

Papers laid by Hon. Chege
Mwaura
GOVERNMENT OF NAIROBI CITY COUNTY

On 19/09/2024

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THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY

(THIRD SESSION)

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19/09/2024

NCCA/TJ/PL/2023(50)

19TH SEPTEMBER 2024

PAPER LAID

SUBJECT: REPORT OF A COMMITTEE

Pursuant to Article 229 (8) of the Constitution of Kenya, 2010 and Standing Order 196, I beg to lay the following Papers on the Table of this Assembly, today Thursday 19th September 2024:

- **THE REPORT OF SELECT COMMITTEE ON PUBLIC ACCOUNTS ON CONSIDERATION OF THE REPORT OF AUDITOR GENERAL ON COUNTY REVENUE FUND FOR NAIROBI COUNTY GOVERNMENT FOR FINANCIAL YEAR 2021/2022.**

(The Chairperson, Select Committee on Public Accounts)

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

Report laid by Hon Chege

Mwaura on 19/09/2024

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PCA CHSP

Nairobi City County Government



Nairobi City County Assembly

Third Assembly – Third Session

The Report of the Select Committee on Public Accounts

On

**Consideration of the Report of the Auditor General on
County Revenue Fund – Nairobi County Government for
the year ended 30th June 2022.**

Clerks Chambers

Nairobi City County Assembly

City Hall Buildings

Nairobi

September, 2024

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1.0. PREFACE

Hon. Speaker,

On behalf of the Public Accounts Committee (PAC) and pursuant to the provision of Standing Order 196(6), it is my pleasant privilege and honor to present to this Assembly this report of the Public Accounts Committee on the consideration of the ***“Report of the Auditor General on County Revenue Fund – Nairobi County Government for the Year ended 30th June 2022”***.

1.1. Mandate of the Public Accounts Committee

The Public Accounts Committee derives its mandate from Standing Order 203 (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 audit reports prepared by the Office of the Auditor General (OAG).

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 Public Finance Management 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 of Kenya 2010 provides, inter alia, that: *“the Accounting Officer of a national public entity is accountable to the National Assembly for its financial management, and the Accounting Officer of a county public entity is accountable to the County Assembly for its financial management”*. Subsequently, Section 149(1) of the Public Finance Management (PFM) Act, 2012 provides that: *“An accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is—*

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

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

1.4. Committee Membership

The Committee comprises of the following Members: -

1. **Hon. Chege Mwaura, MCA** - Chairperson
2. **Hon. Abel Osumba Atito, MCA** - Vice-Chairperson
3. Hon. Benter Juma Obiero, MCA
4. Hon. Patrick Karani Said, MCA
5. Hon. John Rex Omolleh, MCA
6. Hon. Stazo Omung'ala Ang'ila, MCA
7. Hon. Richardo Nyantika Billy, MCA
8. Hon. John Ndile Musila, MCA
9. Hon. Cyrus Mugo Mubea, MCA
10. Hon. Jane Musangi Muthembwa, MCA
11. Hon. Emmy Khatemeshi Isalambo, MCA
12. Hon. Fuad Hussein Mohamed, MCA
13. Hon. Fatuma Abduwahid Abey, MCA
14. Hon. Eutyclus Mukiri Muriuki, MCA
15. Hon. Fredrick Njoroge Njogu, MCA
16. Hon. Rachel Wanjiru Maina, MCA
17. Hon. Aaron Kangara Wangare, MCA
18. Hon. Carrington Gichunji Heho, MCA
19. Hon. Mark Thiga Ruyi, MCA
20. Hon. Simon Maina Mugo, MCA
21. Hon. Paul Wachira Kariuki, MCA
22. Hon. Martin Mbugua Mwangi, MCA
23. Hon. Mary Wanjiru Kariuki, MCA

The Committee comprises of the following Secretariat;

1. Mr. Kevin Wasike - Senior Clerk Assistant
2. Mr. Benedict Ochieng - Second Clerk Assistant
3. Mr. Klinsman Munase - Legal Counsel
4. Mr. Anthony Nyandiere - Hansard Editor
5. Mr. Melvin Wachira - Research Officer

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

1.5. Background

Part IV of the Public Finance Management Act, 2012 provides for responsibilities of the County Government with respect to management and control County finances. The County Government is supposed to adhere to the principles of public finance management stipulated in Article 201 of the Constitution of Kenya 2010 which include clear reporting.

1.6. Establishment of the Fund

The Nairobi City County Revenue Fund is established is under the provisions of Article 207 of the Constitution of Kenya 2010 and Section 109 of the Public Finance Management Act, 2012;

1. *There shall be established a Revenue Fund for each county government, into which shall be paid all money raised or received by or on behalf of the county government, except money reasonably excluded by an Act of Parliament.*
2. *Money may be withdrawn from the Revenue Fund of a county government only--*
 - a) *as a charge against the Revenue Fund that is provided for by an Act of Parliament or by legislation of the county; or*
 - b) *as authorized by an appropriation by legislation of the county.*
3. *Money shall not be withdrawn from a Revenue Fund unless the Controller of Budget has approved the withdrawal.*
4. *An Act of Parliament may--*
 - a) *make further provision for the withdrawal of funds from a county Revenue Fund; and*
 - b) *provide for the establishment of other funds by counties and the management of those funds.*

The Chief Officer for Finance and Revenue Administration being the Accounting Officer of the Fund, is the administrator of the fund. Section 167 of the Public Finance Management Act 2012 mandates the administrator of Public Funds with the preparation of Annual Financial Statements.

1.7. Auditor-General's Responsibility

The Auditor General's responsibility was to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements in accordance with Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. The

matters mentioned in the audit report were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters and/or weaknesses that were not identified.

1.8. Evidence taken

The Committee held sittings of which it interrogated the County Executive Committee Member for Finance and Economic Affairs, Chief Officer Finance and Chief Officer Revenue Administration on key findings raised by the Auditor General. Similarly, the Committee received written responses to the special audit findings.

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

1.9. Appreciation

Hon. Speaker,

The Committee would like to thank the **Accounting Officer** for appearing before it and subsequently submitting written responses which provided valuable insights into the issues raised by the Auditor General.

