

JULY 2019

THE DELAY ON DISBURSEMENT OF BURSARIES FOR THE FY 2018-19

NO

16TH REPORT OF THE SELECT COMMITTEE ON FINANCE, BUDGET AND
APPROPRIATIONS

SECOND ASSEMBLY – THIRD SESSION

NAIROBI CITY COUNTY ASSEMBLY



COUNTY GOVERNMENT OF NAIROBI CITY

Handwritten notes in blue ink:
- 4/7/2019 @ 2:30pm by the Hon. Member
- 4/7/2019
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1.0. PREAMBLE

Hon. Speaker, on behalf of the Members of the Select Committee on Finance, Budget and Appropriations it is my pleasure to present to this Assembly this report on the investigations of the reasons for the delay in disbursement of bursaries for the FY 2018-19.

Before delving into the matter at hand it is important to remind this Chamber that the Nairobi City County Assembly Finance, Budget & Appropriations Committee is established pursuant to the provisions of Standing Order 199 and mandated to:

- a) Investigate, inquire into and report on all matters related to coordination, control and monitoring of the of the county budget;

- b) Discuss and review the estimates and make recommendations to the County Assembly;
- c) Examine the County Fiscal Strategy Paper presented to the County Assembly;
- d) Examine Bills related to the county budget, including Appropriations Bills; and
- e) Evaluate tax estimates, economic and budgetary policies and programs with direct budget outlay

Hon. Speaker, the County Assembly Finance, Budget & Appropriations Committee comprises of the following 19 Members:

- | | |
|-----------------------------|-------------|
| 1. Hon. Robert Mbatia, MCA | Chair |
| 2. Hon. Patrick Karani, MCA | Vice- Chair |

3. Hon. Michael Ogada, MCA
4. Hon. Osman Adow, MCA
5. Hon. Nimo Hajji, MCA
6. Hon. Anthony Ngaruiya, MCA
7. Hon. Kariuki Wanjiru, MCA
8. Hon. J.M Komu, MCA
9. Hon. Paul Ndungu, MCA
10. Hon. James Kariuki, MCA
11. Hon. Susan Mukungu, MCA
12. Hon. Catherine Okoth, MCA

13. Hon. Emily Oduor, MCA
14. Hon. Daniel Ngenji, MCA
15. Hon. Nancy Muthami, MCA
16. Hon. Elias Okumu, MCA
17. Hon. Paul Shillaho, MCA
18. Hon. Jane Muasya, MCA
19. Hon. Fredrick Okeyo, MCA

Deliberations on the Rationale for delay in disbursement of Bursary Funds for the FY 2018-19

The Committee held one sittings to review and discuss on the delay in disbursement of bursaries. In that meeting, the Committee heard submissions from the Controller of Budget, the County Executive Member for Finance, the County Executive Committee Member for Education, the respective Chief Officers for Education and Finance, the Branch Manager of Cooperative Bank, City Hall Branch and other key officers from the County Executive and the Cooperative Bank. The Committee also received written submissions from the interested parties on the operations of the bursary fund allocations. The Committee hence wishes to confirm without a sheer of doubt that all stakeholders involved have been accorded right of reply before the finalization of this report.

Acknowledgment

Hon. Speaker, I would like to thank Members of the Committee; the Office of the Speaker and Office of the Clerk for their specific contribution and support towards the successful completion of the scrutiny of reasons for the delay in disbursement of bursaries to indigent students.

Hon. Speaker, it is therefore my utmost privilege and distinct honor on behalf of the Committee to table this report and recommend it to the Assembly for adoption.

Signed.....

 Hon. Robert Mbatia, MCA
 Date.....
 14 Jun-1 2019.

Chairman: Finance, Budget and Appropriations Committee

2.0. INVESTIGATION OF THE DELAY ON DISBURSEMENTS OF BURSARIES

2.1. BACKGROUND INFORMATION

1. Hon. Speaker, on Thursday 27th June 2019, the Hon. Jeremiah Themendu rose on the floor of the Assembly pursuant to the provisions of Standing Order No. 34 and requested the Assembly to ventilate on the delay of issuance of bursaries as a matter of definite County importance. In his submissions he urged the Assembly to thoroughly discuss and find a way of addressing the delays in disbursement of bursaries as a way of guaranteeing the right to education for the majority of City residents who cannot afford to pay school fees for their kids. The Hon. Member reminded the Assembly that the provisions of Article 43 (1) of the Constitution 2010 guarantees right to education. It was his submission that the County Government has been funding students from informal settlements through bursaries issued by Members of the County Assembly each year since 2013. The Hon. Member was concerned that the delay in issuance of bursaries had locked most students from those settlements out of school as they were dependent on continued funding by the County Government.

