

GOVERNMENT OF NAIROBI CITY COUNTY



paper laid by Hon.  
Peter Munira on  
25/10/22 @ 2:30pm  
*[Signature]*

THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY  
(FIRST SESSION)

NCCA/TJ/PL/2022(3)

25<sup>th</sup> October, 2022

PAPER LAID

SUBJECT: REPORT OF AUDITOR GENERAL

Pursuant to Article 229 (7) of the Constitution of Kenya, I beg to lay the following Paper on the Table of this Assembly, today Tuesday 25<sup>th</sup> October, 2022.

— THE REPORT OF THE AUDITOR GENERAL ON COUNTY EXECUTIVE OF NAIROBI CITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021.

*(The leader of Majority Party)*

Copies to:  
The Speaker  
The Clerk  
Hansard Editor  
Hansard Reporters  
The Press

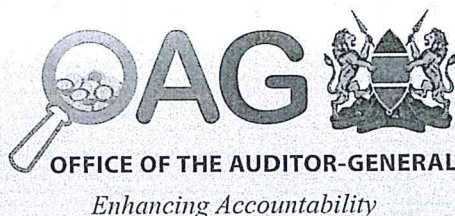






# REPUBLIC OF KENYA

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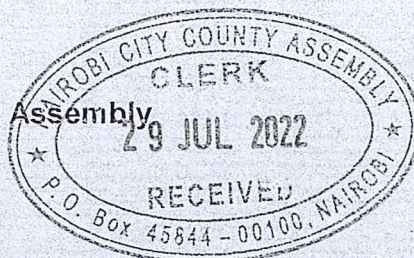


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In my note  
and deal  
HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

OAG/NRB/NCCE/2020/2021/(28)

27 July, 2022

Edward O. Gichana  
Clerk to the Nairobi City County Assembly  
P.O. Box 45844-00100  
NAIROBI

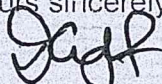


Dear Edward

## REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF NAIROBI CITY FOR THE YEAR ENDED 30 JUNE, 2021

I transmit the report of the Auditor-General on the examination of the financial statements of County Executive of Nairobi City for the year ended 30 June, 2021. The report is submitted in accordance with the provisions of Article 229(7) of the Constitution for the necessary action as required by Article 229(8) of the Constitution.

Yours sincerely

  
David M. Njoka  
For: AUDITOR-GENERAL

Copy to: The Principal Secretary  
National Treasury  
P.O. Box 30007-00100  
NAIROBI

Mr. Jeremiah Nyegenye, CBS  
Clerk to the Senate  
P.O. Box 41842-00200  
NAIROBI

H.E Ann Kananu Mwenda  
Governor  
County Government of Nairobi City  
P.O. Box 30037-00100  
NAIROBI

The County Executive Member - Finance  
County Government of Nairobi City  
P.O. Box 30037-00100  
NAIROBI

II. PCA L&P  
Kindly purpose this  
to be considered in  
the next Assembly  
@Mumoo  
DHS  
15/8/2022

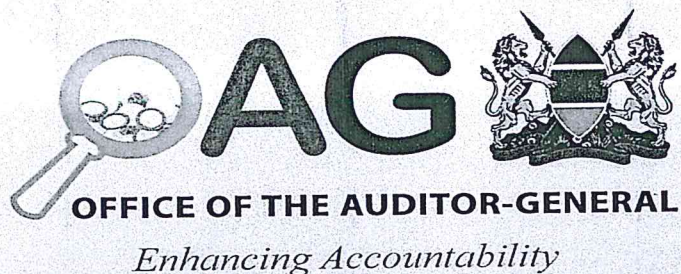
III. SCA - Adam  
Please urgently deal  
Mfr  
PCA ch's P  
25/10/22







REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**COUNTY EXECUTIVE OF NAIROBI CITY**

**FOR THE YEAR ENDED**  
**30 JUNE, 2021**



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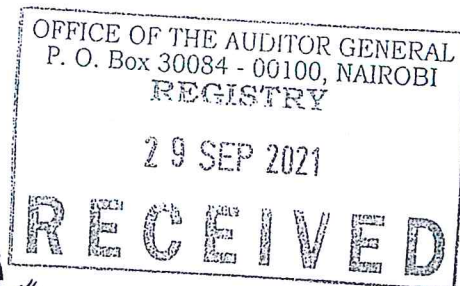
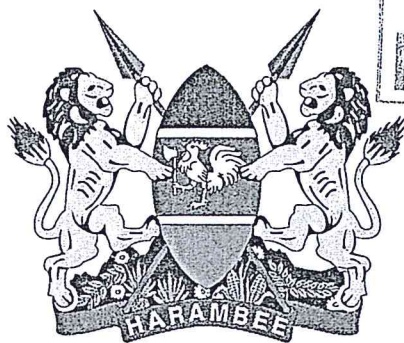
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**COUNTY GOVERNMENT OF NAIROBI CITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2021**

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

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE  
Annual Report and Financial Statements  
For the year ended June 30, 2021.

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## COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE

### Annual Report and Financial Statements

For the year ended June 30, 2021.

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management of finances. The County has an established audit committee which strengthens the independence and the processes around internal auditing.

#### e) County Executive Headquarters

P.O. Box 30037 -01000,  
City Hall Building,  
City Hall Way,  
NAIROBI, KENYA

#### f) County Executive Contacts

Telephone: (254) 20 224281, (254) 20 2216151

E-mail: [info@nairobi.go.ke](mailto:info@nairobi.go.ke)

Website: [www.nairobi.go.ke](http://www.nairobi.go.ke)

#### g) County Executive Bankers

##### 1. Central Bank of Kenya

Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
NAIROBI, KENYA

##### 2. Other Commercial Banks

###### (i) Equity Bank,

Equity Centre Branch,  
P.O Box 75104-00200,  
NAIROBI, KENYA

###### (ii) National Bank,

Kenyatta Avenue Branch,  
P.O Box 30645 -00100,  
NAIROBI, KENYA.

###### (iii) Kenya Commercial Bank

Moi Avenue Branch  
P.O Box 30081 – 00100  
NAIROBI, KENYA



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(iv) Co-operative Bank

City Hall Branch

P.O Box 44805 - 00100

**NAIROBI, KENYA**

**h) Independent Auditors**

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

**NAIROBI, KENYA**

**i) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

**NAIROBI, KENYA**

# COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE

## Annual Report and Financial Statements

For the year ended June 30, 2021.

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### 2. FOREWORD BY THE COUNTY EXECUTIVE COMMITTEE MEMBER

The financial statements have been prepared pursuant to sections 163,164 and 165 of the PFMA, 2012, a requirement that the county has consistently obliged to since the onset of devolution. The Reports and Financial Statements for the year have been prepared in accordance with IPSAS cash basis as recommended by the Public Sector Accounting Standards Board. These financial statements are for the 12 months' period ended 30th June, 2021. Other than being a conformation to regulatory requirements, these statements provide the county an opportunity for self-assessment in all financial matters, as a process of learning and continuous improvement in management of public resources.

The constitution 2010, through part two of the fourth schedule, allocated fourteen functions and powers to be delivered by the counties, as affirmed by article 186 (1). These functions are;

1. Agriculture, including; Crop and animal husbandry; Livestock sale yards; County abattoirs; Plant and animal disease control; and Fisheries.
2. County health services, including, in particular; County health facilities and pharmacies; Ambulance services; Promotion of primary health care; Licensing and control of undertakings that sell food to the public; Veterinary services (excluding regulation of the profession); Cemeteries, funeral parlours and crematoria; and Refuse removal, refuse dumps and solid waste disposal.
3. Control of air pollution, noise pollution, other public nuisances and outdoor advertising.
4. Cultural activities, public entertainment and public amenities, including; Betting, casinos and other forms of gambling; Racing; Liquor licensing; Cinemas; Video shows and hiring; Libraries; Museums; Sports and cultural activities and facilities; and County parks, beaches and recreation facilities.
5. County transport, including; County roads; Street lighting; Traffic and parking; Public road transport; and Ferries and harbours, (excluding the regulation of international and national shipping and matters related thereto)
6. Animal control and welfare, including; Licensing of dogs; and Facilities for the accommodation, care and burial of animals.
7. Trade development and regulations, including; Markets; Trade licenses (excluding regulation of professions); Fair trading practices; Local tourism; and Cooperative societies.

**COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE**  
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**For the year ended June 30, 2021.**

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8. County planning and development, including; Statistics; Land survey and mapping; Boundaries and fencing; Housing; and Electricity and gas reticulation and energy regulation.
9. Pre-primary education, village polytechnics, home craft centres and childcare facilities.
10. Implementation of specific national government policies on natural resources and environmental conservation, including; Soil and water conservation; and Forestry.
10. County public works and services, including; Storm water management systems in built-up areas; and, Water and sanitation services.
11. Ensuring and coordinating the participation of communities and locations in governance at the local level and assisting communities and locations to develop the administrative capacity for the effective exercise of the functions and powers and participation in governance at the local level.

For delivery of these functions within Nairobi County, various structures exist, with clearly defined roles. Nairobi City County Government is a product of devolution which was introduced by Article 6 and 174 of the constitution, and therefore a government exists as per article 176 (1), with both the County Assembly and the County Executive in existence. In the execution of the county mandate, it retains the constitutional responsibility for the performance of the fourteen functions, inclusive of the ones transferred to other agencies, as per article 187 (2, b). It was the sole organ for the delivery of all functions from 2013, before the formation of Nairobi Metropolitan Services (NMS) in 2020, when it was institutionalized to improve the delivery of services to Nairobians. For efficient delivery of the functions, the county government has existing functional structure as guided by different legislation. The NMS is a state agency that was commissioned by the President of the Republic of Kenya to take charge of the functions that were handed over by the county government in 2020 as guided by article 187 of the constitution. The NMS is in charge of County Health Services, County Transport Services, County Planning and development services and County public works, utilities and ancillary services. The NMS actively took over the delivery of these functions from 6<sup>th</sup> March 2020. The existence of this institution is expected to improve efficiency, and create synergy with the already existing platforms for greater productivity and seamless delivery of services. The Nairobi City Water and Sewerage Company Ltd. was incorporated in December 2003 under the Companies Act cap 486. It is a wholly owned subsidiary of Nairobi City County and its main responsibility is to provide water and sewerage



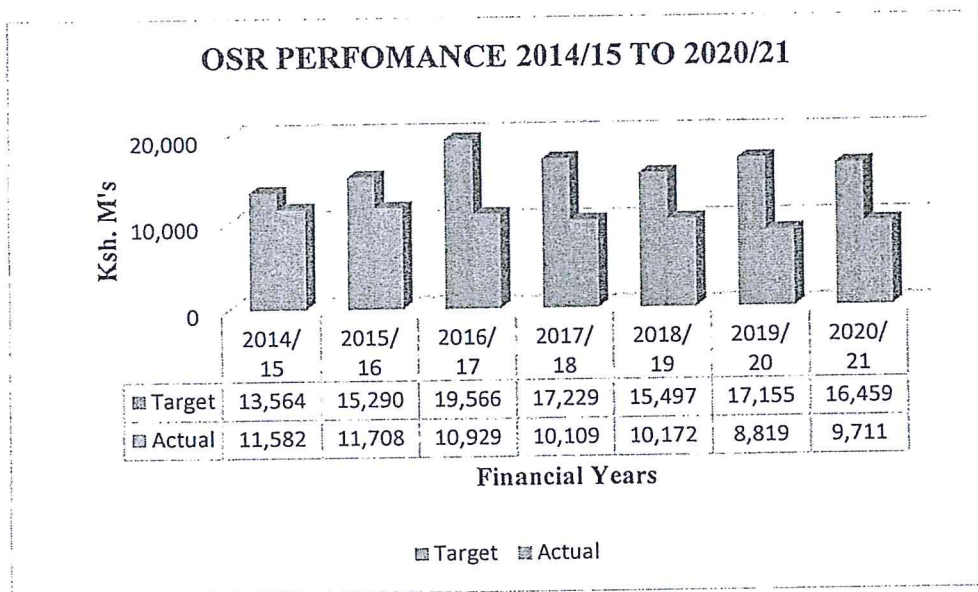
## COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE

### Annual Report and Financial Statements

For the year ended June 30, 2021.

services to the city, in a financially sustainable manner and within the government regulations and the Water Act 2016 (Previously Water Act 2002). The Kenya Revenue Authority (KRA) under Gazette Notice no. 1609 of February 25, was designated as the principal agent for overall collection of revenue in Nairobi County. It was given full access to county revenue processes, information, data and systems. This was meant to enhance increased own- source revenue.

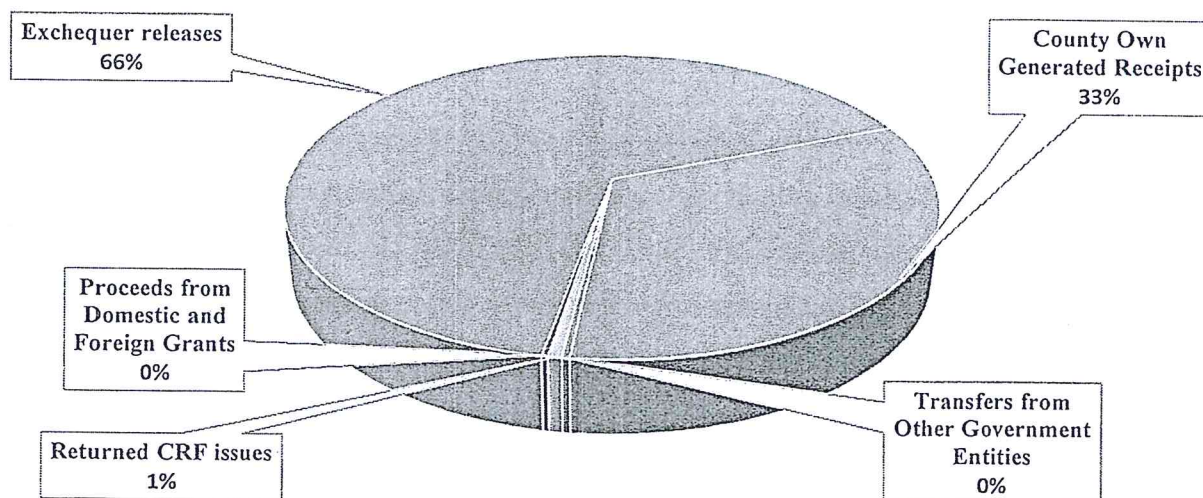
The county remains committed, and continuously pursues the fulfilment of the fiscal responsibility principles as espoused in law. This has been a slow but steady endeavour, as these statements portray a significant adherence to the fiscal responsibility principles, which was remarkable given the difficult and unprecedented times that persisted from mid-2019/2020. In mobilization of resources, the county met 78 % (Ksh. 29.55 B) of the approved revenue target of Ksh 37.88 B, constituted by exchequer release amounting to Ksh. 19.5 Billion, and Ksh. 9.7 Billion from own source revenue. Despite the hard economic times, Own Source Revenue (OSR) saw a 10% growth compared to the previous financial year 2019/2020, but still only met 59% of the set target.



