

GOVERNMENT OF NAIROBI CITY COUNTY

Paper laid.
By Leader Majority.
30th/April/2025



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY

(FOURTH SESSION)



NCCA/TJ/PL/2023(44)

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 PENDING BILLS FOR COUNTY ASSEMBLY OF NAIROBI FOR THE FINANCIAL YEARS 2018/2019 – 2019/2020.

(The Chairperson, Select Committee on Public Accounts)

Copies to:

The Speaker

The Clerk

Hansard Editor

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The Press

NCCA/TJ/NTC/2025

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 PENDING BILLS FOR COUNTY ASSEMBLY OF NAIROBI FOR THE FINANCIAL YEARS 2018/2019 – 2019/2020 laid on the Table of the Assembly on 30th April 2025.

(Chairperson, Select Committee on Public Accounts)

Notice given
By Majority
Leader
30/April/2025

Paper Laid
By Leader Majority
30/April/2025

NAIROBI CITY COUNTY GOVERNMENT



NAIROBI CITY COUNTY ASSEMBLY

THIRD ASSEMBLY – FOURTH SESSION

THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS

ON

**THE CONSIDERATION OF THE SPECIAL AUDIT REPORT OF THE AUDITOR
GENERAL ON PENDING BILLS FOR COUNTY ASSEMBLY OF NAIROBI FOR THE
FINANCIAL YEARS 2018/2019-2019/2020.**

Clerks Chambers
Nairobi City County Assembly
City Hall Buildings
NAIROBI

APRIL, 2025

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1.0. PREFACE

Hon. Speaker,

On behalf of the Public Accounts Committee (PAC) and pursuant to the provision of Standing Order 196(6), it is my pleasant privilege and honor to present to this Assembly this report of the Public Accounts Committee on the consideration of the *“Special Audit Report of the Auditor General on Pending Bills for County Assembly of Nairobi for the Financial Years 2018/2019-2019/2020.”*.

1.1. Mandate of the Public Accounts Committee

The Select Committee on Public Accounts 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 Public Finance Management Act, 2012 enacts that: - *“A public Officer is personally liable for any loss sustained by a county government that is attributable to-*

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

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

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

1.3. Obligations of the Accounting Officer

Article 226(2) of the Constitution 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. 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 |

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 National Treasury requested the Auditor-General to undertake an audit of the pending bills for the respective County Assemblies with an objective of establishing and providing independent and reasonable assurance on the amounts owed to the various suppliers, statutory deductions and outstanding personnel dues in all counties for the financial years 2018/2019 and 2019/2020. The special audit was provided with a pending bills schedule amounting to Ksh. 26,059,930 by the County Assembly as at 30th June 2020.

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.

1.7. Evidence taken

The Committee held sittings of which it interrogated the Clerk of the County Assembly 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 Chair.

1.8. Highlights from the Report of the Auditor General

Hon. Speaker,

The special audit noted that there were pending bills amounting to Ksh. 26,059,930 as disclosed by the County Assembly of Nairobi. The disclosed pending bills were classified into three categories in line with the Public Sector Accounting Standards Board (PSASB) prescribed format.

The special audit undertook variance analyses by comparing pending bills balances from various reports and revealed variances as highlighted in the detailed section of this report. Further, supplier circularization exercise yielded additional pending bills amounting to Ksh. 4,962,262 as at 30th June, 2020 in relation to advertising, air ticketing, airtime, training and documentation processing services. In addition, the Management's listing of pending bills included an amount of Ksh. 7,584,142 which was not disclosed in the financial statements.

Based on the aforementioned, the special audit could not confirm the completeness, presentation and disclosure of the total pending bills amounting to Ksh. 26,059,930 for the County Assembly of Nairobi as at 30th June 2020, and subsequent settlement including the unsettled balance as at 20th April, 2021.

The special audit team was provided with schedules of pending bills transactions valued at Ksh. 26, 059,930 while supplier circularization yielded additional pending bills amounting to Ksh. 4,962,262, all totaling to Ksh. 31,022,192. However, supporting documents for transactions amounting to Ksh. 18, 236, 864 were provided for special audit review. The special audit confirmed that transactions amounting to Ksh. 17,404,649 were done with budgetary provisions and procurement plans while balance of Ksh. 12, 785, 328 was not supported with any form of documentation from either the County Assembly of Nairobi or the suppliers.

