

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY

(THIRD SESSION)

NCCA
APPROVED
15 MAY 2024
Sign: ... SPEAKER

21ST MAY 2024

NCCA/TJ/PL/2024(26)

PAPER LAID

SUBJECT: OAG REPORT

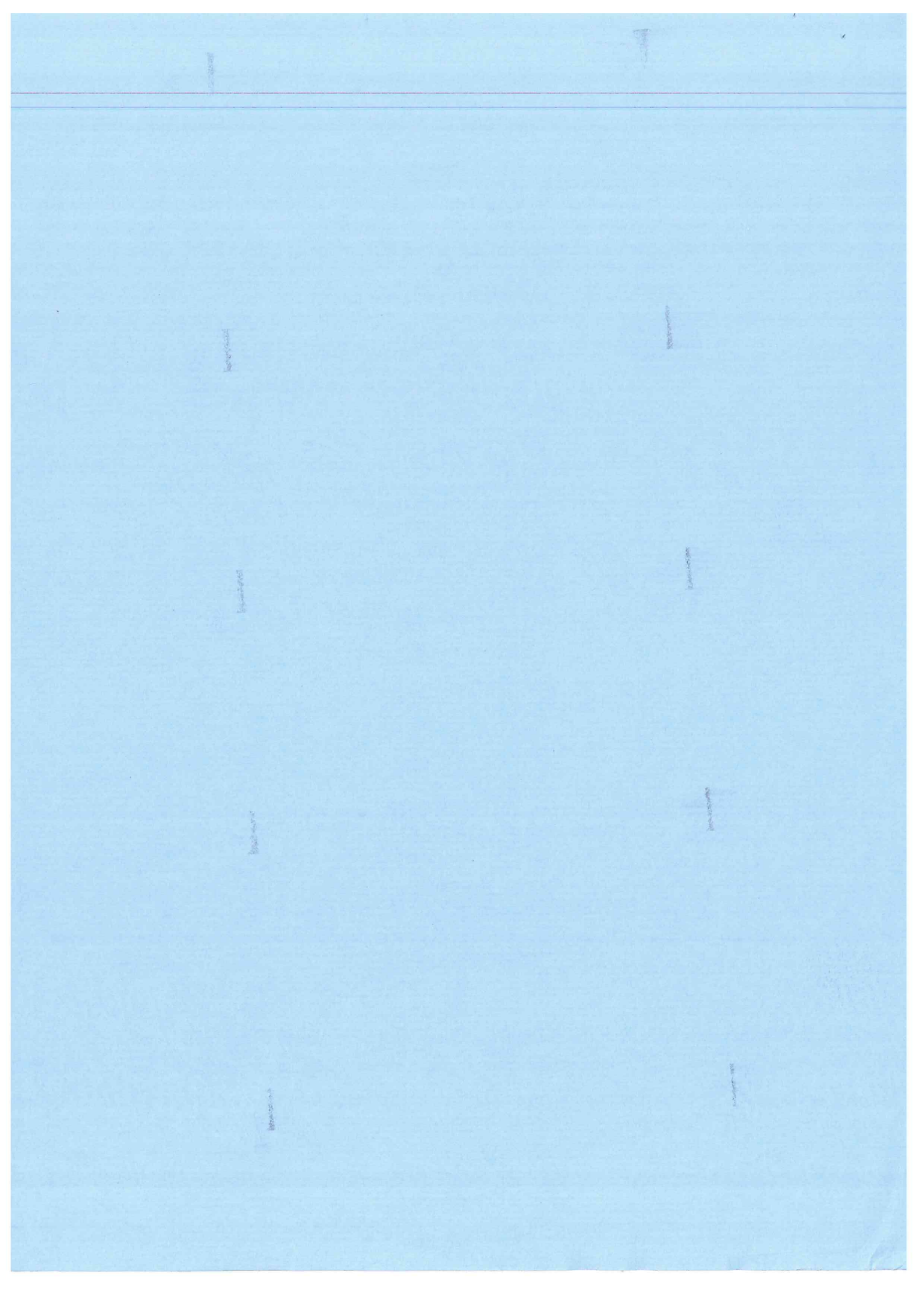
Pursuant to Article 229 (7), I beg to lay the following Paper on the Table of this Assembly, today Tuesday 21st May 2024:

— THE REPORT OF THE AUDITOR GENERAL ON COUNTY REVENUE FUND-COUNTY GOVERNMENT OF NAIROBI CITY FOR THE YEAR ENDED 30TH JUNE 2023.

