

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY

(FOURTH SESSION)

NCCA/TJ/PL/2025(78)

18TH NOVEMBER 2025

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 Paper on the Table of this Assembly, today Tuesday 18th November 2025:

- **THE REPORT OF SELECT COMMITTEE ON PUBLIC ACCOUNTS
ON CONSIDERATION OF THE REPORT OF AUDITOR GENERAL
ON FINANCIAL STATEMENTS OF THE NAIROBI CITY COUNTY
EXECUTIVE FOR THE YEAR ENDED 30TH JUNE 2023**

(The Chairperson, Select Committee on Public Accounts)

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

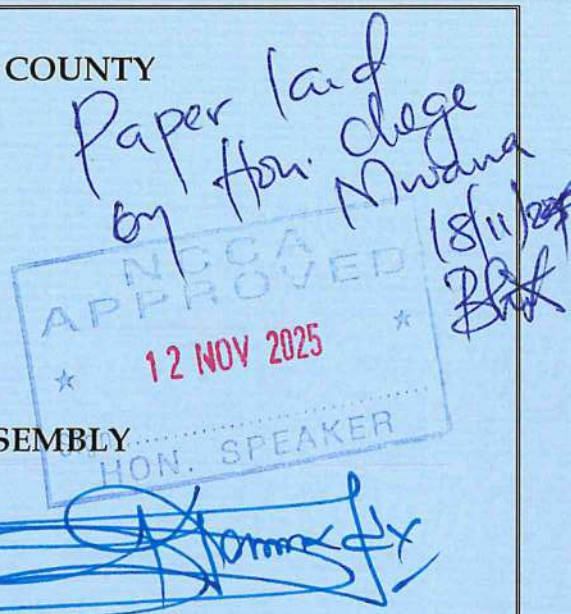
GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY
(FOURTH SESSION)



NCCA/TJ/PL/2025(78)

12TH NOVEMBER 2025

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 Wednesday 12th November 2025:

- **THE REPORT OF SELECT COMMITTEE ON PUBLIC ACCOUNTS ON CONSIDERATION OF THE REPORT OF AUDITOR GENERAL ON FINANCIAL STATEMENTS OF THE NAIROBI CITY COUNTY EXECUTIVE FOR THE YEAR ENDED 30TH JUNE 2023**

(The Chairperson, Select Committee on Public Accounts)

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

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

THIRD ASSEMBLY
(FOURTH SESSION)

18th November 2025

NOTICE OF MOTION

Subject: Adoption of report of a Committee

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

- **THAT**, this Assembly adopts **THE REPORT OF SELECT COMMITTEE ON PUBLIC ACCOUNTS ON CONSIDERATION OF THE REPORT OF AUDITOR GENERAL ON FINANCIAL STATEMENTS OF THE NAIROBI CITY COUNTY EXECUTIVE FOR THE YEAR ENDED 30TH JUNE 2023** laid on the Table of the Assembly on 18th November 2025.

(Chairperson, Select Committee on Public Accounts)

*Notice of Motion
Issued by Hon.
Chege Mwangi
18/11/2025
[Signature]*

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

THIRD ASSEMBLY
(FOURTH SESSION)

12th November 2025

NOTICE OF MOTION

Subject: Adoption of report of a Committee

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

- **THAT**, this Assembly adopts **THE REPORT OF SELECT COMMITTEE ON PUBLIC ACCOUNTS ON CONSIDERATION OF THE REPORT OF AUDITOR GENERAL ON FINANCIAL STATEMENTS OF THE NAIROBI CITY COUNTY EXECUTIVE FOR THE YEAR ENDED 30TH JUNE 2023** laid on the Table of the Assembly on 12th November 2025.

(Chairperson, Select Committee on Public Accounts)

Nairobi City County Government



Nairobi City County Assembly

Third Assembly – Fourth Session

The Report of the Select Committee on Public Accounts

On

**Consideration of the Report of the Auditor-General on Receiver
of Revenue for County Government of Nairobi for the Year
Ended 30th June, 2023.**

**Clerks Chambers
Nairobi City County Assembly
City Hall Buildings
NAIROBI**

November, 2025

TABLE OF CONTENTS

1.0. PREFACE	4
1.1. Mandate of the Public Accounts Committee.....	4
1.2. Guiding principles	4
1.3. Obligations of the Accounting Officer	5
1.4. Committee Membership.....	5
1.5. Background.....	6
1.6. Auditor-General's Responsibility	7
1.7. Evidence taken.....	8
1.8. Appreciation	8
2.0 CONSIDERATION OF THE AUDIT REPORT OF THE AUDITOR GENERAL ON RECEIVER OF REVENUE FOR THE YEAR ENDED 30TH JUNE 2023	10
2.1.1 Understatement of Revenue	10
2.1.2 Unsupported Revenue of Own Source Revenue	11
2.1.3 Failure to Provide Ledgers.....	13
2.1.4 Unsupported Statement of Arrears of Revenue.....	14
2.1.5 Unsupported Bank Balances	15
2.1.6 Inaccurate Statement of Financial Assets and Liabilities.....	17
2.1.7 Accumulated Uncollected Revenue	19
2.1.8 Duplicate Payment Reference Numbers	20
2.1.9 Unsupported Single Permit Fees.....	21
2.1.10 Nairobi Pay Vendor Operating without a Valid Contract	23
2.1.11 Ineffective Systems of Collection of Rent Arrears.....	25
2.1.12 Duplicate Single Business Permit Application Numbers.....	27
2.1.13 Use of End of Life (EOL) Server Versions.....	28
3.0 SUMMARY OF ALL RECOMMENDATIONS.....	32
3.1.1 Understatement of Revenue	32
3.1.2 Unsupported Revenue of Own Source Revenue	32
3.1.3 Failure to Provide Ledgers.....	33
3.1.4 Unsupported Statement of Arrears of Revenue	33
3.1.5 Unsupported Bank Balances	33
3.1.6 Inaccurate Statement of Financial Assets and Liabilities.....	34
3.1.7 Accumulated Uncollected Revenue	34
3.1.8 Duplicate Payment Reference Numbers	35
3.1.9 Unsupported Single Permit Fees.....	35
3.1.10 Nairobi Pay Vendor Operating without a Valid Contract	36

3.1.11 Ineffective Systems of Collection of Rent Arrears.....	36
3.1.12 Duplicate Single Business Permit Application Numbers.....	37
3.1.13 Use of End of Life (EOL) Server Versions.....	38
4.0 ANNEXURES.....	39

ABBREVIATIONS

1. CECM	– County Executive Committee Member
2. CRF	– County Revenue Fund
3. EOL	– End of Life
4. ERP	– Enterprise Resource Planning
5. ICT	– Information Communication Technology
6. IFMIS	– Integrated Financial Management Information System
7. IT	– Information Technology
8. IPSAS	– International Public Sector Accounting Standards
9. ISSAIs	– International Standards of Supreme Audit Institutions
10. JNAM	– Joint National and Resource Mapping
11. KPIs	– Key Performance Indicators
12. KRA	– Kenya Revenue Authority
13. LAIFOMS	– Local Authority Financial Operation Management System
14. MCA	– Member of the County Assembly
15. NLIMS	– National Land Information Management System
16. NRA	– Nairobi Revenue Pay
17. NRS	– Nairobi Revenue Services
18. OAG	– Office of the Auditor General
19. PAC	– Public Accounts Committee
20. PFM	– Public Finance Management
21. ROR	– Receiver of Revenue
22. SBP	– Single Business Permit
23. SLA	– Service Level Agreement
24. SQL	– Structured query language

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 Receiver of Revenue for County Government of Nairobi for the year ended 30th June, 2023”*.

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 PFM Act, 2012 enacts that: - *“A public Officer is personally liable for any loss sustained by a county government that is attributable to-*

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

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

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

1.3. Obligations of the Accounting Officer

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

(a) lawful and authorized; and

(b) Effective, efficient, economical and transparent.”

