

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY

(FOURTH SESSION)

NCCA/TJ/PL/2025(79)

18TH NOVEMBER 2025

PAPER LAID

SUBJECT: REPORT OF A COMMITTEE

Pursuant to Article 229 (8) of the Constitution of Kenya, 2010 and Standing Order 196, I beg to lay the following Paper on the Table of this Assembly, today Tuesday 18th November 2025:

- **THE REPORT OF SELECT COMMITTEE ON PUBLIC ACCOUNTS
ON CONSIDERATION OF THE REPORT OF AUDITOR GENERAL
ON RECEIVER OF REVENUE FOR COUNTY GOVERNMENT OF
NAIROBI FOR THE YEAR ENDED 30TH JUNE 2024**

(The Chairperson, Select Committee on Public Accounts)

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

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY

(FOURTH SESSION)

NCCA/TJ/PL/2025(79)

12TH NOVEMBER 2025

PAPER LAID

SUBJECT: REPORT OF A COMMITTEE

Pursuant to Article 229 (8) of the Constitution of Kenya, 2010 and Standing Order 196, I beg to lay the following Papers on the Table of this Assembly, today Wednesday 12th November 2025:

- **THE REPORT OF SELECT COMMITTEE ON PUBLIC ACCOUNTS ON CONSIDERATION OF THE REPORT OF AUDITOR GENERAL ON RECEIVER OF REVENUE FOR COUNTY GOVERNMENT OF NAIROBI FOR THE YEAR ENDED 30TH JUNE 2024**

(The Chairperson, Select Committee on Public Accounts)

Copies to:
The Speaker
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NCCA/TJ/NTC/2025

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

THIRD ASSEMBLY

(FOURTH SESSION)

18th November 2025

NOTICE OF MOTION

Subject: Adoption of report of a Committee

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

- **THAT**, this Assembly adopts **THE REPORT OF SELECT COMMITTEE ON PUBLIC ACCOUNTS ON CONSIDERATION OF THE REPORT OF AUDITOR GENERAL ON RECEIVER OF REVENUE FOR COUNTY GOVERNMENT OF NAIROBI FOR THE YEAR ENDED 30TH JUNE 2024** laid on the Table of the Assembly on 18th November 2025.

(Chairperson, Select Committee on Public Accounts)

NCCA/TJ/NTC/2025

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

THIRD ASSEMBLY
(FOURTH SESSION)

A handwritten signature in blue ink, appearing to be 'Kamukoko', written over the printed text 'THIRD ASSEMBLY'.

12th November 2025

NOTICE OF MOTION

Subject: Adoption of report of a Committee

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

- **THAT**, this Assembly adopts **THE REPORT OF SELECT COMMITTEE ON PUBLIC ACCOUNTS ON CONSIDERATION OF THE REPORT OF AUDITOR GENERAL ON RECEIVER OF REVENUE FOR COUNTY GOVERNMENT OF NAIROBI FOR THE YEAR ENDED 30TH JUNE 2024** laid on the Table of the Assembly on 12th November 2025.

(Chairperson, Select Committee on Public Accounts)

Nairobi City County Government



Nairobi City County Assembly

Third Assembly – Fourth Session

The Report of the Select Committee on Public Accounts

on

**Consideration of The Report of the Auditor-General on the
Receiver of Revenue for County Government of Nairobi for The
Year Ended 30th June 2024.**

Clerks Chambers
Nairobi City County Assembly
City Hall Buildings
NAIROBI

November, 2025

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ABBREVIATIONS

1. ATS	– Annual Technical Support
2. CECM	– County Executive Committee Member
3. CRF	– County Revenue Fund
4. ERP	– Enterprise Resource Planning
5. ICT	– Information Communication Technology
6. ICTA	– Information Communication and Technology Authority
7. IPSAS	– International Public Sector Accounting Standards
8. ISSAIs	– International Standards of Supreme Audit Institutions
9. KRA	– Kenya Revenue Authority
10. MCA	– Member of the County Assembly
11. MoICDE	– Ministry of Information, Communication and Digital Economy
12. NCCE	– Nairobi City County Executive
13. NCCG	– Nairobi City County Government
14. NCCRA	– Nairobi City County Revenue Authority
15. OAG	– Office of the Auditor General
16. OSR	– Own Source Revenue
17. PAC	– Public Accounts Committee
18. PFM	– Public Finance Management
19. PSV	– Public Service Vehicle
20. ROR	– Receiver of Revenue
21. SaaS	– Software as a Service
22. SBP	– Single Business Permit
23. SLA	– Service Level Agreements
24. TSF	– Telephone Service Factor
25. UBP	– Universal Business Permit

1.0. PREFACE

Hon. Speaker,

On behalf of the Public Accounts Committee (PAC) and pursuant to the provision of Standing Order 196(6), it is my pleasant privilege and honor to present to this Assembly this report of the Public Accounts Committee on the consideration of the *“Report of the Auditor-General on the Financial Statements of Receiver of Revenue for County Government of Nairobi for the year ended 30th June, 2024”*.

1.1. Mandate of the Public Accounts Committee

The Public Accounts Committee derives its mandate from Standing Order 203 (2) of the Nairobi City County Assembly, which provides that: -

“The Public Accounts Committee shall be responsible for the examination of the accounts showing the appropriations of the sum voted by the County Assembly to meet the public expenditure and of such other accounts laid before the County Assembly as the Committee may think fit”.

The primary mandate of the Committee is therefore to oversight the expenditure of public funds by Nairobi City County entities, to ensure value for money and adherence to government financial regulations and procedures. The Committee further aims at ensuring that Nairobi City County public funds are prudently and efficiently utilized. The Committee executes its mandate on the basis of annual and audit reports prepared by the Office of the Auditor General (OAG).

Article 229 (8) of the Constitution provides that within three months after receiving the report of the Auditor General, Parliament or the **County Assembly** shall debate and consider the report and take appropriate action. It is on this basis that this report has been produced by the Committee for consideration and adoption by the County Assembly.

1.2. Guiding principles

In the execution of its mandate, the Committee is guided by core constitutional and statutory principles on public finance management, as well as established customs, traditions, practices and usages. These principles include the following: -

(a) Constitutional Principles on Public Finance

Article 201 enacts fundamental principles aimed at guiding all aspects of public finance in the Republic. It states that the principles are, *inter alia*, *openness and accountability, including public participation in financial matters; public money shall be used in a prudent and responsible way; and*

financial management shall be responsible, and fiscal reporting shall be clear. The Committee places high regard on these principles, among others, and has been guided by them in the entire process that has led to this report.

