

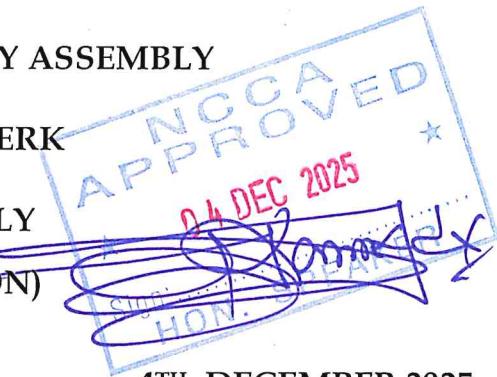
GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY  
(FOURTH SESSION)



NCCA/TJ/PL/2025(91)

4<sup>TH</sup> DECEMBER 2025

**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 4<sup>th</sup> 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 FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020.

*(Chairperson, Select Committee on Public Accounts)*

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

*Paper laid on  
4th Dec 2025  
and Notice issued  
by [Signature] SCA  
4/12/2025*



GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY  
THIRD ASSEMBLY  
(FOURTH SESSION)

4<sup>th</sup> December 2025

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NOTICE OF MOTION

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**Subject: Adoption of report of a Committee**

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

— THAT, this Assembly adopts THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS ON NAIROBI CITY COUNTY ASSEMBLY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020 laid on the Table of the Assembly on 4<sup>th</sup> December 2025.

*(Chairperson, Select Committee on Public Accounts)*

*Noticed issued  
on 4th Dec 2025  
Wadehill SK  
4/12/2025*



# Nairobi City County Government



## Nairobi City County Assembly

### Third Assembly – Fourth Session

#### The Report of the Select Committee on Public Accounts

On

Consideration of the report of the Auditor General on  
the Financial Statements of Nairobi City County  
Assembly for the year ended 30<sup>th</sup> June, 2020.

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Clerks Chambers  
Nairobi City County Assembly  
City Hall Buildings  
Nairobi

December, 2025

## TABLE OF CONTENTS

ABBREVIATIONS .....	3
CHAIRPERSONS FOREWORD .....	4
1.0. INTRODUCTION .....	6
1.1. Mandate of the Public Accounts Committee .....	6
1.2. Guiding principles .....	6
1.3. Obligations of the Accounting Officer.....	7
1.4. Committee Membership .....	7
1.5. Committee Secretariat.....	8
2.0. WITNESSES AND SITTINGS .....	8
3.0. FINANCIAL STATEMENTS OF THE NAIROBI CITY COUNTY ASSEMBLY FOR THE YEAR ENDING 30 <sup>TH</sup> JUNE, 2020 .....	9
3.1.1. Presentation of Financial Statements.....	9
3.1.2. Unreconciled Variance .....	10
3.1.3. Allowances to Members of County Assembly .....	10
3.1.4. Miscellaneous Payments .....	11
3.1.5. Legal Fees.....	11
3.1.6. Foreign Travel and Subsistence Allowances .....	12
3.1.7. Outstanding Imprests .....	12
3.1.8. Fixed Assets .....	13
3.1.9. Pending Bills.....	14
3.1.10. Prior Year Grants .....	14
3.1.11. Budgeted Receipts Payments.....	15
3.1.12. Prior Year Adjustment.....	15
3.1.13. Total Payments .....	16
3.1.14. Budgetary Control and Performance .....	17
3.1.15. High Wage Bill .....	18
3.1.16. Excessive Deductions on Staff Pay .....	18
3.1.17. Payments to Staff by County Executive of Nairobi .....	19
3.1.18. Domestic and Subsistence Allowances .....	20
3.1.19. Payment to County Assembly Forum .....	20
3.1.20. Unapproved Risk Management Policy .....	21
4.0. CONCLUSION .....	22
5.0. SUMMARY OF ALL RECOMMENDATIONS .....	23
ANNEXURES.....	26

## **ABBREVIATIONS**

**FY** – Financial Year

**IFMIS** - Integrated Financial Management Information System

**IPSAS** - International Public Sector Accounting Standards

**MCA** - Member of County Assembly

**OAG** – Office of the Auditor General

**PAC** – Public Accounts Committee

**PFM** – Public Finance Management

## CHAIRPERSONS FOREWORD

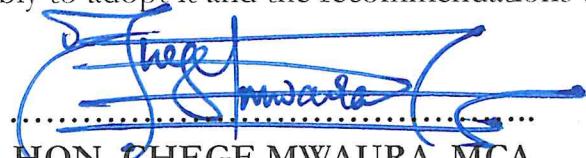
**Honourable Speaker**, on behalf of the Public Accounts Committee (PAC) and pursuant to the provisions of Standing Order 203(2), it is my pleasant privilege and honour to present to this Assembly this report of the Public Accounts Committee on the consideration of the *“The report of the Auditor General on the financial Statements of Nairobi City County Assembly for the year ended 30<sup>th</sup> June, 2020.”*

Article 176 of the Constitution establishes the County Government comprising of two distinct and independent arms namely; the County Assembly and the County Executive. The County Assembly is supposed to enjoy both financial and operational autonomy. This is to ensure that the Assembly remains independent while exercising oversight over the County Executive Committee and County Government entities. Indeed, Section 148 (4) designates the Clerk of the County Assembly as the accounting officer of the Assembly. In this regard, the Clerk as the Accounting Officer is charged with the responsibility of managing the finances and resources of the Assembly. As such, as provided for under Section 149 of the PFM Act, 2012, the Clerk like any other accounting officer of a County Government entity is accountable to the County Assembly in ensuring that the resources of the Assembly are used in a lawful, effective, efficient, economical and in a transparent manner.