These provisions obligate the Accounting Officer 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. Redson Otieno Onyango, 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. Eutychus 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 |

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

The receiver of revenue is under the sub sector of revenue administration which falls in finance and economic planning sector. At the County Executive Committee level, the receiver of revenue is represented by the County Executive committee member for Finance and Economic Planning, who is responsible for the general policy and strategic direction of the receiver of revenue. The receiver of revenue is designated as a receiver by the County Executive Committee member for Finance, in accordance with section 157 of the PFM Act.

1.6. 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.

Section 165 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, a receiver of revenue for a county government shall prepare an account in respect of the revenue collected, received and recovered by the receiver during that financial year.

The Receiver of Revenue is responsible for the preparation and presentation of the receiver of revenue account, which gives a true and fair view of the state of affairs of the receiver of revenue for and as at the end of the financial year (period) 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 statement of assets and liabilities of County Government of Nairobi;
- (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 entity;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Receiver of Revenue in charge accepts responsibility for the entity's receiver of revenue accounts, 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)

and relevant legal framework of the Government of Kenya. The Receiver of Revenue is of the opinion that the entity's receiver of revenue account gives a true and fair view of the state of County Government of Nairobi receiver of revenue transactions during the financial year ended June 30, 2023, and of the County Government of Nairobi statement of assets and liabilities as at that date. The Receiver of Revenue further confirms the completeness of the accounting records maintained, which have been relied upon in the preparation of the receiver of revenue account as well as the adequacy of the systems of internal financial control.

The Receiver of Revenue confirms that the County Government of Nairobi has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable). The Receiver of Revenue confirms that the revenue statements have been prepared in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya.

1.7. Evidence taken

The Committee held sittings of which it interrogated the County Executive Committee Member for Finance and Economic Planning, Chief Officer Revenue Administration, Director Revenue Administration, Deputy Director Revenue Administration and Head of Revenue Reporting 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.

1.8. 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,

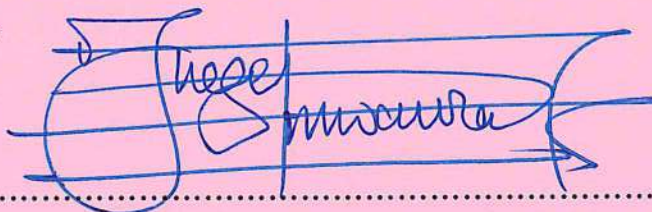
The Committee also wishes to sincerely thank the Offices of the Speaker and the Clerk for the services extended to the Committee while considering this matter. The Committee further wishes to appreciate

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

10/11/2025

2.0 CONSIDERATION OF THE AUDIT REPORT OF THE AUDITOR GENERAL ON RECEIVER OF REVENUE FOR THE YEAR ENDED 30TH JUNE 2023

2.1.1 Understatement of Revenue

The statement of receipts and disbursement reflects total County own source revenue collection of Kshs. 10,561,592,492. The amount includes revenue from land rates, single business permit and property rent amount of Kshs. 2,866,395,246, Kshs. 1,633,513,224 and Kshs. 450,419,350 respectively all totaling to Kshs. 4,950,327,820.

However, the statement of arrears of revenue as at 30 June, 2023 indicated that arrears received amounted to Kshs. 112,523,120,331 in respect of the three revenue streams; land rates Kshs. 112,107,626,257, single business permit of Kshs. 153,034,600, and property rent of Kshs. 262,459,474 all totaling the reported amount in respect to the three streams of Kshs. 4,950,327,820 differs with the total arrears received during the year in respect to the same streams of Kshs. 112,523,120,331 resulting to understatement of revenue by Kshs. 107,572,792,511.

In the circumstances, the accuracy and completeness of the total county own source revenue amount of Kshs 10,561,592,492 could not be confirmed.

Management Responses:

The Management response to the audit query on Understatement of Revenue was as follows: -

- That in FY 2021/2022 the statement of arrears of revenue had rates balance of Kshs 1,479,708,989,415 however, during the FY2022/2023 the County migrated data from LAIFOMS system to Nairobi Pay system whereby only part of data was migrated.
- That out of the 180,000 properties worth kshs 1,479,708,989,415 only 120,000 properties were migrated leaving the rest in Laifoms.
- That by the time of Audit, only data containing properties worth kshs 1,367,601,363,158 had been migrated creating a difference of kshs 112,107,626,257.
- That the County wish to state that the difference of Kshs 112,107,626,257 was not revenue collected from arrears but a difference between the two data set.
- That in its effort to cleanse these data the County have embarked on data cleansing exercise where a team of experts in this area was formed and held various forums in addressing the issue.
- That it is also important to note that the County is in the process of capping interest and penalties as per the Rating Act Cap 267, Sec. 16(4) as per the law (duplum rule).

Appendix 1. minutes of data cleansing

Committee Observation(s)

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

- The statement of receipts and disbursement reflects total County own source revenue collection of Kshs. 4,950,327,820 while the statement of arrears of revenue as at 30 June, 2023 indicated that arrears received amounted to Kshs. 112,523,120,331 resulting to a variance of Kshs. 107,572,792,511.
- The accounting officer is in breach of section 104(1)(j)

The Committee Recommends that;

- It is imperative that the County Treasury rectifies the reported understatement of Kshs. 107.57 billion. In accordance with Section 116 of the Public Finance Management (PFM) Act, 2012, which requires accurate and complete financial reporting, the County should restate the revenue figures in the next financial year's financial statements. The public
- To avoid further discrepancies, the Committee recommends the creation of an independent oversight taskforce, drawing from internal ICT, audit, and external data experts. This team will ensure transparency and accountability during the final stages of data migration and validation.

2.1.2 Unsupported Revenue of Own Source Revenue

During the year under review, Nairobi County Government regained all functions from the National Government in the month of October, 2023 as defined in the deed of transfer. According to the deed of transfer of function between the National Government and the Nairobi City County Government, as per the gazette notice No. 1609 of 25 of 25 February, 2020, the National Government was bestowed the responsibility of collecting and remitting all revenue accruing from the transferred functions. The Kenya Revenue Authority (KRA) was appointed as the principal agent for overall revenue collection, which was collected through the Authority's local bank accounts, in line with the deed of transfer of functions.

However, after the regaining revenue functions, the County Government did not have full access to the revenue records captured by the Nairobi Revenue Pay (NRP) and Local Authority Financial Operation Management System (LAIFOMS) between the month of July 2022 to September 2022. The County Government provided receipts records from the month of October 2022 to June 2023

amounting to Kshs. 7,615,636,276 against monthly collection reports of Kshs. 9,331,046,235 resulting to unexplained and unsupported variance of Kshs. 1,715,409,958.

Further, the total monthly collections report amount of Kshs. 9,331,046,235 differs with the total own source revenue reported in the receipts and disbursements for the year ended June 2023 of Kshs. 10,561,592,492 resulting in an unexplained variance of Kshs. 1,230,546,257.

In such circumstances, the accuracy and of completeness of the total County own source revenue amounting to Kshs 10,561,592,492 could not be confirmed.

Management response:

The Management response to the audit query on Unsupported Revenue of Own Source Revenue was as follows: -

- That the county revenue reports are derived from analysis of revenue bank statements and therefore the Kshs 9,331,046,235 was from bank statement as opposed to an extract from the revenue collection system. The analysis for the same is attached and this includes the said period of July 2022 to Sept 2022.
- That kshs 10,561,592,492 included liquor and hospital fee resulting to the said variance.

Appendix 2a. revenue analysis.

Committee Observation(s)

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

- The County Government provided receipts records from the month of October 2022 to June 2023 amounting to Kshs. 7,615,636,276 against monthly collection reports of Kshs. 9,331,046,235 resulting to unexplained and unsupported variance of Kshs. 1,715,409,958. Further, the County did not have full access to Nairobi Revenue Pay (NRP) and Local Authority Financial Operation Management System (LAIFOMS) between the month of July 2022 to September 2022.
- There is unexplained variance of Kshs. 1,230,546,257 is as a result of the difference of monthly collections report amount of Kshs. 9,331,046,235 and own source revenue reported in the receipts and disbursements for the year ended June 2023 of Kshs. 10,561,592,49.