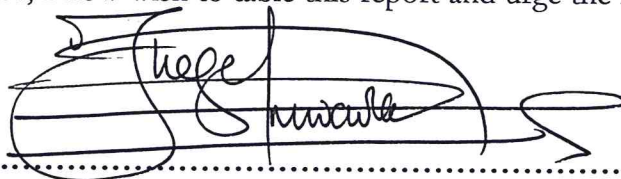
Hon. Speaker,

The Committee also wishes to sincerely thank the Offices of the Speaker and the Clerk for the services extended to the Committee while considering this matter. The Committee further wishes to appreciate the Officers from the Office of the Auditor General and the Committee secretariat for their exemplary advisory services that enabled Members effectively execute their mandate.

Hon. Speaker,

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

SIGNED



HON. CHEGE MWAURA (CHAIRPERSON)

DATE

18/Sep/2024

2.0. CONSIDERATION OF THE AUDIT REPORT OF THE AUDITOR GENERAL

2.1. 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 totaling 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.

Management Responses: -

The Management response to the audit query on inconsistency in revenue collected was as follows: -

- That included in the closing balance of CRF bank statement as at 30th June 2022 was an amount of Kshs. 1,353,195,750.00 which was an equitable share from the National Treasury for the previous financial year 2020-2021. The amount was credited to CRF account on 2nd July 2021. The tabulation below illustrates how the total receipts of Kshs. 28,209,671,039 as reported were arrived at;

RECEIPTS IN COUNTY REVENUE FUND (CRF) FINANCIAL YEAR 2021 - 2022

Closing Balance as at 30th June 2022	28,022,892,594
Less: Delayed Equitable Share for FY 2020 -2021 received on 2nd July 2021	(1,353,195,750)
Equitable Share, Own Source Revenue and returned CRF issues received between 1st July 2021 to 30th June 2022	<u>26,669,696,844</u>
Add: Delayed Equitable share for FY 21-22 received on 11th August 2022	1,539,974,195
Total Receipts as reported in the Financial Statements	<u>28,209,671,039</u>

The figure of Kshs. 28,209,671,039 is further analyzed as follows;

Own Source Revenue (1st Jul 2021 to 30th Jun 2022)	8,958,551,070
Equitable Share (1st Jul 2021 to 30th Jun 2022)	17,709,703,219

Delayed Equitable share for FY 21-22 received on 11th August 2022	1,539,974,195
Returned CRF Issues to the bank account from the previous financial year	1,442,555
Total Receipts for the Financial Year 2021 - 2022	<u>28,209,671,039</u>

- That the statement of receipts and payments is prepared using IPSAS cash basis meaning that revenue is realized after it is transferred to CRF account in CBK. The county has agreement with commercial banks to be sweeping all its revenues on daily basis however in cases of uncleared effects the same is not swept until it clears.
- The said variance of Kshs. 14,058,730 was as a result of a difference between the closing balance as at 30th June 2021 of Kshs. 12,861,267 and the closing balance as at 30th June 2022 of Kshs 26,919,997.
- The variance of Kshs.186,778,473 was the difference between Equitable share for FY21-22 (1,539,974,195) received in August 2022 and Equitable share for FY20-21 received in FY21-22 (1,353,195,750).

Reconciliation of Kshs. 14,058,730

	Kshs
Closing Balance as at 30 th June 2022	26,919,997
Less: Closing Balance as at 30 th June 2021	(12,861,267)
Balance (Reported as variance)	14,058,730

Appendix 1 (a) CBK Bank statement July 1st 2021 to June 30th 2022

Appendix 1 (b) CBK Bank Statement July 1st 2022 to August 25th 2022

Appendix 1 (c) CBK Bank Statement July 1st 2020 to June 30th 2021

Appendix 1 (d) Closing Balances for 30th June 2021 and 30th June 2022

Appendix 1 (e) Extract of bank statement support Appendix 1(d)

Appendix 1 (f) June 2021 cash book extract and bank reconciliation statement

Appendix 1 (g) June 2022 cash book extract and bank reconciliation statement

Committee Observation(s)

While interrogating the Management Response, the Committee made the following observations: -

- That no evidence had been attached to show that the amount of Kshs.1,353,195,750 was accounted for during the subsequent financial year in line with IPSAS cash reporting framework requirements;

- That the schedule of the outstanding cheques totaling Kshs.14,058,730 was not been attached to confirm management claim. In addition, no bank reconciliation for the said account has been attached to show that payments in the bank had not yet cleared/paid at close of financial year;
- That the Management did not submit the relevant documents for audit review as required.

Committee Recommendation(s)

- The Committee recommend that pursuant to the provisions of Section 62 (2) of the Public Audit Act, 2015, the following officers be fined Kshs. 5,000,000 each for failure to provide the required documents for audit review pursuant to Section 62(1) of the Public Audit Act, 2012, the Constitution of Kenya, 2010 and Public Finance Management Act, 2012: -
 1. Mr. Allan Igambi – former CECM for Finance and Economic and Economic Planning;
 2. Mr. Mohamed Sahal – for Chief Officer for Finance; and
 3. Mr. Joseph Gathiaka – former, Ag. Chief Officer – finance
- The County Executive Committee Member for Finance and Economic Planning to adhere to the provisions of the Law on providing documentations for audit.

2.2. 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.

Management Responses

The Management response to the query was as follows: -

- Nairobi City County Alcoholic Drinks and Licensing Board was established pursuant to the provision of Nairobi City County Alcoholic Drinks and Licensing Act, 2014. The Act establishes

a fund to which all funds appropriated and collected by the Board are to be retained. The Provisions of PFM Act section 109 (2) (a) provide that funds can be excluded from payment into the CRF because of a provision of the PFM Act or another Act of parliament, and is payable into another county public fund established for a specific purpose.

Committee Observation(s)

The Committee while interrogating the management response made the following observations: -

- that Section 43 of the Nairobi City County Alcoholic Drinks Control and Licensing Act, 2014 does not expressly exclude the fund from depositing collections to the CRF; and
- that the County Assembly through the Report of the Committee passed a resolution for Regulations to the Nairobi City County Alcoholic Drinks Control and Licensing Act, 2014 be formulated and submitted to the County Assembly. The resolution was yet to be implemented by the management.