It is against this backdrop that the Auditor General submits annual reports on accounts of the County Assembly to the Assembly pursuant to article 229 of the Constitution in order for the Assembly to take appropriate action. The Auditor General’s report is subsequently committed to PAC for consideration and reporting pursuant to Standing Order 197. This report is therefore a result of a meticulous exercise carried out by the Committee in considering the Auditor General’s report. The Committee held sittings to consider the report one of which it received responses from the Accounting Officer. While considering the report, the Committee identified issues such as inefficiencies in financial reporting and budget implementation as some of the notable issues raised by the Auditor General

In conclusion, **Honourable Speaker**, I would like to thank the Accounting Officer during the period under review, Mr. Edward Gichana for appearing before the Committee and responding to the queries raised by the Auditor General. I wish also to register my appreciation to fellow Honourable Members of the Committee for their commitment. Equally, I thank the Offices of the Speaker and the Clerk of the County Assembly, and the Office of the Auditor General for their continued support. I also thank members of the Secretariat for their valued input in the work of the Committee.

Honourable Speaker, on behalf of the Public Accounts Committee, I now wish to table the report and urge the Assembly to adopt it and the recommendations therein.

  
.....  
**HON. CHEGE MWAURA, MCA**  
(CHAIRPERSON)

## 1.0. INTRODUCTION

### 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.

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 all the Accounting Officers to appear before the PAC to respond to audit queries raised by the Auditor General. It is against this backdrop that the Clerk of the County Assembly appears before the Committee to respond to the queries raised by the Auditor General.

### **1.4. Committee Membership**

The Committee comprises of the following members: -

1. Hon. Chege Mwaura, MCA - Chairperson
2. Hon. Abel Osumba Atito, MCA - Vice-Chairperson
3. Hon. Benter Juma Obiero, MCA
4. Hon. Redson Otieno Onyango, MCA
5. Hon. John Rex Omolleh, MCA
6. Hon. Stazo Omung'ala Ang'ila, MCA
7. Hon. Richard Nyantika Billy, MCA
8. Hon. John Ndile Musila, MCA
9. Hon. Cyrus Mugo Mubea, MCA
10. Hon. Jane Musangi Muthembwa, MCA
11. Hon. Emmy Khatemeshi Isalambo, MCA
12. Hon. Fuad Hussein Mohamed, MCA
13. Hon. Fatuma Abduwahid Abey, MCA
14. Hon. Eutychus Mukiri Muriuki, MCA
15. Hon. Fredrick Njoroge Njogu, MCA
16. Hon. Rachel Wanjiru Maina, MCA
17. Hon. Aaron Kangara Wangare, MCA

18. Hon. Carrington Gichunji Heho, MCA
19. Hon. Mark Thiga Ruyi, MCA
20. Hon. Simon Maina Mugo, MCA
21. Hon. Paul Wachira Kariuki, MCA
22. Hon. Martin Mbugua Mwangi, MCA
23. Hon. Mary Wanjiru Kariuki, MCA

#### **1.5. Committee Secretariat**

The Committee secretariat comprises of the following officers: -

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

#### **2.0. WITNESSES AND SITTINGS**

The **Accounting Officer** appeared before the Committee and submitted written responses to the audit queries raised by the Auditor General. The Committee held sittings to consider the report of the Auditor General during which it examined both written and oral submissions by the Clerk. Minutes of the Committee's sittings and the submissions tabled by the Accounting Officer are annexed to this report.

### **3.0. FINANCIAL STATEMENTS OF THE NAIROBI CITY COUNTY ASSEMBLY FOR THE YEAR ENDING 30<sup>TH</sup> JUNE, 2020**

#### **3.1.1. Presentation of Financial Statements**

The financial statements contain the following errors and discrepancies:

- i. The statement of financial assets and liabilities incorrectly reflects Notes 13, Note 14 and Note 15 as providing further disclosures on Accounts Receivables Outstanding imprests, Accounts Payables – Deposits and Retentions, and Fund Balance brought forward respectively. However, the actual disclosures on these accounts are denoted in the Notes to the financial statements as Notes 14, 15 and 16 respectively.
- ii. Note 17 on prior year adjustments is incorrectly reflected as Note 16 in the statement of financial assets and liabilities.
- iii. The cover page refers the financial statements as “amended” but the designation is not recognized in the reporting format prescribed by the Public Sector Accounting Standards Board or the in IPSAS.

In view of these issues, the financial statements do not conform to IPSAS and the presentation format prescribed by the Public Sector Accounting Standard Board (PSASB).

#### **Management Response**

It's true to the auditor's observation that there was inconsistency in the preparation of the financial statements with the template used. The correct position is that the Accounts receivables should read as note 14, Accounts payable read as note 15 and Fund balance brought forward should read as note 16 and Prior year adjustment as note 17 thus reconciling with the statement of Financial Assets and Liabilities with the respective notes.

The County Assembly made an error and labeled the financial statement as “Amended” when submitting its Financial Statements but this has been rectified in the subsequent financial statements.

#### **Committee Observation:**

The Committee observed that inconsistencies noted by the Auditor-General in the presentation and numbering of notes in the financial statements were acknowledged and corrected by the County Assembly. The errors did not affect the financial figures and have been rectified in subsequent statements.

#### **Committee Recommendation:**

- The Committee recommends that the County Assembly management to adhere to the prescribed IPSAS and PSASB reporting templates to ensure consistency and accuracy in future financial statements.

