

GOVERNMENT OF NAIROBI CITY COUNTY

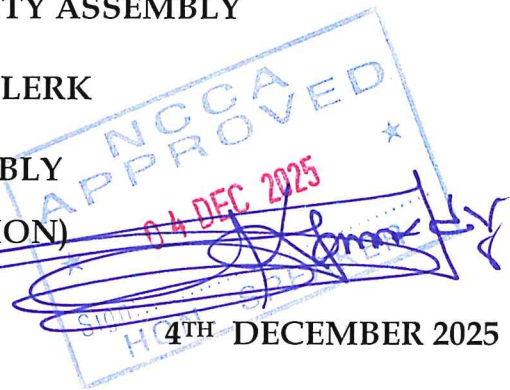


THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY
(FOURTH SESSION)

NCCA/TJ/PL/2025(92)



PAPER LAID

SUBJECT: REPORT OF A COMMITTEE

Pursuant to Standing Order 196, I beg to lay the following Paper on the Table of this Assembly, today Thursday 4th December 2025:

- THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS ON NAIROBI CITY COUNTY ASSEMBLY SERVICE BOARD CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEARS ENDED 30TH JUNE 2022, 2023 AND 2024.

(Chairperson, Select Committee on Public Accounts)

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

*Paper laid on
4th Dec 2025
W. L. Sca
4/12/2025*

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

THIRD ASSEMBLY
(FOURTH SESSION)

4th December 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 THE SELECT COMMITTEE ON PUBLIC ACCOUNTS ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS ON NAIROBI CITY COUNTY ASSEMBLY SERVICE BOARD CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEARS ENDED 30TH JUNE 2022, 2023 AND 2024 laid on the Table of the Assembly on 4th December 2025.

(Chairperson, Select Committee on Public Accounts)

*Copy laid on 4th Dec 2025
by the office issued
4/12/2025
SCA*

THE NAIROBI CITY COUNTY GOVERNMENT



THE NAIROBI CITY COUNTY ASSEMBLY
THIRD ASSEMBLY – FOURTH SESSION

THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS
ON
THE CONSIDERATION OF THE REPORTS OF THE AUDITOR-GENERAL
ON THE FINANCIAL STATEMENTS OF THE NAIROBI CITY COUNTY
ASSEMBLY SERVICE BOARD CAR LOAN AND MORTGAGE SCHEME
FUND FOR THE YEARS ENDED 30TH JUNE 2022, 2023 & 2024

*Paper laid
on 4th Dec 2025
Hills scs
4/12/2025*

Clerks Chambers
Nairobi City County Assembly
City Hall Buildings
NAIROBI

DECEMBER, 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 honour to present to this Assembly this report of the Public Accounts Committee on the consideration of the *“Reports of the Auditor General on the Financial Statements of Nairobi City County Assembly Service Board Car Loan and Mortgage Scheme Fund for the years ended 30th June, 2022, 2023 & 2024 respectively”*.

1.1. Mandate of the Public Accounts Committee

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

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

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

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

1.2. Guiding principles

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

(a) Constitutional Principles on Public Finance

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

on these principles, among others, and has been guided by them in the entire process that has led to this report.

(b) Direct Personal Liability

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

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

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

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

1.3. Obligations of the Accounting Officer

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

(a) lawful and authorized; and

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

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

1.4. Committee Membership

The Committee comprises of the following members: -

- | | |
|--------------------------------------|--------------------|
| 1. Hon. Chege Mwaura, MCA | - Chairperson |
| 2. Hon. Abel Osumba Atito, MCA | - Vice-Chairperson |
| 3. Hon. Benter Juma Obiero, MCA | |
| 4. Hon. John Rex Omolleh, MCA | |
| 5. Hon. Stazo Omung’ala Ang’ila, MCA | |
| 6. Hon. Richardo Nyantika Billy, MCA | |
| 7. Hon. John Ndile Musila, MCA | |

8. Hon. Cyrus Mugo Mubea, MCA
9. Hon. Redson Otieno Onyango, MCA
10. Hon. Jane Musangi Muthembwa, MCA
11. Hon. Emmy Khatemeshi Isalambo, MCA
12. Hon. Fuad Hussein Mohamed, MCA
13. Hon. Fatuma Abduwahid Abey, MCA
14. Hon. Eutychus Mukiri Muriuki, MCA
15. Hon. Fredrick Njoroge Njogu, MCA
16. Hon. Rachel Wanjiru Maina, MCA
17. Hon. Aaron Kangara Wangare, MCA
18. Hon. Carrington Gichunji Heho, MCA
19. Hon. Mark Thiga Ruyi, MCA
20. Hon. Simon Maina Mugo, MCA
21. Hon. Paul Wachira Kariuki, MCA
22. Hon. Martin Mbugua Mwangi, MCA
23. Hon. Mary Wanjiru Kariuki, MCA

The Committee comprises of the following Secretariat;

- | | |
|--------------------------|--------------------------|
| 1. Mr. Kevin Wasike | - Senior Clerk Assistant |
| 2. Mr. Benedict Ochieng | - Second Clerk Assistant |
| 3. Mr. Klinsman Munase | - Legal Counsel |
| 4. Mr. Anthony Nyandiere | - Hansard |

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

1.5. Background

The audit involved auditing of the financial statements of Nairobi City County Assembly Service Board Car Loan and Mortgage Scheme Fund by the Auditor General which comprise Statement of financial position as at 30th June 2022,2023&2024, and Statement of income and expenditure, Statement of changes in equity and Statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

1.6. Establishment of the Fund

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

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

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

The Fund started operations on 1st of July 2019 as a single fund administering Car Loan and Mortgage benefits for Members and staff of the Nairobi City County Assembly. Prior to this date, the benefits were administered from two different funds namely Nairobi City County Assembly Car Loan Scheme Fund and Nairobi City County Assembly Mortgage Scheme Fund. These two funds were merged with effect from 1st July 2019. The merged Funds operate under the new Regulations namely; The Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2017. These Regulations were gazetted in July 2018 and came into force in the Financial Year 2018/2019.

1.7. Auditor-General's Responsibility

The Auditor General's responsibility was to obtain reasonable assurance about whether the Financial Statements as a whole were free from material misstatement, whether due to fraud or error, and to express an opinion on the Financial Statements in accordance with Section

48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. The matters mentioned in the audit report were identified through tests considered necessary for the purpose of the audit and there might be other matters and/or weaknesses that were not identified.

1.8. Highlights from the Report of the Auditor General

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

In the audit opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of the report, the financial statements present fairly, in all material respects, the financial position of as at 30th June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and complied with Nairobi City County Assembly Car Loan and Mortgage Scheme Fund Regulations, 2017 and the Public Finance Management Act, 2012.

1.9. Appreciation

Hon. Speaker,

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

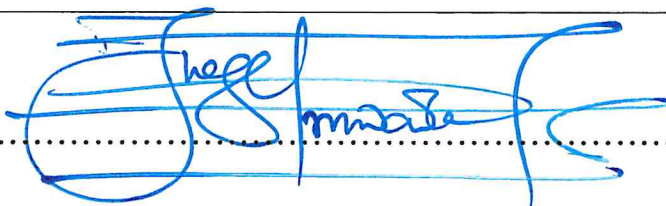
Hon. Speaker,

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

Hon. Speaker,

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

SIGNED



HON. CHEGE MWAURA (CHAIRPERSON)

DATE

2.0. COMMITTEE CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NAIROBI CITY COUNTY ASSEMBLY SERVICE BOARD CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30TH JUNE 2022.

2.1.1. Inaccuracies in the Financial Statements

2.1.1.1. Variance in Interest Income

The statement of financial performance reflects interest income of Kshs. 19,967,000, as disclosed in Note 4 to the financial statements. However, an independent recalculation from details in the supporting analysis provided for audit yielded an interest of Kshs. 22,392,670, against the interest of Kshs. 19,967,000 reflected in the financial statements resulting to a variance of Kshs. 2,425,670 which was not explained or reconciled.

Management Response

As observed by the Auditor, the statement of financial performance reflects interest income of Kshs. 19,967,000, as disclosed in Note 4 to the financial statements. The amount of Ksh. 22,392,670 as recalculated by the Auditor was based on erroneous schedules inadvertently submitted to the Auditors. The correct computation schedules of the interest as contained in the financial statements has been provided as *Annexure 1*.

Annexure.1: Interest Computation Schedules

Committee Observation:

The Committee noted that the variance in interest income was due to erroneous schedules initially submitted to the Auditor. The corrected computation schedules provided by management were found accurate and verifiable.

Committee Recommendation:

- **The Committee recommends that the Management should ensure thorough review of supporting schedules before submission for audit to prevent future misstatements.**

2.1.1.2. Variance in Principal Loan Repayment Records

The statement of cash flows reflects proceeds from loan principal repayments of Kshs. 111,959,000 while the total repayments as per the individual repayment ledgers was Kshs. 103,604,577. The latter was made up of Kshs. 36,421,044 and Kshs. 67,183,533 from the

staff members and Members of the County Assembly, respectively. This resulted to unreconciled variance of Kshs. 8,354,423.

