

Paper Laid By  
By Leader Majority  
30/April/2025

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY

(FOURTH SESSION)



NCCA/TJ/PL/2023(46)

30<sup>TH</sup> 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 30<sup>th</sup> 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 30<sup>TH</sup> JUNE 2021.

*(The Chairperson, Select Committee on Public Accounts)*

Copies to:

The Speaker

The Clerk

Hansard Editor

Hansard Reporters

The Press



NCCA/TJ/NTC/2024

GOVERNMENT OF NAIROBI CITY COUNTY

Notice Given  
By Majority leader  
on 30/April/2025  
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THE NAIROBI CITY COUNTY ASSEMBLY

THIRD ASSEMBLY

(FOURTH SESSION)

30<sup>th</sup> April 2025

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NOTICE OF MOTION

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**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 30<sup>TH</sup> JUNE 2021** laid on the Table of the Assembly on 30<sup>th</sup> April 2025.

*(Chairperson, Select Committee on Public Accounts)*





THE NAIROBI CITY COUNTY GOVERNMENT



THE NAIROBI CITY COUNTY ASSEMBLY

THIRD ASSEMBLY – FOURTH SESSION

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THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS

ON

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

30<sup>TH</sup> JUNE 2021

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Clerks Chambers  
Nairobi City County Assembly  
City Hall Buildings  
NAIROBI

APRIL, 2025

Pape Laid.  
By Leader Majority  
30/ April /2025  
[Signature]

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## 1.0. PREFACE

Hon. Speaker,

On behalf of the Public Accounts Committee (PAC) and pursuant to the provision of Standing Order 196(6), it is my pleasant privilege and 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 30<sup>th</sup> June, 2021”***.

### 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 the 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 30<sup>th</sup> June 2021, 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 14<sup>th</sup> 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 27<sup>th</sup> November, 2013, the Nairobi City County Executive Committee Member for Finance and Economic Planning authorized the establishment of the Car Loan Scheme Fund with the approval of the County Assembly.

The Nairobi City County Assembly Car Loan and Mortgage Scheme Fund is a revolving fund established pursuant to the provisions of 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 circular ref SRC/TS/CAF/3/61/49(46) dated 13<sup>th</sup> December, 2017 from the Salaries and Remunerations Commission.

The Fund started operations on 1<sup>st</sup> of 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 1<sup>st</sup> 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 the 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 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 Public Finance Management (County Governments) Regulations, 2015, provides 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 the report, the financial statements present fairly, in all material respects, the financial position of as at 30<sup>th</sup> June, 2021, 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 influenced 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,**

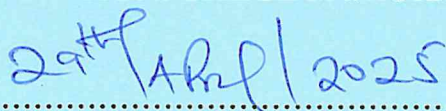
The Committee also wishes to sincerely thank the Offices of the Speaker and the Clerk for the services extended to the Committee while considering this matter. The Committee further wishes to appreciate the Officers from the Office of the Auditor-General and the Committee Secretariat for their exemplary 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  .....



## **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 30<sup>TH</sup> JUNE 2021.**

### **2..1 Inaccurate Transfers from the County Government**

The statement of financial performance reflects transfers from County government balance of Kshs. 248,000,000. However, the County Assembly records reflected a balance of Kshs. 246,000,000 resulting to an unreconciled variance of Kshs. 2,000,000.

In the Circumstances, the accuracy and completeness of the transfers from the County Government balance of Kshs. 2,000,000 could not be confirmed.

#### **Management Response:**

The Kshs.2M transfer from the County Government was part of Kshs.4M car grant paid to the County Assembly Speaker. This was backed up by the Salaries and Remuneration Commission circular on the car loan amount entitled to the Speaker of County Assembly. According to the circular, the Speaker of County Assembly was entitled to benefit from a car loan amounting to Kshs.4M. In view of the Kshs.248M total car grant paid to both Members and the Speaker, the County Assembly provisioned for Kshs.2M as fund transfers to the scheme fund through the FY2022/23 County Assembly budget. The allocation was to cater for the Kshs.2M excess of the Kshs.246M payments made from the scheme fund.