Committee Recommendation(s)

The Committee Recommends that;

- Within three months upon adoption of this report, the management to submit to the Committee a detailed reconciliation report.
- To avoid recurrence of data mismatches, the Committee directs for immediate rollout of an integrated financial management system in compliance with Section 12 of the PFM Act and Article 227 of the Constitution. This system should reconcile revenue collection data with real-time bank records and enhance internal controls.
- The Committee further directs the County Treasury to submit quarterly revenue performance reports, supported by full reconciliations and system logs. This is in line with Section 166 of the PFM Act, and will facilitate continuous monitoring by the Assembly and relevant watchdog entities.

2.1.3 Failure to Provide Ledgers

The statement of receipts and disbursements for the year ended June 2023 shows that the County received revenue from thirteen (13) revenue streams all totaling to Kshs. 10,561,592,492. However, ledgers supporting the reported amount were not provided for audit verification. Consequently, the accuracy and completeness of the total County own source revenue could not be confirmed.

Management response:

The Management response to the audit query on Failure to Provide Ledgers was as follows: -

- That the County has had a gap in uploading revenues in account receivable module of IFMIS ledgers. However, in the current financial year the County has trained a number of staff dedicated to this task and as a result uploading of the same is ongoing.

Committee Observation(s)

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

- The Committee noted that the ledgers were not provided contrary to section 62 of the public audit act which states that *a person shall not without justification, fail to provide information required under this Act.*

Committee Recommendation(s)

The Committee Recommends that;

- The Committee reprimands the accounting officer for contravening section 62 of the Public Audit Act.
- The County Treasury should establish standard operating procedures and internal controls to ensure real time entry of revenue records into the IFMIS system.
- The County Treasury should submit quarterly compliance reports to the County Assembly for review, pursuant to the provisions of Section 166(4)(a) of the PFM Act, which requires quarterly financial reports to be submitted to the County Assembly and the Controller of Budget.

2.1.4 Unsupported Statement of Arrears of Revenue

The statement of arrears of revenue indicates that the County was owed a total of Kshs. 1,370,824,623,200 as at 30th June, 2023. Note 20 to the revenue statement shows that the County was unable to prepare the ageing analysis of revenue arrears due to block data migration from LAIFOMS to Nairobi Pay. As a result of block migration, the arrears could not be matched to individual debtors thus the difficulty to confirm completeness and accuracy of reported amount.

In the circumstances, the accuracy of the statement of arrears of revenue balance of Kshs 1,370,824,623,200 could not be confirmed.

Management response:

The Management response to the audit query on Unsupported Statement of Arrears of Revenue was as follows: -

- That the system is able to match the arrears to individual debtors but cannot establishing the age of the debt. However, it is able to issue individual statement showing the age of individual debt.
- That the County is currently in the process of data cleansing, this with system enhancement will solve the problem of ageing analysis.
- That the statement of arrears for year ended June 2023 had a note indicating that the data could not be relied on since it was prone to punitive penalties and therefore the accuracy of arrears of revenue is subject to amendment.

Committee Observation(s)

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

- The Committee noted that the management was not able to prepare ageing analysis due to block data migration from LAIFOMS to Nairobi Pay.

Committee Recommendation(s)

The Committee Recommends that;

- **The Accounting Officer to submit to the County Assembly a report on the ageing analysis of revenue arrears within three months upon adoption of this report,**
- **To close the accountability loop and confirm compliance, the Committee requests the Office of the Auditor-General to conduct a follow-up review within six (6) months after adoption of this report to determine whether: the arrears have been accurately reconciled, the system enhancements have been implemented, the revised statements reflect actual and collectable revenues.**

2..1.5 Unsupported Bank Balances

The statement of financial assets and liabilities and Note 18 to the financial statements reflects bank balances of Kshs. 105,280,283. The amount was held in five (5) bank accounts whose cash books, bank reconciliation statements, certificate of bank balances, and board of survey reports have not been provided for audit verification.

Further, the bank statements for Cooperative Bank Revenue Collection Bank Account number 01141232396600 and Solid Waste Bank Account number 01141232396606 have not been provided for audit verification.

In the circumstances, the accuracy and completeness of the bank balance of Kshs.105,280,283 could not be confirmed.

Management response:

The Management response to the audit query on Unsupported Bank Balances was as follows: -

- That the closing balance of Kshs.105,280,283 whose sources are is backed by bank statement as attached in appendix.

CO-OPERATIVE BANK	KRA - NAIROBI COUNTY REVENUE COLLECTION	01141709410000	34,104,709.59
EQUITY BANK	KRA - NAIROBI COUNTY REVENUE COLLECTION ACCOUNT	1770279910476	2,906,946.07
CO-OPERATIVE BANK	NAIROBI CITY COUNTY REVENUE ACCOUNT	01141232396600	68,268,370.67
CO-OPERATIVE BANK	SOLID WASTE MANAGEMENT ACCOUNT	01141232396606	257.15
NATIONAL BANK	KRA - NAIROBI COUNTY REVENUE COLLECTION ACCOUNT	01071225251100	0

Appendix 5: (a) Bank certificates.

(b) Bank statement for 01141232396600

(c) Bank statement for 01141232396606

(d) Cash book

Committee Observation(s)

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

- Management failed to provide during audit cash books, bank reconciliation statements, certificate of bank balances, and board of survey reports to support the bank balances of Kshs. 105,280,283. In the circumstances it is not possible to confirm the propriety of the bank balances.
- The accounting officer committed an offence under section 62 of the public audit act which states that a person commits an offence if he /she fails to provide without justification fails to provide information required under this act.
- During the deliberations the management provided Certificates of bank balances, Cashbook extracts for month of June, 2023 for 2 bank accounts. However, the management failed to provide bank reconciliation statements.

Committee Recommendation(s)

The Committee recommends that: -

- **The Committee reprimands the Accounting Officer for contravening Section 62 of the Public Audit Act 2015;**
- **The Committee further directs the Accounting Officer to furnish the Committee with bank reconciliations within three months upon adoption of this report failure to which the accounting officer will be liable to the provisions of the Act.**
- **In order to restore public confidence and verify full compliance, the Committee recommends that a follow-up audit be commissioned by the Office of the Auditor-General within three (3) months after adoption of this report, focusing on bank balances, reconciliations, and the completeness of supporting documentation.**

2.1.6 Inaccurate Statement of Financial Assets and Liabilities

The statement of the receipts and disbursement reflects County own sources collection Kshs. 10,561,592,492 while the statement of the financial assets and liabilities reflects a balance of Kshs. 105,280,283 implying that Kshs. 10,428,753,849 was transferred to the CRF account net off bank charges of Kshs. 27,558,360. However, the County revenue fund statement reflects total own source revenue of Kshs. 9,299,452,841 nets off hospital fees of Kshs. 937,801,901 and liquor fund amount of Kshs. 238,309,894 all totaling to Kshs. 1,176,111,795 resulting to unreconciled variance of Kshs. 46,810,787. In addition, accounting document transferring the opening bank balance of Kshs. 26,919,997 to county revenue fund were not provided for audit.

In the circumstances, the accuracy and completeness of the statement of financial assets and liabilities could not be confirmed.

Management Response

The Management response to the audit query on Inaccurate Statement of Financial Assets and Liabilities was as follows: -

- That the accounting document transferring the opening bank balance of Kshs. 26,919,997 to county revenue fund have been attached as appendix showing the CRF statement that received the fund during year.

