the Kenya National Audit Office (KENAO).

Article 229 (8) of the Constitution provides that within three months after receiving the report of the Auditor General, Parliament or the County Assembly shall debate and consider the report and take appropriate action.

It is on this basis that this report has been produced by the Committee for consideration and adoption by the County Assembly.

1.2. Guiding principles

In the execution of its mandate, the Committee is guided by core constitutional and statutory principles on public finance management, as well as established customs, traditions, practices and usages. These principles include the following:-

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(a) Constitutional Principles on Public Finance

Article 201 enacts fundamental principles aimed at guiding all aspects of public finance in the Republic. It states that the principles are, *inter alia*, *openness and accountability, including public participation in financial matters; public money shall be used in a prudent and responsible way; and financial management shall be responsible, and fiscal reporting shall be clear*. The Committee places high regard on these principles, among others, and has been guided by them in the entire process that has led to this report.

(b) Direct Personal Liability

Article 226(5) of the Constitution is unequivocal that: - *"If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not"*. Consequently Section 203(1) of the PFM Act, 2012 enacts that: - *"A public Officer is personally liable for any loss sustained by a county government that is attributable to-*

(a) the fraudulent or corrupt conduct, or negligence, of the officer; or

(b) the officer's having done any act prohibited by sections 196, 197 and 198"

The Committee considers this Constitutional and legal provisions as the basis for holding Accounting Officers and other Public Officers directly and personally liable for any loss of public funds that may occur under their watch.

1.3. Obligations of the Accounting Officer

Article 226(2) of the Constitution provides, *inter alia*, that: *"the Accounting Officer of a national public entity is accountable to the National Assembly for its financial management, and the Accounting Officer of a county public entity is accountable to the County Assembly for its financial management"*. Subsequently, Section 149(1) of the Public Finance Management (PFM) Act, 2012 provides that: *"An accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is—*

(a) lawful and authorized; and

(b) Effective, efficient, economical and transparent."

These provisions obligate the Clerk of the County Assembly who is the Accounting Officer of the County Assembly to appear before the Public Accounts Committee to respond to audit queries raised by the Auditor General.

1.4. Committee Membership

The Committee comprises of the following members:-

1. Hon. Wilfred Odalo, MCA-Chairperson
2. Hon. Fredrick Njogu, MCA-Vice Chairperson
3. Hon. Anthony Karanja, MCA
4. Hon. Peter Wanyoike, MCA
5. Hon. Charles Thuo, MCA
6. Hon. Chege Mwaura, MCA
7. Hon. Elizabeth Nyambura, MCA
8. Hon. Peter Warutere, MCA
9. Hon. Joseph Wambugu, MCA
10. Hon. Eunice Wanjiku, MCA
11. Hon. Rose Adhiambo Ogonda, MCA
12. Hon. Moses Ogeto Nyangaresi, MCA
13. Hon. Lawrence Otieno, MCA
14. Hon. Michael Ogada, MCA
15. Hon. Esther Nyangweso, MCA
16. Hon. Redson Otieno, MCA
17. Hon. David Mberia, MCA

Allow me Hon. Speaker to thank the entire membership of this Committee for its hard work and commitment which made the taking of evidence and production of this Report a success.

1.5. Background

The audit involved auditing of the financial statements of Nairobi City County Assembly by the Auditor General which comprise statement of financial assets as at 30th June, 2016, and statements of receipts and payments, statement of cash flows, statements of comparison of budget and actual amounts recurrent, development, and combined for the year then ended and a summary of significant accounting policies and other explanatory information.

1.6. Auditor-General's Responsibility

The audit by the Auditor General's responsibility was to express an opinion on the financial statements in accordance with Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance

with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. The matters mentioned in the audit report were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters and/or weaknesses that were not identified.

1.7. Evidence taken

The Committee held four (4) sittings to examine the report one of which the Committee interrogated the Clerk of the County Assembly. Similarly, the Committee received written responses to the audit queries. The minutes of the Committee's sittings are attached to this report.

While taking evidence, the Committee was guided by the existing procedures and modalities of operations of the Nairobi City County Assembly derived from the Constitution of the Republic of Kenya, Acts of National Parliament, Acts of Nairobi City County Assembly and Nairobi City County Assembly Standing Orders, conventions, usages, practices and rulings and directives of the Chair.

1.8. The issues

The report of the Auditor General did not raise any financial misappropriation by the County Assembly. However, it raised weaknesses in financial reporting and accounting standards issues that have already been addressed by the Accounting Officer.

1.9. Appreciation

Hon. Speaker,

The Committee would like to thank the Clerk of the County Assembly (the Accounting Officer) who appeared before it and subsequently submitted written responses which provided valuable insights into the issues raised by the Auditor General.

The Committee further wishes to appreciate the Officers from the Kenya National Audit Office and the Office of the Clerk of the County Assembly for their exemplary advisory services.

The Committee also wishes to sincerely thank the Offices of the Speaker and the Clerk for the support to the committee, and to the Secretariat for their steadfast support and services extended to the Committee to enable Members execute their work.

Hon. Speaker,

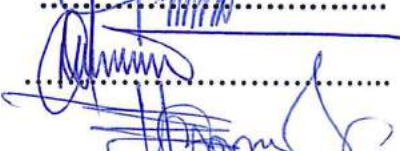
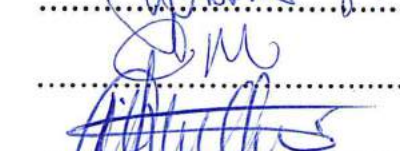
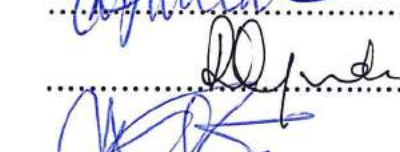
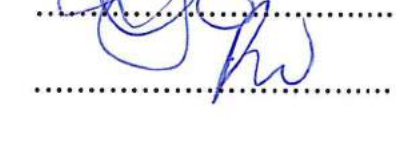
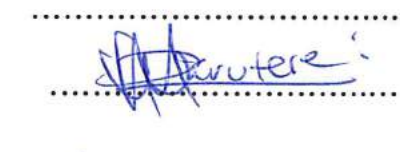
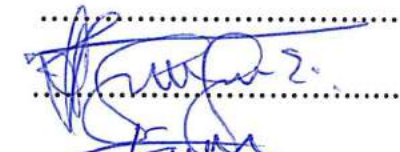
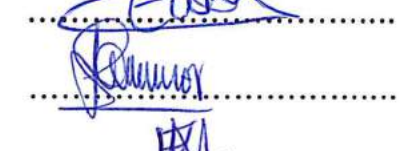
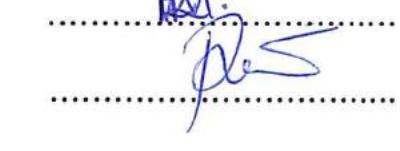
On behalf of the Committee, I now wish to table the report and urge the Assembly to adopt it and the recommendations therein.