2. Hon. Speaker, Members of the County Assembly ventilated on the matter of the definite county importance and thereafter the Chair directed that the Select Committee on County Finance, Budget and Appropriations investigate the matter further and tables a report in the Assembly on the delay on issuance of bursaries for the FY 2018-19 by Thursday 4th July 2019.

3. Hon. Speaker, as part of the directions given by the Finance, and Budget Appropriations Committee was required to provide a detailed response on the following issues inter alia: -

- a) The requisition requirements by the COB for issuance of bursaries;
- b) The submission of quarterly reports and other accountability documents to the Controller of Budget on issuance of bursaries;
- c) The status of bursary fund regulations and their legality or otherwise;
- d) The cost of writing of bursary cheques by Cooperative Bank of Kenya;

6. Hon. Speaker, the Head of Corporate Banking together with other officials of Cooperative Bank of Kenya appeared before the Finance, Budget and Appropriation Committee to shed light cost of printing of bursary cheques and the role of the Bank in providing detailed bank

2.2.2. CO-OPERATIVE BANK OF KENYA

- beneficiaries of the bursaries.
- d) That revised regulations had enhanced provisions for payment methods to the Assembly and present them for publishing; and
- c) That the Office of the County Attorney was waiting for the Education Sector and the County Treasury to make amendments on the Regulations as agreed with the County
- b) That the Sector had developed revised regulations for 2019 but the same had not been finalized and gazetted;
- a) That the County was still using the Public Finance Management (Nairobi City County Bursary and Scholarship Fund) Regulations 2016;
5. The Ag. County Attorney appeared before the Committee to clarify on the regulations that were in operation for management of the bursary fund. The officer submitted as follows: -

2.2.1. OFFICE OF THE COUNTY ATTORNEY

2.2. SUBMISSIONS ON THE MATTERS FOR INVESTIGATIONS

- Wednesday 3rd July 2019 to respond to the matters above.
4. Hon. Speaker, in this regard the Finance, Budget and Appropriations Committee invited officers from the Office of the Controller of Budget, County Education Department, the County Treasury and the Officials of Cooperative Bank of Kenya to its meeting held on
- h) The way forward with regard to all those matters.
- and
- g) The measures put in place to ensure the timely issuance of bursaries for the FY 2018-19;
- f) The bursary expenditures against the allocated and requisitioned amounts;
- e) The disbursement schedules for bursaries including the beneficiaries;

statements relevant to the release of bursaries. The following were the summary of their oral and written submissions:

- a) That on 24th April 2018 the County Treasury opened account namely Nairobi City County Bursary Fund account (Account Number 011412323966112) at Cooperative Bank of Kenya, City Hall Branch with the aim of supporting bursary cheques processing.
- b) That on the 24th day of April 2018 the County Government of Nairobi City entered an agreement with the Cooperative Bank of Kenya and the following were agreed:
- Printing of approximately 60,000 bursary cheques to the County government of Nairobi, and
- Any additional services as may be requested and agreed upon between the Bank and the Nairobi County.

- c) That on 25th May 2018 the Bank and County officials held a meeting to discuss the challenges the bank was facing with regard to issuance of cheques;
- d) That despite commitment from the bank, the challenges persisted due to data discrepancies provided by the County;
- e) That on 12th June 2018 the County Government of Nairobi wrote a letter to the Bank on stopping the cheques writing process citing non-satisfactory performance by the Bank on its obligation;

- f) The bank at the time of contract termination had printed 18,138 cheques;
- g) That the fee and cost payable to the Bank was Kshs. 50 per cheques and the Bank charged a sum of Kshs. 3,008,775 for the services rendered in writing the cheques and as per the terms of the contract;

- h) The bankers cheques issued had a validity of six months;
- i) That the amount was charged from the bursary fund Account No. 011412323966112;
- j) That on 25th June 2018 the bank advised the County Government on other efficient methods of bursary disbursement to the beneficiaries that are fasts and secure;
- k) That the bank was willing to work with the County officials to resolve the bursary release issue by providing statements and assisting with reconciliations.

2.2.3. EDUCATION, CHILDREN, YOUTH AFFAIRS & SOCIAL

SERVICES SECTOR

7. Hon. Speaker, the County Director of Education representing the County Executive Committee Member for Education, Children, Youth Affairs and Social Services appeared before the Finance, Budget and Appropriation Committee to shed light on disbursement of bursaries.