Further, review of extracts of the payroll indicated that principle and interest payments amounted to Kshs. 115,111,113. However, the statement of performance reflects interest payment of Kshs. 19,966,000 resulting to a balance of principal repayment of Kshs. 95,145,113. This differs with the balance reflected in the statement of cash flows as proceeds from loan principal repayments of Kshs. 111,959,000 resulting to a variance of Kshs. 16,813,886, between the two sets of records. This inconsistency between the records has neither been explained nor reconciled.

In of the inconsistencies described above, it was not possible to confirm the accuracy of the financial statements.

Management Response:

The auditor correctly observed that statement of cash flows reflects proceeds from loan principal repayments of Kshs. 111,959,000. The management observed that the figures as reported were erroneous and prepared Revised Financial Statements which were delivered to the Auditor General on 13th January 2023. It is however observed that the audited Financial Statements were as originally submitted on 30th September 2022. The management acknowledges the errors as contained in the originally submitted Financial Statements. The correct amount for principal loan repayment ought to have been Ksh. 99,588,086 comprising MCAs Car Loan of Kshs. 32,779,036.57, MCAs Mortgage of Kshs. 35,111,839.44 Staff Mortgage of Kshs. 27,994,010.48 and Staff Car Loan of Kshs. 3,703,199.56 as summarized under *annexure 2*.

The auditor further made a comparison of amounts shown in extracts of payroll, amounts contained in Cash Flow Statement and the amount reported under Statement of Performance. They noted that the amounts as reflected in Statement of Cash flows and the amounts shown in Payroll when compared with the amount reported under Statement of Financial Performance they could not compare or add up. Indeed, the amounts reflected in the three sets of records may never add up because they are reported on different bases. The Payroll Schedules contain information on monthly instalments and may or may not be paid during the year. The Statement of Cash flows contain all cash inflows whether they relate to the current year or not. The Statement for Financial Performance contain information on the performance of the Fund for the current year only (on accrual basis) whether paid or not. The three sets of records may therefore not agree unless the report is on cash basis. The Fund reports on accrual basis.

Annexure 2: *Loan Repayment Schedule*

Committee Observation:

The Committee observed that the variance arose from differences in reporting bases between payroll records, cash flow statements, and performance statements. The revised financial statements corrected the inconsistencies, and explanations provided were satisfactory.

Committee Recommendation:

- **The Committee recommends continued use of accrual accounting principles with regular reconciliation among payroll, cash flow, and performance records to ensure consistency.**

2.1.1.3. Inconsistency in Loan Records

The statement of cash flows reflects interest received and proceeds from loan principal repayments of Kshs. 19,966,000 and Kshs. 111,959,000 respectively, both totaling Kshs. 131,925,000. Extracts of payroll schedules provided for audit revealed total loans from members and staff of Kshs. 115,111,114 while summary of the individual loan ledgers reflected total receipts of Kshs. 124,690,461. The Management has not reconciled or explained the variance between the three sets of records.

Management Response:

As observed by the Auditor, the statement of cash flows reflects interest received and proceeds from loan principal repayments of Kshs. 19,966,000 and Kshs. 111,959,000 respectively, both totaling Kshs. 131,925,000. The management observed that the figures as reported were erroneous and prepared Revised Financial Statements which were delivered to the Auditor General on 13th January 2023. It is however observed that the audited Financial Statements were as originally submitted on 30th September 2022. The correct position for the loans is as shown under Annexure 3.

Annexure 3: *Summary from Individual Ledgers.*

Committee Observation:

The Committee noted that the inconsistencies in loan repayment figures were acknowledged and corrected through the revised financial statements. Supporting ledgers confirmed the accuracy of the updated figures.

Committee Recommendation:

- **The Committee recommends that the Management should institutionalize a quarterly reconciliation process between individual loan ledgers, payroll deductions, and cash flow statements.**

2.1.1.4. Inaccurate Statement of Cash flows

The statement reflects cash and cash equivalent balance of Kshs. 45,771,000 while down casted balance is Kshs. 104,913,000 resulting to a variance of Kshs. 59,142,000 which was not explained or reconciled.

Further the statement of financial position reflects cash and cash equivalents balance of Kshs. 45,771,000, as disclosed in Note 11 to the financial statements. Included in the reconciling items were receipts in cashbook not in the bank statement totaling to Kshs. 14,321,244 which includes Kshs. 8,290,668 for the period between June, 2020 and May, 2022. However, no explanation was provided by the Management on why the receipts were not reflected in the bank.

In addition, the statement reflects cash and cash equivalents balance of Kshs. 135,345,000 as at June, 2021. However, the balance differs with the opening balance as at 1 July, 2021 of Kshs. 76,204,000 reflected in the statement of cash flow, resulting to an unreconciled variance of Kshs. 59,141,000.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 45,771,000 could not be confirmed.

Management Response:

As correctly observed by the auditor the statement of cash flows reflects cash and cash equivalents of Ksh. 45,771,000. There was indeed a variance in down casted figures as observed by the auditor. This was corrected through the Revised Financial Statements which were delivered to the Auditor General on 13th January 2023. However, the audited Financial Statements were as originally submitted on 30th September 2022.

In addition, the auditor noted that an amount of Ksh. 8,290,668 relating to period between June 2020 and May 2022 was reported as receipts in cashbook not recorded in bank statement. The amounts related to payroll deductions which had been recorded as receipts in cashbook but had not been received in bank, which ideally were receivables from the County Assembly. This way of reporting was corrected in September 2024 where receipts in cash book are recorded only when the County Assembly releases them to the Bank. The accumulated receipts in cashbook not received in bank were reversed and recognized as receivables from the Nairobi City County Assembly.

Further the auditor observed that cash and cash equivalent balance as at June 2021 was reported as Kshs. 76,204,000 instead of Kshs. 135,345,000. The management acknowledges the failure to show correct balance brought forward. The erroneously brought forward

balance has been corrected in the attached Revised Statement of Cash flows as at 30th June 2022.

Annexure 4: *Journal Entry for Reversal of Receipts in Cashbook and Revised Statement of Cash flows*

Committee Observation:

The Committee noted that errors in down-casting and reporting of receipts not reflected in bank statements were corrected in the revised financial statements. The adjustment to recognize receivables from the County Assembly was appropriate.

Committee Recommendation:

- The Committee recommends that the Management should strengthen internal controls over cashbook and bank reconciliation to prevent future reporting errors.

2.1.2. Inaccuracies in Receivables

The statement of financial position reflects current portion and long-term receivables from exchange transactions of Kshs. 52,840,000 and kshs. 553,503,000 totaling to kshs. 606,343,000, as disclosed in Note 12 to the financial statements. An independent precomputations indicated receivables balance of Kshs. 639,994,000 resulting to a variance of Kshs. 33,651,000 which was not explained or reconciled. The statement further reflects total receivables of Kshs. 672,250,000 as at

In the circumstances, the accuracy and completeness of the receivables totaling to Kshs. 606,343,000 could not be confirmed

Management Response:

As correctly observed by the auditor, statement of financial position reflects current portion and long-term receivables from exchange transactions of Kshs. 52,839,851 and kshs. 553,502,208 totaling to kshs. 606,343,059. Schedules provided to the auditor that amounted to KSh. 639,994,000 inadvertently included schedules of previous period. A listing in support of the balances as included in the Financial Statements has been provided under *annexure 5*

Annexure 5: *Individual Loan Balances showing Short-term and Long-term Portion*

Committee Observation:

The Committee observed that the variance resulted from inclusion of prior period schedules, which was rectified. The reconciled listing of receivables was verified and found accurate.

Committee Recommendation:

- The Committee recommends that the Management should ensure only current-year receivable data is used in financial reporting and maintain accurate, up-to-date schedules.

2.1.3. Inaccurate Statement of Changes in Net Assets

The statement of changes in net assets reflects revolving fund balance of Kshs. 714,803,000. However, recasting across of the balance brought forward as at 1 July, 2020 results to an amount of Kshs. 714,068,000 while the resulting to an unexplained variance of Kshs. 5,515,000. Further, the statement reflects surplus for the year 2020/2021 of Ksh. 735,000. However, the statement of financial performance reflects a prior year surplus amount of Kshs. 371,000.

In addition, the balances stated differ with the previous audited financial statements balances as stated below:

Description	Financial Statements 2021/2022 Kshs.	Financial Statements 2020/2021	Variance Kshs.
Balance as at 1 July 2023 -Revolving Fund	640,000,000	664,566,000	(24,566,000)
Balance as at 1 July, 2020 -Accumulated Surplus	74,068,000	68,257,000	5,811,000
Surplus	735,000	371,000	364,000

In the circumstances, it was not possible to confirm the accuracy of the financial statement of Changes in net assets.