The Special audit noted that the County Assembly of Nairobi owed various suppliers a total of Ksh. 31, 022.192 as at 30th June 2020. However, it was verified that pending bills totaling Ksh. 14,399,289 were ineligible due to lack of supporting documents.

Pending bills amounting to Ksh. 11, 048, 582 which should have been paid as first charge in financial years 2019/2020 and 2020/2021 were still outstanding as at 30th April, 2021. This was contrary to Regulation 41(2) of the Public Finance Management (County Government) Regulations, 2015.

The special audit noted the following institutional control weakness during the reviews;

- i. That commitments were being disclosed as pending bills contrary to IPSAS 16, Paragraph 80 on presentation of financial statements and disclosures;
- ii. That there were instances of non-payment for approved pending bills, which are supposed to be a first charge to the budget in the County Assembly of Nairobi contrary to regulation 41(2) of Public Finance Management (County Government) Regulations, 2015; and
- iii. The root causes for some of these irregularities in the County Assembly of Nairobi were attributed to;
 - Late disbursement by the National Treasury causing late remittance of statutory deductions and penalties;
 - Poor record keeping, for example, the pending bills at the closure of the financial year 2018 were erroneously omitted in financial year 2019 but reappeared in the financial year 2020;
 - Starting a new project without clearing the old projects;
 - Starting new projects without appropriations and budget provisions;

- Weak budgeting system whereby pending bills are not included in the subsequent years budget; and
- Failure to take responsibility and honor pending bills where the County leadership changes, especially during transitions.

The County Assembly of Nairobi had total pending bills amounting to Ksh. 31,022,192 during the period under review. Verification of the pending bills revealed that a total of Ksh. 16,622, 903 was eligible while the balance of Ksh. 14,399,289 was ineligible. The ineligible pending bills were attributed to lack of supporting documents.

The special audit also noted that the County Assembly had paid eligible pending bills amounting to Ksh. 8,283,292, leaving an outstanding balance of Ksh. 8,339,011 as at 30th April, 2021.

The Special Audit recommends the following;

- The County Governments should ensure prudent liquidity management especially funds that are first charge as per circular 7/2019 from The National Treasury. All pending recurrent and development bills should be paid first during the year, before any new projects are started;
- The County Governments should take stock and obtain a status report for all projects; ongoing, stalled, completed and not in use, and completed projects which have not been handed over to ensure ownership, and these should formally be handed over to the County Governments;
- The County Governments should comply with all legal enforcement thresholds for wage bill and development spending;
- The County Governments should make expenditure commitment against approved procurement plan based on allocations and allotments from approved budget in accordance with Public Procurement and Asset Disposal Act and Regulations;
- The County Governments should provide an aged analysis and classify all the pending bills as per the PSASB prescribed format and further as either recurrent or development in the annexures to the financial statements;
- The County Governments should ensure that all procurement and payments are processed through the Integrated Financial Management Information System (IFMIS);

- Timely exchequer release by the National Treasury as per Public Finance Legislative Frameworks and according to the cash disbursement schedule approved by the Senate to ensure timely spending as per approved budgets; and
- A proposal to ring fence the funds meant to settle the pending bills to avoid and control discretionary payment to suppliers to ensure openness, fairness, transparency and accountability in the payment process, including payment on a first-in –first-out basis.

1.9. Appreciation

Hon. Speaker,


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

Hon. Speaker,

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

Hon. Speaker,

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

for SIGNED 

HON. CHEGE MWAURA (CHAIRPERSON)

DATE 29th April 2025

2.0. CONSIDERATION OF THE PENDING BILLS FOR COUNTY ASSEMBLY OF NAIROBI FOR THE FINANCIAL YEARS 2018/2019 AND 2019/2020.

2.1. Completeness presentation and disclosure of pending bills

2.1.1 Disclosure of pending bills

The special audit noted that there were pending bills amounting to Kshs. 26,059,930 as disclosed by the County Assembly of Nairobi. The disclosed pending bills were classified into three categories in line with the Public Sector Accounting Standard Board (PSASB).