(b) Direct Personal Liability

Article 226(5) of the Constitution is unequivocal that: - *“If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not”*. Consequently, Section 203(1) of the PFM Act, 2012 enacts that: - *“A public Officer is personally liable for any loss sustained by a county government that is attributable to-*

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

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

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

1.3. Obligations of the Accounting Officer

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

(a) lawful and authorized; and

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

These provisions obligate the Chief Officer for Revenue Administration 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 |
| 3. | Mr. Klinsman Munase | - Legal Counsel |
| 4. | Mr. Anthony Nyandiere | - Hansard Editor |

Allow me **Hon. Speaker** to thank the entire membership of this Committee for its hard work and commitment which made the taking of evidence and production of this Report a success.

1.5. Background

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

1.6. Auditor-General's Responsibility

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

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

The Receiver of Revenue is responsible for the preparation and presentation of the receiver of revenue account, which gives a true and fair view of the state of affairs of the receiver of revenue for and as at the end of the financial year (period) ended on 30th June, 2023. This responsibility includes:

- i. maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. maintaining proper accounting records, which disclose with reasonable accuracy at any time the statement of assets and liabilities of County Government of Nairobi;

- iii. designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. safeguarding the assets of the entity;
- v. selecting and applying appropriate accounting policies; and
- vi. making accounting estimates that are reasonable in the circumstances.

The Receiver of Revenue in charge accepts responsibility for the entity's receiver of revenue accounts, which have been prepared on the Cash Basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Receiver of Revenue is of the opinion that the entity's receiver of revenue account gives a true and fair view of the state of County Government of Nairobi receiver of revenue transactions during the financial year ended June 30, 2023, and of the County Government of Nairobi statement of assets and liabilities as at that date. The Receiver of Revenue further confirms the completeness of the accounting records maintained, which have been relied upon in the preparation of the receiver of revenue account as well as the adequacy of the systems of internal financial control.

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

1.7. Evidence taken

The Committee held sittings of which it interrogated the County Executive Committee Member for Finance and Economic Planning, Chief Officer Revenue Administration, Director Revenue Administration, Deputy Director Revenue Administration and Head of Revenue Reporting on key findings raised by the Auditor General. Similarly, the Committee received written responses to the audit findings.

While taking evidence, the Committee was guided by the existing procedures and modalities of operations of the Nairobi City County Assembly derived from the Constitution of the Republic of

Kenya, Acts of National Parliament, Acts of Nairobi City County Assembly and Nairobi City County Assembly Standing Orders, conventions, usages, practices and rulings and directives of the Chairperson.

1.8. Appreciation

Hon. Speaker,

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

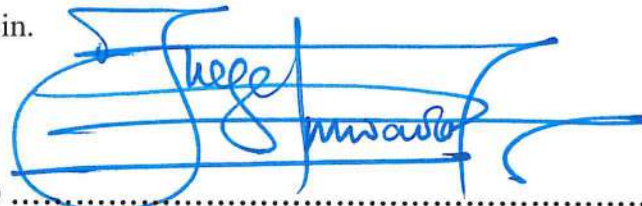
Hon. Speaker,

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

Hon. Speaker,

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

SIGNED



HON. CHEGE MWAURA (CHAIRPERSON)

DATE

10/11/2025

2.0 CONSIDERATION OF THE AUDIT REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF RECEIVER OF REVENUE FOR THE YEAR ENDED 30TH JUNE 2024

2.1.1 Lack of Ageing Analysis Listing of Revenue in Arrears

The statement of arrears of revenue reflects total outstanding revenues in arrears of Kshs. 1,509,346,118,578. However, this was not supported with a listing of all individual debtors as per the ageing analysis.

Management Responses:

The Management response to the audit query on Lack of Ageing Analysis Listing of Revenue in Arrears was as follows: -

- As of 30th June, 2024, the land rates balance as per current revenue collection system, Nairobi Pay, stood at Kshs. 1,509,346,118,578 whose ageing analysis is hereby attached as per appendices. The County keeps on developing and improving the system using ICT technical capacity that solve all system issues. **Appendix 1- List of ageing analysis report.**

Committee Observation(s)

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

- Soft copy of the ageing analysis was provided, however, the accuracy of the ageing could not be confirmed. For, instance, some arrears that were less than one-year-old had penalties that exceeded the principal amount.

Committee Recommendation(s)

The Committee Recommends that;

- **The County Treasury must ensure proper reconciliation and validation of the ageing analysis. Penalties should be capped and aligned to the principal to avoid overstated arrears.**

2.1.2 Variance Between Reported Revenue and Transaction Schedules

Included in the revenue report are eleven (11) revenue streams totaling Kshs. 12,053,763,650 and other income valued at Kshs. 909,380,942. However, the transaction report per revenue stream provided for audit totaled Kshs. 10,714,304,140 which differed with the reported revenue amount of Kshs. 12,963,144,592 resulting in an unreconciled variance of Kshs. 2,248,840,452. Further, review of the bank statements revealed that three (3) Mpesa transactions totaling Kshs. 32,994,754 could not be traced in the revenue bank accounts.

Management response:

The County Executive Management response to the Variance between reported revenue and transaction schedules was as follows;

- The County collected Kshs 12,963,144,592 during the Financial year 2023/2024, This collection included amounts collected in County Hospitals and the Liquor Boards. The said transaction report per revenue stream that was provided for audit of Kshs 10,714,304,140 was an analysis of all revenues excluding liquor Kshs 270,747,747 and hospitals Kshs 1,154,091,268 which are run and audited independently. The County transactions for the OSR amounting to Kshs 12,963,144,592 are as provided for your reference
- The three (3) Mpesa transactions totaling Kshs. 32,994,754 that could not be traced in the revenue bank accounts were a consolidated figure for 3 days' collection and were actually received in the County bank account as indicated in the Table below, extracts of the statements confirming the same are hereby attached in appendix 2(b) and 2(c) for your reference
- Reconciliation of variance of M-pesa transactions –Kshs 32,994,754
- Appendix 2. (a) List of OSR transactions (soft copy)
- Appendix 2. (b) Extract from Mpesa statements on 3No. M-pesa transactions worth Kshs. 32,994,754
- Appendix 2. (c) Extract of Co-op bank statements confirming receipt of M-pesa payments from M-pesa utility account

Committee Observation(s)

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

- That revenue report of eleven revenue streams amounting to 12,963,144,592 differed with Ksh 10,714,304,140 provided for audit bringing a variance of Ksh. 2,248,840,452
- The provided County transactions for Own Source Revenue now totals Kshs. 11,493,614,033 This varied with Ksh. 10,714,304,140 provided during audit.
- Three Mpesa transactions totaling to Ksh 32, 994,754 could not be traced in the revenue bank account. It is not clear how this happened considering Mpesa transactions to the bank account usually occurs instantaneously.