SIGNED 

HON. WILFRED ODALO (CHAIRMAN)

DATE 

We Members of the Public Accounts Committee (PAC) do hereby affix our signatures to this report to affirm the correctness of the contents and support for the report:-

<u>NAME</u>	<u>SIGN</u>
1. Hon. Wilfred Odalo, MCA-Chairperson	
2. Hon. Fredrick Njogu, MCA-Vice Chairperson	
3. Hon. Moses Ogeto Nyangaresi, MCA	
4. Hon. Michael Ogada, MCA	
5. Hon. Chege Mwaura, MCA	
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13. Hon. Joseph Wambugu, MCA	
14. Hon. Eunice Wanjiku, MCA	
15. Hon. Lawrence Otieno, MCA	
16. Hon. Esther Nyangweso, MCA	
17. Hon. Redson Otieno, MCA	

2.0. CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL REPORT ON THE FINANCIAL STATEMENTS OF NAIROBI CITY COUNTY ASSEMBLY FOR THE YEAR ENDED 30TH JUNE 2016.

2.1. Non Submission of a Trial Balance

The County Assembly has not provided a trial balance to support figures in the financial statements for the year under review. In the circumstances, completeness, accuracy and authenticity of the figures in the financial statements cannot be confirmed.

The Accounting Officer submitted that:-

- i) It is true that the trial balance was not submitted along with the financial statements under review.
- ii) This is a new audit query that neither arose in the Auditor's Draft Report nor the Management Letter that was earlier responded to by the Assembly. However, the trial balance has since been prepared and ready for audit review.

The Committee observed that:-

- i) Failure by the Accounting Officer to submit the trial balance which is a primary accounting tool during the time of audit may wrongly imply that the Accounting Officer never intended to fully disclose the financial status of the County Assembly; and
- ii) Had the Accounting Officer provided the information to the Auditor General during the audit period, this matter would not have been an audit query.

The Committee recommends that:-

- i) The Accounting Officer should institute measures to ensure that the Assembly always act in time when dealing with the Auditor General to forestall audit queries; and
- ii) The Accounting Officer should institute measures to ensure that the Assembly adheres to International Public Sector Accounting Standards (IPSAS) consistent with the Public Finance Management Act, 2012.

2.2. Discrepancies between Acquisition of Assets Records and Financial Statements Audit Observation

The statement of receipts and payments reflects an expenditure of Kshs. 231,650,925 under Acquisition of Assets incurred during the year under review (FY 2014/15 – Kshs. 207,343,000) and as further disclosed under Note 10 to the Financial Statements. Included in the Acquisition of Assets cost are sub-components; Refurbishment of Buildings and Purchase of Office Furniture and General Equipment totaling to Kshs.215, 075,499. However, records maintained by the County

Assembly for the two components reflect expenditure totaling Kshs.286, 880,728 thus resulting in an unexplained difference of Kshs. 71,805,229 as analyzed below:

Details	Financial Statements	Supporting schedules	Variance
Refurbishment of buildings	182,655, 171	249,587,800	-66,932,629
Purchase of office furniture and general equipment	32,420,328	37,292,928	4,872,600
Total	215,075,499	286,880,728	71,805,229

From the foregoing, the accuracy of the acquisition of assets expenditure of Kshs.231, 650,925 for the year ended 30th June, 2016 cannot be confirmed.

The Accounting Officer submitted that:-

- i) It is true that there were discrepancies between the amounts as per the financial statements presented for audit review and the schedules supporting the same.
- ii) The amendments have been done as suggested by auditors and the schedules are available for audit review.

The Committee observed that had the Accounting Officer provided the information to the Auditor General during the audit period and kept proper accounting records, this matter would not have been an audit query.

The Committee recommends that:-

- i) The Accounting Officer should institute measures to ensure that the Assembly always act in time when dealing with the Auditor General to forestall audit queries; and
- ii) The Accounting Officer should institute measures to ensure that the Assembly adheres to International Public Sector Accounting Standards (IPSAS) consistent with the Public Finance Management Act, 2012.

2.3. Revenue Receipts

The statements of receipts and payments reflects total revenue of Kshs.1,706,066,000.00 for the year ended 30th June 2016 (FY 2014/2015 Kshs.1,433,566,000). However, bank statements for the period reflects receipts of Kshs. 1,536,566,000 resulting in unsupported receipts of Kshs.69,

500,000. Consequently, the completeness and accuracy of the reported revenue of Kshs. 1,706,066,000 for the year ended 30th June, 2016 cannot be ascertained.

The Accounting Officer submitted that:-

- i) The variance as noted by the auditors was as a result of skewed and delay in disbursements of funds by the treasury to the County Assembly. For instance, this specific variance of Kshs.69, 500,000 was received on 1st July 2016 and it was meant for May, 2016 work plans. It is understand that IPSAS Cash Basis requires recognition of revenue when actually received, thus this sum received on 1st July, 2016 would have been accounted for in the FY 2016/17; but since it was already committed in the FY 2015/16 the same was expensed to cater for the May/June, 2016 budgeted expenditures.
- ii) Section 97 (2) of the PFM (County Government) Regulations, 2015 provides that Government Accounts may be kept open to allow for adjustments. Thus, the funds were utilized during the period of adjustments as provided for in the PFM Regulations.

The Committee was satisfied with the Accounting Officer's response and treated the audit query as resolved.

2.4. Use of Goods and Services

During the financial year under review, the Assembly spent Kshs. 509,711,732 on use of goods and services, as further analyzed under Note 5 to the financial statements. However, expenditure amounting to Kshs.207, 395,413 has not been supported by detailed ledger records and other requisite documentation. In the circumstance, it was not possible to confirm propriety of the unsupported expenditure of Kshs.207, 395,413 on use of goods and services.

The Accounting Officer submitted that:-

- i) As analyzed under Note 5 to the financial statements, none of the sub-components has an amount of Kshs.207, 395,413. It's noted that an amount of Kshs 207,395,416 is a sum of part of sub-components of "Use of Goods and Services" as analyzed below:

Note 5 to the Financial Statements: Use of Goods and Services	
Sub- Component	Amount (Kshs)
Training Expenses	59,484,339
Hospitality Supplies and Services	17,456,994
Insurance Costs	46,065,056
Specialized Materials and Services	2,029,376

Office and General Supplies and Services	8,931,397
Other Operating Expenses	65,404,807
Routine Maintenance - Vehicles and Other Transport Equipment	5,267,727
Routine Maintenance – Other Assets	2,755,720
Total	207,395,416

- ii) The above analyzed sub-components of Note 5 are fully supported by schedules that are readily available for audit verification.