(The Leader of Majority Party)

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

*Paper laid on 21/05/2024
by Hon. Majority Leader
21/05/2024*



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

*Doc
Tmoh Jeat
D. O. Ochieng
06/04/2024*

OAG/NRO/CRF/NCC/2022/2023/ (21)

30 April, 2024

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



Dear *CCA,*

REPORT OF THE AUDITOR-GENERAL ON COUNTY REVENUE FUND – COUNTY GOVERNMENT OF NAIROBI CITY FOR THE YEAR ENDED 30 JUNE, 2023

I transmit the report of the Auditor-General on the examination of the financial statements of County Revenue Fund – County Government of Nairobi City for the year ended 30 June, 2023. The report is submitted in accordance with the provisions of Article 229(7) of the Constitution for the necessary action as required by Article 229(8) of the Constitution.

Yours *Sincerely,*

CPA F.O. Odhiambo
For: AUDITOR-GENERAL

*III PCA (L & P)
Kindly process for
Dabbing
07/05/24*

Copy to: **Dr. Chris K. Kiptoo, PhD., CBS**
The Principal Secretary
The National Treasury
P.O. Box 30007-00100
NAIROBI

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

H.E. Hon. Johnson Arthur Sakaja, CBS
Governor
County Government of Nairobi City
P.O. Box 30075-00100,
NAIROBI

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

*IV SA Austin
Please deal
Mfrs
PCA (L & P)
07/05/2024*

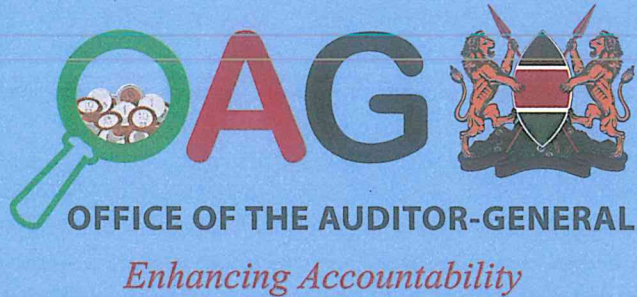
*IV DLS.
Kindly process for Tabung
at the next sitting of the
Assembly.
06/05/24*



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REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

COUNTY REVENUE FUND

**FOR THE YEAR ENDED
30 JUNE, 2023**

COUNTY GOVERNMENT OF NAIROBI CITY



A small, handwritten mark or signature in red ink, located in the lower-left quadrant of the page. The mark consists of a few connected strokes, resembling a stylized letter or a signature.

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 Nairobi, Kenya
KENYA

21 DEC 2023

RECEIVED



COUNTY REVENUE FUND

County Government of Nairobi City

REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

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

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1. Acronyms and glossary of terms

a) Acronyms

CA	County Assembly
COB	Controller of Budget
CRF	County Revenue Fund
FY	Financial Year
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PSASB	Public Sector Accounting Standards Board
ROR	Receiver of Revenue
Kshs	Kenya Shillings

b) glossary of terms

Comparative FY	Comparative Prior Financial Year
Fiduciary Management	The key management personnel who had financial responsibility

2. 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 Team

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

No.	Designation	Name
1.	CECM Finance and Economic planning	Charles K. Kerich
2.	C.O Finance	Asha Abdi
3.	Head of County Treasury (Accounting)	Martha K. Wambugu

c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CECM Finance and Economic Planning	Charles K. Kerich
2.	Accounting Officer in charge of Finance	Asha Abdi
3.	Head of County Treasury (Accounting)	Martha K. 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.

e) County Executive Headquarters

P.O. Box 30075 – 00100,
City Hall Building,
City Hall Way,
Nairobi, Kenya

f) County Contacts

Telephone: (254) 20 224281, (254) 20 2216151
E-mail: info@nairobi.go.ke
Website: www.nairobi.go.ke

g) County Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

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) Co-operative Bank
City Hall Branch
P.O Box 44805 - 00100
Nairobi, Kenya

h) Independent Auditor

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

j) County Attorney

P.O. Box 30075 – 00100,
City Hall Building,
City Hall Way,
Nairobi, Kenya

3. Statement by the CECM Finance

Nairobi City County finances its functions through two main sources of revenue i.e., Equitable share and Own Source Revenue. Over the years, equitable share has been dominantly higher than Own Source Revenue despite the targets being almost equal in the approved budget. The relevance and significance of OSR to meet the enormous and ever-increasing resource requirement cannot be over emphasized. The county has therefore continuously pursued the path of strengthening the

revenue mobilisation ecosystem, both legislatively, operationally and in leveraging on alternative resource raising measures.