*Annexure.1 (Assembly Budget, SRC Circular)*

#### **Committee's Observation**

The Committee observed that the Kshs.2M was included in the budget for 2022/2023. Evidence on the same was adduced before the Committee for verification.

#### **Committee's Recommendation(s)**

**The Committee therefore recommends that: -**

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

### **2..2 Variance between Financial Statements and Supporting Schedule Balances.**

The Financial statements reflect balances that are at variance with the supporting schedules as detailed below.



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

Particulars	Note	Financial Statement Balance (Kshs.)	Supporting Schedule Balance (Kshs.)	Variance (Kshs.)
Interest Income	4	19,801,000	20,014,000	(213,000)
Fund Administration Expenses	6	16,983,000	17,038,000	(55,000)
General Expenses	7	250,447,000	-	250,447,000
Cash and Cash Equivalents	10	136,546,000	76,203,495	60,342,505
Current Portion of Long Term Receivables from Exchange Transactions	11	89,719,000	-	89,719,000
Long Tern Receivables from Exchange Transactions	11	582,531,000	570,531,000	12,000,000
Trade and Other Payables	17	74,400,000	-	74,400,000

#### **Management Response:**

The above observations by the auditor were misstatement issues corrected through prior year adjustments presented as control ledger disclosures for the FY2020/21. The disclosures covered interest income, general administration expenses, cash and cash equivalents, Current Portion of Long Term Receivables from Exchange Transactions, Long Tern Receivables from Exchange Transactions, Trade and Other Payables, proceeds from loan principal repayments and loan disbursements paid out. The disclosures were submitted to the Auditor-General as annexures on the FY2021/22 financial statements for the scheme fund.

#### **Annexure.2 (Prior Year adjustments ledgers, loan balance schedules)**

#### **Committee's Observation**

The Committee observed the following;

- Schedule at Annexure 2 shows interest per month. Interest schedule per loan per month was not provided. No mention of the difference of Kshs.213,000 was made.
- Schedule provided showed Kshs.16,982,614 which agreed with the Financial Statement. However, the variance of Kshs.55,000 was not explained.
- Supporting schedules for general expenses of Kshs.250.447,000 were not provided.



- The variance in cash & cash equivalents was correctly addressed.
- Current portion & long-term receivables schedules were provided.
- Trade payables schedules were provided.

#### **Committee's Recommendation(s)**

The Committee 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.

#### **2.3 Inaccuracies in the Financial Statements**

The Financial statements for the year ended 30 June, 2021 contained the following inaccuracies:

- The statement of financial performance reflects a surplus of Kshs. 371,000 whereas the statement of comparison of budget and actual amounts reflects a deficit of Kshs. 1,629,000 resulting to an unreconciled variance of Kshs. 2,000,000.
- The statement of financial position reflects cash and cash equivalents balance of Kshs. 136,546,000 whereas Note 10 to the financial statements reflects Kshs. 135,346,000 resulting to an unreconciled variance of Kshs. 1,200,000.
- Note 11 to the financial statements reflects total receivables from exchange transactions balance of Kshs. 746,649,000 that differs with the recasted balance of Kshs. 672,250,000 resulting to an unreconciled variance of Kshs. 74,399,000.
- The statement of cash flow reflects proceeds from revolving fund receipts balance of Kshs.246,000,000 whereas as the revolving fund balance of Kshs.664,566,000 was constant during the year under review, resulting to an unreconciled variance of Kshs. 246,000,000.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

#### **Management Response:**

The above observations forms part of the adjustments done on the FY2020/21 financial statements as prior year adjustments submitted to the Auditor-General via the FY2021/22 financial statements.

Review of the adjusted statement of financial performance inform that the fund generated a surplus of Kshs.746,022 after administrative related expenditures. However, the Kshs.2M was part of the Kshs.4M



paid to the Speaker as car grant, whose allocation was provided for via the FY2022/23 budget as fund transfers to the scheme fund. *Refer to annexure.3 (statement of financial performance extract);*

The FY2020/21 bank reconciliations indicate that the cash and cash equivalents stood at Kshs.76,204,000 this is captured in the adjusted statement of financial position. The total receivables from exchange transactions stood at Kshs.639,408,000 out of which Kshs.118,633,000 form Current portion of long-term receivables from exchange transactions and Kshs.520,775,000 are Long term receivables from exchange transactions. *Annexure.4 (FY2020/21 bank reconciliations extract as at 30<sup>th</sup> June 2021);*

