

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

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ON

**COUNTY EXECUTIVE OF
NAIROBI CITY**

**FOR THE YEAR ENDED
30 JUNE, 2022**

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OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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COUNTY GOVERNMENT OF NAIROBI CITY

REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE.
Annual Report and Financial Statements for the year ended June 30, 2022.



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1. Key Entity Information And Management

a) Background information

The County is constituted as per the Constitution of Kenya is headed by the County Governor, who is responsible for the general policy and strategic direction of the County.

b) Key Management

The County Executive's day-to-day management is under the following key organs:

Office of the Governor and Deputy Governor;

County Government's Sectors;

- Devolution and Public Service Management
- Communication and Information Technology
- Finance and Economic Planning
- Health Services
- Lands, Urban Planning, Urban Renewal, Housing and Project Management
- Roads, Infrastructure and Transport
- Education, Social services, Gender, Sports and Youth
- Commerce, Tourism, Culture and Cooperatives
- Food, Agriculture and Forestry; and
- Environment, Water, Energy and Natural Resources

c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 20XX and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CECM Finance and Economic Planning	Allan Esabwa Igambi
2.	Accounting Officer-County Public Service Board Department	-Nyamwaya Nyagara
3.	Acting Accounting Officer- Disaster Management and Coordination	-Mohammed Abdi Sahal

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No.	Designation	Name
4.	Accounting officer-Security and Compliance	-Dr.Mark Leleruk
5.	Accounting officer-Director of devolution & Sub county Administration	-Dominic Odera
6.	Acting accounting officer-Legal Affairs.	-Erick Odhiambo Abwao
7.	Acting accounting officer-Internal audit and Risk Management.	-Francis Njoroge Ndungu
8.	Acting accounting officer-ICT,Infrastructure and E-government.	-Peter Makokha Mukenya
9.	Acting accounting officer-Finance and Economic Planning.	- Mohammed Abdi Sahal
10.	Accounting officer-Supply Chain Management.	-Joshua Kimeu
11.	Accounting officer-Health services.	- Mohammed Abdi Sahal
12.	Accounting officer-Urban Planning and Lands.	-Stephen G.Mwangi
13.	Acting accounting officer-Roads, Transport and Public Works.	- Peter Makokha Mukenya
14.	Acting accounting officer-Youth Sports (Social Services).	Daniel Mwangi Ngari
15.	Acting accounting officer-Education Services.	Ruth Penina Owuor
16.	Acting accounting officer-Commerce, Trade and Industrialisation.	Mohammed Abdi Sahal
17.	Accounting officer-Public Service Management.	Leboo Ole Moritant
18.	Accounting officer-Food, Agriculture and Forestry.	Justus Kathenge
19.	Accounting officer-Environment, Water, Energy and Natural Resources.	Abdirhman Mohammed Abdi
20.	Acting Accounting officer-Urban Renewal and Housing.	Stephen G.Mwangi
21.	Accounting officer-Tourism & Cooperative Development.	Mude Ibrahim Abdimutatip

No.	Designation	Name
22.	Ward Development Programme	Josephine Kithu

d) Fiduciary Oversight Arrangements

The Nairobi City County Assembly Budget and Appropriations Committee and Public Accounts Committee provide oversight on County Financial Management. The Budget and Appropriations committee oversees and monitors budget preparation and implementation while the Public Accounts Committee reviews all reports of the Auditor-general in matters related to the management of finances. The County has an established audit committee which strengthens the independence and the processes around internal auditing.

e) County Executive Headquarters

P.O. Box 30037 -01000,
City Hall Building,
City Hall Way,
NAIROBI, KENYA

f) County Executive Contacts

Telephone: (254) 20 224281, (254) 20 2216151
E-mail: info@nairobi.go.ke
Website: www.nairobi.go.ke

g) County Executive Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA

2. Other Commercial Banks

- (i) Equity Bank,
Equity Centre Branch,
P.O Box 75104-00200,
NAIROBI, KENYA
- (ii) National Bank,
Kenyatta Avenue Branch,
P.O Box 30645 -00100,
NAIROBI, KENYA.
- (iii) Kenya Commercial Bank
Moi Avenue Branch
P.O Box 30081 – 00100
NAIROBI, KENYA
- (iv) Co-operative Bank
City Hall Branch
P.O Box 44805 - 00100
NAIROBI, KENYA

h) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
NAIROBI, KENYA

i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
NAIROBI, KENYA

2. Foreword by the CECM Finance and Economic Planning

The financial statements have been prepared pursuant to sections 163,164 and 165 of the PFMA, 2012, a requirement that the county has consistently obliged to since the onset of devolution. The Reports and Financial Statements for the year have been prepared in accordance with IPSAS cash basis as recommended by the Public Sector Accounting Standards Board. These financial statements are for the 12 months' period ended 30th June, 2022. Other than being a conformation to regulatory requirements, these statements provide the county an opportunity for self-assessment in all financial matters, as a process of learning and continuous improvement in management of public resources.

The constitution 2010, through part two of the fourth schedule, allocated fourteen functions and powers to be delivered by the counties, as affirmed by article 186 (1). These functions are;

1. Agriculture, including; Crop and animal husbandry; Livestock sale yards; County abattoirs; Plant and animal disease control; and Fisheries.
2. County health services, including, in particular; County health facilities and pharmacies; Ambulance services; Promotion of primary health care; Licensing and control of undertakings that sell food to the public; Veterinary services (excluding regulation of the profession); Cemeteries, funeral parlours and crematoria; and Refuse removal, refuse dumps and solid waste disposal.
3. Control of air pollution, noise pollution, other public nuisances and outdoor advertising.
4. Cultural activities, public entertainment and public amenities, including; Betting, casinos and other forms of gambling; Racing; Liquor licensing; Cinemas; Video shows and hiring; Libraries; Museums; Sports and cultural activities and facilities; and County parks, beaches and recreation facilities.
5. County transport, including; County roads; Street lighting; Traffic and parking; Public road transport; and Ferries and harbors, (excluding the regulation of international and national shipping and matters related thereto)
6. Animal control and welfare, including; Licensing of dogs; and Facilities for the accommodation, care and burial of animals.
7. Trade development and regulations, including; Markets; Trade licences (excluding regulation of professions); Fair trading practices; Local tourism; and Cooperative societies.
8. County planning and development, including; Statistics; Land survey and mapping; Boundaries and fencing; Housing; and Electricity and gas reticulation and energy regulation.
9. Pre-primary education, village polytechnics, home craft centres and childcare facilities.
10. Implementation of specific national government policies on natural resources and environmental conservation, including; Soil and water conservation; and Forestry.
10. County public works and services, including; Storm water management systems in built-up areas; and, Water and sanitation services.
11. Ensuring and coordinating the participation of communities and locations in governance at the local level and assisting communities and locations to develop the administrative

capacity for the effective exercise of the functions and powers and participation in governance at the local level.

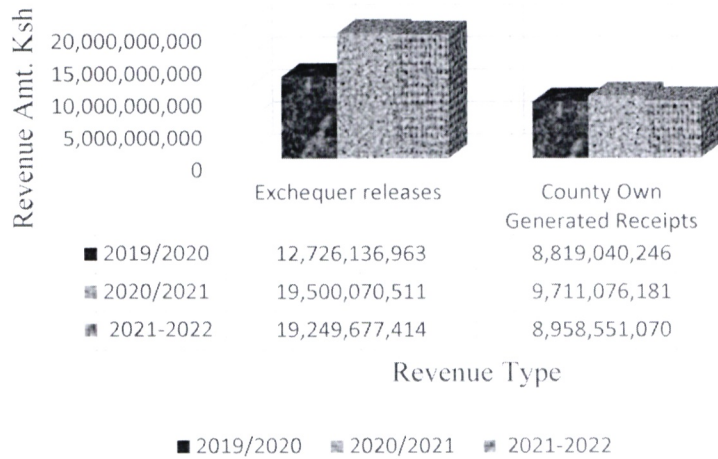
For delivery of these functions within Nairobi County, various structures exist, with clearly defined roles. Nairobi City County Government is a product of devolution which was introduced by Article 6 and 174 of the constitution, and therefore a government exists as per article 176 (1), with both the County Assembly and the County Executive in existence. In the execution of the county mandate, it retains the constitutional responsibility for the performance of the fourteen functions, inclusive of the ones transferred to other agencies, as per article 187 (2, b). It was the sole organ for the delivery of all functions from 2013, before the formation of NMS in 2020, when it was institutionalized to improve the delivery of services to Nairobians. For efficient delivery of the functions, the county government has existing functional structure as guided by different legislation. The Nairobi Metropolitan Services is a state agency that was commissioned by the president of Kenya to take charge of the functions that were handed over by the county government in 2020 as guided by article 187 of the constitution. The NMS was in charge of County Health Services, County Transport Services, County Planning and development services and County public works, utilities and ancillary services. The NMS actively took over the delivery of these functions from 6th March 2020. The existence of this institution was expected to improve efficiency, and create synergy with the already existing platforms for greater productivity and seamless delivery of services.

The Nairobi City Water and Sewerage Company Ltd. was incorporated in December 2003 under the Companies Act cap 486. It is a wholly owned subsidiary of Nairobi City County and its main responsibility is to provide water and sewerage services to the city, in a financially sustainable manner and within the government regulations and the Water Act 2016 (Previously Water Act 2002). The Kenya Revenue Authority (KRA) under Gazette Notice no. 1609 of February 25, was designated as the principal agent for overall collection of revenue in Nairobi County. It was given full access to county revenue processes, information, data and systems. This was meant to enhance increased own- source revenue.

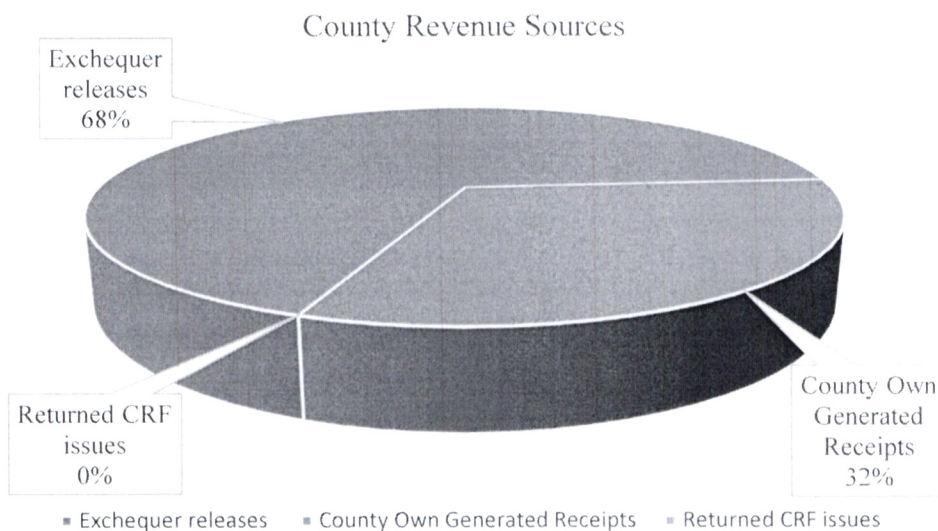
The county remains committed, and continuously pursues the fulfilment of the fiscal responsibility principles as espoused in law. In mobilization of resources, the county met 71.19 % (Ksh. 28.21 B) of the approved revenue target of Ksh. 39.63 B, constituted by exchequer release amounting to Ksh. 19.25 Billion, and Ksh. 8.96 Billion from own source revenue. OSR saw a 7.75% decline from the Ksh. 9.7 B collected in the previous financial year 2020/2021, meeting 45.68% of the set annual target.