Committee Recommendation(s)

The Committee Recommends that;

- That the County Treasury must reconcile all revenue reports and bank statements before submission for audit.
- That the County Treasury should introduce real-time transaction tracking with automated reconciliation features.

2.1.3 Irregular Bank Charges

Analysis of bank charges accrued in one of the revenue accounts revealed that the bank charges totaled to Kshs. 67,700,753. This amount comprised of a debit entry of Kshs. 4,728,500 in respect of excise duty and another debit entry for uncollected ledger fees of Kshs. 23,642,750. These debit entries were made on 11 April, 2024 and the same repeated on 6th May, 2024.

Further, a cumulative amount of Kshs. 2,733,850 in respect of ledger fees was charged in the month of June, 2024. However, review of the bank's tariff guide indicated that Kshs.500 is charged for all real time gross transfer of funds regardless of the amount. An excise duty of 15% was also made on the charge. Therefore, the charge for each amount swept to County Revenue Fund account was expected to be Kshs.575 per transaction. A monthly ledger fee of Kshs.300 was also charged. Therefore, the charged amount differed with the expected bank charges from this specific account of Kshs. 200,000 resulting in an unexplained variance of Kshs. 67,500,753

Management response:

The County Executive Management response to irregular bank charges was as follows;

- The County has already communicated with the said Bank requesting for a verification of Bank Charges for April and May 2024 via letter ref REV/CC/124/2024 dated 4th November 2024 which is attached for your reference.
- Further the bank has so far responded on the same explaining their tariffs and how they charge the County per attached letter dated 11th November 2024.

Appendix 3. (a) letter ref REV/CC/124/2024 from the County dated 4th November 2024

Appendix 3. (b) a response from Co-op bank dated 11th November 2024.

Committee Observation(s)

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

- Bank charges in one revenue account amounted to Ksh. 67,700,753. This differed with the expected bank charges from the specific account amounting to Ksh 200,000 resulting to unexplained variance of Ksh 67,500,753
- Response from the cooperative bank the on-bank charges was provided.
- However, the bank mentions charges of Kshs.70 per credit entry plus excise duty. It was not clear whether these were the charges or terms agreed to by the accounting officer

Committee Recommendation(s)

The Committee recommends that;

- **The County Executive must seek a refund or explanation for the unexplained Kshs. 67,500,753 charges and institute internal control measures.**
- **That the County Treasury should renegotiate bank charges with all partner banks to ensure transparency.**

2.1.4 Accumulated Uncollected Ground Rent and Land Rates Arrears and Penalties

Analysis of land rates balances of arrears maintained by the Nairobi Pay System revealed that the County had total outstanding arrears and penalties on uncollected land rates of Kshs. 1,504,240,612,353. However, this amount differed with the reported land rates arrears of Kshs. 1,505,829,973,824 in the statement of arrears of revenue resulting in an unreconciled variance of Kshs. 1,589,361,471. No evidence was provided on measures taken by Management to ensure recovery of the receivables. Further, included in the outstanding land rates arrears in the Nairobi Pay System, is Kshs. 682,060,368 in respect of land rates arrears that was noted to belong to the Nairobi City County Government. The County owing itself casts doubt on the reliability of the revenue records maintained by the County which may result in possible loss of public funds.

Management response:

The County Executive Management response to the query of Accumulated Uncollected Ground Rent and Land Rates Arrears and Penalties was as follows;

- The amount provided as Land Rates arrears of Kshs 1,505,829,973,824 represents total balances including arrears accumulated in the current year while Kshs 1,504,240,612,353 was in respect to arrears only and therefore the variance Kshs. 1,589,361,471 is as a result of time difference.

- The County uses Various strategies to recover land rates and ground rent arrears which include but not limited to issuance of Demand Notes, Legal Notices, Filing of Court Cases to recover owed Rates, listing of plots in arrears in print media, adverts putting rental units whose rates are in arrears under Nairobi City County Management until all outstanding rates are paid in full.
- The outstanding land rates debt of Kshs. 682,060,368 that was reported to belong to the Nairobi County Government is actually owned by both the County and individuals who were allocated parcels of land by Nairobi City County through allotment letters. Some of the properties are owned by the County facilities like schools, hospitals, Social halls while the individual properties are county schemes allotted to individuals
- **Appendix 4: Soft Copy of Land Rates Closing Balances 30th June 2024. That this was noted during preparation of ROR for FY2022/2023 as a prior adjustment as per attachment.**

Committee Observation(s)

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

- The Committee noted that the amount in the Nairobi Pay system should represent the actual position of land rate arrears. Appendix 4 indicates total arrears of Kshs. 1,504,240,612,353

Committee Recommendation(s)

The Committee Recommends that: -

- **The County Treasury urgently implement a robust debt recovery strategy, including publishing defaulters, legal actions, and automated reminders.**
- **Removal or adjustment of County-owned parcels from arrears to improve reporting accuracy.**

2..1.5 Bank Balances Variances - Due to CRF

The statement of receipts and disbursements reflects balance due for disbursement as at 30 June, 2024 of Kshs. 1,461,695,056. However, the balance differs with the bank balances of Kshs. 28,750,605 in respect of disbursements - due to CRF reflected in the statement of financial assets and liabilities and Note 14 resulting to an unreconciled and unexplained bank balance variance of Kshs. 1,432,944,451.

Management response:

The County Executive Management response to the query of Bank Balance Variances-due to CRF was as follows;

- The statement of receipts and disbursements reflects balance due for disbursement as at 30 June, 2024 of Kshs. 1,461,695,056 this balance includes figures from hospital fees and Liquor Fees of Kshs 1,154,091,268 and Kshs 270,747,747 whose collections do not go through CRF but managed separately by respective Boards.

Committee Observation(s)

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

- The statement of receipts and disbursements compared to bank balances has unreconciled amount of Kshs. 1,432,944,451

Committee Recommendation(s)

The Committee recommends that;

- **The County Treasury should reconcile and adjust the discrepancies immediately to be reflected as prior year adjustments in the Financial Statements for the year ended 30th June, 2025.**

2.1.6 Gaps in Single Business Permit Application Number

The statement of receipts and disbursements reflects unified business permits amount of Kshs. 2,394,575,767 as disclosed in Note 3 to the financial statements. However, analysis of the single business permit (SBP) fee records from Nairobi Pay System revealed significant gaps in the application number sequence. These gaps, relating to twenty-two thousand-three hundred and sixty-nine (22,369) unaccounted SBP application numbers with a total value of Kshs. 630,275,000 raises concern of potential revenue loss.

Management Response

The County Executive Management response to the query on Gaps in Single Business Permit Application Number was as follows;

- The gaps are as a result of permit applications made but no payment was done and consequently no permits were issued.