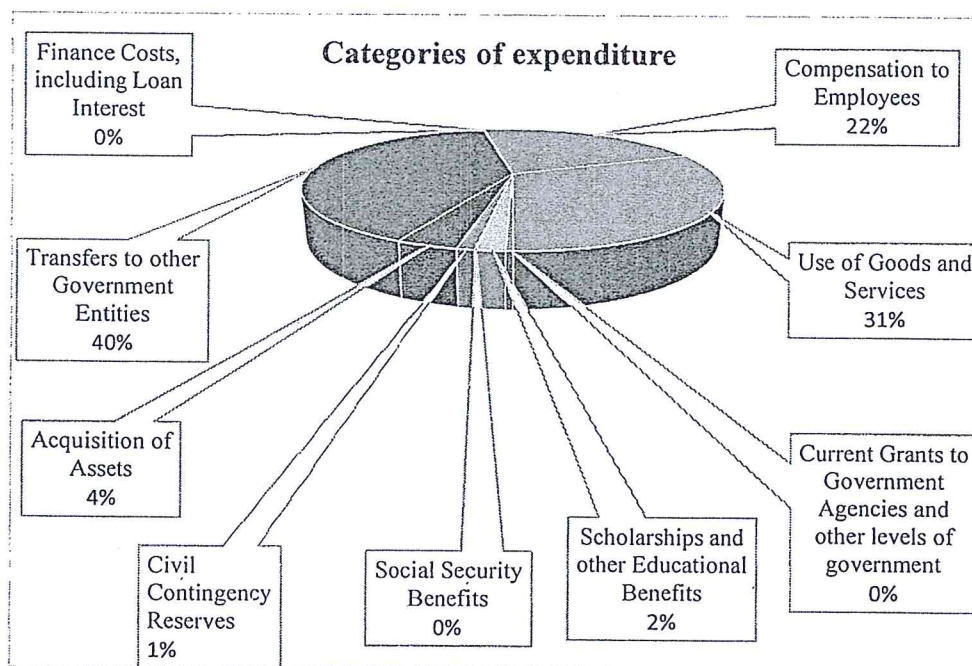
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Exchequer release constituted the larger portion of total county revenue actualized at 66%, while own source revenue accounted for 33%

**County Revenue Sources**



On the expenditure side, the statements depict 78.1 % absorption of the Ksh. 37.88 Billion budget. In absolute figures, the actual expenditure indicates that a larger proportion of county funds was utilized for transfers to other government agencies at 40%, use of goods and services at 31% and employee compensation at 22%.





## COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE

### Annual Report and Financial Statements

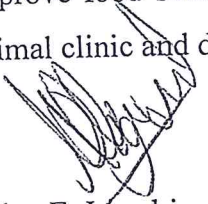
For the year ended June 30, 2021.

The statements directly correlate with the government's development agenda, which saw cognizable milestones in health, education, infrastructure, commerce and ICT. Considerable resources were also utilized for implementation of key flagship projects in development of stadia, fire stations, markets, public lighting, and road maintenance. Some of these projects were implemented through the Nairobi Metropolitan Services, which came into place after the signing of the deed of transfer of functions in February 2020.

Meeting the county's strategic objectives was hampered by a number of challenges during the period under review. The Key challenge was the continued effects of the Covid 19 Pandemic which reduced fortunes in both government and private activities. This led to unmet own source revenue targets, coupled with untimely and sometimes unpredictable release of the exchequer. As a result, provision of service was sluggish and erratic.

Bottlenecks in coordination of activities between NCC and NMS also led to implementation challenges, a situation that is being systematically streamlined with time. The NMS has continued to implement the development objectives aligned to the four transferred functions, with the national government supplementing efforts to ensure the remaining functions also achieve the envisaged targets.

Resources for implementation the development agenda inn 2021/2022 amounts to Ksh. 39.63 Billion, out of which Ksh. 20.14 Billion will be utilized by the NMS. Substantial resources have been allocated to ensure projects are implemented towards acquiring proper firefighting equipment, Construction of offices at the devolved levels, maintenance and upgrade of ICT system, Construction of ECD classes and vocational centers together with provision of necessary equipment and materials, upgrade of rescue centres/social halls/rehabilitation centres and completion of stadia. Markets will be rehabilitated and stall constructed to boost trade. To improve food security in the county, green houses and water harvesting tanks will be installed, animal clinic and dog pound will be done and rearing of dairy goat will be promoted.



Allan E. Igambi

County Executive Committee Member- Finance and Economic Planning

### 3. STATEMENT OF PERFORMANCE AGAINST COUNTY PREDETERMINED OBJECTIVES

#### 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 entity/Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

#### Strategic development objectives

The County's 2018-2022 CIDP has identified Eight (8) key strategic development objectives. Broadly, these objectives have been identified through a participatory process that reviewed the development priorities of the Governor's Manifesto, the National Government's "Big Four", NIUPLAN, SDGs and the MTP III.

The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and development aspirations in these policy frameworks.

The key development objectives of the Nairobi County's 2018-2022 CIDP are to:

- a) Provide quality physical infrastructure in the city,
- b) Provide economic growth opportunities to diverse groups including youth, women, PWD's,
- c) Provide reliable, accessible, quality and affordable healthcare,
- d) Provide accessible, affordable and quality ECD and vocational opportunities for all,
- e) Promote food and nutritional security for all,
- f) Promote good governance, public participation and rule of law,
- g) Increase access to affordable and quality housing, and
- h) Provide clean energy, safe drinking water, waste management and sanitary services in a secure sustainable environment.



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**Progress on attainment of Strategic development objectives**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement. Implementation of the plans since February 2020 was largely hampered due to the COVID 19 pandemic, which paralyzed activities. Some of the notable achievements towards attaining the CIDP objectives are as captured below.

**Progress on Attainment of Development Objectives from Annual Development Plan**

Department	Objective	Outcome	Indicator	Performance
Agriculture & Livestock	To Increase agricultural food and nutrition security, income generation and job creation.	Improve food productivity and food security	Number of drip kits installed	Installation and operationalization of 7 irrigation drip kits in institutions done
			Number of farmers reached with agricultural extension messages	12,725 reached through trainings, demonstrations, site visits, and online interactions
			Installation and stocking of 10 fish tanks units	Installation ongoing, at 50%
			Construction of 10 fish ponds in learning institutions	Completed
			Completion of Pangani animal clinic & rehabilitation of dog pound	Purchased and installed an incinerator at Pangani dog pound Completion of clinic/ building/ deferred to 2021/22
	To reduce the incidences of animal diseases	Improved livestock productivity	Number of animals vaccinated	21,117 animals vaccinated

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Department	Objective	Outcome	Indicator	Performance
	and pests	To safeguard human health by reducing rabies incidences	Number of dogs licensed	2,353 Dogs Licensed
		To reduce crop damage from army worm outbreak	No. of army worm traps serviced	4 traps serviced, 2 in Kasarani and 1 in kamukunji and 1 in Langata
Forestry	To increase the tree cover in the County	Conserved environment	Number of seedlings planted	287,000 tree seedlings planted in partnership with stakeholders
Trade Development & Markets Services	Continuous improvement of markets	Improved access to trading opportunities in markets	Level of completion	Renovated eight (8) markets in Muthurwa, Wakulima, Jericho, Kariobangi North, Landhies Road, Kayole Spine and Embakasi Village
Public Works, Roads & Transport	To develop and maintain roads and storm water drainage to global standards	Increased efficient transportation of people, goods and services	% of Motorable and passable roads within the city	In FY 19/20 we increased Motorable and passable roads by tarmacking 30Km of roads, recarpeting 43.3 Km of roads, Maintained 88 Km of existing roads; in the CBD and its environs, Rehabilitated 5 bus Termini and Constructed one new, installed 18 Km of NMTs on all major roads in the CBD.
	To develop and maintain street and security lighting	Increased public safety and security	% reduction of crime	Installed 10,559 new lights and ensured optimal maintenance of

**COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE**  
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Department	Objective	Outcome	Indicator	Performance
	infrastructure			the existing lights across all 85 wards
Water	To ensure provision of water	To increase access to clean water by households	Proportion of households that can access clean water	Drilled and equipped 193 boreholes, connected 81,000 households and extended water and sewer networks by 55km.
Environment	To ensure a clean, habitable city	A clean city	Volume of waste managed	Improved waste collection from 1800tons/day to 2500 tons/day.
Health Services	To improve health status of the individual, household and the community at the County	Increased access to specialised curative diagnostic interventions	% increase of access to specialised diagnostic services	Constructed and operationalized 12 health facilities  Rehabilitated and upgraded 28 health facilities.
Ward Development Programme	To ensure equity in development in the wards	Equal development in all wards	Level of implementation of equalization projects	32 roads and drainages completed, 2 Perimeter walls done and 2 ECD classes done; in Various wards throughout the county.



#### 4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Nairobi City County exists to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on three pillars: putting the customer/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

Key development objectives of the Nairobi City County

- i. Provide quality physical infrastructure in the City
- ii. Provide economic growth opportunities to diverse groups including youth, women and persons living with disabilities (PWDs)
- iii. Provide reliable, accessible, quality and affordable healthcare
- iv. Provide accessible, affordable and quality ECD and vocational opportunities for all
- v. Promote food and nutritional security for all
- vi. Promote good governance, public participation and rule of law
- vii. Increase access to affordable and quality housing
- viii. Provide clean energy, safe drinking water, waste management and sanitary services in a secure sustainable environment

##### 2. Environmental performance

The County has a draft Environment Policy.

Successes include:

- a) Ward-based monthly clean-up initiatives to sensitize waste generators on the need to take responsibility of their waste.
- b) Formulation of a Sustainable Waste Management Action Plan. This is a strategy for a paradigm shift from linear to the circular economy model.
- c) Implementation of the Waste Management Action Plan.
- d) Clearing of 33 illegal dumpsites
- e) Formulation of a draft Air Quality Policy

**COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2021.**

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- f) Formulation of a draft Air Quality Action Plan.
- g) Decongestion of Luthuli Avenue towards advancing Non-Motorised Transport and improve air quality. Air quality monitors were installed to provide data and inform decision making on reducing particulate matter and other pollutants.

Shortcomings include:

- a) Inadequate legal framework
- b) Inadequate resources including workforce, tools, equipment and infrastructure
- c) Inadequate funding
- d) Lack of a data and information management system
- e) Inadequate awareness amongst the populace
- f) Inadequate compliance and enforcement system

Efforts to manage biodiversity include:

- a) Planting greenery in public open spaces.
- b) Provision of tree seedlings and flowers to stakeholders for planting and nurturing.
- c) Maintenance of green public spaces.

### **3. Employee welfare**

The County Government of Nairobi City engages its stakeholders during recruitments especially the Salaries and Remuneration Commission in determination of salaries and allowances of public service officers. The county also engages the Public Service Commission to manage human resources in the Kenya civil service and the local authorities.

The following are efforts made in improving skills and managing careers, appraisal and reward systems

#### **i) Improving skills and managing careers**

##### **Training**

The HR sector within the county conducts regular Sectoral Training and Development Committee Meetings to guide and approve courses undertaken by staff members to improve on career progression and development. The Sector also conducts in-house training for short courses to staff members to enhance their work performance. Continuous Professional Development courses for County Professionals (Accountants, Health workers, Engineers and Human Resource Professionals)

**ii) Appraisal and reward system**

The Public Service Management Sector

- a. Developed draft Reward and Sanction Policy for the County awaiting approval from County Public Service Board
- b. After approval, the implementation process will be based on appraisal and Performance Contracting Assessment.
- c. Mid-term and end-term performance appraisal system and Performance Contracting assessment have been continuously undertaken to identify training gaps with a view of bridging the gaps through various interventions.

**iii) Safety**

The Public Service Management sector Ensures;

- a. Provision and maintenance of safe plants and system at the work place
- b. Absence/ elimination of all risks at the workplace
- c. Provision of information to employee on Safety and Health at workplace
- d. Carrying out workplace risk assessment is undertaken
- e. Provision and maintenance of Safe Health State at workplace
- f. Registration of workplace with the Directorate of Safety Health Services
- g. Send notice of accident occurrence, cases of occupational diseases to Directorate of Safety Health Services

**4. Market place practices-**

**a) Responsible Competition Practice**

On anti-corruption, we ensure transparency in all decisions made within our area of jurisdiction e.g. Open tendering, and involvement of all stakeholders.

On responsible political involvement, we ensure impartiality in every area of where we are involved in by being fair at all times. On Fair Competition and Respect for competitors in our operations, we ensure that bidding is open to whoever is willing to participate and ensure the ultimate winner is awarded.



**b) Responsible Supply Chain and Supplier relations**

Nairobi City County maintains good business practices by ensuring that the environment is favourable for business, stake holder's participation and proper communication either through print media and broadcast.

The county government treats its own suppliers responsibly by honouring contracts and respecting payment practices which is exhibited through settlement of pending bills.

**c) Responsible Marketing and Advertisement**

The County Government maintains ethical marketing practices by ensuring stakeholders participation and adequate communication through notices, print and broadcast media.

**d) Product Stewardship**

The County Government safeguards Consumer rights and interests by involving them in decisions affecting them e.g. revision of the Valuation Roll used to levy land rates.

**5. Community Engagements**

The County Government engaged the Community when developing Annual Development Plan (ADP) 2022-2023 and County Fiscal Strategy Paper (CFSP) 2021-2022 through public participation forums in all the eighty five wards in the county.

**6. Others**

The County Government issues education bursaries to needy students in secondary schools and tertiary institutions in all the wards every school term. ECD centres in all wards offer free ECD lessons with dietary supplements to pre-primary pupils. In addition, the Agriculture Sector trains, urban farmers on modern farming practices and provides them with free seedlings and farm implements.



## 5. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Sections 163,164 and 165 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the County Treasury shall prepare financial statements of each County Government entity, receiver of receipts and consolidated financial statements for all County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The County Executive Committee (CEC) member for Finance and Economic planning of the County Government is responsible for the preparation and presentation of the County Executive's financial statements, which give a true and fair view of the state of affairs of the County Executive for and as at the end of the financial year ended on June 30, 2021. 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 county Executive; (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 county Executive; (v) Selecting and applying appropriate accounting policies; and (iv) Making accounting estimates that are reasonable in the circumstances.

The CEC member for finance accepts responsibility for the County Executive's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The CEC member for finance is of the opinion that the County Executive's financial statements give a true and fair view of the state of the County Executive's transactions during the financial year ended June 30, 2021, and of its financial position as at that date.

The CEC member for finance further confirms the completeness of the accounting records maintained for the County Executive which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control.

**COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2021.**

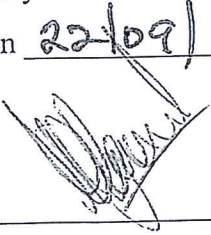
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The CEC member for finance confirms that the County Executive has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Executive's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Further the CEC member for finance confirms that the County Executive's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The County Executive's financial statements were approved and signed by the CEC member for finance on 22/09/ 2021.



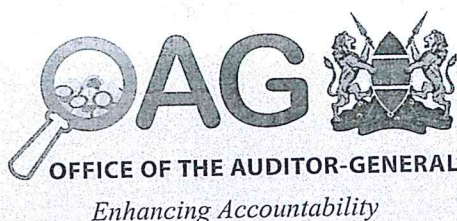
**County Executive Committee Member –  
Finance and Economic Planning**





# REPUBLIC OF KENYA

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## REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF NAIROBI CITY FOR THE YEAR ENDED 30 JUNE, 2021

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### PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

#### Adverse Opinion

I have audited the accompanying financial statements of County Executive of Nairobi City set out on pages 1 to 62, which comprise the statement of assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and

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*Report of the Auditor-General on County Executive of Nairobi City for the year ended 30 June, 2021*



the summary statement of appropriation – recurrent and development combined 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the County Executive of Nairobi City as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the Public Finance Management Act, 2012.

## **Basis for Adverse Opinion**

### **1. Inaccuracies in the Financial Statements**

#### **1.1 Variances Between the Financial Statements, Payment Details and the Ledger**

The statement of receipts and payments for the year ended 30 June, 2021 reflects total payments amounting to Kshs.29,582,031,455. However, the general ledger and payments summaries provided for audit reflected expenditure totalling to Kshs.17,006,826,853 and Kshs.21,078,392,025 respectively resulting in variances amounting to Kshs.12,575,204,602 and Kshs.8,503,639,430. The difference between the three sets of records was not reconciled or explained.

#### **1.2 Incomplete Payment Entries in the Ledger**

The statement of receipts and payments for the year under review reflects total payments amounting to Kshs.29,582,031,455. Review of IFMIS ledger entries revealed three hundred and forty-nine (349) payments to vendors for payments amounting to Kshs.1,937,357,693 which did not have corresponding invoice details. Management did not provide plausible reasons for failure to capture invoice details for the payments.