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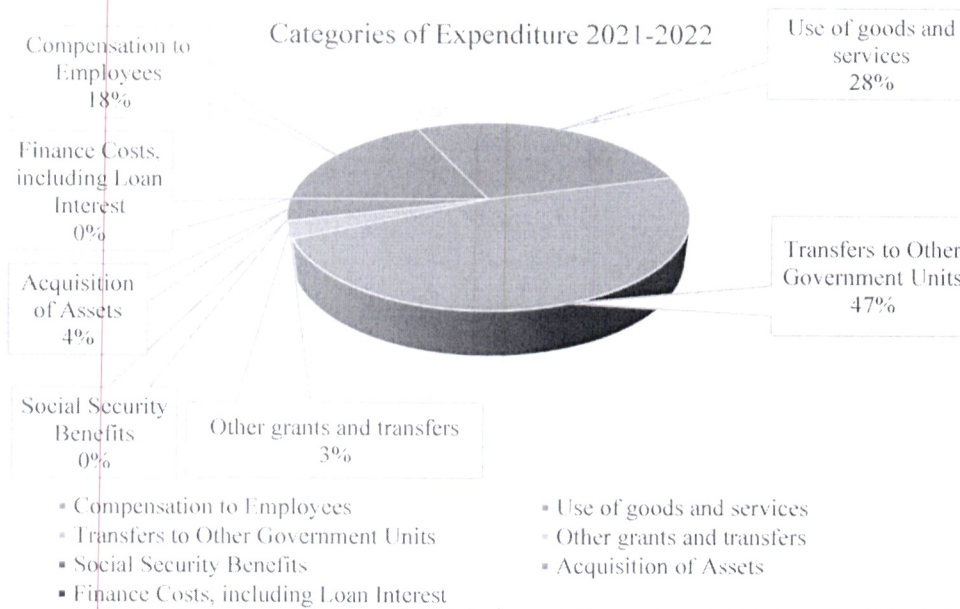
Revenue Fluctuations 2019/2020 to 2021/2022



Exchequer release constituted the larger portion of total county revenue actualized at 68.24%, while own source revenue accounted for 31.76%



On the expenditure side, the statements depict a 69.76% (Ksh. 27.64 B) absorption of the approved budget. In absolute figures, the actual expenditure indicates that a larger proportion of county funds was utilized for transfers to other government agencies at 47%, use of goods and services at 28% and employee compensation at 18%.



The statements directly correlate with the government’s development agenda, which saw cognizable milestones in health, education, infrastructure, commerce and ICT. Considerable resources were also utilized for implementation of key flagship projects in development of stadia, fire stations, markets, public lighting, Non-Motorized transport and road maintenance. Some of these projects were implemented through the Nairobi Metropolitan Services, which came into place after the signing of the deed of transfer of functions in February 2020.

Meeting the county’s strategic objectives was hampered by a number of challenges including unmet own source revenue targets, campaign period towards the national general elections, and the untimely and sometimes unpredictable release of the exchequer. As a result, provision of service was sluggish and erratic.

The implementation of the development objectives in the CIDP 2018-2022 will be concluded in the FY 2022/2023. Resources for implementing the development agenda in the 2022/23 amounts to Ksh. 38.33 Billion, with the priority being towards implementation of ongoing projects in order to accumulate the gains already achieved over the four years of implementation of the CIDP. Achievement of the set goals in the financial year may be affected by the envisaged transitions with the incoming of the new government, winding up of NMS and conclusion of the revenue collection arrangement with the KRA. We will however continue to rely on the provisions of the law which will keep the county on track in matters development and management of public resources

Lawrence Musyoka Wambua

CECM – Finance and Economic Planning

3. Statement of Performance against County Predetermined Objectives

According to CIDP 2018-2022 the county has 8 strategic development objectives as per the table below;

Sno:	Objectives as per the CIDP	Performance/progress	Remarks(explain the reasons of under/over performance)
1	Provide clean energy, safe drinking water, waste management and sanitary services in a secure sustainable environment	<p>Water and sanitation policy and bill formulated, awaiting enactment.</p> <p>Water Resources, conservation and protection</p> <ul style="list-style-type: none"> ➤ 15No. Borehole drilled and equipped ➤ 8No. Ablution blocks constructed ➤ 1No. Sewer extension ongoing ➤ 1No. water extension ongoing <p>Drilling and equipping of Bore hole, construction of Elevated Water Tank and</p>	50%- ongoing

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		construction of water kiosks. - Maji Mazuri Playground, Kasarani Health Centre, Mihango Karangita Police Post - market mihango, Korogocho Health Centre, Komarock umama village and Ruai Police Station-kamulu ngundu health centre	
		Drilling and equipping of 193 boreholes	Ongoing
2	Provide reliable, accessible, quality and affordable healthcare	Construction of 19 No. Health Facilities in informal settlements	13No. HF's completed, equipped & Commissioned. 1No. at 95%, 1 No. at 55% and 4No. at 5%. 1
		Proposed rehabilitation works to existing facilities – City mortuary Nairobi	100% complete
3	Provide quality physical infrastructure in the city	Rehabilitation of 40No. roads	Works started and ongoing
		Construction of 50NO. roads	Works started and ongoing
		Development of 40NO. Storm water infrastructure	Works started and ongoing
4	Provide accessible, affordable and quality ECD and vocational opportunities for all	Increased Access and retention in the County ECDE from 27,100 in 2021 to 31,250	Ongoing

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		Improved the Teacher Pupil Ratio from 1:67 to 1:26	Ongoing
5	Provide economic growth opportunities to diverse groups including youth, women, PWDs	The county distributed 250no. assistive devices e.g wheelchairs, crutches, hearing aids among others to persons with disabilities	Ongoing
6	Promote food and nutritional security for all	Promoted urban agriculture farming	Ongoing
7	Promote good governance, public participation and rule of law	Public participation meeting were held at sub-county and ward levels	Ongoing process
8	Increase access to affordable and quality housing	Implementation of urban renewal program	Ongoing

Progress on Attainment of Development Objectives from Annual Development Plan For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Department	Objective	Outcome	Indicator	Performance
Education Children, Youth Affairs, Sports and Social Services	To provide access to quality Early Childhood Education (ECD)	Increased access to quality early childhood education	No. of ECD centre ; No. of trained ECD teachers; Teacher-pupil ratio % of learners in formal schools to non-formal schools;	Increased Access and retention in the County ECDEs from 27,100 in 2021 to 31,250 presently. Started 5N0. New ECDE centres.

			Amount of capitation	
	To improve transition and retention rate of needy and vulnerable students in secondary education, technical and vocational training.	Increased transition rate of needy and vulnerable pupils from ECD to Standard one; Increased transition rate of needy and vulnerable pupils from primary to secondary and vocational; Increased quality of education;	%Retention rate %Transition rate No. of qualified teachers	Improved the Teacher Pupil Ratio from 1:67 to 1:26 through employment of an additional 717No. Qualified teachers on P&P terms Procured food stuff for vulnerable children in ECD Centres in January 2022 Increased transition, access and retention to Secondary schools and tertiary institutions through distribution of Ward and Executive Bursaries worth 382.5M and 207.5M respectively to 81,500 beneficiaries
	To empower Youth through quality vocational training in the County	Increased self-reliance among the youth Increased uptake in vocational training among the youth	Percentage of youth engaged in productive economic activities; % of youth empowered with vocational skills	Equipped the 11no. VTCs with tool kits in Plumbing, Motor Vehicle mechanics Electrical installation and welding and fabrication for 1200No. trainees Rehabilitated 6no. VCTs
	To rehabilitate and integrate vulnerable groups and	Increased rehabilitation and integration of vulnerable	% of vulnerable and street families rehabilitated and integrated	Rescued & Rehabilitated 313no. Children from the streets and other

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	Street families.	groups and street families		<p>unfavourable environments.</p> <p>Provided child therapy and trauma healing sessions to 371no. Children in the 4no. Children Rehabilitation Centres (Joseph Kangethe, Makadara, Kayole & Shauri Moyo</p> <p>Provided food stamps support to 60No. vulnerable households through partnership with MAANA FOODS Proprietor</p> <p>Provided 49No. Elderly persons with care and protection as well as with basic needs at the County facility - Mji Wa Huruma.</p>
	To provide opportunities for economic participation for the youth, women and persons with disability (PWDs)	Increased opportunities for economic participation by women , youth and PWDs	No. of youth engaged in productive economic activities; No. of women engaged in productive economic activities; No. of PWDs engaged in productive economic activities; No. of employment opportunities	The county distributed 250no. assistive devices e.g wheelchairs, crutches, hearing aids among others to persons with disabilities

			created for youth and other vulnerable groups; % of compliance with access to Government Procurement Opportunities(AG PO)	
	Provide quality infrastructure in education, sports and social services	Increased access and availability of quality infrastructure for sports, education and social services Increased access to information through library services	% access of available quality infrastructure for education, sports and social services % of population utilizing library services	Rehabilitated City Stadium 80% works done Developed and nurtured talents through teams training developed and launched a Nairobi City County Youth Policy Completed ICT Networking and cabling at Onestop Youth Centre Rehabilitated 3NO. social hall

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<p>Commerce, Tourism and Co- Operatives</p>	<p>To create an enabling environment for domestic and international trade and investment</p>	<p>Increased business investment in the county by local and international investors</p>	<p>Percentage increase in number of traders Percentage increase in number of investors Percentage increase in number of trading spaces</p>	<p>Developed 6 new markets (Mwariro, Karandini, Westlands, City Park, Quarry Road & Kangundo Road). Refurbished 20 markets across the sub counties Increased trading spaces by 4,146 Established a Common User facility for Leather (Kariokor Common Leather Manufacturing Facility)</p>
	<p>To promote compliance with cooperative legislation</p>	<p>Increased growth of cooperative movements activities</p>	<p>Percentage uptake of co-operative movement Percentage number of co-operative audits</p>	<p>Improved the standard of living of 2.1 million members/citizens from 4,779 Cooperative societies by mobilizing savings for Ksh 346 Billion and giving loans of Ksh 319 billion in the cooperative societies Provision of affordable housing through housing & investments cooperatives</p>
	<p>To improve effectiveness in issuance, control and regulate business licensing</p>	<p>Increased number of business permits issued Reduced negative socio-economic</p>	<p>Timeliness in the issuance of business permits Percentage compliance of with gambling regulations</p>	<p>Enacted Nairobi City County Betting, Lotteries & Gaming Act, 2021 Supervised & monitored 20 Casinos on daily basis and generated returns</p>

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		effects of gambling		Licensed 102 pool tables and 20 Gaming premises with a total revenue of Ksh 13,772,500
	To promote legal metrology and consumer protection	Increased public confidence in measurement results	Percentage number of accurate measurement equipment Percentage increase in consumer protection (index)	Realized Ksh 14.9 million as stamping fees from 28, 816 weighing & measuring equipment verified Conducted 286 inspection at trade premises for compliance Did 21 prepacked goods conformity assessments
	To promote tourism development in the county	Increased number of tourism facilities	Number of tourists visiting the tourism facilities	Promoted Nairobi as a Tourism & Cultural destination through stakeholders involvement Development of Tourism Products Organized & Participated in Tourism & Cultural activities
Security Compliance and Disaster Management	To promote good governance public participation and rule of law	Enhanced safety and security	Level of crime reduction	Acquired 7No. Motor Vehicles for Operations. Recruited 1081No enforcement officers Purchased 2,000No of uniforms for enforcement officers
Fire Rescue, Disaster And Emergency Management	To enhance public safety and emergency response	Increased preparedness for fire	No. of awareness forums held	Fire safety Inspection and cleared- 24,560 premises.

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		Emergencies Reduced fire incidences	No. of fire stations established	Internet network infrastructure to 4 NO Fire Stations. Increased no of Fire Stations from 2 to 6. Conducting 10 no fire evacuation drills.
		Increased effectiveness in fire rescue operations	Response time No. Of recruited staff	300 NO new staff recruited and trained Reducing response time from 10 to 8 minutes from a radius of 15 kilometers and 15 minutes for a distance beyond 15kilometres.
		Enhanced source of livelihoods Enhanced economy	No. Of people assisted	85 no wards provided with disaster relief (food and non- food items)
ICT and E-Government	To promote optimal use of ICT in the county	Increased utility of ICT services in Nairobi County	% ease of Nairobians using ICT to access county services	Acquisition and Deployment of Smartnet Licence and EMC Support in the Data Centre enabling its use.
	To promote automation of services	Increased automation of county services	No. of county services automated; % of automation of county services	Maintenance of LAIFOMS system.
	To promote a positive image of the county and its services	Increased positive perceptions among the stakeholders on the county services	% of stakeholders with the positive view of the county and its services	Modernization of ICT Infrastructure (LAN/WAN/DataCentre).