Management Response

The Pending bills as disclosed in the financial statements for financial year 2018/19 was Kshs. 18,475,790 and not Kshs. 26,059,930 as reported by the auditors. They provided a detailed summary of the disclosed pending bills for the base financial year 2018/19 amounting to Kshs. 18,475,790.

S/N	Description	Balance c/f to FY 2019/2020 (Kshs)
1.	Pending Accounts Payable (Annex 1)	18,401,436
2.	Pending Staff Payables (Annex 2)	56,400
3.	Other Pending Payables (Annex 3)	17,954
	Total	18,475,790

This has been evidenced under Annexure 1 i.e. Note 5.10 other Disclosures within our financial reports.

Committee Observations

Under audit review, the table below gives the management response figures and Auditor's figures. The auditor's breakdown of the amounts is also attached.

S/N	Description	Balance c/f to FY 2019/2020 (Kshs)	Auditor Amount	EVIDENCE BEFORE THE COMMITTEE (BY AUDITORS)
1.	Pending Accounts Payable (Annex 1)	18,401,436	25,985,576	See annex 1a, 1b & 3
2.	Pending Staff Payables (Annex 2)	56,400	56,400	Agreed
3.	Other Pending Payables (Annex 3)	17,954	17,954	Agreed
	Total	18,475,790	26,059,930	

The Committee noted that all pending bills were not captured and no reconciliation of pending bills was done.

The Committee also noted that the current status of pending bills was not disclosed.

Committee Recommendations THAT: -

- Pursuant to the provisions of Section 149 of the Public Finance Management Act, 2012 – the Accounting officer to prepare financial statements as prescribed by law; and
- In accordance with Section 148 (4) as read together with Section 149 (1) (2) (b) of the Public Finance Management Act, No. 18 of 2012 it is the responsibility of the Accounting Officer to ensure that all financial and accounting records comply with the PFM Act.

2.1.2 Supplier Circularization Kshs. 4,962,262 and Bills not disclosed in Financial Statements Kshs. 7,584,142

The special audit undertook variance analysis by comparing pending bills balances from various reports and revealed variances as highlighted in the detailed report. Further, supplier circularization yielded additional pending bills amounting to Kshs 4,962,262. Additionally, management listing of pending bills included an amount of Kshs 7,584,142 which was not disclosed in the financial statement.

Management Response

We could not ascertain the details of the combination for each pending bill listed within the supplier circularization that yielded additional pending bills of Kshs. 4,962,262 as per Appendix V111: Potential Nugatory Cost Disputed Payments.

Consequently, we have communicated to the Office of the Auditor General in writing vide letter REF: NCCA/CLERK/OAG/VOL1/03/2022 dated 6th January, 2023 to furnish us with detailed combination of each and every supplier details indicating the invoice numbers, date, amount and their supporting LSO or LPO numbers. This has been evidenced under *Annexure 2*.

This will give an assurance of the combination as part of the pending bills or anticipated pending bills to avoid disclosing commitments as pending bills which will be contrary to IPSAS 16 Paragraph 80 on presentation of the financial statement and disclosure.

Furthermore, the disputed amount of Kshs. 7,584,142 was indeed disclosed in the financial statements for the financial year 2018/19 and this was as part of the Kshs. 18,475,790 reported for financial year 2018/19. Therefore, there was completeness, presentation and disclosure of the pending bills in the financial statements. This has been evidenced under ***Annexures 3***.

The Summary is as follows;

- i. List of pending bills disclosed in our financial statement of Kshs. 18,475,790
- ii. List of pending bill of Kshs. 7,584,142 which is part of the disclosed pending bills of Kshs. 18,475,790
- iii. Copy of financial statements under Note 5, other disclosures.

Committee Observations

– Supplier Circularization Ksh. 4,962,262

The Suppliers availed pending bills amounting to Ksh. 4,962,262 directly to the Office of the Auditor General which the Assembly had not captured (Schedule attached). Some suppliers did not give detailed information as requested by the Nairobi City County Assembly when they availed the bills.

– Bills not disclosed in Financial Statements Kshs. 7,584,142

As observed by the Committee, the audit revealed bills amounting to Ksh. 7,584,142 which had not been captured in the Financial Statements.