Committee Recommendation(s)

- **The Committee recommends, in accordance with Standing Order 207 (3), that the County Assembly to censure the Nairobi City County Alcoholic Drinks Control and Licensing Board Fund Management which consist of the following officers for failure to submit to the County Assembly the Regulations as recommended by the Committee in its report for the FY 2020/2021: -**
 1. **Ms. Maureen Njeri – former CECM for Business and Hustler Opportunities**
 2. **Ms. Zipporah Njeri Mwangi – Chief Officer, Business and Hustler Opportunities**
 3. **Ms. Rhoda Otieno – Ag. Director, Liquor Board**

2.3. 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 (LAIFOMS) 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.

Management Responses

The Management response for the query was as follows: -

- That during the year under review the county collected less amount as compared to the previous year due to various reasons notably there was a big drop in business activities due to covid-19 effects and aftermath, Data accuracy - multiple collection systems that were not integrated making identification of defaulters for follow up very difficult, there was resistance to change by clients who refused to register to the newly introduced system due to processes involved. inadequate resources for revenue mobilization and delay in implementing the new valuation roll;
- That the collection was done by three platforms that were not integrated but were all linked to bank account and therefore all revenue collected ended up in revenue accounts and later transferred to CRF;
- That schedules in support of NBK balances are not available for audit since the County does not have access to revenue sure system after the contract came to an end and therefore it was not possible to reconcile the records. However, the NBK statement for the period has since been submitted to the auditors;
- That currently the County operates with one collection system the Nairobi pay and that the rest (laifoms and revenue sure) were shut down;

- That the grant amounting to for Youth Polytechnics support was received from the National Government through the National Treasury. The grant was to partly cater for student's fees as way of encouraging many youths to enroll in the polytechnics. Below is an extract from CRF Account;

Extract from the CRF Bank Statement

No.	Txn. Date	Value Date	Reference No.	Transaction Details	Dr. Amount	Cr. Amount	Balance
529	12-Feb-21	12-Feb-21	FT21043WJVNK	Exchequer issue	0	8,004,947.00	5,188,403,748.75
927	23-Jun-21	23-Jun-21	FT21174D484S	Exchequer issue	0	8,004,947.00	343,176,981.45

Kshs 8 million out of the Kshs. 16,009,894 grant was disbursed to various polytechnics in the year under review and the balance of Kshs 8,009,894 remained in the special purpose bank account for the grant as per attached Appendix 3 (d).

Appendix 3 (a) Termination of Contract and Termination Notice

Appendix 3 (b) Correspondences between the County and NBK.

Appendix 1 (c) CBK Bank Statement July 1st 2020 to June 30th 2021

Appendix 3 (c) Disbursement Schedule to various polytechnics

Committee Observation(s)

The Committee while interrogating the Management response made the following observations: -

- That the Management explained that the system was resisted but evidence to confirm the same were not attached to the response (example customer complaints, number of people seeking help, enforcement records on action taken);
- evidences of detailed revenue schedules were not attached to enable audit confirm that the actual revenue collected in those systems add up to the monies received. Also, reconciliations between the revenue collection systems and the bank details have not been availed for confirmation of accuracy in reporting;
- that evidence of the bank statements referred to were not been attached to the response; and
- that there was no grant agreement of instructions from the National Treasury attached to the response to show the intended purpose for the funds. Further, analysis of beneficiaries and confirmation from the recipient institutions has also not been attached to show that the funds were applied for the intended purpose.

Committee Recommendation(s)

- The Committee recommend that the matter be investigated further by the Ethics and Anti-Corruption Commission and necessary action(s) taken against the following officers responsible and a report be submitted to the County Assembly within ninety (90) days after the adoption of this Report: -
 1. Mr. Allan Igambi – former C.E.C for Finance and Economic Planning
 2. Mr. Mohamed Sahal – for Chief Officer for Finance
 3. Mr. Joseph Gathiaka – former, Ag. Chief Officer - finance

2.4 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.

Management Responses

The management response on the query was as follows: -

That the County Revenue Fund Account balance as at 30th June 2022 was as Kshs. 1,926,115,791. However, the financial year 2021-2022 remained open for more days. PFM regulations for County Governments (Sec. 97 (2)) permits this to enable completion of end-of-year procedures. One of these end-of-year procedure was settlement of transactions that had not gone through by year end for instance June 2022 salaries. These salaries and other expenditures for FY 21-22 were paid in July 2023. Again, the June 2022 equitable share from the national government was received after the year had ended. The table below provides a reconciliation of the closing balance of Kshs. 1,272,610,648.

Appendix 1(b) CBK Bank Statement 1st July 2022 to 25th August 2022

Appendix 1 (g) June 2022 cash book extract and bank reconciliation statement

CRF WITHDRAWALS FROM JULY 1ST 2022 FOR FY 2021-2022	
CRF bank balance as at 30th June 2022	1,926,115,791

June 2022 Equitable Share received on 11th August 2022	1,539,974,195
Total amount available for withdrawal from CRF for the FY 2021/2022	3,466,089,986
Withdrawals from 1st July 2022:	
1-Jul-22	487,765
1-Jul-22	33,272,700
1-Jul-22	101,884,900
1-Jul-22	107,421,288
1-Jul-22	416,065,016
1-Jul-22	839,328,414
4-Jul-22	110,088,934
6-Jul-22	14,862,300
6-Jul-22	15,239,416
6-Jul-22	20,449,232
6-Jul-22	22,798,080
6-Jul-22	30,000,000
6-Jul-22	36,262,200
6-Jul-22	52,514,440
7-Jul-22	6,312,896
7-Jul-22	50,080,763
8-Jul-22	34,750,000
8-Jul-22	79,423,251
12-Jul-22	22,054,455
12-Jul-22	30,433,337
12-Jul-22	39,324,630
12-Jul-22	57,944,295
13-Jul-22	1,470,200
13-Jul-22	16,479,576
19-Jul-22	54,531,250
Total Withdrawals	2,193,479,338

Reconciled Balance	1,272,610,648
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Committee Observation(s)

From the management response, the Committee made the following observations: -

- That evidence of extension of the financial year closing period as communicated by the National Treasury were not availed for audit review;
- That there were no bank reconciliation statements attached to the management response to confirm that such payments effected in the bank in the month of July 2022 had been approved and recorded in the cash book and the receipt had been booked for the year under audit based on notification by the National Treasury pending credit in the bank account.