- When an Application for UBP is paid, its status moves from an invoice to a record in UBP register and is given a permit number. Therefore, the gaps in the permit numbers is as a result of applications that have not been paid for.
- **Appendix 6: A list of 155,743 No. permit applications indicating those paid for with permit numbers and unpaid showing invoice numbers. (on soft copy).**

Committee Observation(s) Recommendation(s)

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

- The schedules provided addressed all the 22,369 transactions queries.

Committee Observation(s) Recommendation(s)

The Committee recommends that: -

- The County Treasury should strengthen system controls to prevent issuance of permit numbers for unpaid applications.
- That the County Treasury should conduct a forensic review of unpaid applications to prevent revenue leakage.

2.1.7 Failure to Provide Ledgers

As previously reported, the statement of receipts and disbursements for the year ended 30th June, 2024 reflects comparative County total own source revenue from twelve (12) revenue streams all totaling to Kshs. 10,561,592,492 whose ledgers were not provided for audit verification.

Management response

The County Executive Management response to the query of Failure to Provide Ledgers was as follows; -

- In the year under review the county collected 12.9b whose ledgers are hereby attached. Appendix 7. Ledgers indicating revenue transactions. (Soft copy)

Committee Observation(s)

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

- The Ledgers were provided for verification.
-

Committee Recommendation(s)

The Committee recommends that: -

- All departments/sectors must submit ledgers in a timely manner and ensure data integrity.
- The County Treasury should enforce penalties on concerned officers for non-compliance with financial reporting timelines.

2.1.8 Budgetary Control and Performance

The County Government had budgeted to raise Kshs. 19,999,322,415 from locally generated receipts for the financial year ending 30 June, 2024 as disclosed in the statement of comparison of budget versus actual amounts. However, the actual amount collected was Kshs. 12,963,144,592 or 65% of the projected revenue, resulting in to a shortfall of Kshs. 7,036,177,823. Management attributed this shortfall to system-related downtimes, which caused frequent disruptions in the collection system and affected revenue collection efficiency.

The under collection may have affected the service delivery to the public.

Management response:

The County Executive Management response to the query of Budgetary Control and Performance was as follows; -

- No management response provided.

Committee Observation(s)

The Committee noted that the matter was to be marked as unresolved.

Committee Recommendation(s)

The Committee recommends that: -

- The County Treasury to adopt a realistic revenue forecast based on previous performance; and
- The County Treasury to investigate system downtimes with a view of reducing their frequency and enforce accountability on service providers for monies paid into the system during such downtimes.

2.1.9 Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved.

Management Response

The County Executive Management response to the query of Unresolved Prior Year Matters was as follows; -

- Implementation matrix of issues resolved not shared.

Committee Observation(s)

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

- Issue not resolved.

Committee Recommendation(s)

The Committee recommends that: -

- **That County Treasury should prepare and submit to the Assembly an implementation matrix for all unresolved issues within three months after adoption of this report. Failure to which actions be taken on concerned officers.**

2.1.10 Failure to Prepare and Submit Nairobi City County Revenue Authority Financial Statements

During the year under review, the Nairobi City County Revenue Authority Board of Governors were appointed and the approved budgetary allocation for the Authority was Kshs. 550,000,000. However, the Authority did not prepare and submit separate financial statements for audit.

Further, discussions held with Management revealed that, whereas the Board Chairperson was appointed on 18th May, 2023, and an interim Chief Executive Officer appointed in May, 2024, revenue administration staff were yet to be seconded to the Revenue Authority. This constitutes one (1) year after the appointment of the Revenue Authority Board, casting doubt on the operationalization of the Revenue Authority.

Management Response

The County Executive Management response to the query of Failure to Prepare and Submit Nairobi City County Revenue Authority Financial Statements was as follows;

- Although the Nairobi County Revenue Administration Act 2021 was enacted, and the acting Board and Interim C.E.O appointed, the secondment of staff is in the process through the County Public Service Board as per correspondences attached. Therefore, the NCRA has not been fully operationalized and Revenue operations are still under the County Revenue Department.

Committee Observation(s)

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

- The stipulated days lapsed without the Revenue Department winding up.

Committee Recommendation(s)

The Committee recommends that;

- **The County Executive should ensure full operationalization of the Nairobi Revenue Authority by completing staff deployment and budget allocations.**
- **The Nairobi Revenue Authority Chairperson and the interim Chief Executive Officer to submit to the County Assembly a report on what they have accomplished since taking office to justify public funds spent on their monthly remuneration within sixty days after adoption of this report.**

2.1.11 Use of Personal Email Address for Official Government Communication

Analysis of the Nairobi Pay System users revealed that the system was configured to use personal email addresses for official communication within the system. The use of personal email address contravenes the directive given by the Head of Public Service and exposes the County Government to data leakage and misuse by disgruntled employees for personal gain. Further, the County Government does not have control over information and data held in the personal emails even in the event the employee exits from the County.

Management response:

The County Executive Management response to the query of Use of Personal Email Address for Official Government Communication was as follows;

- During the year under review, NCCG had run out of contract with the email package supplier. However, NCCG implemented a new email solution and all the users of Nairobi Pay system were on boarded on the official county email.

Committee Observation(s)

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

- The County Executive now uses official County Email.

Committee Recommendation(s)

The Committee recommends that: -

- **That the County Treasury should enforce exclusive use of official emails for system operations and disciplinary measures should be instituted for non-compliance.**

2.1.12 Revenue Collection Account Registered under Kenya Revenue Authority

According to the Deed of Transfer of functions between the National Government and the Nairobi City County Government, as per Gazette Notice No. 1609 dated 25th February, 2020, the Kenya Revenue Authority (KRA) was appointed as the principal agent for overall revenue collection, which was conducted through the Authority's local bank accounts in accordance with the deed of transfer. The functions were regained back by the Nairobi County on 30th September, 2022 as defined in the deed of transfer. However, review of the County M-Pesa statement and the bank balance certificates from Equity, Cooperative, and National Banks indicated that the bank account names and M-Pesa names still reflected "Kenya Revenue Authority," despite Nairobi County having regained all functions from the National Government.

Management response:

The County Executive Management response to the query of Revenue Collection Account Registered under Kenya Revenue Authority was as follows;

- After regaining control of all revenue functions Nairobi city County engaged process champions from KRA for a period of one year to allow smooth transition and agreed to

maintain the same account for the customer's sake. Thereafter the revenue bank accounts under KRA were all closed and new ones opened under the name of Nairobi City County as per documents and correspondences attached. However, the M-pesa paybill No. 6060047 was retained under the name of Nairobi City County after a request by the County for customer's convenience.