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Finance and Economic Planning	To enhance resource mobilization	Increased revenue	Amount of revenue collected (Kshs)	Enacted Nairobi City County Finance Act 2022 Enacted Nairobi City county Revenue Administration Act 2021
	To improve asset management	Proper management of county assets	Updated county asset register; Insured county assets	Updated the county Assets and Liabilities register Drafted a Comprehensive Asset Management Policy in Conjunction with the National Treasury.
	To strengthen policy formulation, planning and budgeting	Adequate policy formulation, planning and budgeting processes	Planning and budget policies formulated and implemented	Timely formulation of planning and policy documents; ADP 2022/2023, CFSP 2022 (Awarded by IBP Kenya for having the most comprehensive and transparent ADP 2021/2022 process
	To enhance tracking of implementation of development policies, strategies and programmes	Timely tracking of development and project implementation	Timely reporting on development and project implementation	Commenced Formulation of the County Statistical Abstract
Food, Agriculture and Forestry	Promote food and nutritional security for all	Increased crop production for food and nutrition security.	Number of farmers reached with agricultural extension messages	14,271
			Supported construction of 350 multi storey	350

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			gardens in informal settlements of Kibra, Mukuru and Korogocho	
		Increased fish production for food & nutrition security	Number of fish business operators certified	900
	Provide reliable, accessible, quality and affordable healthcare	Improved animal and human health	Number of animals vaccinated Number of handling facilities inspected and certified	32,275 25
	Provide clean energy, safe drinking water, waste management and sanitary services in a secure sustainable environment	Improved tree cover, soil and water conservation	%regulation of tree cutting & pruning No. of tree seedlings planted No. of tree nurseries established	100% 15,602 1

4. Environmental and Sustainability Reporting

Nairobi City County exists to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on three pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile

Key development objectives of the Nairobi City County

- i. Provide quality physical infrastructure in the City
- ii. Provide economic growth opportunities to diverse groups including youth, women and persons living with disabilities (PWDs)
- iii. Provide reliable, accessible, quality and affordable healthcare
- iv. Provide accessible, affordable and quality ECD and vocational opportunities for all
- v. Promote food and nutritional security for all
- vi. Promote good governance, public participation and rule of law
- vii. Increase access to affordable and quality housing
- viii. Provide clean energy, safe drinking water, waste management and sanitary services in a secure sustainable environment

2. Environmental performance

The County has a draft Environment Policy.

Successes include:

- a) Ward-based monthly clean-up initiatives to sensitize waste generators on the need to take responsibility of their waste.
- b) Formulation of a Sustainable Waste Management Action Plan. This is a strategy for a paradigm shift from linear to the circular economy model.
- c) Implementation of the Waste Management Action Plan.
- d) Clearing of 33 illegal dumpsites
- e) Formulation of a draft Air Quality Policy
- f) Formulation of a draft Air Quality Action Plan.

- g) Decongestion of Luthuli Avenue towards advancing Non-Motorised Transport and improve air quality. Air quality monitors were installed to provide data and inform decision making on reducing particulate matter and other pollutants.

Shortcomings include:

- a) Inadequate legal framework
- b) Inadequate resources including workforce, tools, equipment and infrastructure
- c) Inadequate funding
- d) Lack of a data and information management system
- e) Inadequate awareness amongst the populace
- f) Inadequate compliance and enforcement system

Efforts to manage biodiversity include:

- a) Planting greenery in public open spaces.
- b) Provision of tree seedlings and flowers to stakeholders for planting and nurturing.
- c) Maintenance of green public spaces.

3. Employee welfare

The County Government of Nairobi City engages its stakeholders during recruitments especially the Salaries and Remuneration Commission in determination of salaries and allowances of public service officers. The county also engages the Public Service Commission to manage human resources in the Kenya civil service and the local authorities.

The following are efforts made in improving skills and managing careers, appraisal and reward systems

i) Improving skills and managing careers

Training

The HR sector within the county conducts regular Sectoral Training and Development Committee Meetings to guide and approve courses undertaken by staff members to improve on career progression and development. The Sector also conducts in-house training for short courses to staff members to enhance their work performance. Continuous Professional Development courses for County Professionals (Accountants, Health workers, Engineers and Human Resource Professionals)

ii) Appraisal and reward system

The Public Service Management Sector

- a. Developed draft Reward and Sanction Policy for the County awaiting approval from County Public Service Board
- b. After approval, the implementation process will be based on appraisal and Performance Contracting Assessment.
- c. Mid-term and end-term performance appraisal system and Performance Contracting assessment have been continuously undertaken to identify training gaps with a view of bridging the gaps through various interventions.

iii) Safety

The Public Service Management sector Ensures;

- a. Provision and maintenance of safe plants and system at the work place
- b. Absence/ elimination of all risks at the workplace
- c. Provision of information to employee on Safety and Health at workplace
- d. Carrying out workplace risk assessment is undertaken
- e. Provision and maintenance of Safe Health State at workplace
- f. Registration of workplace with the Directorate of Safety Health Services
- g. Send notice of accident occurrence, cases of occupational diseases to Directorate of Safety Health Services

4. Market place practices-

a) Responsible Competition Practice

On anti-corruption, we ensure transparency in all decisions made within our area of jurisdiction e.g. open tendering, and involvement of all stakeholders.

On responsible political involvement, we ensure impartiality in every area of where we are involved in by being fair at all times. On Fair Competition and Respect for competitors in our operations, we ensure that bidding is open to whoever is willing to participate and ensure the ultimate winner is awarded.

b) Responsible Supply Chain and Supplier relations

Nairobi City County maintains good business practices by ensuring that the environment is favourable for business, stake holder's participation and proper communication either through print media and broadcast.

The county government treats its own suppliers responsibly by honouring contracts and respecting payment practices which is exhibited through settlement of pending bills.

c) Responsible Marketing and Advertisement

The County Government maintains ethical marketing practices by ensuring stakeholders participation and adequate communication through notices, print and broadcast media.

d) Product Stewardship

The County Government safeguards Consumer rights and interests by involving them in decisions affecting them e.g. revision of the Valuation Roll used to levy land rates.

5. Community Engagements

The County Government engaged the Community when developing Annual Development Plan (ADP) 2022-2023 and County Fiscal Strategy Paper (CFSP) 2021-2022 through public participation forums in all the eighty five wards in the county.

6. Others

The County Government issues education bursaries to needy students in secondary schools and tertiary institutions in all the wards every school term. ECD centres in all wards offer free ECD lessons with dietary supplements to pre-primary pupils. In addition, the Agriculture Sector trains, urban farmers on modern farming practices and provides them with free seedlings and farm implements.

5. Statement of Management Responsibilities

Sections 163,164 and 165 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the County Treasury shall prepare financial statements of each County Government entity, receiver of receipts and consolidated financial statements for all County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The County Executive Committee (CEC) member for Finance and Economic planning of the County Government is responsible for the preparation and presentation of the County Executive's financial statements, which give a true and fair view of the state of affairs of the County Executive for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the county Executive; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the county Executive; (v) Selecting and applying appropriate accounting policies; and (iv) Making accounting estimates that are reasonable in the circumstances.

The CEC member for finance accepts responsibility for the County Executive's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The CEC member for finance is of the opinion that the County Executive's financial statements give a true and fair view of the state of the County Executive's transactions during the financial year ended June 30, 2022, and of its financial position as at that date.

The CEC member for finance further confirms the completeness of the accounting records maintained for the County Executive which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control.

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE.
Annual Report and Financial Statements for the year ended June 30, 2022.

The CEC member for finance confirms that the County Executive has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Executive's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Further the CEC member for finance confirms that the County Executive's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Executive's financial statements were approved and signed by the CEC member for finance on *1st November 2022*.

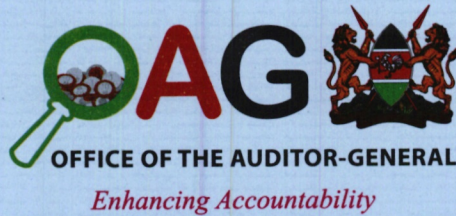


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County Executive Committee Member –
Finance and Economic Planning

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REPORT OF THE AUDITOR-GENERAL ON COUNTY EXECUTIVE OF NAIROBI CITY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of County Government of Nairobi City Executive set out on pages 1 to 61, which comprise of the statement of assets and liabilities as at 30 June, 2022, and the statement of receipts and payments, statement

of cash flows and statement of comparison of budget and actual amounts: combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the County Government of Nairobi City Executive as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the Public Finance Management Act, 2012 and the County Governments Act, 2012.

Basis for Adverse Opinion

1. Compensation of Employees

The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects compensation of employee's balance of Kshs.4,982,191,769 which is a reduction of Kshs.1,448,091,389 or 23% from the prior year amount of Kshs.6,430,283,158. Although Management explained that the reduction was as a result of two hundred (200) staff members who had been seconded to the Nairobi Metropolitan Services (NMS) and others who had retired, details in support of the staff members transferred and those that retired during the year were not provided for audit.

In the circumstances, the accuracy and completeness of the expenditure amount of Kshs.4,982,191,769, incurred on compensation of employees, could not be confirmed.

2. Unsupported Expenditure on use of Goods and Services

The statement of receipts and payments and as disclosed in Note 7 to the financial statements reflects use of goods and services total expenditure amount of Kshs.7,642,844,133. However, examination of records revealed the following anomalies;

2.1 Utilities, Supplies and Services

Review of records in support of the utilities, supplies and services expenditure of Kshs.156,511,724 revealed that, payment vouchers amounting to Kshs.100,862,069 paid to Kenya Power and Lighting Company Limited (KPLC), were not supported with invoices and bills from the Company.

Further, included in Annex 2 to the financial statements are pending accounts payable balance of Kshs.26,270,995,418. The pending payable includes supply of services balance of Kshs.22,929,252,921 as at 30 June, 2022 which in turn includes balances of Kshs.304,812,436 and Kshs.120,674,506 as at 30 June, 2021 and 30 June, 2022

respectively owing to KPLC. However, the KPLC through letter referenced KPI/10B.2A/FNL/10/2 dated 9 March, 2022 indicates that the County owes the Company an amount totalling Kshs.1,460,542,895. The discrepancy in the two sets of records was not explained. In addition, it was established that the County committed to pay to KPLC an amount of Kshs.50,000,000 every month with effect from January, 2022. However, as at 30 June, 2022 only an amount of Kshs.156,511,724 had been paid instead of a total of Kshs.300,000,000 as committed in the letter.

Similarly, review of the pending bills for the year under review revealed that the County owed Nairobi City Water and Sewerage Company (NCWSC) an amount of Kshs.249,199,058, for bills dating back to 2016/2017 financial year. Bills for 2018/2019, 2019/2020, 2020/2021 and 2021/2022 have neither been paid nor included in the pending accounts payable. In addition, the Management did not provided documents in support of payments, if any, remitted to NCWSC.

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

2.2 Communication Supplies and Services

The balance includes communication, supplies and services balance totalling to Kshs.54,863,887 which includes an amount of Kshs.8,001,724 paid for supply of laptops and telephones. However, the issue voucher and distribution list were not provided for audit indicating to whom the items were issued.

Further, physical inspection of sampled bin cards at County's general stores revealed one hundred and sixty-nine (169) communication equipment of unknown value, which were reflected as having been received in the stores but could not be physically confirmed.

2.3 Manual Insurance Costs

The balance includes an amount of Kshs.679,635,812 in respect of insurance costs. Review of records indicate that, the County awarded National Hospital Insurance Fund (NHIF) a contract for provision of a comprehensive medical insurance group life and last expense cover for the County staff members on 8 September, 2021, for ten (10) months at a contract price of Kshs.691,807,590.

