

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

SECOND ASSEMBLY-SIXTH SESSION

NCCA/TJ/PL/ 2022 (7)

15<sup>th</sup> February, 2022

PAPER LAID

Pursuant to Standing Order 191 (6) I beg to lay the following Paper on the Table of the Assembly, today Tuesday 15<sup>th</sup> February, 2022.

THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS ON THE  
CONSIDERATION OF THE REPORT OF THE AUDITOR – GENERAL ON THE  
FINANCIAL STATEMENTS OF THE OF THE NAIROBI CITY COUNTY ASSEMBLY  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018

(Chairperson, Public Accounts Committee)

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

Approved  
@Rayet  
15/02/2022

Paper laid  
on 15/02/2022  
by Hon. Wajid  
Odeh.  
15/02/2022



GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

SECOND ASSEMBLY- SIXTH SESSION

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NOTICE OF MOTION

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Hon. Speaker, I beg to give notice of the following motion; -

THAT, this Assembly adopts THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR – GENERAL ON THE FINANCIAL STATEMENTS OF THE OF THE NAIROBI CITY COUNTY ASSEMBLY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018, laid on the table of the Assembly today Tuesday, 15<sup>th</sup> February 2022

(Chairperson, Select Committee on Public Accounts)

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

Approved  
*[Signature]*  
15/02/2022

*Notice of Motion  
Issued by the  
Hon. Wilfred Odeh  
15/2/2022*





THE NAIROBI CITY COUNTY GOVERNMENT



NAIROBI CITY COUNTY ASSEMBLY  
SECOND ASSEMBLY – (SIXTH SESSION)

INTERNAL MEMO

TO : PRINCIPAL CLERK ASSISTANT (L&P)  
FROM : AG. PRINCIPAL CLERK ASSISTANT (C)  
DATE : 15<sup>TH</sup> FEBRUARY, 2022

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RE: THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS ON THE CONSIDERATION OF THE REPORT OF AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF NAIROBI CITY COUNTY ASSEMBLY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018.

The above subject refers.

The Select Committee on Public Accounts considered and adopted the report of Auditor-General on the Financial Statements of Nairobi City County Assembly for the year ended 30<sup>th</sup> June 2018 on 27<sup>th</sup> October 2021.

This is therefore to forward to you the adopted report of the Committee for tabling.

A handwritten signature in blue ink, appearing to read 'J. Mbila'.

Joshua Mbila

Ag. Principal Clerk Assistant (C)

CA - Judy  
Kindly prepare  
Paper laid & Notice of Motion  
Ad  
15/02/22



NAIROBI CITY COUNTY



NAIROBI CITY COUNTY ASSEMBLY

SECOND ASSEMBLY – FIFTH SESSION

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THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS

ON

THE CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON THE  
FINANCIAL STATEMENTS OF NAIROBI CITY COUNTY ASSEMBLY FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE, 2018

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Clerks Chambers  
Nairobi City County Assembly  
City Hall Buildings  
NAIROBI

NOVEMBER 2021

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## **ABBREVIATIONS**

**FY** – Financial Year

**IFMIS**- Integrated Financial Management Information System

**IPSAS** - International Public Sector Accounting Standards

**KENAO** – Kenya National Audit Office

**MCA**- Member of County Assembly

**PAC** – Public Accounts Committee

**PFM** – Public Finance Management



## CHAIRPERSONS FOREWORD

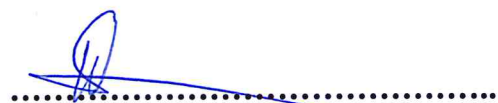
**Honourable Speaker**, on behalf of the Public Accounts Committee (PAC) and pursuant to the provisions of Standing Order 191(6), it is my pleasant privilege and honour to present to this Assembly this report of the Public Accounts Committee on the consideration of the “The report of the Auditor General on the financial Statements of Nairobi City County Assembly for the year ended 30<sup>th</sup> June, 2018.”