The Committee was satisfied with the Accounting Officer's response and treated the audit query as resolved.

2.5. Other Grants and Transfers

The statement of receipts and payments also reflects under other grants and transfers an expenditure of Kshs.156, 000,000 as further disclosed under note 8 to the financial statements. The amount relates to transfers to the County Assembly Mortgage and Car Loan Fund. However, available information indicates that only Kshs 116,000,000 was received into the Assembly Bank Account during the year under review. The balance of Kshs.40, 000, 0000 was received after the financial year end on 8th August, 2016 and would therefore relate to the 2016/2017 financial year. In the circumstance, I'm unable to confirm the accuracy and the completeness of other grants and transfers amounting to Kshs. 156,000,000 as at 30th June, 2016.

The Accounting Officer submitted that:-

- i) The Kshs.40, 000,000 that was received on 8th August, 2016 had been budgeted and requisitioned on time but the County Treasury delayed releasing the funds.
- ii) Efforts made by the County Assembly to the County Executive to release the funds on time were not fruitful. Upon receipt, the funds were utilized to clear the hitherto committed expenditures.

The Committee observed that:-

- i) Failure or delay by the County Treasury to release funds to the County Assembly hampers the County Assembly's programmes and effectively curtails it from executing its constitutional functions of legislation, oversight and representation; and

- ii) Inconsistencies in the disbursement of funds to the County Assembly affects the accuracy of its financial statements.

The Committee recommends that:-

- i.) The County Treasury should ensure timely release of funds to the County Assembly to enable the Assembly to fully discharge its mandate; and
- ii.) The Accounting Officer should institute measures to ensure that the Assembly adheres to International Public Sector Accounting Standards (IPSAS) consistent with the Public Finance Management Act, 2012.

2.6. Bank Balances

2.6.1. Accuracy of Balances

The statement of financial assets reflects under cash-and-cash equivalents bank balances of Kshs.109, 036,500. However, the amount differs from the total amount of Kshs.108, 566,499 arising from casting the balances disclosed under Note 13A to the financial statements. No explanation has been provided for the difference of Kshs.470, 001.

The Accounting Officer submitted that:-

- i) It is true that there was a variance of Kshs.470, 001. This was due to the fact that Central Bank of Kenya Recurrent Account was erroneously under-casted by the same amount.
- ii) The account balance was posted as Kshs.47, 368,338 instead of Kshs. 47,838,338. This would not have any effect on the financial statements since the total balance remains Kshs. 109,036,500.27. Further, the same has been correctly adjusted as posted in the submitted financial statements.

The Committee was satisfied with the Accounting Officer's response and treated the audit query as resolved.

2.6.2. Co-operative Bank Recurrent Account.

Note 13A reflects Co-operative Bank Recurrent Account Balance of Kshs.35, 430,913. However, the Recurrent Account Cash Book opening Balance of Kshs.9, 693,257 differs from the adjusted closing balance of Kshs.135, 000 for the FY 2014/15. No explanation has been provided for the anomaly.

The Accounting Officer submitted that:-

- i) It is true that the adjusted opening balance for FY 2015/16 is different from the brought forward closing balance for FY 2014/15 because the closing balance for FY 2014/15 was

adjusted to reflect the actual balance of Kshs.9, 693,257 which therefore, formed the opening balance for FY 2015/16.

- ii) Reconciliation was done to correct this anomaly.

The Committee observed had the Accounting Officer provided the information to the Auditor General during the audit period, this matter would not have been an audit query.

The Committee recommends that:-

- i) The Accounting Officer should institute measures to ensure that the Assembly always act in time when dealing with the Auditor General to forestall audit queries; and
- ii) The Accounting Officer should ensure that proper financial records are kept to reflect the true financial position of the Assembly at any given time.

2.6.3. Co-operative Development Bank Account

Note 13A to the financial statements further reflects Co-operative Bank Development Account Balance of Kshs.13, 966,832. However, the Development Account Cash Book opening balance of Kshs.19, 322,377 similarly differs from the adjusted cash book closing balance of Kshs.11, 806,000 for the financial year 2014/15 by Kshs.7, 516,377. Again this anomaly has not been explained. In the circumstances, it was not possible to confirm the accuracy of the bank balances of Kshs.109, 036,500.

The Accounting Officer submitted that:-

- i) The anomaly was noted in the FY 2014/15 balances and reconciliation was performed to reflect the correct balances in FY 2015/16. Thus, the balance of Kshs.109, 036,500 posted at the end of the period under review reflects the correct bank accounts balances.

The Committee recommends that:-

- ii) The Accounting Officer should institute measures to ensure that the Assembly always act in time when dealing with the Auditor General to forestall audit queries.
- iii) The Accounting Officer should ensure that proper financial records are kept to reflect the true financial position of the Assembly at any given time.

2.7. Budgetary Performance and Disclosures

2.7.1. Under-Expenditure – Recurrent Vote

The statement of comparison of budget and actual amount for the year under review shows that the Assembly's approved recurrent budget of Kshs.1,539,946,922 against the actual expenditure

of Kshs.1,377,320,368 (89%), resulting in under expenditure of Kshs.162,623,554 (11%). The under expenditure was incurred across all the four budget lines as analyzed below:-

Budget Line	Approved Budget (Kshs)	Actual Expenditure (Kshs)	Under-Absorption (Kshs)	Percentage (%) Variance
Compensation of employees	684,205,163	650,152,733	34,052,430	5%
Use of goods and services	539,397,662	509,711,732	29,685,930	6%
Other grants and transfers	197,400,000	156,000,000	41,400,000	21%
Social Security benefits	118,944,097	61,455,903	57,488,194	48%
Total Recurrent	1,539,946,922	1,377,320,368	162,626,554	11%
% of Total Budget	100%	89%	11%	-

The under-absorption of approved budget is an indicator of non-implementation of activities in the annual work plan by the Assembly, and in the consequence, negative impact on the service delivery to the residence of Nairobi City County

The Accounting Officer submitted that:-

- i) The above variances as noted by the auditors were occasioned by under-funding of the approved budgets.
- ii) The Assembly did not fail to adhere to the budget and budgetary controls.