#### **1.3 Payments not Processed in IFMIS and Unreconciled Suspense Accounts**

Analysis of payments made through internet banking revealed 348 entries amounting to Kshs.2,172,065,824 which were paid without being processed through IFMIS during the year under review. Further, a payment analysis report generated from IFMIS reflected 3,825 transactions amounting to Kshs.287,485,876 processed through suspense accounts comprising of prepayments, special imprests and temporary imprests which were yet to be cleared. However, the amount differs with Kshs.33,247,428 reflected in the statement of assets and liabilities under accounts receivables – outstanding imprests, resulting in a variance of Kshs.254,238,448 which was not reconciled or explained.

#### **1.4 Accounts Payables - Deposits and Retentions**

The statement of assets and liabilities reflect a nil balance in respect of accounts payables - deposits and retentions as at 30 June, 2021. Review of payments made during the year



revealed an amount of Kshs.1,097,460,707 paid to contractors in respect of various works including construction of buildings, refurbishment of buildings and construction and civil works under acquisition of assets expenditure items. The payments required Management to retain an amount for defects liabilities under the works contracts. However, it was not possible to confirm whether any retention money was deducted before the payments were made as the same was not disclosed in the financial statements.

## **1.5 Unreconciled Bank Balances**

The statement of assets and liabilities reflects cash and cash equivalents amounting to Kshs.897,688,736 as at 30 June, 2021. The amount relates to balances held in forty-nine (49) bank accounts operated by City County Executive during the year under review, including one bank account which was overdrawn. However, certificates of bank balances for the 49 bank accounts reflect a cumulative balance amounting to Kshs.11,196,922,393 resulting to a variance of Kshs.10,299,233,657 which was not reconciled.

Further, an amount of Kshs.429,813,424 held in various bank accounts related to balances for county fund accounts which were required to prepare separate financial statements. Inclusion of the funds balances misstated the cash and cash equivalents balance as at 30 June, 2021.

Consequently, the accuracy and completeness of financial statements for the year under review could not be confirmed.

## **2. Receipts**

The statement of receipts and payments for the year under review reflects total receipts amounting to Kshs.29,553,905,838. Review of records and supporting documents provided for audit in respect of the receipts revealed the following anomalies;

### **2.1 Unaccounted for Receipts**

The statement reflects county own generated receipts amounting to Kshs.9,711,076,181 comprising of Kshs.7,469,415,819 collected through the Local Authorities Integrated Financial Operations Management System (LAIFOMS) and Kshs.2,241,660,362 collected through a revenue account held at the National Bank of Kenya. However, schedules in support of receipts collected through the National Bank were not provided for audit review. Further, a review of bank statements for National Bank of Kenya collection account revealed that an amount of Kshs.3,814,038,549 in revenue was collected through the bank during the year under review, resulting a variance of Kshs.1,572,378,187 which was not reconciled

In addition, a deed of transfer of functions to the National Government from the Nairobi City County Government signed on 25 February, 2020 and contained in the gazette notice No.1609, bestowed the responsibility of collecting and remitting all revenue accruing from the transferred functions to the National Government. As a result of the deed, Kenya Revenue Authority (KRA) was appointed the principal agent for overall revenue collection. Review of an account held at Equity Bank operated by KRA where revenue collected was deposited revealed that as at the closure of the financial year, Kshs.827,104 was held at



the account. However, details of the total revenue collected and remitted by KRA as provided for in the deed of transfer of functions, during the year under review were not provided for audit review.

## **2.2 Unremitted Receipts**

The statement of receipts and payments reflects county own generated receipts amounting to Kshs.9,711,076,181. However, the receipts excluded Kshs.369,429,434 (2020 - Kshs.427,267,499) collected by the Nairobi City County Alcoholic Drinks and Licensing Board. According to Regulation 80 of Public Finance Management (County Governments) Regulations, 2015 the receipts comprise revenue of the County Government and ought to have been remitted to the County Revenue Fund (CRF) and disclosed in the financial statements.

Consequently, the accuracy and completeness county own generated receipts could not be confirmed.

## **2.3 Proceeds from Domestic and Foreign Grants**

Note 2 to the financial statements reflects proceeds from domestic and foreign grants amounting to Kshs.74,527,819 comprising of Youth Polytechnic Support, Kenya Devolution Support Programme and World Bank funded Agriculture Sector Development Support Programme Phase Two (ASDSP II). However, the grants and donations were not disbursed through the revenue mode of disbursement or supply of goods and services as required by Regulation 72(4) of the Public Finance Management (County Governments) Regulations, 2015. Further, expenditure returns were not provided for audit review.

In addition, contrary to Regulation 77 of the Regulations cited above, Accounting Officers of the respective projects did not compile and maintain a record showing all receipts, disbursements and actual expenditure on a monthly basis in respect of the projects and sub-projects including monthly interim financial returns, quarterly financial management returns and a summary of the records for each quarter and year to the division responsible for external resources in the County Treasury not later than fifteen (15) days after the end of every quarter.

In the circumstances, the accuracy and validity of proceeds from domestic and foreign grants received through exchequer amounting to Kshs.74,527,819 during the year ending 30 June, 2021 could not be confirmed.

## **3. Unsupported Payments**

The statement of receipts and payments for the year ended 30 June, 2021 reflect total payments amounting to Kshs.29,582,031,455. However, support documents for the expenditure such as payment vouchers, invoices, contracts, disbursement details for payments amounting to Kshs.9,773,905,233 were not provided for audit review.

Consequently, the accuracy and validity of expenditure amounting to Kshs.9,773,095,233 could not be confirmed.



#### **4. Unsupported Expenditure - Use of Goods and Services**

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects expenditure amounting to Kshs.9,165,422,362 in respect of use of goods and services. Review of the supporting documents revealed the following

##### **4.1 Legal Expenses**

The balance includes Other operating expenses amounting to Kshs.2,477,851,520 which includes Kshs.836,627,660 in respect of legal expenses paid to various firms during the year under review. However, the payments to the firms were not supported by formal instructions for representation, details of cases in which the firms represented the County Executive and certified copies of the judgements for the respective cases as stipulated in the civil procedure rules. Further, the services were directly procured contrary to the provisions of Section 103 of the Public Procurement and Asset Disposal Act, 2015.

In addition, review of payments and documents revealed that the County Executive procured legal services without valid contracts contrary to Section 135 of Public Procurement and Asset Disposal Act, 2015.

##### **4.2 Unsupported Payments of Subsistence Allowance**

The balance further includes expenditure amounting to Kshs.323,281,087 on domestic travel and subsistence which includes an amount of Kshs.13,074,060 paid as subsistence allowances to staff members without evidence confirming that they participated in the events for which the allowances were paid.

##### **4.3 Unsupported Payments of Foreign Travel and Subsistence**

The balance also includes foreign travel and subsistence expenditure balance of Kshs.166,768,849 which constitute an amount of Kshs.11,422,273 whose supporting documents such as attendance registers, reports of work performed or program by staff members, invitation to various overseas trainings and workshops, imprest requisitions and applications, and proof of travel documents like boarding passes, stamped passports to various destinations were not provided for audit review.

##### **4.4 Training Expenses**

Further, training expenses amounting to Kshs.164,645,324 includes Kshs.13,292,580 paid in respect of various training programs. However, support documents such as need assessment reports, training programs from training institutions, invitations to the trainings and authentic travel documents among other information were not provided for audit review.

##### **4.5 Utilities, Supplies and Services**

The balance also includes payments amounting to Kshs.200,000,000 in respect of utilities, supplies and services. The amount was paid to Kenya Power and Lighting



Company (KPLC) in two payments of Kshs.100,000,000 each. However, the payments were not supported by statement of account, invoices, and electricity bills from KPLC.

#### **4.6 Hospitality Supplies and Services**

The balance also includes hospitality supplies and services expenditure balance of Kshs.174,474,979. However, review of expenditure documents for the amount revealed that payments amounting to Kshs.38,777,482 were made as meals allowances to staff of the County Executive said to have been engaged beyond normal working hours. However, the rates applied differed with approved rates by the Salaries and Remuneration Commission as stipulated in circular Ref. No. SRC/ADM/CIR/1/13(122) of 16 April, 2014. In addition, the expenditure was not justified as no basis or reasons were provided for the payments. Therefore, the expenditure did not constitute a proper charge to public funds.

Further, the expenditure includes allowance of Kshs.7,762,000 paid to various task force members. However, the allowances did not meet the eligibility criteria for payment set out in the Ministry of Devolution and Planning circular No. MSPS.2/1AVOL.XLVIII/(119) dated 2 August, 2013 which spells out conditions under which taskforces should be formed and compensated including eligibility criteria for such payments.

#### **4.7 Unaccounted for Fuel Oil and Lubricants**

The balance of use of goods and services of Kshs.9,165,422,362 reflected in the statement of receipts and payments includes Kshs.65,015,000 incurred on fuel, oil, and lubricants. However, records of fuel consumption in respect of the expenditure such as fuel registers and consumption statements from service providers were not provided for audit review.

#### **4.8 Other Operating Expenses**

The balance includes other operating expenses amounting to Kshs.2,477,851,520 which includes a payment of Kshs.4,864,960 for the supply and delivery of assorted office equipment which constituted six (6) laptops and eight (8) mobile iPhones at a unit price of Kshs.296,760 and Kshs.261,300 respectively at a total cost of Kshs.3,870,960. However, serial numbers for the equipment were not indicated on the delivery notes and the list of beneficiaries issued with the laptops and phones was not provided for audit review.

#### **4.9 Payments on Other Creditors**

Included in use of goods and services payments amounting to Kshs.9,165,422,362 are other creditors of Kshs.4,016,865,337 as reflected in Note 7 to the financial statements for the year under review. However, documents and particulars of the creditors to whom the payments were made were not provided for audit review. Similarly, payment documents for the expenditure were also not provided audit review. Further, it was not clear why the amount was included as expenditure in the statement of receipts and payments instead of a liabilities balance in the statement of assets and liabilities.



In the circumstances, the accuracy, validity and completeness of the balances in the respective items of expenditure under the use of good and services could not be ascertained.

#### **5. Irregular Payments of Allowances to Members of the County Assembly**

During the year under review, an amount of Kshs.4,361,828 were paid as allowances to Members of the County Assembly (MCAs) by the County Executive. However, the nature and purpose for the payment was not stated. The County Assembly has an independent budget to support its operations. Further, such payments may pose a risk of double payments for the same services as the applicable controls are independent.

In the circumstances, the validity of payments to MCAs amounting to Kshs.4,361,828 in respect could not be confirmed.

#### **6. Unrelated Rental Expenses**

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.5,599,283 in respect of rentals of produced assets. Review of the ledger analysis provided for audit review revealed that an amount of Kshs.1,800,000 was incurred on account of the County Assembly Speaker's official residence rent. However, no supporting documents were provided for audit review to support the payment. Further, no plausible explanations were provided as to why County Assembly related costs were paid by the County Executive.

Consequently, the validity of rental payments amounting to Kshs.1,800,000 could not be confirmed.

#### **7. Unconfirmed Grants and Payments**

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects Kshs.936,521,551 in respect of other grants and payments. Review of expenditure records revealed transfers to County schools totalling to Kshs.431,521,551. However, the payments were not supported by documentary evidence such as acknowledgement letters and expenditure returns detailing how the funds were utilized.

Consequently, the validity of Kshs.431,521,551 transferred to schools during the for the year ended 30 June, 2021 could not be confirmed.

#### **8. Unsupported Cash Payments**

Analysis of the payment details for expenditure incurred during the year revealed twelve (12) cash payments amounting to Kshs.523,082,932 comprising Kshs.478,399,092 and Kshs. 44,683,840 paid from Finance and Economic Planning and Agriculture, Livestock Development and Fisheries departments respectively. However, the supporting documents and the reasons for the huge cash payments were not provided for audit review.

Consequently, the validity and authenticity of the payment of Kshs.523,082,932 for the year ended 30 June, 2021 could not be confirmed.



## **9. Accounts Receivables**

### **9.1 Outstanding Imprests**

The statement of assets and liabilities reflects accounts receivables – outstanding imprests amounting to Kshs.33,247,428 as at 30 June, 2021. The outstanding imprest amount was due and ought to have been surrendered on or before 30 June, 2021. However, no explanation was provided why the imprest had not been surrendered on the due dates or recovery measures taken against holders of the outstanding imprests. In addition, accounting documents for issued imprests such as memorandum cash books were not provided for audit review.

As a result, the operations of the imprest system and expenditures incurred under suspense accounts amounting to Kshs.287,485,876 could not be confirmed as a proper charge to public funds. Further, imprests totalling Kshs.14,930,000 were issued to persons who held other uncleared imprests contrary to Regulation 93(8) of the Public Finance Management (County Governments) Regulations, 2015 which provide that no second imprest is to be issued to any officer before the first imprest is surrendered or recovered in full from his or her salary.

Further, Note 15 to the financial statements reflects other accounts receivables amounting to Kshs.1,161,493,708,846 which is an increase of Kshs.331,901,122,687 from Kshs.829,592,586,159 recorded in the previous year. However, supporting documents and details of persons and entities from whom the amount was outstanding from including an aging analysis was not provided for audit review.

Consequently, the authenticity of the other accounts receivables amounting to Kshs.1,161,493,708,846 reflected in the financial statements balances of could not be ascertained.

## **10. Outstanding Electricity Bills**

Annex 2 to the financial statements reflects a pending payments to the Kenya Power and Lighting Company (KPLC) amounting to Kshs.477,771,272. However, the outstanding payments were not supported by a statement of account from KPLC or electricity consumption bills. In addition, the other accounts receivables amounting to Kshs.1,161,493,708,846 includes, Kshs.1,083,239,001 owing from KPLC in respect of unpaid way leaves. However, the County Government did not maintain an account with the Company for purposes of netting off payable amounts against receivable amount. Additionally, a breakdown of the receivable amount from the company was not provided for audit review.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Executive of Nairobi City Management in accordance with ISSAI 130 on 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 adverse opinion.



## Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## Other Matter

### 1. Budgetary Control and Performance

The summary statement of appropriation – recurrent and development combined reflects final receipts budget and actual on comparable basis amounting Kshs.37,881,734,935 and Kshs.29,553,905,838 respectively resulting to an under-funding of Kshs.8,327,829,097 or 22% of the budget. Similarly, the County Executive expended Kshs.29,582,031,455 against an approved budget of Kshs.37,881,734,935 resulting to an under-expenditure amounting to Kshs.8,299,703,480 or 22% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

### 1.2 Late Exchequer Releases

During the year under review, the County Executive received a total of Kshs.19,500,070,511 from exchequer. However, review of records revealed that an amount of Kshs.12,893,291,261 or 66% of the exchequer issues were received during the months of June and July, 2021, an indication of delayed disbursements of funds by The National Treasury as summarized below: -

Date Received	Description	(Kshs.)
16 June, 2021	Exchequer Release	1,273,596,000
23 June, 2021	Exchequer Release	79,423,251
23 June, 2021	Exchequer Release	3,500,697,260
02 July, 2021	Exchequer Release	6,686,379,000
23 July, 2021	Conditional Grant Level V Hospitals	1,353,195,750
<b>Total</b>		<b>12,893,291,261</b>

Failure to remit Exchequer funds by The National Treasury may have impacted negatively on delivery of services to the public and other County Executive operations.

### 2. Pending Bills

Annex 5 to the financial statements reflect outstanding KCB bank for an outstanding loan amounting to Kshs.4,449,656,189. According to the Annex, no repayments were made during the year. Management did provide reasons for defaulting on the loan which may risk the assets pledged as collateral against the loaned amount. In addition, measures put in place to clear the outstanding loan amount including accrued interest was not outlined.

Further, other important disclosures to the financial statements reflect a summary of pending accounts payables totalling Kshs.7,484,134,430 while Annex 2 to the financial statements reflects pending accounts payable amounting to Kshs.5,901,206,837 resulting in an unexplained and unreconciled difference of Kshs.1,582,927,593.