Article 176 of the Constitution establishes the County Government comprising of two distinct and independent arms namely; the County Assembly and the County Executive. The County Assembly is supposed to enjoy both financial and operational autonomy. This is to ensure that the Assembly remains independent while exercising oversight over the County Executive Committee and County Government entities. Indeed, Section 148 (4) designates the Clerk of the County Assembly as the accounting officer of the Assembly. In this regard, the Clerk as the Accounting Officer is charged with the responsibility of managing the finances and resources of the Assembly. As such, as provided for under Section 149 of the PFM Act, 2012, the Clerk like any other accounting officer of a County Government entity is accountable to the County Assembly in ensuring that the resources of the Assembly are used in a lawful, effective, efficient, economical and in a transparent manner.

It is against this backdrop that the Auditor General submits annual reports on accounts of the County Assembly to the Assembly pursuant to article 229 of the Constitution in order for the Assembly to take appropriate action. The Auditor General’s report is subsequently committed to PAC for consideration and reporting pursuant to Standing Order 197. This report is therefore a result of a meticulous exercise carried out by the Committee in considering the Auditor General’s report. The Committee held two (2) sittings to consider the report one of which it received responses from the Accounting Officer. While considering the report, the Committee identified issues such as inefficiencies in financial reporting and budget implementation as some of the notable issues raised by the Auditor General


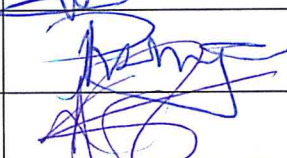



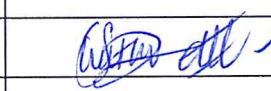
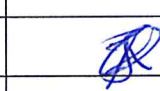
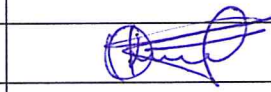
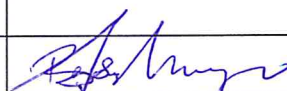
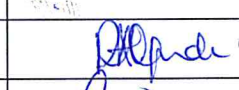
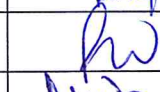
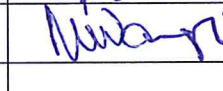

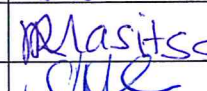
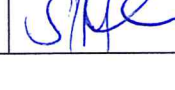
In conclusion, **Honourable Speaker**, I would like to thank the Accounting Officer during the period under review, Mr. Jacob Ngwele for appearing before the Committee and responding to the queries raised by the Auditor General. I wish also to register my appreciation to fellow Honourable Members of the Committee for their commitment. Equally, I thank the Offices of the Speaker and the Clerk of the County Assembly, and the Office of the Auditor General for their continued support. I also thank members of the Secretariat for their valued input in the work of the Committee.

**Honourable Speaker**, on behalf of the Public Accounts Committee, I now wish to table the report and urge the Assembly to adopt it and the recommendations therein.



**HON. WILFRED OLUOCH ODALO, MCA**

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

No.	NAME	SIGNATURE
1.	Hon. Wilfred Odalo, MCA - Chairperson	
2.	Hon. Peter Wahinya Njau MCA – V/Chairperson	
3.	Hon. Anthony Karanja Kiragu, MCA	
4.	Hon. Jairus Amukhoye Omayo, MCA	
5.	Hon. Moses Ogeto Nyangaresi, MCA	
6.	Hon. Maurice Ochieng Onyango, MCA	
7.	Hon. Jane Muasya, MCA	
8.	Hon. Silas Ongwae Matara, MCA	
9.	Hon. John Kamau Muthiga, MCA	
10.	Hon. Doris Kanario Ngoyo, MCA	
11.	Hon. Jared Okoth Okode, MCA	
12.	Hon. Mark Ndung'u Ng'ang'a, MCA	
13.	Hon. Osman Khalif Abdi, MCA	
14.	Hon. Anthony Ng'ang'a Gatune, MCA	
15.	Hon. Peter Anyule Imwatok, MCA	
16.	Hon. Lawrence Otieno Odhiambo, MCA	
17.	Hon. Benson Macharia Mwangi, MCA	
18.	Hon. Peter Muriithi Warutere, MCA	
19.	Hon. Rose Adhiambo Ogonda, MCA	
20.	Hon. Peter Wanyoike Gitau, MCA	
21.	Hon. Abraham Mwangi Njihia, MCA	
22.	Hon. Pius Mwaura Mbono, MCA	
23.	Hon. Anne Catherine Akinyi, MCA	
24.	Hon. Rosemary Masista Shitote, MCA	
25.	Hon. Sylvia Museiya, MCA	