The revenue fortunes of Nairobi City County are highly influenced by prevailing national economic conditions. Both global and Kenyan economy decelerated significantly in 2022 largely due to a slowdown in global economic activities, due to tightening of monetary policies by most economies to contain high inflation largely attributed to the negative spillover from the war in Ukraine that continues to destabilize economic activities. Kenya's Real Gross Domestic Product (GDP) grew by 7.5 percent in 2021 following a significant contraction of 0.3 percent in 2020 that was mainly attributed to containment measures during the COVID-19. However, Kenya's economic activities decelerated in 2022 registering a growth rate of 5.9 percent. Other macroeconomic variables that were detrimental to the county economy were high inflation rates and depreciating exchange rate. This was coupled by high unemployment and low incomes which has continued to darken the hopes of most households in the city.

The revenue function was transferred back to Nairobi City County in the second quarter of the FY 2022/23. This function was being carried out by KRA since February 2020. The resumption of this function saw significant transformations at all levels of revenue management, with more changes planned for in the medium term. The main revenue collection system during the FY 2022/2023 was NairobiPay, which is still being utilized this financial year. The Nairobi County Revenue Administration Authority began to take shape during this period with appointment, gazettement and induction of the board members.

Revenue collection fell short of its targets due to the campaign and election period during the first quarter of the financial year. The political unrest experienced thereafter was also a major hurdle to revenue collection with the county collecting 25% of revenue on demonstration days compared to other normal days. Other factors that led to low collection were system challenges, transition of the revenue function from NMS to NCCG, and the general economic hardships constraining the business environment in the county.

In mobilization of resources, the county met 74.7 % (Kshs. 29.60) of the approved revenue target of Ksh. 39.61 billion, constituted by equitable share amounting to Ksh. 19.25 billion (100% of target), and Ksh. 9.30 billion from own source revenue (50.88% of target).



.....
CECM Finance and Economic Planning

County Government of Nairobi

4. Management Discussion and Analysis

The equitable share for the financial year 2022-2023 amounting to Ksh 19,249,677,414 was received within the year. County Own Source revenues have been underperforming against the budget over the last four years and the County Government is concerned about this trend. To address the poor performance of own source revenues, the county government has operationalised the Nairobi County Revenue Administration Act, 2021 which establishes Nairobi City County Revenue Authority as an independent organ responsible for efficient and effective collection of revenues.

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

	Equitable Share	Transfers from Other Government Entities	Proceeds from Domestic and Foreign Grants	Returned CRF issues	County Own Generated Receipts	Total
Budget 19-20	15,919,950,000	947,167,125	217,697,898	2,741,050,231	17,155,525,634	36,981,390,888
Actuals 19-20	12,419,252,740	495,270,781	227,460,972	2,580,279,980	8,819,040,246	24,541,304,719
Budget 20-21	19,500,070,512	1,027,534,933	182,730,217	711,888,103	16,459,511,170	37,881,734,935
Actuals 20-21	19,500,070,511	-	74,527,819	168,031,327	9,711,076,181	29,453,705,838
Budget 21-22	19,250,000,000	-	166,791,329	600,000,000	19,610,744,671	39,627,536,000
Actuals 21-22	19,249,677,414	-	-	1,442,555	8,958,551,070	28,209,671,039
Budget 22/23	19,249,677,412	1,127,000,000	159,404,625	800,000,000	18,277,834,347	39,613,916,384
Actuals 22/23	19,249,677,414	927,334,931	131,569,932	9,038	9,299,452,841	29,608,044,156

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. Receipts include 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 30th June 2023.