Consequently, the accuracy of the pending accounts payable disclosed in the financial statements could not be confirmed and the County Management appear oblivious of the risk of failure to adhere to the payment of instalments as and when they fall due.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1. Compensation of Employees

The statement of receipts and payments reflects compensation of employees amounting to Kshs.6,430,283,158 for the year ended 30 June, 2021. Review of expenditure and supporting documents revealed the following anomalies;

#### 1.2 Irregular Recruitment and Retention of Staff

During the year under review, the County Executive engaged one hundred and eight (108) casual workers on temporary basis. However, no documentation on the recruitment process including the advertisement, list of applicants, short list and the minutes of the interviews were provided for audit review. Further, the County Executive employed one thousand six hundred and twenty-three (1,623) new employees during the year. However, the human resource plan, approval for recruitment, advertisements and records of the recruitment process were not provided for audit review.

Review of biodata of new employees revealed that a total of a hundred and one (101) recruits had just turned 18 years old and had not been issued with identity cards at the time of recruitment and thus they may not have not attained the majority age by the time the recruitment process began. Another twenty-seven (27) recruits were above the entry level age of forty-five as specified by the PSC manual on Human Resource practices.

In addition, during the year under review, the County Executive had in its payroll several employees who had attained the mandatory retirement age of 60. This was against Section L.5 (1) of the Public Service Commission of Kenya (County Public Service Human Resource Manual) which states that all officers will be required to retire from the service on attaining the mandatory retirement age of 60 years.



### **1.3 Duplicate Names and Account Numbers**

Review of payroll data revealed that salaries for several employees were disbursed to accounts whose details were shared between two or more persons. Management did not provide an explanation for the staff sharing bank accounts contrary to the PSC Human Resource Policies, 2016.

### **1.4 Unremitted Statutory and Other Deductions**

Review of records relating to statutory deductions and remittances revealed that an amount of Kshs.470,116,640 was deducted from employees' salaries in respect of pension schemes but was yet to be remitted to the respective institutions and schemes. The County Executive was therefore, in breach of Section 19(4) of the Employment Act which states that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement court order or arbitration as the case may be.

In the circumstances, Management is in breach of the Law.

## **2. Procurement of Goods and Services**

### **2.1 Irregular Procurement of Specialized Materials and Services**

Expenditure amounting to Kshs.140,341,451 on specialized materials and services reflected in Note 7 to the financial statements includes Kshs.29,748,016 incurred on procurement of Information Communications Technology (ICT) equipment. Review of procurement process and documents revealed instances where tenders were split contrary to Section 54(1) of the Public Procurement and Asset Disposal Act, 2015. Further, firms awarded the contracts were not in the register of prequalified suppliers for the supply of computers and communications equipment in the year under review, and the process of identifying them was not disclosed. In addition, inspection and acceptance reports for supplied equipment were not provided for audit review, and thus no evidence that the items were supplied as indicated.

### **2.2 Irregular Procurement of Office and General Supplies and Services**

Included in office general supplies and services expenditure amounting to Kshs.115,881,450 under use of goods and services are payments totalling to Kshs.75,048,155 towards purchase of office equipment through restricted tendering procurement method. However, use of the restricted tendering process did not meet the conditions set in Section 102 (1) of the Public Procurement and Asset Disposal Act, 2015. In addition, the membership of the opening committee, the evaluation committee and the inspection committee were same while a professional opinion was not provided on the bidders by the head of the procurement function to the accounting officer as required by the Act.

### **2.3 Irregular Extension of Medical Insurance Contract**

During the year under review, an amount of Kshs.230,000,000 was paid to an insurance provider for provision of medical cover to the County employees for the months of July, 2020 and August, 2020. Review of procurement of the services revealed that the Management extended an existing medical insurance contract by fifty-four (54) days effective 1 July, 2020 to end of August, 2020 due to non-responsiveness by bidders in a tender for the services in financial year under review. However, no documents were provided for audit review to support Management claim that a tender had been advertised for which bidders failed to respond to leading to extension of the existing provider. Further, there were no minutes of the decision and approval by the accounting officer for the extension.

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

### **3. Voided Transactions**

Review of expenditure analysis obtained from the Integrated Financial Management Information Systems, (IFMIS) revealed 1,192 payment transactions with a total expenditure of Kshs.4,066,735,905 which had been invalidated during the year under review. However, there was no documentary evidence provided to support authorization and reasons for invalidation of the transactions which had been presented to the Controller of Budget (CoB) for approval. In addition, it was not confirmed whether there were unauthorized payments made in place of those that were invalidated.

In the circumstances, the validity and completeness, and approval of payments made during the year could not be ascertained.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, 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, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.



## **Basis for Conclusion**

### **1. Lack of Staff Establishment**

During the year under review, the County Executive did not provide evidence of existence of an approved staff establishment for audit review. Consequently, it was not established whether the Management adhered to Section 5 of the delegation of Public Service Commission Human Resource functions to the Cabinet Secretary (Revised August, 2015) on staff establishment which states that Ministries and State Departments shall rationalize staffing levels in line with their current Ministerial mandates and approved budgets and proposals on the staff establishment shall be approved by the Public Service Commission before implementation.

### **2. Inadequate Maintenance of Records by Enforcement Department**

The Compliance and Enforcement Department of the County Executive serves enforcement notices and undertakes any other enforcement action in respect to physical development. However, examination of the Department's records revealed that some of the registers were old and mutilated and lacked backup copies. The records included; reports on arrests, court cases, notices, demolitions and complaints. Therefore, the information contained in the registers, though critical to the operations of the Department, was not maintained in a secure and efficient way.

Failure to maintain proper and up to date records by Management contravened Section 149(2)(c) of the Public Finance Management Act, 2012 which requires Accounting Officers to protect and back-up all financial and accounting records in their respective entities.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, 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 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 (Cash Basis) and for maintaining effective internal control 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 control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the County Executive's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the sustainability of services basis of accounting unless Management is aware of the intention to dissolve the County Executive or 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 are in compliance 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 County Executive'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**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control 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 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may



occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Executive's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships

and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

30 June, 2022



# COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE

Annual Report and Financial Statements  
For the year ended June 30, 2021.

## 7. FINANCIAL STATEMENTS

### 7.1. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021.

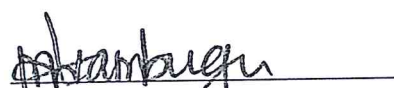
		2020/2021	2019/2020
	Note	Ksh	Ksh
<b>RECEIPTS</b>			
Exchequer releases	1	19,500,070,511	12,726,136,963
Proceeds from Domestic and Foreign Grants	2	74,527,819	-
Transfers from Other Government Entities	3	100,200,000	415,847,530
County Own Generated Receipts	4	9,711,076,181	8,819,040,246
Returned CRF issues	5	168,031,327	61,302,063
<b>TOTAL RECEIPTS</b>		<b>29,553,905,838</b>	<b>22,022,326,802</b>
<b>PAYMENTS</b>			
Compensation of Employees	6	6,430,283,158	12,590,337,786
Use of goods and services	7	9,165,422,362	8,992,360,564
Transfers to Other Government Units	8	11,903,451,498	1,303,773,480
Other grants and transfers	9	936,521,551	43,103,000
Social Security Benefits	10	10,895,603	1,757,187
Acquisition of Assets	11	1,097,460,707	1,435,028,590
Finance Costs, including Loan Interest	12	37,996,576	20,727,056
<b>TOTAL PAYMENTS</b>		<b>29,582,031,455</b>	<b>24,387,087,663</b>
<b>SURPLUS/DEFICIT</b>		<b>(28,125,617)</b>	<b>(2,364,760,861)</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Executive's financial statements were approved on 22/09/ 2021 and signed by:



Chief Officer

Name: Mohamed Abdi Sahal



Head of Accounting Services

Name: Martha Wambugu

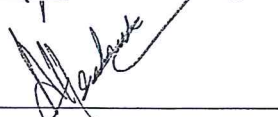
ICPAK Member Number: 5435

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE  
Annual Report and Financial Statements  
For the year ended June 30, 2021.

7.2. STATEMENT OF ASSETS AND LIABILITIES AS AT 30<sup>TH</sup> JUNE 2021

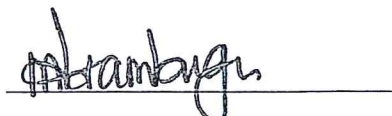
		2020/2021	2019/2020
FINANCIAL ASSETS	Note	Ksh	Ksh
Cash and Cash Equivalents			
Bank Balances	13A	897,688,736	920,449,033
Cash Balances	13B	-	-
<b>Total Cash and cash equivalents</b>		<b>897,688,736</b>	<b>920,449,033</b>
Accounts receivables – Outstanding Imprests	14	33,247,428	38,612,748
<b>TOTAL FINANCIAL ASSETS</b>		<b>930,936,164</b>	<b>959,061,781</b>
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions		-	-
<b>NET FINANCIAL ASSETS</b>		<b>930,936,164</b>	<b>959,061,781</b>
REPRESENTED BY			
Fund balance b/fwd	16	959,061,781	3,323,822,642
Prior year adjustments		-	-
Surplus/Deficit for the year		(28,125,617)	(2,364,760,861)
<b>NET FINANCIAL POSITION</b>		<b>930,936,164</b>	<b>959,061,781</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Executive's financial statements were approved on 22/09/ 2021 and signed by:



Chief Officer Finance

Name: Mohamed Sahal



Head of Accounting Services

Name: Martha Wambugu

ICPAK Member Number: 5435



COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE  
Annual Report and Financial Statements  
For the year ended June 30, 2021.

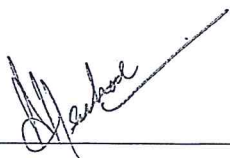
7.3. STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2021.

		2020/2021	2019/2020
	Note	Ksh	Ksh
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts from operating income</b>			
Exchequer releases	1	19,500,070,511	12,726,136,963
Proceeds from Domestic and Foreign Grants	2	74,527,819	-
Transfers from Other Government Entities	3	100,200,000	415,847,530
County Own Generated Receipts	4	9,711,076,181	8,819,040,246
Returned CRF issues	5	168,031,327	61,302,063
<b>Payments for operating expenses</b>			
Compensation of Employees	6	(6,430,283,158)	(12,590,337,786)
Use of goods and services	7	(9,165,422,362)	(8,992,360,564)
Transfers to Other Government Units	8	(11,903,451,498)	(1,303,773,480)
Other grants and transfers	9	(936,521,551)	(43,103,000)
Social Security Benefits	10	(10,895,603)	(1,757,187)
Finance Costs, including Loan Interest	12	(37,996,576)	(20,727,056)
<b>Adjusted for:</b>			
Changes in receivables		5,365,320	(17,002,040)
<b>Total Adjustments</b>		5,365,320	(17,002,040)
<b>Net cash flows from operating activities</b>		<b>1,074,700,410</b>	<b>(946,734,311)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	11	(1,097,460,707)	(1,435,028,590)
<b>Net cash flows from investing activities</b>		<b>(1,097,460,707)</b>	<b>(1,435,028,590)</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>			
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(22,760,297)</b>	<b>(2,381,762,901)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	13A	<b>920,449,033</b>	<b>3,302,211,934</b>
<b>Cash and cash equivalent at END of the year</b>	13A	<b>897,688,736</b>	<b>920,449,033</b>

**COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2021.**

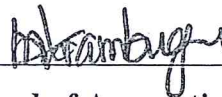
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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Executive's financial statements were approved on 22/09/ 2021 and signed by:



Chief Officer Finance

Name: Mohamed Sahal



Head of Accounting Services

Name: Martha Wambugu

ICPAK Member Number: 5435



## 7.4. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget utilization difference	% of Utilization
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Exchequer Releases	19,531,720,511	(31,649,999)	19,500,070,512	19,500,070,511	1	100%
Grant MOH Frontline Health Workers	-	100,200,001	100,200,001	100,200,000	1	100%
Road Maintenance Levy FY 2019/2020	451,898,344	-	451,898,344	-	451,898,344	0%
Road Maintenance Levy FY 2020/2021	475,436,588	-	475,436,588	-	475,436,588	0%
Proceeds from Domestic and Foreign Grants	182,730,217	-	182,730,217	74,527,819	108,202,398	41%
Transfers from Other Government Entities	-	-	-	-	-	
Returned CRF issues	603,679,451	108,208,652	711,888,103	168,031,327	543,856,776	24%
County Own Generated Receipts	16,459,511,170	-	16,459,511,170	9,711,076,181	6,748,434,989	59%
<b>TOTAL</b>	<b>37,704,976,281</b>	<b>176,758,654</b>	<b>37,881,734,935</b>	<b>29,553,905,838</b>	<b>8,327,829,097</b>	<b>78%</b>
<b>PAYMENTS</b>						
Compensation to Employees	5,263,467,189	1,677,988,546	6,941,455,735	6,430,283,158	511,172,577	93%
Use of Goods and Services	4,195,019,510	8,675,059,120	12,870,078,631	9,165,422,362	3,704,656,269	71%
Current Grants to Government Agencies and other levels of government	119,008,186	36,000,000	155,008,186	131,026,491	23,981,695	85%
Scholarships and other Educational Benefits	505,387,900	(387,900)	505,000,000	505,000,000	-	100%
Social Security Benefits	24,375,600	173,678,787	198,054,387	10,895,603	187,158,784	6%

**COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE**

**Annual Report and Financial Statements**

**For the year ended June 30, 2021.**

Civil Contingency Reserves	130,000,000	200,000,000	330,000,000	300,495,060	29,504,940	91%
Acquisition of Assets	1,277,658,328	2,221,510,626	3,499,168,954	1,097,460,707	2,401,708,247	31%
Liquor Licensing Board	250,000,000	94,339,821	344,339,821	-	344,339,821	0%
Transfers to other Government Entities	25,940,059,568	(12,901,430,347)	13,038,629,221	11,903,451,499	1,135,177,723	91%
Finance Costs, including Loan Interest	-	-	-	37,996,576	(37,996,576)	
<b>TOTAL</b>	<b>37,704,976,281</b>	<b>176,758,654</b>	<b>37,881,734,935</b>	<b>29,582,031,455</b>	<b>8,299,703,480</b>	<b>78%</b>
<b>Surplus/(Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28,125,617)</b>	<b>28,125,617</b>	

The Underutilisation below 90% was occasioned by underperformance in collection of county own sources of revenues where we had budgeted to collect Ksh. 16,459,511,170 Billion but collections under the year under review totalled Ksh. 9,711,076,181 Billion (59% performance).

The changes between the original budget and final budget were as a result of reallocations within the budget. The exchequer releases included Ksh. 3,500,697,260 Billion being equitable share arrears from the national treasury for the financial year 2019-2020.

The County Executive's financial statements were approved on 22/09/2021 and signed by:

  
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**Chief Officer Finance**

**Name: Mohamed Sahal**

  
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**Head of Accounting Services**

**Name: Martha Wambugu**

**ICPAK Member Number: 5435**



For the year ended June 30, 2021.