## 1.0. INTRODUCTION

### 1.1. Mandate of the Public Accounts Committee

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

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

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

Article 229 (8) of the Constitution provides that within three months after receiving the report of the Auditor General, Parliament or the **County Assembly** shall debate and consider the report and take appropriate action. It is on this basis that this report has been produced by the Committee for consideration and adoption by the County Assembly.

### 1.2. Guiding principles

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

#### **(a) Constitutional Principles on Public Finance**

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

#### **(b) Direct Personal Liability**

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

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

*(b) the officer’s having done any act prohibited by sections 196, 197 and 198”*

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



### 1.3. Obligations of the Accounting Officer

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

- (a) lawful and authorized; and
- (b) Effective, efficient, economical and transparent.”

These provisions obligate all the Accounting Officers to appear before the PAC to respond to audit queries raised by the Auditor General. It is against this backdrop that the Clerk of the County Assembly appears before the Committee to respond to the queries raised by the Auditor General.

### 1.4. Committee Membership

The Committee comprises of the following members: -

- |    |                                       |                    |
|----|---------------------------------------|--------------------|
| 1  | <b>Hon. Wilfred Oluoch Odalo, MCA</b> | - Chairperson      |
| 2  | <b>Hon. Peter Wahinya Njahu, MCA</b>  | - Vice Chairperson |
| 3  | Hon. Doris Kanario Ngoyo, MCA         |                    |
| 4  | Hon. Maurice Ochieng Onyango, MCA     |                    |
| 5  | Hon. Anne Catherine Akinyi, MCA       |                    |
| 6  | Hon. Moses Ogeto Nyangaresi, MCA      |                    |
| 7  | Hon. Rose Adhiambo Ogonda, MCA        |                    |
| 8  | Hon. Silas Ongwae Matara, MCA         |                    |
| 9  | Hon. Peter Muriithi Warutere, MCA     |                    |
| 10 | Hon. Anthony Karanja Kiragu, MCA      |                    |
| 11 | Hon. Mark Ng'ang'a Ndung'u, MCA       |                    |
| 12 | Hon. Peter Anyule Imwatok, MCA        |                    |
| 13 | Hon. Benson Macharia Mwangi, MCA      |                    |
| 14 | Hon. John Kamau Muthiga, MCA          |                    |
| 15 | Hon. Anthony Ng'ang'a Gatune, MCA     |                    |
| 16 | Hon. Sylvia Moseiya, MCA              |                    |
| 17 | Hon. Abraham Mwangi Njihia, MCA       |                    |
| 18 | Hon. Pius Mwaura Mbono, MCA           |                    |
| 19 | Hon. Jairus Amukhoye Omay, MCA        |                    |
| 20 | Hon. Lawrence Otieno Odhiambo, MCA    |                    |
| 21 | Hon. Jared Okoth Okode, MCA           |                    |
| 22 | Hon. Jane Muasya, MCA                 |                    |
| 23 | Hon. Rosemary Matista Shitote, MCA    |                    |
| 24 | Hon. Osman Khalif Abdi, MCA           |                    |
| 25 | Hon. Peter Wanyoike Gitau, MCA        |                    |