### **3.1.2.Unreconciled Variance**

Whereas statement of receipts and payments reflects Kshs. 623,426,791 in respect to compensation of employees, Note 4 to the financial statements reflects Kshs. 684,054,221 on the account resulting to a variance of Kshs.60,627,430 which was not explained.

#### **Management Response**

It's true under note 4 to the financial statements reflects compensation of employees amounting to Kshs. 684,054,221 which is a component of Kshs. 623,426,791 and Kshs. 60,627,430. The pension and other social security contributions as per the reporting template is reported and classified separately under compensation to employees. The kshs.60,627,430.00 was a casting error which should not have been accounted under note 4, but under note 9

#### **Committee Observation:**

The Committee noted that the variance of Kshs. 60,627,430 arose from a misclassification error, which has since been corrected. Supporting documentation verified that the figures were accurate upon reclassification.

#### **Committee Recommendation:**

- The Committee recommends that the Management should ensure thorough review of financial statements before submission to avoid similar errors and to strengthen internal review controls.

### **3.1.3.Allowances to Members of County Assembly**

The compensation of employees expenditure totaling Kshs.623, 426,791 reflected in the statement of receipts and payments includes personal allowances totaling Kshs.226,709,669 paid as part of salary.

Audit examination of records on the payments indicated that Kshs.75,761,400 was paid as sitting allowances to Members of the County Assembly (MCAs) during the year under review. However, attendance reports, including biometric data on the MCAs, and the dates the respective Committee meetings were held, were not provided for audit review.

As a result, the propriety of payments totaling Kshs.75,761,400 could not be confirmed.

#### **Management Response**

The County Assembly has provided for expenditures related to members attendance reports, including biometric data on the MCAs, and the dates the respective Committee meetings held of Ksh 75,761,400 for audit review under Annexure 1

#### **Committee Observation:**

The Committee noted that all required attendance records and biometric data supporting payment of Kshs. 75,761,400 in sitting allowances were provided and verified. The payments were found to be proper and in line with Assembly attendance records.

### **Committee Recommendation:**

- The Committee recommends that the Management should maintain proper documentation of attendance and meeting records on a continuous basis to support allowance claims and ensure transparency.

#### **3.1.4. Miscellaneous Payments**

Payments for various items totaling Kshs.72, 146,593 were not supported with relevant documents contrary to Regulation 104(1) of the Public Finance Management (County Governments) Regulations, 2015.

As a result, the accuracy, completeness and validity of the payments could not be confirmed.

#### **Management Response**

The County Assembly has provided for expenditures related to Routine Maintenance and other assets of Ksh 1,619,945; Office and general supplies and services of Ksh 4,646,387; Training expenses documentations supporting the Ksh 30,209,889 expenditure; Rental of produces assets expenditures of Ksh 31,642,783 and Basic wages and allowances to CASB members of Ksh 4,027,589. Annexure 2

#### **Committee Observation:**

The Committee observed that all supporting documents for payments totaling Kshs. 72,146,593 were availed and verified. The expenditures were found to be valid and properly supported.

#### **Committee Recommendation:**

- The Committee recommends that the Management should maintain complete and accessible supporting documentation for all expenditures to ensure compliance with the PFM (County Governments) Regulations, 2015.

#### **3.1.5. Legal Fees**

Included in use of goods and services balance totaling Kshs.470, 626,447 is Kshs.44,987,494 paid to various legal firms in respect of legal fees. However, records indicating how the firms were identified and the respective service agreements signed with them, if any, were not provided for audit. Further, the proceedings or outcomes of the court cases or affairs that the firms provided legal services in were not provided for audit verification.

As a result, the occurrence, propriety and value for money on the expenditure totaling Kshs.44, 987,494 could not be confirmed.

#### **Management Response**

The County Assembly has provided for legal fees expenditures amounting to Ksh 44,987,494 for audit verification to ascertain how the respective firms were identified and the status of each court case. Annexure 3

### **Committee Observation:**

The Committee noted that documentation on the identification of legal firms, contracts, and related case files was availed and verified. The payments amounting to Kshs. 44,987,494 were therefore confirmed as valid and compliant.

### **Committee Recommendation:**

- The Committee recommends that the Management should ensure procurement and engagement of legal services adhere strictly to public procurement procedures and that contract registers are updated regularly.

#### **3.1.6. Foreign Travel and Subsistence Allowances**

Records provided for audit indicated that the County Assembly spent Kshs.97, 802,709 on foreign travel and subsistence in the year under review. However, payment vouchers for the expenditure were not supported with travel documents to confirm the occurrence and validity of the expenditure.

As a result, the occurrence, accuracy and propriety of the payments totaling Kshs.97,802,709 could not be confirmed.

### **Management Response**

The County Assembly has provided for foreign travel and subsistence expenditures amounting to Ksh 97,802,709 for audit verification to ascertain the occurrence and validity of the expenditures. Annexure 4

### **Committee Observation:**

The Committee confirmed that the management provided all travel documents and supporting records verifying expenditures totaling Kshs. 97,802,709. The expenditures were found to be properly incurred.

### **Committee Recommendation:**

- The Committee recommends that the Management should enforce accountability for foreign travel by ensuring all relevant travel authorizations and reports are maintained in each file.

#### **3.1.7. Outstanding Imprests**

The statement of financial assets and liabilities reflects Kshs.128, 072,586 in respect of accounts receivables – outstanding imprests whereas Note 14 to the financial statements reflects accounts receivables totaling Kshs.129, 809,586 resulting to an unreconciled variance of Kshs.1,737,000.

Further, an analysis of imprests balance showing the names of the imprest holders, issue and due dates for the imprests, amounts surrendered and balances as at 30 June, 2020 was not provided for audit verification.