.....
CEC Member – Finance and Economic Planning
County Government of Nairobi City

6. 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 to 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 at the County Treasury 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, 2023*. 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 Revenue Fund; (v) Selecting and applying appropriate accounting policies; and (iv) Making accounting estimates that are reasonable in the circumstances.

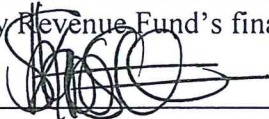
The Accounting Officer accepts responsibility for the County Revenue Fund's financial statements, which have been prepared on the Cash Basis Method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting 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, 2023, 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. 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 19/12/2023.

Signature _____



Name Asha Abdi

County Chief Officer Finance
County Government of Nairobi City

REPORT OF THE AUDITOR-GENERAL ON COUNTY REVENUE FUND FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF NAIROBI CITY

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 the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of County Revenue Fund – County Government of Nairobi City set out on pages 1 to 11, which comprise of the statement of receipts and payments and the statement of comparison of budget and actual amounts for the year ended 30 June, 2023, and a summary of significant accounting policies and

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the County Revenue Fund – County Government of Nairobi City as at 30 June, 2023, and of its financial performance for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Variances Between the Financial Statements and the Bank Statement

The statement of receipts and payments reflects a closing fund balance of Kshs.395,404,941 as disclosed in Note 9 to the financial statements. However, the balance differs with the corresponding bank statement balance of Kshs.4,172,047,648 resulting to an unreconciled and unexplained variance of Kshs.3,776,642,707. Further, the statement reflects transfers to County Executive amount of Kshs.25,010,373,025 as disclosed in Note 6 to the financial statements. This amount includes transfers to recurrent and development bank accounts of Kshs.20,481,838,377 and Kshs.3,537,611,860 respectively. However, the amounts differ with the computed receipts in the recurrent and development bank account of Kshs.20,435,527,857 and Kshs.3,970,625,540 resulting in unreconciled variances of Kshs.46,310,520 and Kshs.433,013,680 respectively.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects total revenue budget and actual on comparable basis of Kshs.39,613,916,279 and Kshs.29,608,044,156 respectively, resulting in an under-funding of Kshs.9,755,872,123 or 25% of the budget. Similarly, the statement reflects final budget payments and actuals on comparable basis of Kshs.39,613,916,279 and Kshs.30,485,249,863 respectively, resulting in under-absorption of Kshs.9,128,666,416 or 23 % of the budget. The under-funding and under-absorption affected the planned activities and may have impacted negatively on service delivery to the public.

Further, the statement reflects a receipts budget realization difference of Kshs.9,755,872,123 while re-casting indicates an amount of Kshs.10,005,872,123 resulting in an unreconciled variance of Kshs.250,000,000.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

3. Unsupported Total Receipts

The statement of receipts and payments reflects total receipts of Kshs.29,608,044,156 while the County Revenue Fund bank statement reflects receipts amounting to Kshs.29,642,112,935 resulting to an unreconciled variance of Kshs.34,068,779. Further, Note 4 to the financial statements reflects own-source revenue of Kshs.9,299,452,841 while the supporting schedules reflect an amount of Kshs.9,331,046,235 resulting to an unreconciled variance of Kshs.31,593,394.

In circumstances, the accuracy of the total receipts amounting to Kshs.29,608,044,156 could not be confirmed.

4. Unremitted Revenue to the County Revenue Fund

The statement of receipts and payments reflects own-source revenue amount of Kshs.9,299,452,841 as disclosed in Note 4 to the financial statements. Review of records revealed that this amount excluded Kshs.238,856,549 collected by the Nairobi City County Alcoholic Drinks and Licensing Board. The exclusion is contrary to Regulation 80 of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Board's receipts comprise of revenue that belong to the County Government and ought to be remitted to the County Revenue Fund (CRF) and disclosed in the financial statements.

In the circumstances, the accuracy and completeness of own-source revenue amount of Kshs.9,299,452,841 could not be confirmed.

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements. However, the Management has not resolved the issues or given any explanation for failure to do so, as part of the contents provided for in the reporting format prescribed by the Public Sector Accounting Standards Board.

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 and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Incomplete Payment Process

Review of records revealed that item codes and vote book balances were not indicated on the Fund's payment vouchers as required. Further, the payment vouchers were not authorized by both the person with Authority to Incur Expenditure (AIE) and Accounting Officer.