Appendix 6: CRF statement for July 2023

Committee Observation(s)

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

- There is unreconciled balance of Kshs. 46,810,787 arising from the difference of amounts transferred to CRF of Kshs. 10,428,753,849 and the amounts reflected in the revenue fund statement of Kshs. 10,475,564,636 thus casting doubt on the propriety of the own source revenue.
- Accounting documents transferring the opening bank balances of Kshs. 26,919,997 to county revenue fund were not provided for audit.
- The accounting officer committed an offence under section 62 of the Public Audit Act which states that a person commits an offence if he /she fails to provide without justification fails to provide information required under this act.

Committee Recommendation(s)

The Committee Recommends that;

- **The County Treasury is hereby directed to undertake a comprehensive reconciliation of the Kshs. 46,810,787 discrepancies noted between the statement of receipts and disbursements and the County Revenue Fund (CRF) statement. In line with Section 163 of the PFM Act, which requires accurate financial reporting, the reconciled report duly certified by the Accounting Officer must be submitted to this Committee within thirty (30) days after adoption of this report;**
- **In accordance with Section 149 of the PFM Act, which outlines the responsibilities of Accounting Officers for proper use and custody of public resources, the Accounting Officer must furnish the County Assembly verifiable documentation confirming the transfer of the opening bank balance of Kshs. 26,919,997 to the CRF within sixty months upon the adoption of this report. This should include bank transfer instructions, authenticated statements, and proof of receipt;**
- **The County Treasury is directed to submit quarterly financial reconciliation reports to the County Assembly for oversight. This will enhance transparency and ensure compliance with Sections 104 and 166 of the PFM Act, which demand timely and transparent disclosure of financial information to the County Assembly and the public.**

2.1.7 Accumulated Uncollected Revenue

Analysis of the properties' data maintained by the Nairobi Pay System that the County had net accumulated arrears and penalties on properties totaling Kshs. 635,797,470,379. However, included in the outstanding land rates debt was Kshs. 23,848,010,781 that was noted to belong to the Nairobi County Government indicating that the County owed itself.

In the circumstances, the accuracy, completeness and recoverability of land rates arrears amounting to kshs 23,848,010,781 could not be confirmed.

Management response

The Management response to the audit query on Accumulated Uncollected Revenue was as follows:

-

- That the outstanding land rates debt of Kshs. 23,848,010,781 that was said to belong to the Nairobi County Government is actually owned by both the County and individuals who were allocated parcels by Nairobi City Council through allotment letters. Some of the properties Owned by the County facilities like schools, hospitals, social halls while the individual properties are county scheme allotted to individual especially in Umoja, Kayole, Dandora, Komarock and Kariobangi.
- That upon issuance of titles, the accounts will be changed to the rightful owner otherwise they remain a property of the county with allotted owners paying ground rent and land rates.
- That already properties in Umoja whose name remained as Nairobi city county were issued with titles and the county is in the process of updating records to indicate the individual owners. This is the process of replacing Nairobi city county name with the individual owner.

Appendix 7: property under name of Nairobi city county that belongs to an individual

Committee Observation(s)

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

- Land rates debt of Kshs. 23,848,010,781 belong to the Nairobi County Government implying that the County owed itself.
- Management provided documents showing property in the name of Nairobi City County but allocated to individuals. In addition, management explained that they are in the process of securing the titles and once that is done the accounts will be changed to the rightful owner.

Committee Recommendation(s)

The Committee Recommends that;

- The County Executive should expedite the process of securing the Title Deeds to all County facilities for ease of updating the accounts to the rightful owner.
- The County Executive to urgently carry out a comprehensive validation of all land records in the Nairobi Pay System. The exercise must distinguish between Properties legally owned by the County Government and properties allocated to individuals through allotment letters (especially in estates like Umoja, Kayole, Dandora, Komarock, and Kariobangi). This should be completed and a report submitted to the Assembly within sixty days after adoption of this report.
- In accordance with Section 9 of the Land Registration Act, 2012, which mandates registration of interests in land to ascertain ownership, the Committee recommends that the County Executive to fast-track the issuance of title deeds to legitimate allottees and that once titles are issued, the County must promptly update its revenue and property records to reflect the correct ownership for billing purposes. This process must be concluded within sixty days after adoption of this report, with quarterly progress reports tabled before this Committee.
- The County Executive is urged to collaborate with the Ministry of Lands and integrate with the National Land Information Management System (NLIMS) to ensure: Synchronization of land ownership data, Real-time updating of records and avoidance of double or erroneous billing. This is consistent with Section 15 of the Urban Areas and Cities Act, 2011, which mandates counties to adopt modern information systems in governance.

2.1.8 Duplicate Payment Reference Numbers

Review of the land rate collection transaction file and single business permit register file from the Nairobi Pay System revealed duplicated payment reference numbers for transaction totaling Kshs. 60,542,683 indicating receipting of unpaid services.

In the circumstances, the accuracy and completeness of the land rate collections amounting to Kshs. 60,542,683 could not be confirmed.

Management response:

The Management response to the audit query on Duplicate Payment Reference Numbers was as follows: -

- That the said duplicates from rate collection transaction file were as a result of System bug that duplicated the payments with an indication of double credits but the individual statement was credited once with the correct amount paid as per attached sampled statements.

Appendix 8 individual statement

Committee Observation(s)

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

- The Committee noted that, Nairobi Pay System has duplicate payment reference numbers for transactions totaling Kshs. 60,542,683 indicating receipting of unpaid services.
- The Committee noted that, extracts of duplicate land rates payments and 5 individual rates statements were provided.

Committee Recommendation(s)

The Committee Recommends that;

- **The matter be marked as resolved.**

2.1.9 Unsupported Single Permit Fees

Review of records revealed that Nairobi County had fully automated end-to-end collection of single business permit (SBP) fees including the issuance of an e-permit. Substantive analysis of the SBP fee records revealed that a total of 3,089 permits valued at Kshs. 274,489,000 were issued as valid e-permits but their transaction records did not have payment reference code (Mobile money/bank code) and the date the payments were made. Further, Review of the records revealed gaps in the application number sequence. The unexplained gaps represented 37,075 SBP application numbers that were unaccounted for, with an estimated value of Kshs. 630,275,000 based on the average fee charged for SBP in Nairobi.

In the circumstances, the accuracy and completeness of the single permit fees amounting to Kshs. 274,489,000 could not be confirmed.

Management Response

The Management response to the audit query on Unsupported Single Permit Fees was as follows: -

- That a sample of a number of items from the 3,089 permits said to have no corresponding payment dates and reference numbers were verified and results indicated payment had been actually done. An appendix showing the bank ref number and dates payment were made is attached.

Appendix 9. Payment verification

Committee Observation(s)

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

- The Committee noted that SBP fee of total of 3,089 permits valued at Kshs. 274,489,000 were issued as valid e-permits but their transaction records did not have payment reference code (Mobile money/bank code) and the date the payments were made thus casting doubt on the accuracy and completeness of the amount. During the deliberations the management only provided a schedule of 10 out of 3,089.
- The Committee noted that, there is unexplained gaps of 37,075 SBP application numbers with an estimated value of Kshs. 630,275,000 based on the average fee charged for SBP in Nairobi that were unaccounted for.

Committee Recommendation(s)

The Committee Recommends that;

- **The Nairobi City County Government to conducts a thorough reconciliation of all 3,089 Single Business Permits (SBPs) which were flagged as lacking corresponding payment details. The reconciliation should not rely on a limited sample but must account for every permit in question. A detailed report, complete with verified payment evidence (reference numbers and dates), shall be submitted to this Committee within sixty (60) days after adoption of this report.**
- **The Auditor-General to conduct an independent system audit of the end-to-end Single Business Permit revenue collection process. This audit should assess whether the system has; Sufficient integrity checks to prevent permit issuance without payment, Adequate**

logging and tracking to flag gaps or deletions in the permit number sequence and Recommendations for system strengthening should be implemented within 60 days after adoption of this report.

