

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY  
(SECOND SESSION)



NCCA/TJ/PL/2023(42)

6<sup>TH</sup> JUNE 2023

PAPER LAID

SUBJECT: REPORT OF AUDITOR GENERAL

Pursuant to 229 (7) of the Constitution of Kenya, 2010, I beg to lay the following Paper on the Table of this Assembly, today Tuesday 6<sup>th</sup> June 2023.

— THE REPORT OF THE AUDITOR GENERAL ON COUNTY REVENUE FUND-COUNTY GOVERNMENT OF NAIROBI CITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022.

*(The Leader of Majority Party)*

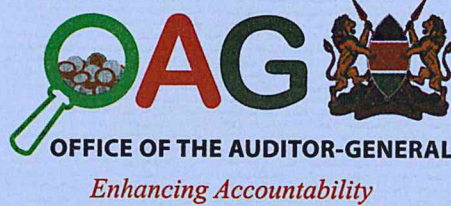
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The Clerk  
Hansard Editor  
Hansard Reporters  
The Press





REPUBLIC OF KENYA

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*Handwritten notes:*  
① DLS Deal  
Kush  
Clement  
17/5/2023

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Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

OAG/NARO/NCC/2021/2022/ (32)

16 May, 2023

**Mr. Jeremiah Nyegenye, CBS**  
Clerk to the Senate  
P.O. Box 41842 - 00100  
**NAIROBI.**



Dear Mr. Nyegenye,

**REPORT OF THE AUDITOR-GENERAL ON COUNTY REVENUE FUND – COUNTY GOVERNMENT OF NAIROBI CITY FOR THE YEAR ENDED 30 JUNE, 2022**

I transmit the report of the Auditor-General on the examination and audit of County Revenue Fund for the year ended 30 June, 2022 in accordance with the provisions of Article 229(7) of the Constitution of Kenya for the necessary action as required by Article 229(8) of the Constitution.

Yours Sincerely,

**Stanley Mwangi**  
**For: AUDITOR-GENERAL**

*Handwritten notes:*  
① PCA L&P  
prepare this for  
tabling and commitment  
to the committee!  
DLS  
22/5/2023

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

**Johnson Arthur Sakaja**  
Governor  
County Government of Nairobi  
P.O. Box 30075-00100,  
**NAIROBI.**

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

*Handwritten notes:*  
③ SCA - Austin  
Please deal as per  
all above.  
Mwai  
PCA L&P  
23/5/2023

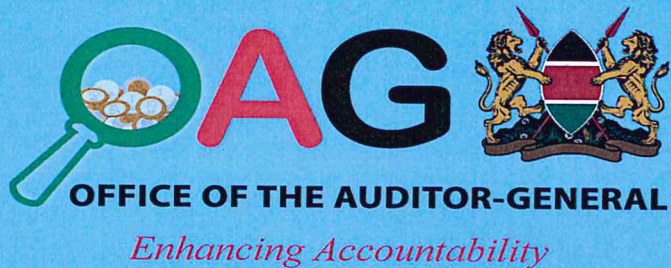
**Charles K. Kerich**  
C.E.C.M - Finance and Economic Planning  
County Government of Nairobi City,  
P. O. Box 30075-00100  
**NAIROBI**







REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

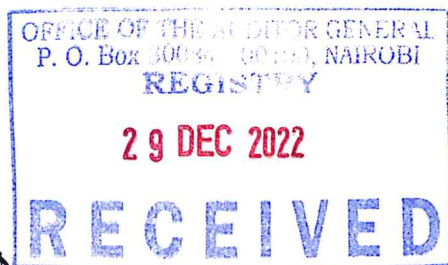
**ON**

**COUNTY REVENUE FUND (CRF) FOR THE**  
**COUNTY GOVERNMENT OF NAIROBI CITY**

**FOR THE YEAR**  
**ENDED 30 JUNE, 2022**







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## COUNTY REVENUE FUND

County Government of Nairobi City

REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022.

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**County Government of Nairobi City**  
**County Revenue Fund**  
**Revised Annual Report and Financial Statements for the Financial Year ended 30<sup>th</sup>**  
**June,2022.**

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**County Government of Nairobi City**

**County Revenue Fund**

**Revised Annual Report and Financial Statements for the Financial Year ended 30<sup>th</sup> June, 2022.**

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**County Government of Nairobi City**  
**County Revenue Fund**  
**Revised Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022**

**1. Key Entity Information and Management**

**a) Background information**

Article 207 of the Constitution of Kenya provides for the establishment of the County Revenue Fund into which shall be paid all money raised or received by or on behalf of the County Government.

