

GOVERNMENT OF NAIROBI CITY COUNTY

Paper Laid
By Leader Majority
30/April/2025
#



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY

(FOURTH SESSION)

APPROVED
30 APR 2025
SPEAKER

NCCA/TJ/PL/2023(45)

30TH APRIL 2024

PAPER LAID

SUBJECT: REPORT OF A COMMITTEE

Pursuant to Article 229 (8) of the Constitution of Kenya, 2010 and Standing Order 196, I beg to lay the following Papers on the Table of this Assembly, today Wednesday 30th April 2024:

- **THE REPORT OF SELECT COMMITTEE ON PUBLIC ACCOUNTS ON CONSIDERATION OF THE REPORT OF AUDITOR GENERAL ON NAIROBI CITY COUNTY ASSEMBLY SERVICE BOARD CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30TH JUNE 2020.**

(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)

30th April 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 NAIROBI CITY COUNTY ASSEMBLY SERVICE BOARD CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30TH JUNE 2020 laid on the Table of the Assembly on 30th April 2025.

(Chairperson, Select Committee on Public Accounts)

NAIROBI CITY COUNTY GOVERNMENT



Paper laid
By Majority Leader
30/April/2025

NAIROBI CITY COUNTY ASSEMBLY

THIRD ASSEMBLY – FOURTH SESSION

THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS

ON

THE CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON THE
FINANCIAL STATEMENTS OF NAIROBI CITY COUNTY ASSEMBLY SERVICE
BOARD CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED
30TH JUNE 2020

Clerks Chambers
Nairobi City County Assembly
City Hall Buildings
NAIROBI

APRIL, 2025

TABLE OF CONTENTS

1.0. PREFACE	2
1.1. Mandate of the Public Accounts Committee.....	2
1.2. Guiding principles.....	2
1.3. Obligations of the Accounting Officer	3
1.4. Committee Membership.....	4
1.5. Background.....	5
1.6. Establishment of the Fund.....	5
1.7. Auditor-General's Responsibility.....	6
1.8. Highlights from the Report of the Auditor General.....	6
1.9. Appreciation	7
2.0. COMMITTEE CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NAIROBI CITY COUNTY ASSEMBLY SERVICE BOARD CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30TH JUNE 2020.	9
2.0.1 Inaccuracies of the Financial Statements	9
2.0.2 Unsupported Loan Balances	10
2.0.3 Unsupported Fund Administration Expenditure.....	11
2.0.4 Non – remittances of loan installments	12
2.0.5 Budgetary Control and Performance	13
2.0.6 Irregular loan refinancing/offsetting.....	14
3.0. CONCLUSION	16
4.0 ANNEXURES.....	17

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 honour to present to this Assembly this report of the Public Accounts Committee on the consideration of the ***“Report of the Auditor General on the Financial Statements of Nairobi City County Assembly Service Board Car Loan and Mortgage Scheme Fund for the year ended 30th June, 2020”***.

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

1.4. Committee Membership

The Committee comprises of the following members:-

1. **Hon. Chege Mwaura, MCA** - Chairperson
2. **Hon. Abel Osumba Atito, MCA** - Vice-Chairperson
3. Hon. Benter Juma Obiero, MCA
4. Hon. John Rex Omolleh, MCA
5. Hon. Stazo Omung'ala Ang'ila, MCA
6. Hon. Richardo Nyantika Billy, MCA
7. Hon. John Ndile Musila, MCA
8. Hon. Cyrus Mugo Mubea, MCA
9. Hon. Redson Otieno Onyango, 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

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 audit involved auditing of the financial statements of Nairobi City County Assembly Service Board Car Loan and Mortgage Scheme Fund by the Auditor General which comprise Statement of financial position as at 30th June 2020, and Statement of income and expenditure, Statement of changes in equity and Statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

1.6. Establishment of the Fund

The Nairobi City County Assembly Car Loan & Mortgage Scheme Fund is established by the Salaries and Remuneration Circular no SRC/TS/WB/3/14 of 14th February 2014 and derives its authority and accountability from Section 167 of the Public Finance Management Act 2012. For proper management of the Fund and as advised by the Salaries and Remuneration Commission, the Nairobi City County Assembly adopted The Public Finance Management (Nairobi City County Car Scheme Fund) Regulations 2014 which has since been repealed into The Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2017 to guide operationalization of the Fund. The Fund is wholly owned by the County Government of Nairobi and is domiciled in Kenya.