Management Response:

As observed by the auditor, the Statement of Changes in Net Assets reflects revolving fund balance of Kshs. 714,803,000. The observation by the auditor is factual. There were typographical errors in the entries as contained the financial report, which were corrected in Financial Report of 2023/2024 as prior year adjustments. The accurate Statement of Changes as corrected in 2023/2024 Financial Statements has been provided under *annexure 6*.

Annexure 6: Statement of Changes in Net Assets (As adjusted in 2023/2024)

Journal Entry Vouchers showing corrections

Committee Observation:

The Committee noted typographical and posting errors in the statement, which were adjusted as prior year corrections in 2023/2024. The corrected statement was reviewed and found consistent.

Committee Recommendation:

- The Committee recommends that the Management should implement an internal review mechanism to detect and correct clerical and posting errors before submission for audit.

2.1.4. Unsupported Administrative Expenses

The Statement of financial performance reflects an amount of Kshs. 16,238,000 in respect of administrative expenses. However, the Management did not support the expenses with required documents including minutes of meetings attendance registers and invitations and agenda for meetings. In addition, Management did not disclose, in the corporate governance statement section of their annual report, information relating to meetings held, with details of the role, composition, board meetings and remuneration of Committee members, as required by the Public Sector Accounting Standards Board.

Further, the administrative expenses were 81% of the receipts during the year contrary to a limit of 3% as provided for under Regulation 13 (1) and (2) of the Nairobi City County Car Loan and Mortgage Scheme Fund Regulations, 2017 and Regulation 197 (1)(d) of the Public Finance Management Regulations, 2015.

In the circumstances, the accuracy of the administrative expenditure totaling to Kshs. 16,238,000 could not be confirmed.

Management Response:

As observed by the auditor, the Statement of Financial Performance reflects an amount of Kshs. 16,238,000 in respect of administrative expenses. The support documents in terms of minutes of meetings attendance registers and invitations and agenda for meetings are available for audit review. Copies for the same have been provided under *annexure 7*.

As observed by the auditor the Financial Statements as originally submitted did not have corporate governance statement. However, this was corrected in the Revised Statements submitted on 13th January 2023. The information is contained in Clause 7 of the revised financial statement page xiii titled “Corporate Governance Statement”.

Administrative expenses of the fund are based on the Fund’s annual budget as approved by the County Executive Committee Member of Finance and Economic Planning. The said

budget is informed by Regulation 12(2) of the Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations, 2017. Regulation 197(1)(d) of the Public Finance Management (County Government Regulations 2015 limits administrative expenditure of a Fund to 3% of the Fund's approved Budget. The Car Loan and Mortgage Fund operates as a Revolving Fund and does not have an annual budget from the County Revenue Fund. Hence the 3% expenditure limit of its budget does not apply. The Fund was established within the purview of Regulation 197(2) of the said Public Finance Management (County Government) Regulations 2015. Its guiding Regulations as advised by the Salaries and Remuneration Commission is therefore Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations, 2017.

Annexure 7: Minutes of Meeting, Invitations for Meetings, Attendance sheets Regulation 197 (1) and (2) of Public Finance Management (County Governments) Regulations, 2015.

Committee Observation:

The Committee verified that all supporting documents were availed and reviewed. The management correctly clarified that the 3% administrative expense limit does not apply to this revolving fund.

Committee Recommendation:

- **The Committee recommends that the Management should continue maintaining proper documentation for all administrative expenses and ensure inclusion of governance disclosures in annual reports.**

2.1.5. Unfunded Transfer of Funds

The statement of financial position reflects receivables from exchange transactions (cash transfers) balance of Kshs. 66,417,000 from Nairobi City County Assembly, as disclosed in Note 19 to the Financial Statements. Note 19 indicated domestic borrowing of Kshs. 110,283,000 and repayment of domestic borrowing Kshs. 43,866,000 resulting to a balance of Kshs. 66,417,000. Review of the cash flow statement indicates that Kshs. 66,417,000 was transferred to Nairobi City County Assembly. However, the repaid amount of Kshs. 43,866,000 was not traced in the cash flow statement or the bank statement.

In the circumstances, the accuracy, completeness and validity of receivables from exchange transactions Kshs. 66,417,000 could not be confirmed.

Management Response:

As observed by the auditor, the Statement of Financial Position reflects receivables from exchange transactions (cash transfers) balance of Kshs. 66,417,000 from Nairobi City County

Assembly and as disclosed in Note 19 to the Financial Statements. Note 19 indicated domestic borrowing of Kshs. 110,283,000 and repayment of domestic borrowing Kshs. 43,866,000 resulting to a balance of Kshs. 66,417,000. The statement of Cash flows shows Cash Transfers of Ksh. 66,417,000 being the net amount that the that was borrowed against what was paid.

The auditor further observed that the repaid amount of Ksh. 43,866,000 was not traced in the bank statement. The bank statements showing the cash receipts of Ksh. 32,888,660.20 on 21st September 2021 and Ksh. 10,976,950 on 1st October 2021 both totaling to Ksh. 43,865,610 have been provided under *Annexure 8. Annexure 8: Bank Statements for 21st September and 1st October 2021.*

Committee Observation:

The Committee observed that the variance was reconciled and verified through bank statements showing actual receipts of the repaid amounts. The explanation provided was satisfactory.

Committee Recommendation:

- The Committee recommends that the Management should maintain detailed supporting documentation for all fund transfers and ensure real-time reconciliation with bank records.

2.1.6. 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. However, the Management has not resolved the issues or given any explanation for failure to do so, as part of the contents provided for in the reporting format prescribed by the Public Sector Accounting Standards Board and the National Treasury Circular Ref: No. AG.4/16/3 Vol.1(11) dated 6 July, 2022.

Committee Observation:

The Committee noted that previous audit issues have been addressed through revised statements and improved financial reporting practices.

Committee Recommendation:

- The Committee recommends that the Management should develop and implement a sustainable audit follow-up mechanism to ensure timely implementation of resolutions on future audit issues.

2.1.7. Failure to Adhere to Maximum Loan Disbursement

Review of the documents provided for audit revealed that the Loan and Mortgage Committee advanced mortgage loans at 100% to the member, contrary to Regulation 25 (4) of the Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations, 2017.

Management was in breach of law.

Management Response:

As observed by the auditor, some instances, the Loans Management Committee approved loans to 100%. While Regulation 25(4) of the Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations, 2017 as quoted by the auditor limits the maximum amount of loan granted under the Regulation to 90% and 80% for properties in Nairobi and other areas respectively, Regulation 25(5) provides that where it deems appropriate, the Loans Management Committee may grant a loan to a borrower at the market rate of the property as valued by a competent valuer. All properties purchased under the scheme were valued by competent valuers. The Committee applied Regulation 25(5) of the Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations, 2017. A copy of the said Regulations has been attached as *Annexure 9*.

Annexure 9: *Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations, 2017*

Committee Observation:

The Committee confirmed that loans exceeding 90% were issued in compliance with Regulation 25(5), which permits exceptions based on valuation. The action was therefore lawful.

Committee Recommendation:

- The Committee recommends that the Loans Management Committee should continue adhering strictly to the Fund's Regulations and maintain proper valuation reports to support such approvals.

2.1.8. Lack of Competitive Bidding

The Fund Management floated quotations for three different conference facilities. However, review of evaluation reports provided for audit revealed that only two bidders for each of the three different services requested, responded. The Management evaluated the two bidders and awarded the contract to the lowest bidders, instead of at least three bidders as

required under the Public Procurement and Asset Disposal Act, 2015, as detailed in the table below:

Date	Description	Amount (Kshs.)
6/22/2022	Maxland Hotel	385,000
14/2/2022	Travellers Beach Hotel	242,200
28/2/2022	Maxland hotel	75,000
Total		702,200

Further, the tender documents, professional opinion and appointment of the tender committee, in relation to the above procurement, were not provided for audit review.

In the circumstances, it was not possible to confirm that there was value for money in the procurement of the services described above at a cost of Kshs. 702,200.

Managements Comments;

The County Assembly floated quotations to the registered service providers in the respective regional areas where services were needed. For instance, when services were required in Mombasa County, all hotels in Mombasa were invited to submit their quotations, and similarly for Kiambu County.

In response to audit observations, it was noted that management evaluated only two bidders and awarded the contract to the lowest bidder, instead of considering at least three bidders as stipulated under section 114 (3) (a) & (b) of the Public Procurement and Asset Disposal Act, 2015

However, the Assembly received responses from at least three bidders in each case, with one bidder indicating they were fully booked. This “fully booked” response was accepted as valid, allowing the Assembly to proceed with price analysis and award the contract to the lowest bidder.

During the quotation process, the Assembly employs a list of registered suppliers that have been sourced through a competitive process. The capabilities of various hotels to provide the required services are assessed during the registration phase. When services are needed, key factors considered include the cost of providing the service and availability of space. This rationale underpins why a price analysis was conducted following the initial evaluation during registration.