**b) Key Management**

The County Revenue Funds day-to-day management is under the following key organs:

- CECM Finance and Economic planning
- C.O Finance and Economic Planning
- Head of County Treasury (Accounting)

**c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CECM Finance and Economic Planning	- Allan Esabwa Igambi
2.	Accounting Officer in charge of Finance	- Mohammed Abdi Sahal
3.	Head of County Treasury (Accounting)	- Martha Wambugu

**d) Fiduciary Oversight Arrangements**

The Nairobi City County Assembly Budget and Appropriations Committee and Public Accounts Committee provide oversight on County Financial Management. The Budget and Appropriations committee oversees and monitors budget preparation and implementation while the Public Accounts Committee reviews all reports of the Auditor-general in matters related to the management of finances. The County has an established audit committee which strengthens the independence and the processes around internal auditing.

The Controller of budget provides oversight in the execution of budget of the county. This ensures compliance with the legal provisions and ensuring financial discipline in the execution of budget.



The county submitted quarterly financial reports that gave the status of budget implementation on quarterly basis.

Office of the Auditor General continues to offer oversight through conduct of annual audits comprising system audit and financial statements audit. The Auditor General prepares report which includes recommendations aimed at improving compliance with legal provision and ensuring service delivery.

The Senate continues to offer oversight on the County. The senate receives the Audited Annual Financial Statements of the county and through its Public Accounts committee seeks explanation on the issues raised in the report.

**County Government of Nairobi City**  
**County Revenue Fund**  
**Revised Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022**

---

**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**

(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

### County Revenue Fund

#### Revised Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022

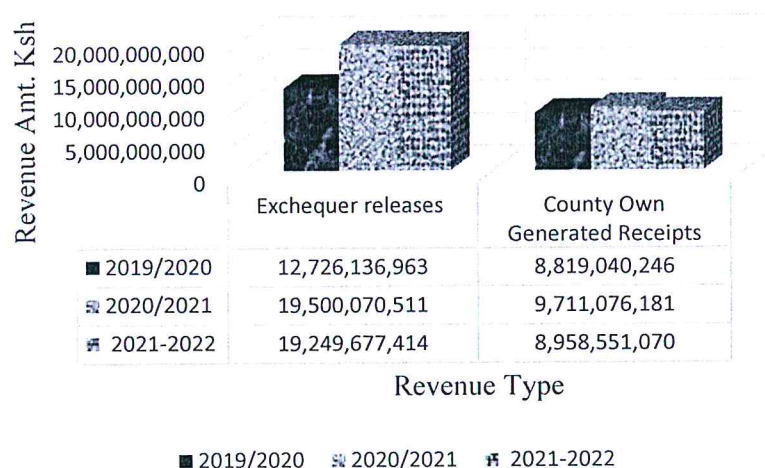
## 2. Statement by the CECM Finance and Economic Planning

The financial statements have been prepared pursuant to section 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, 2022. 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.

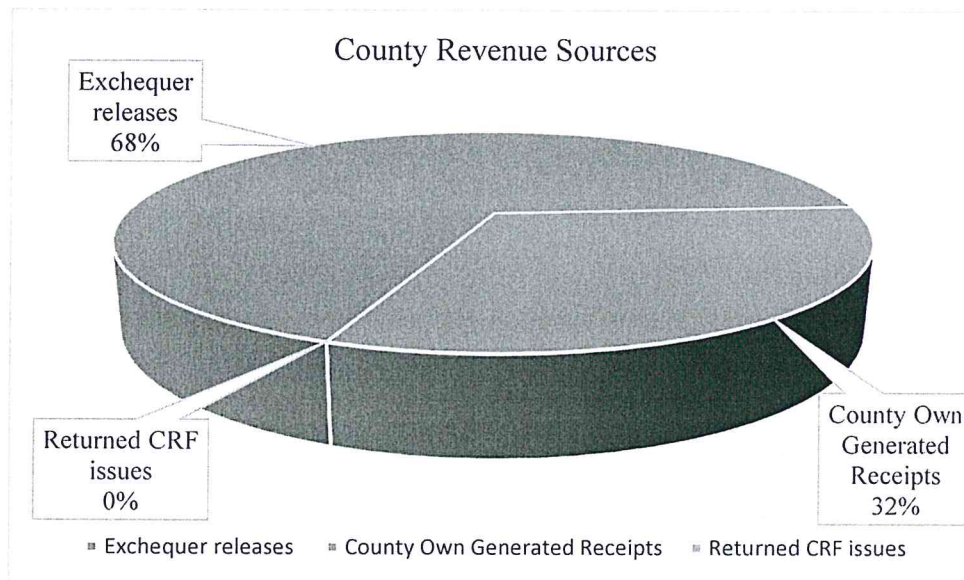
The Kenya Revenue Authority (KRA) under Gazette Notice no. 1609 of February 25, was designated as the principal agent for overall collection of revenue in Nairobi County. It was given full access to county revenue processes, information, data and systems. This was meant to enhance increased own-source revenue.