However, review of payment records revealed that the County paid NHIF an amount totalling to Kshs.764,635,812 resulting to unreconciled variance of Kshs.72,828,222. Management indicated that additional staff members were included under the existing cover. However, Management did not enter into an addendum contract with NHIF to support the extra amount paid, and instead continued to use the initial contract. Further, Management did not provide the list of the additional staff members included under the cover and the reasons for their omission in the initial contract.

2.4 Fuel Oil and Lubricants

The balance also includes payments in respect of fuel, oil and lubricants amounting to Kshs.90,217,637. However, Management did not maintain updated fuel register and fuel

statements from service providers indicating the vehicle, period and quantity of consumed fuel. In addition, the fleet department operated seven (7) fuel smart cards which were used to fuel the one hundred and seventy-six (176) County vehicles that were in good condition during the year under review. However, detailed analysis and ownership records for the vehicles were not provided for audit verification. The vehicle fueling system was prone to abuse since the fueling smart cards, which were not used exclusively for fueling a specific County vehicle, may be used to fuel any vehicle, including non-County vehicles.

Further, Management did not maintain data on the quantity of fuel consumed by each vehicle and most drivers did not record the odometer reading in the work tickets for each distance covered. It was not possible to reconcile fuel consumed with the distance covered in the work tickets.

2.5 Distribution of Goods

The balance further includes an amount of Kshs.127,917,259 paid to seventeen (17) suppliers of various supplies such as sanitary and cleaning materials face masks sanitizers stationary furniture and fittings hairdressing equipment, education materials uniforms and tyres. However, the payment vouchers were not supported with the respective receipt and issue vouchers.

2.6 Supply of Goods Under Emergency Department

The balance includes other operating expenses and emergency relief and refugee assistance amounting to Kshs.2,268,832,045 and Kshs.157,830,690 respectively. Review of expenditure records maintained by the Disaster and Emergency Department charged to the two components revealed that Management procured foodstuff totalling to Kshs.275,045,034 for Disaster and Emergency Department from a local company. However, records supporting the distribution of the foodstuff were not provided for audit.

Similarly, review of the payment and store records revealed that Management incurred an expenditure totalling to Kshs.37,669,760 in respect of emergency COVID response. However, supporting documents such as distribution list, acknowledgement of receipt, reports and approvals were not provided for audit. Further, review of the particulars of the items and the nature of the transactions revealed that these items although classified as emergencies, did not qualify to be categorized as emergencies.

In addition, review of records maintained in the stores revealed that Management procured fifteen thousand nine hundred (15,900) (high density) mattresses at a cost of Kshs.135,669,000 from a local merchant for disaster management. However, records indicating how, why and where the mattresses were distributed, were not provided for audit. The County may have paid for goods which were not received, resulting to loss of funds.

In the circumstances, the occurrence and valuation of expenditure amounting to Kshs.448,383,794 incurred on emergency services, could not be confirmed.

2.7 Unsupported Procurement of Goods

The balance includes specialized materials and services of Kshs.757,304,469 which includes an amount of Kshs.16,649,000, which was incurred on account of supply and delivery of face masks and hand sanitizers amounting to Kshs.14,369,000 and Kshs.2,280,000 respectively, from two local suppliers for Nairobi City County Alcoholic Drinks Control and Licensing Board, a semi-autonomous entity which prepares its own financial statements. However, Management did not provide supporting documents such as receipt and issue vouchers for the goods and approval for the above payments which were made without a budget. Further, physical inspection of the goods at the Board's headquarters in South C revealed that the goods were not received at the facility.

2.8 Irregularities in Procurement of Masks

The balance includes specialized materials and services of balance of Kshs.757,304,469 which also includes an amount of Kshs.19,600,000 which was paid to a local company. The Deputy Director Public Health sought authority from the Chief Officer Health Services to procure masks for the County through Memo Ref. CHS/9/5/COVID-19/200/ac of 28 March, 2020. The approval was given on 28 March, 2020. However, it was noted that requisition for the purchase was done on 28 August, after approval to procure had already been done. Further, Local Purchase Order (LPO) to the bidder was issued on 16 April, 2020 before the requisition was done.

The bidder supplied the masks on 5 January, 2021 as per the delivery note No. 037 and invoiced the County as per invoice No. 078 of 5 January, 2020 one year before delivery was done.

Further, Inspection and Acceptance Committee was appointed on 12 January, 2021 six (6) days after delivery of the masks. The inspection and acceptance certificate was issued on 12 January, 2020 and the inspection report signed by members on the same date and before the appointment of the inspection and acceptance committee and before delivery.

In view of the inconsistencies in the procurement process, it was not possible to confirm the validity of the procurement and delivery of the goods amounting to Kshs.19,600,000.

2.9 Retreats at Unknown Venue

Note 7 to the financial statements reflect training expenses totalling to Kshs.162,446,923 which includes an amount of Kshs.2,981,200 in respect of payment for services to a supplier for facilitation of a retreat on County Organizers structure for 30 drivers at a rate of Kshs.5,220 for five (5) days, all totalling to Kshs.783,000; eighty (80) gala night dinner at the rate of Kshs.7,540 totalling to Kshs.603,200 and fifty (50) full conference for 5 days at the rate of Kshs.6,380 per person per day, totalling to Kshs.1,595,000. The grand total for the retreat services provided was Kshs.2,981,200, which was paid for a retreat whose venue was not disclosed for audit review. In addition, the County paid allowances to the drivers totalling to Kshs.1,700,000. However, the number exceeded the maximum of fifteen (15) days allowed for retreats. Further, supporting documents such as work tickets, signed attendance register and reports for the respective retreat were not attached in support of the expenditure.

2.10 Domestic Travel and Subsistence

The balance includes an amount of Kshs.273,070,829 in respect of domestic travel and subsistence expenditure which includes a payment of Kshs.8,599,072 paid to a local tours and travels company for provision of accommodation, transport, meals and laundry for the International HOPE medical team. Examination of records provided indicated that this expenditure was incurred on 14 May, 2019. However, the amount payable was not included in the pending bills list for the 2020/2021 financial year. Further, the payment was not supported by work documents indicating the kind of exercise undertaken and approvals for the expenditure from the departmental head. Further, the payment was supported by a copy of the invoice instead of the original invoice. In addition, list of the doctors attached was not supported by official documents in respect of itinerary from the hospital in their Country of origin indicating the dates of arrival, work plans and duration of stay in the Country.

2.11 Other Unsupported Payments

Review of expenditure listing provided for audit revealed that an expenditure totalling Kshs.113,216,907 was not supported by payment vouchers, approvals and tender documents as analysed in **Appendix 1** of this report.

2.12 Goods not Taken on Charge

Review of a sampled payment vouchers revealed that although Civic Education Materials totalling to Kshs.7,195,000 were said to have been procured and delivered to the stores as per the stores receipt vouchers, the stores Management did not provide stores receipt and issue vouchers for audit verification.

In the circumstances, the propriety, accuracy and completeness of expenditure amounting to Kshs.7,642,844,133 could not be confirmed.

3. Failure to Provide Transaction Status

Review of expenditure analysis obtained from the Integrated Financial Management Information Systems, (IFMIS) revealed that 11,229 payment transactions with a total expenditure of Kshs.15,627,395,783 had been invalidated during the year under review. However, there was no documentary evidence provided to support authorization and reasons for invalidation of the transactions which had been presented to the Controller of Budget (CoB) for approval.

Review of payment transactions revealed that although the Management paid merchants in the year under review, payments totalling Kshs.1,019,221,448 were returned back to the County accounts as a result of missing information from the payees. However, the current status of the returned amount was not provided for audit verification.

In the circumstances, unauthorized payments may have been made in place of invalidated transactions.

4. Irregularities in Procurement of Transferred Services

Review of the deed of transfer of services to Nairobi Metropolitan Services (NMS) revealed that on 25 February, 2020, the County Government of the Nairobi City unequivocally transferred four of its core functions to the National Government. These functions included County Health Services, County Transport Services, County Planning and Development Services and County Public Works, Utilities and Ancillary Services. However, the County Management continued to execute some of these services which had been transferred to Nairobi Metropolitan Services, through award of a contract in respect to procurement of medical drugs and supplies totalling to Kshs.75,950,000 during the year under review. The contract was awarded to two local merchants at a cost of Kshs.37,730,000 and Kshs.38,220,000 respectively. The supporting documents such as receipt vouchers, issue vouchers, inspection certificates and schedules or lists detailing how the drugs were distributed to various dispensaries and health centres were not provided for audit.

In the circumstances, the regularity of additional expenditure of Kshs.75,950,000 could not be confirmed.

5. Misallocation of Expenditure Items

Audit verification of payment records revealed that various items amounting to Kshs.262,844,724 were posted to the wrong account items but Management did not provide approval for reallocations as required by the Section 154(2)(b) of the Public Finance Management Act, 2012.

In the circumstances, the classification and recording of the financial transactions could not be confirmed.

6. Unreconciled Bank Balances

The statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.1,489,166,265 as disclosed in Note 13 A and B to the financial statements. The amount relates to balances held in fifty (50) bank accounts operated by County Government of Nairobi City Executive during the year under review. However, forty (40) bank statements, bank certificates, bank reconciliation statements, and cash books were not provided for audit.

Further, review of the bank reconciliation statement for an account held at Development Bank revealed outstanding receipts in cash book not in bank statement and payments in bank not in cash book of Kshs.273,125,134 and Kshs.299,416,825 respectively. No explanation was provided to explain why receipts were not banked, and how expenditure was incurred without being accounted for in the cash book. It was also observed that the bank statement did not reflect bank charges despite the financial statements reflecting finance costs amounting Kshs.4,944,596.

In addition, the County held a special purpose account at the Central Bank of Kenya with a bank balance of Kshs.87,273,852 but had not been included in the cash and cash

equivalents balance. Similarly, the following balances were not in agreement with the bank confirmation certificates provided for audit, as detailed in the table below;

Bank Account	Financial Statement (Kshs.)	Bank Certificate (Kshs.)	Variance (Kshs.)
Central Bank of Kenya-Development A/C	772,117	182,446	589,671
Central Bank of Kenya-KRB RMLF A/C	7,358,321	4,432,659	(147,074,338)
Central Bank of Kenya-Recurrent A/C	69	1,921,031	(1,920,962)
Central Bank of Kenya-Special Purpose A/C	44,358,139	0	44,358,139
Central Bank of Kenya-Revenue A/C	1,272,610,648	1,926,115,791	(653,505,143)
Cooperative Bank - University of Maryland Health Services	0	10,015,718	(10,015,718)

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.1,489,166,265 could not be confirmed.

7. Outstanding Imprests

The statement of assets and liabilities reflects accounts receivable – outstanding imprests amounting to Kshs.8,374,380, as disclosed in Note 14 to the financial statements. However, accounting documents for issued imprests which include the memorandum cash books were not provided for audit. In addition, although, the outstanding imprest amount was due and ought to have been surrendered on or before 30 June, 2022, Management did not explain why the imprest had not been surrendered on the due dates or recovery measures taken against holders of the outstanding imprests.

In the circumstances, the accuracy and completeness of the outstanding imprest balance of Kshs.8,374,380 could not be confirmed.

8. Accounts Payable – Deposits and Retentions

The statement of assets and liabilities reflects Nil balance on deposits and retentions. However, review records provided revealed that the County Government signed contracts with merchants for various projects totalling to Kshs.2,277,257, and paid an amount of Kshs.96,329,530 whose retention moneys totalling to Kshs.9,632,953 were deducted during the year under review. However, supporting records such as cash book, bank statement and deposit register were not provided for audit and the County did not reflect any deposits outstanding as at the end of the year. Further, Management paid retention monies to the contractors before the contracts were issued with certificates of practical completion and handing over reports.

In the circumstances, the accuracy and completeness of the deposits and retentions reflected in the financial statements, could not be confirmed.