### **I.1. Committee Secretariat**

The Committee secretariat comprises of the following officers: -

- 1.** Ms. Josephine Kamau- Senior Clerk Assistant
- 2.** Mr. Benedict Ochieng- Clerk Assistant

### **2.0. WITNESSES AND SITTINGS**

The then **Accounting Officer during the period under review** appeared before the Committee and submitted written responses to the audit queries raised by the Auditor General. The Committee held two **(2) sittings** to consider the report of the Auditor General during which it examined both written and oral submissions by the Clerk. Minutes of the Committee's sittings and the submissions tabled by the Accounting Officer are annexed to this report.

### **3.0. FINANCIAL STATEMENTS OF THE NAIROBI CITY COUNTY ASSEMBLY FOR THE YEAR ENDING 30TH JUNE, 2017**

#### **3.1. Trial Balance**

The management did not provide a trial balance to support figures reflected in the financial statement for 2017/2018 financial year. As a result, the completeness and accuracy of the financial statements for the year ended 30 June 2018 cannot be confirmed.

#### **Submissions by the Accounting Officer**

- i) The supporting schedules submitted along with the financial statements forms the source documents for the preparation of the accounts, hence the non-submission of the trial balance. The general ledgers submitted too were complete and the auditors did not raise any issue during the audit process.
- ii) The trial balance is available for audit verification.

#### **Committee Observations**

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

#### **Committee Recommendations**

The Accounting Officer should institute measures to ensure that the Assembly always act in time when dealing with the Auditor General to forestall audit queries.

#### **3.2. Payments outside IFMIS**

Payments amounting to Kshs. 211,351,680.00 were made outside IFMIS during the financial year 2017/2018 as tabulated below:

	<b>Final Approved Estimates (Net)</b>	<b>Actual Expenditure (As reported in IFMIS)</b>	<b>Expenditure as Reported in the Financial Statements</b>	<b>Variances Between IFMIS and Financial Statements</b>
<b>Components</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Compensation of Employees	656,794,715	548,470,471	641,042,692	92,572,221
Use of Goods and Services	658,747,496	429,125,723	572,720,876	143,595,153
Other Grants and Transfers	4,900,000	4,900,000	-	(4,900,000)
Social Security Benefits	49,359,111	28,948,869	48,943,862	19,994,993
Acquisition of the Assets	417,816,650	201,578,900	161,584,215	(39,994,685)
Finance Costs, including Loan Interest	-	-	83,999	83,999



Total	1,787,617,972	1,213,023,964	1,424,375,644	211,351,680
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No reasons have been given for paying outside IFMIS system.

#### **Submissions by the Accounting Officer**

- i) It is true that during the year under Audit i.e. FY 2017/2018 some payments were done outside IFMIS, reason being that the Assembly went fully on IFMIS in December 2017.
- ii) However, all documents required within the said financial year under question have been provided, without separating what was paid on IFMIS and outside IFMIS. Currently all payments are being made through IFMIS.

#### **Committee Observations**

- i) This is a recurring audit query and the assertion that the Assembly was not wholly on IFMIS during the Financial Year under review is misleading as confirmed by the Auditor General while interrogating the report. It had been reported in the preceding financial years that the Assembly was actually fully on IFMIS, the relevant infrastructure had been installed, and officers trained.
- ii) The Committee notes that making payments outside IFMIS puts at risk public funds since there are high risks of non-accountability.

#### **Committee Recommendations**

The County Assembly should strictly adhere to the prescribed public finance management processes and regulations.

### **3.3. Cash and Cash Equivalents**

#### **3.3.1. Board of Survey Report**

The statement of financial assets and liabilities as at 30 June 2018 reflects cash and cash equivalents balance of Kshs. 10,985,207.00 and as disclosed in Note 13 to the Financial Statements. However, the balance has not been supported by a board of survey Report. No satisfactory explanation has been provided for this omission.