Annexure 10: Procurement quotation analysis

Committee Observation:

The Committee noted that although only two bids were evaluated, the procurement was conducted from a prequalified supplier list, and the process complied with the intent of the procurement law. Supporting documentation was verified.

Committee Recommendation:

- The Committee recommends that the Management should ensure that at least three valid bids are evaluated in future or document instances where fewer bids are received, in accordance with procurement law.

2.1.9. Lack of Mortgage Protection and Fire Policy

Analytical review carried out on the car and mortgage loan repayment schedule revealed receivables from non-exchange transactions for staff members and Members of County Assembly balance of Kshs. 678,163,019 and Kshs. 1,125,979, respectively as at 1 July, 2022. However, the Fund Management had not made any arrangements for mortgage protection and fire policy insurance cover, contrary to Regulation 28 of the Nairobi County Assembly Car Loan and Mortgage Scheme (Staff) Fund Regulations, 2017.

In the circumstances, the Management was in breach of the law. In addition, in the event that a mortgage holder passed on or the mortgaged house was destroyed by fire, the burden of the mortgage repayment would be passed on to the mortgage holder's family.

Managements Comments;

As observed by the auditor, the Fund had no mortgage protection and fire policy at the time of the audit. The said policies have been acquired in subsequent years and therefore the Fund has complied with the requirement. Evidence of current insurance policy has been provided as *annexure 10*.

Annexure.11 Insurance Policy documents.**Committee Observation:**

The Committee confirmed that the Fund has since acquired the required insurance policies. The documentation was verified and found compliant with Regulation 28.

Committee Recommendation:

- The Committee recommends that the Management should ensure continuous renewal and monitoring of insurance coverage to mitigate risks associated with mortgage assets.

2.1.10. Lack of Imprest Register

Review of records provided for audit revealed that the Management issued imprests to various staff members totaling Kshs. 6,042,789 in respect of domestic and foreign travel. However, the Management did not maintain an imprest register contrary to Regulation 93 (4) (C) of the Public Finance Management Regulations, 2015 states that before issuing temporary imprests under paragraph 2, the Accounting Officer shall ensure that the applicant's imprest has been recorded in the imprest register, including the amount applied for.

In the circumstances, the Management was in breach of the law and it was not possible to confirm that the Scheme's funds were managed in an effective way.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Managements Comments;

The auditor observed that the Management did not maintain an imprest register. At the time, the Assembly maintained a soft imprest register. Currently the Fund maintains an imprest Register in form of a book as prescribed by the National Treasury.

Committee Observation:

The Committee noted that at the time of audit, an electronic imprest register was maintained and has since been replaced by a physical register as prescribed by the National Treasury.

Committee Recommendation:

- The Committee recommends that the Management should consistently maintain and update the imprest register in the prescribed format to ensure accountability in fund advances.

3.0. COMMITTEE CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NAIROBI CITY COUNTY ASSEMBLY SERVICE BOARD CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30TH JUNE 2023.

3.1.1. Inaccuracy of Interest Income

The statement of financial performance reflects interest income amounting to Kshs. 19,363,000 as further disclosed in Note 4 to the financial statements. However, the amount differs with the total interest income amounting Kshs. 18,500,987 extracted from the monthly ledgers resulting in unexplained variance of Kshs. 862,013.

In the circumstances, the accuracy and completeness of interest income amounting to Ksh. 19,363,000 could not be confirmed.

Management Response:

The auditor correctly observed that the Statement of Financial Performance reflects interest income amounting to Ksh. 19,363,000. This comprised of Interest income from Car Loans and Mortgages of Ksh. 18,500,987 and interest received from monthly bank balances of Ksh. 861,914.08. The schedules for interest earned from bank balances amounting to Ksh. 861,914.08 were not submitted to the auditor. The schedules are available for audit review and have been provided under *annexure 1. Annexure.1. Interest computations schedule*

Committee Observations

The Committee notes that the initial variance of Kshs. 862,013 was due to the omission of interest earned from bank balances (Kshs. 861,914.08) in the schedules provided to the Auditor. Management has since produced the supporting schedules (Annexure 1), which satisfactorily explain and reconcile the reported interest income figure.

Committee Recommendations

- The Committee recommends that the County Assembly Service Board should develop and implement a stringent documentation review process before submitting financial statements for audit to ensure all supporting schedules, including bank interest income, are complete and accurate; and
- That the Finance Department should ensure that reconciliations between the general ledger and subsidiary ledgers are performed and reviewed monthly to prevent such omissions in the future.

3.1.2. Unsupported Committee Allowances

The statement of financial performance reflects use of goods and services amounting to Kshs. 14,309,000. The amount includes committee allowances amounting to Kshs. 2,098,000 as disclosed in Note 7 to the financial statements. Review of records revealed that the committee allowances expenditure includes Kshs. 1,165,400 which was not supported with invitation letters, attendance register and committee meeting minutes.

In the circumstances, the accuracy and propriety of the committee allowances amounting to Ksh. 1,165,400 could not be confirmed.

Management Response:

As correctly observed by the Auditor the Statement of Financial Performance reflects use of goods and services amounting to Ksh. 14,309,000. This amount includes committee allowances amounting to Ksh. 2,098,000 as disclosed in note 7 to the financial statements. The Auditor observed that an amount of Ksh. 1,165,000 was not supported with invitation letters, attendance registers and committee meeting minutes. All these documents are available for audit review.

Annexure: 2. *Agenda Notices, copies of attendance registers, copies of committee minutes.*

Committee Observations

The Committee acknowledges that the required supporting documents invitation letters, attendance registers, and committee meeting minutes for the questioned amount of Kshs. 1,165,400 were available within the Assembly's records but were not presented to the auditor during the initial audit. The subsequent submission (Annexure 2) has verified the propriety of this expenditure.

Committee Recommendations

- The Committee recommends that the Clerk of the Assembly should issue a circular to all departments emphasizing the importance of maintaining and readily availing all primary supporting documents for all expenditures during internal and external audits; and
- The County Assembly Internal Audit unit should conduct periodic spot-checks on transaction documentation to ensure continuous compliance and readiness.

3.1.3. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions (motor vehicle reimbursement) and receivables from exchange transactions (cash transfers) amounting to Kshs. 274,288,000 and Kshs. 60,546,000, respectively, all totaling to Kshs.

334,834,000. However, no documentary evidence in support of the amount was provided. Further, the amount has not been disclosed as borrowing in the statement of financial position.

In the circumstances, the accuracy of receivables from exchange transactions (motor vehicle reimbursement) and receivables from exchange transactions (cash transfers) amounting to Ksh. 274,288,000 and Ksh. 60,546,000, respectively, could not be confirmed.

Management Response:

As correctly observed by the auditor, the Statement of Financial Position reflects receivables from exchange transactions of Ksh. 334,834,000 being Ksh. 274,288,000 on account of Motor Vehicle Reimbursement Account and Ksh. 60,546,000 on account of NCCA operational Account. Documentary evidence of the transfers is available for audit review.

Appendix 3, *authority letters of the above cash transfers and Copies of Bank statements.*

Committee Observations

The Committee finds that the receivables amounting to Kshs. 334,834,000 were valid and supported by authority letters and bank statements (Appendix 3). The initial audit query arose because these documents were not provided. The Committee, however, notes the Auditor's valid point that these amounts represent borrowings by the County Assembly and should be clearly disclosed as such in the statement of financial position.

Committee Recommendations

- The Committee recommends that all future transfers to the County Assembly that create a debtor-creditor relationship must be correctly classified and disclosed as "Receivables from Exchange Transactions" or "Loans to County Assembly" in the Fund's financial statements, with clear notes explaining their nature; and
- That the management to develop a formal loan agreement or memorandum of understanding to govern such transfers to ensure proper accounting treatment and enforceability.

3.1.4. Inaccuracy of Total Net Assets and Liabilities.

The statement of financial position reflects total net assets and liabilities totaling to Kshs. 1,101,712,000. The amount includes revolving fund amounting to Kshs. 1,096,659,000. However, the amount differs with revolving fund amounting to Kshs. 1,016,000,000 reflected in the statement of changes in net assets resulting to unexplained variance of Kshs. 80,659,000. Further, the amount includes accumulated surplus amounting to Ksh. 5,054,000

which differs with accumulated surplus amounting Ksh. 85,712,000 reflected in the statement of changes in net assets resulting to unexplained variance of Kshs. 80,658,000.

In addition, the statement of changes in net assets reflects adjustment to accumulated surplus amounting to Kshs. 2,254,000 which was not supported with journal entry.

In the circumstances, the accuracy and completeness of total net assets and liabilities totaling to Ksh. 1,101,712,000 could not be confirmed.

Management Response:

As observed by the auditor, the statement of financial position reflects total net assets and liabilities totaling to Kshs. 1,101,712,000. This position however changed in the revised financial statements submitted to the office of the Auditor General on 11th January 2024 which are the audited statements. The Net Assets and Liabilities as reflected in the Financial Position of the Revised Financial Statements for the Car Loan and Mortgage is Ksh. 1,099,585,000.