In the circumstances, the effectiveness of internal controls in processing of payments could not be confirmed.

2. Incomplete Fixed Assets Register

Review of records revealed that the Fund has fixed assets in the form of property, plant and equipment. However, the fixed assets register provided for audit did not indicate details of the assets including date of purchase, description of assets including model and serial number, cost, specific location, asset number, responsible official, class, category of assets and its condition. Further, the assets were not coded or tagged for ease of identification and tracking.

In the circumstances, the effectiveness of controls in fixed assets management could not be confirmed.

The audit was conducted in accordance with ISSAIs 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate 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 overall 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 controls would not necessarily disclose all matters in the internal controls 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 the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 controls 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 April, 2024

County Government of Nairobi City County
 County Revenue Fund
 For the financial year ended 30th June 2023

8. Statement of Receipts and Payments for the Year Ended 30th June 2023

		2022/23	2021/22
	Notes	Kshs.	Kshs.
Receipts			
Exchequer releases	1	19,249,677,414	19,249,677,414
Transfers from other government agencies	2	927,334,931	-
Other grants	3	131,569,932	-
Own Source Revenue	4	9,299,452,841	8,958,551,070
Return to CRF issues	5	9,038	1,442,555
Total Receipts		29,608,044,156	28,209,671,039
Payments			
Transfers to County Executive	6	25,010,373,025	13,787,855,816
Transfers to County Assembly	7	1,748,810,398	1,302,938,136
Transfers to Nairobi Metropolitan Services (NMS)	8	3,726,066,440	11,847,311,056
Total Payments		30,485,249,863	26,938,105,008
Net increase (decrease) in cash for the year		(877,205,707)	1,271,566,032
Add Opening fund balance b/f	9	1,272,610,648	1,044,617
Closing Fund balance for the period	9	395,404,941	1,272,610,649



Name: Asha Abdi

Chief Officer - Finance

Date...19/12/2023.....



Name: Martha K. Wambugu

Head of County Treasury (Accounting)

ICPAK Member No: 5435

Date...19/12/2023.....

*County Government of Nairobi City County
County Revenue Fund
For the financial year ended 30th June 2023*

9. Statement of Comparison of Budget Actual Amounts for the Year Ended 30th June, 2023

Receipt/Payments	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Realization Difference	% of Realization
	a Kshs.	b Kshs.	c=a+b Kshs.	d Kshs.	e=c-d Kshs.	f=d/c %
Receipts						
Exchequer Releases	19,249,677,412	-	19,249,677,412	19,249,677,414	(2)	100%
WORLD BANK-THS	87,492,017	(87,492,017)	-	-	-	-
WORLD BANK-KISIP	-	100,000,000	100,000,000	100,000,000	-	100%
WORLD BANK-CLIMATE CHANGE	-	22,000,000	22,000,000	-	22,000,000	0%
DANIDA - UHC	35,272,875	15,938,813	51,211,688	-	51,211,688	0%
ASDSPII	36,639,733	(569,801)	36,069,932	31,569,932	4,500,000	88%
RMFLF	1,127,000,000	334,931	1,127,334,931	927,334,931	200,000,000	82%
Returned CRF issues	800,000,000	472,610,648	1,272,610,648	9,038	1,272,601,610	0%
County Own Generated Receipts	18,027,834,347	(522,822,679)	17,505,011,668	9,299,452,841	8,205,558,827	53%
Liquor Fees	250,000,000	-	250,000,000			
TOTAL	39,613,916,384	(105)	39,613,916,279	29,608,044,156	9,755,872,123	75%
Payments						

**County Government of Nairobi City County
County Revenue Fund
For the financial year ended 30th June 2023**

Transfers to County Executive	30,641,987,999	1,755,407,068	32,397,395,067	25,010,373,025	7,387,022,042	77%
Transfers to County Assembly	3,485,288,302	(1,076,000,000)	2,409,288,302	1,748,810,398	660,477,904	73%
Transfers to Nairobi Metropolitan Services (NMS)	5,236,639,977	(679,407,067)	4,557,232,910	3,726,066,440	831,166,470	82%
Liquor Board	250,000,000	-	250,000,000		250,000,000	
Total Payments	39,613,916,278	1	39,613,916,279	30,485,249,863	9,128,666,416	77%

10. 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 and own source revenue 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.