#### **Submissions by the Accounting Officer;**

The cash and cash equivalents balance of Kshs. 10,985,207.00 as disclosed under Note 13 to the Financial Statements is fully supported by Board of Survey report which is readily available for audit verification.

#### **Committee Observations**

- i) A Board of Survey is critical in ascertaining the accuracy of reconciled figures for various votes at the close of the Financial Year. Therefore, instances where its report has glaring anomalies could be an indicator of financial impropriety of a public entity.
- ii) The Auditor General having reviewed the supplied evidence during the interrogation of the audit report by the Committee confirmed that there was an alteration on the closing figure

in the Imprest account hence the accuracy of the documents presented could not be ascertained.

### **Committee Recommendations**

The Board of Survey should in future timely prepare its report and authenticate all the relevant accounting documents therein so that the information can be relied upon.

#### **3.3.2. Bank Reconciliations**

The Assembly did not prepare bank reconciliation for the five bank accounts as disclosed in note 13A to the financial statements contrary to regulation 90 of the Public Finance Management (County Government statements) Regulations, 2015. As a result of the omission indicated above, the accuracy of cash and cash equivalents balance of Kshs.10, 985,207 cannot be confirmed.

#### **Submissions by the Accounting Officer**

- i) In compliance with the provisions of section 90 (1) of PFM (County Government) Regulations, 2015; Nairobi City County Assembly performed reconciliations for all the five (5 No.) bank accounts it operates.
- ii) All the bank reconciliation statements were forwarded to the auditors for review albeit late for the Imprest and Salary Accounts.

### **Committee Observations**

While the Accounting Officer submitted the documents after the audit period as confirmed by the Auditor General, late submission may be construed to mean that the records were manufactured to conceal the truth.

### **Committee Recommendations**

- i) The Accounting Officer should institute measures to ensure that the Assembly always act in time when dealing with the Auditor General by providing necessary documentation and explanations required at the time of audit in order to forestall audit queries and to allay fears of misrepresentation of facts.
- ii) The Accounting Officer should institute measures to ensure that the Assembly adheres to International Public Sector Accounting Standards (IPSAS) consistent with the Public Finance Management Act, 2012.

#### **3.4. Outstanding Imprest**

Disclosed in Note 14 to the financial statements is a balance of Kshs.117, 830,865 against outstanding imprests. However, the IFMIS ledger reflects a balance of Kshs.206, 907,033 against the same item resulting in a difference of Kshs.89, 076,168 which has not been reconciled or explained.

#### **Submissions by the Accounting Officer;**

The auditor's observation was correct, the error has been corrected and the financial statements have been adjusted accordingly.



### **Committee observations**

Whereas acknowledging an error is a good practice, it portrays the Assembly in bad light considering that the Assembly should be the icon of transparency, good governance and a public watchdog.

### **Committee Recommendations**

- i) The Accounting Officer should strengthen the financial reporting section of the Accounts Department.
- ii) The Accounting Officer should institute measures to ensure that the Assembly adheres to International Public Sector Accounting Standards (IPSAS) consistent with the Public Finance Management Act, 2012.

### **3.5. Fixed Asset Register**

The Assembly did not maintain during the year under review a fixed assets register. The disclosure under Annex 4 to the financial statements is therefore not supported by a fixed assets register.

Consequently, it has not been possible to ascertain the existence, location, completeness and accuracy of additional assets in the year 2017/2018 of Kshs. 161,584,215 or the balance of Kshs. 279,117,771 relating to the historical costs of the assets as at 30 June 2018 as disclosed.

### **Submissions by the Accounting Officer;**

Nairobi City County Assembly maintains a Fixed Asset Register, which has been provided for audit verification. It is true that the Assembly owns Furniture, Equipment and Fittings at every County Ward Office. The County Assembly did verification of these Assets, and valuation of the same shall follow soon. A verification report is herewith provided for audit review.