The Kshs.74.4M constituted of the total tax payable by Members courtesy of the car grant benefits paid to the Members. The figure was a misstatement captured as part of the receivables from exchange transactions. This was corrected via the adjustments done in prior year adjustments. *Annexure.5 (statement of financial position extract).*

The Kshs.246M was fund transfers to the scheme fund as car grant payments to members of the County Assembly following the SRC circular; SRC/TS/COG/3/61/48 VOL.II(113) dated 9<sup>th</sup> February 2021 to the chairman, Council of Governors. The monies were paid to respective members by administering through the scheme fund account. The monies received in the scheme fund were meant to pay car grant benefits to Members, was not supposed to form part of scheme fund capital. Attached is a ledger showing the effect on the scheme fund capital.

*Annexure.6 (FY2020/21 Revolving Fund Ledger A/C);*

#### **Committee's Observation**

The Committee made the following observations;

- Issue 1. - Difference of Kshs.2,000,000 was sufficiently explained.
- Issue 2. - The explanation is satisfactory.
- Issue 3. - The explanation is satisfactory.
- Issue 4. - The matter is satisfactorily addressed. However, the entries made in the statement of cash flows though cancelling one another, were misleading. The transfer was not incorrectly reported under general expenses and proceeds from revolving fund.

#### **Committee's Recommendation(s)**

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.



#### **2.0.4 Receivables from Exchange Transactions**

The statement of financial of financial position reflects current and long-term receivables from exchange transactions balances of Kshs. 89,719,000 and Kshs. 582,531,000 respectively. However, the detailed movement schedule showing the opening receivables balances, loans issued and repaid in the year to arrive at the closing balances were not provided for audit. In addition, the balance includes non-performing loans of Kshs. 33,870,086.

Consequently, the accuracy, completeness and recoverability of the reported receivables from exchange transactions balances could not be confirmed.

#### **Management Response:**

The re-computation of the current and long-term receivables from exchange transactions inform that they stand at Kshs.118,633,000 and Kshs.520,216,000 respectively. This information formed part of FY2021/22 financial statements submitted to the Auditor-General as prior year adjustments. The recast is as per the attached, showing Members Car Loan and Mortgage balances and Staff car loan and mortgage balances.

*(Refer to annexure.7)*

#### **Committee's Observation**

The Committee made the following observations;

- Schedules showing current and long-term receivables from exchange transactions amounting to Kshs.89,719,400 and Kshs.582,531,199 was provided and verified.
- However, on Issue on non-performing loan was addressed.

#### **Committee's Recommendation(s)**

**The Committee 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.**

#### **2.0.5 Failure to provide a Trial Balance**

The trial balance used to prepare the financial statements for the year ended 30 June, 2021 was not provided for audit.

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



### **Management Response:**

The trial balance for the FY2020/21 was submitted alongside the responses for review.

*Annexure.7 (trial balance)*

### **Committee's Observation**

the following observations were made by the Committee;

- The Trial Balance provided at Annexure 7 is satisfactory.

### **Committee's Recommendation(s)**

**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.**

### **2.0.6 Unauthorized Over-Expenditure**

The statement of comparison of budget and actual amounts reflects a total income final budget of Kshs. 266,363,000 against actual receipts of Kshs. 265,801,000 on a comparable basis resulting to an income shortfall of Kshs. 562,000 or 0.21% of the budget. The statement also reflects a total expenditure final budget of Kshs. 259,736,000 against actual expenditure of Kshs. 267,430,000 resulting to an unauthorized over expenditure of Kshs. 7,694,000 or 3% of the budget.

In the circumstances, it was not possible to confirm whether the over expenditure of Kshs. 7,694,000 was lawful.

### **Management Response:**

The adjustments of the FY2020/21 financial report reveal that the scheme fund accumulated total expenditures of Kshs.265,268,000 against a total income of Kshs.266,004,000 indicating a surplus for the period of Kshs.735,000. It is observed that the operational expenditures did not surpass the interest income generated for the period under review.