The Committee observed that failure or delay by the County Treasury to release funds to the County Assembly hampers the County Assembly's programmes and effectively curtails it from executing its constitutional functions of legislation, oversight and representation

The Committee recommends that:-

- i.) The County Treasury should ensure timely release of funds to the County Assembly to enable the Assembly to fully discharge its mandate; and
- ii.) The Accounting Officer should strive to ensure that the Assembly fully implements its budget as approved.

2.7.2. Under-Expenditure- Development Vote

According to the statement of comparison of budget and actual amounts, the Assembly approved a budget of Kshs.258,723,810 for development project of which Kshs.231,650,925 (89.5%) was expended resulting in under-expenditure of Kshs.27,072,885 or 10.5% of budget. The under-expenditure implies that the County Assembly did implement or complete some of its projects as planned and hence the intended objectives of the budget for the year 30 June, 2016 were not fully achieved in whole.

The Accounting Officer submitted that:-

- i.) As noted by the auditors it true that the Assembly approved a budget of Kshs.258,723,810 for Development Projects during the FY 2015/16, of which Kshs.231,650,925 was expended resulting in under-expenditure of Kshs.27,072,885.
- ii.) The Assembly was not fully funded as per the approved budget.

The Committee recommends that:-

- i.) The Accounting Officer should strive to ensure that the Assembly fully implements its budget as approved; and
- ii.) The County Treasury should ensure timely release of funds to the County Assembly to enable the Assembly to implement its development projects on time.

2.7.3. Failure to Provide Disclosures

No explanations have been rendered for the material variances between the approved budgets and the actual expenditures contrary to the requirements of Sec.164 (2) (9) (iv) of the PFM Act, 2012 and the IPSAS-Cash Basis of Accounting Reporting Framework Par.1.9.8. Consequently, the financial statements presented do not fully comply with IPSAS Cash Basis Reporting Format.

The Accounting Officer submitted that:-

The approved budget significantly varies with the actual budgets largely because of the under-funding. Thus, the presented financial statements in all material facts fairly conform to the requirements of the IPSAS Cash Basis.

The Committee was satisfied with the Accounting Officer's response and treated the audit query as resolved.

2.8. Human Resources

2.8.1. Irregular Hire of staff

As reported in the year 2014/15, the County Assembly advertised for 38 positions in various cadre in the local dailies on 19 and 20 July, 2014. According to the Nairobi City County Assembly Service Board (NCCASB) Report, one hundred and twenty three (123) people were shortlisted and one hundred and fifteen (115) were interviewed. However, information available indicate that NCCASB employed seven (7) additional staff contrary to the advertisement. No reason has been provided for the increased staff recruitment.

The Accounting Officer submitted that:-

- i) It is true that the Board employed more staff; this was occasioned by various tasks of the Assembly requiring additional manpower which were not envisaged when the advertisements were carried out. Since the process was already on-going; having placed the previous advert and having received many responses, the Board shortlisted more candidates and they were all interviewed together, it was decided that the candidates from specific categories who had been interviewed and passed but had not been considered, be considered for appointment to address the need.
- ii) The Board therefore approved the additional staff employed. Board minutes are available for verification.

The Committee observed that the audit query had been raised in the previous year (2014/2015) audit report and was substantively resolved by the First Assembly. However, the Committee noted that employing staff without a proper recruitment plan leads to overstaffing in certain areas while limiting critical areas that need more staff.

The Committee recommends that:-

- i.) In future, the County Assembly should always conduct a staff need analysis before proceeding to a recruitment exercise which should also be in compliance with the approved plans; and
- ii.) The Accounting Officer should ensure that recruitment is done as per the advertisement in order to forestall audit queries.

2.8.2. Employment and Labour and Relations Court Petition No. 33 of 2015 Audit Observation
As reported in the previous year, the NCCASB advertised for the position of Deputy Clerk on 19 and 20 July 2014 through a local newspaper and three persons responded and were called for

the interview. The panel passed a resolution that for a person to be appointed, the candidate must have scored at least 70% of the total marks. All the three candidates scored over 70% with the highest at 80% who was then recommended for appointment. The board did not issue an appointment letter to the recommended candidate, but instead they re-advertised the position on 23 March, 2015. No board resolution was rendered for the failure to appoint the successful candidate and as a result the position is still vacant. This action resulted in a case (Constitutional Petition No.33 of 2015) being filed in the Employment and Labour Relations Court of Kenya, on 9 April, 2015. According to the petition, the board did not publish the scores attained in the original interviews before it re-advertised the post. In addition, no reasons were provided for failure to appoint the candidate who scored the highest marks (80%) as recommended by the Board. It is not clear at what point the Board rescinded its decision on the leading candidate. The failure by the Board to adhere to its rules and regulations may lead to the County Assembly to incur unnecessary litigation costs.

The Accounting Officer submitted that:-

- i) It is true that NCCASB advertised for the position of Deputy Clerk and an interview was conducted. As noted by the auditors a case against the Board was filed in the Employment and Labour Relations Court of Kenya, Constitutional Petition No. 33 of 2015 on 9th April, 2015.
- ii) The matter has since been disposed. The parties resolved the matter and the case was withdrawn with consent and with no court orders as to the costs. Hence the Assembly did not lose any public funds. Thereafter, the board went ahead and filled the position substantively.

The Committee observed that:-

- i) The query had been raised in the previous year audit report of 2014/2015 and the Assembly had then resolved that the query be shelved until the Court case is determined. The case has since been disposed as submitted by the Accounting Officer.
- ii) That the County Assembly Service Board followed its own internal procedures as provided for in Section B. 8.2(a) of the Nairobi City County Assembly Service Board Human Resources Policies and Procedures Manual (2016) in filling the position substantively following the disposal of the Employment and Labour Relations Court of Kenya, Constitutional Petition No. 33 of 2015.

The Committee recommends that the County Assembly should always adhere to its own Human Resource procedures and other applicable legislations/regulations when conducting a recruitment exercise to avoid unnecessary litigation and to forestall audit queries.

2.8.3. Termination /Dismissal of Employment

As reported in the financial year 2014/2015, two officers; Clerical Officer 1 and Second Clerk Assistant were dismissed from service of the County Assembly. Their letters of appointment dated 14 November, 2013 had specified the conditions of termination of employment that "Either party may give the other one month notice in writing assigning reasons thereto terminating this agreement." However, the letter of termination did not give reasons why employment contracts for the two officers were terminated. Consequently, it was not possible to confirm whether due process of law was followed in the termination of the contracts.