Committee Recommendations

- The Committee recommends that the Accounting officer reconciles the books of accounting and report to the Auditor-General within ninety (90) days of adoption of this Report.**

1.2.3 Based on the aforementioned, special audit could not confirm the completeness, presentation and disclosure of the total pending bills amounting to Kshs. 26,059,930 for the County Assembly of Nairobi as at 30th June, 2020, and subsequent settlement including the unsettled balance as at 30th April, 2021.

Management Response

The IPSAS 16 Paragraph 80 on presentation of the financial statements and disclosure, prohibits the disclosure of commitments since they are future expenses to be incurred. Therefore, the disclosure of

Kshs. 18,475,790 as per the financial statements for the financial year 2018/19 conforms and confirms the completeness, presentation and disclosure of pending bills.

Committee Observations

The table below gives the client figures and Auditors figures. The Auditor breakdown of the amounts is also attached.

S/N	Description	Balance c/f to FY 2019/2020 (Kshs)	Auditor Amount
1.	Pending Accounts Payable (Annex 1)	18,401,436	25,985,576
2.	Pending Staff Payables (Annex 2)	56,400	56,400
3.	Other Pending Payables (Annex 3)	17,954	17,954
	Total	18,475,790	26,059,930

a. Supplier Circularization Ksh. 4,962,262

The Suppliers availed pending bills amounting to Ksh. 4,962,262 directly to the Office of the Auditor General which the Assembly had not captured (Schedule attached). Some suppliers did not give detailed information as requested by the Assembly when the availed the bills.

b. Bills not disclosed in FS Ksh. 7,584,142

The Audit revealed bills amounting to Ksh. 7,584,142 which had not been captured in the FS. Schedule has been attached.

Committee Recommendations

- Pursuant to the provisions of Section 149 of the Public Finance Management Act, 2012 – the Accounting officer to prepare financial statements as prescribed by law

2.2. Budgeting and procurement planning

Special audit was provided with schedules of pending of bills transactions valued at Kshs 26,059,930 while supplier circularization yielded additional pending bills of Kshs 4,962,262 all totaling to Kshs 31,022,192. Supporting documents of transactions amounting to Kshs 18,236,864 were provided for the special audit review. The special audit confirmed that, transactions amounting to Kshs 17,404,649 were done within budgetary provision and procurement plans while Kshs 12,785,328 was not supported with any form of documentation from county assembly of Nairobi or suppliers.

Management Response

The expenditure amounting to Kshs. 12,785,326 for supply of good and other payables where the auditors stated that the documents were not provided for review. Consequently, we have provided documentation for Kshs. 1,213,514 and we are in the process of tracing documentation for Kshs. 1,357,422 and the balance of Kshs. 10,214,390 has been communicated to the Office of the Auditor General in writing vide letter REF: NCCA/CLERK/OAG/VOL1/03/2022 dated 6th January, 2023 to furnish us with detailed combination of each and every supplier details indicating the invoice numbers, date, amount and their supporting LSO or LPO numbers to seek clarification on the combination/make-up of the circularized pending bills.

S/N	Description	Amount (Kshs)
1.	Documents available and provided for audit review	1,213,514
2.	Tracing from Assembly Records	1,357,422
3.	Documents requiring further details from Office of the Auditor General	10,214,390
	Total	12,785,326

Nevertheless, within the component of Kshs. 12,785,326 there are some expenditures which are amongst the circularized pending bills of Kshs. 4,962,260 and we can only deal with those expenditures to finality after the letter we wrote to Office of Auditor general is responded to.

Committee Observations

– Amount not in Budget and Procurement Plan Ksh. 832,215

Out of Ksh. 31,022,192 the Assembly provided documents amounting to Ksh. 18,236,864 out of which Ksh. 17,404,649 were done without the budgetary provisions and procurement plan. The balance of Ksh. 832,215 reviewed was neither budgeted for nor was in the procurement plan. **This issue has not been adequately responded to.**

– Unprovided Documentation Ksh. 12,785,328

S/N	Description	Amount (Kshs)	Auditors Remarks
1.	Documents available and provided for audit review	1,213,514	Documents provided and reviewed
2.	Tracing from Assembly Records	1,357,422	Awaiting Documentation
3.	Documents requiring further details from Office of the Auditor General	10,214,390	Analyzed in the table below
	Total	12,785,326	