Committee Recommendation(s)

- The Committee recommends that the matter be investigated further by the Ethics and Anti-Corruption Commission and necessary action(s) taken against the following officers responsible and a report be submitted to the County Assembly within ninety (90) days after the adoption of this Report: -
 1. Mr. Allan Igambi – former C.EC for County Finance and Economic Planning
 2. Mr. Mohamed Sahal – former Chief Officer for County Finance
 3. Mr. Joseph Gathiaka – former, Ag. Chief Officer – County Finance

2.5 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.

Management Responses

The management response was as follows: -

- That the returned CRF issues of Kshs. 1,174,252, from Development Account held at Central Bank were returned from the previous year 2020 – 2021 which formed part of receipts into CRF

in the year 2021 – 2022. Below is an extract from CBK’s Development Account detailing the transfer of unspent funds in the financial year 2020 – 2021.

STATEMENT OF ACCOUNT					
CENTRAL BANK OF KENYA					
BANKI KUU YA KENYA,		Customer number : 119531			
P.O.BOX 60000-0200,		Account number : 1000171863			
NAIROBI.		Account name : NAIROBI COUNTY REVENUE FUND-KES			
No.	Txn. Date	Value Date	Reference No.	Transaction Details	Cr. Amount
150	2-Aug-21	2-Aug-21	FT21214NV7X1	Account Transfer	27.85
				TRANSFER OF UNSPENT BALANCES	
				REF: NCCA/ACC/VOL.1/03/2021	
				DD 29072021	
151	2-Aug-21	2-Aug-21	FT21214SGHYY	Account Transfer	57,050.75
				TRANSFER OF UNSPENT BALANCES	
				REF: NCCA/ACC/VOL.1/03/2021	
				DD 29072021	
201	19-Aug-21	19-Aug-21	FT21231DZQYW	Account Transfer	211,224.45
				TRANSFER OF UNSPENT BALANCES	
				REF:NCC/FIN/DFR/120/2021	
				DD 18082021	
202	19-Aug-21	19-Aug-21	FT21231ZP2TB	Account Transfer	1,174,251.75
				TRANSFER OF UNSPENT BALANCES	
				REF:NCC/FIN/DFR/120/2021	
				DD 18082021	
					1,442,554.80

Appendix 5 Bank reconciliation statement and cash book extract

Appendix 1 (a) CBK Bank statement July 1st 2021 to June 30th 2022

Committee Observation(s)

The Committee while interrogating the management response observed that the bank statement for the month of June 2021 was not provided to show the actual balance being questioned.

Committee Recommendation(s)

- The Committee recommends that the matter be investigated further by the Ethics and Anti-Corruption Commission and necessary action(s) taken against the following officers responsible and a report be submitted to the County Assembly within ninety (90) days after the adoption of this Report: -
 1. Mr. Allan Igambi – former C.EC for County Finance and Economic Planning
 2. Mr. Mohamed Sahal – former Chief Officer for County Finance
 3. Mr. Joseph Gathiaka – former, Ag. Chief Officer – County Finance

2.6 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.

Management Responses

The management response to the query was as follows: -

- That the County has adopted a single collection system referred to as Nairobi Pay which was formerly known as Nairobi Revenue Services (NRS), however in the period under review the

County Operated three parallel systems whose main functions was to assist in revenue collection purposes and not holding and transferring of funds to CRF account. The three platforms role is invoicing, billing, receipting and reporting.

- That the role of channeling collections to the County revenue fund lies with commercial banks in this case the Equity bank, Cooperative bank and NBK statements were provided for audit review and reconciliation with CRF attached. These commercial banks have instructions to sweep all amounts in the account to CRF every midnight and a CRF statement for the period under review was provided.

Appendix 4(a) Deed of Transfer

Appendix 4 (b) Reconciliation statement for revenue collected and swept

Appendix 4 (c) Finance Act 2015, Finance Act 2023.

Appendix 4 (d) Service level Agreement between NCCG and KRA

Committee Observation(s)

The Committee while interrogating the Management Response made the following observations: -

- That evidence of contractual termination between the service providers and Nairobi City County Government was not attached to confirm management response;
- That contract between the NCCE and the service provider to show the extent of services to be performed was not attached for confirmation of harmonization of all revenue streams to one platform;
- That the Management policy or approval to harmonize or consolidate revenue collection was not attached to show that the response refers to an approved and adopted strategy

Committee Recommendation(s)

- The Committee recommends that the matter be investigated further by the Ethics and Anti-Corruption Commission and necessary action(s) taken against the following officers responsible and a report be submitted to the County Assembly within ninety (90) days after the adoption of this Report: -
 1. Mr. Allan Igambi – former C.EC for County Finance and Economic Affairs
 2. Mr. Mohamed Sahal – former Chief Officer for County Finance
 3. Mr. Joseph Gathiaka – former, Ag. Chief Officer – County Finance

2.7 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totaling 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.

Management Responses

The Management response was as follows: -

- That the County was not able to meet its revenue target due to various challenges such as objections by Rates payers on the new Valuation Roll, Multiple collection systems that we're not integrated making identification of defaulters for follow up very difficult, Uncoordinated collections between the three entity involved in revenue mobilization Inadequate allocation of resources for Revenue mobilization by sectors as this was not their core mandate resulting in few revenue mobilization activities to enhance compliance.
- That the County has put various measures in place to improve on the same such as establishment of a Valuation Court through the Judiciary to listen and determine all the objections, charging rates based on the new valuation roll for non-objectors. Also, the County has adopted Nairobi Pay (formerly NRS) as the only collection platform to ensure real time updating of accounts and extract defaulters for follow up immediately. This and regular enforcement will enhance revenue collections.

Committee Observation(s)

Management has explained the reasons behind failure to meet targets.

The committee may decide on the matter.