In addition, the auditor observed that the Statement of Changes in Net Assets reflects adjustment to accumulated surplus amounting to Kshs. 2,254,000. This was also corrected in the Revised Financial Statements. The Revised Financial Statements have been provided under *Annexure 4*.

The Statement of Financial position and Statement of Changes in net Assets are on pages 2 and 4 of the Annual report and Financial Statements of the Nairobi City County Assembly Car Loan and Mortgage Scheme fund respectively.

Annexure 4: Revised Financial Statements for 2022/2023

Committee Observations

The Committee observes that the inaccuracies in the total net assets, revolving fund, and accumulated surplus, including the unsupported journal entry, were all corrected in the revised financial statements submitted on 11th January 2024 (Annexure 4). The figures in these revised statements are now accurate and have been accepted by the Auditor.

Committee Recommendations

- The Committee recommends that the County Assembly Service Board must ensure that financial statements are thoroughly reviewed and validated for internal consistency across all statements (Financial Position, Changes in Net Assets, Cash Flows) before they are finalized and published; and
- That all adjusting journal entries must be properly authorized, supported, and filed for easy reference during audits.

3.1.5. Inaccuracies in Transfer from County Assembly

The statement of changes in net assets reflects fund received during the year amounting to Kshs. 376,000,000 in respect of transfer from the County Assembly. However, the amount differs with the transfers to the Fund amounting to Kshs. 439,044,296 reflected in statement of receipts and payments of the County Assembly resulting in unreconciled variance of Kshs. 63,044,296.

Further, the statement of Cashflow reflects transfers to the Nairobi City County Assembly totaling to Kshs. 102,152,000. However, the statement of receipts and payments of the Nairobi City County Assembly reflects an amount of Kshs. 60,346,051 under other receipts from fund account resulting in an unreconciled variance of Kshs. 41,805,949.

In the circumstances, the accuracy and completeness of funds received during the year amounting to Ksh. 376,000,000 could not be confirmed.

Management Response:

As observed by the auditor, the Statement of Changes in Net Assets reflects Funds received during the year amounting to ksh. 376,000,000 in respect Funds received during the year from the County Treasury. The auditor further observed that the amount differs with transfers to the Fund amounting to Ksh. 439,044,296 reflected in Statement of Receipts and Payments of the County Assembly. In addition, the auditor correctly observed that the Statement of Cash Flows of the Fund reflects transfers to Nairobi City County Assembly totaling to Ksh. 102,152,000. They further compared this transfer with that of the County Assembly as reflected in the Statement of Receipts and Payments of Ksh. 60,346,051 therefore resulting to unreconciled variance of Ksh. 41,805,949.

Arising from the above observation, financial reporting officers for the Fund and for the County Assembly operations have held consultations on the anomaly as observed by the auditor. The management is pleased in report that there are robust mechanisms within the institution to deter such differences. This can be attested by the recently audited financial statements for 2023/2024 that indicated seamless information for both the financial statements of the Fund and those of the County Assembly operations.

Committee Observations

The Committee notes the significant unreconciled variances between the Fund's records and the County Assembly's records regarding fund transfers. While management attributes this to past reporting anomalies and assures that mechanisms have been strengthened for the 2023/2024 financial year, the lack of reconciliation in the year under review is a serious concern.

Committee Recommendations

- The Committee recommends that the Fund's Accounting Officer and the County Assembly's finance department must establish a mandatory monthly reconciliation process for all inter-entity transactions; and
- That a report on the status of these reconciliations should be submitted to the County Assembly Service Board and the Internal Audit unit on a quarterly basis.

3.1.6. Inaccuracies in the statement of Cash Flows

A review of the statement of cash flows revealed the following anomalies:

3.1.6.1. Inaccuracy of Total Receipts from operating Activities

The statement of cash flows reflects total receipts from operating activities amounting to Kshs. 395,363,000. The amount includes transfers from the County Government amounting to Kshs. 376,000,000 in respect of the revolving fund which is not an operating activity.

Management Response

As correctly observed by the auditor the Statement of Cash flows reflects total receipts from operating activities of Ksh. 395,363,000 which includes transfers from the County Government amounting to Ksh. 376,000,000. The amount of Ksh. 376,000,000 was a receipt from the County Treasury as part of budgetary provision for the Fund. The amount was inadvertently captured under “Cash flows from Operating Activities” instead of under “Cash flows from Financing Activities”. The classification error is regretted.

Committee Observations

The Committee accepts management's explanation that the classification of the Kshs. 376,000,000 transfer from the County Treasury as an operating activity instead of a financing activity was an inadvertent error.

Committee Recommendations

- The Committee recommends for regular capacity building of the Fund's management team including the Secretariat on targeted trainings on the preparation and review of the Statement of Cash Flows in accordance with International Public Sector Accounting Standards (IPSAS); and
- That a secondary review of financial statements should specifically focus on the correct classification of cash flows.

3.1.6.2 Inaccuracy of Cash Transfer to Nairobi City County Assembly (NCCA)

The statement of cash flows reflects transfers to NCCA amounting to Kshs. 102,152,000. However, a review of cashbook revealed that Kshs. 110,029,937 was transferred resulting to an unexplained variance of Kshs. 7,877,937. Further, the amount has not been reflected in the statement of financial position as a receivable.

Management Response

As correctly observed by the auditor, the amount transferred to NCCA from the Fund was Ksh. 102,151,937 as tabulated below;

Date of Borrowing	Amount
05.08.2022	Ksh.31,029,937
19.08.2022	Ksh.1,300,000
07.10.2022	Ksh.3,822,000
11.11.2022	Ksh.15,000,000
24.11.2022	Ksh.11,000,000
13.01.2023	Ksh.20,000,000
14.03.2023	Ksh.20,000,000
Total	Ksh.102,151,937

Committee Observations

The variance of Kshs. 7,877,937 was due to a data capture error in the cash flow statement. Management has provided a detailed breakdown (totaling Kshs. 102,151,937) which matches the cashbook review, resolving the discrepancy.

Committee Recommendations

- The Committee recommends that the Management should ensure the preparation of the cash flow statement is directly tied to and reconciled with the cashbook and bank statements to prevent transcription errors; and
- That the use of automated tools for generating cash flow statements from the accounting system should be explored to minimize manual errors.

3.1.6.3 Inaccuracy of Repayment of Borrowing

The statement of cash flows reflects repayment of borrowings amounting to Kshs. 108,022,000 received from the County Assembly in respect of repayment of domestic borrowings as disclosed in Note 22 to the financial statement. However, the amount has not been reflected in the statement of financial position. Further, review of records revealed that Kshs. 67,703,949 was received resulting to unreconciled variance of Kshs. 40,318,051.

In addition, Note 22 to the financial statements reflects borrowings totaling Kshs. 268,418,000 which have not been reflected in the statement of financial position. Review of the bank reconciliation statement revealed payments in the bank statement not yet recorded in the cashbook amounting to Kshs. 5,095,008 which was described as borrowing refund. However, the refund was not supported by any documentary evidence and the date of the transaction.

In the Circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

Management Response

As observed by the auditor, the Fund received from the County Assembly Operational Account Ksh. 108,022,395 being repayment of borrowings by the County Assembly as disclosed under note 22 of the Financial Statements. The receipt which is named “borrowing” under the said note 22 is not expected to be shown in the balance sheet in isolation. Upon receipt, it was posted in cashbook and therefore formed part of cash and cash equivalents within the year and treated as such in the Statement of Financial position. In addition, the same amount formed part of cash inflows for the year and was reflected as such in Statement of Cash flows.

The Ksh. 268,418,000 shown under note 22 represents net cash borrowings from the Fund by the County Assembly being Ksh. 102,152,000 for operational expenses, Ksh. 274,288,000 for Motor Vehicle Reimbursement Account and total receipts on account of borrowings amounting to Ksh. 108,022,000. The figure however did not include the brought forward amount of Ksh. 66,417,000 shown under note 22 as balance at the end of the period 2021/2022. This amount was inadvertently omitted as the brought forward amount for the period 2022/2023. A corrected note 22 is given here below;

	FY 2022/2023	FY 2021/2022
	Ksh. 000	Ksh. 000
Balance at the beginning of the Period	66,417	-
External Borrowings during the year	-	-
Domestic Borrowings During the Year (Recurrent Borrowings)	102,152	110,283
Domestic Borrowings During the Year (Motor Vehicle Reimbursement)	274,288	-
Repayments of External Borrowings During the Period	-	-

Repayments of Domestic Borrowings During the Period (Recurrent Borrowings)	(108,022)	(43,866)
Balance at the end of the Period	334,835	66,417

The amount reported in the balance sheet is Ksh. 334,835,000 being Ksh. 60,546,052 on account of County Assembly's operational Account and Ksh. 274,288,000 on account of Motor Vehicle Reimbursement Account. These two balances appeared separately in the Statement of Financial Position and they both add up to Ksh. 334,835,000.