- Appendix 9 (a) Authority for Closure of bank Account.
- Appendix 9 (b) Request to retain Pay Bill 6060047.

Committee Observation(s)

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

- Letters of authority for Closure of KRA bank accounts were provided.

Committee Observation(s) and Recommendation(s)

The Committee recommends that: -

- **That the County Executive Committee Member for Finance should update account names and close any remaining accounts under KRA to ensure full transition; and**
- **The County Executive Committee for Finance should obtain a formal clearance from Kenya Revenue Authority to confirm handover of revenue collection mandate to the County Government within sixty days after the adoption of this report.**

2.1.13 Ownership and Control of the Nairobi Pay System

On enquiry as to who owns and controls the revenue management system, the County Management indicated that the system architecture is based on a Software as a Service (SaaS) model provided by Nairobi Pay. Management further explained that in this setup, Nairobi Pay hosts and manages the Nairobi Pay System, including its underlying infrastructure and security, while NCCG accesses and utilizes the system through a VPN connection.

However, the SaaS agreement between Nairobi Pay and Nairobi City County Government to determine the following critical issues were not provided:

- The specific terms and conditions of the service, including features, limitations and support obligations.
- The legal rights and obligations of both parties especially in case of disputes or breaches.
- Provisions on how the service provider ensures confidentiality, security measures, handles and protects personal data in ensuring compliance with the Data Protection Act, 2019.

- Intellectual property rights to clarify ownership of the intellectual property developed during the service.
- Service levels including uptime guarantees, response times and remedies for non-compliance.

Management response:

The County Executive Management response to the query of Ownership and Control of the Nairobi Pay System was as follows;

- The Technical Support Framework between NCC and ICT Authority has been attached showing;
 - The specific terms and conditions of the service, including features, limitations and support obligations - The Technical Support Framework between NCC and ICTA provides the specific terms and conditions of service and limitations (2.1. annual technical support (ATS) scope, outlines the features (1.2. components of the current system) and provides the specific obligations of NCC under 4 roles and responsibilities (4.1. NCCG) and MICDE. (4.2. MoICDE).
 - The legal rights and obligations of both parties especially in case of disputes or breaches. The legal rights and obligations of both parties are covered under the NCCG MoU with MoICDE under XIV (Dispute Resolution).
 - Provisions on how the service provider ensures confidentiality, security measures, handles and protects data in ensuring compliance with Data Protection Act, 2019. This is as provided for in the MoU (Article VIII: CONFIDENTIALITY AND DATA PROTECTION) outlining the roles of each party in handling the information and data exchanged or contained in various systems. Article VIII (5) is particular on the adherence to the Kenya Data Protection Act No. 24 of 2019. This is also provided in the technical support framework (2.1. Annual Technical Support (ATS Scope on system security providing the roles of MICDE and NCCG in guaranteeing system security.
 - Service levels including uptime guarantees, response time and remedies for non-compliance.
- The Technical Support Framework (5. General issues) indicates that ICTA shall provide 24/7 support for the system. Further, the TSF provides for the roles of each of the parties.

Committee Observation(s)

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

- Query on ownership and control of the system not was responded to.
- Complete Technical Support framework not provided.

- This has only been supported with a government data Center-Requisition Form
- The audit could not establish the date of signing of the framework, the duration of the framework including any payment arrangement, if any, attributable to ICTA for the services offered.
- Management has not provided details on how Nairobi Pay hosts and manages Nairobi pay system and the County only accesses and utilizes the system through VPN

Committee Recommendation(s)

The Committee recommends that:

- That the County Executive should immediately review and sign a formal contract detailing system ownership, control, data protection, and financial obligations and submit a report to the County Assembly within three months after the adoption of this report.
- That the County Executive should retain system access and control rights to comply with the Data Protection Act.

2.1.14 Hosting Arrangements of the Nairobi Pay System

According to Nairobi City County Management, the development, test, production and disaster recovery environments were hosted by the Ministry of ICT and Digital Economy (MoI&DE). However, there was no contractual agreement between Nairobi City County Government and MoI&DE, to indicate the following critical issues:

- The hosting model to understand whether it was a shared infrastructure with other business or dedicated resources offering greater control and security.
- Data encryption protocols and compliance with Data Protection Act, 2019 especially on data transfer.
- Service level agreements on uptime guarantees, incident response and remedies for any breaches.
- Scalability and performance.

Management response:

The County Executive Management response to the query of Hosting Arrangements of the Nairobi Pay System was as follows;

HOSTING MODEL:

- To understand whether it is a shared infrastructure with other business or is dedicated resources offering greater control and security. The technical support framework (2.1 Annual Technical Support (ATS) Scope (ix)) provides the details of the hosting arrangements between NCC and MICDE as follows System Hosting – primary, secondary environments, backups MICDE will provide appropriate, adequate and fit for purpose hosting environment to support the operations of the system. This environment will include both primary hosting and secondary hosting (DR site). The environment will provide for production (live site for NCCG), staging (testing for NCCG and development team) and development (for the development team). Data encryption protocols and compliance with Data Protection Act, 2019 especially on data transfer.
- This is provided in the Technical Support Framework (2.1 Annual Technical Support (ATS) Scope (viii)) as follows; The Ministry through ICT Authority will ensure secure and convenient online payments between customer and payment channels. Management of the customer in the front-end checkout and, payment processing through the online payment system's backend. In particular, the following areas need to be supported and maintained.

ENCRYPTION:

- Once the customer submits payment for the service on the platform, the payment gateway should encrypt data sent from the customer i.e. the customer's private information and sensitive card details to guarantee that the data is passed safely from the customer to the acquiring bank or any other payment channel. It is also provided for in the MoU.

Article VIII: CONFIDENTIALITY AND DATA PROTECTION)

- Outlining the roles of each party in handling the information and data exchanged or contained in various systems. Article VIII (5) is particular on the adherence to the Kenya Data Protection Act No. 24 of 2019. Service level agreements on uptime guarantees, incident response and remedies for any breaches The Technical Support Framework (5. General issues) indicates that ICTA shall provide 24/7 support for the system. Further, the TSF provides for the roles of each of the parties.

SCALABILITY AND PERFORMANCE

- The technical support framework (2.1. Annual Technical Support (ATS) Scope (xiii)) identifies Facilitation of Development and implementation of other revenue supporting systems: Facilitate the county in engaging service providers using the most viable procurement process for any new identified revenue supporting systems and On boarding of emerging services as and when requested.

Committee Observation(s)

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

- Complete Technical Support framework was provided.

Committee Recommendation(s)

The Committee recommends that the matter be marked as resolved.