9. Irregularities in Acquisition of Assets

9.1 Irregular Construction of a Perimeter Wall

During the year under review, Management paid an amount of Kshs.9,949,900 in respect of a contract awarded to a local limited company for construction of a perimeter wall and toilet at Riruta Health Centre where an amount of Kshs.4,000,002 had been paid leaving a balance of Kshs.5,949,898 outstanding. It was observed that the contract was executed by Nairobi City County Government on 26 June, 2020, certificate of interim completion was issued on 15 July, 2020 and inspection committee team appointed on 28 May, 2021. Following the transfer of health functions on 25 February, 2020 and upon establishment of the Nairobi Metropolitan Services (NMS) on 25 February, 2020, the County Executive effectively extinguished all powers it previously had with respect to running of the health function so transferred. The County Government performed health functions which had been transferred and therefore did not have the mandate to do so, and the expenditure was not supported by any relevant authority.

9.2 Uninstalled Apparel and Garment Making Equipment

Note 11 to the financial statements reflects acquisition of assets balance of Kshs.1,053,902,033 which includes purchase of office furniture and general equipment of Kshs.334,650,689. The office furniture and general equipment expenditure includes Kshs.28,357,500 in respect of a contract awarded to a local merchant to supply, deliver and install apparel and garment making equipment to the Jogoo Road. The machine was requested on 16 March, 2021, advertised in the Public Procurement Information Portal (PIIP) where three firms responded. The professional opinion was signed on 16 April, 2021 and a Local Purchase Order was raised on 5 April, 2021 before the professional opinion. The delivery note, invoice and stores receipt statements were dated 23 June, 2021. However, some members opened the tenders, evaluated them and inspected the goods said to have been delivered, contrary to Section 46(1) of the Public Procurement and Asset Disposal Act, 2015, which requires segregation of duties in the three parts of the procurement process. Further, physical inspection of the Market office in the month of September, 2022 revealed that the equipment had not been installed and were not in the store.

9.3 Irregularities in Procurement of Laptops

Note 11 to the financial statements reflects purchase of office furniture and general equipment of Kshs.334,650,689 which includes Kshs.18,432,620 paid to a local company for supply and delivery of 40 laptops, 40 printers, 40 photocopier machines and 80 computers to Waithaka and Kagundo Road Fire Stations. However, review of the procurement plan from Waithaka and Kagundo Road Fire Stations revealed that the department had requested for 5 photocopiers for each department totalling to ten (10) photocopiers and not forty (40) which were ordered through the LPO issued to the merchant, and those that were delivered. On 18 December, 2020 a memo was raised for the correction of the contract price stating that an oversight was noted and that the correct quantity required was 10 photocopiers. A committee was appointed on 17 December, 2020 and through their report advised the Management to return 14 photocopiers to the

supplier leaving a balance of 26 photocopiers. The supplier was requested to collect 14 photocopiers which raises doubts on the transparency of the procurement process.

Three records had the following discrepancies; Local Purchase order indicated Kshs.21,887,120 inspection report indicated Kshs.20,022,720 while the stores receipt statement indicated Kshs.20,044,720.

Physical inspection carried out in the month of September, 2022 at Waithaka Station revealed that the equipment had not been delivered to the users. The local purchase order and delivery notes were not stamped by the general store's management.

In the circumstances, the expenditure amounting to Kshs.18,432,620 paid under acquisition of assets could not be confirmed.

10. Unsupported Scholarship and Bursaries

Note 9 to the financial statements reflects other grants and payments totalling Kshs.799,090,730. Included in this amount is Kshs.641,260,040 in respect of scholarships and other educational benefits. The schedules provided by the Education Department of the County reflects payments of Kshs.433,760,040 and Kshs.207,500,000 for scholarship and other education benefits respectively totalling Kshs.641,260,040. However, Management did not provide adequate supporting documents such as acknowledgement from the school signed register by the beneficiaries as a proof that they received the scholarships complete information of the beneficiaries in the form of admission members, final primary school and approvals by the committee.

In the circumstances, the accuracy of the bursary and scholarship amounting to Kshs.641,260,040 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Government of Nairobi City Executive Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Emphasis of Matter

Possible Loss of Funds due to Premature Termination of Contract

The County Government of Nairobi City (NCCG) had entered into a contract with National Bank of Kenya (NBK) for provision of automated revenue collection and value-added financial services through contract no. NCC/FIN&ECO/G-G/1/2018-2019 dated 10 June, 2019 to run for a period of five (5) years. This was to provide government revenue collection and management solutions and offer automated revenue collection services to manage service delivery, monitor and track revenue assets, monitor and track revenue collection activities, seal revenue leakages and enforce payment for services delivered.

Following the signing of deed of transfer of functions between the National Government and the County Government of the Nairobi City as per the gazette notice No.1609 of 25 February, 2020, the National Government was bestowed the responsibility of collecting and remitting all revenue accruing from the transferred functions. This led to the appointment of the Kenya Revenue Authority (KRA) as the principal agent for overall revenue collection.

Consequently, the Nairobi Metropolitan Services (NMS) engaged Kenya Revenue Authority (KRA) as an agent for the collection of the County revenue through a different platform, Nairobi Revenue Sure (NRS) at a cost which was not disclosed. This prompted the cancellation of the existing contract with the bank through letter dated 3 February, 2022 based on clause 16 of the contract.

On 24 February, 2022 National Bank of Kenya responded to the County indicating that they had invested heavily on the project through various channels which were still active including the mobile App, mobile short code service and service web portal which were still active. The Bank stated that it had supplied over 500 gadgets to various revenue staff members. The County had failed to pay the Bank a significant debt of Kshs.566,278,045, contrary to clause 16.4 of the agreement and the Bank demanded immediate payment of the debt together with damages which were to be determined, for breach of contract in relation to pre-mature termination. Management has therefore exposed the County Government to loss of funds premature termination of the contract.

My opinion is not modified on the effect of the above matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts combined reflects final receipts budget and actual on comparable basis amounting to Kshs.39,627,536,000 and Kshs.28,209,671,039 respectively, resulting to an underfunding of Kshs.11,417,864,961 or 29% of the budget. Similarly, the County Executive incurred expenditure amounting to Kshs.27,643,066,558 against an approved budget of Kshs.39,627,536,000 resulting to an under-expenditure of Kshs.11,984,469,442 or 30% of the budget.

Although Management explained that the underperformance was a result of under collection of own generated revenue, measures on how the own generated revenue could be increased have not been articulated. Further, the underfunding and underperformance affected the implementation of planned activities and impacted negatively on service delivery to the public.

2. 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 not complying with the provisions of the Public Sector Accounting Standards Board in relation to format and contents of its financial statements, and The National Treasury's Circular Ref: No. AG.4/16/3 Vol.1(11) dated 1 July, 2022.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.1 Pending Accounts Payable

1.1.1 Motor Vehicles

As disclosed in Note I on other important disclosures to the financial statements, pending accounts payable amounted Kshs.26,270,995,418 which includes supply of goods amount of Kshs.1,622,502,916, which further includes an amount of Kshs.146,020,847 incurred on procurement of twenty-three (23) motor vehicles from various private vendors, between 2014/2015 and 2021/2022 financial years. Management revealed that the log books for the vehicles were with the vendors and had not been transferred to the City County due to non-payment, the ownership of the vehicles could not be confirmed.

Further, out of the twenty-three (23) motor vehicles, seventeen (17) double cabin pickups which were procured from several dealers. However, physical verification of the vehicles revealed that eight (8) of the vehicles were grounded and not serviceable, two (2) vehicles were detained by the supplier, while one vehicle. The whereabouts of an additional vehicle procured from a third private dealer was not known.

1.1.2 Legal Fees – Omitted Fee Note

The above balance includes pending bills totaling to Kshs.22,929,252,921 in respect of supply of services which constitutes a contingent liability of Kshs.21,210,002,361 for firms engaged by the County Executive to provide legal services which excludes contingency liabilities of Nairobi Metropolitan Services (NMS).

Further, review of sampled files revealed that most of the legal costs arose from negligence on the part of the County employees. This exposed the County to loss of public funds as evidenced by the fee notes issued to the County for various legal cases. A sample of seven (7) of the legal cases and the related observations are detailed below;

1.1.2.1 E 371 of 2020 - Over-Rated Fee Note

(i) Under Case No.E371 of 2020

the County Executive gave instructions to an advocate to defend the County in a consolidated matter seeking for nullification of Nairobi City County Assembly Appropriation Act, 2020/2021. The County sought the services who raised a fee note of Kshs.1,675,485,000. The County revised the amount to Kshs.1,175,153,451, out of which Kshs.55,000,000 was paid to the advocate in the year under review. However, review of the Advocates Remuneration Act, 2014 revealed that the advocate based his fee at a rate of 3% of the total budget value of Kshs.37,454,976,280 instead of the amount in dispute of Kshs.6,073,343,662.

(ii) Case No. ELC E011/2020

The matter relate to a dispute in relation to 3 parcels of land in Kariobangi No. 90, 78 and 86 measuring 2 acres each, valued at Kshs.120,000,000. The advocate forwarded a fee note of Kshs.40,000,000. However, recalculation of the fee as per the advocates rate indicates the fee should not have been more than Kshs.10,000,000, resulting to an excess charged fee amount of Kshs.30,000,000.

(iii) Under Case No. MISC 368 of 2016

Review of documents revealed that the matter related to a dispute in relation to 40.4 ha of land with an estimated value of Kshs.300,000,000. However, advocate forwarded a fee note amount of Kshs.348,510,400 which was higher than the value of the land.

(iv) E021 of 2021

Review of documents Case No.E021 of 2021 revealed legal suit NBI ELRC Petition No. E021 of 2021, relating to a petition against appointment of Liquor Board Members. Had the Legal Department of the City County advised the Governor and Management in respect of appointment of the Board of Members, the City County would not have lost an amount totalling to Kshs.24,000,000, related to the legal fees charged, on account of the petition.

(v) HCCCELC NO. 83/16

Review of documents legal suit No. HCCCELC NO. 83/16 revealed that this legal matter related to a dispute arising from double allocation of the same piece of land in Langata to Sidcup Enterprises and John Serewa, by the City County. However, the legal charges could have been avoided, had the City County Management in charge of land allocation ensured that the piece of land was allocation to only one person.

- (iv) Review of documents provided revealed legal suit No. HC PET 179 of 2019 which related to a case between NCCE and Martin Shikuku, where land was invaded, subdivide and sold to third parties, whereby the City County was sued. The advocate handling this legal matter raised a fee note of Kshs.55,691,850, a cost which would have been avoided, had the City County Management not engaged in abuse of office which resulted to invasion, subdivision and sale of the land.
- (vi) Review of documents provided revealed legal suit HCCC No. 1885 of 1992, which was partly paid as at the 2021/2022 financial year. This legal matter relates to a case where an officer of the City County allocated land with an estimated value of Kshs.23,816,088 to the complainant and reallocated the same parcel to a different person thereafter. The total cost relating to this legal matter, including penalties of 18% p.a of Kshs.23,816,088 charged from 1 October 1980 to date, claims of Kshs.1,702,959,645 and architect, quantity surveyor and valuers fees of Kshs.1,045,384 were charged to the County's budget. The total cost amounting to Kshs.1,704,005,029, is a cost which could have been avoided had the officer concerned not engaged in abuse of office.

It was noted that the City County Executive was exposed to a total potential loss of Kshs.3,383,218,730 in relation to legal services sought from private advocates, whose legal fees were in excess of the legal fees set out in the Advocates Act.

Further, Management did not provide evidence of any communication with the National Treasury, Attorney General and CECM Finance in relation to the legal expenses, contrary to Article 156 of the Constitution of Kenya which designates the Attorney General as the Principal Legal Adviser to the Government. The County Government also acted contrary to Section 17 of the Office of the Attorney General Act No.19 of 2012 which provides that no Ministry or Department shall engage the services of a consultant to render any legal services relating to the functions of the Attorney General without the approval of the Attorney General. Similarly, there was no criteria to classify cases that could be handled by the internal advocates and those that required external advocates, exposing the County to unnecessary extra-legal costs. In addition, the legal department did not provide an effective risk management program to enable Management to avoid or minimize to a reasonable level, matters with high negative impact, which could expose the County to huge legal costs.