The county remains committed, and continuously pursues the fulfilment of the fiscal responsibility principles as specified in law. In mobilization of resources, the county met 71.19 % (Ksh. 28.21 B) of the approved revenue target of Ksh. 39.63 B, constituted by exchequer release amounting to Ksh. 19.25 Billion, and Ksh. 8.96 Billion from own source revenue(OSR). OSR saw a 7.75% decline from the Ksh. 9.7 B collected in the previous financial year 2020/2021, meeting 45.68% of the set annual target.

Revenue Fluctuations 2019/2020 to 2021/2022



Exchequer release constituted the larger portion of total county revenue actualized at 68.24%, while own source revenue accounted for 31.76%



The county transferred Kshs. 11,847,311,056 to Nairobi Metropolitan Services (NMS) and Ksh 1,302,938,136 to Nairobi City County Assembly from County Revenue Fund during the Financial year. The county remains committed to ensuring proper accountability of revenue both from exchequer, own source revenues and other sources of revenue. The county will continue to mobilize Own source revenues to ensure they are adequate resources to meet county programs.

**Charles K. Kerich**

**CECM – Finance and Economic Planning**



**County Government of Nairobi City**  
**County Revenue Fund**  
**Revised Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022**

### 3. Management Discussion and Analysis

The equitable share for the financial year 2020-2021 grew by Ksh 3.5B after the revision of formula on shareable revenues among the county governments from Ksh 15.9B to Ksh 19.5B.

County Own Source revenues have been underperforming against the budget over the last three years and the County Government is concerned about this trend. Strategies to improve on this situation are being implemented currently.

The table below shows the budgets and Actuals of Exchequer releases and Own source revenues in the past three years

	Final Budget	Actuals	Final Budget	Actuals	Final Budget	Actuals
	2021-2022	2021-2022	2020-2021	2020-2021	2019-2020	2019-2020
Exchequer Releases	19,250,000,000	19,249,677,414	19,500,070,512	19,500,070,511	15,919,950,000	12,419,252,740
Transfers from Other Government Entities	-	-	1,027,534,933	-	947,167,125	495,270,781
Proceeds from Domestic and Foreign Grants	166,791,329	-	182,730,217	74,527,819	217,697,898	227,460,972
Returned CRF issues	600,000,000	1,442,555	711,888,103	168,031,327	2,741,050,231	2,580,279,980
County Own Generated Receipts	19,610,744,671	8,958,551,070	16,459,511,170	9,711,076,181	17,155,525,634	8,819,040,246
<b>Totals</b>	<b>39,627,536,000</b>	<b>28,209,671,039</b>	<b>37,881,734,935</b>	<b>29,453,705,838</b>	<b>36,981,390,888</b>	<b>24,541,304,719</b>

### 4. Statement of Management Responsibility

Article 207 of the Constitution, Sections 109 and 167 of the Public Finance Management Act, 2012 requires a County Revenue Fund established by the Constitution, an Act of Parliament or county legislation shall prepare financial statements for the Fund for each financial year in a form prescribed by the Public Sector Accounting Standards Board and submit to the Auditor General and a copy to the Commission on Revenue Allocation and the Controller of Budget.

The Accounting Officer of the County Government is responsible for the preparation and presentation of the County Revenue Fund financial statements, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year ended on June 30, 2022. 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 Revenue Fund; (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 Accounting Officer accepts responsibility for the County Revenue Fund'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 Accounting Officer is of the opinion that the County Revenue Fund's financial statements give a true and fair view of the state of the County Revenue Fund's transactions during the financial year ended June 30, 2022, and of its financial position as at that date.