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
County Revenue Fund
For the financial year ended 30th June 2023

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 restrictions on cash during the year.

County Government of Nairobi City County
County Revenue Fund
For the financial year ended 30th June 2023

11. 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:

	2022-2023	2021/22
	Kshs.	Kshs.
Equitable Share (a)	19,249,677,414	19,249,677,414
Total (e=a+b+c+d)	19,249,677,414	19,249,677,414

2. Transfers from other government agencies

	2022-2023	2021-2022
	Kshs.	Kshs.
Transfers from Central government entities		
Kenya Roads Board - Road Maintenance Fuel Levy Fund	927,334,931	-
Total	927,334,931	-

3. Other grants

	2022-2023	2021/22
	Kshs.	Kshs.
World Bank-ADSP II	31,569,932	-
World Bank - Kenya Informal Settlement Improvement Project II	100,000,000	-
Total	131,569,932	-

4. Own Source Revenue

	2022-2023	2021-2022
RECEIPTS	Kshs.	Kshs.
Cess	-	318,747,577
Land Rate	2,866,395,246	2,566,184,705
Single/Business Permits	1,633,513,224	1,617,207,201
Property Rent	450,419,350	97,789,488
Parking Fees	1,861,601,275	1,386,204,434
Market Fees	250,509,468	344,101,060

County Government of Nairobi City County
County Revenue Fund
For the financial year ended 30th June 2023

Advertising	593,283,759	854,697,705
Hospital Fees	-	34,944,946
Public Health Service Fees	132,717,178	191,272,222
Physical Planning and Development	963,349,767	601,522,281
Hire Of County Assets	-	16,981,233
Conservancy Administration	-	1,309,040
Administration Control Fees and Charges	202,611,108	59,282,837
Park Fees	52,378,454	38,960
Other Fines, Penalties, And Forfeiture Fees	-	47,311,329
Miscellaneous receipts	292,674,012	820,956,054
Total	9,299,452,841	8,958,551,072

5. Return to CRF Issues

	2022-2023	2021/22
	Kshs.	Kshs.
Recurrent Account (County Executive)	-	211,224
Development Account (County Executive)	-	1,174,252
Recurrent Account (County Assembly)	288	28
Development Account (County Assembly)	-	57,051
Commercial Banks (County Executive)	8,750	-
Total	9,038	1,442,555

6. Transfers to County Executive

	2022-2023	2021/22
	Kshs.	Kshs.
Recurrent Account	20,481,838,377	12,750,439,894
Development Account	3,537,611,860	1,037,415,922
Special purpose Account - ASDSP II	63,587,857	-
Special purpose Account - RMFLF	927,334,931	-
Total	25,010,373,025	13,787,855,816

County Government of Nairobi City County
County Revenue Fund
For the financial year ended 30th June 2023

7. Transfers to County Assembly

	2022-2023	2021/22
	Kshs.	Kshs.
Recurrent Account	1,728,651,942	1,302,938,136
Development Account	20,158,456	-
Total	1,748,810,398	1,302,938,136

8. Transfers to Nairobi Metropolitan Services (NMS)

	2022-2023	2021/22
	Kshs.	Kshs.
Recurrent Account	3,726,066,440	9,860,012,199
Development Account	-	1,987,298,857
Total	3,726,066,440	11,847,311,056

9. Fund balance

	2022-2023	2021/22
	Kshs.	Kshs.
Central Bank of Kenya-Revenue A/C No: 1000171863	395,404,941	1,272,610,648
Total	395,404,941	1,272,610,648

10. Disclosure of Balances in Revenue Collection Accounts

County Government Own source revenue is recognized in the financial statements when it has been swiped to CRF. Revenue collection account balances are disclosed as at the end of the reporting period as below.