The Auditor further observed that there was an amount of Ksh. 5,095,008 which was described as "borrowing refund" in Bank Reconciliation Statement. This amount represented part of the payroll deductions treated as received but had not actually been received. This anomaly was corrected in September 2023 as shown in the journal entry provided under *annexure 5*.

Annexure 5: Journal Entry Voucher

Committee Observations

The Committee notes that the accounting treatment of the repayment (Kshs. 108,022,000) was correct as it formed part of cash balances. The error in Note 22 has been corrected with a comprehensive reconciliation, and the journal entry for the payroll anomaly (Kshs. 5,095,008) has been provided (Annexure 5).

Committee Recommendations

- The Committee recommends that the corrected and more detailed format for Note 22 on borrowings should be adopted as the standard for all future financial statements; and
- That the Finance Department must ensure that all bank reconciliation items are investigated and cleared in a timely manner, with supporting documentation for all adjustments.

3.1.7 Irregular transfer of Funds.

Review of the cashbook revealed that a total of Kshs. 113,851,937 was transferred to the Nairobi City County Assembly during the year. The amount includes transfers totaling to Kshs. 53,305,937 which had not been approved by the Nairobi City County Executive County Committee Member. This is contrary to Section 154(1) (a) of the Public Finance Management Act, 2012 which states that an Accounting Officer shall not authorize the transfer of an amount that is appropriated to another County Government entity or person.

In the circumstances, Management was in breach of law.

Management Response

During the year under review, the County Assembly borrowed Ksh. 102,151,937 from the Car Loan and Mortgage Fund to finance urgent operational needs due to delays in processing exchequer requisitions by the Office of the Controller of Budget. All the borrowings were approved by the County Executive Committee (CEC) Member for Finance and Economic Planning in accordance with Section 116(3) of the Public Finance Management Act 2012. The borrowings and their respective authority by the CEC are as highlighted below;

Date	Amount
05.08.2022	Kshs. 31,029,937
19.08.2022	Kshs. 1,300,000
07.10.2022	Kshs. 3,822,000
11.11.2022	Kshs. 15,000,000
24.11.2022	Kshs. 11,000,000
13.01.2023	Kshs. 20,000,000
14.03.2023	Kshs. 20,000,000
03.08.2023	Kshs. 20,000,000

Committee Observations

The Committee finds that the transfers totaling Kshs. 102,151,937 were approved by the County Executive Committee (CEC) Member for Finance in accordance with Section 116(3) of the PFM Act, 2012, for urgent operational needs. Therefore, these transfers were not irregular. However, the Committee is deeply concerned that the Fund, meant for car loans and mortgages, is being consistently used to cover operational shortfalls of the County Assembly.

Committee Recommendations

- The Committee recommends that the County Assembly Service Board must develop and enforce a strict policy that clearly defines the purpose of the Fund and limits the use of its resources solely for its mandated objectives (car loans and mortgages), except under the most exceptional circumstances and with full Board and regulatory approval;
- That the practice of borrowing from the Fund to finance County Assembly operations should be phased out. The County Treasury must ensure timely disbursement of funds to the Assembly Fund Account as provided for in

Section 109E of the Public Finance Management (Amendment) Act, 2025 to eliminate the need for such borrowings; and

- That all future borrowings must have prior, documented approvals as required by law, and copies of the approval letters must be attached to every transaction during audit.

4.0. COMMITTEE CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NAIROBI CITY COUNTY ASSEMBLY SERVICE BOARD CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30TH JUNE 2024.

4.1.1. Unremitted Payroll Deductions

The statement of financial position and Note 13 to the financial statements reflects receivables from exchange transactions balance of Kshs. 37,781,000. However, review of the receivables from exchange transactions supporting schedules revealed that the receivables from exchange transactions balance of Kshs. 37,781,000 includes an amount of Kshs. 29,356,000 relating to principal loans deducted from Members and staff payrolls but not remitted to the Fund account. Further, the balance includes an amount of Kshs. 3,784,434 interest on unremitted amount not paid.

In the circumstance, the rate the fund issues loan was reduced and queuing period for Members has increased, while the interest which would be earned on unremitted payroll deductions is lost.

Management Response

As observed by the Auditor, the statement of financial position and Note 13 to the financial statements reflects receivables from exchange transactions balance of Kshs. 37,781,000. The amount includes an amount of Kshs. 29,356,000 relating to principal loans and Ksh. 3,784,434 relating to interest on the principal loans, deducted from Members and staff payrolls but not remitted to the Fund account.

The unremitted amounts formed part of pending bills for financial year 2024/2025. The said pending bills were re-appropriated in supplementary budget for Financial Year 2024/2025 as demonstrated under *Annexure 1*.

Annexure 1: Supplementary Budget and List of Pending Bills

Committee Observations

The Committee observes that the failure to remit Kshs. 29,356,000 in principal loans and Kshs. 3,784,434 in accrued interest in a timely manner constituted a serious breach of fiduciary duty. This action directly undermined the Fund's liquidity, forcing a reduction in loan issuance and increasing waiting periods for members.

The Committee further notes that while the unremitted amounts have now been classified as pending bills and provided for in the Supplementary Budget for 2024/2025, this is a

reactive, not a preventive, measure. The delay has resulted in a permanent loss of potential interest income for the Fund.

Committee Recommendations

- The Committee recommends that the Clerk of the County Assembly should expedite the payment of the re-appropriated pending bills to the Fund without any further delay to restore its operational capacity; and
- That the Management should implement a strict, time-bound internal control mechanism to ensure that all payroll deductions are remitted to the Fund account within the first week of the subsequent month.

4.1.2 Long Outstanding Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from related parties amounting to Kshs. 242,331,000 as of 30 June, 2024. This balance comprises of Kshs. 83,241,832 being funds directly borrowed by Nairobi City County Assembly (NCCA) for its operational activities. However, the Nairobi City County Assembly Financial Statements reflects accounts payable – Money owed to the Fund Account amount of Ksh. 63,137,482 resulting to a variance of Ksh. 20,104,350 which was not explained or supported. Cumulatively over the years an amount of Kshs. 223,271,601 was borrowed from the Fund account out of which an amount of Kshs. 157,012,840 relates to balance of motor-vehicle reimbursement which were funds borrowed from the Fund by the NCCA to buy motor vehicles for members of the County Assembly and had not been reimbursed by 30th June 2024.

Further Kshs. 2,075,830 relates to gratuity amounts recovered from two (2) Assembly Members paid into the NCCA operational Account. Similarly, this amount has not been remitted to the Fund account. In addition, as reported in the statement of performance against the County Fund's predetermined objectives, high loan demand against insufficient funds could have been addressed had the outstanding amounts been reimbursed.

In the circumstances, the fund lost interest income which would have been earned from Kshs. 242,331,000 which has not been reimbursed or paid back to the Fund account.

Management Response

As correctly observed by the auditor, statement of financial position reflects receivables from related parties amounting to Kshs. 242,331,000 as of 30 June, 2024. This balance comprises of Kshs. 83,241,832 being funds directly borrowed by Nairobi City County Assembly (NCCA) for its operational activities and an amount of Ksh. 2,075,380 being gratuity amount deducted from Members of the Second Assembly on account of loan balances. The auditor, compared the reported amount of borrowing by the Nairobi City County Assembly

operational financial statements and observed that the operational financial statements reported Ksh. 63,137,482 under Accounts Payable being money owed to the Fund, thereby resulting to a variance of Ksh. 20,104,350 from the two sets of financial statements. The management noted this variance and reconciled the figures. A misstatement was found to have been on the County Assembly Operational Financial Statements. The misstatement will be corrected in the financial statements of the County Assembly Operations for Financial Year 2024/2025.

The auditor further observed that the County Assembly borrowed cumulatively an amount of Ksh. 223,271,601 out of which an amount of Kshs. 157,012,840 related to balance of Motor-Vehicle Reimbursement being funds for payments of Motor-Vehicle Reimbursement benefit for Members of the County Assembly. The Motor Vehicle Reimbursement balance was borrowed from the Fund in financial Year 2022/2023 as KSh. 274,288,000 with a plan to pay back in phases every financial year, within the term of the current Assembly. So far and amount of Ksh. 117,540,000 has been refunded. The balance of Ksh. 157,012,840 will be paid back in phases with an amount of Ksh.67 Million having been appropriated in the current financial year, 2024/2025. The balance of Ksh.90M has been planned for appropriation in the next financial year, 2025/2026. *Annexure 2: 2024/2025 Budget*

Committee Observations

The Committee is deeply concerned by the magnitude and age of the outstanding receivables from the Nairobi City County Assembly (NCCA), totaling Kshs. 242,331,000. This represents a significant diversion of resources from the Fund's core purpose and has contributed to the high loan demand against insufficient funds.

The Committee notes the reconciliation of the Kshs. 20,104,350 variance and the commitment to correct the misstatement in the NCCA's operational statements. However, the existence of such a significant variance points to weak inter-entity financial controls.