7.5. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget utilization difference	% of Utilization
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Exchequer Releases	13,672,204,358	(22,154,999)	13,650,049,358	13,650,049,358	1	100%
Grant MOH Frontline Health Workers	-	100,200,001	100,200,001	100,200,000	1	100%
Road Maintenance Levy FY 2019/2020	316,328,841	-	316,328,841	-	316,328,841	0%
Road Maintenance Levy FY 2020/2021	332,805,612	-	332,805,612	-	332,805,612	0%
Proceeds from Domestic and Foreign Grants	127,911,152	-	127,911,152	52,169,473	75,741,679	41%
Transfers from Other Government Entities	-	-	-	-	-	
Returned CRF issues	422,575,616	75,746,056	498,321,672	117,621,929	380,699,743	24%
County Own Generated Receipts	11,521,657,819	-	11,521,657,819	6,797,753,327	4,723,904,492	59%
<b>TOTAL</b>	<b>26,393,483,397</b>	<b>153,791,058</b>	<b>26,547,274,455</b>	<b>20,717,794,087</b>	<b>5,829,480,368</b>	<b>78%</b>
<b>PAYMENTS</b>						
Compensation to Employees	5,263,467,189	1,677,988,546	6,941,455,735	6,430,283,158	511,172,577	93%
Use of Goods and Services	4,089,119,510	8,597,959,120	12,687,078,631	9,165,422,362	3,521,656,269	72%
Current Grants to Government Agencies and other levels of government	119,008,186	36,000,000	155,008,186	131,026,491	23,981,695	85%
Scholarships and other Educational Benefits	505,387,900	(387,900)	505,000,000	505,000,000	-	100%
Social Security Benefits	24,375,600	173,678,787	198,054,387	10,895,603	187,158,784	6%
Civil Contingency Reserves	130,000,000	200,000,000	330,000,000	300,495,060	29,504,940	91%

**COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE**

**Annual Report and Financial Statements**

**For the year ended June 30, 2021.**

Acquisition of Assets	214,092,333	115,661,914	329,754,247	-	329,754,247	0%
Liquor Licensing Board	200,000,000	94,339,821	294,339,821	-	294,339,821	0%
Transfers to other Government Entities	16,317,059,568	(8,352,082,752)	7,964,976,816	7,668,964,362	296,012,455	96%
Finance Costs, including Loan Interest	-	-	-	37,996,576	(37,996,576)	
<b>TOTAL</b>	<b>26,862,510,286</b>	<b>2,543,157,537</b>	<b>29,405,667,823</b>	<b>24,250,083,611</b>	<b>5,155,584,212</b>	<b>82%</b>
<b>Surplus/(Deficit)</b>	<b>(469,026,889)</b>	<b>(2,389,366,479)</b>	<b>(2,858,393,368)</b>	<b>(3,532,289,524)</b>	<b>673,896,156</b>	

The Underutilisation below 90% was occasioned by underperformance in collection of county own sources of revenues where we had budgeted to collect Ksh. 16,459,511,170 Billion but collections under the year under review totalled Ksh. 9,711,076,181 Billion (59% performance). The receipts in this statement are allocated in the ratio of 7:10 representing 70% of the total budget.

The changes between the original budget and final budget were as a result of reallocations within the budget. The exchequer releases included Ksh. 3,500,697,260 Billion being equitable share arrears from the national treasury for the financial year 2019-2020.

The County Executive's financial statements were approved on 22/09/2021 and signed by:

  
 \_\_\_\_\_

**Chief Officer Finance**

**Name: Mohamed Sahal**

  
 \_\_\_\_\_

**Head of Accounting Services**

**Name: Martha Wambugu**

**ICPAK Member Number: 5435**



For the year ended June 30, 2021.

7.6. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget utilization difference	% of Utilization
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Exchequer Releases	5,859,516,153	(9,495,000)	5,850,021,154	5,850,021,153	0	100%
Grant MOH Frontline Health Workers	-	-	-	-	-	-
Road Maintenance Levy FY 2019/2020	135,569,503	-	135,569,503	-	135,569,503	0%
Road Maintenance Levy FY 2020/2021	142,630,976	-	142,630,976	-	142,630,976	0%
Proceeds from Domestic and Foreign Grants	54,819,065	-	54,819,065	22,358,346	32,460,719	41%
Transfers from Other Government Entities	-	-	-	-	-	-
Returned CRF issues	181,103,835	32,462,596	213,566,431	50,409,398	163,157,033	24%
County Own Generated Receipts	4,937,853,351	-	4,937,853,351	2,913,322,854	2,024,530,497	59%
<b>TOTAL</b>	<b>11,311,492,884</b>	<b>22,967,596</b>	<b>11,334,460,480</b>	<b>8,836,111,751</b>	<b>2,498,348,729</b>	<b>78%</b>
<b>PAYMENTS</b>						
Compensation to Employees	-	-	-	-	-	-
Use of Goods and Services	105,900,000	77,100,000	183,000,000	-	183,000,000	0%
Current Grants to Government Agencies and other levels of government	-	-	-	-	-	-
Scholarships and other Educational Benefits	-	-	-	-	-	-
Social Security Benefits	-	-	-	-	-	-

**COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE**

**Annual Report and Financial Statements**

**For the year ended June 30, 2021.**

Civil Contingency Reserves	-	-	-	-	-	-
Acquisition of Assets	1,063,565,995	2,105,848,712	3,169,414,707	1,097,460,707	2,071,954,000	35%
Liquor Board	50,000,000	-	50,000,000	-	50,000,000	0%
Transfers to other Government Entities	9,623,000,000	(4,549,347,595)	5,073,652,405	4,234,487,137	839,165,268	83%
Finance Costs, including Loan Interest	-	-	-	-	-	
<b>TOTAL</b>	<b>9,623,000,000</b>	<b>(4,549,347,595)</b>	<b>5,073,652,405</b>	<b>4,234,487,137</b>	<b>839,165,268</b>	<b>83%</b>
<b>Surplus/(Deficit)</b>	<b>1,688,492,884</b>	<b>4,572,315,191</b>	<b>6,260,808,075</b>	<b>4,601,624,614</b>	<b>1,659,183,461</b>	

The Underutilisation below 90% was occasioned by underperformance in collection of county own sources of revenues where we had budgeted to collect Ksh. 16,459,511,170 Billion but collections under the year under review totalled Ksh. 9,711,076,181 Billion (59% performance). The receipts in this statement are allocated in the ratio of 3:10 representing 30% of the total budget.

The changes between the original budget and final budget were as a result of reallocations within the budget. The exchequer releases are inclusive of Ksh. 3,500,697,260 Billion being equitable share arrears from the national treasury for the financial year 2019-2020.

The County Executive's financial statements were approved on 22/09/2021 and signed by:

  
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**Chief Officer Finance**

**Name: Mohamed Sahal**

  
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**Head of Accounting Services**

**Name: Martha Wambugu**

**ICPAK Member Number: 5435**



7.7 BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

VOTE CODE TITLE	Programme/Sub- programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
		2020-2021		2020-2021	2020-2021	
		Ksh	Ksh	Ksh	Ksh	Ksh
5311000000 COUNTY PUBLIC SERVICE BOARD	Programme 1; General Administration Planning and Support Services					
	Sp1; General Administration Planning and Support Services	126,503,677	(15,603,671)	110,900,006	94,135,461	16,764,545
	Total 5311000000 COUNTY PUBLIC SERVICE BOARD	126,503,677	(15,603,671)	110,900,006	94,135,461	16,764,545
	Programme 1; General Administrative Services					
5312000000 OFFICE GOVERNOR & DEPUTY GOVERNOR	Sp1; General Administration & Support Services	475,299,233	109,722,670	585,021,903	406,040,229	178,981,674
	Sp2; Sub County Administration	1,897,745,141	(122,936,806)	1,774,808,335	1,646,617,001	128,191,334
	Sp3; County Executive	359,371,304	32,344,625	391,715,929	267,394,794	124,321,135
	Sp4; Audit	100,154,396	(11,570,339)	88,584,057	70,115,797	18,468,260
	Programme 2;					

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	Security and Safety Management						
	Sp1; Inspectorate	797,946,791	75,354,826	873,301,617	848,388,162	24,913,455	
	Sp2; Investigative Services	75,249,505	(34,398,040)	40,851,465	30,996,316	9,855,149	
	Programme 3; Disaster Management Coordination						
	Sp1; Fire & Disaster Management	190,960,863	228,029,675	418,990,538	339,303,121	79,687,417	
	Programme 4; Management of legal affairs						
	Sp1; Legal services	717,248,233	186,184,737	903,432,970	879,730,362	23,702,608	
	Total 5312000000						
	OFFICE OF GOVERNOR & DEPUTY GOVERNOR	4,613,975,465	462,731,349	5,076,706,814	4,488,585,782	588,121,032	
	Programme 1; General Administration Planning and Support Services						
5313000000 ICT, E-GOVT & PUBLIC COMMUNICATIONS	SP1; General Administration, Planning And Support Services	110,745,897	3,373,431	114,119,328	86,256,450	27,862,878	
	Programme 2; Information And Communication Services						



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	Sp1; News And Information Services	71,504,300	(11,339,955)	60,164,345	47,596,658	12,567,687
	SP2; ICT and Media Regulatory Services	16,901,300	(6,462,171)	10,439,129	7,547,599	2,891,530
	Sp3; E-Government Services	245,177,100	(28,708,243)	216,468,857	109,619,714	106,849,143
	Programme 3; ICT Infrastructure Development					
	Sp1; ICT Infrastructure Connectivity	43,447,600	33,828,022	77,275,622	4,031,580	73,244,042
	Sp2; Information Security	5,447,600	(1,306,592)	4,141,008	2,384,100	1,756,908
	<b>Total 5313000000</b>	<b>493,223,797</b>	<b>(10,615,508)</b>	<b>482,608,289</b>	<b>257,436,101</b>	<b>225,172,188</b>
	<b>ICT, E-GOVT &amp; PUBLIC COMMUNICATION S</b>					
<b>5314000000</b> <b>FINANCE &amp; ECONOMIC PLANNING</b>	Programme 1; Public Financial Management					
	Sp1; Assets Management Services	144,958,200	105,809,030	250,767,230	113,674,344	137,092,886
	Sp2; Accounting Services	278,785,200	760,681,596	1,039,466,796	942,273,143	97,193,653
	Sp3; Budget Formulation Coordination and Management	134,654,500	54,328,213	188,982,713	116,009,074	72,973,640
	Sp4; Resource Mobilization	444,103,683	383,028,410	827,132,093	775,885,713	51,246,380
	Sp4; Debt	9,060,000	7,269,361,452	7,278,421,452	4,330,678,201	2,947,743,251

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	Management Services							
	Sp5; Supply Chain Management	115,669,348	(9,289,362)	106,379,986	97,237,575	9,142,411		
	Sp6; County Budget & Economic Forum	-	4,585,300	4,585,300	2,414,790	2,170,510		
	Programme 2; General Administrative Services							
	Sp1; General Administration & Support Services	342,053,220	27,041,133	369,094,353	345,826,757	23,267,596		
	Sp2; Kenya Devolution Support Programme (KDSP)	-	75,000,000	75,000,000	75,000,000	-		
	P3; Economic and Financial Policy Formulation and Management							
	SP1; Fiscal Policy Formulation, Development and Management	114,763,900	49,525,156	164,289,056	115,930,341	48,358,715		
	<b>Total 5314000000</b>	<b>1,584,048,051</b>	<b>8,720,070,928</b>	<b>10,304,118,979</b>	<b>6,914,929,937</b>	<b>3,389,189,042</b>		
<b>5315000000</b>	<b>HEALTH</b>							
	Programme 1; Preventive & Promotive Health Services							
	Sp1; HIV/AIDS Prevention & Control	-	-	-	-	-		



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Unit									
Sp2; TB Control	-	-	-	-	-	-	-	-	-
Sp3; Malaria Control & Other Communicable Diseases	-	-	-	-	-	-	-	-	-
Sp3; Reproductive Health & Maternal Health (RMNCAH)	-	-	-	-	-	-	-	-	-
Sp4; Environmental / Public Health	-	-	-	-	-	-	-	-	-
Programme 2; Curative care									
Sp1; County Referral Hospitals	-	-	-	-	-	-	-	-	-
Sp2; Health Centres & dispensaries	-	-	-	-	-	-	-	-	-
Programme 3; General administration, planning and support services									
Sp1; Administration/Human Resource for Health	-	1,072,723,303	1,072,723,303	1,072,723,303	1,072,723,303	625,598,375	447,124,928		
Sp2; Health Policy, Planning & Financing	-	-	-	-	-	-	-	-	-
Sp3; Health Commodities	-	-	-	-	-	-	-	-	-
Sp4; Research, Quality assurance & standards unit	-	-	-	-	-	-	-	-	-
Sp5; Coroner services	-	-	-	-	-	-	-	-	-

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	unit						
	<b>Total 5315000000</b>	<b>HEALTH</b>	-	<b>1,072,723,303</b>	<b>1,072,723,303</b>	<b>625,598,375</b>	<b>447,124,928</b>
<b>5316000000</b> <b>URBAN</b> <b>PLANNING AND</b> <b>LANDS</b>	Programme 1; General Administration Planning and Support Services						
	Sp1; Administration, Planning & Support Services		-	217,959,431	217,959,431	146,621,475	71,337,956
	Programme 2; Urban Planning, compliance & enforcement		-	-	-	-	-
	Sp1; Enforcement and compliance		-	-	-	-	-
	Programme 1; Land management						
	Sp1; valuation services		-	-	-	-	-
	Sp2; Land survey		-	-	-	-	-
	Sp3; Administrative services		-	-	-	-	-
	<b>Total 5316000000</b>	<b>URBAN</b> <b>PLANNING AND</b> <b>LANDS</b>	-	<b>217,959,431</b>	<b>217,959,431</b>	<b>146,621,475</b>	<b>71,337,956</b>
	Programme 1; General Administration Planning and Support Services						
<b>5317000000</b> <b>PUBLIC</b> <b>WORKS</b> <b>,TRANSPORT &amp;</b> <b>INFRASTRUCT</b>							



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URE	Sp1; General Administration, Planning And Support Services	-	840,303,332	840,303,332	239,389,260	600,914,072
	Programme 2; Roads, Drainage & Bridges					
	Sp1; Construction Roads & Drainages & Maintenance	-	-	-	-	-
	Programme 3; Road Safety Interventions					
	Sp1; Transport Facilities & Traffic Management	-	-	-	-	-
	Programme 4; Institutional Buildings & Maintenance					
	Sp1; Public street lighting Installations & Maintenances	-	-	-	-	-
	Sp2; Motor Vehicle, Machinery & Plant Maintenance	-	-	-	-	-
	Sp3; Institutional Buildings Maintenance	-	-	-	-	-
	Total 5317000000	-	840,303,332	840,303,332	239,389,260	600,914,072
	PUBLIC WORKS, TRANSPORT & INFRASTRUCTURE					

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5318000000 EDUCATION, Y OUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES	Programme 1; General administration, planning and support services						
	Sp1; General Administration & Support Services	1,516,771,660	(196,370,567)	1,320,401,093	1,301,305,804	19,095,289	
	Programme 2; Education services						
	Sp1; Quality Assurance and Co- curriculum	597,000	(104,400)	492,600	407,100	85,500	
	Sp2; Early Childhood Development Centres	101,451,995	144,718,915	246,170,910	154,929,300	91,241,610	
	Sp3; Technical and Vocational Training	51,061,486	(9,429,800)	41,631,686	32,295,581	9,336,105	
	Programme 3; Social Services						
	Sp1; General Administration & Support Services	169,664,857	7,860,695	177,525,552	168,121,640	9,403,912	
	Sp2; Gender and Community Empowerment	3,335,700	(2,008,970)	1,326,730	461,200	865,530	
	Sp3; Development and promotion of culture/ heritage	-	28,334,315	28,334,315	24,455,830	3,878,485	
	Sp4; Development and promotion of sports	45,726,600	(44,637,464)	1,089,136	300,000	789,136	
	Sp5; Youth Empowerment and Promotion	36,243,300	(20,680,120)	15,563,180	13,495,400	2,067,780	



	Sp6; Social welfare and care for the Aged	49,531,000	(19,082,590)	30,448,410	5,876,445	24,571,65
	Sp7; Promotion of Library and Information Services	2,347,600	(2,347,600)	-	-	-
	Sp8; Rescue and Rehabilitation of Children Services	21,851,000	(14,516,810)	7,334,190	4,747,906	2,586,284
	<b>Total 5318000000</b>	<b>1,998,582,198</b>	<b>(128,264,396)</b>	<b>1,870,317,802</b>	<b>1,706,396,207</b>	<b>163,921,595</b>
	<b>EDUCATION, YOUTH AFFAIRS, SPORTS, CULTURE &amp; SOCIAL SERVICES</b>					
	Programme 1; General Administration Planning and Support Services					
	Sp1; General Administration Planning and Support Services	415,969,749	(158,399,554)	257,570,195	219,870,333	37,699,862
<b>5319000000</b> <b>TRADE, COMMERCIAL &amp; COOPERATIVES</b>	Programme 2; Cooperative Development and Audit Services					
	Sp1; Cooperative Development Services	12,016,200	(4,049,470)	7,966,730	6,188,920	1,777,810
	Sp2; Cooperative Audit Services	3,977,000	(1,231,880)	2,745,120	860,060	1,885,060
	Programme 3; Tourism Promotion					