Committee Recommendation(s)

- **The Committee recommends that the County Executive to set realistic budget projections**
- **The Committee further recommend the County Executive to enhance its revenue collection to reduce loss of funds by sealing the loopholes in revenue collections;**

3.0. SUMMARY OF ALL RECOMMENDATIONS

Following the Committee's consideration of the "The Report of the Select Committee on Public Accounts on the consideration of the Report of the Auditor General on County Revenue Fund for the Year ended 30th June 2022" and having considered responses from the Accounting Officers, the Committee urges the County Assembly to resolve as follows:

3.1 Inconsistencies in Revenue Collected

The Committee recommend that pursuant to the provisions of Section 62 (2) of the Public Audit Act, 2015, the following officers be fined Kshs. 5,000,000 each for failure to provide the required documents for audit review pursuant to Section 62(1) of the Public Audit Act, 2012, the Constitution of Kenya, 2010 and Public Finance Management Act, 2012: -

1. Mr. Allan Igambi – former C.EC for Finance and Economic Affairs
2. Mr. Mohamed Sahal – for Chief Officer for Finance
3. Mr. Joseph Gathiaka – former, Ag. Chief Officer - finance

3.2 Unremitted Revenue

- The Committee recommends, in accordance with Standing Order 207 (3), that the County Assembly to censure the Nairobi City County Alcoholic Drinks Control and Licensing Board Fund Management which consist of the following officers for failure to submit to the County Assembly the Regulations as recommended by the Committee in its report for the FY 2020/2021: -

1. Ms. Maureen Njeri – former County Executive Committee Member for Business and Hustler Opportunities
2. Ms. Zipporah Njeri Mwangi – Chief Officer, Business and Hustler Opportunities
3. Ms. Rhoda Otieno – Ag. Director, Liquor Board

3.3 Unsupported Receipts

- The County Executive Committee Member for Finance and Economic Planning to adhere to the provisions of the Law on providing documentations for audit;

- The Committee further recommends that the matter be investigated further by the Ethics and Anti-Corruption Commission and necessary action(s) taken against the following officers responsible and a report be submitted to the County Assembly within ninety (90) days after the adoption of this Report: -

1. Mr. Allan Igambi – former C.EC for Finance
2. Mr. Mohamed Sahal – for Chief Officer for Finance
3. Mr. Joseph Gathiaka – former, Ag. Chief Officer - Finance

3.4 Unsupported Fund Balance

- The Committee further recommends that the matter be investigated further by the Ethics and Anti-Corruption Commission and necessary action(s) taken against the following officers responsible and a report be submitted to the County Assembly within ninety (90) days after the adoption of this Report: -
 1. Mr. Allan Igambi – former C.EC for County Finance and Economic Planning
 2. Mr. Mohamed Sahal – former Chief Officer for County Finance
 3. Mr. Joseph Gathiaka – former, Ag. Chief Officer – County Finance

3.5 Return to CRF Issues

- The Committee recommends that the matter be investigated further by the Ethics and Anti-Corruption Commission and necessary action(s) taken against the following officers responsible and a report be submitted to the County Assembly within ninety (90) days after the adoption of this Report: -
 1. Mr. Allan Igambi – former C.EC for County Finance and Economic Planning
 2. Mr. Mohamed Sahal – former Chief Officer for County Finance
 3. Mr. Joseph Gathiaka – former, Ag. Chief Officer – County Finance

3.6 Gaps in the Revenue Collection Platforms

- The Committee recommends that the matter be investigated further by the Ethics and Anti-Corruption Commission and necessary action(s) taken against the following officers responsible and a report be submitted to the County Assembly within ninety (90) days after the adoption of this Report: -
 1. Mr. Allan Igambi – former C.EC for County Finance and Economic Planning
 2. Mr. Mohamed Sahal – former Chief Officer for County Finance
 3. Mr. Joseph Gathiaka – former, Ag. Chief Officer – County Finance

3.7 Budgetary Control and Performance

- The Committee recommends that the County Executive to set realistic budget projections;
- The Committee further recommend the County Executive to enhance its revenue collection to reduce loss of funds by sealing the loopholes in revenue collections;

3.8 Corrective Measures

The Committee recommends the following: -

- the County Executive Committee Member responsible for Finance and Economic Planning to adhere the provisions of the Constitution of Kenya 2010, Section 47 of Public Audit Act, 2015, and the Public Finance Management Act, 2012 in submitting the relevant documents for the audit review within three (3) months after the end of the fiscal year to which the accounts relate;
- the County Executive Committee Member responsible for Finance and Economic Planning through respective accounting officers to take necessary action against the relevant officers who fail to adhere the provisions of the Constitution of Kenya 2010, Section 47 of Public Audit Act, 2015, and the Public Finance Management Act, 2012 in submitting the relevant documents for the audit review within three (3) months after the end of the fiscal year to which the accounts relate and report such action to the County Assembly within sixty (60) days after the adoption of this report;
- the County Executive Committee Members responsible for Finance and Economic Planning to train and enhance the capacity of finance and accounting officers so as to ensure compliance with the financial provisions of the Public Finance Management Act, 2012 and Public Audit Act, 2015;
- The County Executive Committee Member for Finance and Economic Planning to conduct quarterly internal audits to verify the accuracy of revenue collection and remittance to County Revenue Fund; and
- The County Executive Committee Member for Business and Hustler Opportunities in conjunction with the County Executive Committee Member for Finance and Economic Planning to prepare and submit to the County Assembly the regulations on the Nairobi City County Alcoholic Drinks Control and Licensing within sixty (60) days after the adoption of this report.

4.0. ANNEXURES

Annex	Title
Annex 1	Minutes of the Sittings
Annex 2	Written Responses to all audit queries by the Accounting Officer

Annex 1: Minutes

Annex 2: Written responses to all audit queries by the
Accounting Officer



NAIROBI CITY COUNTY
www.nairobi.go.ke

OFFICE OF THE GOVERNOR

County Secretary and Head of County Public Service

NCC/FIN/DAS/069/3023

31st October, 2023

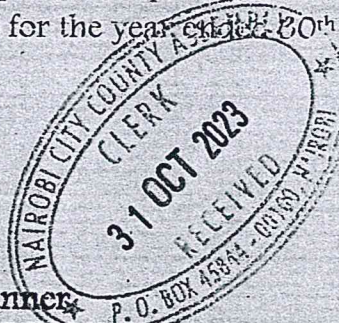
The Clerk
Nairobi City County Assembly
City Hall Building
NAIROBI

DLS
Kindly advise the committee
AATV
1/11/2023

RE: FORWARDING OF RESPONSES TO QUERIES RAISED ON COUNTY REVENUE FUND (CRF) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Forwarded herewith please find the responses to queries raised on County Revenue Fund (CRF) Financial Statements for the year ended 30th June 2022 for your perusal and action.