The Accounting Officer submitted that:-

- i) The two officers mentioned above were terminated under termination on probationary contracts, section 42(4) of the Employment Act provides that, "a party to a contract for a probationary period may terminate the contract by giving not less than seven days' notice of termination of the contract or by payment by the employer to the employee, of seven days wages in lieu of notice."
- ii) When the probation period of all the newly recruited officers came to an end and upon review of their performance, the Board decided not to confirm them due to under performance. The officers' conduct was found to be wanting and were therefore issued with termination letters. In the letters they were informed that the County Assembly would pay them cash in lieu of notice period upon submitting fully filled clearance forms which they did not comply.

The Committee observed that the query had been raised in the previous year (2014/2015) audit report and was substantively resolved by the First Assembly. However, the Committee was satisfied with the Accounting Officer's response and treated the audit query as resolved.

2.8.4. Renovation of Conference Hall – Phase II

As reported in the previous financial year the County Assembly on 19 November 2014, entered into a contract with a company for the proposed Alteration, Renovation and Re-modeling of conference Hall Phase II at a contract sum of Kshs. 216,019,319. Two works certificates with a total value of Kshs. 66,137,400 were issued during the financial year 2015, in this respect. However, it was observed that certificate (number two) was for supply of furniture and loose

REPUBLIC OF KENYA



NAIROBI CITY COUNTY GOVERNMENT



NAIROBI CITY COUNTY ASSEMBLY

RESPONSES TO
AUDIT FINDINGS

RESPONSES ON THE DRAFT REPORT OF THE EXTERNAL
AUDIT ON THE FINANCIAL STATEMENTS OF THE
NAIROBI CITY COUNTY ASSEMBLY

FOR THE PERIOD

1ST JULY, 2015 TO 30TH JUNE, 2016

MIN.006/NCCA/PAC/NOV/2017: - **CONFIRMATION OF MINUTES**

— Minutes of the 1st sitting were read by the Chairperson. The minutes were subsequently adopted as the true record of the sitting as proposed by Hon. Esther Nyangweso and seconded by Hon. Peter Wanyoike.

MIN.007/NCCA/PAC/NOV/2017: - **CONSIDERATION OF THE AUDITOR
GENERAL'S REPORT (TABLING)**

— The Clerk Assistant tabled the following reports that had been committed to the Committee

- (i) Report of the Auditor General on the Financial Statements of Nairobi City County Assembly for the year ended 30th June, 2016; and
- (ii) Report of the Auditor General on the Financial Statements of Nairobi City County Executive for the year ended 30th June, 2016

— The Committee resolved that a draft work plan for consideration of the reports be prepared by the secretariat for adoption by the Committee during the next sitting.

MIN.008/NCCA/PAC/NOV/2017: - **REVIEW OF THE RETREAT'S RESOLUTIONS**

— The Committee resolved to postpone the agenda to the next sitting.

MIN.009/NCCA/PAC/NOV/2017: **A.O.B & ADJOURNMENT**

— The Committee having dispensed with the business of the day and the time being five minutes past One O'clock, the Chairperson adjourned the sitting. The date and venue of the next sitting was going to be communicated by way of notice.

CONFIRMED AS TRUE RECORD OF PROCEEDINGS

SIGN.....

DATE.....

HON. WILFRED ODALO (CHAIRMAN)

MINUTES OF THE 2ND SITTING OF THE NAIROBI CITY COUNTY ASSEMBLY PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNESDAY 8TH OCTOBER, 2017 AT 12.00 PM AT THE CHAMBER BOARDROOM, CITY HALL BUILDINGS.

PRESENT:

- | | | |
|--------------------------------------|---|------------------|
| 1. Hon. Wilfred Odalo, MCA | - | Chairperson |
| 2. Hon. Fredrick Njogu, MCA | - | Vice Chairperson |
| 3. Hon. Peter Wanyoike, MCA | | |
| 4. Hon. Charles Thuo, MCA | | |
| 5. Hon. Juliet Ndegwa, MCA | | |
| 6. Hon. Elizabeth Nyambura, MCA | | |
| 7. Hon. Peter Warutere, MCA | | |
| 8. Hon. Joseph Wambugu, MCA | | |
| 9. Hon. Eunice Wanjiku, MCA | | |
| 10. Hon. Millicent Jagero, MCA | | |
| 11. Hon. Rose Adhiambo Ogonda, MCA | | |
| 12. Hon. Moses Ogeto Nyangaresi, MCA | | |
| 13. Hon. Lawrence Otieno, MCA | | |
| 14. Hon. Michael Ogada, MCA | | |
| 15. Hon. Esther Nyangweso, MCA | | |
| 16. Hon. Redson Otieno, MCA | | |
| 17. Hon. David Mberia, MCA | | |

ABSENT:

- 1 Hon. Chege Mwaura, MCA
- 2 Hon. Anthony Karanja, MCA

SECRETARIAT:

- | | | |
|-------------------------|---|-----------------|
| 1. Mr. Shadrack Makokha | - | Clerk Assistant |
| 2. Mr. Robert Otieno | - | Clerk Assistant |

MIN.005/NCCA/PAC/NOV/2017:

PRELIMINARIES

— The Chairperson called the meeting to order at 12.00 pm and opened the meeting with a word of prayer. He then read the agenda of the day which was subsequently adopted for discussion as proposed by Hon. Redson Otieno and seconded by Hon. Fredrick Njogu as follows:-

AGENDA

1. Confirmation of Minutes(1st sitting)
2. Matters arising
3. Consideration of the Auditor General's report (Tabling)
4. Review of the retreat's resolutions.
5. Any Other Business
6. Adjournment

RESPONSES ON THE DRAFT REPORT OF THE EXTERNAL AUDIT ON THE FINANCIAL STATEMENTS OF THE NAIROBI CITY COUNTY ASSEMBLY FOR THE YEAR ENDED 30TH JUNE 2016.

1.0 .Accuracy of the Financial Statements

1.1. Prior Year Balances and Accuracy of the Financial Statements

Audit Observation

During the year under review the Assembly spent Kshs.511,730,082 on use of goods and services as disclosed under note 5 to the Financial Statements. However, the management did not provide ledgers in support of the expenditure. In the circumstance I'm un able to confirm the propriety of the reported expenditure of Kshs.511,730,082.

Management Response

The actual expenditure on the Use of Goods and Services as disclosed in note 5 to the financial statements is Kshs.509,711,732 and is supported in the ledgers herewith attached for audit verification.