- The Internal Audit Unit should conduct quarterly audits of all revenue streams, including SBPs, and submit these reports directly to the County Assembly and Auditor-General. Any anomalies must be flagged early and corrective action taken promptly. This is in compliance with Section 155 of the PFM Act, which empowers internal audit functions to support fiscal discipline.
- The County Government is encouraged to publish monthly summaries of revenue collection particularly for SBPs in a format accessible to the public. This will enhance transparency, build public trust, and encourage civic oversight.

2.1.10 Nairobi Pay Vendor Operating without a Valid Contract

During the year ended in 30 June, 2023, Nairobi County operated a revenue management system called Nairobi Pay. The system automated the entire revenue streams in the County and held all information on critical matters such as land details, customer records, unpaid debts and all matters related to revenue.

We identified weaknesses in how the County managed the engagement with the vendor, which exposed the confidentiality, integrity and availability of the system. In particular, the County did not have a valid contract with the vendor nor did they have any service level agreement (SLA) defining the terms of support of the revenue system. The reason why the County did not have a contract and an SLA was not satisfactorily explained by management. This is contrary to Sec 48(4)(b) of the Public Procurement and Asset Disposal Act, 2015 which provides that the inspection and acceptance committee shall ensure that the goods, works or services meet the technical standards defined in the contracts.

In the circumstances, Management was in breach of law.

Management response

The Management response to the audit query on Nairobi Pay Vendor Operating without a Valid Contract was as follows: -

- That the Nairobi Revenue Services (NRS) system was developed by the National Government through the Joint National and Resource Mapping using Multiple Agency Approach (JNAM)

which was established through the National Government cabinet meeting of 30th may 2018. The purpose of JNAM was to enable the provision of secure up to date geospatial data and information systems for government institutions at a low cost.

- That through a memorandum of agreement signed between Nairobi City County Government, Nairobi Metropolitan Services (NMS) and KRA, Nairobi County adopted NRS (now Nairobi Pay) as its revenue management system.

Committee Observation(s)

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

- The County operated Nairobi Pay System (Revenue collection System automating all revenue streams) without a valid Contract nor service level agreement (SLA) defining the terms of support of the revenue system thus contravening Section 48(4)(b) of the Public Procurement and Asset Disposal Act, 2015 which provides that the inspection and acceptance committee shall ensure that the goods, works or services meet the technical standards defined in the contracts.
- The management claim that they have adopted a new system called Nairobi pay through a memorandum of agreement between Nairobi City County Government, Nairobi Metropolitan Services (NMS) and KRA was not supported by any evidence. The Management did not avail a copy of the memorandum of understanding signed.

Committee Recommendation(s)

The Committee Recommends that;

- **The County Treasury to urgently execute a valid contract and Service Level Agreement (SLA) with the system vendor, ensuring clear responsibilities, support terms, and performance metrics. This action should be completed within 60 days after adoption of this report**
- **The County Treasury to submit to the County Assembly certified copies of the Memorandum of Agreement signed between the County, Nairobi Metropolitan Services and Kenya Revenue Authority within 90 days after adoption of this report. This aligns**

with the principle of transparency under Article 201(a) of the Constitution of Kenya, 2010 which mandates openness in public financial matters.

- The County Treasury to commission an independent audit legal, technical, and operation of the Nairobi Pay system. The audit should assess compliance with procurement law, data protection under the Data Protection Act, 2019, and the Public Finance Management (PFM) regulations. The report should be tabled before the Committee within 60 days after adoption of this report.
- The County Executive ICT and Legal departments must develop and submit to the Assembly a data security and compliance framework for Nairobi Pay, in line with Sections 25 to 30 of the Data Protection Act, 2019.
- The County Executive should establish an ICT Systems Governance Committee, comprising technical officers, legal counsel, and independent auditors, to oversee all future systems-related procurements and integrations, ensuring compliance with all applicable laws.

2.1.11 Ineffective Systems of Collection of Rent Arrears

Review of the data relating to houses maintained by the Nairobi pay and LAIFOM system revealed that the County had uncollected house rent and land rent arrears amounting to Kshs. 1,093,631,651. Therefore, the County Government incurs an opportunity cost arising from forgone investment opportunities from tying their cash as arrears.

In the circumstances, the effectiveness of the system used in the collection of rent arrears could not be confirmed.

Management response:

The Management response to the audit query on Ineffective Systems of Collection of Rent Arrears was as follows: -

- That the County data from laifom system (now closed) for rental houses, market stalls, shops, kiosk and canteen were not migrated to the new system Nairobi pay. Instead, new accounts were opened for clients in Nairobi pay and closing balances from laifoms as at October 2022 extracted to guide in payments. Appendix 11a showing cutoff date balances as October 2022. The County is in the process of migrating and reconciling the data. (Data cleansing) Manual adjustments have been done and collection of balances through enforcement is ongoing.

- That in its effort to collect the Kshs 1,093,631,651 the County issued demand notices to all rent defaulters using door to door tactics to reach as many tenants as per appendix 11b sample demand notice with corresponding payment attached.

Appendix 11a: Oct 2022 rent balances- cutoff date

Appendix 11b: demand notices samples and corresponding payment

Committee Observation(s)

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

- The Committee noted that, the County had uncollected house rent and land rent arrears amounting to Kshs. 1,093,631,651.
- The Committee noted that, the County data from laifom system (now closed) for rental houses, market stalls, shops, kiosk and canteen were not migrated to the new system Nairobi pay and instead new accounts were opened.
- The management claim that the closing balances of the arrears as at October, 2022 were extracted was not supported by any evidence as management only provided a copy of extracts of 48 stalls. In addition, the management only provided a copy of 3 demand notices.

Committee Recommendation(s)

The Committee Recommends that;

- **The Committee recommends that the County Executive to ensure complete and verifiable migration of all rental data from the defunct LAIFOM system into the Nairobi Pay system. This should include all categories of County-owned rental assets houses, market stalls, kiosks, shops, and canteens. This is in line with Article 201(d) of the Constitution, which emphasizes accountability and public finance transparency. A comprehensive reconciliation report should be tabled before the Committee within 60 days from the date of this report.**
- **In accordance with Section 149(1)(a) of the PFM Act, which obligates Accounting Officers to ensure effective financial and risk management controls, the Committee recommends periodic system audits of Nairobi Pay to ensure data integrity and full visibility of revenue streams. The County should also automate reconciliation checks to reduce manual errors.**

- The Committee finds the documentation provided (Appendix 11a and 11b) inadequate. To comply with Regulation 35 of the Public Finance Management (County Governments) Regulations, 2015, the County Executive should maintain and submit a full list of all tenants in arrears, issued demand notices, and actual payments received. This record should be filed with the County Assembly within 60 days after adoption of this report and publish on the County website in the spirit of Article 35 on access to information.
- The Committee recommends that the Department of Finance develop a Monthly Rent Arrears Collection Tracker, with defined Key Performance Indicators (KPIs), timelines, and responsible officers. This aligns with the obligations under Section 166(4) of the PFM Act which requires regular financial reporting to oversight entities.
- The Committee recommends that the County Executive provide quarterly progress reports to the County Assembly detailing the amounts collected, enforcement efforts undertaken, challenges faced, and plans for sustained revenue improvement. This enhances the Assembly's oversight role under Article 185(3) of the Constitution.

2.1.12 Duplicate Single Business Permit Application Numbers

Review of the single business permit transaction file for the Nairobi pay system revealed eight (8) duplicated application numbers. This poses a risk of receipting unpaid services since it will be difficult to substantiate paid-for services from unpaid services from duplicated receipts.

In the circumstances, the effectiveness of the internal controls of single business permit fees collections could not be confirmed.

Management response:

The Management response to the audit query on Duplicate Single Business Permit Application Numbers was as follows: -

- That the duplicate Single Business Permit Application Numbers were as a result of the of application for one business being repeated more than once by the applicants in their accounts and payment done for only one application for each account leaving other applications remaining in the system as unpaid. The management is working closely with the system developers to configure the system such that the pending unpaid applications remain in the system for 30 days then automatically clear from the system.