Documents requiring details from OAG Ksh. 10,214,590 for further audit;

S/N	SUPPLIER NAME	AMOUNT	AUDITOR COMMENT
1.	Bills by Legal Services	6,385,476	Schedule available
2.	African touch Safaris	298,480	Part of the Circularized bills whose detailed analysis was not provided
3.	Safaricom Limited	1,520,232	Part of the Circularized bills whose detailed analysis was not provided
4.	Kenya School of Government	1,606,931	Part of the Circularized bills whose detailed analysis was not provided
5.	MFI	403,471	Part of the Circularized bills whose detailed analysis was not provided
	Total	10,214,590	

Committee Recommendations

The Committee recommends THAT: -

- The County Assembly should ensure that the pending bill of Kshs. 1,213,514 is cleared within sixty (60) days after adoption of this report without further delay as the documentation has been provided and was not disputed by the Auditors;
- The County Assembly should also ensure to there is proper documentation for the sum of Kshs. 1,357,422 within sixty (60) days after adoption of this report before clearing the amount as a pending bill; and
- The amount of Kshs. 6,385,476 declared as legal fees be cleared within sixty (60) days after the adoption of this report while the remaining balances owed to Safaricom Limited, Kenya School of Government, MFI and Africa Touch Safaris be paid subject to presentation of proper documentation.

2.3 Irregularities in the Procurement processes

2.3.1 Ineligible Pending Bills

Special audit noted that the County Assembly of Nairobi owed various suppliers a total of Kshs 31,022,192 as at 30th June 2020. However, it was verified that pending bills totaling to Kshs 14,399,289 were ineligible due to lack of supporting documents.

Management Response

We have provided documentation for review as per the reconciled lists within Appendix I, VI & VIII, nevertheless within the said appendices mostly under appendix VIII on potential Nugatory Costs Disputed Payments we have communicated to the Office of the Auditor General in writing for the combinations of supplier's amounts *except* for Nation Media Group provided under Appendix VI. We also communicated to Nation Media Group in writing vide letter REF: NCCA/CLERK/NCCT/2/VOL1/001/2023 dated 6th January, 2023 to ascertain the aforementioned contracts as listed under Appendix VI. This has been evidenced under *Annexure 5*

Committee Observations

The ineligible pending bills amounted to Ksh. 14,399,289. The Assembly requested information from the Office of the Auditor General for Bills amounting to Ksh. 10,214,590 as detailed in the table below some of which are part of the ineligible pending bills;

S/N	SUPPLIER NAME	AMOUNT	AUDITOR COMMENT
1.	Bills by Legal Services	6,385,476	Schedule available
2.	African touch Safaris	298,480	Part of the Circularized bills whose detailed analysis was not provided
3.	Safaricom Limited	1,520,232	Part of the Circularized bills whose detailed analysis was not provided
4.	Kenya School of Government	1,606,931	Part of the Circularized bills whose detailed analysis was not provided
5.	MFI	403,471	Part of the Circularized bills whose detailed analysis was not provided
	Total	10,214,590	

Out of the balance of Ksh. 4,184,699, the Committee observed that the Nairobi City County Assembly submitted that they have paid Ksh. 4,058,084 and Ksh 1,268,805 for Deloitte Consultancy Limited is at Internet Banking stage awaiting payment.

Committee Recommendations

The Committee recommends that:-

- The County Assembly should ensure that the eligible pending bills are cleared without further delay and a status report submitted to the Auditor-General within sixty (60) days from the adoption of this report; and
- The ineligible bills of Kshs. 4,184,699 should be paid subject to presentation of proper documentation and submission of a status report to the Auditor General within sixty (60) days from the adoption of this report by the County Assembly.

2.4 Pending Bills Not Paid as First Charge

2.4.1 First charge pending bills

Pending bills amounting to Kshs. 11,048,582 which should have been a first charge in Financial year 2019/2020 and 2020/2021 were still outstanding as at 30th April ,2021. This was contrary to Regulation 41 (2) of PFM (County government), 2015

Management Response

With reference to Appendix VII on the Analysis of unpaid pending bills categorized per year for the FY 2018/19 and 2019/20 as follows and their status; -

1) Legal Fees Kshs. 6,385,476 within FY 2018/2019

We have communicated in writing to the Office of the Auditor General to provide the initial breakdown of the legal fees amounting to Kshs. 6,385,476. This figure could not be traced in our records since it appears to be a cumulative amount of various legal fees.