(Refer to Annexure 1)

2.2 Discrepancies on Acquisition of Assets

Audit Observation

The Statement of receipts and payments reflect an amount of Kshs. 211,055,283 under Acquisition of Assets. However, comparison between amounts reported in the financial statements and the supporting schedules indicate a variance of Kshs. 92,400,871 as for which management has not rendered explanation as detailed below:

	Amount as per Financial Statements (Kshs)	Amount as per Schedules (Kshs)	Var (Kshs)
Refurbishment of Buildings	159,341,419	249,587,800	90,246,381
Purchase of Office Furniture and General Equipment	35,138,438	37,292,928	2,154,490
<u>Total</u>	<u>194,479,857</u>	<u>286,880,728</u>	<u>92,400,871</u>

From the foregoing the accuracy of the reported expenditure of Kshs.211,055,283 on acquisition of assets could not be confirmed.

Management Response

The Statement of receipts and payments reflect an amount of Kshs. 231,650,925 under Acquisition of Assets. This expenditure can be confirmed as per the attached summary of fixed assets and the supporting schedules.

(Refer to Annexure 2)

2.0 Revenue Issues-Exchequer Reconciliation

2.1 Accuracy of Other Grants and Transfers

Audit Observation

Other grants and transfers reflected an amount of Kshs.156,000,000 and as disclosed under note 8 to the financial statements for the year under review. However, information available indicate that only Kshs 56,000,000 was received into the Assembly Bank Account with Kshs.40,000,0000 having been received after year end on 8th August, 2016 while the reminder of Kshs. 60,000,00 could not be traced. In the circumstance, I'm unable to confirm the accuracy and the completeness of other grants and transfers amounting to Kshs. 156,000,000.

Management Responses

An amount of Kshs. 60,000,000 contained in the support schedules provided for audit review is part of the whole sum of Kshs. 151,203,071.00 transferred to the fund account on 3rd June, 2016 as per the attached extract of banks statement. An analysis of these sums is as shown in the schedule attached herewith.

The Kshs.40,000,000 that was received on 8th August, 2016 had been budgeted and requisitioned on time but the County Treasury delayed releasing the funds. Efforts made by the County Assembly to the County Executive to release the funds on time were not fruitful. Upon receipt, the funds were utilized to clear the hitherto committed expenditures.

(Refer to Annexure 3)

2.2 Exchequer Receipts

Audit Observation

The statement of receipts and payments reflects total revenue of Kshs.1,699,066,000 as disclosed in notes 1 and 3 to the financial statements. Information availed in support indicate actual receipts amounted to Kshs.1,536,500,000 resulting in an unexplained variance of Kshs.132,566,000. Consequently, the accuracy of reported revenue of Kshs.1,669,066,000 could not be confirmed.

Management Responses

The statement of receipts and payments of the financial statements reflect total revenue of Kshs. 1,706,066,000 as disclosed in notes 1 and 3 to the financial statements.

A schedule of exchequer disbursements is herewith attached for your review.

(Refer to Annexure 4)

3.0 Cash and Cash Equivalents

3.1 Co-Operative Bank Recurrent Account.

Audit Observation.

The statement of financial assets indicates bank balance of Kshs.90,613.792 as disclosed under note 13A to the financial statements as at 30th June, 2016. However, the co-operative bank recurrent account cashbook opening balance used to compute the closing balance of Kshs 9,693,257 differs with the adjusted closing balance of Kshs.135,000 for the financial year 2014/2015. Consequently, the reported bank balance is overstated by Kshs 9,518,257. Further the reported balance in the financial statement with respect to the account is overstated by Kshs. 106,200. In absence of the adjustments to the cashbook balance, I am unable to confirm the accuracy of the bank balances of Kshs.90,613,792.

Management Response

The Assembly has since adjusted the cashbook accordingly and bank reconciliation has been done to reflect the correct balances as at 30th June, 2016.

A cash book extract and bank reconciliation statement is attached for audit verification.

(Refer to Annexure 5)

3.2 Development Bank Account Ac No.01141232417501

Audit Observation

Included in bank balance figure of Kshs.90,613,792 is Kshs.11,800,415 on account of the Nairobi City County Assembly Development Account No.011411232417501 held at cooperative bank of Kenya. Similarly as reported in 3.1 above, the cash book opening balance to the development bank account used in computing the closing balance differs with the adjusted cashbook balance for the financial year 2017/15 by kshs.7,516,377. Adjustments necessary to correct the balances have not been passed. In the circumstances, I am unable to confirm the accuracy of the bank balance of Kshs.90,613,792.

Management Response

A proper cash book adjustment has been passed to correct the difference in balances. Bank reconciliation has also been done to correct the differences.

A cash book extract and bank reconciliation statement is attached for audit verification.

(Refer to Annexure 6)

4.0 Conformance with IPSAS Reporting Framework

4.1 Pending Bills Disclosure

Audit Observation

Nairobi City County Assembly has not disclosed the pending bills amounts as at 30th June, 2016 to the financial statements.

Management Response

The Assembly had no pending bills as at 30th June, 2016 hence non-disclosure in the financial statements. However, the County Treasury released funds late and upon receipt the same was utilized to meet the committed expenditures as earlier budgeted in the FY 2015/16 approved budget.

4.2 Non-Current Assets Balances.

Audit Observation

Despite the Nairobi City County Assembly spending Kshs.211,055,228 in the acquisition of assets (2015 Kshs.207,243,000) no disclosure has been made in the notes to the financial statements.

Consequently, the financial statements as presented are not in conformance with the IPSAS-Cash Basis, the standard against which they have been prepared.

Management Response

The Nairobi City County Assembly spent Kshs.231,650,925 in the Acquisition of Assets during the financial year under review. A disclosure of the same is as per the Summary of Assets in the notes to the financial statements. A copy of the same is herewith attached for audit verification. The financial statements presented thus, conform to the IPSAS-Cash Basis.

(Refer to Annexure 7)

OTHER KEY AUDIT MATTERS

1.0 Budgetary performance and Controls

1.1 Under Expenditure-Recurrent Budget

Audit Observation

The summary statement of Appropriation –Recurrent for the year under review shows that the Assembly approved recurrent budget of Kshs.1,505,545,510 while the actual expenditure was Kshs.1,437,266,801 (95%) resulting in under expenditure of Kshs.68,278,709 (5%) of budget. The under expenditure was mainly contributed by five departments with under expenditure in (41) line items amounting to Kshs.64,280,121.

The under absorption of approved budget is an indication of non-implementation of activities in the annual work plan by the Assembly. This is likely to have negative impact on delivery of goods and services to the Nairobi City County citizens.

Management Response

The Nairobi City County Assembly 2015/16 Budget was not fully funded, thus the under absorption of Kshs. 64,280,121 was occasioned by under-funding from the Treasury.