However, the expenditures were slightly higher compared to previous periods. This was occasioned by the administration and payment of the car grant to Members of County Assembly through the scheme fund account in accordance with the SRC guidelines on the matter. The management adjusted the budget for FY2020/21 to incorporate the administration of car grant through the fund account. In the foregoing, the fund operations marked actual total expenditure of Kshs.265,268,000 against a total budget of Kshs.268,004,000 thereby registering a surplus of Kshs.735,000 for the period under review.

*Annexure.9 (Statement of financial performance extract & Statement of budget comparison).*



#### Committee's Observation

The committee observed that there was no explanation that was provided on how Annexure 8 addresses the unauthorized over-expenditure.

#### Committee's Recommendation(s)

**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.**

#### **2.0.7 Unsupported Expenditure**

The statement of financial performance reflects fund administration expense balance of Kshs. 16,983,000 out of which Kshs. 11,419,000 was domestic travel and daily subsistence allowances and sitting allowances in respect of retreats for the Loans Management Committee. However, the imprest surrender vouchers, committee meeting minutes and approved list of committee members in support of the balance were not provided for audit.

In the circumstances, the propriety and accuracy of the fund administration expenses balance of Kshs. 11,419,822 for the year ended 30 June, 2021 could not be confirmed.

#### Management Response:

Review of the scheme fund operational expenditures for the period FY2020/21 indicated totaled to Kshs.17,268,000. The expenditures consisted of Loans Management Committee retreats/workshops costs, safety deposit rental costs and the scheme fund's day-to-day operational costs. The imprests, payment vouchers and other related payment documents were availed to the auditors during the compliance audit exercise for review and verification. Nonetheless, listed record of expenditures has been availed via.10.

Annexure.10. (*Expenditure Records*)

#### Committee's Observation

The Committee observed that the Imprest surrender vouchers, Committee meeting minutes and approved list of Committee members are in support of fund administration payments amounting to Kshs.11,419,822 were submitted for audit review during a meeting with management.

#### Committee's Recommendation(s)

**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.

#### **2.0.8 Irregularities on payment of Car Grant**

The statement of financial performance reflects general expenses balance of Kshs. 250,447,000. Included in the balance is Kshs. 248,000,000 incurred on car grants to the Speaker and one hundred and twenty-two (122) Members of the County Assembly at the rate of Kshs. 4,000,000 and Kshs. 2,000,000 respectively. However, the outstanding balance of Kshs. 51,029,038 against the Members loan accounts as at 30 March, 2021 were not recovered in full thereby negating the objective of the grant.

Further, Pay As You earn Tax chargeable on the grant amount of Kshs. 248,000,000 at the rate of thirty percent (30%) amounting to Kshs. 74,400,000 was not recovered and remitted to Kenya Revenue Authority in accordance with the provisions of Income Tax Act (Cap. 470) thus exposing the Fund to additional taxes and penalties.

In the circumstances, the Fund management was in breach of the law.

#### **Management Response:**

The Salaries & Remuneration Commission through the circular; SRC/TS/COG/3/61/48 VOL.II(113) dated 9<sup>th</sup> February 2021 to the chairman, Council of Governors conferred the car grant benefit to all Members of the County Assembly. The SRC in their review of this benefit, informed that the operationalization of conversion of the car loan for the Speaker and Member of the County Assembly to transport facilitation benefit in form of a Car Grant be undertaken administratively by the respective County Governments. The County Assembly Service Board on 15<sup>th</sup> February 2021 adopted the said circular to administer the car grant benefits internally, taking into consideration members with car loan to continue servicing the car loans in accordance with the existing Scheme Fund Regulations. Accordingly, loans owed to the fund by the 2<sup>nd</sup> Assembly members were fully recovered. Consequently, the Assembly settled the car grant tax payable to Kenya Revenue Authority.

**Annexure.11** (Service Board Resolution, car grant tax payment confirmation letter).

#### **Committee's Observation**

The committee observed that;

- Evidence of how the loans were recovered was not provided.
- However, A copy of KRA e-Return Acknowledgement Receipt showing reflecting Kshs.84,108,137.85 have been confirmed.



#### **Committee's Recommendation(s)**

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.

#### **2.0.9 Undisclosed Prior Year Audit Matters.**

Various prior year audit issues have not been disclosed in these financial statements as at 30 June, 2021 under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standard Board.