### **Committee Observations.**

- i) The document, which was re-availed during interrogation of the Audit Report by the Committee, still fell short of the required fixed asset register on the following grounds:
  - a) Lacks serial numbers;
  - b) Does not have Identification, purchase date of the asset and the date when the asset was put to use.
  - c) Lacks purchase cost of the asset.
  - d) No physical nature identifying the specific asset
- ii) Lack of an authentic asset register puts at risk assembly assets since the same cannot be accounted for at any given time.

### **Committee Recommendations**

- i) The Accounting Officer should urgently prepare a verifiable Asset register as prescribed under the Public Finance Management Act, 2012.
- ii) The Auditor General should confirm the status of this query during the subsequent year audit.

### 3.6. Pending Bills

Disclosed under Note 13 to the financial statements are pending bills totaling Kshs. 31,865,711. However, the pending bills balance has not been supported by source documents and supporting schedules indicating type of supply, contracted amount, amount paid to date and outstanding balance as at year-end. As a result, the validity and accuracy of the pending bills balance of Kshs. 31,865,711 cannot be confirmed.

#### Submissions by the Accounting Officer

- i) The pending bills reported were all for the current reporting period FY 2017/18 hence the documents supplied to the auditors' for review i.e. the schedules, the payment vouchers; surrender documents and imprests were sufficient evidence to support the current pending bills.
- ii) Had the pending bills remained outstanding beyond one reporting period, then it would be necessary to provide additional information as defined by PSASB template. In addition, supplier-aging analysis for the current period is herewith attached for audit verification.

#### Committee Observations

- i) The Accounting Officer did not provide the type of supply, contract documents, LSO's and LPO's for interrogation by the Committee and to the satisfaction of the Auditor General even after the same was requested during the interrogation of the audit report by the Committee.
- ii) Failure to provide critical procurement and accounting documents points towards financial impropriety.

#### Committee Recommendations

The Accounting Officer should keep and provide to the Auditor General proper accounting documents for audit review and verification.

### 3.7. Budget Performance

During the financial year ended 30 June 2018, the County Assembly had an approved budget of Kshs. 1,727,660,782.00 comprising of recurrent vote of Kshs. 1,309,844,132 and development vote of Kshs. 417,816,650.00. The summary statement of appropriation recurrent and development; combined reflected overall expenditure totaling Kshs. 483,285,139.00 equivalent to 72 % absorption rate but overall under-Expenditure of 28% as tabulated below:

Analysis	2017/2018 final budget figures	2017/2018 Actual Receipts/ Expenditure	Variance	% Budget absorption
Components	Kshs.	Kshs.		%
Revenue				



Transfers from County Treasury/Exchequer Release	1,787,617,973	1,451,777,423	335,840,550	19%
<b>Expenditure</b>				
Compensation of Employees	645,992,568	641,042,692	4,949,876	1%
Use of Goods and Services	596,126,584	572,720,876	23,405,708	4%
Social Security Benefits	67,724,980	48,943,862	18,781,118	28%
Acquisition of assets	417,816,650	161,584,215	256,232,435	61%
Finance costs	-	83,999	(83,999)	100%
<b>Total Expenditure</b>	<b>1,727,660,782</b>	<b>1,244,375,643</b>	<b>483,285,139</b>	<b>28%</b>

An analysis also indicates that the development funds were not fully utilized as planned resulting in under expenditure of Kshs.256, 232,435 or 61% of the budget.

### **Submissions by the Accounting Officer**

As correctly indicated the County Assembly did not fully utilize the development budget for the year under review because of the following: -

- i) Included in the development budget is an amount of Kshs. 150 Million for the procurement of the County Assembly Speaker's residence. Tender for the Purchase of a complete house was floated on two occasions by the County Assembly. However due to non-responsive bidders and bid price that were way above the market value, the Speaker's residence was not procured.
- ii) The County Assembly budget for development is usually financed by the County Treasury from the revenues that are locally collected. Due to underperformance of the local revenue streams, the County Treasury did not fully finance the County Assembly Projects.