1.1.3 Discrepancy Between Advocates Fees and Reviewed Assessments

Cap 16 of the Advocates Act, 2014 provides a basis for remuneration for legal services. However, review of twenty-three (23) sampled fee notes for various cases provided for audit revealed significant discrepancies between the advocates fee of Kshs.3,428,367,610 and reviewed assessments by Management of Kshs.1,809,879,304 resulting to variance of Kshs.1,618,488,306. No explanation was provided for the significant discrepancies despite the fact that legal charges are guided by the standard remuneration order for legal fees.

There was no evidence of any measures taken by Management towards ensuring that any legal charges to the County is based on the standard remuneration order for

advocates. In addition, the County did not have legal fees payment policy, a gap which exposes the County to possible exploitation by the advocates.

1.2 Pending Staff Payables

As disclosed in Note 2 on the important disclosures to the financial statements, pending staff payables amounted to Kshs.222,411,928 as at 30 June, 2022 which includes a balance of Kshs.8,794,324 in respect of interest charged on delayed payments due to Local Authorities Provident Fund (LAPFUND). This was contrary to Section 53A(1) of the Retirement Benefits Act, 2012, which requires remission of pension contributions within the statutory deadlines.

Further, analytical review of the payroll for the year under review revealed that an amount of Kshs.471,115,744 in respect of employer's contributions to the staff retirement benefits scheme was not remitted to the Pension Scheme contrary to Section D.39 (1) of the Public Service Human Resource Policies 2016, which provides that the Government will contribute 15% of an employee's monthly basic salary, drawn from the 75 Consolidated Funds, towards the employee pension while the employee will contribute 7.5% of his monthly basic salary towards the Scheme. In addition, these pension payables were not included in the pending bills and therefore the accuracy of the pending bills could not be confirmed.

Review of documents provided for audit also revealed that deductions totalling to Kshs.28,843,248 in respect of various contributions made by the staff members during the year under review were deferred. No explanation was provided for failure to remit the deductions. Similarly, Management had not remitted contributions amounting to Kshs.34,061,222, for fifty-eight (58) retirees for a period of thirty-five (35) months spread between 2013 to June 2019. These payables were also not included in the pending bills and therefore the accuracy of the pending bills could not be confirmed.

1.3 Other Pending Payables

As disclosed in Note 2 on the important disclosures to the financial statements, other pending payables amounted to Kshs.72,878,965,572 which includes amounts due to National Government Entities of Kshs.986,734,337 in respect of Pay As You Earn (PAYE) of Kshs.762,382,808, Value Added Tax (VAT) of Kshs.118,553,546, and penalties of Kshs.105,797,983. The amount of PAYE and VAT were deducted but not remitted to the Kenya Revenue Authority (KRA), contrary to Section 37(1) of the Income Tax Act which requires an employer paying emoluments to an employee to deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed.

Further, the balance includes an amount of Kshs.71,609,409,396 due to third parties which includes amounts owed to LAPFUND of Kshs.28,499,298,304 which further includes an amount of Kshs.24,991,527,302 in respect of principal and interest. The penalties is charged at a rate of 3% per month on 15th of every month and additional 36% which was compounded annually, and had accumulated from the financial year, 2011. Comparison between the LAPFUND and the Defunct Local Authority balance and The National Treasury financial records revealed total outstanding balances of Kshs.12,166,812,887 and Kshs.1,331,028,494, while the financial statements reflect a

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balance of Kshs.15,266,472,473 and Kshs.13,232,825,831, resulting to unreconciled variances of Kshs.3,099,659,586 and Kshs.11,901,797,337 respectively.

In addition, included in the pending bills amount of Kshs.71,609,409,396 are historical Government loans of Kshs.15,328,285,000 and Kshs.3,815,640,000 from Kenya Commercial Bank (KCB). These loans, which date back to the year 1970s were issued to finance the Umoja II Housing Project and water infrastructure. However, Management did not have any contractual records with details of when the loans were taken, the principal amount and the interest rate applicable. Further, the KCB loan of Kshs.3,815,640,000 differs with the KCB bank loan statement of Kshs.4,504,199,426, resulting to an unreconciled variance of Kshs.688,559,426.

Review of records held at LAPTRUST reflected an outstanding balance of Kshs.23,031,271,451 in respect of principal and interest penalty amounts of Kshs.16,339,508,857 and Kshs.6,691,762,594 respectively. The interest was charged at a rate of 1.25% per month (15% p.a) compounded.

Had the County remitted the respective deductions by due deadlines since the financial year 2011, savings of Kshs.41,331,036,159 would have been made. There was no evidence of measures taken by Management to negotiate with the respective institutions.

In view of the discrepancies, the legality, completeness and accuracy of disclosure made of pending bills balance of Kshs.99,372,372,918 could not be confirmed.

2. Failure to Implement an Effective Risk Management Programme

The Nairobi City County, through the procurement plan for the year under review, approved a budget of Kshs.19,900,000 for an automated case management system under the legal department. However, physical verification within the department in September, 2022 revealed that although very crucial and sensitive records were maintained by the department, the records were managed manually, which poses a risk of loss of important documents. Further, the department did not have mechanisms to enable identification, assessment and management of legal risks, a situation which has exposed the County to significant legal costs. This was contrary to Section 31 of The County Attorney Act, 2016 which provides that all entities should have automated their records through an Information Management system by September 2019.

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

3. Non-Compliance with Office of the County Attorney Act, 2020

As disclosed in Note 7 to the financial statement, the statement of receipts and payments reflects use of goods and services amount of Kshs.7,642,844,133 which includes other creditors totalling to Kshs.1,862,737,482 relating to payment of pending bills. The other creditors include an amount of Kshs.1,302,758,364 of pending legal dues, fees, arbitration and charges paid during the year under review. However, the approved final budget expenditure was Kshs.820,191,479 against actual amount of Kshs.505,363,387 allocated resulting to an unexplained over-expenditure of Kshs.797,394,977 whose approval for reallocation was not provided for audit.

Further, as a control measure and legal requirement, the Office of the County Attorney Act, 2020 requires the County Attorney to prepare and submit annual reports to the Governor and the County Assembly, with details outlined in Section 28 of the Act. However, there was no evidence that the reports were submitted as required, since the reports were not provided for audit review. It was not possible to confirm the number of cases which had been ruled in favor of or against the County. The County may also not efficiently plan and budget for legal costs.

In addition, review of the payroll records and staff establishment revealed that the County has a fully-fledged litigation department. However, it was not clear why the County was not defended by the legal officers in some of the legal cases. Review of the staff list provided for audit revealed that the department had six (6) legal counsels against a proposed number of thirty-five (35). This resulted to inefficient service delivery and hiring of expensive external legal services.

Section 17(1) of the Office of the County Attorney Act, 2020 provides that there shall be a County Solicitor who shall be competitively recruited and appointed by the County Public Service Board. However, the officer currently holding the position is on acting capacity and therefore cannot be held liable for any omission or commission as an Accounting Officer of the County Attorney. No explanation was received from the County Public Service Board for not appointing the Solicitor as per the Act.

It was also observed that, most of the legal suits relate to irregular allocation of parcels of land. The advocates engaged by the County base their fees on the market value of the land. Although the County has a department with qualified valuers, there was no evidence of professional advice to the legal department in respect of the accurate market prices, as documentary evidence to this effect was not provided for audit review.

In view of the anomalies, it was not possible to confirm the value for money delivered from legal expenditure amount totalling to Kshs.797,394,977 and Management was in breach of the law.

4. Irregular Payment to Council of Governors

During the year under review, an amount of Kshs.5,020,000 paid to the Council of Governors with respect to exhibition booths for sixteen (16) participants, at a rate of Kshs.50,000 each for the period between 3 May to 5 May, 2021 in Makueni County. However, approval for the expenditure item in the budget and evidence of attendance were not provided for audit. This is contrary to Section 37(b) of the Intergovernmental Relations Act, 2012 which provides that the operational expenses of the Council of Governors shall be provided for in the annual estimates of revenue and expenditure of the National Government.

The above payment was irregular and Management was in breach of law.

5. Development (EED) Centers Supply and Delivery of Trapezium Tables and Chairs to Early Childhood

During the year under review, Management paid an amount of Kshs.18,942,100 in respect of a contract awarded to a local company for the supply and delivery of trapezium tables and chairs to Early Childhood Development (ECD) Centers vide contract number NCC/EDU/SPORTS/T/344/2018-2019 of 7 October 2019, through open tender. However, there was no segregation of duties for the opening and evaluation panel since the same committee members opened and evaluated the tender documents. This was contrary to Section 46(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that an Accounting Officer shall ensure that an ad hoc evaluation committee is established in accordance with this Act and Regulations made thereunder and from within the members of staff, with the relevant expertise.

Further, review of the list of bidders who responded revealed that thirteen (13) bidders went through preliminary evaluation. However, the checklist provided for audit revealed that bidder 1 who had a quote of Kshs.11,637,500 being the lowest most responsive was disqualified because he was a resident of a neighboring County. Had he been considered then the County could have saved an amount of Kshs.7,304,600. Bidder number 3 was disqualified because he did not issue a certified copy of the Bill of Quantities from the lawyer, which however, was ticked in the checklist as having been issued. This casts doubt on the transparency of the procurement process for the supply of furniture under this contract.

In the circumstances, it was not possible to confirm value for money and transparency in respect of purchase of the trapezium tables and chairs worth Kshs.18,942,100.

6. Non-Compliance with the Public Procurement and Asset Disposal Act, 2015

During the year, Management paid an amount of Kshs.5,969,000 to a local consultant for consultancy services on disaster management and coordination. The completion period was three (3) months. However, no evidence was provided to confirm the scope of services for the consultancy. The same officers who opened the tenders also evaluated them, contrary to Section 46(1) of the Public Procurement and Asset Disposal Act, 2015, which requires segregation of duties between the members of the tender opening committee and those of the tender evaluation committee.

Further, Management did not provide a professional opinion from the head of procurement as required by Section 84(1) and (3) of the Public Procurement and Asset Disposal Act, 2015. There were no letters to unsuccessful bidders as required by Section 87(3) of the Public Procurement and Asset Disposal Act, 2015. As at the time of audit there was no disaster management and coordination policy in place.

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

7. Loss of Funds on Provision of Internet Services and Wireless LAN

Further, Management paid an amount of Kshs.46,496,259 which was paid to a supplier for provision of internet services and wireless Local Area Network (LAN) infrastructure to

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the County Executive for a period of 2 years. However, review of the contract documents revealed that two (2) bidders responded and the successful bidder was awarded the contract at a bid sum of Kshs.46,496,259. The evaluation committee was appointed vide memo ref: NCC/SCM/JK/047/2021-2022 dated 30 August, 2021 and the evaluation was carried out whose report indicated that both firms passed the preliminary and technical evaluation, with the successful bidder scoring 100%. However, the evaluation committee recommended an award to the highest evaluated bidder for a period of two years. The head of procurement approved the recommendation of the evaluation committee to award the tender to the successful bidder at a contract sum of Kshs.46,496,259. Further, it was established that an arithmetical error, which denied the lowest bidder marks, was omitted.

Whereas the law requires that the lowest most responsive bidder be awarded the contract, Management awarded the contract to the highest ranked bidder resulting to a loss of Kshs.12,017,507 which could have been saved and used for other purposes.

Physical inspection of two (2) sampled departments revealed that most of the offices including fourth floor - Human Resource Development department and some legal department offices did not have WIFI.

In view of the anomalies, it was not possible to confirm that value for money was achieved on the expenditure of Kshs.46,496,259.