Committee Observation(s)

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

- The Committee noted that, there are 8 duplicated application numbers for Single Business Permit thus posing risk of receipting for unpaid services.
- The management informed the Committee that, this is due to multiple applications by a single business and that they are in communication with the system vendor to improve the system without providing the correspondences and implementation status.

Committee Recommendation(s)

The Committee Recommends that, within three months upon adoption of this report

- **The Committee directs the County Executive to provide verifiable evidence of the ongoing system improvements meant to address the duplication of Single Business Permit applications. This includes technical documentation from system developers confirming that configurations are in place to automatically purge unpaid duplicate applications after 30 days. These improvements must be submitted to the Committee within 60 days of adoption of this report, in compliance with the principles of transparency under Article 201 of the Constitution.**
- **The County ICT and Revenue departments, in collaboration with the Office of the Auditor-General, should conduct quarterly audits of the Nairobi Pay System. These audits should focus on system reliability, data integrity, and internal controls aligning with Section 160 of the PFM Act, which mandates proper maintenance of financial systems.**
- **The Committee recommends that manual verifications be introduced for all Single Business Permit payments before any approval is granted. This will prevent instances where services are offered without corresponding payments, ensuring compliance with Section 149(1) of the PFM Act, which requires accounting officers to ensure that internal controls are effective.**

2.1.13 Use of End of Life (EOL) Server Versions

Nairobi County was running a revenue system on Microsoft products both for the database and operating system during the year that ended June 2023. Examination of the software asset register revealed instances of Windows servers and database servers that had reached end of life and support

from Microsoft. Absolute software does not receive security updates from the original equipment manufacturer, which exposes Nairobi County network resources to serious cybersecurity threats and vulnerabilities in the form of risk from viruses, malware and targeted malicious attacks.

In the circumstances, the effectiveness of the internal controls on server security could not be confirmed.

Management response:

The Management response to the audit query on Use of End of Life (EOL) Server Versions was as follows: -

- That although the Asset Register captured the two Operating System server versions (2008 and 2012) and one SQL Server version (2012), these versions are no longer in use as the County had already procured SQL Server 2019 and 2019 Data Center Operating system. The previous versions would be marked as obsolete and removed from the register as they are no longer in use.

Committee Observation(s)

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

- The Committee noted that there was no evidence to back up the evidence, e.g., amended assets register, evidence of new procured systems.

Committee Recommendation(s)

The Committee Recommends that;

- **The County Executive must submit verifiable proof of procurement and deployment of updated systems (SQL Server 2019 and Windows Server 2019 Data Center), including; an updated ICT asset register showing decommissioning of outdated software, Procurement records, such as Local Purchase Orders, invoices, and contracts and Installation and configuration reports from the ICT department or service providers. This is in line with Section 149(1) of the Public Finance Management Act, which requires accounting officers to maintain proper records for all public resources.**
- **The County Executive to undertake a structured decommissioning process for unsupported systems. The process should be transparent, documented, and compliant**

with the Public Procurement and Asset Disposal Act, 2015, particularly Section 130 which mandates proper disposal of obsolete public assets.

- Given the exposure to cyber threats, the Committee recommends that Nairobi County Government to conduct an independent ICT security audit; Implements current cybersecurity protocols; Trains ICT personnel and system users on modern threats and best practices. These steps align with the principles of prudent management of public resources as outlined in Article 201 of the Constitution of Kenya.
- All changes to ICT infrastructure should be supported by a robust internal control framework. This includes maintaining logs, approvals, and audit trails for any upgrade, replacement, or removal of IT assets.
- The ICT Department should submit quarterly reports to the Public Accounts Committee outlining; Status updates on ICT assets, Progress on implementation of secure systems and any identified risks and corrective actions taken. This ensures ongoing oversight in accordance with Section 95 of the Public Finance Management Act, which requires regular reporting for accountability and transparency.

POLICY INTERVENTIONS

The Committee further recommends the following policy interventions for consideration;

1. Revenue Data Management Policy

- To develop and implement a comprehensive Revenue Data Governance Policy that outlines protocols for data migration, cleansing, storage, and reconciliation in order to ensure accurate, complete, and consistent revenue records across all systems (e.g., LAIFOMS, Nairobi Pay).

2. Revenue Reporting and Reconciliation Framework

- To enforce a monthly and quarterly reconciliation policy requiring all departments to submit verified bank reconciliations, ledger reports, and audit trails in order to support transparency, accuracy, and timely oversight of revenue collections.

3. Revenue System Procurement and Management Policy

- To establish a clear ICT Systems Acquisition and Management Policy requiring contracts, SLAs, and cybersecurity checks before deployment of any revenue system, to avoid the use of uncontracted or insecure systems (as was the case with Nairobi Pay).

4. Arrears Management and Recovery Policy

- To implement a Revenue Arrears Collection Policy with guidelines on ageing analysis, debtor profiling, recovery timelines, and enforcement mechanisms in order to improve the recoverability of the Kshs. 1.3 trillion in uncollected revenue.

5. Audit and Compliance Policy

- To introduce a Compliance Reporting Policy that mandates all revenue-related departments to submit audit-ready reports and respond to audit queries within a set deadline so as to institutionalize accountability and timely response to audit concerns.

6. Digital Infrastructure Policy

- To enforce a Minimum ICT Security Standard Policy requiring all systems to run on supported and secure software and hardware, with periodic third-party audits and to prevent vulnerabilities from using outdated or unsupported technologies.

7. Public Asset Management Policy

- To develop a Public Property and Land Asset Registry Policy to classify, title, and track ownership and arrears of county-owned and leased properties in order to eliminate confusion around self-billed revenue and ensure clean ownership records.

8. Revenue Collection Transparency Policy

- To adopt a Public Revenue Dashboard Policy requiring monthly publication of collections by stream, targets, and variances for public accountability.

3.0 SUMMARY OF ALL RECOMMENDATIONS

Following the Committee's consideration of the **"Report of the Auditor-General on Receiver of Revenue for County Government of Nairobi for the year ended 30th June,2023"** and having considered responses from the Accounting Officer, the Committee urges the County Assembly to resolve as follows: -

3.1.1 Understatement of Revenue

The Committee Recommends that;

- It is imperative that the County Treasury rectifies the reported understatement of Kshs. 107.57 billion. In accordance with Section 116 of the Public Finance Management (PFM) Act, 2012, which requires accurate and complete financial reporting, the County should restate the revenue figures in the next financial year's financial statements. The public
- To avoid further discrepancies, the Committee recommends the creation of an independent oversight taskforce, drawing from internal ICT, audit, and external data experts. This team will ensure transparency and accountability during the final stages of data migration and validation.

3.1.2 Unsupported Revenue of Own Source Revenue

The Committee Recommends that;

- Within three months upon adoption of this report, the management to submit to the Committee a detailed reconciliation report.
- To avoid recurrence of data mismatches, the Committee directs for immediate rollout of an integrated financial management system in compliance with Section 12 of the PFM Act and Article 227 of the Constitution. This system should reconcile revenue collection data with real-time bank records and enhance internal controls.
- The Committee further directs the County Treasury to submit quarterly revenue performance reports, supported by full reconciliations and system logs. This is in line with Section 166 of the PFM Act, and will facilitate continuous monitoring by the Assembly and relevant watchdog entities.

3.1.3 Failure to Provide Ledgers

The Committee Recommends that;

- The Committee reprimands the accounting officer for contravening section 62 of the Public Audit Act.
- The County Treasury should establish standard operating procedures and internal controls to ensure real time entry of revenue records into the IFMIS system.
- The County Treasury should submit quarterly compliance reports to the County Assembly for review, pursuant to the provisions of Section 166(4)(a) of the PFM Act, which requires quarterly financial reports to be submitted to the County Assembly and the Controller of Budget.