### **Committee Observations**

- i) Budgeting for items that cannot be realized leads and funds that cannot be spent leads to reduction of the Assembly ceilings by the Commission on Revenue Allocation (CRA), which may affect other critical programs that are important to Members and Staff.
- ii) Failure or delay by the County Treasury to release funds to the County Assembly hampers the County Assembly's programmes and effectively curtails it from executing its constitutional functions of legislation, oversight and representation.



### **Committee recommendations**

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

### **3.8. Compensation of Employees**

The statement of receipts and payments for the year ended 30 June 2018 reflects total expenditure of Kshs.1,244,375,643. The expenditure on compensation of employees of Kshs.641,042,692 represents about 44% of total receipts of Kshs.1,451,777,423 during the year under review. The expenditure, therefore, exceeded the set limits of 35% contrary to regulations 25 (1) (b) of the public Finance Management ( County Governments) Regulations,2015 which provides that County Government expenditure on wages and benefits for public officers should not exceed 35% of the county Assembly total receipts. The County Assembly was in breach of law.

### **Submissions by the Accounting Officer**

- i) Section 25 (1) (a) (b) of the PFM (County Government) Regulations, 2015 provides that, *“(a)the County Executive Committee (CEC) Member with approval of the County Assembly shall set a limit on the **County Government’s** expenditure on wages and benefits for its public officers.... The set limit under par. (a) above, shall not exceed 35% of the **County Government’s total revenue....”***
- ii) The Assembly’s expenditure of Kshs. 641,042,692 on compensation of employees is below 35% threshold when compared to the total receipts of the **County Government** not the County Assembly. It is worth noting that the Assembly approves a whole budget for the **County Government** not County Assembly separately. Thus, comparisons should be made viz viz total County Government Budget.

### **Committee observations**

- i) The Accounting Officer’s assertion is misleading since the comparison is based on the Assembly budget and the received exchequers as well explained by the Auditor General. Consequently, the County Assembly was in breach of law since it utilized more than 35% of their receipts to pay salaries contrary to Section 25 (1) (a) (b) of the PFM (County Government) Regulations, 2015.
- ii) The Assembly wage bill has ballooned and may affect critical programs on legislation and oversight.

### **Committee recommendations**

- i) The Accounting Officer should strictly adhere to the provisions of Section 25 (1) (a) (b) of the PFM (County Government) Regulations, 2015.
- ii) The County Assembly Service Board should put in place policies that manages the Assembly’s Wage Bill.

### **3.9. Irregular Payment of Imprest**

The Nairobi City County Assembly spent a total of Kshs. 401,500.00 on transport and night out refunds to County Assembly Members who had travelled for funeral of a sister to one of the Assembly members in Mumias. This event was not official and facilitating it was contravening the public finance management act on effective management accountability of public funds.

#### **Submissions by the Accounting Officer**

It is true the above expenditure was incurred as night out and transport refunds for MCAs who travelled for a funeral in Mumias. As noted by the auditors, this payment contravened the PFM Act tenets that contemplates effective public finance management, thus recovery measures shall be instituted.

#### **Committee observations**

An admission of commission of an illegality does not absolve the Accounting Officer from the illegality committed.

#### **Committee recommendations**

- i) The Accounting Officer should strictly adhere to public finance management regulations/principles as espoused in the Constitution and the Public Finance Management Act and the attendant regulations when utilizing public funds.
- ii) The County Assembly Service Board should sanction the Accounting Officer during the period under review for breach of law.

### **3.10. Segregation of Duties**

Although Accounts Department of the Assembly has thirteen Members of Staff, only one officer performs duties of disbursing funds, making entries in the cashbook, reconciliation and validation of payments in the IFMIS system contrary to regulation 110 (2a) of the PFM Act, 2012 (County Government) Regulations, 2015.