Arising from the above provisions and as advised by the Salaries and Remuneration Commission (SRC) on the benefits to be enjoyed by the Members of the County Assemblies, vide circular ref SRC/TC/CGOVT/3/16 dated 27th November, 2013, the Nairobi City County Executive Committee Member for Finance and Economic Planning authorised the establishment of the Car Loan Scheme Fund with the approval of the County Assembly.

The Nairobi City County Assembly Car Loan Scheme Fund is a revolving fund established pursuant to Regulation 3 of the Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2017 as read together with section 116 of the Public Finance Management Act, 2012 and circulars ref SRC/TS/CAF/3/61/49(46) from the Salaries and Remunerations Commission dated 13th December 2017.

The Fund started operations on 1st July 2019 as a single fund administering Car Loan and Mortgage benefits for members and staff of the Nairobi City County Assembly. Prior to this date, the benefits

were administered from two different funds namely Nairobi City County Assembly Car Loan Scheme Fund and Nairobi City County Assembly Mortgage Scheme Fund. These two funds were merged with effect from 1st July 2019. The merged Funds operate under the new Regulations namely; The Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2017. These Regulations were gazetted in July 2018 and came into force in Financial Year 2018/2019.

1.7. Auditor-General's Responsibility

The Auditor General's responsibility was to obtain reasonable assurance about whether the Financial Statements as a whole were free from material misstatement, whether due to fraud or error, and to express an opinion on the Financial Statements in accordance with Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. The matters mentioned in the audit report were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters and/or weaknesses that were not identified.

1.8. Highlights from the Report of the Auditor General

The Auditor General opined that Regulation 101(4) of (County Governments) Regulations, 2015, states that the accounting officer shall prepare the Financial Statements in a form that complies with the relevant Accounting Standards prescribed by the Public Sector Accounting Standards Board not later than three months after the end of the financial year and submit them to the Auditor-General.

In the audit opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of as at 30th June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and complied with Nairobi City County Assembly Car Loan and Mortgage Scheme Fund Regulations, 2017 and the Public Finance Management Act, 2012.

Consequently, the Auditor General did not find any key audit matters to communicate in his report. Key audit matters are those matters that in the professional judgment of the Auditor General are of the most significance in the audit of the Financial Statements. On other matter under budgetary control and performance, the statement of comparison of budget and actual amounts reflected a final expenditure budget and actual on comparable basis of Kshs 12,386,000 and Kshs.3, 136,000 respectively resulted to an under-expenditure of Kshs.9, 250,000 or 75% of the budget. The underperformance affected the Fund's planned activities and may have impacted negatively on service delivery to the members. The management responded by stating that the implementation of the Loans administration expenditure budget was interrupted by the COVID-19 pandemic, that majorly affected the Scheme Fund activities at the beginning of the third-quarter of the FY2019/20. The pandemic restrictions following Government directives on curbing further spread of the virus, hindered the Loans Management Committee activities that involved workshops to review financial reports and other related reports on the day to day running of the fund, conduction of site visits intended to physically verify the existence of the residential homes built from the scheme fund and the Committee's physical meetings to peruse through the loans application files. Nonetheless, Regulation 5(4) informs that the interest accruing to the Fund shall, where such interest constitutes a surplus after meeting the required expenditures, be credited to the capital of the fund. In compliance to the above provision, any surplus recognized under scheme fund is credited to the fund capital

1.9. Appreciation

Hon. Speaker,

The Committee would like to thank the **Fund Administrator** for appearing before it and affirming the opinion of 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.

for  SIGNED

HON. CHEGE MWAURA (CHAIRPERSON)

DATE 29th April 2025

2.0. COMMITTEE CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NAIROBI CITY COUNTY ASSEMBLY SERVICE BOARD CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30TH JUNE 2020.

2.0.1 Inaccuracies of the Financial Statements

The statement of changes in net assets reflects an accumulated surplus of Kshs.15, 015,000 while the recomputed balance is Kshs. 68,551,000 resulting to an unexplained variance of Kshs.53, 536,000.

Cash flows reflects a net decrease in cash and cash equivalents of Kshs.455,000 while the recomputed amount is a net increase of Kshs.7,897,000 resulting to an unexplained difference of Kshs. 8,352,000.

The statement of comparison of budget and actual amounts reflects total performance difference of Kshs. 9,402,000 under total expenditure while the recomputed amount is Kshs. 9,250,000 which gives rise to an unexplained variance of Kshs. 152,000.