The Accounting Officer further confirms the completeness of the accounting records maintained for the County Revenue Fund which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control. The Accounting Officer confirms that the County Revenue Fund has complied fully with applicable Government Regulations and the terms of external financing covenant. Further, Accounting Officer confirms that the County Revenue Fund'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 Revenue Fund's financial statements were approved and signed on 22<sup>nd</sup> December 2022.

Signature 

Name: **Joseph Murigi Gathiaka**

**Ag. Chief Officer – Finance and Economic Planning  
County Government of Nairobi City.**

## **5. Overview of the County Revenue Fund Operations**

### **Background**

Article 207 of the Constitution of Kenya provides for the establishment of a County Revenue Fund into which shall be paid all money raised or received by or on behalf of the County Government. As outlined under Section 109 of the Public Finance Management (PFM) Act, 2012 the County Treasury is responsible for administration of the County Revenue Fund. The County Revenue Fund is maintained as the County Exchequer Account at the Central Bank of Kenya.

### **Receipts into the County Revenue Fund**

County Government revenue is received through appointed County Receiver of Revenue by the County Executive Committee Member for finance to the County Treasury pursuant to Section 157 (1) of the PFM Act 2012. Other receipt includes Exchequer releases, grants from development partners, proceeds from domestic and foreign borrowings, and other miscellaneous deposits in the County Revenue Fund Account.

### **Transfers from the County Revenue Fund**

The withdrawal of funds from the County Revenue Fund is authorized by the County Appropriation Act. The County Treasury is required to seek the Controller of Budget's approval for withdrawal of funds from the County Revenue Fund to the County Executive and County Assembly bank accounts. These entities are responsible for the administration of their respective approved budgets.

### **Financial Reporting requirements**

The Accounting Officer for the County Revenue Fund is required to prepare and submit the financial statements to the Auditor-General and a copy to the Controller of Budget, and the Commission on Revenue Allocation.

This statement therefore covers the operations of the County Exchequer Account for the financial year ended 30<sup>th</sup> June 2022.

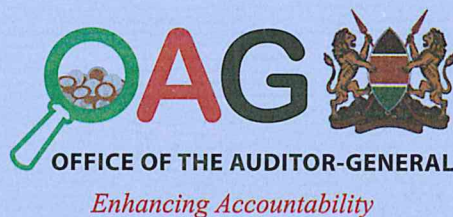


.....  
**Name: Joseph Murigi Gathiaka**  
**Ag. Chief Officer – Finance and Economic Planning**



# REPUBLIC OF KENYA

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Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON COUNTY REVENUE FUND (CRF) FOR THE COUNTY GOVERNMENT OF NAIROBI CITY FOR THE YEAR ENDED 30 JUNE, 2022**

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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 the County Revenue Fund (CRF) for the County Government of Nairobi City set out on pages 1 to 10, which comprise



of the statement of receipts and payments for the year ended 30 June, 2022, the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 performance for the County Revenue Fund (CRF) for the County Government of Nairobi City for the year ended 30 June, 2022, 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. Inconsistencies in Revenue Collected**

The statement of receipts and payments reflects total receipts of Kshs.28,209,671,039 while the Nairobi City County Revenue Fund bank statement reflects receipts totalling to Kshs.28,022,892,566, resulting to an unreconciled variance of Kshs.186,778,473. Further, the statements reflect own generated revenue amount of Kshs.8,958,551,070. However, review of records provided by the Revenue Department of the County revealed that the County collected own generated revenue amount of Kshs.8,972,609,800, resulting to an unreconciled variance of Kshs.14,058,730.

In the circumstances, the accuracy of the total receipts amount of Kshs.28,209,671,039 reflected in the statement of receipts and payments could not be ascertained.

#### **2. Unremitted Revenue**

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects own generated revenue total amount of Kshs.8,958,551,070. Examination of records provided revealed that this amount excluded Kshs.265,864,886 (2021 - Kshs.501,849,628.73) collected by the Nairobi City County Alcoholic Drinks and Licensing Board, contrary to Regulation 80 of the Public Finance Management (County Governments) Regulations, 2015 which states that 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.

In the circumstances, the accuracy and completeness of own generated revenue amount of Kshs.8,958,551,070 could not be confirmed.