The Committee recommends that the County Assembly should ensure that the pending bills are cleared without further delay and as a first charge. Subsequently the County Assembly is tasked to implement this recommendation within three months or ninety (90) days after the adoption of this report in accordance with Section 53 of the Public Audit Act, No. 34 of 2015 and as per circular 7/2019 from The National Treasury.

2) Nation Media Group Kshs. 1,133,346 within FY 2018/2019

We communicated in writing to Nation Media Group to ascertain and establish if there were any existing contracts of the payments in question. This has been evidenced under *Annexure 7*.

Committee Observations

The Committee saw the communication to Nation Media Group, there was no Response from Nation Media Group Company.

Committee Recommendations

The Committee recommends that the County Assembly should ensure that the pending bills are cleared without further delay subject to delivery of proper documentation from Nation Media Group within three months or (90) after the adoption of this report in accordance with Section 53 of the Public Audit Act, No. 34 of 2015.

3) Muthomi Karanja Final Litigation Fees Services of Kshs. 1,856,000 within FY 2018/2019

This pending bill was not paid and we are waiting for the Legal department to take it for taxation.

Committee Observations

The Committee noted that this bill is still outstanding.

Committee Recommendations

- The Committee recommends that the County Assembly should ensure that the pending bill is cleared in accordance with the award of court after the taxation process.

4) CIC Group within Kshs. 351,600 FY 2018/19

The pending bill is in the process of payment.

Committee Observations

The Committee noted that this bill is still outstanding.

Committee Recommendations

- The Committee recommends that the County Assembly should ensure to submit a report of clearance of this pending bills to the Auditor-General within ninety (90) days after the adoption of this report in accordance with Section 53 of the Public Audit Act, No. 34 of 2015.

5) Naivasha Country Club Kshs. 318,450 Gross and Kshs. 112,655 Net Amount within FY 2019/20

This pending bill was paid.

Committee Observations

There was No evidence of payment provided.

Committee Recommendations

The Committee recommends THAT: -

- The Committee recommends that the County Assembly should ensure to submit the evidence of payment in its report to the Auditor-General within ninety (90) days after the adoption of this report.

The County Assembly of Nairobi had total pending bills amounting to Kshs. 31,022,192 during the period under review. Verification of the pending bills revealed that a total of Kshs. 16,622,903 was eligible while the balance of Kshs. 14,399,289 was ineligible. The ineligible pending bills were attributed to lack of supporting documents.

Management Response

We have reviewed the ineligible pending bills under Appendix VI and we have provided documentation for review as per the reconciled lists within Appendix I, VI & VIII, nevertheless within the said appendices mostly under appendix VIII on potential Nugatory Costs Disputed Payments we have written to Auditor general for the combinations of suppliers within Appendix VIII which is part of Appendix VI *except* for Nation Media Group provided under Appendix VI. We have also written to Nation Media Group to ascertain the said contracts as listed under Appendix VI.

Committee Observations

The status of information requested from the office of the Auditor General is as detailed below;

S/N	SUPPLIER NAME	AMOUNT	AUDITOR'S AND COMMITTEE'S OBSERVATION
1.	Bills by Legal Services	6,385,476	Schedule available
2.	African touch Safaris	298,480	Part of the Circularized bills whose detailed analysis was not provided
3.	Safaricom Limited	1,520,232	Part of the Circularized bills whose detailed analysis was not provided
4.	Kenya School of Government	1,606,931	Part of the Circularized bills whose detailed analysis was not provided
5.	MFI	403,471	Part of the Circularized bills whose detailed analysis was not provided
	Total	10,214,590	

Committee Recommendations

The Committee recommends THAT: -

- The Committee recommends that the Clerk of the County Assembly as the Accounting officer for the Nairobi City County Assembly in accordance with Section 148 (4) of the Public Finance Management Act, 2012 should ensure that the pending bills are cleared subject to production of evidentiary material of work done by the suppliers without further delay and a status report submitted to the Auditor-General within ninety (90) days after the adoption of this report in accordance with Section 53 of the Public Audit Act, No. 34 of 2015.