3.1.4 Unsupported Statement of Arrears of Revenue

The Committee Recommends that;

- The Accounting Officer to submit to the County Assembly a report on the ageing analysis of revenue arrears within three months upon adoption of this report,
- To close the accountability loop and confirm compliance, the Committee requests the Office of the Auditor-General to conduct a follow-up review within six (6) months after adoption of this report to determine whether: the arrears have been accurately reconciled, the system enhancements have been implemented, the revised statements reflect actual and collectable revenues.

3.1.5 Unsupported Bank Balances

The Committee Recommends that;

- The Committee reprimands the Accounting Officer for contravening Section 62 of the Public Audit Act 2015;
- The Committee further directs the Accounting Officer to furnish the Committee with bank reconciliations within three months upon adoption of this report failure to which the accounting officer will be liable to the provisions of the Act; and
- In order to restore public confidence and verify full compliance, the Committee recommends that a follow-up audit be commissioned by the Office of the Auditor-General within three (3) months after adoption of this report, focusing on bank balances, reconciliations, and the completeness of supporting documentation.

3.1.6 Inaccurate Statement of Financial Assets and Liabilities

The Committee Recommends that;

- The County Treasury is hereby directed to undertake a comprehensive reconciliation of the Kshs. 46,810,787 discrepancies noted between the statement of receipts and disbursements and the County Revenue Fund (CRF) statement. In line with Section 163 of the PFM Act, which requires accurate financial reporting, the reconciled report duly certified by the Accounting Officer must be submitted to this Committee within thirty (30) days after adoption of this report;
- In accordance with Section 149 of the PFM Act, which outlines the responsibilities of Accounting Officers for proper use and custody of public resources, the Accounting Officer must furnish the County Assembly verifiable documentation confirming the transfer of the opening bank balance of Kshs. 26,919,997 to the CRF within sixty months upon the adoption of this report. This should include bank transfer instructions, authenticated statements, and proof of receipt;
- The County Treasury is directed to submit quarterly financial reconciliation reports to the County Assembly for oversight. This will enhance transparency and ensure compliance with Sections 104 and 166 of the PFM Act, which demand timely and transparent disclosure of financial information to the County Assembly and the public.

3.1.7 Accumulated Uncollected Revenue

The Committee Recommends that;

- The County Executive should expedite the process of securing the Title Deeds to all County facilities for ease of updating the accounts to the rightful owner.
- The County Executive to urgently carry out a comprehensive validation of all land records in the Nairobi Pay System. The exercise must distinguish between Properties legally owned by the County Government and properties allocated to individuals through allotment letters (especially in estates like Umoja, Kayole, Dandora, Komarock, and Kariobangi). This should be completed and a report submitted to the Assembly within sixty days after adoption of this report.
- In accordance with Section 9 of the Land Registration Act, 2012, which mandates registration of interests in land to ascertain ownership, the Committee recommends that the County Executive to fast-track the issuance of title deeds to legitimate allottees and that once titles are

issued, the County must promptly update its revenue and property records to reflect the correct ownership for billing purposes. This process must be concluded within sixty days after adoption of this report, with quarterly progress reports tabled before this Committee.

- The County Executive is urged to collaborate with the Ministry of Lands and integrate with the National Land Information Management System (NLIMS) to ensure: Synchronization of land ownership data, Real-time updating of records and avoidance of double or erroneous billing. This is consistent with Section 15 of the Urban Areas and Cities Act, 2011, which mandates counties to adopt modern information systems in governance.

3.1.8 Duplicate Payment Reference Numbers

The Committee Recommends that;

- The matter be marked as resolved.

3.1.9 Unsupported Single Permit Fees

The Committee Recommends that;

- The Nairobi City County Government to conduct a thorough reconciliation of all 3,089 Single Business Permits (SBPs) which were flagged as lacking corresponding payment details. The reconciliation should not rely on a limited sample but must account for every permit in question. A detailed report, complete with verified payment evidence (reference numbers and dates), shall be submitted to this Committee within sixty (60) days after adoption of this report.
- The Auditor-General to conduct an independent system audit of the end-to-end Single Business Permit revenue collection process. This audit should assess whether the system has; Sufficient integrity checks to prevent permit issuance without payment, Adequate logging and tracking to flag gaps or deletions in the permit number sequence and Recommendations for system strengthening should be implemented within 60 days after adoption of this report.
- The Internal Audit Unit should conduct quarterly audits of all revenue streams, including SBPs, and submit these reports directly to the County Assembly and Auditor-General. Any anomalies must be flagged early and corrective action taken promptly. This is in compliance with Section 155 of the PFM Act, which empowers internal audit functions to support fiscal discipline.
- The County Government is encouraged to publish monthly summaries of revenue collection particularly for SBPs in a format accessible to the public. This will enhance transparency, build public trust, and encourage civic oversight.

3.1.10 Nairobi Pay Vendor Operating without a Valid Contract

The Committee Recommends that;

- The County Treasury to urgently execute a valid contract and Service Level Agreement (SLA) with the system vendor, ensuring clear responsibilities, support terms, and performance metrics. This action should be completed within 60 days after adoption of this report
- The County Treasury to submit to the County Assembly certified copies of the Memorandum of Agreement signed between the County, Nairobi Metropolitan Services and Kenya Revenue Authority within 90 days after adoption of this report. This aligns with the principle of transparency under Article 201(a) of the Constitution of Kenya, 2010 which mandates openness in public financial matters.
- The County Treasury to commission an independent audit legal, technical, and operation of the Nairobi Pay system. The audit should assess compliance with procurement law, data protection under the Data Protection Act, 2019, and the Public Finance Management (PFM) regulations. The report should be tabled before the Committee within 60 days after adoption of this report.
- The County Executive ICT and Legal departments must develop and submit to the Assembly a data security and compliance framework for Nairobi Pay, in line with Sections 25 to 30 of the Data Protection Act, 2019.
- The County Executive should establish an ICT Systems Governance Committee, comprising technical officers, legal counsel, and independent auditors, to oversee all future systems-related procurements and integrations, ensuring compliance with all applicable laws.

3.1.11 Ineffective Systems of Collection of Rent Arrears

The Committee Recommends that;

- The Committee recommends that the County Executive to ensure complete and verifiable migration of all rental data from the defunct LAIFOM system into the Nairobi Pay system. This should include all categories of County-owned rental assets houses, market stalls, kiosks, shops, and canteens. This is in line with Article 201(d) of the Constitution, which emphasizes accountability and public finance transparency. A comprehensive reconciliation report should be tabled before the Committee within 60 days from the date of this report.
- In accordance with Section 149(1)(a) of the PFM Act, which obligates Accounting Officers to ensure effective financial and risk management controls, the Committee recommends periodic

system audits of Nairobi Pay to ensure data integrity and full visibility of revenue streams. The County should also automate reconciliation checks to reduce manual errors.

- The Committee finds the documentation provided (Appendix 11a and 11b) inadequate. To comply with Regulation 35 of the Public Finance Management (County Governments) Regulations, 2015, the County Executive should maintain and submit a full list of all tenants in arrears, issued demand notices, and actual payments received. This record should be filed with the County Assembly within 60 days after adoption of this report and publish on the County website in the spirit of Article 35 on access to information.
- The Committee recommends that the Department of Finance develop a Monthly Rent Arrears Collection Tracker, with defined Key Performance Indicators (KPIs), timelines, and responsible officers. This aligns with the obligations under Section 166(4) of the PFM Act which requires regular financial reporting to oversight entities.
- The Committee recommends that the County Executive provide quarterly progress reports to the County Assembly detailing the amounts collected, enforcement efforts undertaken, challenges faced, and plans for sustained revenue improvement. This enhances the Assembly's oversight role under Article 185(3) of the Constitution.