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

Management Response

The auditor's observations with regard to the statement of net changes in assets are true. The issue was as a result of an inadvertent arithmetic/computational error that has since been rectified by the subsequent scheme fund financial report of FY2020/21. In the said financial report, the accumulated surplus amounts to Kshs.68,257,000 being the summation of Kshs.53,536,000 and Kshs.15,015,000. Annexure.1 (statement of changes of net assets extract)

The statement of cash flows indicated that the net cash flows from operating activities was Kshs.9,031,000 instead of Kshs.17,383,000 and net decrease of cash flows used in investing activities of Kshs.9,486,000; the difference of the two activities resulted in a net increase of cash and cash equivalents of Kshs.7,897,000. Annexure.2 (Revised statement of Cash flows FY2019/20)

Under the performance difference between the final budget and the actual on comparable basis, the total expenditure was captured as Kshs.9, 402,000 instead of Kshs.9, 250,000. The Kshs.9, 250,000 is the difference between fund administration expenses under the final budget and Kshs.3, 136,000 under the actual. The Kshs. 3,136,000 is the total of Kshs.3, 111,000 and Kshs.25, 000. Annexure.3 (Revised statement of comparison of budget and actual amounts FY2019/20).

Committee Observations

The Committee observed that the management amended cash flows / statement of changes in net assets for a year whose certificate has already been issued by the Auditor General instead adjusting the amounts in current year of audit to incorporate the changes.

The statements of changes in net assets was prepared. However, proof of the funds was not provided.

Committee Recommendations

The Committee therefore recommends that:-

- The Committee recommends that administrative action be taken against the responsible officers for professional negligence and misconduct. The Committee further recommends that the management should strictly adhere to Public Finance Management Act Section 149 2(b) of 2012.

2.0.2 Unsupported Loan Balances

As disclosed in Note 11 to the financial statements, the statement of financial position reflects a balance of Kshs.493, 655,000 as receivables from exchange transactions out of which an amount of Kshs.91, 022,000 is in respect of car loans and Kshs.402, 633,000 is in relation to long term loan repayment due. However, a confirmation from the bank of all the collateral security of the Car and Mortgage loans deposited with the bank was not provided.

In the Circumstances, the validity of the loan balances of Ksh. 493.655,000 as at 30th June 2020 could not be confirmed.

Management Response

Regulation 29 of the Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations, 2017 informs that the original documents relating to a property financed by a loan from the Fund shall be kept in safe custody by the officer administering the Fund, until such time as the loan will be repaid in full. Accordingly, the management secured a safety deposit box No.9NN racked at Cooperative Bank, Back Office Support at Upper Hill. The access to the safety deposit box is internally administered on matters of collection, deposit and requisition of collateral security documents. The auditor's ascertainment and confirmation of availability of these documents, can be carried out by conducting physical visit(s) to the safety deposit box through facilitation by the management.

Committee Observations

The Committee observed that Verification of the deposit box was done.

Committee Recommendations

The Committee therefore recommends that: -

- The Committee noted that the matter has since been addressed. The Committee recommends that the matter be marked as resolved.

2.03 Unsupported Fund Administration Expenditure

The statement of financial performance reflects total expenditure of Kshs. 3,136,000 which includes fund administration expenses of Kshs. 3,110,675. However, supporting documents including payment vouchers and expenditure schedules were not provided.

In the Circumstances, the validity and accuracy of the expenditure of Ksh. 3, 110,675 for the year ending 30th June 2020 could not be confirmed.

Management Response

Regulation 12(2) of the Scheme Fund Regulations informs that the interest charged on a loan from the scheme fund shall be utilized to defray the administrative expenses of the Fund. In this regard, the management has ensued proper record of book-keeping on all material payment documents for both loan disbursements and scheme fund administration expenditures. Copies of the said expenditure documents were availed to the auditors for verification in response to the final report of the Auditor-General on Nairobi City County Assembly Car Loan and Mortgage Scheme Fund for the year ended 30th June 2020. However, the same can be availed again to the auditor for review.

Committee Observations

The Committee observed that the management did not provide documents for Audit review.

Committee Recommendations

The Committee therefore recommends that: -

- The Committee noted that the Management did not provide documents to the Auditor-General for audit review contrary to Section 197 (1) (k) of the Public Finance Management Act of 2012, the Committee therefore recommends that the accounting officer to provide the necessary evidence within three (3) months after the adoption of this report pursuant to the provisions of Section 31 of the Public Audit Act, 2015;
- The Committee further recommends that the accounting officer undertakes administrative actions against the officers who failed to provide the documents to the

auditors in accordance with section 156(1) of the Public Finance Management Act and provides a status report to the Committee within sixty (60) days after the adoption of this report; and

- The Committee recommends to strongly reprimand the accounting officer for failure to adhere to the provisions of the Public Finance Management Act, 2012 on timeline in submissions of evidences to the office of the Auditor-General for review.