Pomango



**PATRICK ANALO AKIVAGA, Regd. Physical Planner,
AG. COUNTY SECRETARY AND HEAD OF COUNTY PUBLIC SERVICE**

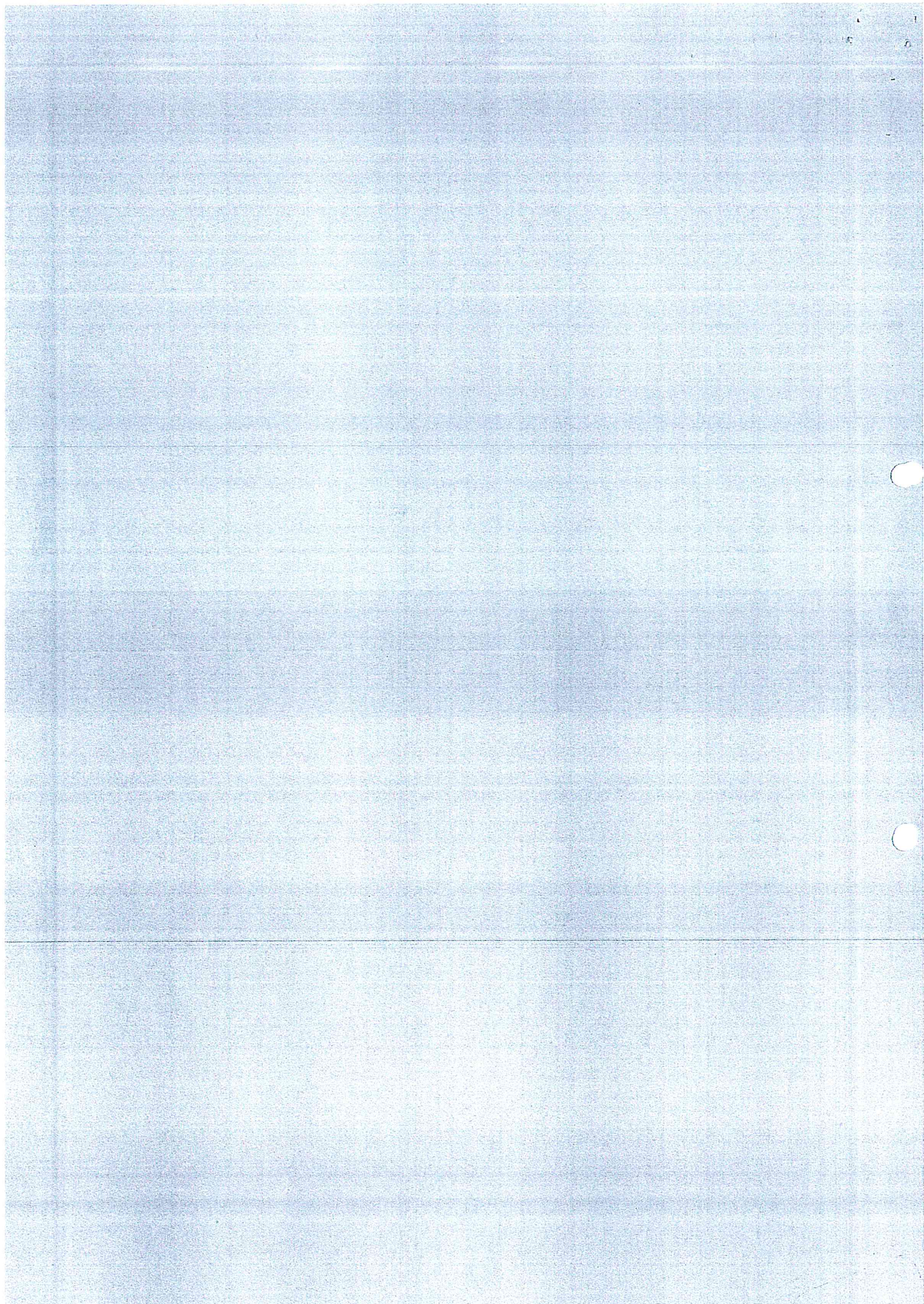
- Cc. - H. E. the Governor
Nairobi City County
- H. E. Deputy Governor
Nairobi City County
- CECM - Finance & Economic Planning
Nairobi City County

DLS
Kindly Inform Committee
Sh
Clerk
31/10/2023

CA-PAC
Kindly advise this
1/11/23

PCA(CC)
Advise DAC
NFA
for DLS
1/11/2023

LET'S MAKE **NAIROBI** WORK



NAIROBI CITY COUNTY

Telephone: +254 20 344 194
Email: info@nairobi.go.ke
Facebook: NairobiCityCountyOfficial
Twitter: @county_nairobi



City Hall,
P.O Box 30075-0010,
Nairobi,
KENYA.

FINANCE AND ECONOMIC PLANNING AFFAIRS

NCC/FIN/DAS/069/2023

30th October, 2023

The Clerk,
Nairobi City County Assembly,
P.O. Box: 45844 – 00100,
NAIROBI.

RESPONSES TO QUERRIES RAISED ON COUNTY REVENUE FUND (CRF) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

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 totaling 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.

Management Responses:

Included in the closing balance of CRF bank statement as at 30th June 2022 is an amount of Kshs. 1,353,195,750.00 which was an equitable share from the National Treasury for the previous financial year 2020-2021. This amount was credited to CRF account on 2nd July 2021. The tabulation below illustrates how the total receipts of Kshs. 28,209,671,039 as reported were arrived at;

RECEIPTS IN COUNTY REVENUE FUND (CRF) FINANCIAL YEAR 2021 - 2022

Closing Balance as at 30th June 2022	28,022,892,594
Less: Delayed Equitable Share for FY 2020 -2021 received on 2nd July 2021	(1,353,195,750)
Equitable Share, Own Source Revenue and returned CRF issues received between 1st July 2021 to 30th June 2022	<u>26,669,696,844</u>
Add: Delayed Equitable share for FY 21-22 received on 11th August 2022	1,539,974,195
Total Receipts as reported in the Financial Statements	<u>28,209,671,039</u>

The figure of Kshs. 28,209,671,039 is further analyzed as follows;

Own Source Revenue (1st Jul 2021 to 30th Jun 2022)	8,958,551,070
Equitable Share (1st Jul 2021 to 30th Jun 2022)	17,709,703,219
Delayed Equitable share for FY 21-22 received on 11th August 2022	1,539,974,195
Returned CRF Issues to the bank account from the previous financial year	1,442,555
Total Receipts for the Financial Year 2021 - 2022	<u>28,209,671,039</u>

The statement of receipts and payments is prepared using IPSAS cash basis meaning that revenue is realized only after it is transferred to CRF account in CBK. The county has agreement with

commercial banks to be sweeping all its revenues on daily basis however in cases where cheques have not cleared then the same is not swept until it clears.