1.2 Under Expenditure - Development Budget

Audit Observation

According to the summary statement of Appropriation- Development for the year ended 30th June, 2016, the Assembly had a Budgetary allocation of Kshs.327,973,960 for Development Projects of which Kshs.308,506,083 (94%) was expended resulting to under expenditure of

Kshs. 19,467,877 (4%) of budget. The under expenditure of the budget was mainly by two (2) Departments ; County Legislature and the Office of the Clerk.

The under expenditure of Kshs.19,467,877 implies that the County Assembly did not implement or complete some of the projects as planned and hence the intended objectives for the year ended 30th June, 2016 were not fully achieved.

Management Response

The Nairobi City County Assembly 2015/16 Budget was not fully funded. Efforts by the County Assembly to request release of funds on time and as budgeted were not fruitful. Thus, the under expenditure of Kshs. 19,467,877 as noted by the auditors was due to the under-funding of the budget by the Treasury.

2.0 PRIOR YEAR ISSUES

2.1 Human Resources

2.1.1 Irregular Hiring of staff

Audit Observation.

As reported in the previous year the County Assembly advertised for various positions in the local dailies dated 19 and 20 July, 2014 totaling to thirty eight (38) positions. As per the Nairobi City County Assembly Service Board Report (NCCASB), one hundred and twenty three (123) people were shortlisted and one hundred and fifteen (115) were interviewed. Information available indicates that NCCASB employed seven (7) additional staff contrary to the advertisement. No reason was provided for the increased staff recruitment. Employment of unplanned staff will result to constraint on the budget well as idleness. It is also against the Public Service Commission Regulations.

Management Response

It is true that the Board employed more staff; this was occasioned by various tasks of the Assembly requiring additional manpower which were not envisaged when the advertisements were carried out. Since the process was already ongoing; having placed the previous advert and having received many responses, the Board shortlisted more candidates and they were all interviewed together, it was decided that the candidates from specific categories who had been interviewed and passed but had not been considered, be considered for appointment to address the need. The Board therefore approved the additional staff employed. Board minutes are available for verification.

(Refer to Annexure 8)

2.1.2 Labour and Relations Court Petition No. 33 of 2015

Audit Observation

As reported in the previous year, the NCCASB advertised for the position of Deputy Clerk on 19 and 20 July 2014 through a local newspaper of which three people responded and were called for the interview. The panel passed a resolution that for a person to be appointed, the candidate must have scored at least 70% of the total marks. All the three candidates scored over 70% with the highest at 80% which was recommended for appointment.

The board did not give an appointment letter to the recommended candidate, instead they advertised for the position on 23 March, 2015. No board resolution was given for the failure to appoint the successful candidate and the position is still vacant.

This action resulted in a case being filed in the Employment and Labour Relations Court of Kenya, Constitutional Petition No.33 of 2015 on 9 April, 2015. According to the petition, the board did not publish the score cards of the earlier recruitment before re-advertising. No reasons were provided for failure to appoint the candidate who scored 80% and recommended by the board. It is not clear at what point the Board rescinded its decision on the leading candidate. The failure by the Board to adhere to its rules and regulations may lead to unnecessary litigation costs.

Management Response

It is true that NCCASB advertised for the position of Deputy Clerk and an interview was conducted. The post was not filled up and given that the matter is in court the Nairobi City County Assembly is awaiting courts verdict.

2.1.3 Termination /Dismissal of Employment

Audit Observation.

As reported in the financial year 2014/2015, two officers Clerical Officer 1 and Second Clerk Assistant were dismissed from service of the County Assembly.

A review of letters of appointment dated 14 November, 2013 gave conditions of termination of employment that *'Either party may give the other one month notice in writing assigning reasons thereto terminating this agreement.'*

The letter of termination did not give reasons why the two were terminated. Further, this was a breach of Section 42 – 45 of the Employment Act, (2007).

Consequently, it was not possible to confirm whether due process of law was followed in the termination of the two officers.

Management Response

The two officers mentioned above were terminated under termination on probationary contracts, section 42(4) of the Employment Act provides that, *'a party to a contract for a probationary period may terminate the contract by giving not less than seven days' notice of termination of the contract or by payment by the employer to the employee, of seven days wages in lieu of notice.'*

When the probation period of all the newly recruited officers came to an end and upon review of their performance, the Board decided not to confirm them due to under performance. The officers' conducts was found to be wanting and were therefore issued with termination letters. In the letters they were informed that the County Assembly shall pay them cash in lieu of notice period upon submitting fully filled clearance forms which they didn't comply.

2.2 Renovation of Conference Hall – Phase II

Audit Observation.

As reported in the previous financial year the County Assembly on 19 November 2014, entered into a contract with a company for the proposed Alteration, Renovation and Re-modeling of conference Hall Phase II at a contract sum of Kshs. 216,019,319, two certificates with a total value of Kshs. 66,137,400 were issued during the financial year 2015, in this respect. However, it was observed that certificate number two was for supply of furniture and loose fittings, which were not included in the initial contract of which a provisional sum of Kshs. 2,655,000 was paid. This amount was not supported with any documentary evidence.

Consequently, the property of Kshs. 2,655,000 paid could not be confirmed.

Management Response

It is true that the NCCA contracted a company to renovate and remodel the Conference Hall into a modern Assembly at a cost of Ksh.216, 019,318. Payment have been made to the Contractor on the basis of the certificate of work completed issued by the Project Manager.

A provisional sum of Ksh.2,655,000 has been paid and all the supporting documents are attached to support the payment including the invoices from the contractor and certificates from project manager for audit verification.

Contrary to the assertion by the Auditor, the contract also provided for supply of furniture and loose fittings.

(Refer to Annexure 9)

2.3 Overpayment for Supply and Delivery of Ward Furniture

Audit Observation.

As reported in the previous year, the Nairobi City County Service Board issued request for quotation to the youth, women and vulnerable group who are pre-qualified and registered by the National Treasury to supply Ward Office Furniture to the eighty five (85) wards within the Nairobi City County. Ninety one (91) quotations were received and opened on 7 May, 2014. The evaluation (technical and financial) was conducted in May 2014. All responsive bidders as set up in the criteria were identified.

The committee resolved that; to be recommended as a successful bidder for the award, one must be registered with the National Treasury and have Youth Access to Government Procurement Opportunities (YAGPO) certificated.