Consequently, the accuracy, completeness and validity of the outstanding imprests balance totaling Kshs.128, 072,586 as at 30 June, 2020 could not be confirmed.

### **Management Response**

The county assembly did not maintain imprest register in the financial year under review, but we operated on system imprest. This omission has been corrected in the subsequent years

### **Committee Observation:**

The Committee observed that the Assembly operated a system-generated imprest management process, which has since been improved with an updated register. The earlier omission has been rectified.

### **Committee Recommendation:**

- The Committee recommends that the Management should maintain a comprehensive imprest register and ensures timely surrender and reconciliation of all advances to promote fiscal discipline.

#### **3.1.8.Fixed Assets**

Annex 4 to the financial statements reflects a summary of fixed assets register that depicts assets with historical values totaling Kshs.21,873,599 as at 30 June, 2019. However, information on asset additions, disposals and transfers in the year under review was not disclosed. In addition, Management did not maintain an updated asset register contrary to Section 149(2) of the Public Finance Management Act, 2012.

In view of these omissions, the existence, location, and accuracy of the assets balance totaling Kshs.21, 873,599 as at 30 June, 2020 could not be confirmed.

### **Management Response**

The County Assembly in the year under review maintained an Asset register as guided by Section 149(2) of the Public Finance Management Act 2012, which is available for Audit review. Annexure 5

### **Committee Observation:**

The Committee verified that the Assembly had maintained an updated asset register as required by Section 149(2) of the PFM Act, 2012, which was made available for audit verification.

### **Committee Recommendation:**

- The Committee recommends that the Management should maintain and update the fixed asset register semi-annually to ensure accurate tracking and safeguarding of public assets.

### **3.1.9.Pending Bills**

Note 1 of other important disclosures reflects pending accounts payables (pending bills) totaling Kshs.8,941,436 as at 30 June, 2020 whereas Annex 1 reflects a nil balance in respect to the account resulting to an unreconciled variance of Kshs.8,941,436.

Further, the pending bills balance was not supported by source documents and supporting schedules indicating the nature of the payables and payments made thereof if any, and the outstanding balance as at 30 June, 2020. Further, analyses showing the ages of the payables was not provided for audit.

In view of these discrepancies the accuracy and propriety of the accounts payables totaling Kshs.8,941,436 as at 30 June, 2020 could not be confirmed.

Delays in settling pending bills may slow down economic activity and discourage traders and other private parties from doing business with public entities.

#### **Management Response**

The County Assembly in the year under review disclosed under note 5.10 Pending Accounts Payables (pending bills) amounting to Ksh 8,941,436 in relations to supply of goods and services but erroneously omitted in the annex 1. The correct analysis for outstanding balance for FY 2019/20 with supporting documents has been submitted in annexure 6

#### **Committee Observation:**

The Committee observed that the discrepancy in pending bills amounting to Kshs. 8,941,436 was a reporting omission in the annex, which has since been corrected. Supporting schedules were availed and verified.

#### **Committee Recommendation:**

- The Committee recommends that the Management should ensure timely disclosure and reconciliation of all pending bills to promote transparency and prevent accumulation of unpaid obligations.

### **3.1.10.Prior Year Grants**

The statement of receipts and payments reflects prior year other grants and transfers totaling Kshs.1,558,992 whereas Note 8 to the financial statements, that seeks to explain the balance, reflects a nil balance resulting to an unreconciled variance of Kshs.1,558,992. As a result, the accuracy and fair presentation of the prior year's grant balance totaling Kshs.1,558,992 could not be confirmed.

#### **Management Response**

The County Assembly committed an error in reporting a nil balance on disclosure on Grants and Transfers. This was an omission that is regretted.

**Committee Observation:**

The Committee observed that the omission of Kshs. 1,558,992 in prior year grants was an error acknowledged by management. The correction has been made in subsequent reporting periods.

**Committee Recommendation:**

- The Committee recommends that the Management should ensure that future financial statements undergo internal quality assurance review before submission to prevent such omissions.

**3.1.11.Budgeted Receipts Payments**

The statement of comparison of budget and actual amounts: recurrent and development combined reflects an original budget of Kshs.5,500,000 on Other Grants and Transfers, whereas the final budget reflects a nil balance resulting to an unexplained difference of Kshs.5,500,000 between the two records.

The statement further reflects final budgeted payments totaling Kshs.1,473,673,965 but a recast of the balances included therein yields Kshs.1,393,462,525 resulting to an unreconciled variance of Kshs.80,211,440.

In view of these discrepancies, the accuracy of the statement of comparison of budget and actual amounts: recurrent and development is doubtful.

**Management Response**

The County Assembly has acknowledged the anomaly and it has been corrected in the subsequent financial statements.

**Committee Observation:**

The Committee noted that anomalies in the budget comparison statement have been corrected and that subsequent statements are properly aligned with approved budget records.

**Committee Recommendation:**

- The Committee recommends that the Management should ensure accurate linkage between approved budgets and financial statements through routine reconciliation between the finance and budget departments.

**3.1.12.Prior Year Adjustment**

Note 17 to the financial statements reflects prior year adjustments totaling Kshs.118,980,141, which Management attributed to adjustments of bank account balances and receivables erroneously included in previous audited financial statements.

However, the adjustments were effected against balances for the year under review contrary to International Public Sector Accounting Standard No.3. The Standard requires every material error for prior periods be corrected retrospectively in the first set of financial statements authorized for issue upon its discovery by restating the comparative amounts for

the prior period in which the error occurred. The adjustment has, similarly, been made in error in the statement of cash flows.