The said variance of Kshs. 14,058,730 was as a result of un cleared effects as at 30th June 2022. We reported using IPSAS cash basis, we could not recognize the amount as receipts for this year.

The variance of 186m is the difference between Equitable share for 21-22 (1.539B) received in August 22 and Equitable share for 20-21 received in 21-22 (1.353B)

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.

Management Responses

Nairobi city County Alcoholic Drinks and Licensing Board is established pursuant to the provision of Nairobi City County Alcoholic Drinks and Licensing Act, 2014. The Act establishes a fund to which all funds appropriated and collected by the board are to be retained. The Provisions of PFM Act section 109 (2) (a) provide that funds can be excluded from payment into the CRF because of a provision of the PFM Act or another Act of parliament, and is payable into another county public fund established for a specific purpose.

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.

Management Responses

During the year under review the county collected less amount as compared to the previous year due to various reason notably there was a big resistance by clients who refused to register to the newly introduced system Nairobi revenue services (NRS) requiring mandatory use of KRA PIN for registration.

The collection was done by three platforms but were all linked to bank account and therefore revenue collected ended up in the three revenue account and later transferred to CRF.

It is important to note that the county currently operates with one collection system the Nairobi pay and that the rest were shut down.

Schedules in support of NBK balances were not available at the time of audit since the County didn't have access to revenuesure system after the contract came to an end however, the auditor was issued with NBK statement for the period.

The grant amounting to Kshs. 16,009,894 for Youth Polytechnics support was received from the National Government through the National Treasury. The grant was to partly cater for student's fees as way of encouraging many youths to enroll in the polytechnics. Below is an extract from CRF Account;

County Revenue Fund Account FY 2020 – 2021

No.	Date	Reference No.	Transaction Details	Cr. Amount
12-Feb-21	12-Feb-21	FT21043WJVNK	Exchequer issue	8,004,947
23-Jun-21	23-Jun-21	FT21174D484S	Exchequer issue	8,004,947
			Total	16,009,894

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.

Management Responses

The County Revenue Fund Account balance as at 30th June 2022 was as stated above, Kshs. 1,926,115,791. However, the financial year 2021-2022 remained open for more days. PFM regulations for County Governments (Sec. 97 (2)) permits this to enable completion of end-of-year procedures. One of these end-of-year procedure was settlement of transactions that had not gone through by year end for instance June 2022 salaries. These salaries and other expenditures for FY 21-22 were paid in July 2023. Again, the June 2022 equitable share from the national government was received after the year had ended. The table below provides a reconciliation of the closing balance of Ksh. 1,272,610,648.

CRF WITHDRAWALS FROM JULY 1ST 2022 FOR FY 2021-2022	
CRF bank balance as at 30th June 2022	1,926,115,791
June 2022 Equitable Share received on 11th August 2022	1,539,974,195
Total amount available for withdrawal from CRF for the FY 2021/2022	3,466,089,986
Withdrawals from 1st July 2022:	
1-Jul-22	487,765
1-Jul-22	33,272,700
1-Jul-22	101,884,900
1-Jul-22	107,421,288
1-Jul-22	416,065,016
1-Jul-22	839,328,414
4-Jul-22	110,088,934
6-Jul-22	14,862,300
6-Jul-22	15,239,416
6-Jul-22	20,449,232
6-Jul-22	22,798,080
6-Jul-22	30,000,000
6-Jul-22	36,262,200
6-Jul-22	52,514,440
7-Jul-22	6,312,896
7-Jul-22	50,080,763
8-Jul-22	34,750,000
8-Jul-22	79,423,251
12-Jul-22	22,054,455
12-Jul-22	30,433,337
12-Jul-22	39,324,630
12-Jul-22	57,944,295
13-Jul-22	1,470,200
13-Jul-22	16,479,576
19-Jul-22	54,531,250
Total Withdrawals	2,193,479,338
Reconciled Balance	1,272,610,648

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.

Management Responses

The returned CRF issues of Kshs. 1,174,252, from Development Account held at Central Bank were returned from the previous year 2020 – 2021 which formed part of receipts into CRF in the year 2021 – 2022. Below is an extract from CBK's Development Account detailing the transfer of unspent funds in the financial year 2020 – 2021.

STATEMENT OF ACCOUNT
CENTRAL BANK OF KENYA
BANKI KUU YA KENYA,
P.O.BOX 60000-0200,
NAIROBI.

Customer number: 119531
Account number: 1000171863
Account name: NAIROBI COUNTY REVENUE FUND-KES

N o.	Txn. Date	Value Date	Reference No.	Transaction Details	Cr. Amount
150	2-Aug-21	2-Aug-21	FT21214NV7 X1	Account Transfer	27.85
				TRANSFER OF UNSPENT BALANCES	
				REF: NCCA/ACC/VOL.1/03/2021	
				DD 29072021	
151	2-Aug-21	2-Aug-21	FT21214SG HYY	Account Transfer	57,050.75
				TRANSFER OF UNSPENT BALANCES	
				REF: NCCA/ACC/VOL.1/03/2021	

Responses to the Report of the Auditor-General on County Revenue Fund (CRF) for the County Government of Nairobi City for the year ended 30 June, 2022

				DD 29072021	
20 1	19- Aug-21	19-Aug- 21	FT21231DZ QYW	Account Transfer	211,224.45
				TRANSFER OF UNSPENT BALANCES	
				REF:NCC/FIN/DFR/120/2021	
				DD 18082021	
20 2	19- Aug-21	19-Aug- 21	FT21231ZP2 TB	Account Transfer	1,174,251.75
				TRANSFER OF UNSPENT BALANCES	
				REF:NCC/FIN/DFR/120/2021	
				DD 18082021	
					1,442,554.80

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.