2.0.4 Non – remittances of loan installments

The statement of financial performance for the year ended 30th June, 2020 revealed that total Loans disbursed by the fund amounted to Kshs 493,655,000 with interest on loans of Kshs. 11,969,000. An audit examination of loan repayment records confirmed that a total of Kshs.4, 652,555 being loan repayment installments had not been remitted by six beneficiaries. This is contrary to Regulation 14 (1) of the Nairobi City County Assembly Car Loan and Mortgage Scheme Fund Regulations, 2017, which states that "Any loan disbursed under these regulations shall be repaid as a direct deduction from the borrower's monthly salary".

No explanation was given as to why the amount has not been paid or recovered and the Management did not provide evidence of any action taken to recover the unremitted loan repayment.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi City County Assembly Car Loan and Mortgage Fund 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 audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Management Response

The above matter is with regard to six members of the scheme fund loan beneficiaries indicated below;

S/N	P/no	NAME	Installments
1.	20170081106	Beatrice Elachi	1,195,254
2.	20130050010	Asman John	1,195,254
3.		Philomena Nzuki	710,155

4.		Eve Malenya	191,709
5.	20130049928	Joseph Katoloki	432,586
6.		Daisy Kariuki	927,598
7.	Total		4,652,556

In view of the auditor's observation, Hon. Beatrice Elachi, Hon. Eve Malenya and Ms. Philomena Nzuki have since repaid the total amounts loaned to them in full. Consequently, the collateral securities used to secure these facilities have been discharged and submitted back to the respective scheme fund beneficiaries. Mr. Asman John, Ms. Daisy Kariuki and Mr. Joseph Katoloki are the active members of the scheme fund currently serving their loans as per the Scheme Fund Regulations, 2017. This can be verified through the attached individual loan ledger accounts. **Annexure.4** (*Individual ledgers*)

Committee Observations

The Committee noted that the Management did not make a direct deduction from the borrower's monthly salary contrary to Regulation 14 (1) of the Nairobi City County Assembly Car Loan and Mortgage Scheme Fund Regulations, 2017.

The committee further noted that this has now been addressed.

Committee Recommendations

The Committee therefore recommends that:-

- The management should strictly adhere to Nairobi City County Assembly Car Loan and Mortgage Scheme Fund Regulations, 2017

2.05 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final expenditure budget and actual on comparable basis of Kshs. 12,386,000 and Kshs.3,136,000 respectively resulting to an under-expenditure of Kshs 9,250,000 or 75% of the budget.

The underperformance affected the Fund's planned activities and may have impacted negatively on service delivery to the members.

Management Response

The implementation of the Loans administration expenditure budget was interrupted by the COVID-19 pandemic, that majorly affected the Scheme Fund activities at the beginning of the third-quarter of the FY2019/20. The pandemic restrictions following Government directives on curbing further spread of the virus, hindered the Loans Management Committee activities that involved workshops to review

financial reports and other related reports on the day to day running of the fund, conduction of site visits intended to physically verify the existence of the residential homes built from the scheme fund and the Committee's physical meetings to peruse through the loans application files. Nonetheless, Regulation 5(4) informs that the interest accruing to the Fund shall, where such interest constitutes a surplus after meeting the required expenditures, be credited to the capital of the fund.

In compliance to the above provision, any surplus recognized under scheme fund is credited to the fund capital.

Committee Observations

The Committee observed that there was no proper explanation given, since COVID – 19 only affected the last quarter of the financial year. It is not clear how the management only utilized 25% of the Budget for the entire financial year.

Committee Recommendations

The Committee therefore recommends that: -

- The Management to ensure proper utilization budget effectively within the provisions of the Car Loan and Mortgage Scheme Fund Regulations, 2017.

2.0.6 Irregular loan refinancing/offsetting

An examination of the sampled borrowers' files revealed that a sum of Kshs.7, 950,000 was given out to two (2) Members of County Assembly (MCAs) as loans to offset/re- finance bank loans. This is contrary to section 4 of The Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations, 2017 which states that the objective of the fund is to provide loans and mortgages to members for the purchase of vehicles; and the purchase, development, renovation or repair of residential property.

The Management was therefore in breach of the law.