3.1.12 Duplicate Single Business Permit Application Numbers

The Committee Recommends that;

- The Committee directs the County Executive to provide verifiable evidence of the ongoing system improvements meant to address the duplication of Single Business Permit applications. This includes technical documentation from system developers confirming that configurations are in place to automatically purge unpaid duplicate applications after 30 days. These improvements must be submitted to the Committee within 60 days of adoption of this report, in compliance with the principles of transparency under Article 201 of the Constitution.
- The County ICT and Revenue departments, in collaboration with the Office of the Auditor-General, should conduct quarterly audits of the Nairobi Pay System. These audits should focus on system reliability, data integrity, and internal controls aligning with Section 160 of the PFM Act, which mandates proper maintenance of financial systems.
- The Committee recommends that manual verifications be introduced for all Single Business Permit payments before any approval is granted. This will prevent instances where services

are offered without corresponding payments, ensuring compliance with Section 149(1) of the PFM Act, which requires accounting officers to ensure that internal controls are effective.

3.1.13 Use of End of Life (EOL) Server Versions

The Committee Recommends that;

- The County Executive must submit verifiable proof of procurement and deployment of updated systems (SQL Server 2019 and Windows Server 2019 Data Center), including; an updated ICT asset register showing decommissioning of outdated software, Procurement records, such as Local Purchase Orders, invoices, and contracts and Installation and configuration reports from the ICT department or service providers. This is in line with Section 149(1) of the Public Finance Management Act, which requires accounting officers to maintain proper records for all public resources.
- The County Executive to undertake a structured decommissioning process for unsupported systems. The process should be transparent, documented, and compliant with the Public Procurement and Asset Disposal Act, 2015, particularly Section 130 which mandates proper disposal of obsolete public assets.
- Given the exposure to cyber threats, the Committee recommends that Nairobi County Government to conduct an independent ICT security audit; Implements current cybersecurity protocols; Trains ICT personnel and system users on modern threats and best practices. These steps align with the principles of prudent management of public resources as outlined in Article 201 of the Constitution of Kenya.
- All changes to ICT infrastructure should be supported by a robust internal control framework. This includes maintaining logs, approvals, and audit trails for any upgrade, replacement, or removal of IT assets.
- The ICT Department should submit quarterly reports to the Public Accounts Committee outlining; Status updates on ICT assets, Progress on implementation of secure systems and any identified risks and corrective actions taken. This ensures ongoing oversight in accordance with Section 95 of the Public Finance Management Act, which requires regular reporting for accountability and transparency.

4.0 ANNEXURES

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

MINUTES OF THE 54TH SITTING OF THE NAIROBI CITY COUNTY ASSEMBLY SELECT COMMITTEE ON COUNTY PUBLIC ACCOUNTS HELD ON FRIDAY, 3RD OCTOBER, 2025 AT 9:00 A.M. AT SERENA HOTEL, MOMBASA COUNTY.

MEMBERS PRESENT:

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

MEMBERS ABSENT:

1. Hon. Hussein Fuad Mohammed, MCA
2. Hon. John Rex Omolleh, MCA

IN-ATTENDANCE – OAG

1. Mr. Jeff Otieno

SECRETARIAT

1. Mr. Kevin Wasike – Senior Clerk Assistant
2. Mr. Benedict Ouma – Clerk Assistant
3. Mr. Anthony Nyandiere – Hansard Officer

MIN.226/NCCA/PAC/OCTOBER/2025 – PRELIMINARIES

The Chairman called the meeting to order at twenty-three minutes past nine 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. Emmy Khatemeshi, MCA and seconded by Hon. Paul Wachira, MCA as follows: -

1. Preliminaries (prayers and adoption of the agenda),

2. Consideration and adoption of the draft Report on the consideration of the Report of the Auditor-General on the County Receiver of Revenue for the year ended 30th June, 2023;
3. Consideration and adoption of the draft Report on the consideration of the Report of the Auditor-General on the County Revenue Fund for the year ended 30th June, 2023;
4. Consideration and adoption of the draft Report on the consideration of the Report of the Auditor-General on the Liquor Board for the year ended 30th June, 2023;
5. Any Other Business, and
6. Adjournment.

MIN.227/NCCA/PAC/OCTOBER/2025 – CONSIDERATION AND ADOPTION OF THE DRAFT REPORT ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON THE COUNTY RECEIVER OF REVENUE FOR THE YEAR ENDED 30TH JUNE, 2023

The Secretariat tabled and took the Committee through the draft report on the consideration of the Report of the Auditor-General on the County Receiver of Revenue for the year ended 30th June, 2023. The Committee deliberated on the report and adopted the same for tabling in the Assembly as proposed by Hon. Fatuma Abduwahid Abey, MCA and seconded by Hon. Fredrick Njogu, MCA.

MIN.228/NCCA/PAC/OCTOBER/2025 – CONSIDERATION AND ADOPTION OF THE DRAFT REPORT ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON THE COUNTY REVENUE FUND FOR THE YEAR ENDED 30TH JUNE, 2023

The Secretariat tabled and took the Committee through the draft report on the consideration of the Report of the Auditor-General on the County Revenue Fund for the year ended 30th June, 2023. The Committee deliberated on the report and adopted the same for tabling in the Assembly as proposed by Hon. Emmy Khatemeshi Isalambo, MCA and seconded by Hon. Benter Juma, MCA.

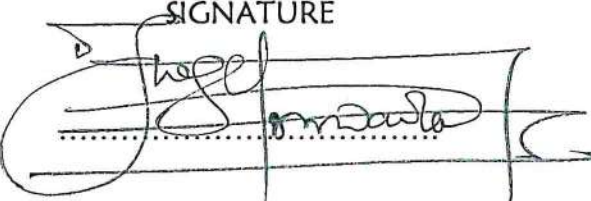
MIN.229/NCCA/PAC/OCTOBER/2025 – CONSIDERATION AND ADOPTION OF THE DRAFT REPORT ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON THE LIQUOR BOARD FOR THE YEAR ENDED 30TH JUNE, 2023

The Secretariat tabled and took the Committee through the draft report on the consideration of the Report of the Auditor-General on the Liquor Board for the year ended 30th June, 2023. The Committee deliberated on the report and adopted the same for tabling in the Assembly as proposed by Hon. Jane Musangi, MCA and seconded by Hon. Aaron Kangara, MCA.

MIN.230/NCCA/PAC/OCTOBER/2025 – A.O.B & ADJOURNMENT

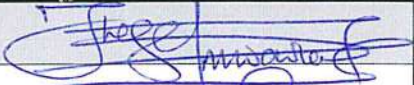
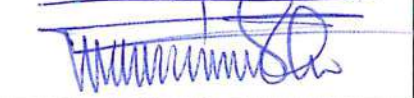



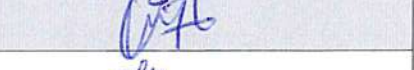







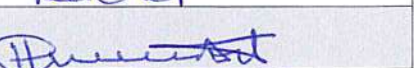

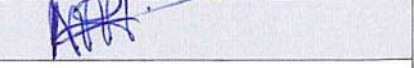
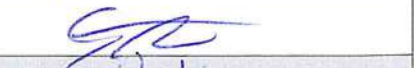
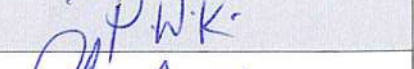

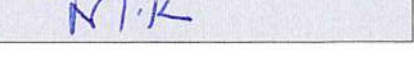
The being no other business and the time being forty minutes past three O'clock, the Chairman adjourned the meeting. The next meeting was scheduled to be by a way of notice.

CONFIRMED AS A TRUE RECORD OF THE PROCEEDINGS

SIGNATURE
CHAIRPERSON 

DATE
15/10/2025

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

S/N	Honourable Member	Signature
1.	Hon. Chege Mwaura, MCA - Chairperson	
2.	Hon. Abel Osumba Atito, MCA - Vice - Chairperson	
3.	Hon. Benter Juma Obiero, MCA	
4.	Hon. Redson Otieno Onyango, 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 Khatemesi Isalambo, MCA	
12.	Hon. Fuad Hussein Mohamed, MCA	
13.	Hon. Fatuma Abduwahid Abey, MCA	
14.	Hon. Eutychus 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	