#### **3. Unsupported Receipts**

The statement of receipts and payments reflects own source revenue of Kshs.8,958,551,070 which was a decline from previous year collection of Kshs.9,711,076,181, resulting to unexplained reduction of Kshs.752,525,111. In addition, the records provided for audit revealed that the own generated revenue is collected



through three platforms which channel their collections to County Revenue Fund. These platforms are not integrated. Two platforms, Nairobi Revenue Sure (NRS) and Local Authorities Integrated Financial Operations Management System (LAIFORMS) are controlled by the Nairobi City County Executive while Kenya Revenue Sure is controlled by Nairobi Metropolitan Services (NMS). It was also noted that no reconciliation was carried out for the revenue which was remitted by the institutions to the CRF account against what was actually collected. In addition, the revenue amount collected was not confirmed by the Kenya Revenue Authority, National Bank of Kenya, Cooperative Bank and Equity Bank.

Further, the statement reflects comparative total receipts amount of Kshs.29,553,905,838 which includes County own generated revenue amounting to Kshs.9,711,076,181 which comprised of Kshs.7,469,415,819 collected through the Local Authorities Integrated Financial Operations Management System (LAIFORMS) and Kshs.2,241,660,362 collected through a revenue account held at the National Bank of Kenya. However, schedules in support of the receipts collected through the National Bank were not provided for audit review. Further, review of the National Bank of Kenya Bank statements revealed that an amount of Kshs.3,814,038,549 in revenue was collected through the bank resulting to a variance of Kshs.1,572,378,187 which was not reconciled. Similarly, the comparative balance includes other grants amount of Kshs.74,527,819 which, as disclosed in Note 3 to the financial statements included an amount of Kshs.16,009,894 from Youth Polytechnic Support grant which was not explained or supported.

In the circumstances, the accuracy and completeness of the County own generated receipts and other grants could not be confirmed.

#### **4. Unsupported Fund Balance**

The statement of receipts and payments and Note 9 to the financial statements reflects a fund balance of Kshs.1,272,610,648 held at a local bank. This differs with the balance of Kshs.1,926,115,791 reflected in the related bank statement, resulting to an unreconciled variance of Kshs.653,505,143. Further, the bank certificates, bank reconciliation statements, and cash books in support of the Fund balance were not provided for audit review.

In the circumstances, the accuracy of the fund balance of Kshs.1,272,610,648, could not be ascertained.

#### **5. Return to CRF Issues**

The statement of receipts and payments and Note 5 to the financial statements reflects return to CRF issues amount of Kshs.1,442,555 which includes an amount of Kshs.1,174,252 received from the Development Account. However, examination of records provided revealed that the development bank account as at 1 July, 2022 had a balance of Kshs.298,456,294 which is at variance with returned CRF issues of Kshs.1,174,252, resulting to an unexplained and unreconciled variance of Kshs.297,282,042.



In the circumstances, it was not possible to confirm the accuracy and completeness of the Fund balance of Kshs.1,272,610,648, reflected in the financial statements.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Revenue Fund (CRF) for the County Government 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 audit 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.

### **Emphasis of Matter**

#### **Gaps in the Revenue Collection Platforms**

The statement of receipts and payments reflects total receipts of Kshs.28,209,671,039 for the year under review. Examination of records provided for audit revealed that a deed of transfer of functions between the National Government and the Nairobi City County Government, was executed and signed between the two parties, as per the gazette notice No.1609 of 25 February, 2020. According to the deed of transfer described above, the responsibility for collecting and remitting all revenue accruing from the transferred functions, was transferred to the National Government. The National Government appointed the Kenya Revenue Authority (KRA) as the principal agent for overall revenue collection. The KRA used its local bank account to collect the revenue in line with the deed of transfer of the functions.

The Nairobi City County Executive has three platforms which remit the collections from three banks as highlighted below;

- i. Local Authorities Integrated Financial Operations Management System (LAIFORMS) which was developed by the defunct Nairobi City Council, which is linked to Cooperative Bank and used for cash payments to banks in the Nairobi City County offices.
- ii. Revenue Sure Platform (RSP) which was developed by National Bank of Kenya. This platform uses USSD Code \*235# and is linked to the National Bank of Kenya account.
- iii. Nairobi Revenue Sure (NRS) developed by the KRA and which collects revenue for functions transferred to Nairobi Metropolitan Services (NMS). The payment platform uses USSD Code \*647# which was linked to Equity Bank.