In the circumstances, the Fund Management did not comply with the financial reporting guidelines issued by the Public Sector Accounting Standards Board.

#### **Management Response:**

The Prior Year Audit Matters were disclosed and recorded accordingly in the revised scheme fund financial statements of FY2021/22.

#### **Committee's Observation**

The committee noted that the reason for non-disclosure has not been provided.

#### **Committee's Recommendation(s)**

The Committee recommends to strongly reprimand the accounting officer for failure to adhere to the provisions of the law on timeline in submissions of evidences to the office of the Auditor-General for review.

### **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 30<sup>th</sup> June 2021" 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 Sittings
Annex 2	Written Responses to all audit queries by the Clerk, Nairobi City County Assembly





MINUTES OF THE 44<sup>TH</sup> SITTING OF THE NAIROBI CITY COUNTY ASSEMBLY SELECT COMMITTEE ON COUNTY PUBLIC ACCOUNTS HELD ON TUESDAY, 14<sup>TH</sup> JANUARY, 2025 AT 2:30 P.M. AT EPASHIKINO RESORT, NAKURU COUNTY.

MEMBERS PRESENT:

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

MEMBERS ABSENT:

1. Hon. Hussein Fuad Mohammed, MCA
2. Hon. Fatuma Abduwahid Abey, 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
5. Mr. Melvin Wachira – Research Officer

MIN.180/NCCA/PAC/JANUARY/2025 – PRELIMINARIES

The Chairman called the meeting to order at Three O'clock and welcomed Members present. The Chair took them 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 the Financial Statement of the Nairobi City County Assembly Service Board Car Loan and Mortgage Scheme Fund for the year ended 30<sup>th</sup> June, 2021,
2. Consideration and adoption of the draft Report on consideration of the Special Report of the Auditor-General on the County Assembly Pending Bills for the Financial Years 2018/2019 and 2019/2020.
3. Any Other Business, and
4. Adjournment.

MIN.181/NCCA/PAC/JANUARY/2025 – CONSIDERATION AND ADOPTION OF THE DRAFT REPORT ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENT OF THE NAIROBI CITY COUNTY ASSEMBLY SERVICE BOARD CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30TH JUNE, 2021

The Secretariat tabled and took the Committee through the draft report on the consideration of the Report of the Auditor-General on the Financial Statement of the Nairobi City County Assembly Service Board Car Loan and Mortgage Scheme Fund for the year ended 30<sup>th</sup> June, 2021. The Committee deliberated on the recommendation in the report and adopted the same for tabling in the County Assembly as proposed by Hon. Wanjiru Kariuki, MCA, and seconded by Hon. John Rex Omolleh, MCA.

MIN.182/NCCA/PAC/JANUARY/2025 – CONSIDERATION AND ADOPTION OF THE DRAFT REPORT ON CONSIDERATION OF THE SPECIAL REPORT OF THE AUDITOR-GENERAL ON THE COUNTY ASSEMBLY PENDING BILLS FOR THE FINANCIAL YEARS 2018/2019 AND 2019/2020.

The Secretariat tabled and took the Committee through the draft report on the consideration of the Special Report of the Auditor-General on the County Assembly Pending Bills for the Financial Years 2018/2019 and 2019/2020. The Committee reviewed the audit queries vis-à-vis the management responses and made recommendations. The report was adopted for tabling in the County Assembly as proposed by Hon. Emmy Isalambo, MCA and seconded by Hon. Paul Wachira, MCA.

MIN.183/NCCA/PAC/JANUARY/2025 – WAY FORWARD

The Committee concluded the meeting with the following way forwards: -

1. The Committee proposed for a meeting with the Car Loan and Mortgage Committee to deliberate on the challenges bedeviling the operations of the fund and propose best ways to operationalize the fund devoid of audit queries;
2. The Committee resolved to request for schedules of funds released by the Controller of Budget on the programmes and projects of the County Government in the financial year 2023/2024 for consideration during the consideration of the reports of the Auditor-General for the year ended 30<sup>th</sup> June, 2024; and
3. The Secretariat to develop a work plan for consideration of pending Business before the Committee for consideration in the subsequent meeting.