Management Responses

The County has adopted a single collection system referred to as Nairobi Pay which was formerly known as Nairobi Revenue Services (NRS), however in the period under review the County Operated three parallel systems whose main functions was to assist in revenue collection purposes and not holding and transferring of funds to CRF account.

The three platforms role is invoicing, billing, receipting and reporting.

The role of channeling collections to the County revenue fund lies with commercial banks in this case the Equity bank, Cooperative bank and NBK whose statements were provided for audit review. These commercial banks have instructions to sweep all amounts in the account to CRF every midnight and a CRF statement for the period under review was provided.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totaling 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.

Management Responses

The County was not able to meet its revenue target due to various challenges such as objections by Rates payers on the new Valuation Roll, Multiple collection systems that we're not integrated making identification of defaulters for follow up very difficult, Uncoordinated collections between the three entity involved in revenue mobilization Inadequate allocation of resources for Revenue mobilization by sectors as this was not their core mandate resulting in few revenue mobilization activities to enhance compliance.

However, the County has put various measures in place to improve on the same such as establishment of a Valuation Court through the Judiciary to listen and determine all the Objections, charging rates based on the new valuation roll for non-objectors. Also the County has adopted Nairobi Pay (formerly NRS) as the only collection platform to ensure real time updating of accounts and extract defaulters for follow up immediately. This and regular enforcement will enhance revenue collections.



Charles K. Kerich

County Executive Committee Member – Finance and Economic Planning Affairs

C.C: Auditor General,

MINUTES OF THE 20TH SITTING OF THE NAIROBI CITY COUNTY ASSEMBLY SELECT COMMITTEE ON COUNTY PUBLIC ACCOUNTS HELD ON TUESDAY, 6TH AUGUST, 2024 AT 11:30 A.M. IN COUNTY ASSEMBLY COMMITTEE ROOM 10, CITY HALL BUILDING.

MEMBERS PRESENT:

1. Hon. Chege Mwaura, MCA – Chairman
2. Hon. Abel Osumba Atito, MCA – Vice-Chairman
3. Hon. Benta Juma Obiero, MCA
4. Hon. Mark Thiga Ruyi, MCA
5. Hon. Emmy Khatemeshi Isalambo, MCA
6. Hon. Jane Musangi Muthembwa, MCA
7. Hon. Rachel Wanjiru Maina, MCA
8. Hon. Eutyclus Mukiri Muriuki, MCA
9. Hon. Paul Wachira Kariuki, MCA
10. Hon. John Ndile Musila, MCA
11. Hon. Cyrus Mugo Mubea, MCA
12. Hon. Fredrick Njoroge Njogu, MCA
13. Hon. Fatuma Abduwahid Abey, MCA
14. Hon. Martin Mbugua Mwangi, MCA
15. Hon. Mary Wanjiru Kariuki, MCA
16. Hon. Billy Richardo Nyantika, MCA
17. Hon. Aaron Kangara Wangare, MCA

MEMBERS ABSENT:

1. Hon. Simon Maina Mugo, MCA
2. Hon. Fuad Hussein Mohamed, MCA
3. Hon. Patrick Karani Said, MCA
4. Hon. Carrington Gichunji Heho, MCA
5. Hon. Stazo Elijah Omung'ala Ang'ila, MCA
6. Hon. John Rex Omolleh, MCA

SECRETARIAT

1. Mr. Kevin Wasike - Senior Clerk Assistant
2. Mr. Klinsman Munase - Legal Counsel
3. Mr. Anthony Nyandiere - Hansard Officer
4. Mr. Melvin Wachira - Research Officer

MIN.082/NCCA/PAC/JULY/2024 – PRELIMINARIES

The Chairman called the meeting to order at thirty-five minutes Eleven O'clock and said the opening prayers. He then welcomed Members present to the meeting and took them through the agenda which was adopted for consideration as proposed by Hon. Eutyclus Mukiri, MCA and seconded by Hon. Wanjiru Kariuki, MCA as follows: -

1. Preliminaries (prayers and adoption of the agenda)
2. Adoption of draft report on the consideration of the report of the Auditor general on Nairobi City County Alcoholic Drinks and Licensing Board for the year ended 30th June 2022

3. Adoption of the draft report on the consideration of the report of the Auditor general on County Revenue Fund- County Government of Nairobi City for the year ended 30th June 2022.
4. Any Other Business
5. Adjournment.

MIN.083/NCCA/PAC/JULY/2024 – ADOPTION OF DRAFT REPORT ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL ON NAIROBI CITY COUNTY ALCOHOLIC DRINKS AND LICENSING BOARD FOR THE YEAR ENDED 30TH JUNE 2022.

The Secretariat tabled the draft report on the consideration of the report of the Auditor general on Nairobi City County Alcoholic Drinks and Licensing Board for the year ended 30th June 2022. The Chair took the Committee through the report which was adopted for tabling as proposed by Hon. Paul Wachira Kariuki, MCA and seconded by Hon. Fredrick Njoroge Njogu, MCA.

MIN.084/NCCA/PAC/JULY/2024 – ADOPTION OF THE DRAFT REPORT ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL ON COUNTY REVENUE FUND- COUNTY GOVERNMENT OF NAIROBI CITY FOR THE YEAR ENDED 30TH JUNE 2022.

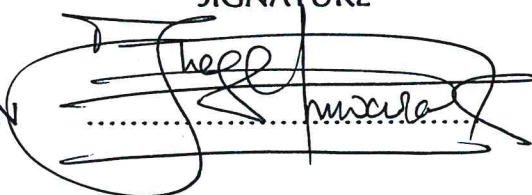
The Secretariat the draft report on the consideration of the report of the Auditor general on County Revenue Fund- County Government of Nairobi City for the year ended 30th June 2022. The Chairman took the Committee through the draft recommendations. The report was adopted for tabling in the Assembly as proposed by Hon. Cyrus Mugo, MCA and seconded by Hon. Emmy Isalambo Khatemeshi, MCA.

MIN.085/NCCA/CPAC/JULY/2024 – A.o.B & ADJOURNMENT

The being no other business and the time being Twelve Noon, the Chairman adjourned the meeting. The date and venue of the next sitting was going to be communicated by way of notice.

CONFIRMED AS A TRUE RECORD OF THE PROCEEDINGS

SIGNATURE

CHAIRPERSON 

DATE