However, although the three platforms channeled their collections to the County Revenue Fund, the platforms were not integrated but run parallel. Two platforms, RSP and LAIFORMS were controlled by the Nairobi City County Executive while NRS is controlled by the NMS. In addition, there was no reconciliation between the revenue which was remitted by the Management to the County Revenue Fund (CRF) account and the amount which was actually collected. Further, the Management did not have a legal framework to guide the collection of revenue.

In view of the gaps in revenue collection described above, it was not possible to confirm the accuracy and completeness of the total revenue of Kshs.28,209,671,039 reflected in the financial statements.

### **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.39,627,536,000 and Kshs.28,209,671,039 respectively, resulting to an under-collection of Kshs.11,417,864,961 or 29% of the budget. Further, included in the budgeted receipts total amount of Kshs.39,627,536,000 is Kshs.19,610,744,671 in respect of own generated revenue out of which only Kshs.8,958,551,070 was realized, resulting to a short fall of Kshs.10,652,193,601 or 53% of the budgeted receipts.

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

## **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 Adverse Opinion section 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**

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 Adverse Opinion section of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and overall governance were not effective.

### Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to dissolve the Fund 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 Fund'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 controls 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 controls 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 Fund's 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 controls.

- 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 Fund'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 Fund to cease to continue 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 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

31 January, 2023




County Government of Nairobi City.


County Revenue Fund

Revised Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022

7. Statement of Receipts and Payments Statement for the year ended 30th June,2022.

		2021/22	2020/21
	Notes	Kshs.	Kshs.
<b>Receipts</b>			
Exchequer releases	1	19,249,677,414	19,500,070,511
Transfers from other government agencies	2	-	100,200,000
Other grants	3	-	74,527,819
Own Source Revenue	4	8,958,551,070	9,711,076,181
Return to CRF issues	5	1,442,555	168,031,327
<b>Total Receipts</b>		<b>28,209,671,039</b>	<b>29,553,905,838</b>
<b>Payments</b>			
Transfers to County Executive	6	13,787,855,816	17,953,721,122
Transfers to County Assembly	7	1,302,938,136	1,822,585,635
Transfers to Nairobi Metropolitan Services (NMS)	8	11,847,311,056	10,080,865,859
<b>Total Payments</b>		<b>26,938,105,008</b>	<b>29,857,172,616</b>
Net increase (decrease) in cash for the year		<b>1,271,566,031</b>	<b>(303,266,778)</b>
Add Opening fund balance b/f	9	<b>1,044,617</b>	<b>304,311,395</b>
<b>Closing Fund balance for the period</b>	<b>9</b>	<b>1,272,610,648</b>	<b>1,044,617</b>

  
.....  
**Name: Joseph Murigi Gathiaka**  
**Chief Officer - Finance**  
**ICPAK Member No: 4503**  
**Date: 22<sup>nd</sup> December, 2022**

  
.....  
**Name: Patrick Wanjohi Gitahi**  
**Director Accounting Services**  
**ICPAK Member No: 7283**  
**Date: 22<sup>nd</sup> December, 2022**



8. Statement of Comparison of Budget Actual Amounts for the year ended 30<sup>th</sup> June, 2022.

Receipt/Payments	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Realisation Difference	% of Realisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Exchequer Releases	19,250,000,000	-	19,250,000,000	19,249,677,414	322,586	100%
WORLD BANK-THS	87,492,017	-	87,492,017	-	87,492,017	0%
DANIDA-UHC	35,272,875	-	35,272,875	-	35,272,875	0%
ASDSP II	36,639,733	-	36,639,733	-	36,639,733	0%
UNFPA	7,386,704	-	7,386,704	-	7,386,704	0%
Returned CRF issues	600,000,000	-	600,000,000	1,442,555	598,557,445	0%
County Own Generated Receipts	19,610,744,671	-	19,610,744,671	8,958,551,070	10,652,193,601	46%
<b>TOTAL</b>	<b>39,627,536,000</b>	<b>-</b>	<b>39,627,536,000</b>	<b>28,209,671,039</b>	<b>11,417,864,961</b>	<b>71%</b>
<b>Payments</b>						
Transfers to County Executive	16,187,553,333	2,579,583,580	18,767,136,913	13,787,855,816	4,979,281,097	73%



County Government of Nairobi City.