Name Of Bank, Account No. & Currency	Amount in bank account currency*	Ex. rate (if in foreign currency)	2022 - 2023	2021 - 2022
Cooperative Bank, KRA - Nairobi County Revenue Collection, 01141709410000, Kshs	Kshs	-	34,104,710	16,168,908
Equity Bank, KRA - Nairobi County Revenue Collection, 1770279910476, Kshs	Kshs	-	2,906,946	10,108,565

County Government of Nairobi City County

County Revenue Fund

For the financial year ended 30th June 2023

Cooperative Bank, KRA - Nairobi City County Revenue Account,01141232396600, Kshs	Kshs	-	68,268,371	-
Cooperative bank, Solid Waste Management Account, 01141232396606, Kshs	Kshs	-	257	-
National Bank, KRA - Nairobi County Revenue Collection Account, 01071225251100, Kshs	Kshs	-	-	642,524
Total			105,280,283	26,919,997

12. 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;

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.	Inconsistencies in Revenue Collected	The variance of Kshs. 14,058,730 was as a result of bankers' cheques which had not cleared by 30th June 2022. Normally cheques take two to four days to clear and since we reported using IPSAS cash basis, we could not recognize the amount as receipts for this year.		
2.	Unremitted Revenue			
3.	Unsupported Receipts			
4.	Unsupported Fund Balance	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		

County Government of Nairobi City County
 County Revenue Fund
 For the financial year ended 30th June 2023

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)
		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.		
5.	Return to CRF Issues	<p>The returns to CRF issues related to balances in Development Account in the financial year 2020 - 2021 which formed part of revenues in the subsequent financial year 2021 – 2022</p> <p>The last transaction relating to FY 2020 – 2021 was on 30th July 2021 and closing balance was Sh. 1,174,251.75 and was transferred to CRF account on 19th August 2021. Below is the transfer transaction details</p> <p>Account Transfer 1,174,251.75 TRANSFER OF UNSPENT BALANCES REF:NCC/FIN/DFR/120/2021 DD 18082021</p>		



.....
 Name: Asha Abdi
 Chief Officer Finance
 Date

*County Government of Nairobi City County
County Revenue Fund
For the financial year ended 30th June 2023*

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

Period 2022 - 2023	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Equitable Share	1,636,222,580	4,716,170,967	6,448,641,934	6,448,641,933	19,249,677,414
Total	1,636,222,580	4,716,170,967	6,448,641,934	6,448,641,933	19,249,677,414

Annex 3. Analysis of Receipts from Own Source Revenue per Quarter

Period 2022 - 2023	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Land Rates	151,827,225	150,480,203	1,864,155,469	685,879,681	2,852,342,578
Parking fees (total)	373,976,829	424,698,163	615,302,568	442,991,623	1,856,969,183
Single Business Permits	65,364,347	286,729,660	935,693,738	338,681,433	1,626,469,178
Plans and Inspections (Building Permits)	259,746,878	199,766,267	227,939,877	274,180,779	961,633,801
Billboards and advertisements	96,237,367	93,487,793	277,340,284	124,130,454	591,195,899
House and Stall Rent	81,875,130	102,109,263	140,288,580	125,090,263	449,363,236
Fire Inspection Certificates	5,443,620	23,652,266	133,834,297	38,673,400	201,603,583
Food Handlers Certificates	17,344,642	23,295,955	58,475,270	33,161,100	132,276,967
Markets	50,841,902	61,007,967	77,928,195	60,144,749	249,922,812
Other Incomes	80,936,558	66,371,845	136,323,338	94,043,865	377,675,605
	1,183,594,497	1,431,599,381	4,467,281,615	2,216,977,348	9,299,452,841

County Government of Nairobi City County
County Revenue Fund
For the financial year ended 30th June 2023

Annex 4: 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	1,245,894,129	4,211,137,397	5,509,926,437	9,514,880,414	20,481,838,377
County Executive -Dev	-	-	365,339,641	3,172,272,219	3,537,611,860
County Executive -Agricultural Sector Development Support Programme (ASDSP) II	-	-	32,017,925	31,569,932	63,587,857
County Executive - Road Maintenance Fuel Levy Fund	-	927,334,931	-	-	927,334,931
County Assembly -Rec	126,783,100	252,706,784	848,902,022	500,260,036	1,728,651,942
County Assembly -Dev	-	-	14,078,142	6,080,314	20,158,456
Nairobi Metropolitan Services (NMS)- Rec	2,233,218,088	1,492,848,352	-	-	3,726,066,440
Total	3,605,895,317	6,884,027,464	6,770,264,167	13,225,062,915	30,485,249,863