8. Lack of Transparency in Procurement of Construction Material

Note 7 to the financial statements reflects other operating expenses amount of Kshs.2,268,832,045 which includes expenditure of Kshs.9,213,780 paid to two bidders, for Kshs.2,390,000 and Kshs.6,823,780. However, review of the documents provided revealed that Management appointed the same members to serve in both opening and evaluation committee for the tenders, contrary to Section 46(4) of the Public Procurement and Disposal Act, 2015 which requires segregation of duties between the members of the tender opening committee and those of the tender evaluation committee.

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

9. Failure to Establish Nairobi City Disaster and Emergency Management Council

Note 9 to the financial statements reflects other grants and payments totalling Kshs.799,090,730 which includes emergency relief and refugee assistance-civil contingency reserves of Kshs.157,830,690. However, review of the department's records revealed that Management did not establish a Disaster and Emergency Management Council contrary to Section 4(a)-(f) of the Nairobi City Disaster and Emergency Management Act, 2015 which provides that there should be a Disaster and Emergency Management Council in the County which should be responsible for setting relevant policies, approve plans and oversee the implementation of risk reduction, preparedness, response and recovery activities by all County agencies and other agencies performing roles related to disaster management.

Further, the County did not have clear guidelines on what constitutes disaster, emergency pandemic and which sector should coordinate this incase of any emergency. Absence of

a Disaster and Emergency Council may result in uncoordinated, poorly planned, lack of accountability and inadequate facilities which may result to loss of funds.

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

10. Leasing of Medical Equipment Not Accounted For

Note 9 of other important disclosures to the financial statements reflects an amount of Kshs.153,297,872 (2020-2021: Kshs.132,021,177) in respect of leasing of medical equipment deducted at source. Records provided for audit revealed that the equipment were distributed to Mama Lucy Kibaki Hospital and Mbagathi Hospital. Physical verification carried out on 9 November, 2022 revealed that the two hospitals had records indicating receipt and physical existence of the equipment. However, the basis for the deduction of Kshs.153,297,872 under the equipment in the year under review was not provided.

In the circumstances, it was not possible to confirm the value for money from the leased equipment at a cost of Kshs.153,297,872.

11. Delay in Installation and Commissioning of Machines

11.1 Printing Press

Review of records provided revealed that, the County procured four (4) state-of-the-art printing press machines at a cost of Kshs.51,297,261 in the 2016/2017 financial year. Physical verification carried out revealed that although the machines were delivered, three of the machines; perfect binder Kshs.10,025,743, offset printing machine Kshs.14,410,000 and Gullotine machine Kshs.7,575,286, had not been installed five (5) years after their procurement. Management's explanation was that the machines' height was more than the height of ceiling of offices in Nairobi City Hall and as a result they could not fit, putting into question if feasibility study and user requisition and specifications had been carried out before initiation of the purchase.

11.2 Weights and Measures Equipment

During the year under review, Management paid an amount of Kshs.17,206,000 in respect of supply, installation and commissioning of weights and measures equipment at the new Ukulima Market. The installation works commenced on 31 May, 2019 for a period of three (3) months. The scope of works included foundation civil works costing, weigh office building works, supply of weighbridge deck and sensors, CCTV system set up costing, equipment installation and calibration, four (4) dormant platforms and ten (10) electronic counter scales.

Physical inspection of the market carried out in the month of November, 2022 revealed that machines with a cost of Kshs.7,696,000 comprising of equipment installation and calibration, 4 dormant platforms and 10 electronic counter scales had not been installed.

Further, it was observed that the partial machines which have been installed did not have enough space for a vehicle to negotiate corners, since the entry point to the market was occupied by a private developer. Further, the market has never been put into use, and this exposed the already completed works to vandalism and deterioration.

In addition, whereas the works had been supervised by Nairobi Metropolitan Services the payment for the works was made by the Nairobi City County Executive. No evidence was provided to confirm that NMS had authorized the County to pay.

In the circumstances, it was not possible to confirm value for money of expenditure totalling to Kshs.17,206,000.

12. Irregularities in Construction and Civil Works

12.1 Incomplete Projects

The statement of receipts and payments reflects an amount of Kshs.1,053,902,033 in respect of acquisition of assets and as disclosed in Note 11 of the financial statements. The amount includes Kshs.110,392,197 and Kshs.51,520,178 in respect of construction of buildings and refurbishment of buildings respectively out of which Kshs.30,378,478 relates to construction and rehabilitation of local halls across the County namely Pumwani Kayole, Lumumba, Bahati, Joseph Kangethe, Mugomoini and Waithaka halls.

However, physical inspection revealed that there were no water tanks which was in the bill of quantity, there was one manhole yet the bill of quantity had two manholes, roofing works were done poorly, tiling were done poorly and one room had no tiles, the buildings were not marked, the washrooms were not connected to the main sewer and the contractor had closed the social halls and were not accessible.

12.2 Procurement of Transferred Services

Review of the deed of transfer of services to Nairobi Metropolitan Services revealed that on 25 February, 2020, the County Government unequivocally transferred four of its functions to the National Government, which included County Planning and Development Services and County Public Work. However, the County Management continued to execute some of these services through procurement of construction and civil works, by initiating one hundred and fifty-five (155) Ward projects with a total cost of Kshs.2,299,277,257. The department did not have the technical capacity to supervise the works and they relied on engineers from the Nairobi Metropolitan Services for technical services, which resulted to inefficient and ineffective service delivery.

12.3 Construction and Civil Works - Delayed Projects

Note 11 to the financial statements discloses construction and civil works expenditure of Kshs.467,486,554 which includes an amount of Kshs.96,329,530 in respect of eight (8) projects paid during the year under review. Physical verification carried out in the month of November, 2022 revealed that although the projects related to the financial year

2019/2020 and were to take a period of six (6) months, they had not been completed as at the time of inspection.

12.3.1 Contract for Non-Existent Road

Management entered into a contract with a local contractor for rehabilitation of selected roads and drainage in Mlango Kubwa for a period of six (6) months vide contract No. NCC/WDP/T/042/2019-2020 at a contract sum of Kshs.13,795,798, which was ongoing according to the project status. However, physical inspection and interview of a sample of residents in the month of November, 2022 revealed that the project did not exist.

12.3.2 Anomalies in Implementation of Road Projects

Physical inspection of a sample of sixteen (16) road projects with a total cost of Kshs.241,780,160 which includes seven (7) fully paid with a total cost of Kshs.88,225,979. However, one (1) road project in Kilimani Ward with a cost of Kshs.13,055,183 under the County Government had a signpost belonging to Nairobi Metropolitan Service (NMS). Similarly, two (2) projects with a cost of Kshs.27,190,272, with poor drainage and workmanship, had Members of County Assembly's (MCA) signposts four (4) projects with a cost of Kshs.47,980,525 had no signage. This was contrary to Section 131 of the contract documents which states that the Contractor shall provide and erect publicity signs on the site as directed.

In addition,, the following anomalies were observed in relation to contracts for works and services;

- (i) A Contract No. NCC/WDF/044/2018/2019 at a price of Kshs.16,146,040 was awarded to a contractor for grading, gravelling and drainage improvement for seven (7) feeder roads in Githurai. Out of the seven roads, only one road was done while six (6) projects had construction materials dumped and the contractor was not on site revealed that the works had stalled for a long period. Efforts to reach the Engineer at NMS was not fruitful. It was established that the contractor had been paid an amount of Kshs.15,052,087. No explanation was provided for payment of services not rendered.
- (ii) Contract No. NCC/WDF/T/167/2021/2022 at a contract sum of Kshs.13,802,132 in respect of construction of Mariru Park Road in Mwiki Ward had been paid an amount of Kshs.11,361,510. However, the works were incomplete and the contractor was not on site.
- (iii) Contract No. NCC/WDP/T/064/2019-2020 totalling to Kshs.13,650,880 in respect of construction of Madoya Road, located between Outreach Church Ngei and Madoya Area in Huruma Ward had been paid an amount of Kshs.9,076,160. However, the road and the drainage had poor workmanship.
- (iv) Contract No. NCC/WDF/T/167/2021-2022 totalling to Kshs.13,972,200 in respect of rehabilitation of Kapsoit Road and the access road from Sony House off

Kangundo Road in Umoja I was paid Kshs.12,488,768. However, the contractor had not done the works on culverts.

12.3.3 Lack of Extension for Delayed Projects

Review of records provided for audit revealed that seventy-seven (77) projects with contractual price of Kshs.1,102,108,473 and certified certificates of Kshs.781,316,859 had delayed completion. There was no evidence that extension of the contract period was sought for the delayed projects, contrary to Regulation 132(3) of the Public Procurement and Asset Disposal Regulations, 2015, which requires such request for extension of time be made and granted for the delayed projects, some of which were started in the 2018/2019 financial year.

The performance bonds had expired, and no explanation was obtained from the Management on measures undertaken to ensure that the completed works were not exposed to further deterioration and vandalism and management was also in breach of the law.

12.4 Projects Procured but Not Implemented

Review of Ward records revealed that Management signed contracts with different merchants for rehabilitation of sixty-eight (68) roads in the County, two (2) of which were to be implemented in the 2018/2019, fourteen (14) in 2019/2020 and fifty-two (52) in 2021/2022 financial years. The total cost of the projects was Kshs.1,062,016,963. However, physical inspection carried out revealed that the sixty-eight (68) projects had not been implemented and the contract period had elapsed as per the contract documents. No explanation was provided by Management for not implementing the projects or terminating the related contracts. Further, there was no explanation for commencing new projects before completing the ongoing projects.

Further, review of the financial evaluation reports revealed that the contractors had the financial capability to handle such huge projects. There was no explanation why these contractors who, according to the financial evaluation reports had the financial capacity to implement the huge projects, did not complete the projects as set out in the respective contracts. There was also no evidence of measures taken by Management to ensure that the projects were completed.

In addition, Management did not maintain a risk management and maintenance of risks register, contrary to Section 9.9 of the Public Procurement and Disposal General Manual, 2009 which provides that the greatest risks which must be mitigated in the management of procurement contracts.

There was also no evidence of payment of interest and damages by the bidders for delayed works, contrary to Section 140 of the Public Procurement and Asset Disposal Act, 2015 which provides interest on overdue amounts and liquidated damages.

In the circumstances, it was not possible to confirm value for money for the total expenditure amount by Kshs.1,062,016,963.

13. Irregularities in Fleet Management

Annex 6 to the financial statements reflects non-current assets with net book value of Kshs.26,866,439,852 as at 30 June, 2022, which includes transport equipment totalling to Kshs.1,154,951,310. However, Management did not provide a motor vehicle register indicating the financier, engine number, chassis number, tag number, year of purchase, payment voucher number and the acquisition value. Further, various anomalies were observed on management of the fleet as highlighted below;

- (i) Records provided for audit revealed that the County had five hundred and eighty - nine (589) fleet of motor equipment which comprised of forty-one (41) equipment, one hundred and twenty (120) heavy vehicles, three hundred and sixty-seven (367) light vehicles and sixty-one (61) motorcycles. However, the Management did not provide the log books for the motor vehicles for verification. In addition, review of records for the mechanical department provided for audit revealed existence of a fleet of three hundred and twenty- eight (328) moving equipment resulting to inconsistency in the two sets of records.

Further, it was observed that a new motorcycle was grounded. However, the motorcycle was not reflected in any of the two lists provided for audit.

- (ii) Review of the staff list maintained by the Human Resource Department for the month of June, 2022 revealed that the City County has a total of one hundred and five (105) drivers with a fleet of vehicles of five hundred and eighty-nine (589). This mismatch between the number of drivers and size of the fleet of vehicles indicates inefficient management of the transport system, arising from procurement of unutilized fleet of vehicles which continue to incur repairs and maintenance costs, which could have been avoided if the County Management maintained an optimal size of motor vehicle fleet. No explanation was provided for maintenance of a motor vehicle fleet which was in excess of drivers.

In view of the avoidable repairs and maintenance costs incurred on the excess motor vehicle fleet, it was not possible to confirm that public resources were managed in an efficient and effective way.