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	and Marketing							
	Sp1; Tourism Development	13,427,500	(4,129,422)	9,298,078	4,976,842	4,321,236		
	Programme 4; Trade development and Market Services							
	Sp1; Trade Development	139,779,500	(4,670,570)	135,108,930	7,458,000	127,650,930		
	Sp2; Market Services	265,887,300	126,876,649	392,763,949	158,473,213	234,290,736		
	Programme 5; Licensing and Fair Trade Practices							
	Sp1; Liquor Licensing & Regulation	-	-	-	-	-		
	Sp2; Weights & Measures Services	23,004,100	(1,207,260)	21,796,840	2,951,800	18,845,040		
	Sp3; Trade Licensing Services	10,740,200	(2,834,300)	7,905,900	12,334,673	4,428,773		
	Sp4; Betting & Gaming Services	7,726,000	(1,754,900)	5,971,100	3,421,050	2,550,050		
	<b>Total 5319000000</b>	<b>892,527,549</b>	<b>(51,400,707)</b>	<b>841,126,842</b>	<b>416,534,892</b>	<b>424,591,950</b>		
	<b>TRADE, COMMERCE, TOURISM &amp; COOPERATIVES</b>							
<b>5320000000</b> <b>PUBLIC SERVICE</b> <b>MANAGEMENT</b>	Programme 1; General Administration Planning and Support Services							
	Sp1; General Administration Planning and Support	282,409,522	136,788,011	419,197,533	347,327,711	71,869,822		



Services								
	Programme 2; Public Service Transformation							
	Sp1; Human Resource Management	921,602,900	(6,417,850)	915,185,050	880,561,348	34,623,702		
	Sp2; Human Resource Development	66,894,600	(2,128,770)	64,765,830	61,062,650	3,703,180		
	Programme 3; Performance Management and Public Service Delivery							
	Sp1; Performance Contracting management	29,088,200	(27,113,220)	1,974,980	495,200	1,479,780		
	Sp2; Governance Monitoring and Evaluation	4,113,100	(1,526,920)	2,586,180	687,851	1,898,329		
	Sp3; Quality Management Systems and ISO certification	1,081,400	(188,790)	892,610	-	892,610		
	Total 5320000000	1,305,189,722	99,412,461	1,404,602,183	1,290,134,760	114,467,423		
	PUBLIC SERVICE MANAGEMENT							
	Programme 1; General Administration Planning and Support Services							
5321000000 AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	Sp1; Administration, Planning & Support	229,298,081	(26,086,880)	203,211,201	195,687,372	7,523,829		

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Services							
<b>Programme 2; Urban Agriculture Promotion &amp; Regulation</b>							
Sp1; Crop Development and Management	6,566,619	832,909	7,399,528	3,340,930	4,058,598		
Sp2; Fisheries Development and Management	22,566,374	(481,680)	22,084,694	1,319,250	20,765,444		
Sp3; Livestock Resources management and development	24,998,340	(10,995,762)	14,002,578	1,541,705	12,460,873		
<b>Programme 3; Animal Health, Safety and Quality Assurance</b>							
Sp1; Animal Research, Diseases, Pest Control & Quality Assurance	72,753,200	(25,243,701)	47,509,499	5,422,345	42,087,154		
<b>Programme 4; Afforestation</b>							
Sp1; Forestry Services	7,343,900	(752,791)	6,591,109	3,507,800	3,083,309		
<b>Programme 5; Food Systems and Surveillance</b>							
Sp1; Food Systems and Surveillance Services	7,339,740	(1,271,940)	6,067,800	2,175,950	3,891,850		



	Programme 6; Agricultural Development Support Project					
	Sp1; Agricultural Development Support Project	-	69,451,519	69,451,519	16,039,981	53,411,538
5322000000 COUNTY ASSEMBLY	Total 5321000000 AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	370,866,254	5,451,674	376,317,928	229,035,333	147,282,595
	Programme 1; Legislation, Oversight and Representation					
	Sp1; Legislation, Oversight and Representation	2,009,977,879	(154,006,007)	1,855,971,872	1,822,585,639	33,386,233
5323000000 ENVIRONMENT, WATER,ENERG Y & NATURAL RESOURCES	Total 5322000000 COUNTY ASSEMBLY	2,009,977,879	(154,006,007)	1,855,971,872	1,822,585,639	33,386,233
	Programme 1; General Administration & Support Services					
	Sp1; General Administration & Support Services	-	54,179,373	54,179,373	49,377,219	4,802,154
	Programme 2; Environment Management and					

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	Protection.								
	Sp1; Solid waste management	-	1,100,000,000	1,100,000,000	835,250,903	264,749,097			
	Sp2; Beautification, Recreation and Greening Services	-	-	-	-	-			
	Sp3; Environment planning Management Services	-	-	-	-	-			
	Programme 4; Water Resources Management								
	Sp1; Energy & Natural resources	-	-	-	-	-			
	<b>Total 5323000000</b>								
	<b>ENVIRONMENT, WATER, ENERGY &amp; NATURAL RESOURCES</b>	-	1,154,179,373	1,154,179,373	884,628,122	269,551,251			
	Programme 1; Housing Development and Human Settlement								
	Sp1; Management of Rental Housing	-	-	-	-	-			
	Programme 2; General Administration Planning and Support Services								
	Sp1; Administration, Planning & Support	-	33,516,488	33,516,488	14,583,103	18,933,385			
<b>5324000000</b>	<b>URBAN RENEWAL AND HOUSING</b>								



Services							
	Programme 3; Building Services						
	Sp1; Building services research and information	-	-	-	-	-	-
	Total 5324000000 URBAN RENEWAL AND HOUSING	-	33,516,488	33,516,488	14,583,103	18,933,385	
5325000000 WARD DEVELOPMENT PROGRAMMES	Programme 8; Ward Development						
	Sp1; Ward Development & Administration	-	383,385,123	383,385,123	70,076,089	313,309,034	
	Total 5325000000 WARD DEVELOPMENT FUND	-	383,385,123	383,385,123	70,076,089	313,309,034	
5326000000 EMERGENCY FUND	Programme 1; General Administrative Services						
	Sp1; General Administration & Support Services	130,000,000	200,000,000	330,000,000	300,495,060	29,504,940	
	5326000000 EMERGENCY FUND	130,000,000	200,000,000	330,000,000	300,495,060	29,504,940	
5327000000 LIQUOR LICENSING BOARD	Programme 1; Liquor Licensing & Regulation						
	Sp1; Liquor Licensing	250,000,000	94,339,821	344,339,821	-	344,339,821	

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	& Regulation					
	Total 5327000000 Liquor Licensing Board	250,000,000	94,339,821	344,339,821	-	344,339,821
5328000000 NAIROBI METROPOLITAN SERVICES (NMS)	Programme 1; Nairobi Metropolitan Services (NMS)					
	Sp1; Nairobi Metropolitan Services (NMS)	23,930,081,689	(12,747,424,340)	11,182,657,349	10,080,865,859	1,101,791,490
	TOTAL 5328000000 Nairobi Metropolitan Services (NMS)	23,930,081,689	(12,747,424,340)	11,182,657,349	10,080,865,859	1,101,791,490
	TOTAL EXPENDITURE	37,704,976,281	176,758,654	37,881,734,935	29,582,031,455	8,299,703,481



## 7.8. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

### 1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The receivables and payables are disclosed in the Statement of Assets and Liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the County Executive all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

### 2. Reporting entity

The financial statements are for the Nairobi City County Executive. The financial statements encompass the reporting entity as specified under section 164 of the PFM Act 2012.

### 3. Recognition of receipts and payments

#### a) Recognition of receipts

The County Executive recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Executive.

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **i) Tax receipts**

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

### **ii) Transfers from the Exchequer**

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving Executive

### **iii) External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

#### **Donations and grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the Executive or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

#### **Proceeds from borrowing**

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the County Executive or any other debt the County Executive may take on will be treated on cash basis and recognized as receipts during the year of receipt.



**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2020, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans. The amount of undrawn external assistance for the year is detailed in the notes to the financial statements.

**iv) County own generated receipts**

These include Appropriation-in-Aid and relates to receipts such as trade licences, cess, fees, property income among others generated by the County Government from its citizenry. These are recognised in the financial statements the time associated cash is received.

**v) Returns to CRF Issues**

These relate to unspent balances in the development, recurrent and deposit accounts at the end of the year which are returned to the County Revenue Fund (CRF) and appropriated through a supplementary budget to enable the County to spend funds. These funds are recognised once appropriated through a supplementary budget process.

**b) Recognition of payments**

The County Executive recognises all expenses when the event occurs and the related cash has actually been paid out.

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

**ii) Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

**iii) Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

**iv) Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the County consolidated financial statements.

**v) Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**4. In-kind contributions**

In-kind contributions are donations that are made to the County Executive in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably



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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

determined, the County Executive includes such value in the statement of receipts and payments both as receipts and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**a) Third Party Payments**

This relates to payments done directly to supplier on behalf of the county Executive such as; national government may fund the operation of health or education program, a donor may pay directly for construction of a given market etc. A detail of payments by third parties on behalf of the county Executive is detailed in the notes to this financial statement.

**5. 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year.

**a) Restriction on cash**

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2020, we did not have restricted cash.

**6. Accounts Receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**7. Accounts Payable**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted and prescribed by the Public Sector Accounting Standards Board. Other liabilities including pending bills are disclosed in the financial statements.

**8. Non-current assets**

Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the County Executive's fixed asset register a summary of which is provided as a memorandum to these financial statements.

**9. Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the County Executive at the end of the year.

Pending bills form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**10. Contingent Liabilities**

Section 185 (2) (i) of the PFM Act requires the County Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans.



## SIGNIFICANT ACCOUNTING POLICIES (Continued)

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
  - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, and indemnities. Letters of comfort/ support, insurance, Public Private Partnerships. The County Executive 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. Note 11 and Annex 8 of this financial statement is a register of the contingent liabilities in the year.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**11. Contingent Assets**

The County Executive 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 County Executive 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.

**12. Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The County Executive's budget was approved as required by Law and as detailed in the County Revenue Allocation Act. The original budget was approved by the County Assembly on 8<sup>th</sup> October 2020 for the period 1st July 2020 to 30 June 2021 as required by law having been adopted by the County Assembly on 30<sup>th</sup> June 2020.

In the intervening period the county was operating on vote on account. There were two number of supplementary budgets passed in the year. A high-level assessment of the County Executive's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

**13. Comparative figures**

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

**14. Subsequent events**

Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of National Treasury.



**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**15. Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

**16. Related party transactions**

Related party transactions involve cash and in-kind transactions with the National Government, National Government entities and County Government entities. Specific information with regards to related party transactions is included in the disclosure notes.

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7.9. NOTES TO THE FINANCIAL STATEMENTS

1. EXCHEQUER RELEASES

	2020-2021	2019 – 2020
	Ksh	Ksh
Total Exchequer Releases for quarter 1	-	2,770,071,300
Total Exchequer Releases for quarter 2	2,626,791,750	2,903,146,380
Total Exchequer Releases for quarter 3	2,626,791,750	1,527,019,675
Total Exchequer Releases for quarter 4	14,246,487,011	5,525,899,608
<b>Total</b>	<b>19,500,070,511</b>	<b>12,726,136,963</b>

The above comprises transfers from the Exchequer comprising of equitable share and Level 5 Hospitals. Equitable share allocation was for the current year was Ksh 15,919,950,000 Billion same as for the previous year 2019-2020. Ksh. 3,500,697,260 Billion was received in the year under review as equitable share arrears from the National Treasury for the previous year 2019-2020.

1A: Equitable Share

Description	2020-2021	2019/2020
	Ksh	Ksh
Total Equitable Share for quarter 1	-	2,770,071,300
Total Equitable Share for quarter 2	2,626,791,750	2,865,591,000
Total Equitable Share for quarter 3	2,626,791,750	1,432,795,500
Total Equitable Share for quarter 4	14,167,063,760	5,350,794,940
<b>Total</b>	<b>19,420,647,260</b>	<b>12,419,252,740</b>

Quarter 4 included arrears of Equitable Share for the financial year 2019-2020 of Ksh 3,500,697,260 Billion

1B: Level 5 Hospitals Allocation

Description	2020-2021	2019 - 2020
	Ksh	K
Transfers for level 5 hospitals	79,423,251	79,423,251
<b>Total</b>	<b>79,423,251</b>	<b>79,423,251</b>



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Description	2020-2021	2019/2020
	Ksh	Ksh
<b>Proceeds from Domestic and foreign grants received through exchequer</b>		
DANIDA - Universal Healthcare in Devolved Units Programme	-	64,761,250
Youth Polytechnic support grant	16,009,894	22,998,292
Kenya Devolution Support Programme	45,000,000	30,000,000
World Bank-Loan for Health	-	96,359,510
World Bank-ADSP II	13,517,925	13,341,920
<b>TOTAL</b>	<b>74,527,819</b>	<b>227,460,972</b>

These are donor grants received through exchequer.

3. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

	2020-2021	2019/2020
	Ksh	Ksh
<b>Transfers from Central government entities</b>		
KRB - Roads Maintenance Levy Fund	-	415,847,530
Nairobi Metropolitan Services	100,200,000	-
<b>Total</b>	<b>100,200,000</b>	<b>415,847,530</b>

The transfers from Nairobi Metropolitan Services were received to cater for extraneous allowances for frontline health workers in the battle against Covid -19. These allowances were paid in the July 2020 through the County's payroll. In the financial year 2020-2020 Ksh 415,847,530 was received from Kenya Roads Board through the National Treasury out of the allocation for the County from Road Maintenance Levy Fund for the financial year 2017-2018. In funds were received in the year under review from Road Maintenance Levy Fund.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. County Own Generated Receipts

	2020-2021	2019/2020
	Ksh	Ksh
<b>RECEIPTS</b>		
Business Permits	1,753,053,837	1,565,944,779
Cess	345,522,616	205,284,660
Poll Rates	2,781,746,174	1,925,867,685
Plot Rents	106,003,879	3,413,520
Other Local Levies	125,075,988	440,820,855
Administrative Services Fees	64,262,640	127,444,312
Various Fees	523,436,866	845,616,645
Council's Natural Resources Exploitation	10,946,295	41,684,759
Lease / Rental Of Council's Infrastructure Assets	18,407,669	14,460,466
Other Miscellaneous Receipts	239,563,897	11,573,921
Long Term Loans (Over 3 Years Repayment)	5,413,886	3,467,946
Market/Trade Centre Fee	373,005,811	96,039,494
Vehicle Parking Fees	1,553,932,178	1,529,386,044
Housing	668,844,274	490,764,586
Social Premises Use Charges	2,212,400	5,301,991
School Fees	-	605
Other Education-Related Fees	20,000	136,292
Other Education Receipts	3,072,200	15,791
Public Health Services	180,721,492	633,635,266
Public Health Facilities Operations	37,880,348	50,037,147
Environment & Conservancy Administration	1,419,000	2,956,779
Other Health & Sanitation Revenues	26,617,743	31,206,942
Technical Services Fees	775,058,537	578,893,199
External Services Fees	114,858,451	215,086,561
<b>TOTAL</b>	<b>9,711,076,181</b>	<b>8,819,040,246</b>

There was an increase in collection of Own Source Revenues (OSR) by Ksh. 892,035,935 which representing 10% improvement.



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. RETURNED CRF ISSUES

	2020-2021	2019/2020
	Ksh	Ksh
Recurrent account	168,031,327	61,302,063
<b>Total</b>	<b>168,031,327</b>	<b>61,302,063</b>

These were balances in Recurrent Bank Account at Central Bank as at 30<sup>th</sup> June 2020 returned to County Revenue Fund account on closure of that year. They were appropriated for use in the Financial Year 2020-2021.