2.1.15 Failure to Provide Configurations of all Payment Channels of the Revenue Management Systems at the Nairobi City County

During the three-year period, NCCE operated the following three (3) systems whose payment channels were configured to specific bank accounts;

- Revenue Sure
- Nairobi Revenue System
- Nairobi Pay System

These payment channels included mobile money transfer services, VISA and commercial banks. However, evidence of system configurations of these banks in the systems was not provided to confirm which specific bank accounts received public funds. Therefore, it was not possible to determine whether the bank accounts were opened and operated as per the Public Finance Management Act, 2012 and Regulations thereto. Given that the contracts with Jambo Pay, Revenue Sure and Nairobi Revenue System have since expired, there was no evidence provided to support closure of all the payment channels.

Further, the County engaged a contractor for developing an Enterprise Resource Planning system (ERP). However, the contract was not provided for audit review. Therefore, the audit could not confirm value for money that would accrue from the ERP system, while the County already had a separate revenue system. This was contrary to Regulation 110(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer for a County Government entity to institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity.

Management response:

The County Executive Management response was as follows;

- During the said period, NCC had only two revenue systems that were integrated to bank accounts. These are;
 - Revenue sure connected to National Bank Account 01071225251100

- Nairobi Revenue System (Nairobi Pay System) connected to Cooperative Bank Account no. 01141709410000 and 01141232396600 and Equity Bank Ac no. 1770279910476 and 1600284509139. The banks were instructed to configure the bank accounts to the revenue system.

Committee Observation(s)

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

- Evidence of configurations was not provided.
- This matter has not been responded to. Justification for the need of an ERP while the County already has a separate revenue system was not explained. In addition, amount incurred on procurement of the ERP has not been disclosed.
- Contract has not been provided.

Committee Recommendation(s)

The Committee recommends that:

- **The County Treasury to submit documented configurations and contracts for all payment channels for audit verification within three months after the adoption of this report.**
- **That the procurement and cost justification for the ERP system must be provided within three months after adoption of this report.**

2.1.16 SBP Payment Records Without Payment Reference Number and Date

Nairobi County Government fully automated the end-to-end collection of Single Business Permit (SBP) fees, including the issuance of e-permits. A substantive analysis of the SBP fee records revealed that a total of 95 permits, valued at Kshs. 1,277,600 were issued as valid e-permits, however, their transaction records lacked payment reference codes (mobile money/bank codes) and the date of payment. As a result, it was not possible to verify whether the County Government received the corresponding payments before providing the services.

Management response:

The County Executive Management response was as follows;

- A close analysis of the 95 permits said to have missing numbers shows that 74 transactions had reference numbers in the system and attached is the list of the transactions as per Appendix. Through the use of Permit Numbers, we were able to match 74 Permits to their Bank Reference

Numbers. The remaining Permits do not have proper descriptions to enable us attach Bank Reference Numbers. The County frequently changes the Vpns to allow access to authorized officers only for control purposes.

- Appendix 12: List of the permits with corresponding Bank reference codes & date of payment(softcopy).

Committee Observation(s)

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

- All permits have been assigned a reference number.

Committee Recommendation(s)

The committee recommends that;

- **A clean up of all outstanding entries and cross-match payments within three months after adoption of this report.**
- **The County treasury to institute mandatory system validation for every transaction issued a permit.**

2.1.17 Inaccurate Taxpayers' Data

The County Government of Nairobi's land rates records within the Nairobi Pay System were found to be incomplete, making it challenging to identify and contact delinquent taxpayers. Further, the outstanding land rates records had the following key information missing:

- 129 records totaling Kshs. 370,828,658 had missing debtor names.
- 57 records valued at Kshs. 365,472,593 had missing parcel numbers.
- 123 records amounting to Kshs. 370,588,269 had missing system-generated customer numbers.

Further, there was no evidence to indicate that the records had been validated and updated.

Management Response

The County Executive Management response to the query was as follows;

- The County Government of Nairobi embarked on a data cleansing exercise to ensure accurate, completeness and validity of our customers' data in our information systems.

- The exercise is still on going and owing to the multiplicity of revenue streams in the County a Committee appointed to spearhead the exercise started with Land Rates and thereafter shall move to the other streams.
- The Team has made major strides and all identified gaps, and issues are being addressed as per copies of minutes of meetings attached.
- Appendix 13 Report on Data Cleansing Committee Activities

Committee Observation(s)

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

- The exercise of data cleansing has been ongoing since the last financial year 2022/2023. A report on the current status and updates have been provided.

Committee Recommendation(s)

The Committee recommends that;

- **The County Treasury to expedite the data cleansing exercise with a time-bound implementation plan within three months after adoption of this report and submit a report on the same to the Assembly.**
- **The County Treasury to publish quarterly progress on data validation activities within three months after adoption of this report and submit to the Assembly.**

2.1.18 Revenue Classification

A walkthrough of the System revealed that, all bills and receipts were generated by the Nairobi Pay System and all revenue streams were automatically identified by the prefixes attached to the revenue stream. However, analysis of the receipts generated by the system during the period under review, revealed 348,043 transactions totaling Kshs. 12,831,369,077 that could not be mapped to specific revenue streams. This indicates system control weaknesses and probability of inaccuracies in revenue classification

Management response:

The County Executive Management response to the query was as follows;

- All revenues streams are mapped in the Nairobi Pay system. The categorization of revenue streams by the system is based on distinct bill abbreviations assigned to each stream. These abbreviations serve as unique identifiers, ensuring that every revenue stream is accurately grouped under its respective category. For example, streams like Ground Rent, Land Rates,

and Land Valuation are grouped under Land Rates because they share similar functions and are identified by their specific bill codes. Similarly, streams such as Loading Zone, Off Street, On Street, PSV Stickers, and Seasonal Parking fall under Parking Fees (Total) due to their unique abbreviations related to parking services.

- The same approach applies to other revenue categories. For instance, the Unified Business Permit stream has its distinct billing code that consolidates various business licensing fees, while Plans and Inspections (Building Permits) includes streams like Boundary Wall, Building Permits, and Subdivision Certificates, all categorized based on their respective abbreviations related to planning and development. Similarly, streams such as Food Handlers Certificates, Fire Inspection Certificates, and Markets are grouped using their specific bill abbreviations, reflecting the nature of the services provided. The Other Incomes category consolidates miscellaneous streams like Ambulance Services, Public Works, and Tipping Charges, each identified by a distinct bill abbreviation.
- The same invoice numbers (bill prefix) appear on the bank statements, serving as the basis for reporting the revenue collected. This alignment ensures consistency between the revenue reported and the actual collections reflected in the bank records. A detailed schedule showing the categorization of these revenue streams to their corresponding bill abbreviations and amounts has been provided.
- Appendix 14: Bill abbreviations

Committee Observation(s)

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

- Whereas the Bill abbreviations has been provided, the coding in the system matched the one provided under appendix 14.