As at 21/07/2015 the County Assembly had paid a total of Kshs. 9,517,500 for supply of furniture to fifty four (54) County Wards out of the eighty five (85). However, it was resolved that the supply of the ward furniture should be within the 15% margin of the total amount allocated for the same (i.e Kshs. 141,000 = Kshs. 119,850,000 – 162,150.00). However the following anomalies were observed:

- (i) The evaluation committee gave a flat figure of Kshs. 176,250 although the evaluation committee had arrived at a range of between Kshs. 119,850 and Kshs. 162,150.
- (ii) The County Assembly ended up paying a flat figure of Kshs. 176,250 while some suppliers were willing and even quoted a figure less than the flat figure resulting in an overpayment of Kshs. 971,665. This is contrary to Section 30(3) where goods with known market prices should be procured at the prevailing market price.
- (iii) In one certain instance the winning bidder was not the one who supplied the furniture as analyzed below:-

No	Ward Name	Lowest Bidder Name	Kshs.	Contract Awarded to	Kshs.
1	Ngei	Pipenah EA	159,400	Cerdour Enterprises	176,250

Management Response

Following the Executive directive by the President on unbundling of procurement to the Youth and Women and in an attempt to comply with the directive, NCCA secured the entire ward furniture tender and set aside for the award of Youth and Women. The procurement was done through adverts placed in the ward offices targeting the youth and women of the ward. The responses were positive, however when the tender was issued to the youth, the items which were supplied were below the standards given. This was occasioned by the low quoted prices viz-a-viz the quality of the items requested to be supplied.

The Evaluation committee reconsidered the prices taking into account the market prices which were earlier sort. A price of Ksh 176,250/= was approved to prevail across the all the wards. Further NCCA needed uniformity on the ward office furniture.

As noted by the Auditor in observation (iii) above, the Youth Group which was awarded the tender in Ngei Ward took more than three (3) months to supply the furniture hence the LPO lapsed. This necessitated the cancellation of the LPO and replacement of the supplier.

2.4 Non – Attendance of Fully Paid Training Sessions.

Audit Observation.

As reported in previous financial year, the County Assembly organized for trainings and seminars in various hotels. It was noted that whenever bookings for a workshop or training was organized MCAs would fail to attend and they would not give an apology for replacement to be made resulted to booking of more officers/MCAs than actual attendance. Information and documents availed indicate that in the financial year under review the Nairobi City County Assembly incurred a cost that could have been saved due to over bookings of Conference facilities. This was as a result of hotels charging for more people than those who actually attended the seminars resulting to over expenditure of Kshs. 338,600 as detailed below:-

Workshop Dates	No. of workshops	Total No. people booked	No. people who attended	Difference	Average Charges per person per event Kshs.	Probable loss Kshs.
Various	30	583	471	112	3,023.21	338,600

Management Response

It is the practice of the Hotel to charge first day based on the amount on the L.S.O but subsequent days are charged based on the actual attendance. The Assembly is underway in ensuring that all measures are put in place to curb non-attendance of booked workshops.

2.5. Domestic and Foreign Travels

2.5.1 Issuance of Quarter Per Diem to Domestic Travels

Audit Observation.

As reported in the previous year, the NCCA issued quarter per diem to members of Assembly travelling to Mombasa to attend Speakers panel workshop in Mombasa on 20 – 24 totaling to Kshs. 62,500 as follows:

Speakers panel workshop in Mombasa on 20 th – 24 th Nov, 2014			
Name	Days	Rate (Kshs.)	Quarter per diems Total Amount (Kshs.)
Ms Monica Muthami	5	2,500	12,500
Ms Adah Onyango	5	2,500	12,500
Mr. Romeo Castro	5	2,500	12,500
Ms Hellen Mutie	5	2,000	10,000
Mr. Kevin Wasike	5	2,000	10,000
Ms. Louise Kelong	5	1,000	5,000
Total			62,500

In the circumstances, the NCCA contravened the requirements of the Code of Regulations, as this was not an overseas trip.

Management Response

It is true that some office were issued with imprest (subsistence allowance) while the full accommodation had already been paid out by another Government institution. The Clerk instituted the recovery of the full amount totaling Ksh 62,250/=.

2.5.2 Irregular Per Diem Rates

Audit Observation.

The County Assembly during the financial year 2014/15 used different rates from that gazetted by Salaries and Remuneration Commission (SRC) to issue per diems to members of assembly attending Budget Committee Workshop in Ruiru on 21-23 May, 2015. Speakers Aide & a driver accompanying speaker to Nakuru County on 25-28 June, 2015 were also paid imprest at rates different from those gazette as follows:-

Budget Committee Workshop in Ruiru on 21 st – 23 rd May 2015				
Name	No. of Days	Rates Paid	Gazetted rate	Overpayment
Mr. Erick Otieno	1	14,000.00	8,400.00	5,600.00
Mr Moses Senator	1	14,000.00	8,400.00	5,600.00
Hon. Afred Ambani	1	16,800.00	10,500.00	6,300.00
Hon. David N. Kairu	1	16,800.00	10,500.00	6,300.00
Hon. Petronilla Nafula	1	16,800.00	10,500.00	6,300.00
Hon. Isaac Ngige	1	16,800.00	10,500.00	6,300.00
Hon. Victoria Alali	1	16,800.00	10,500.00	6,300.00
Hon. Herman Azangu	1	16,800.00	10,500.00	6,300.00
				49,000.00
Nakuru per diem on 25 – 26 th June 2015				
Michael Wao Awiti	3	11,200.00	8,400.00	8,400.00
John Moiware	3	11,200.00	8,400.00	8,400.00
Francis Sarioya	3	6,300.00	4,900.00	4,200.00
Sammy Mbaluka	3	6,300.00	4,900.00	4,200.00
				25,200.00
Total				74,200.00

The officers and the MCAs contravened the Salaries & Remuneration Commission (SRC) gazette notice on the amounts of allowances that is payable to public officers on 10 December, 2014.

Management Response

It is true that wrong rates of per diem were used to pay MCAs and Staff. This was as a result of misinterpretation of Staff/MCAs Job Groups vis-a'-vis the SRC Circular. The Clerk to the County Assembly has however instituted a recovery of the total amount overpaid.

DELIVERY NOTE

DATE	NAME	DESCRIPTION	No.	NAME OF PERSON RECEIVING	SIGNATURE
3/6/17	Director of HRMIS Richard Treasury	Effect of HRMIS Description is June 2017	1	Ayes	do 3/6/17
"	Dr. Edward R-O Ouko CRS - Audit General	NAI/CAL/102.VI 09/FIN/2017	1	Olupia	① 3/6/17
		"			
	Gregory J. Mwachari CERA - Finance & Treasury Planning	"	1	AMON	30/6/017
3/6/17	Audit General Kenya Richard Audit	Brj Audit Report - 1000 Assembly for the Year ended 30 th June 2016	1	Olupia	① 3/6/17