6. COMPENSATION OF EMPLOYEES

	2020-2021	2019/2020
	Ksh	Ksh
Basic salaries of permanent employees	2,958,133,677	6,276,499,092
Basic wages of temporary employees	2,574,194	354,135,061
Personal allowances paid as part of salary	1,927,198,567	4,897,727,569
Personal allowances provided in kind	173,342,823	108,359,371
Employer Contributions to Compulsory national social security schemes	1,369,033,897	953,616,693
<b>Total</b>	<b>6,430,283,158</b>	<b>12,590,337,786</b>

The reduction in compensation of employees as compared with the prior period, was a result of more than half the number of employees being deployed to Nairobi Metropolitan Services when the deed of Transfer of functions was effected. However the county paid Ksh 870 Million towards employer pension obligation arrears.

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7. USE OF GOODS AND SERVICES

	2020-2021	2019/2020
	Ksh	Ksh
Utilities, supplies and services	200,000,000	182,042,045
Communication, supplies and services	10,266,230	19,899,774
Domestic travel and subsistence	323,281,087	263,138,575
Foreign travel and subsistence	166,768,849	79,325,985
Printing, advertising and information supplies & services	108,934,249	93,020,037
Rentals of produced assets	5,599,283	10,500,000
Training expenses	164,645,324	103,886,551
Hospitality supplies and services	174,474,979	121,903,541
Insurance costs	989,658,544	1,002,163,360
Specialized materials and services	140,341,451	641,562,606
Office and general supplies and services	115,881,450	144,831,169
Other operating expenses	2,477,851,520	1,690,007,666
Routine maintenance – vehicles and other transport equipment	22,608,812	56,253,267
Fuel Oil and Lubricants	65,015,000	132,895,699
Routine maintenance – other assets	915,380	334,650,586
Other Creditors	4,016,865,337	4,016,240,302
Construction and Civil Works		6,237,924
Refurbishment of Buildings	9,144,971	
Purchase of Household Furniture and Institutional Equipment	970,320	-
Purchase of Office Furniture and General Equipment	124,557,679	57,161,791
Purchase of specialized Plant, Equipment and Machinery	7,207,080	5,084,086
Purchase of Certified Seeds, Breeding Stock and Live Animals	40,434,817	-
Research, Studies, Project Preparation, Design & Supervision	-	31,555,600
<b>Total</b>	<b>9,165,422,362</b>	<b>8,992,360,564</b>

The expenditure under: Refurbishment of Buildings, Purchase of Household Furniture and Institutional Equipment, Purchase of Office Furniture and General Equipment, Purchase of specialized Plant, Equipment and Machinery and Purchase of Certified Seeds, Breeding Stock and Live Animals were recurrent in nature and hence budgeted as Expenditures towards Use of Goods and Services as per IFMIS chart of Accounts



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8. TRANSFER TO OTHER GOVERNMENT ENTITIES

	2020-2021	2019/2020
Description	Ksh	Ksh
Transfer to Nairobi City County Assembly	1,822,585,639	1,303,773,480
Transfer to Nairobi Metropolitan Services (NMS)	10,080,865,859	-
<b>TOTAL</b>	<b>11,903,451,498</b>	<b>1,303,773,480</b>

The transfers to County Assembly are to cater for its expenditures in fulfilling the mandate of representation, oversight and legislation. Transfers to NMS were to enable the institution perform the function transferred from the County Government to National Government.

9. OTHER GRANTS AND PAYMENTS

	2020-2021	2019/2020
Description	Ksh	Ksh
Scholarships and other educational benefits	505,000,000	-
Current Grants to Government agencies and other levels of Government	131,026,491	-
Emergency relief and refugee assistance- Civil Contingency Reserves	300,495,060	43,103,000
<b>TOTAL</b>	<b>936,521,551</b>	<b>43,103,000</b>

Scholarships and other educational benefits relate to school fees bursaries given to needy students by the County Government in secondary schools and other tertiary institutions. Current Grants to Government agencies and other levels of Government relate to expenditures incurred when emergencies happen for instance fire incidents.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)****10. SOCIAL SECURITY BENEFITS**

	2020-2021	2019/2020
	Ksh	Ksh
Government pension and retirement benefits	10,895,603	1,757,187
<b>Total</b>	<b>10,895,603</b>	<b>1,757,187</b>

**11. ACQUISITION OF ASSETS**

	2020-2021	2019/2020
	Ksh	Ksh
<b><u>Non-Financial Assets</u></b>		
Construction of Buildings	23,530,400	111,421,449
Refurbishment of Buildings	60,245,569	11,421,753
Construction of Roads	-	490,050,785
Construction and Civil Works	578,343,644	272,351,860
Overhaul and Refurbishment of Construction and Civil Works	-	467,327,803
Routine Maintenance – Other assets	101,657,782	-
Purchase of Vehicles and Other Transport Equipment	71,928,000	-
Purchase of specialized Plant, Equipment and Machinery	10,653,555	82,454,940
<b>Total</b>	<b>1,097,460,707</b>	<b>1,435,028,590</b>

Routine Maintenance – Other Assets Expenditure was capital in nature hence budgeted under Acquisition of Assets as per IFMIS chart of Accounts.

**12. FINANCE COSTS, INCLUDING LOAN INTEREST**

	2020-2021	2019/2020
	Ksh	Ksh
Bank charges	37,996,576	20,727,056
<b>Total</b>	<b>37,996,576</b>	<b>20,727,056</b>



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. CASH AND BANK BALANCES

13A. BANK BALANCES

Name of Bank, Account No. & Currency	Amount in bank account curren cy	Indicate whether recurrent or development, deposits, receipts, etc.	Ex. rate (if in foreign currenc y)	2020-2021	2019/2020
				Ksh	Ksh
Central Bank of Kenya-ASDSP II A/C No: 1000367709	Ksh	Recurrent		22,683,840	11,000,000
Central Bank of Kenya-Development A/C No: 1000171413	Ksh	Development		298,456,294	-
Central Bank of Kenya-KRB RMLF A/C No: 1000248106	Ksh	Fund		178,148,985	226,026,035
Central Bank of Kenya-Recurrent A/C No: 1000171502	Ksh	Recurrent		211,224	-
Central Bank of Kenya-Revenue A/C No: 1000171863	Ksh	Revenue		1,044,617	304,311,395
Central Bank of Kenya-Special Purpose A/C No: 1000309741	Ksh	Recurrent		144,815,852	127,210,852
Central Bank of Kenya-Youth Poly PRJ Grant A/C No: 1000367431	Ksh	Recurrent		309,947	309,947
Central Bank of Kenya-Kenya Devolution Support Programme A/C No: 1000458777	Ksh	Recurrent		75,000,000	-
Chase Bank- Nairobi Ward Development Fund A/C No: 0082120378001	Ksh	Recurrent		-	-
Cooperative Bank- Bursary Fund A/C No:	Ksh	Fund		13,541,051	13,549,051

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01141232396612					
Cooperative Bank- Bursary Fund A/C No: 01141232396613	Ksh	Fund		40,801,966	506,763
Cooperative Bank- Free Education Current Account A/C No: 01139232396601	Ksh	Recurrent		5,260	878,920
Cooperative Bank- Development A/C No: 01141232396602	Ksh	Development		-	5,059,820
Cooperative Bank- Imprest A/C No: 01141232396601	Ksh	Recurrent		-	-
Cooperative Bank SPA- Urban Development Grant A/C No: 01141232396616	Ksh	Development		-	-
Cooperative Bank SPA- County Urban Institution Grant A/C No: 01141232396615	Ksh	Development		-	-
Cooperative Bank SPA- Commercial A/C for ASDSP II Program A/C No: 01141232396614	Ksh			8,051,855	-
Cooperative Bank - Kenya Roads Board A/C No: 01136005723604	Ksh	Development		24,806,714	24,811,118
Cooperative Bank- Loan call A/C No: 01150232396600	Ksh	Loan		-	11,853,960
Cooperative Bank - University of Maryland Health Services 01141232396611	Ksh	Recurrent		28,947,198	19,359,384
Cooperative Bank-	Ksh	Revenue			-



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Revenue A/C No: 01141232396600				-	
Cooperative Bank-Salary A/C No: 01692232396600	Ksh	Recurrent		23,347,345	6,866,872
Cooperative Bank-Solid waste management A/C No: 01141232396606	Ksh	Development		-	-
Cooperative Bank-Waithaka Technical A/C No: 01141232396600	Ksh	Recurrent		-	104,973
Cooperative Bank-Waithaka Vocational Training Centre A/C No: 01139232396600	Ksh			3,133,002	-
Cooperative Bank – Nairobi City County - KRA Revenue Collection Account 1141709410000	Ksh	Recurrent		-	-
Equity Bank - Operations A/C 0810277333578	Ksh	Recurrent		-	725,861
Equity Bank-County Imprest collection A/C No: 0810278212344	Ksh	Recurrent		-	-
Equity Bank-General collection A/C No: 0810263520904	Ksh	Revenue	Closed	-	-
Equity Bank-County Revenue collection A/C No: 0810264036845	Ksh	Revenue		(21)	(27)
Equity Bank-County Bursary Account A/C No: 0810277333599	Ksh	Recurrent	Dormant	-	-
Equity Bank-County Development Account A/C No: 0810277333586	Ksh	Development	Dormant	-	-

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Equity Bank-General collection A/C No: 0810271586663	Ksh	Revenue		-	495,087
KCB - Embakasi District Hospital Ac No 1122416512	Ksh			-	18,898,101
KCB Loan Ac No MG 1424500930 A/C 105991342	Ksh			-	-
Kenya Commercial Bank - Mama Lucy Hospital A/C- 1133233864	Ksh	Recurrent		-	48,237,875
Kenya Commercial Bank-current A/C No: 1159076065	Ksh	Recurrent		-	(542,466)
Kenya Commercial Bank-Trust fund A/C No: 1149229667	Ksh	Trust Fund		34,321,338	43,284,837
Kenya Commercial Bank- Mutuini A/C No: 1122980027	Ksh	Recurrent		-	1,837,205
National Bank - Revenue A/C No: 01060217197400	Ksh	Revenue	Closed	-	-
National Bank - Salary A/C No: 01098202877200	Ksh	Recurrent		-	22,049,892
National Bank - Mbagathi Hospital A/C No:01001031663101	Ksh	Recurrent		-	20,028,987
National bank - Nairobi County Imprest Account A/C 01560202877200	Ksh	Recurrent		-	-
National Bank - Pumwani Hospital A/C No:102100895400	Ksh	Recurrent		-	5,704,823
National Bank - Pumwani Maternity College A/C No: 01285123637400	Ksh	Recurrent		-	448,016
National Bank -UN Habitat A/C	Ksh	Recurrent		47,850	2,862



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No:01001067824200					
National Bank- Emergency fund A/C No: 01001091113700	Ksh	Emergency Fund		14,418	14,418
National Bank- Operations A/C No: 01071202877200	Ksh			-	-
HFC - Nairobi City County A/C No: 7040001513	Ksh	Recurrent		-	7,414,473
<b>Total</b>				<b>897,688,736</b>	<b>920,449,033</b>

**13B. CASH IN HAND**

	2020 - 2021	2019 - 2020
	Ksh	Ksh
Cash in Hand – Held in domestic currency	-	-
Cash in Hand – Held in foreign currency	-	-
<b>Total</b>	-	-

**14. ACCOUNTS RECEIVABLE**

<i>Description</i>	2020 - 2021	2019 - 2020
	Ksh	Ksh
Government Imprests	33,247,428	38,612,748
<b>Total</b>	<b>33,247,428</b>	<b>38,612,748</b>

<b>Breakdown of Imprest per Department</b>	2020 - 2021	2019 - 2020
<b>Department</b>	Ksh	Ksh
Fleet Management	2,422,689	1,340,689
Education, Youth Affairs and Sports	1,722,702	-
Governor and Deputy Governor	7,026,655	5,341,265
Legal Affairs	315,000	735,976
Trade, Industrialization	180,000	1,857,000
Procurement	265,000	100,000

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Investigation and Information Analysis	159,000	29,500
City Inspectorate	962,500	863,500
Sub-County administration	4,758,880	2,802,700
Public Service Management	1,080,145	624,510
County Public Service Board	1,922,455	644,750
E-Government and Public Communication	1,738,728	983,170
Agriculture, Livestock Development	1,262,400	259,390
Finance and Economic Planning	9,431,274	6,124,633
Culture	-	1,403,980
Roads	-	914,000
Health	-	7,488,292
Urban Planning	-	4,277,213
Water and Energy	-	887,880
Urban Renewal	-	56,000
Audit	-	144,000
Fire Rescue Management	-	1,734,300
<b>TOTAL</b>	<b>33,247,428</b>	<b>38,612,748</b>



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. OTHER ACCOUNTS RECEIVABLE

REVENUE STREAM	2020 - 2021	2019 - 2020
	Ksh	Ksh
Sundry Debtors	592,165,564	644,497,003
Rental Houses-Other than Eastlands	91,588,684	198,947,354
Rental Houses-Eastlands	254,129,096	205,419,929
Rental Market Stalls/Tenant Purchase Scheme	94,782,336	114,593,792
Land Rates	1,157,787,656,964	825,474,177,521
Loading Zones-Private	-	23,760,000
Loading Zones-Government of Kenya	449,960,000	787,124,800
Outside Advertising & Billboards	333,667,701	268,054,967
Single Business Permits	806,519,500	904,617,500
Way Leaves	226,893,711	115,048,003
Kenya Power	856,345,290	856,345,290
<b>TOTAL</b>	<b>1,161,493,708,846</b>	<b>829,592,586,159</b>

16. FUND BALANCE BROUGHT FORWARD

	2020-2021	2019/2020
	Ksh	Ksh
Bank accounts	920,449,033	3,302,211,934
Accounts Receivables	38,612,748	21,610,708
<b>Total</b>	<b>959,061,781</b>	<b>3,323,822,642</b>

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a. OTHER IMPORTANT DISCLOSURES

SUMMARY OF PENDING ACCOUNTS PAYABLES

	2020-2021	2019-2020
	Ksh	Ksh
Pending Merchants Payables (Annex 1)	7,484,134,430	10,350,633,521
Pending Staff Payables (Annex 2)	138,208,116	173,583,267
Other Pending Bills (Annex 3)	63,410,292,493	57,967,682,698
Outstanding Loan (Annex 4)	4,449,656,189	4,449,656,189
<b>Total</b>	<b>75,482,291,228</b>	<b>72,941,555,674</b>

1. Pending Accounts Payable (See Annex 2)

	2020– 2021	2019– 2020
	Ksh	Ksh
Construction of buildings	609,803,277	303,093,248
Construction of civil works	331,521,150	913,975,475
Supply of goods	982,343,492	2,208,667,502
Supply of services	5,560,466,511	6,924,897,296
<b>Total</b>	<b>7,484,134,430</b>	<b>10,350,633,521</b>

2. Pending Staff Payables (See Annex 3)

	2020 – 2021	2019 – 2020
	Ksh	Ksh
Unionisable employees	138,208,116	173,583,267
Others		
<b>Total</b>	<b>138,208,116</b>	<b>173,583,267</b>



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OTHER IMPORTANT DISCLOSURES (Continued)

3. Other Pending Payables (See Annex 4)

	2020 – 2021	2019 – 2020
	Ksh	Ksh
Amounts due to National Government entities	751,105,635	1,151,105,635
Amounts due to County Government entities	381,157,936	381,157,936
Amounts due to third parties	19,143,925,000	19,143,925,000
Others	43,134,103,922	37,291,494,126
<b>Total</b>	<b>63,410,292,493</b>	<b>57,967,682,698</b>

4. External Assistance

	2020-2021	2019-2020
Description	Ksh	Ksh
External assistance received in cash	79,423,251	495,270,781
External assistance received as loans and grants	74,527,819	227,460,972
<b>Total</b>	<b>153,951,070</b>	<b>722,731,753</b>

a) External assistance relating to loans and grants

	2020-2021	2019-2020
Description	Ksh	Ksh
External assistance received as grants	74,527,819	227,460,972
<b>Total</b>	<b>74,527,819</b>	<b>227,460,972</b>

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OTHER IMPORTANT DISCLOSURES (Continued)

b). Classes of providers of external assistance

	2020-2021	2019-2020
Description	Ksh	Ksh
Multilateral donors	61,009,894	-
Bilateral donors	13,517,925	227,460,972
<b>Total</b>	<b>74,527,819</b>	<b>227,460,972</b>

The above funds were provided by World Bank for economic development. Ksh. 16,009.894 was provided to support youth polytechnics and Ksh 45 Million was to support devolution through Kenya Devolution Support Programme,.