Therefore, the financial statements are not fairly stated.

### **Management Response**

Under Notes to the Financial Statements Note 17 Prior Year Adjustments it doesn't relate to the prior year errors adjustments but the Prior year related to Adjustments of the bank Account balances brought forward from previous year i.e. FY 2018/19 of Kshs. 9,074,491, Adjustment of Payables which is the retention money to a supplier of Kshs. 17,954 and Outstanding Imprest balance for the year under Audit of Kshs. 128,072,586.

### **Committee Observation:**

The Committee noted that prior year adjustments totaling Kshs. 118,980,141 were properly explained and supported by reconciliations of bank balances, payables, and outstanding imprests. The corrections were found to be accurate.

### **Committee Recommendation:**

- The Committee recommends that the Management should ensure all future adjustments are processed and disclosed in strict compliance with IPSAS 3 requirements to maintain transparency and comparability of financial information.

#### **3.1.13. Total Payments**

The statement of receipts and payments reflects payments totaling Kshs.1, 154,646,327 whereas the Integrated Financial Management System (IFMIS) ledger reflects payments totaling Kshs.375, 542,403 for the year under review resulting to an unexplained variance of Kshs.779, 103,924. As a result, the accuracy of the financial statements is doubtful.

### **Management Response**

We acknowledge variance between IFMIS and Financial statements. The variance occurred due out standing imprest and salary journals had not been passed at the end of the financial year. This anomaly has been corrected in the subsequent financial year.

### **Committee Observation:**

The Committee observed that the variance between the IFMIS ledger and financial statements was occasioned by outstanding imprests and unposted salary journals at year-end. The anomaly was confirmed to have been corrected in subsequent financial years.

### **Committee Recommendation:**

- The Committee recommends that the Management should ensure all accounting journals are posted and reconciled before closure of the financial year to enhance accuracy and reliability of financial reporting.

### **3.1.14. Budgetary Control and Performance**

The approved budget of the County Assembly for the year under review totaled Kshs.1,473,673,965 comprised of recurrent and development estimates totaling Kshs.1,343,262,525 and Kshs.44,700,000 respectively. Actual expenditure totalled Kshs.1,154,646,327 as indicated in the summary statement of appropriation recurrent and development combined. This was, equivalent to an absorption rate of 83%.

The failure to absorb Kshs.238,816,198 or 17% of the budget may have constrained delivery of the legislative and oversight mandate of the County Assembly.

In addition, revenue records indicated that the County Assembly received exchequer releases for the year under review totaling Kshs.311,831,896 between the months of June, 2020 and July, 2020. The receipts were for the recurrent vote. Delay in receipt of the exchequer releases may, to a large extent, explain the expenditure shortfall recorded in the year under review.

### **Management Response**

In the financial year 2019/2020, The Nairobi city county Assembly experienced issues that affected the absorption of budget.

The first challenge was the nationwide declaration of covid-19 pandemic that posed social and economic challenges to the country. In compliance with the government directive to scale down operations to reduce the spread of the covid-19 as from March 2020, the Nairobi City County Assembly board resolved to scale down operations in the Assembly by sending members and staff home and leaving only essential staff at work.

This had a major effect on the members sitting allowances thus not all budgeted expenditure under compensation of employees was incurred. Also due to the scaled down operations, some of the running costs within Assembly reduced thus also use of goods and services budget expenditure was not incurred.

Secondly, the Nairobi City County Assembly faced political challenges that hampered administrative operations thus affecting the financial year budget absorption. With the changes in leadership transition, some functions remained at a standstill as result of the administrative challenges. During this period, Assembly operations halted for a period of 5 months thus affecting the budget absorption on the use of goods and services votes.

Lastly, on the development expenditure, due to Covid pandemic the projects were rolled over the next financial year 2020/2021.

### **Committee Observation:**

The Committee noted that the 17% under-absorption of the approved budget was mainly due to COVID-19 disruptions, scaled-down operations, and political challenges affecting leadership transitions. These explanations were found reasonable and supported by evidence.

### **Committee Recommendation:**

- The Committee recommends that the Management should strengthen its planning and risk mitigation mechanisms to minimize the impact of unforeseen disruptions on budget execution and service delivery.

#### **3.1.15. High Wage Bill**

The statement of receipts and payments reflects expenditure totalling Kshs.623,426,791 on compensation of employees, which is 48% of the County Assembly's total revenue amounting to Kshs.1,303,785,480 for the year ended 30 June, 2020. The expenditure on wages and benefits therefore exceeded the thirty-five percent (35%) threshold prescribed under Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the Management was in breach of the law. In addition, excessive use of limited resources in payment of personnel emoluments may have constrained the capacity of the County Assembly to fund its legislative and oversight operations and development projects.

#### **Management Response**

Regulations 25(1) (b) of the Public Finance Management (County Government) Regulations, 2015 states that compensation to the employees should not exceed 35% of the total revenue. This requirement guides total expenditure of the entire County Government and not for a separate unit like Nairobi City County Assembly or other sectoral departments.

#### **Committee Observation:**

The Committee noted that although expenditure on compensation of employees exceeded the 35% threshold of total revenue, the limitation under Regulation 25(1)(b) applies to the entire County Government and not individual entities. The Assembly's interpretation was therefore correct.

### **Committee Recommendation:**

- The Committee recommends that the Management to adhere to the approved budget ceilings on personnel emoluments while maintaining a balanced allocation between wages, operations, and development expenditure.