Committee Recommendation(s)

The Committee recommends that;

- **The County Treasury to update the system to auto-classify revenue accurately with cross-validation tools.**

2.1.19 Operation with an Outdated ICT Security Policy

The Nairobi City County Government provided an Information and Communication Technology Security Policy for the City Council of Nairobi (March 2009), which was operational during the three (3) financial years. Given that the County operates Nairobi Pay System on a Software as a Service

(SaaS) as per the management's explanation, the emerging security requirements of a SaaS model have not been adequately addressed in the outdated policy.

Management response

The County Executive Management response to the query was as follows;

- NCCG has an updated ICT policy Act 2024 that was approved by the county Cabinet and presented to the Nairobi City County Assembly. The draft policy is attached.
- Appendix 15: Copy of I.C.T policy at the Assembly

Committee Observation(s)

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

- The ICT policy provided does not indicate when it was approved.

Committee Recommendation(s)

- **The Committee recommends that the ICT Committee to Fastrack the ICT Policy for consideration.**

2.1.20. Ineffective Systems of Collection of Rent Arrears

The statement of arrears of revenue reflects uncollected house rent and market stalls arrears amounting to Kshs. 723,780,207. Therefore, the County Government incurs an opportunity cost arising from forgone investment opportunities from tying their cash as arrears.

Management response

The County Executive Management response to the query was as follows;

- The County provides subsidized Houses and Market Stalls for low income residents of Nairobi to uplift lives and livelihoods. Efforts are being made to collect the outstanding arrears of Kshs723,780,207 by Bulk Messaging to Tenants, making phone calls to defaulters, sending Demand notices and eviction notices to tenants, in addition the Nairobi County has a debt collection unit that follows up all debts that are difficult to collect through normal compliance efforts by respective revenue streams. Details of such debts are communicated to the D.C.U. who serve 7days notices to defaulters and take appropriate action thereafter, in accordance with the law. Other efforts include calling defaulters and media advertisements reminding defaulters to pay.
- Appendix 16(a), (b) and (c) Copies of demand notices

Committee Observation(s)

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

- The arrears have been accumulating over the years.

Committee Recommendation(s)

The Committee recommends that: -

- **The County Treasury to review current enforcement mechanisms and explore digital rent payment platforms.**
- **The County Treasury to evaluate viability of outsourcing arrears collection to professional debt collectors.**

POLICY INTERVENTIONS

Integrated Revenue Management Framework

- To Develop and adopt a comprehensive Revenue Administration and Enforcement Policy incorporating all Own Source Revenue (OSR) streams to ensure consistent procedures for billing, collection, enforcement, and reporting across all departments.

2. ICT Governance and Cybersecurity Policy

- To fast-track approval and implementation of the 2024 ICT Policy, clearly outlining controls for SaaS, data hosting, system ownership, access controls, and disaster recovery protocols that addresses security, privacy, and legal ownership gaps in system operations like Nairobi Pay.

3. Revenue Data Governance Policy

- To institutionalize a Revenue Data Integrity Policy to mandate continuous data cleansing, validation, and audit trails for revenue databases that supports revenue assurance and mitigates risks from missing taxpayer details and duplicated records.

4. Debt Management and Recovery Strategy

- The County Treasury to formally adopt a County Debt Recovery Policy, incorporating timelines, sanctions, legal escalation procedures, and amnesty guidelines that guides systematic recovery of arrears in land rates, rents, and SBPs while protecting vulnerable groups and forward the same to the County Assembly for interrogation within three months after adoption of this report.

5. Service Level Agreements (SLA) Policy for Outsourced Systems

- To require all ICT or revenue service engagements (e.g. Nairobi Pay, ERP) to be governed by SLAs/MOUs signed within 30 days of engagement and ensures legal clarity, enforces performance benchmarks, and enables termination for breach.

6. County Financial Reporting and Reconciliation Calendar

The County Treasury to establish a county-wide monthly financial closure and reconciliation calendar, integrating departments and revenue units and ensure accurate and timely audit-ready reports, in line with the PFM Act timelines.

3.0 SUMMARY OF ALL RECOMMENDATIONS

Following the Committee's consideration of the **"Report of the Auditor-General on Receiver of Revenue for County Government of Nairobi for the year ended 30th June,2024"** and having considered responses from the Accounting Officers, the Committee urges the County Assembly to resolve as follows: -

3.1.1 Lack of Ageing Analysis Listing of Revenue in Arrears

The Committee Recommends that;

- The County Treasury must ensure proper reconciliation and validation of the ageing analysis. Penalties should be capped and aligned to the principal to avoid overstated arrears.

3.1.2 Variance Between Reported Revenue and Transaction Schedules

The Committee Recommends that;

- That the County Treasury must reconcile all revenue reports and bank statements before submission for audit.
- That the County Treasury introduce real-time transaction tracking with automated reconciliation features.

3.1.3 Irregular Bank Charges

The Committee Recommends that;

- The County Executive must seek a refund or explanation for the unexplained Kshs. 67,500,753 charges and institute internal control measures.
- That the County Treasury should renegotiate bank charges with all partner banks to ensure transparency.

3.1.4 Accumulated Uncollected Ground Rent and Land Rates Arrears and Penalties

The Committee Recommends that;

- The County Treasury urgently implement a robust debt recovery strategy, including publishing defaulters, legal actions, and automated reminders.
- Removal or adjustment of County-owned parcels from arrears to improve reporting accuracy.

3.1.5 Bank Balances Variances - Due to CRF

The Committee Recommends that;

- The County Treasury should reconcile and adjust the discrepancies immediately to be reflected as prior year adjustments in the Financial Statements for the year ended 30th June, 2025.

3.1.6 Gaps in Single Business Permit Application Number

The Committee Recommends that;

- The County Treasury strengthen system controls to prevent issuance of permit numbers of unpaid applications.
- That the County Treasury conduct a forensic review of unpaid applications to prevent revenue leakage.

3.1.7 Failure to Provide Ledgers

The Committee Recommends that;

- All departments/sectors must submit ledgers in a timely manner and ensure data integrity.
- The County Treasury enforce penalties on concerned officers for non-compliance with financial reporting timelines.

3.1.8 Budgetary Control and Performance

The Committee Recommends that;

- The County Treasury to adopt a realistic revenue forecast based on previous performance; and
- The County Treasury to investigate system downtimes with a view to reducing their frequency and enforce accountability on service providers for monies paid into the system during such downtimes.