8. Hon. Speaker, the following were the summary of their oral and written submissions:

- a) That the County Department of Education is a user department and that their role entailed processing the bursary forms and forwarding the names of beneficiaries and relevant information to the Finance and Economic Planning Sector;
- b) That the role of Sector ended once the forms had been forwarded to the Finance Sector;
- c) That the Education Sector Accountant initiated the disbursement and consequently manual payment vouchers were prepared and invoiced into the IFMIS system authorizing the Central Bank to release the funds to the Bursary fund account in Cooperative Bank;
- d) That the Finance Sector was better placed to explain why the bursary funds had not been released;
- e) That the Bursary fund account has four signatories including Chief Officer for Education with Director Education as alternate and Chief Officer for Finance and Head of County Treasury (Accounting) as alternate;
- f) That the Education Sector hasn't been preparing quarterly reports on the management of fund; and
- g) That the delay in requisitions was due to lags in Finance Sector.

2.2.4. FINANCE & ECONOMIC PLANNING SECTOR

9. Hon. Speaker, the County Executive Committee Members Finance & Economic Planning appeared before the Committee and submitted as follows: -

- a) That the County received Kshs. 357million for bursaries for the FY 2017-18;

- b) That the initial arrangement was for the funds to be disbursed through cheques written through Cooperative Bank, a position that became untenable because of the long time it was taking and hence the work was taken over by interns;
- c) That full amount of disbursed save for Kshs. 3,008,775 bank charges and Kshs. 13,508,686 which remained as balance in the Bank account;
- d) The Sector filed a report with the Controller of Budget regarding the use of the fund. The Office asked for more documentation including hard copy of the bank statement, soft copy of the bank statement and certified copy of the bank statement which were all submitted;
- e) The Sector wrote to the Controller of Budget inquiring if any additional information was required to which a written response had not been received;
- f) The Sector had continued to engage regularly with the Office on the release of the pending funds;
- g) The County received comprehensive statement from Cooperative Bank on Friday 28th June 2019 regarding the bursary account. The report indicated that the entire Kshs. 357million had been accounted for;
- h) That the County requisitioned for disbursement of bursaries of Kshs. 297.5million and Kshs. 100million from the Controller of Budget on 16th April and 24th April 2019 respectively;
- i) That the County's position was that the new bursary should be released and any further queries on how the old bursary was spent should be inquired on separately;
- j) That the provisions of Regulation 6 (1) of the PFM (Nairobi City County Bursary and Scholarship Fund) Regulations 2016 assigns the functions of administration of the bursary fund to the Chief Officer responsible for matters related to Education;
- k) That the Education Sector did not take up their responsibility on administration of the Fund and left it to Finance which also faced a number of disruptions across the year;
- l) That this year the Education Sector must take up the responsibility and administer the fund;
- m) That issuance of cheques must be eliminated and use of most efficient forms of disbursement employed;
- n) That the County shall not honor any requests to change beneficiaries;

12. Hon. Speaker, the Finance Committee reviewed the various submissions which were presented before it both in oral and printed form and noted that there were a number of

3.0. OBSERVATIONS OF THE FINANCE, BUDGET AND APPROPRIATIONS COMMITTEE ON OPERATIONS OF THE BURSARY FUND ACCOUNT

- expenditure as the financial year had lapsed.
- as soon as possible to ensure that the IFMIS cut off does not lock out that pending
- h) That the County needed to submit the report accounting for the bursary disbursements requirements for disbursement of bursaries;
- g) That the Office wrote to the County Treasury on 11th June 2019 reminding them on the
- f) That the County was yet to provide documentation accounting for Kshs. 90,546,548;
- e) That the bank balance reported was Kshs. 13,511,216;
- amount expended to Kshs. 252,942,236;
- d) That the administrative costs accounted for was Kshs. 3,008,775 bringing the total
- c) That documents availed by the County only accounted for Kshs. 249, 933,461;
- reports;
- b) That as per the circular, all administrators of public funds had to provide quarterly reporting requirements vide a circular dated May 2017;
- a) That the Office communicated to all County Executive Committee Members on the
11. Hon. Speaker, the following were the summary of their oral and written submissions:

Budget and appropriation Committee to shed light on disbursement of bursaries.

of the Controller of representing the Controller of Budget appeared before the Finance,