**5. Payments by Third Party on Behalf of the County Executive**

This relates to payments done directly to supplier on behalf of the county Executive such as national government may fund the operation of health or education program, a donor may pay directly for construction of a given market etc.

**5.1 Classification by Source**

	2020-2021	2019-2020
Description	Ksh	Ksh
National government	79,423,251	79,423,251
<b>Total</b>	<b>79,423,251</b>	<b>79,423,251</b>



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OTHER IMPORTANT DISCLOSURES (Continued)

6. Payments by Third Party on Behalf of the County Executive

This relates to payments done directly to supplier on behalf of the county Executive such as national government may fund the operation of health or education program, a donor may pay directly for construction of a given market etc.

6.1 Classification by Source

	2020-2021	2019-2020
Description	Ksh	Ksh
National government	79,423,251	79,423,251
<b>Total</b>	<b>79,423,251</b>	<b>79,423,251</b>

OTHER IMPORTANT DISCLOSURES (Continued)

7. Related Party Disclosures

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the County Executive:

- i) Key management personnel that include the Governor, the Deputy Governor Members of the County Assembly, CECs and Chief Officers for various County Ministries and Departments.
- ii) County Ministries and Departments.
- iii) The National Government.
- iv) Other County Governments Entities and
- v) State Corporations and Semi-Autonomous Government Agencies.



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**OTHER IMPORTANT DISCLOSURES (Continued)**

**Related party transactions**

	2020 -2021	2019 - 2020
	Ksh	Ksh
Key Management Compensation (Governors, CEC Members and COs)	70,548,820	78,553,440
<b>Transfers to related parties</b>		
Transfer to the County Assembly	1,822,585,635	1,303,773,480
Transfers to Nairobi Metropolitan Services (NMS)	10,080,865,859	-
<b>Total Transfers to related parties</b>	<b>11,903,451,494</b>	<b>1,303,773,480</b>
<b>Transfers from related parties</b>		
Transfers from the Exchequer	19,574,598,330	12,419,252,740
Transfers from Nairobi Metropolitan Services (NMS)	100,200,000	495,270,781
<b>Total Transfers from related parties</b>	<b>19,674,798,330</b>	<b>12,914,523,521</b>

**8. Establishment of other County Government Entities**

The PFM Act, 2012 section 182 enables the County Government to establish and dissolve County Corporations/ entities. For purposes of follow up on financial reporting, audit and disclosure, outlined below is a list of entities established by the County Government since inception.

County Government of Nairobi City	Date Established	Location	Accounting Officer responsible
Nairobi City County Alcoholic Drinks Control Fund	1 <sup>st</sup> Nov 2015	Weights and measures complex- Popo Road, South C.	Chief officer-Trade
Nairobi County Liquor Board	1 <sup>st</sup> July 2014	Weights and measures complex- Popo Road, South C.	Chief officer-Trade

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**OTHER IMPORTANT DISCLOSURES (Continued)**

**9. Disclosure of Balances in Revenue Collection Accounts**

County Government Own source revenue is recognized in the financial statements when it has been swept to CRF. Revenue collection account balances need to be disclosed at the end of the reporting period as below. Revenue collection accounts should be swept to CRF on reporting dates.

<b>Name of Bank, Account No. &amp; currency</b>	<b>Amount in bank account currency</b>	<b>Ex. rate (if in foreign currency)</b>	<b>2020 - 2021</b>	<b>2019 - 2020</b>
National Bank, KRA-Nairobi City County Revenue Collection Account 01071225251100	Ksh	-	-	-
Cooperative Bank, KRA-Nairobi City County Revenue Collection Account 1141709410000	Ksh	-	-	-
Equity Bank, KRA-Nairobi City County Revenue Collection Account 1770279910476	Ksh	-	-	-
<b>Total</b>		-	-	-



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**OTHER IMPORTANT DISCLOSURES (Continued)**

**10. Leasing of Medical Equipment**

Amounts relating to leased medical equipment is included in the County Allocation Revenue Act and is budgeted for by the Counties. This amount is deducted at source and therefore not included in the exchequer. Since this is not a cash item, it is not included in the statement of receipts and payments in the year 2020/21 amounts relating to leased medical equipment was Ksh 132,021,277 (2019/2020 Ksh 131,914,894).

**11. Contingent Liabilities**

Contingent liabilities	2020-2021	2019-2020
	Ksh	Ksh
Court cases against the entity	113,417,800	-
<b>Total</b>	<b>113,417,800</b>	<b>-</b>

Refer to ANNEX 8 for details of Contingent liabilities register

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**b. PROGRESS ON FOLLOW UP ON PRIOR YEAR AUDITOR'S**

**RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Variance in Balance Brought Forward compared to prior period	This was as a result of prior year adjustment where the expenditure in use of goods and services in the financial year 2017-2018 was understated by Kshs. 257,825,794. This anomaly was noted after audit report certificate for the financial year 2018-2019 had already been issued		
1.2	Variances Between Financial Statements and the Integrated Financial Management Information Systems Balances	The variance is attributable to uncleansed balances in IFMIS from the year 2014 when the system as adopted as a payments processing platform for the county governments. For example the variances in Cash/Bank and Payables run into Billions of shillings due to unreconciled IFMIS errors. There is also the issue of systems integration. The county government of Nairobi uses Local Authority Information Financial Operations Management System (LAIFOMS) to collect own source revenues. The two systems (IFMIS and LAIFOMS) are not integrated.		



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		On payments, compensation to county employees is processed through another system outside IFMIS known as Integrated Payroll and Personnel Database (IPPD) again this system is not integrated to IFMIS. IFMIS requires the salaries to be journalized in IFMIS, we had challenges in terms of capacity but currently all salaries are journalized in the IFMIS platform on a monthly basis.		
1.3	Difference Between Financial Statements and the Supporting Schedules	As stated in paragraph 1.2 above, this is attributed to lack of system integration between IFMIS, IPPD and LAIFOMS. On compensation to employees, casual wages are normally processed outside the payroll for lack of IPPD numbers (Temporary casuals).		
1.4	Discrepancies Between Records of County Own Generated Receipts	The overpayment in the Building plans schedules resulted from other related payments from the revenue stream related to building plans approval. The others are: - Building Occupation Certificate; building plan approvals, Building plans preparation and Construction		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		boards. Therefore, the cumulative figure of Kshs. 66,971, 977 resulted from the above		
1.5	Wrong Classification of Payments	This is a budgeting implementation issue where there is a mismatch between Use of Goods/Services and Acquisition of Assets items in the Recurrent and Development vote books. The procured items had budgetary provisions in the recurrent expenditure under use of goods and services. Going forward the county will strictly adhered to the provisions of the Public Sector Accounting Standards Board reporting template as issued from time to time.		
1.6	Understated Other Grants and Transfers	These transfers were processed through the economic items under which they had been budgeted for in the year under review. Transfers to KEMSA were payments for drugs and non-pharmaceuticals procured from the entity and this expenditure had been budgeted under Specialized Materials and Supplies hence the expenditure was incurred as a recurrent expenditure and this was reported in the overall financial statements		



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>under use of goods and services with a cumulative total of Kshs 778,369,128. Transfers to KURA were budgeted under Construction of Roads and this is the budget line that was used to effect the payments and this was reported in the overall financial statements under acquisition of assets with a cumulative total of Kshs 2,073,417,839. However, payments to KURA and KEMSA are other government entities whose budget estimates and payments should be captured under other grants and transfer. The management will therefore ensure full compliance with Public Sector Accounting Standards Board reporting template as they are issued.</p>		
1.7	Accounts Payables - Undisclosed Deposits and Retentions Balance	<p>The County Government retains contractor's retention fee, this has never been transferred to county government deposits account due to the financial challenges over time. The county government honours its obligation as and when they fall due as well as improvements of cash flows.</p>		

CEC, County Treasury

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Sign.....

Date..22/09/2021.....



# Annual Report and Financial Statements

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## ANNEXES

### ANNEX 1 – ANALYSIS OF TRANSFERS FROM THE EXCHEQUER

Period (2020/21)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
	Ksh	Ksh	Ksh	Ksh	Ksh
Equitable Share FY 2020-2021	-	2,626,791,750	2,626,791,750	10,666,366,500	15,919,950,000
Equitable Share FY 2019-2020 Arrears	-	-	-	3,500,697,260	3,500,697,260
Level 5 Hospitals	-	-	-	79,423,251	79,423,251
Kenya Devolution Support Programme	-	-	45,000,000	-	45,000,000
Youth Polytechnic support grant	-	-	8,004,947	8,004,947	16,009,894
Agriculture Sector Development Support Project (ASDSP)	-	-	-	13,517,925	13,517,925
<b>Total</b>	<b>-</b>	<b>2,626,791,750</b>	<b>2,679,796,697</b>	<b>14,268,009,883</b>	<b>19,574,598,330</b>

Note: The above comprises transfers from the Exchequer from CARA, comprising of equitable share, Level 5 and donor funds released through the excchequer.

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**ANNEX 2 – ANALYSIS OF PENDING ACCOUNTS PAYABLE**

Supplier of Goods or Services	Original Amount A	Date Contracted B	Outstanding Balance 2020-2021 d=a-c	Outstanding Balance 2019-2020 d=a-c	Comments
Construction of buildings			609,803,277	303,093,248	
<b>Sub-Total</b>			609,803,277	303,093,248	
Construction of civil works			331,521,150	913,975,475	
<b>Sub-Total</b>			331,521,150	913,975,475	
Supply of goods			982,343,492	2,208,667,502	
<b>Sub-Total</b>			982,343,492	2,208,667,502	
Supply of services					
10. Pumwani Maternity and other Hospitals			-	450,411,950	
11. Supply of Services			734,532,757	1,477,269,780	



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12. Legal Creditors			2,530,237,830	4,113,165,423	
13. Kplc			477,771,272	649,053,085	
14. Water Bills			234,997,059	234,997,059	
Sub-Total			3,977,538,918	6,924,897,296	
Grand Total			5,901,206,837	10,350,633,521	

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**ANNEX 3 – ANALYSIS OF PENDING STAFF PAYABLES**

Name of Staff	Job Group	Original Amount	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
				2020-2021	2019-2020	
		a	c	d=a-c	d=a-c	
Others ( <i>specify</i> )						
Retirees and Deceased cases and Terminal Dues				138,208,116	173,583,267	
Sub-Total				138,208,116	173,583,267	
Grand Total				138,208,116	173,583,267	



ANNEX 4 – ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
				2020-21	2019-20	
		a	c	d=a-c	d=a-c	
Amounts due to National Government Entities						
1. KRA(PAYE)				526,754,010	1,032,551,993	
2. KRA PAYE-Penalties & Interest				105,797,983		
3. KRA(VAT)				118,553,642	118,553,642	
Sub-Total				751,105,635	1,151,105,635	
Amounts due to Other Entities						
4. NSSF				381,157,936	381,157,936	
Sub-Total				381,157,936	381,157,936	
Amounts due to Third Parties						
5. Government Guaranteed Loans				15,328,285,000	15,328,285,000	
6. Onlent Water Loans (Foreign)				3,815,640,000	3,815,640,000	
Sub-Total				19,143,925,000	19,143,925,000	

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Others ( <i>specify</i> )							
7. Laptrust Principal					6,570,318,711	6,573,088,255	
8. Laptrust Penalties					10,839,659,604	8,418,434,249	
9. Lapfund Principal					771,810,079	857,367,121	
10. Lapfund Penalties					22,327,942,955	18,818,231,928	
11. Laptrust (Actuarial Deficit)					2,624,372,573	2,624,372,573	
Sub-Total					43,134,103,922	37,291,494,126	
Grand Total					63,410,292,493	57,967,682,698	

**ANNEX 5 OUTSTANDING LOAN**

Name	Brief Transaction Description	Original Amount	Amount Paid To-Date	Outstanding Balance 2020/21	Outstanding Balance 2019/20	Comments
		a	c	d=a-c	d=a-c	
Amounts due to Third Parties						
KCB Loan				4,449,656,189	4,449,656,189	
Sub-Total				4,449,656,189	4,449,656,189	



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ANNEX 6 – SUMMARY OF NON-CURRENT ASSET REGISTER

Asset class	Historical Cost b/f	Additions during the year	Disposals during the year	Historical Cost c/f
	(Ksh )	(Ksh )	(Ksh )	(Ksh )
	2019-2020			2020-2021
Land	-	-	-	-
Buildings and structures	5,346,499,753	83,775,969	-	5,430,275,722
Transport equipment	1,047,023,310	71,928,000	-	1,118,951,310
Office equipment, furniture and fittings	959,662,052	10,653,555	-	970,315,607
ICT Equipment, Software and Other ICT Assets	111,039,747	101,657,782	-	212,697,529
Other Machinery and Equipment	577,107,684	-	-	577,107,684
Heritage and cultural assets	112,432,000	-	-	112,432,000
Intangible assets	109,259,889	-	-	109,259,889
Purchase of certified seeds, breeding stock and live animals	38,843,630	-	-	38,843,630
Infrastructure	13,586,395,047	829,445,401	-	14,415,840,448
W.I.P	2,826,814,000	-	-	2,826,814,000
<b>Total</b>	<b>24,715,077,112</b>	<b>1,097,460,707</b>	<b>-</b>	<b>25,812,537,819</b>





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**ANNEX 8 Contingent liabilities register**

	<b>Case Numbers</b>	<b>Parties</b>	<b>Estimated Amount Ksh</b>
1	Elc No. 1382/2016	Muranga Road Motors-Vs-Rockville & Ncc	18,630,000
2	Elc No. 1430/2016	Andrew Gicheha-Vs- Nairobi City County	12,830,000
3	Hccc No. 214/2017	Compit Education Centre-Vs-Nairobi City County	3,162,000
4	Cmcc.No.7729/2017	Paul Mwaura -Vs-Nairobi County & Ano	2,680,000
5	Elc No. 546/2017	Anne Omutere-Vs-Nairobi City County & Ano.	11,670,000
6	Hc.Pet.No. 565/2017	Paul Mburu Njama -Vs-Nairobi City County	13,990,000
7	Elc No. 397/2018	Nancy Mueni Kavis-Vs Sammy Mwathi & Ncc	11,670,000
8	Elc Pet. No. 8/2018	Grace Wairimu Sorora-Vs-Nairobi City County	20,950,000
9	Cmcc No. 6789/2018	Florence Wambui Mwaniki-Vs- Nairobi County	2,680,000
10	Cmcc.No.7152/2018	Joseph Wanyahoro-Vs-Nairobi City County	2,506,000
11	Cmcc.No. 39/2018	Bernard Nzuki-Vs-Nairobi City County & Kplc	2,138,000
12	Cmcc.No.3149/2018	Peter Wanjohi Mwaniki-Vs-Nairobi City County	1,061,800
13	Cmcc.No 618/2018	Agnes Wahura Kamau-Vs-Nairobi City County	2,680,000
14	Cmcc No. 2238/2019	Dorobo Club 36 -Vs - Nairobi City County	2,546,800
15	Cmcc No. 1153/2019	Kingp Rime -Vs-Nairobi City County	2,993,200
16	Jr App No. 2/2019	Prof. Tom Ojienda & Ass.-Vs-Nairobi City County	1,230,000
		<b>Total</b>	<b>113,417,800</b>

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ANNEX9 – BANK RECONCILIATION/FO 30 REPORT

*(Attach FO 30 Reports from IFMIS)*