While the Committee acknowledges the phased repayment plan for the Motor Vehicle Reimbursement (Kshs. 157,012,840), it is imperative that this schedule is adhered to strictly to avoid a recurrence of this problem in the next Assembly.

Committee Recommendations

- The Committee recommends that the County Assembly must treat the repayment of the Kshs. 67 million appropriated for 2024/2025 and the Kshs. 90 million planned for 2025/2026 as a non-negotiable priority. Any deviation from this schedule must be approved by the Select Committee on Car Loan and Mortgage and the County Assembly Service Board;

- That a formal, legally binding Memorandum of Understanding (MoU) should be established between the Fund and the NCCA governing any future borrowings, specifying clear terms, repayment schedules, and market-rate interest to be paid to the Fund for the use of its capital; and
- That the Fund's Administrator must provide to the Select Committee on Car Loan and Mortgage and the County Assembly Service Board with semi-annual updates on the status of all repayments from the County Assembly.

4.1.3 Delay in Loan Deductions

The statement of financial performance reflects interest income of Kshs. 25,441,000 as disclosed in Note 4 to the financial statements. Included in the Note is interest income from mortgage loans and car loans of Kshs. 22,021,000 and Kshs. 1,150,000 respectively. However, analysis of the loans schedule provided for audit revealed that some loans issued to the Members were not deducted from the members' salaries immediately from the month the loans were advanced as showed in the table below.

Member Name			
Car Loan	Loan Advanced (Kshs)	Date	First Deduction Month
A	3,800,000	11 October, 2023	March 2024
B	3,000,000	14 July, 2023	January 2024
Mortgage			
C	4,000,000	14 July 2023	October 2023
D	3,800,000	14 July 2023	December 2023
E	4,000,000	21 February 2024	No deductions during the F/Y
F	3,500,000	5 March 2024	No deductions during the F/Y

Failure to deduct loans issued is contrary to Regulation 14(1) of the Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations, 2017.

In the circumstances, the Management was in breach of law.

Management Response

As correctly observed by the Auditor, loan deductions as shown in the above table were not made immediately after the loans were issued. The said loans are however currently being

deducted and they will be repaid in full within the term of service for each of the members as required under Regulation 18 and 31 of the Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations, 2017.

Annexure 3: Individual loan Repayment schedules for identified loans

Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations, 2017

Committee Observations

The Committee finds the delays in initiating payroll deductions for disbursed loans, in some cases for over five months, to be a clear and unacceptable violation of Regulation 14(1) of the Fund's governing Regulations. This failure granted unauthorized interest-free credit to members at the expense of the Fund's financial health.

The Management's response, while noting that deductions have now commenced, is insufficient as it does not explain the root cause of the failure or the measures taken to prevent its recurrence.

Committee Recommendations

- The Committee recommends that the Management must immediately strengthen its loan administration process to ensure an irrevocable standing order for deduction is issued to the payroll department before any loan cheque is released to a Member; and
- That a system of penalties for late deductions, as permitted by the Regulations, be consistently applied to all Members, without exception, to compensate the Fund for lost interest.

4.1.4 Non-Automation of the Car Loan and Mortgage Financial Reporting Process

Review of the financial statements revealed that the financial reporting process continued to have significant manual intervention. The ledgers and sub ledgers are manually maintained on excel and the trial balance and financial statements are also done manually on excel spread sheet. The Management of over Kshs. 1,000,000,000 Car and Mortgage Loan Fund using excel worksheet poses a risk in accuracy of the loan transaction data.

In the circumstances, the manual processing of financial records exposes the Car Loan and Mortgage Fund's reporting process to a greater risk of errors and manipulation.

Management Response

The management is in agreement with the auditor on the need to automate the Car Loan and Mortgage Financial processes. Indeed, the processes are mainly manual though computations are done on excel spreadsheets which reduces the chance for error. Though hitherto there has not been a notable error, the management has initiated purchase of an Enterprise Resource Planning (ERP) system in the current Financial Year 2024/2025, which will cover the fund management operations thereby minimize the operational risk of errors and manipulation. A copy of 2024/2025 budget has been provided under annexure 2 in support of the planned purchase of an ERP system.

Annexure 2: 2024/2025 Budget

Committee Observations

The Committee concurs with the Auditor-General that managing a fund exceeding Kshs. 1 billion through manual Excel spreadsheets presents an unacceptable operational risk. This archaic system exposes the Fund to a high probability of errors, data manipulation, and inefficiency.

The Committee welcomes the management's initiative to procure an Enterprise Resource Planning (ERP) system in the 2024/2025 budget. However, the statement that "hitherto there has not been a notable error" is complacent, as manual processes are inherently prone to undetected inaccuracies.

Committee Recommendations

- The Committee recommends that the Management should develop and implement a suitable Enterprise and Resource Planning (ERP) system for the Fund and quarterly progress reports on this project, from the procurement stage through to full implementation and staff training be submitted to the County Assembly;
- That pending the full implementation of the ERP system, the Management must immediately introduce a rigorous system of independent, monthly reconciliation of the Excel-based records with bank statements and payroll reports to mitigate the risk of manual errors; and
- The selected ERP system must have robust modules for loan management, payroll integration, and financial reporting to ensure accuracy, integrity, and transparency in the Fund's operations.

5.0. CONCLUSION

The Committee having considered both the **“Report of the Auditor-General on the Financial Statements of Nairobi City County Assembly Service Board Car Loan and Mortgage Scheme Fund for the year ended 30th June 2022,2023&2024”** and written/oral responses to the audit query raised therein, recommends the fund administrator for prudence and urges that the issues raised by the Auditor General be addressed to avoid recurrence of the same.

6.0. SUMMARY OF RECOMMENDATIONS FOR THE YEAR 2022

Following the Committee's consideration of the **Report of the Auditor-General on the Financial Statements of Nairobi City County Assembly Service Board Car Loan and Mortgage Scheme Fund for the year ended 30th June 2022** and having considered responses from the Accounting Officer, the Committee urges the County Assembly to resolve as follows: -

1. Variance in Interest Income

- The Committee recommends that the Management should ensure thorough review of supporting schedules before submission for audit to prevent future misstatements.

2. Variance in Principal Loan Repayment Records

- The Committee recommends continued use of accrual accounting principles with regular reconciliation among payroll, cash flow, and performance records to ensure consistency.

3. Inconsistency in Loan Records

- The Committee recommends that the Management should institutionalize a quarterly reconciliation process between individual loan ledgers, payroll deductions, and cash flow statements.

4. Inaccurate Statement of Cash flows

- The Committee recommends that the Management should strengthen internal controls over cashbook and bank reconciliation to prevent future reporting errors.

5. Inaccuracies in Receivables

- The Committee recommends that the Management should ensure only current-year receivable data is used in financial reporting and maintain accurate, up-to-date schedules.

6. Inaccurate Statement of Changes in Net Assets

- The Committee recommends that the Management should implement an internal review mechanism to detect and correct clerical and posting errors before submission for audit.

7. Unsupported Administrative Expenses

- The Committee recommends that the Management should continue maintaining proper documentation for all administrative expenses and ensure inclusion of governance disclosures in annual reports.

8. Unfunded Transfer of Funds

- The Committee recommends that the Management should maintain detailed supporting documentation for all fund transfers and ensure real-time reconciliation with bank records.

9. Unresolved Prior Year Matters

- The Committee recommends that the Management should develop and implement a sustainable audit follow-up mechanism to ensure timely implementation of resolutions on future audit issues. (Implementation Matrix)

10. Failure to Adhere to Maximum Loan Disbursement

- The Committee recommends that the Loans Management Committee should continue adhering strictly to the Fund's Regulations and maintain proper valuation reports to support such approvals.

11. Lack of Competitive Bidding

- The Committee recommends that the Management should ensure that at least three valid bids are evaluated in future or document instances where fewer bids are received, in accordance with procurement law.

12. Lack of Mortgage Protection and Fire Policy

- The Committee recommends that the Management should ensure continuous renewal and monitoring of insurance coverage to mitigate risks associated with mortgage assets.

13. Lack of Imprest Register

- The Committee recommends that the Management should consistently maintain and update the imprest register in the prescribed format to ensure accountability in fund advances.

7.0. SUMMARY OF RECOMMENDATIONS FOR THE YEAR 2023

Following the Committee's consideration of the **Report of the Auditor-General on the Financial Statements of Nairobi City County Assembly Service Board Car Loan and Mortgage Scheme Fund for the year ended 30th June 2023** and having considered responses from the Accounting Officer, the Committee urges the County Assembly to resolve as follows:

1. Inaccuracy of Interest Income

- The Committee recommends that the County Assembly Service Board should develop and implement a stringent documentation review process before submitting financial statements for audit to ensure all supporting schedules, including bank interest income, are complete and accurate; and
- That the Finance Department should ensure that reconciliations between the general ledger and subsidiary ledgers are performed and reviewed monthly to prevent such omissions in the future.