3.1.9 Unresolved Prior Year Matters

The Committee Recommends that;

- That County Treasury prepare and submit to the Assembly an implementation matrix for all unresolved issues within three months after adoption of this report. Failure to which actions be taken on concerned officers.

3.1.10 Failure to Prepare and Submit Nairobi City County Revenue Authority Financial Statements

The Committee Recommends that;

- A fully operationalization of the Nairobi Revenue Authority by completing staff deployment and budget allocations.
- The Nairobi Revenue Authority Chairperson and the interim Chief Executive Officer to submit to the County Assembly a report on what they have accomplished since taking office to justify public funds spent on their monthly remuneration within sixty days after adoption of this report.

3.1.11 Use of Personal Email Address for Official Government Communication

The Committee Recommends that;

- That the County Treasury enforce exclusive use of official emails for system operations and disciplinary measures should be instituted for non-compliance.

3.1.12 Revenue Collection Account Registered under Kenya Revenue Authority

The Committee Recommends that;

- That the County Executive Committee Member for Finance should update account names and close any remaining accounts under KRA to ensure full transition; and
- The County Executive Committee for Finance should obtain a formal clearance from Kenya Revenue Authority to confirm handover of revenue collection mandate to the County Government within sixty days after the adoption of this report.

3.1.13 Ownership and Control of the Nairobi Pay System

The Committee Recommends that;

- That the County Executive to immediately review and sign a formal contract detailing system ownership, control, data protection, and financial obligations.
- That the County Executive should retain system access and control rights to comply with the Data Protection Act.

3.1.14 Hosting Arrangements of the Nairobi Pay System

The Committee Recommends that;

- The Committee recommends that the matter be marked as resolved.

3.1.15 Failure to Provide Configurations of all Payment Channels of the Revenue Management Systems at the Nairobi City County

The Committee Recommends that;

- The County Treasury to submit documented configurations and contracts for all payment channels for audit verification.
- That the procurement and cost justification for the ERP system must be provided within three months after adoption of this report.

3.1.16 SBP Payment Records Without Payment Reference Number and Date

The Committee Recommends that;

- A clean up all outstanding entries and cross-match payments within three months after adoption of this report.
- The County treasury to institute mandatory system validation for every transaction issued a permit.

3.1.17 Inaccurate Taxpayers' Data

The Committee Recommends that;

- The County Treasury to expedite the data cleansing exercise with a time-bound implementation plan within three months after adoption of this report and submit to the Assembly.
- The County Treasury to publish quarterly progress on data validation activities within three months after adoption of this report and submit to the Assembly.

3.1.18 Revenue Classification

The Committee Recommends that;

- The County Treasury to update the system to auto-classify revenue accurately with cross-validation tools.

3.1.19 Operation with an Outdated ICT Security Policy

The Committee Recommends that;

- The Committee recommends that the ICT Committee to Fastrack the ICT Policy for consideration

3.1.20 Ineffective Systems of Collection of Rent Arrears

The Committee Recommends that;

- The County Treasury to review current enforcement mechanisms and explore digital rent payment platforms.
- The County Treasury to evaluate viability of outsourcing arrears collection to professional debt collectors.

4.0 ANNEXURES

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

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

No	Honourable Member	Signature
1.	Hon. Chege Mwaura, MCA - Chairperson	
2.	Hon. Abel Osumba Atito, MCA - Vice -Chairperson	
3.	Hon. Benter Juma Obiero, MCA	
4.	Hon. Redson Otieno Onyango, MCA	
5.	Hon. John Rex Omolleh, MCA	
6.	Hon. Stazo Omung'ala Ang'ila, MCA	
7.	Hon. Richardo Nyantika Billy, MCA	
8.	Hon. John Ndile Musila, MCA	
9.	Hon. Cyrus Mugo Mubea, MCA	
10.	Hon. Jane Musangi Muthembwa, MCA	
11.	Hon. Emmy Khatemeshi Isalambo, MCA	
12.	Hon. Fuad Hussein Mohamed, MCA	
13.	Hon. Fatuma Abduwahid Abey, MCA	
14.	Hon. Eutyclus 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	

MINUTES OF THE SITTING OF THE NAIROBI CITY COUNTY ASSEMBLY SELECT COMMITTEE ON COUNTY PUBLIC ACCOUNTS HELD ON FRIDAY, 25TH APRIL, 2025 AT 9:00 A.M. AT MUTHU HOTEL NAIVASHA, NAKURU COUNTY.

MEMBERS PRESENT:

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

IN-ATTENDANCE – OAG

1. Mr. Jeff Otieno

SECRETARIAT

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

MIN.001/NCCA/PAC/APRIL/2025 – PRELIMINARIES

The Chairman called the meeting to order at twenty-eight minutes past nine O'clock and said the opening prayers. He then welcomed Members present to the meeting and took them through the agenda which was adopted for consideration as proposed by Hon. Redson Otieno Onyango, MCA and seconded by Hon. John Ndile Musila, MCA as follows: -

1. Preliminaries (prayers and adoption of the agenda),
2. Consideration and adoption of the draft Report on the consideration of the Report of the Auditor-General on the County Receiver of Revenue for the year ended 30th June, 2024;

3. Consideration and adoption of the draft Report on the consideration of the Report of the Auditor-General on the County Revenue Fund for the year ended 30th June, 2024;
4. Any Other Business, and
5. Adjournment.

MIN.002/NCCA/PAC/APRIL/2025 – CONSIDERATION AND ADOPTION OF THE DRAFT REPORT ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON THE COUNTY RECEIVER OF REVENUE FOR THE YEAR ENDED 30TH JUNE, 2024

The secretariat tabled and took the Committee through the draft report on the Consideration of the Report of the Auditor-General on the County Receiver of Revenue for the year ended 30th June, 2024. The Committee deliberated on the report and adopted the same for tabling in the Assembly as proposed by Hon. Emmy Khatemeshi Isalambo, MCA and seconded by Hon. Fredrick Njogu, MCA

MIN.003/NCCA/PAC/APRIL/2025 – CONSIDERATION AND ADOPTION OF THE DRAFT REPORT ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON THE COUNTY REVENUE FUND FOR THE YEAR ENDED 30TH JUNE, 2024

The secretariat tabled and took the Committee through the draft report on the consideration of the Report of the Auditor-General on the County Revenue Fund for the year ended 30th June, 2024. The Committee deliberated on the report and adopted the same for tabling in the Assembly as proposed by Hon. Paul Wachira Kariuki and seconded by Hon. Benter Juma, MCA.

MIN.004/NCCA/PAC/APRIL/2025 – AOB & ADJOURNMENT

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

CONFIRMED AS A TRUE RECORD OF THE PROCEEDINGS

CHAIRPERSON

SIGNATURE



DATE

15/10/2025