#### **3.1.16. Excessive Deductions on Staff Pay**

In the year under review, forty (40) employees were paid net salaries that were less than a third (1/3) of their respective basic pay. Nineteen (19) of the officers were members of staff whereas twenty-one (21) were Members of County Assembly (MCAs). In allowing the excessive deductions, Management contravened provisions of the Nairobi City County Assembly Human Resource Manuals and Section 19(3) of the Employment Act, 2007 both of which prohibit employers from making deductions in excess of two thirds of their employees' wages.

In the circumstances, the Management breached the law and also exposed the Officers to the risk of pecuniary embarrassment.

### **Management Response**

The County Assembly strictly adheres to the County Human Resources Manual, 2013, section D.22(2), on the retainer of 1/3 of the basic salary to each and every staff and Members of the County Assembly. However, in exceptional circumstances where officers or members are in conflict of law especially the Public Finance Management Act, 2012 on surrender of imprest and disciplinary issues like absenteeism, the County Assembly proceeds to deduct the affected officer's salary. It is unfortunate that some officers and Members have committed their salaries on loans and mortgages thus exceeding the 1/3 rule of basic pay whenever such deductions are effected.

### **Committee Observation:**

The Committee observed that cases where employees received less than one-third of their basic salary were due to statutory deductions, loan commitments, and disciplinary recoveries. The management's explanation was confirmed as accurate and justified.

### **Committee Recommendation:**

- The Committee recommends that the Management should enhance staff financial counseling and enforces compliance with the one-third salary retention policy to protect employees from financial distress.

#### **3.1.17. Payments to Staff by County Executive of Nairobi**

As similarly reported in the previous year, examination of expenditure documents for the year under review revealed payments totaling Kshs.142, 857,111 made to the staff of the County Assembly by Management of the County Executive of Nairobi City for undisclosed duties. The authority if any, granted for the payments was not provided for audit review and as a result, the validity and propriety of the expenditure could not be confirmed.

### **Management Response**

The County Assembly in its legislative and oversight functions will often get facilitated by the County Executive for varied committee related travels. The reporting and disclosure of the expenditures is done by the funding unit, which is the Executive arm of the County Government for those funded by the entity. The County Assembly only reports and discloses in its financial reports Assembly funded travel related expenditures. We have availed Memos necessary in support of the expenditure

### **Committee Observation:**

The Committee confirmed that payments amounting to Kshs.142,857,111 made to Assembly staff by the County Executive were facilitative reimbursements for committee activities funded by the Executive. Supporting memos and documents were reviewed and found valid.

### **Committee Recommendation:**

- The Committee recommends that the Management should ensure that any future facilitation from the County Executive is properly documented through inter-departmental communication and accurately disclosed in both entities' financial statements.

#### **3.1.18. Domestic and Subsistence Allowances**

Examination of imprest records indicated that the County Assembly made payments totaling Kshs.2, 963,807 to various members of staff in the year under review. The payments were for refunds of costs the staff had reportedly incurred on domestic travel and subsistence while on official duty away from the County Assembly. However, the refunds were made contrary to the provisions of Regulations 91(2) and 93(4) of the County Government Regulations, 2015 which requires such expenditures to be incurred through imprests issued to Officers beforehand.

No explanation was provided by Management on why the staff were not issued with imprests before they embarked on the said duties.

#### **Management Response**

The County Assembly strictly adheres to the Public Finance Management County Government Regulations, 2015 regulation 94(4)(b) on the management of temporary imprest. The accounting officer ensures that before issuance of any temporary imprest, no applicant should have standing imprest, but because of the delays in receipt of exchequers, staff and members of the County Assembly are forced to embark on their travel without being facilitated. This occurrence has brought a unique challenge whereby most imprest holders will not be in a position to surrender their imprest and yet are required to travel for another different engagement necessitating need to claim refund.

#### **Committee Observation:**

The Committee observed that refunds totaling Kshs.2,963,807 were made due to delays in exchequer releases, which prevented prior issuance of imprests. This explanation was found satisfactory and verified.

### **Committee Recommendation:**

- The Committee recommends that the Management should ensure timely release of exchequer funds and adhere to imprest management procedures to minimize the need for post-travel reimbursements.

#### **3.1.19. Payment to County Assembly Forum**

Expenditure records indicated that Management paid a voluntary contribution of Kshs.5, 000,000 to the County Assemblies Forum in the year under review. However, the Forum is not recognized in law as deserving to receive grants drawn from public funds.

In the circumstance, the payment was irregular.

### **Management Response**

The County Assembly Forum it's an associate and a registered entity for all 47 Counties and its provided under regulation and it's a legal entity in law, which validates the receipt of membership fees from all counties.

### **Committee Observation:**

The Committee noted that the payment of Kshs.5,000,000 to the County Assemblies Forum was a valid membership subscription to a legally registered association representing all 47 County Assemblies.

### **Committee Recommendation:**

- The Committee recommends that the Management should ensure participation and subscription to the County Assemblies Forum is within the law, subject to budgetary approval and proper disclosure in financial statements.

#### **3.1.20.Unapproved Risk Management Policy**

Review of risk management in the County Assembly indicated that Management was yet to approve the draft risk management policy for the County Assembly. Failure to establish a risk management policy contravened Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015. Further, in the absence of the policy, Management lacked objective means to identify, measure and mitigate risks that the County Assembly may face.

### **Management Response**

The County Assembly had prepared a risk management policy paper and it is at advanced level awaiting board review and approval.

### **Committee Observation:**

The Committee observed that the draft risk management policy had been prepared and was pending board review and approval. The Committee verified progress toward finalization.