#### **Recommendation(s)**

The Accounting Officer should ensure that the Accounts Department is functional as per the PFM Act, 2012 and the attendant Regulations.

#### **4.0. CONCLUSION**

The Committee having considered both the **“Report of the Auditor-General on the Financial Statements of Nairobi City County Assembly for the year ended 30<sup>th</sup> June 2018”** and oral and written responses to the audit queries from the Clerk of the County Assembly who is also the Accounting Officer, made various observations on each audit query and subsequently provided recommendations. The recommendations are aimed at ensuring that the Accounting Officers puts in place mechanisms to ensure that the County Assembly adheres to public finance management values and regulations.



## **5.0. SUMMARY OF ALL RECOMMENDATIONS**

Following the Committee's consideration of the **"Report of the Auditor-General on the Financial Statements of Nairobi City County Assembly for the year ended 30<sup>th</sup> June 2018"** and having considered responses from the Accounting Officer, the Committee made the following recommendations: -

### **1.1. Trial Balance**

- The Accounting Officer should institute measures to ensure that the Assembly always act in time when dealing with the Auditor General to forestall audit queries.

### **1.2. Payments outside IFMIS**

- The County Assembly should strictly adhere to the prescribed public finance management processes and regulations.

### **1.3. Cash and Cash Equivalents**

#### **1.3.1. Board of Survey Report**

- The Board of Survey should in future timely prepare its report and authenticate all the relevant accounting documents therein so that the information can be relied upon.

#### **1.3.2. Bank Reconciliations**

- The Accounting Officer should institute measures to ensure that the Assembly always act in time when dealing with the Auditor General by providing necessary documentation and explanations required at the time of audit in order to forestall audit queries and to allay fears of misrepresentation of facts.
- The Accounting Officer should institute measures to ensure that the Assembly adheres to International Public Sector Accounting Standards (IPSAS) consistent with the Public Finance Management Act, 2012.

### **1.4. Outstanding Imprest**

- The Accounting Officer should strengthen the financial reporting section of the Accounts Department.
- The Accounting Officer should institute measures to ensure that the Assembly adheres to International Public Sector Accounting Standards (IPSAS) consistent with the Public Finance Management Act, 2012.

### **1.5. Fixed Asset Register**

- The Accounting Officer should urgently prepare a verifiable Asset register as prescribed under the Public Finance Management Act, 2012.
- The Auditor General should confirm the status of this query during the subsequent year audit.

## **1.6. Pending Bills**

- The Accounting Officer should keep and provide to the Auditor General proper accounting documents for audit review and verification.

## **1.7. Budget Performance**

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

## **1.8. Compensation of Employees**

- The Accounting Officer should strictly adhere to the provisions of Section 25 (1) (a) (b) of the PFM (County Government) Regulations, 2015.
- The County Assembly Service Board should put in place policies that manages the Assembly's Wage Bill.

## **1.9. Irregular Payment of Imprest**

- The Accounting Officer should strictly adhere to public finance management regulations/principles as espoused in the Constitution and the Public Finance Management Act and the attendant regulations when utilizing public funds.
- The County Assembly Service Board should sanction the Accounting Officer during the period under review for breach of law.

## **1.10. Segregation of Duties**

- The Accounting Officer should ensure that the Accounts Department is functional as per the PFM Act, 2012 and the attendant Regulations.

## ANNEXURES

Annex	Title
Annex 1	Minutes of the Sittings
Annex 2	Response on Report of the Auditor-General on the Financial Statements of Nairobi County Assembly for the year ended 30 <sup>th</sup> June 2018
Annex 3	Restated Financial Statements for Nairobi City County Assembly for the year ended 30 <sup>th</sup> June 2018
Annex 4	Audit Findings - Trial Balance
Annex 5	Cash and Cash equivalents - Board of survey report
Annex 6	Bank Reconciliation
Annex 7	Outstanding imprest