County Revenue Fund

Revised Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022

Transfers to County Assembly	3,051,872,087	(1,453,000,000)	1,598,872,087	1,302,938,136	295,933,951	81%
Transfers to Nairobi Metropolitan Services (NMS)	20,138,110,580	(1,126,583,580)	19,011,527,000	11,847,311,056	7,164,215,944	62%
<b>Total Payments</b>	<b>39,377,536,000</b>	<b>-</b>	<b>39,377,536,000</b>	<b>26,938,105,008</b>	<b>12,439,430,992</b>	<b>68%</b>
<b>Balance</b>	<b>250,000,000</b>	<b>-</b>	<b>250,000,000</b>	<b>1,271,566,031</b>	<b>(1,021,566,031)</b>	

## **9. Significant Accounting Policies**

### **a) 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 Section 167 of the PFM Act 2012.

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

### **b) Reporting entity**

This report relates to financial operations of the County Revenue Fund domiciled at the County Treasury and bank account maintained at Central Bank of Kenya.

### **c) Receipts**

Receipts include funds deposited in the County Revenue Fund pursuant to Article 207 of the Constitution of Kenya and Section 109 of the PFM Act 2012.

The receipts collected include Exchequer releases, own source revenue, grants from development partners, proceeds from domestic and foreign borrowings, and other miscellaneous deposits in the County Exchequer Account.

Transfers from the exchequer are 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 entity.

County own source revenue is recognized as receipts when the funds are received in the County Exchequer Account.

### **d) Payments**

Payments are based on the County Government Appropriation Act. The exchequer requests are received by County Treasury, which rationalizes the requests based on the available balance, consolidates the requests and forwards them to Controller of Budget (COB) for approval. Once the approval of COB is obtained, the funds are released to the County Assembly and County Executive operational accounts appropriately.

**County Government of Nairobi City.**  
**County Revenue Fund**  
**Revised Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June**  
**2022**

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**Significant Accounting Policies (Continued)**

**e) Fund Balances**

Fund balances comprise bank balances in County Exchequer Account held at Central Bank of Kenya.

**f) 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. There were no other restrictions on cash during the year.



**County Government of Nairobi City.**  
**County Revenue Fund**  
**Revised Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022**

**10. Notes to the Financial Statements**

**1. Exchequer releases**

The following is an analysis by revenue type of the receipts collected in the County Revenue Fund:

	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Equitable Share (a)	19,249,677,414	19,420,647,260
Level 5 hospitals (b)	-	79,423,251
<b>Total (c=a+b)</b>	<b>19,249,677,414</b>	<b>19,500,070,511</b>

**2. Transfers from other government agencies\*\***

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Transfers from Central government entities</b>		
Nairobi Metropolitan Services	-	100,200,000
<b>Total</b>	<b>-</b>	<b>100,200,000</b>

*\*\* These include other government grants that do not pass through the Exchequer.*

**3. Other grants\*\***

	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Youth Polytechnic support grant	-	16,009,894
Kenya Devolution Support Programme	-	45,000,000
World Bank-ADSPH	-	13,517,925
<b>Total</b>	<b>-</b>	<b>74,527,819</b>

*\*\* These are funds received from development partners directly through CRF*

**4. Own Source Revenue**

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>RECEIPTS</b>		
Business Permits	1,617,207,201	1,753,053,837

**County Government of Nairobi City.**  
**County Revenue Fund**  
**Revised Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June**  
**2022**

Cess	318,747,577	345,522,616
Poll Rates	2,566,184,705	2,781,746,174
Plot Rents	97,789,488	106,003,879
Other Local Levies	115,383,672	125,075,988
Administrative Services Fees	59,282,837	64,262,640
Various Fees	482,874,998	523,436,866
Council's Natural Resources Exploitation	10,098,051	10,946,295
Lease / Rental Of Council's Infrastructure Assets	16,981,233	18,407,669
Other Miscellaneous Receipts	220,999,750	239,563,897
Insurance Claims Recovery	-	-
Long Term Loans (Over 3 year Repayment)	4,994,356	5,413,886
Market/Trade Centre Fee	344,101,060	373,005,811
Vehicle Parking Fees	1,433,515,763	1,553,932,178
Housing	617,014,580	668,844,274
Social Premises Use Charges	2,040,958	2,212,400
School Fees	-	-
Other Education-Related Fees	18,450	20,000
Other Education Receipts	2,834,131	3,072,200
Public Health Services	166,717,126	180,721,492
Public Health Facilities Operations	34,944,946	37,880,348
Environment & Conservancy Administration	1,309,040	1,419,000
Other Health & Sanitation Revenues	24,555,096	26,617,743
Technical Services Fees	714,998,148	775,058,537
External Services Fees	105,957,906	114,858,451
<b>Total</b>	<b>8,958,551,070</b>	<b>9,711,076,181</b>