### **Committee Recommendation:**

- The Committee recommends that the County Assembly Service Board to expedite the approval and implementation of the risk management policy to ensure structured identification, assessment, and mitigation of institutional risks.

#### **4.0. CONCLUSION**

The Committee having considered both the “**Report of the Auditor-General on the Financial Statements of Nairobi City County Assembly for the year ended 30<sup>th</sup> June 2020**” and oral and written responses to the audit queries from the Clerk of the County Assembly who is also the Accounting Officer, made various observations on each audit query and subsequently provided recommendations. The recommendations are aimed at ensuring that the Accounting Officers puts in place mechanisms to ensure that the County Assembly adheres to public finance management values and regulations.

## **5.0. SUMMARY OF ALL RECOMMENDATIONS**

Following the Committee's consideration of the "Report of the Auditor-General on the Financial Statements of Nairobi City County Assembly for the year ended 30<sup>th</sup> June 2020" and having considered responses from the Accounting Officer, the Committee made the following recommendations: -

### **1. Presentation of Financial Statements**

— The Committee recommends that the County Assembly management to adhere to the prescribed IPSAS and PSASB reporting templates to ensure consistency and accuracy in future financial statements.

### **2. Unreconciled Variance**

— The Committee recommends that the Management should ensure thorough review of financial statements before submission to avoid similar errors and to strengthen internal review controls.

### **3. Allowances to Members of County Assembly**

— The Committee recommends that the Management should maintain proper documentation of attendance and meeting records on a continuous basis to support allowance claims and ensure transparency.

### **4. Miscellaneous Payments**

— The Committee recommends that the Management should maintain complete and accessible supporting documentation for all expenditures to ensure compliance with the PFM (County Governments) Regulations, 2015.

### **5. Legal Fees**

— The Committee recommends that the Management should ensure procurement and engagement of legal services adhere strictly to public procurement procedures and that contract registers are updated regularly.

### **6. Foreign Travel and Subsistence Allowances**

— The Committee recommends that the Management should enforce accountability for foreign travel by ensuring all relevant travel authorizations and reports are maintained in each file.

### **7. Outstanding Imprests**

— The Committee recommends that the Management should maintain a comprehensive imprest register and ensures timely surrender and reconciliation of all advances to promote fiscal discipline.

## **8. Fixed Assets**

- The Committee recommends that the Management should maintain and update the fixed asset register semi-annually to ensure accurate tracking and safeguarding of public assets.

## **9. Pending Bills**

- The Committee recommends that the Management should ensure timely disclosure and reconciliation of all pending bills to promote transparency and prevent accumulation of unpaid obligations.

## **10. Prior Year Grants**

- The Committee recommends that the Management should ensure that future financial statements undergo internal quality assurance review before submission to prevent such omissions.

## **11. Budgeted Receipts Payments**

- The Committee recommends that the Management should ensure accurate linkage between approved budgets and financial statements through routine reconciliation between the finance and budget departments.

## **12. Prior Year Adjustment**

- The Committee recommends that the Management should ensure all future adjustments are processed and disclosed in strict compliance with IPSAS 3 requirements to maintain transparency and comparability of financial information.

## **13. Total Payments**

- The Committee recommends that the Management should ensure all accounting journals are posted and reconciled before closure of the financial year to enhance accuracy and reliability of financial reporting.

## **14. Budgetary Control and Performance**

- The Committee recommends that the Management should strengthen its planning and risk mitigation mechanisms to minimize the impact of unforeseen disruptions on budget execution and service delivery.

## **15. High Wage Bill**

- The Committee recommends that the Management to adhere to the approved budget ceilings on personnel emoluments while maintaining a balanced allocation between wages, operations, and development expenditure.

## **16. Excessive Deductions on Staff Pay**

— The Committee recommends that the Management should enhance staff financial counseling and enforces compliance with the one-third salary retention policy to protect employees from financial distress.

## **17. Payments to Staff by County Executive of Nairobi**

— The Committee recommends that the Management should ensure that any future facilitation from the County Executive is properly documented through inter-departmental communication and accurately disclosed in both entities' financial statements.

## **18. Domestic and Subsistence Allowances**

— The Committee recommends that the Management should ensure timely release of exchequer funds and adhere to imprest management procedures to minimize the need for post-travel reimbursements.

## **19. Payment to County Assembly Forum**

— The Committee recommends that the Management should ensure participation and subscription to the County Assemblies Forum is within the law, subject to budgetary approval and proper disclosure in financial statements.

## **20. Unapproved Risk Management Policy**

— The Committee recommends that the County Assembly Service Board to expedite the approval and implementation of the risk management policy to ensure structured identification, assessment, and mitigation of institutional risks.

## **ANNEXURES**

- i) Minutes
- ii) Submissions by the Accounting Officer

MINUTES OF THE 59<sup>TH</sup> SITTING OF THE NAIROBI CITY COUNTY ASSEMBLY SELECT COMMITTEE ON COUNTY PUBLIC ACCOUNTS HELD ON TUESDAY, 28<sup>TH</sup> 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 Ricardo 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. Eutychus 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.001/NCCA/PAC/OCTOBER/2025 – PRELIMINARIES

The Chairman called the meeting to order at ten minutes past Ten O'clock and said the opening prayers. He then welcomed Members present to the meeting and took them through the agenda which was adopted for consideration as proposed by Hon. Martin Thiga, MCA and seconded by Hon. Jane Musangi, MCA as follows: -

1. Preliminaries (prayers and adoption of the agenda),

2. Consideration and adoption of the draft Report on the consideration of the Report of the Auditor - General on the Financial Statements of the County Assembly for the year ended 30<sup>th</sup> June, 2020;
3. Review of the pending Business before Committee;
4. Any Other Business, and
5. Adjournment.