Management Response

The management does not offset any loan that members of the scheme fund might have acquired before enrollment into service. However, the loan application involves formulation of agreements between the scheme fund member and the asset vendor/owner. The sale agreements variedly provide for a maximum period of 90 days' delay for full payment for the asset under consideration from the date of the sale agreement. However, in rare cases of where a member acquires a bank loan facility to prevent

loss of the property due to unprecedented delays or unsettlement by the seller, the Loans Management Committee as established under Regulation 6 of the Scheme Fund Regulation is tasked with making recommendations and subsequent approval of such requests. Accordingly, the disbursement of the Kshs.7, 950,000 in favour of the scheme fund members was done with respect to the Loans Management Committee resolutions as bestowed by Regulation 7 of the Scheme Fund Regulations.

Committee Observations

The Committee observed that the loans were taken for mortgage and car loan purposes from the banks and the issue remained resolved. However, the management was in breach of law.

Committee Recommendations

The Committee therefore recommends that: -

- The management should be in strict adherence with Section 4 of the PFM (Nairobi City County Assembly Car Loan) Regulations 2017.

Corrective Measures

- Separation of Car Loan and Mortgage Scheme Fund i.e for Members and Staff (separate bank accounts) – to ensure availability of funds for Members immediately after the commencement of a term.

3.0. CONCLUSION

The Committee having considered both the “**Report of the Auditor-General on the Financial Statements of Nairobi City County Assembly Service Board Car Loan and Mortgage Scheme Fund For the year ended 30th June 2020**” and written/oral responses to the audit query raised therein, recommends the fund administrator for prudence and urges that the issues raised by the Auditor General be addressed to avoid recurrence of the same.

4.0 ANNEXURES

Annex	Title
Annex 1	Minutes of the Sitzings
Annex 2	Written Responses to all audit queries by the Clerk, Nairobi City County Assembly

MINUTES OF THE SITTING OF THE NAIROBI CITY COUNTY ASSEMBLY SELECT COMMITTEE ON COUNTY PUBLIC ACCOUNTS HELD ON FRIDAY, 8TH NOVEMBER, 2024 AT 2:30 P.M. AT MUTHU HOTEL, NAKURU COUNTY.

MEMBERS PRESENT:

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

MEMBERS ABSENT:

1. Hon. Chege Mwaura, MCA – Chairman
2. Hon. Hussein Fuad Mohammed, MCA

IN-ATTENDANCE – THE AUDITORS

1. Mr. Jeff Otieno

SECRETARIAT

1. Mr. Kevin Wasike – Senior Clerk Assistant
2. Mr. Benedict Ouma – Clerk Assistant
3. Mr. Klinsman Munase – Legal Counsel
4. Mr. Anthony Nyandiere – Hansard Officer

MIN.001/NCCA/PAC/NOVEMBER/2024 – PRELIMINARIES

The Vice-Chairman called the meeting to order at Three O'clock and welcomed Members present. He took the Committee through the agenda which was adopted for consideration as proposed by Hon. Fredrick Njogu, MCA and seconded by Hon. Martin Mbugua, MCA as follows: -

1. Consideration and adoption of the draft Report on the consideration of the Report of the Auditor General on Nairobi City County Assembly Car Loan and Mortgage Scheme Fund for the year ended 30th June 2020,
2. Any Other Business, and
3. Adjournment.

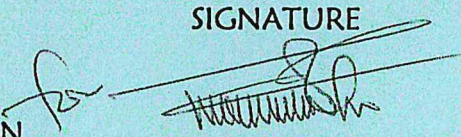
MIN.002/NCCA/PAC/NOVEMBER/2024 – CONSIDERATION AND ADOPTION OF THE DRAFT REPORT ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL ON NAIROBI CITY COUNTY ASSEMBLY CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30TH JUNE 2020

The Secretariat tabled and took the Committee through the draft report on the Consideration and adoption of the draft Report on the consideration of the Report of the Auditor General on Nairobi City County Assembly Car Loan and Mortgage Scheme Fund for the year ended 30th June 2020. The Committee deliberated on the recommendations in the report and adopted the same for tabling in the County Assembly as proposed by Hon. Emmy Khatemeshi Isalambo, MCA, and seconded by Hon. Paul Kariuki, MCA.

MIN.003/NCCA/PAC/NOVEMBER/2024 – ADJOURNMENT

The being no other business and the time being twenty-seven minutes to Four O'clock, the Chairman adjourned the meeting. The next meeting was scheduled to be communicated by a way of notice.

CONFIRMED AS A TRUE RECORD OF THE PROCEEDINGS

CHAIRPERSON 

DATE