**County Government of Nairobi City.**

**County Revenue Fund**

**Revised Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022**

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**Notes to the Financial Statements (Continued)**

**5. Return to CRF Issues**

	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Recurrent Account (County Executive)	211,224	1,017,210
Development Account (County Executive)	1,174,252	5,471,933
Recurrent Account (County Assembly)	28	-
Development Account (County Assembly)	57,051	149,104,813
Commercial Banks (County Executive)	-	12,437,371
<b>Total</b>	<b>1,442,555</b>	<b>168,031,327</b>

**6. Transfers to County Executive**

	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Recurrent Account	12,750,439,894	16,558,978,373
Development Account	1,037,415,922	1,394,742,749
<b>Total</b>	<b>13,787,855,816</b>	<b>17,953,721,122</b>



**County Government of Nairobi City.**  
**County Revenue Fund**  
**Revised Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022**

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**Notes to the Financial Statements (Continued)**

**7. Transfers to County Assembly**

	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Recurrent Account	1,302,938,136	1,805,301,492
Development Account	-	17,284,143
Special purpose accounts	-	-
Others (Specify)	-	-
<b>Total</b>	<b>1,302,938,136</b>	<b>1,822,585,635</b>

**8. Other Transfers-Nairobi Metropolitan Services(NMS)**

	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Recurrent Account	9,860,012,199	5,863,662,865
Development Account	1,987,298,857	4,217,202,994
<b>Total</b>	<b>11,847,311,056</b>	<b>10,080,865,859</b>

**9. Fund balance**

	<b>2021/22</b>	<b>2020/21</b>	<b>2019/2020</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Central Bank of Kenya-Revenue A/C No: 1000171863	1,272,610,648	1,044,617	304,311,395
<b>Total</b>	<b>1,272,610,648</b>	<b>1,044,617</b>	<b>304,311,395</b>

## 11. Annexes

### Annex 1: Progress on follow up of Auditor's Recommendations

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

#### Audit Report for Financial Year 2019-2020

##### Other matters.

##### Budgetary Control and Performance

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)
1.2	Delayed Exchequer Receipts	The delay was occasioned by reduced tax revenue collections by the National Government. Covid-19 was declared a health concern in March 2020 and measures put in place to combat the virus affected the performance of the economy hence reduced revenues.		

.....  
Name: Joseph Murigi Gathiaka

Ag. Chief Officer Finance and Economic Planning

ICPAK Member No: 4503

Date: 22<sup>nd</sup> December, 2022



County Government of Nairobi City.

County Revenue Fund

Revised Annual Report and Financial Statements for the financial year ended 30<sup>th</sup> June 2022

Annex 2. Analysis of Receipts from the National Treasury Exchequer Releases

Period (2021/22)	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Equitable Share	3,176,196,773	4,812,419,353	1,539,974,193	9,721,087,095	19,249,677,414
<b>Total</b>	<b>3,176,196,773</b>	<b>4,812,419,353</b>	<b>1,539,974,193</b>	<b>9,721,087,095</b>	<b>19,249,677,414</b>

Annex 3: Analysis of Transfers from the County Revenue Fund

Period (2021/22)	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
County Executive -Rec	1,461,567,529	3,419,135,208	3,187,934,154	4,681,803,004	12,750,439,894
County Executive -Dev	-	136,626,593	76,000,000	824,789,329	1,037,415,922
County Assembly -Rec	162,175,263	566,642,296	157,016,920	417,103,657	1,302,938,136
County Assembly -Dev	-	-	-	-	-
Nairobi Metropolitan Services (NMS)- Rec	923,654,424	3,381,998,101	1,882,927,267	3,671,432,407	9,860,012,199
Nairobi Metropolitan Services (NMS)- Dev	-	634,882,544	317,739,715	1,034,676,598	1,987,298,857
<b>Total</b>	<b>2,547,397,216</b>	<b>8,139,284,742</b>	<b>5,621,618,056</b>	<b>10,629,804,994</b>	<b>26,938,105,008</b>