MIN.249/NCCA/PAC/OCTOBER/2025 – CONSIDERATION AND ADOPTION OF THE DRAFT REPORT ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR - GENERAL ON THE FINANCIAL STATEMENTS OF THE COUNTY ASSEMBLY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

The Secretariat tabled and took the Committee through the draft report on the consideration of the Report of the Auditor - General on the Financial Statements of the County Assembly for the year ended 30<sup>th</sup> June, 2020. The Committee deliberated on the report and adopted the same for tabling in the Assembly as proposed by Hon. Paul Wachira Kariuki, MCA and seconded by Hon. Cyrus Mugo, MCA.

MIN.250/NCCA/PAC/OCTOBER/2025 – REVIEW OF THE PENDING BUSINESS BEFORE COMMITTEE

The Secretariat tabled the following Business pending for interrogation by the Committee:-

1. Report of the Auditor General on the Financial Statements of County Assembly of Nairobi City for the year ended 30<sup>th</sup> June 2021;
2. Report of the Auditor General on the Financial Statements of County Assembly of Nairobi City for the year ended 30<sup>th</sup> June 2022;
3. Report of the Auditor General on the Financial Statements of County Assembly of Nairobi City for the year ended 30<sup>th</sup> June 2023;
4. Report of the Auditor General on the Financial Statements of County Assembly of Nairobi City for the year ended 30<sup>th</sup> June 2024;
5. The Report of the Auditor General on Nairobi City Alcoholic Drinks and Licensing Board for the year ended 30<sup>th</sup> June 2024; and
6. The Special Audit Report of the Auditor General on Payroll Management for Nairobi City County Executive for the Financial Years 2021/2022, 2022/2023 and 2023/2024.

The Committee deliberated on the pending business and adopted the following schedule as proposed Hon. Fatuma Abey, MCA and seconded by Hon. Redson Otieno, MCA:-

S/N	WITNESS(ES)/INVITEES	AUDIT REPORTS	RESPONSIBILITY	DATE FOR CONSIDERATION
1.	<ul style="list-style-type: none"> <li>– Office of the Auditor General</li> <li>– County Executive Committee Member for Business and Hustler Opportunities</li> <li>– Chief Officer for Hustler Opportunities</li> <li>– Director Nairobi City County Alcoholic Drinks Control and Licensing Board</li> </ul>	Report of the Auditor General on Nairobi City County Alcoholic Drinks Control and Licensing Board for the year ended 30 <sup>th</sup> June 2024	Clerks and Chairperson	Wednesday 5 <sup>th</sup> November 2025  Time: 10:30am  Venue: Committee Room 10

	<ul style="list-style-type: none"> <li>- Chairperson Nairobi City County Alcoholic Drinks Control and Licensing Board</li> <li>- All relevant officers</li> </ul>			
2.	<ul style="list-style-type: none"> <li>- Office of the Auditor General</li> <li>- Clerk, Nairobi City County Assembly</li> <li>- All relevant officers</li> </ul>	<p>Report of the Auditor General on the Financial Statements of County Assembly of Nairobi City for the year ended 30<sup>th</sup> June 2021.</p> <p>Report of the Auditor General on the Financial Statements of County Assembly of Nairobi City for the year ended 30<sup>th</sup> June 2022.</p>	Clerks and Chairperson	<p>Thursday, 6<sup>th</sup> November, 2025</p> <p>Time: 10:30am</p> <p>Venue: Committee Room 10</p>
3.	<ul style="list-style-type: none"> <li>- Office of the Auditor General</li> <li>- Ag. County Secretary</li> <li>- County Executive Committee Member for Finance and Economic Planning</li> <li>- County Executive Committee Member for Boroughs, Administration and Personnel</li> <li>- Chief Officer for Finance</li> <li>- Chief Officer for Public Service</li> <li>- County Public Service Board</li> <li>- All relevant officers</li> </ul>	<p>Special Audit of the Auditor General on Payroll Management of the County Executive for the years 2021/2022, 2022/2023 &amp; 2023/204</p>	Clerks and Chairperson	<p>Wednesday 12<sup>th</sup> November 2025</p> <p>Thursday 13<sup>th</sup> November 2025</p> <p>Time: 10:30am</p> <p>Venue: Committee Room 10</p>
4.	<ul style="list-style-type: none"> <li>- Office of the Auditor General</li> <li>- Clerk, Nairobi City County Assembly</li> <li>- All relevant officers</li> </ul>	<p>Report of the Auditor General on the Financial Statements of County Assembly of Nairobi City for the year ended 30<sup>th</sup> June 2023.</p> <p>Report of the Auditor General on the Financial Statements of County Assembly of Nairobi City for the year ended 30<sup>th</sup> June 2024.</p>	Clerks and Chairperson	<p>Monday, 17<sup>th</sup> November, 2025</p> <p>Time: 10:30am</p> <p>Venue: Committee Room 10</p>

MIN.251/NCCA/PAC/OCTOBER/2025

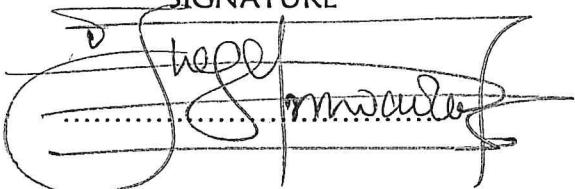
A.o.B & ADJOURNMENT

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

CONFIRMED AS A TRUE RECORD OF THE PROCEEDINGS

CHAIRPERSON

SIGNATURE



DATE

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