The special Audit also noted that the County Assembly had paid eligible pending bills amounting to Kshs. 8,283,892, leaving an outstanding balance of Kshs. 8,399,011 as at 30th April, 2021.

Management Response

We have analyzed the outstanding balance of Kshs. 8,399,011 and ascertained that some of the pending bills amounting to Kshs. 2,734,047 have been paid. The status of the balance of Kshs. 5,604,964 has been evidenced under *Annexure 9*.

Committee Observations

Status show that Ksh. 5,604,964 of bills are still outstanding.

Documents Claimed To Have Been Provided

S/N	SUPPLIER NAME	AMOUNT	AUDITOR'S AND COMMITTEE'S OBSERVATION
1.	Kensun	94,000	Document provided is for Ksh. 1,818,824
2.	Cinatine Enterprises Ltd	480,615	Document Not Provided
3.	Baycom Ltd	2,315,159	Document Not Provided
4.	Milele Ltd	696,039	Document Not Provided
	Total	3,585,813	

Committee Recommendations

The Committee recommends that the Clerk of the County Assembly as the Accounting officer for the Nairobi City County Assembly and in accordance with Section 148 (4) of the Public Finance Management Act, 2012, should ensure that the pending bills are cleared subject to

production of evidentiary material of work done by the suppliers without further delay and a status report submitted to the Auditor-General within ninety (90) days after the adoption of this report in accordance with Section 53 of the Public Audit Act, No. 34 of 2015.

3.0. GENERAL RECOMMENDATION

The Committee recommends that the County Assembly to adopt the following recommendations by the Auditor-General:-

- The County Government should ensure prudent liquidity management especially funds that are first charge as per circular 7/2019 from The National Treasury. All pending recurrent and development bills should be paid first during the year, before any new projects are started;
- The County Governments should take stock and obtain a status report for all projects; ongoing, stalled, completed and not in use, and completed projects which have not been handed over to ensure ownership, and these should formally be handed over to the County Governments;
- The County Government should comply with all legal enforcement thresholds for wage bill and development spending;
- The County Government should make expenditure commitment against approved procurement plan based on allocations and allotments from approved budget in accordance with Public Procurement and Asset Disposal Act and Regulations;
- The County Government should provide an aged analysis and classify all the pending bills as per the PSASB prescribed format and further as either recurrent or development in the annexures to the financial statements;
- The County Government should ensure that all procurement and payments are processed through the Integrated Financial Management Information System (IFMIS);
- Timely exchequer release by the National Treasury as per Public Finance Legislative Frameworks and according to the cash disbursement schedule approved by the Senate to ensure timely spending as per approved budgets; and

- A proposal to ring fence the funds meant to settle the pending bills to avoid and control discretionary payment to suppliers to ensure openness, fairness, transparency and accountability in the payment process, including payment on a first-in –first-out basis.

4.0. CONCLUSION

The Committee having considered both the “Special Audit Report of the Auditor General on Pending Bills for County Assembly of Nairobi for the Financial Years 2018/2019-2019/2020.” and written/oral responses to the audit query raised therein, the County Assembly should ensure prudent liquidity management especially funds that are first charge as per circular 7/2019 from The National Treasury. All pending recurrent and development bills should be paid first during the year, before any new projects are started.

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 44TH SITTING OF THE NAIROBI CITY COUNTY ASSEMBLY SELECT COMMITTEE ON COUNTY PUBLIC ACCOUNTS HELD ON TUESDAY, 14TH 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 30th 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 30th 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 30th 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.

MIN.184/NCCA/PAC/JANUARY/2025

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ADJOURNMENT

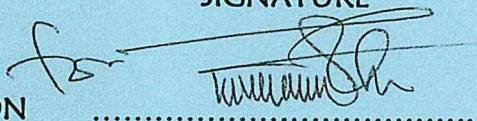
The being no other business and the time being five minutes to Four O'clock, the Chairman adjourned the meeting. The next meeting was scheduled to be communicated by a way of notice.

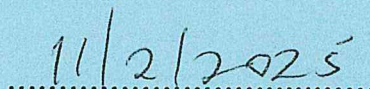
CONFIRMED AS A TRUE RECORD OF THE PROCEEDINGS

SIGNATURE

DATE

CHAIRPERSON


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