10. Hon. Speaker, the County Budget Coordinator and the Principal Fiscal Analyst in the Office

2.2.5. OFFICE OF THE CONTROLLER OF BUDGET

- performing the functions of the Office of the Auditor General
- p) That the Controller of Budget by requiring the County to fully account for funds was
- will remain unspent as per provisions of the Regulations; and
- prepare a report on the fund statement, report on money disbursed and any money that
- o) That as soon as funds are disbursed, the Chief Officer for Education shall be required to

13. Hon. Speaker, the Finance, Budget and Appropriations Committee discussed with the officials and the following were agreed upon

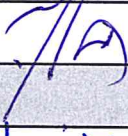
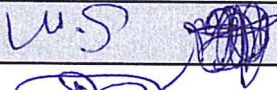
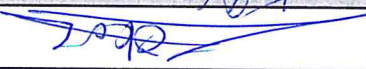
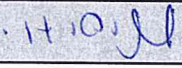
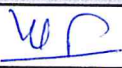
4.0. RECOMMENDATIONS

in June 2019.

- i) That whereas the bursary cheques were issued in July 2018, some of them were drawn requirements; and disbursement of bursaries, administration of the fund adherence to the fiscal Assembly on administration of bursary funds in regard to writing of cheques,
 - h) That the County Executive had not implemented previous resolutions of the County (7) of the PFM Act 2012; quarterly reports of the fund, a position not supported by the provisions of Section 116
 - g) That whereas the Office of the Controller of Budget had insisted on submission of proper discharge of the respective mandates under the Act and the Regulations;
 - f) That the Education Sector and the Finance Sector were not working in harmony for requisitions for bursaries thereby causing delay for release and disbursement;
 - e) That the County Government waited for too long into the financial year to make County Bursary and Scholarship Fund) Regulations 2016;
 - d) That the bursary fund was not being administered in line with the PFM (Nairobi City was no paper trail to support the same;
 - c) That whereas the officials claimed there were communications done, in most cases there and delivered;
 - b) That whereas the Cooperative Bank was paid the full amount for printing of cheques it did not honor the contractual agreements on the nature and number of cheques printed were gazetted;
 - a) That there was no effort put in place to ensure that the revised bursary fund regulations noted by the Committee in relation to the disbursement of bursaries were as follows: -
- discrepancies that it would wish to highlight to this house. The summary of discrepancies

- a) That the County Treasury, the Education Sector and Cooperative immediately work hand in hand to ensure that the bank statements on the bursary fund is accurate and reflects the true position of the operations of the account.
- b) That the County Treasury submits to the Office of the Controller of Budget the certified statements together with a summary showing the expenditures of the Kshs. 357million disbursed not later than Thursday 4th July 2019;
- c) That the Office of the Controller of Budget fast-tracks the verification of the information provided and submit information to the County on the same not later than Monday 8th July 2019;
- d) That upon receipt of verification report from the Office of the Controller of Budget, the County Executive Committee Member for Finance shall ensure that issues raised are addressed and corrected report submitted to the Office of the Controller of Budget within twenty-four hours;
- e) That the Office of the Controller of the Budget releases the amount requisitioned for bursaries not later than Wednesday 10th July 2019; and
- f) That the Finance, Budget and Appropriations Committee, the Controller of Budget, the County Treasury and the Education Sector shall hold a follow up meeting on Thursday 11th July 2019 to review the progress on all those matters.
14. Hon. Speaker, in addition the Committee resolved to review the following matters and report to the County Assembly in due course: -
- a) The validity and cost of writing cheques;
- b) The status of bursary fund regulations;
- c) The implementation of the resolutions of the County Assembly on management of funds; and
- d) The role of the Controller of Budget in enforcing accountability for amounts disbursed
15. Hon. Speaker, it is therefore my utmost privilege and distinct honor on behalf of the Finance, Budget and Appropriations Committee to table this report and recommend it to the Assembly for adoption.

We the undersigned Members of the Finance, Budget and Appropriations Committee affirm that this is the approved report of the Committee on the Delay on Disbursement of Bursaries for the FY 2018-19 as adopted by the Committee on the 4th day of July 2019

NAME	SIGNATURE
1. Hon. Robert Mbatia, MCA	
2. Hon. Patrick Karani, MCA	
3. Hon. Michael Ogada, MCA	
4. Hon. Osman Adow, MCA	
5. Hon. Daniel Ngegi, MCA	
6. Hon. Anthony Ngaruiya, MCA	
7. Hon. Kariuki Wanjiru, MCA	
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18. Hon. Jane Muasya, MCA	
19. Hon. Fredrick Okeyo, MCA	