2. Unsupported Committee Allowances

- The Committee recommends that the Clerk of the Assembly should issue a circular to all departments emphasizing the importance of maintaining and readily availing all primary supporting documents for all expenditures during internal and external audits; and
- The County Assembly Internal Audit unit should conduct periodic spot-checks on transaction documentation to ensure continuous compliance and readiness.

3. Unsupported Receivables from Exchange Transactions

- The Committee recommends that all future transfers to the County Assembly that create a debtor-creditor relationship must be correctly classified and disclosed as "Receivables from Exchange Transactions" or "Loans to County Assembly" in the Fund's financial statements, with clear notes explaining their nature; and
- That the management to develop a formal loan agreement or memorandum of understanding to govern such transfers to ensure proper accounting treatment and enforceability.

4. Inaccuracy of Total Net Assets and Liabilities.

- The Committee recommends that the County Assembly Service Board must ensure that financial statements are thoroughly reviewed and validated for internal

consistency across all statements (Financial Position, Changes in Net Assets, Cash Flows) before they are finalized and published; and

- That all adjusting journal entries must be properly authorized, supported, and filed for easy reference during audits.

5. Inaccuracies in Transfer from County Assembly

- The Committee recommends that the Fund's Accounting Officer and the County Assembly's finance department must establish a mandatory monthly reconciliation process for all inter-entity transactions; and
- That a report on the status of these reconciliations should be submitted to the County Assembly Service Board and the Internal Audit unit on a quarterly basis.

6. Inaccuracy of Total Receipts from operating Activities

- The Committee recommends for regular capacity building of the Fund's management team including the Secretariat on targeted trainings on the preparation and review of the Statement of Cash Flows in accordance with International Public Sector Accounting Standards (IPSAS); and
- That a secondary review of financial statements should specifically focus on the correct classification of cash flows.

7. Inaccuracy of Cash Transfer to Nairobi City County Assembly (NCCA)

- The Committee recommends that the Management should ensure the preparation of the cash flow statement is directly tied to and reconciled with the cashbook and bank statements to prevent transcription errors; and
- That the use of automated tools for generating cash flow statements from the accounting system should be explored to minimize manual errors.

8. Inaccuracy of Repayment of Borrowing

- The Committee recommends that the corrected and more detailed format for Note 22 on borrowings should be adopted as the standard for all future financial statements; and
- That the Finance Department must ensure that all bank reconciliation items are investigated and cleared in a timely manner, with supporting documentation for all adjustments.

9. Irregular transfer of Funds.

- The Committee recommends that the County Assembly Service Board must develop and enforce a strict policy that clearly defines the purpose of the Fund and limits the use of its resources solely for its mandated objectives (car loans and mortgages), except under the most exceptional circumstances and with full Board and regulatory approval;
- That the practice of borrowing from the Fund to finance County Assembly operations should be phased out. The County Treasury must ensure timely disbursement of funds to the Assembly Fund Account as provided for in Section 109E of the Public Finance Management (Amendment) Act, 2025 to eliminate the need for such borrowings; and
- That all future borrowings must have prior, documented approvals as required by law, and copies of the approval letters must be attached to every transaction during audit.

8.0. SUMMARY OF RECOMMENDATIONS FOR THE YEAR 2024

Following the Committee's consideration of the **Report of the Auditor-General on the Financial Statements of Nairobi City County Assembly Service Board Car Loan and Mortgage Scheme Fund for the year ended 30th June 2024** and having considered responses from the Accounting Officer, the Committee urges the County Assembly to re

1. Unremitted Payroll Deductions

- The Committee recommends that the Clerk of the County Assembly should expedite the payment of the re-appropriated pending bills to the Fund without any further delay to restore its operational capacity; and
- That the Management should implement a strict, time-bound internal control mechanism to ensure that all payroll deductions are remitted to the Fund account within the first week of the subsequent month.

2. Long Outstanding Receivables from Non-Exchange Transactions

- The Committee recommends that the County Assembly must treat the repayment of the Kshs. 67 million appropriated for 2024/2025 and the Kshs. 90 million planned for 2025/2026 as a non-negotiable priority. Any deviation from this schedule must be approved by the Select Committee on Car Loan and Mortgage and the County Assembly Service Board;
- That a formal, legally binding Memorandum of Understanding (MoU) should be established between the Fund and the NCCA governing any future borrowings, specifying clear terms, repayment schedules, and market-rate interest to be paid to the Fund for the use of its capital; and
- That the Fund's Administrator must provide to the Select Committee on Car Loan and Mortgage and the County Assembly Service Board with semi-annual updates on the status of all repayments from the County Assembly.

3. Delay in Loan Deductions

- The Committee recommends that the Management must immediately strengthen its loan administration process to ensure an irrevocable standing order for deduction is issued to the payroll department before any loan cheque is released to a Member; and
- That a system of penalties for late deductions, as permitted by the Regulations, be consistently applied to all Members, without exception, to compensate the Fund for lost interest.

4. Non-Automation of the Car Loan and Mortgage Financial Reporting Process

- The Committee recommends that the Management should develop and implement a suitable Enterprise and Resource Planning (ERP) system for the Fund and quarterly progress reports on this project, from the procurement stage through to full implementation and staff training be submitted to the County Assembly;
- That pending the full implementation of the ERP system, the Management must immediately introduce a rigorous system of independent, monthly reconciliation of the Excel-based records with bank statements and payroll reports to mitigate the risk of manual errors; and
- That the selected ERP system must have robust modules for loan management, payroll integration, and financial reporting to ensure accuracy, integrity, and transparency in the Fund's operations.

9.0. 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 58TH SITTING OF THE NAIROBI CITY COUNTY ASSEMBLY SELECT COMMITTEE ON COUNTY PUBLIC ACCOUNTS HELD ON MONDAY, 27TH OCTOBER, 2025 AT 10:00 A.M. AT EPASHIKINO RESORT, 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. Cyrus Mugo Mubea, MCA
7. Hon. Mary Wanjiru Kariuki, MCA
8. Hon. Mark Thiga Ruyi, MCA
9. Hon. Jane Musangi Muthembwa, MCA
10. Hon. Martin Mbugua Mwangi, MCA
11. Hon. Billy Richardo Nyantika, MCA
12. Hon. Carrington Gichunji Heho, MCA
13. Hon. Redson Otieno Onyango, MCA
14. Hon. Fredrick Njoroge Njogu, MCA
15. Hon. Fatuma Abduwahid Abey, MCA
16. Hon. Benter Juma Obiero, MCA
17. Hon. Stazo Elijah Omung'ala Ang'ila, MCA
18. Hon. John Ndile Musila, MCA
19. Hon. Aaron Kangara Wangare, MCA
20. Hon. Simon Maina Mugo, MCA

MEMBERS PRESENT:

1. Hon. John Rex Omolleh, MCA
2. Hon. Hussein Fuad Mohammed, MCA
3. Hon. Eutyclus Mukiri Muriuki, 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.246/NCCA/PAC/OCTOBER/2025 – PRELIMINARIES

The Chairman called the meeting to order at twenty-seven minutes past ten O'clock and the opening prayers were said by Hon. Rachel Maina, MCA. The Chairman then welcomed Members present to the meeting and took them through the agenda which was adopted for consideration as proposed by Hon. Paul Wachira Kariuki, 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 Reports of the Auditor - General on the Financial Statements of the County Assembly Car Loan and Mortgage Fund for the years ended 30th June, 2022, 2023 & 2024;
3. Any Other Business, and
4. Adjournment.

MIN.247/NCCA/PAC/OCTOBER/2025 – CONSIDERATION AND ADOPTION OF THE DRAFT REPORT ON THE CONSIDERATION OF THE REPORTS OF THE AUDITOR - GENERAL ON THE FINANCIAL STATEMENTS OF THE COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND FOR THE YEARS ENDED 30TH JUNE, 2022, 2023 & 2024

The Secretariat tabled and took the Committee through the draft report on the Consideration of the Reports of the Auditor - General on the Financial Statements of the County Assembly Car Loan and Mortgage Scheme Fund for the years ended 30th June, 2022, 2023 & 2024. The Committee deliberated on the report and adopted the same for tabling in the Assembly as proposed by Hon. Emmy Khatemeshi, MCA and seconded by Hon. Martin Mbugua, MCA.

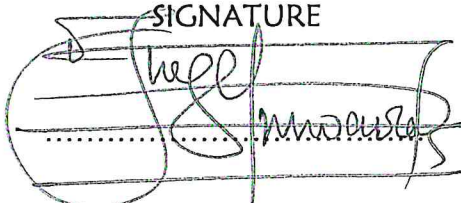
MIN.248/NCCA/PAC/OCTOBER/2025 – AOB & ADJOURNMENT

The being no other business and the time being forty minutes past Four 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

A handwritten signature in black ink, appearing to be 'Emmy Khatemeshi', is written over a set of horizontal lines. The signature is stylized and cursive.

DATE

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