- (iii) Physical verification carried out on a sample of the three hundred and sixty-eight (368) of the moving equipment on 15 September, 2022 revealed that one hundred and fifty-two (152) vehicles were grounded. No explanation was provided for failure to dispose the equipment to avoid further vandalism and costs. Further, eleven (11) vehicles were grounded as a result of accidents on various dates. However, no police abstract or claims for compensation from the insurance companies was provided for audit.

- (iv) The County Executive Management opted to repair and maintain its vehicles in private garages despite owning its garage. However, justification was not provided for audit review. A total of twenty-seven (27) vehicles were taken to the County's

Report of the Auditor-General on County Executive of Nairobi City for the year ended 30 June, 2022

Central Garage for repairs more than two years ago whose exact timelines was not ascertained due to lack of track records from the department. The vehicles have not been serviced by the Management and no explanation was provided for failure to repair them.

- (v) A wheel loader was repaired. However, due non-payment, the equipment is currently at a private garage. No explanation was provided by the Management for failure to pay for the repairs, therefore exposing the wheel loader to vandalism and accrual of demurrage costs.
- (vi) A grader was taken to a private garage and a backhoe excavator was taken to the NMS Garage were not insurance to be able to operate. Management did not give reasons for failure to obtain insurance cover for the same. The idle equipment are exposed to vandalism and deny opportunity for service delivery to the public.
- (vii) Three (3) Nissan Single Cabin Pickup motor vehicles were impounded by the supplier due to non-payment of the purchase cost of the motor vehicles. A visit to a local garage revealed that the garage was repairing 12 County vehicles which had been brought at different times. A long outstanding bill of unknown amount by the County was the hindrance for release of the repaired vehicles. Further, physical verification at another garage revealed that, the garage was repairing 10 County vehicles which had similarly been brought at different times. Three of these vehicles were procured in the year 2016 at a cost of Kshs.9,000,000 and taken to the garage in 2016 for engine overhaul. To date the vehicles have not been released to the County due to non-payment. In addition, ten (10) motor vehicles were grounded another depot for more than two years. However, the reason for the grounding of the vehicles was not provided.
- (viii) An Insurance firm was paid an amount of Kshs.132,877,237 during the year under review for provision of insurance cover County motor vehicles. However, it was not possible to confirm the value for money on the expenditure as Management did not provide supporting documents in respect of insurance compensation for the County's fleet of vehicles. In addition, twelve (12) vehicles of the County were repaired at various private garages but had not been released to the County because the insurance company had not compensated the mechanics. There was no evidence of measures taken by Management to obtain the serviced vehicles.

Further, fourteen (14) vehicles were at various private garages, repaired but impounded for lack of payments. However, these vehicles were not insured and therefore no compensation was obtained from insurance companies for the repair works done. Detailed review of records revealed that the vehicles were not included among those benefiting from the insurance cover. No explanation was provided by the Management on why the vehicles were not covered or compensated by insurance companies. The vehicles held by the garages for non-payment were not available to facilitate movement within the County and this may have affected efficiency of service delivery to the people of the City County.

- (ix) Six (6) vehicles were found at a yard undergoing repair. However, there was no approval from Management for the repairs. In addition, it was also not possible to confirm the period the vehicles had been in the yard due to lack of supporting documents in relation to the duration. This contravened Regulation 132(1) of the of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer of a County Government entity shall take full responsibility and ensure that proper control systems exist for assets and that — (a) preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse; (b) movement and conditions of assets can be tracked.
- (x) A visit to a repair yard indicated that a vehicle was at the repair yard. However, no Local Service Order (LSO) was issued from the County with details of the repairs required on the vehicle. The vehicle had been vandalized with number plates, battery and side mirrors missing. Further, it was also noted that the insurance for the vehicles had expired and been vandalized.
- (xi) A visit to a garage revealed that, the garage was repairing six (6) County vehicles which had been brought at different times and had been at the garage for over one year. Management explained that the County had an unpaid bill of Kshs.1,613,244 which had affected performance of the contractor. It was further observed that the framework contract between the County and garage had expired. However, the garage continued to provide services without a renewed contract.
- (xii) Review of a list of fire engines provided by County officials at the Headquarters revealed that the County had a fleet of seventy-one (71) fire engines. However, the analysis and status report on the firefighting equipment was not provided for audit review. As a result, it was not possible to confirm the status of the fleet.

In addition, physical verification of some equipment at various garages revealed that a motor vehicle was impounded at a garage since 2018 for non-payment of Kshs.206,929 while two other cars had been impounded since 2016 for non-payment amount of Kshs.105,400 and Kshs.301,636 respectively. It is not clear why the outstanding amounts remained unpaid to enable release of the vehicles considering that the amounts were not significant.

- (xiii) Review of motor vehicle records provided for audit revealed that some vehicles were bearing the green number plates of the defunct City Council, while others had GK number plates and others had normal private number plates. The lack of uniformity in registration of County's motor vehicles may result to challenges in identification of the vehicles. This contravened Regulation 132(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer of a County Government entity shall take full responsibility and ensure that proper control systems exist for assets and that — (a) preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse of assets.

In the circumstances, it was not possible to confirm the existence, ownership and security of the County equipment, motor vehicles and other valuable assets.

14. Failure to Implement Donor Funded Project

Note 13 A to the financial statements reflects cash and cash equivalent balance of Kshs.1,489,166,265 which includes a balance of Kshs.22,683,840 in respect of the Agricultural Sector Development Support Programme II (ASDSP II). The Programme was a continuity of ASDSP I which was concluded in June, 2017 and whose aim was to contribute to transformation of crop, livestock and fishery production on commercially oriented enterprises, which was to ensure sustainability of food and nutrition security for the 47 Counties. This programme was financed by the Government of Sweden, Kenyan Government and other Development Partners for a five-year period between 1 July, 2017 and June, 2022. Information provided for audit indicated that the programme did not commence due to non-remittance of funds from the Ministry of Agriculture and Livestock, and the County Government.

Review of the operations of the ASDSP II programme Special Purpose Account (SPA) held at a local Bank revealed that the project had an opening balance of Kshs.8,051,855 as at 1 July, 2021 and closing balance of Kshs.1,986,313. The payment vouchers provided for audit revealed that an expenditure of Kshs.5,965,542 which included Kshs.4,950,902 and Kshs.933,900 were spent on pre-feasibility and appraisal studies, extended concept innovation and travelling allowances. However, the feasibility reports were not provided for audit. In addition, the operational account bank statement revealed that additional amount of Kshs.22,683,840 from the Central Bank was credited in the account on 1 August, 2022.

There was no documentary evidence that the project was extended after expiry of its terms and conditions on 30 June, 2022.

In the circumstances, it was not possible to confirm the status of and value for money on the project due to lack of documents on the project status and disbursement of the Agricultural Sector Development Support Programme II (ASDSP II).

15. Non-Compliance with Law on Submission of Financial Statements

The County Management did not submit financial statements for three (3) of its funds audit namely, Disaster and Emergency Fund, County Lottery Distribution Trust Fund and Ward Development Fund. This was contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

In the circumstances, Management was in breach of law.

16. Non-Compliance with Third Rules in Basis Salary

During the year under review, the City County Executive made deductions and recoveries from its employees' salaries in excess of two thirds of their basic pay. In some cases, employees remained with negative net pay.

Management indicated that this was a result of implementation of half salary due to imprest recovery, contributory pension scheme for devolved employees, overpayment recovery due to absenteeism and termination of COVID-19 tax relief. However, this salary below one-third status may lead the affected staff members to engage in undesirable activities resulting in loss of funds by the County. The affected staff members may face pecuniary embarrassment arising from their inability to meet their personal obligations.

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

17. Non-Compliance with the National Cohesion and Integration Act, 2008

The Nairobi City County Executive had employees from one ethnic community being more than 44% cent of the workforce contrary to Section 7(1) of National Cohesion and Integration Act, 2008, which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff. Further, Section 7(2) of the Act states that no public establishment shall have more than one third of its employees from the same ethnic community.

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

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.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of an Adequate Assets Register

A summary of non-current asset register at Annex 6 to the financial statements reflects property, plant and equipment with a net book value of Kshs.26,866,439,852 as at 30 June, 2022, which is made up of ten (10) classes of non-current assets. This balance excludes an unknown value of land which is owned by the City County Government, which casts doubt on completeness of the County land reflected in the financial statements. Further, Management did not provide an analysis of each class of asset in support of the balances reflected in the summary of non-current assets register. The County did not provide an updated fixed asset register in support of the balances in the financial statements.

In the absence of an updated assets register, it was not possible confirm the effectiveness of controls over fixed assets, status, accuracy, completeness and their existence.

2. Lack of Approved Information Technology Security Policy and Disaster Recovery Plan

Review of the Information and Communication Technology (ICT) of the County revealed that there was no Information Technology Policy, Data Recovery Plan (DRP) and IT Security Policy. The policies described above are vital for effective and efficient management of the County's IT resources, with the aim of ensuring that data stored in its systems does not lose its integrity and is readily available when required. In addition, the County had not installed antivirus programs in its systems and did not have mechanisms for ensuring that there is up-to-date security on all systems software.

Further, the County did not have an IT Steering Committee, which is critical in providing oversight and formulating policies to ensure provision of IT services by the IT Department, to assist in the achievement of organizational objectives in an efficient, effective and economical manner.

Similarly, the County did not have a disaster recovery plan and had not implemented a backup and retention strategy. Also, the County's backups were not stored in a secure offsite storage facility. Further, formal documented and tested emergency procedures were not provided for audit. Management had no back up and retention strategy to ensure continuity of operations in case there was a system failure and did not conduct regular review and risk assessment of its operational areas.

In the absence of a comprehensive approved policy framework, the system users were not guided on the rules and procedures to follow in order to minimize risk of errors or loss of data confidentiality, integrity and availability. It was also not possible to confirm the recoverability of data in the event of a system crash.

3. Weakness in the Internal Controls Systems

The County Management did not have a records management policy which specifies standardization practices, guidelines on management of records at the registry and automation of records systems which has resulted to misplacement and loss of important

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records. Further, Management had over fifteen (15) policies at draft level. It was not clear why the policies were not finalized, approved and implemented.

In the circumstances, the existence of an effective check and balance could not be confirmed.

4. Undocumented Program Change Management

The audit revealed that the County had not documented and approved processes to manage upgrades made to all financial and performance information systems. This implies that changes to the financial system could occur without the completion of formal change request documentation.

In the absence of a sound and approved framework, there were no rules and procedure guidelines for users of the system, which ensures minimization of risk of errors and fraud, confidentiality, integrity and availability of data.

5. Weakness in Human Resources Management

5.1 Unreconciled Number of Employees

Records maintained by the County revealed that the County had a total of four thousand eight hundred and ninety seven (4,897) employees. However, this number differed with the Payroll Registration for the month of September which reflected five thousand eight hundred and eighty-four (5,884), resulting to a variance of nine hundred and eighty-seven (987) employees between the two set of records.

Management explained that the number reflected in its records was based on the County employed staff members and that the additional staff members were those seconded from the National Government. However, a list of the additional nine hundred and eighty-seven (987) staff members seconded to the County from the National Government was not provided for audit.

In the absence of the list of additional staff, it was not possible to confirm that the nine hundred and eighty-seven (987) staff members were part of the approved staff establishment for the County.

5.2 Unconfirmed Human Resource Skills

Review staff members list for the month of June, 2022 revealed that some staff members were promoted to senior positions in the County. However, their educational or professional skills in the staff list maintained at the Human Resource data records did not match the requirements for the respective positions. This may have resulted either from lack of training to the staff members or failure to update their personal files data in the payroll. The Management did not provide evidence to confirm the academic, professional and experience required for the two thousand one hundred and seventy-eight (2,178) staff positions in the County.

5.3 Learning, Development and Skills Gap

However, the Management did not provide evidence of training programmes for the drivers and mechanical technicians. Further, it was observed that the Fleet Management Department did not have records for all the drivers in respect of skills and competence and also did not have an approved policy framework to guide the operations of its fleet management, including acquisition and disposal of County fleet and allocation of drivers and vehicles to senior officers.

5.4 Avoidable Medical Claims

Review of records maintained by the County revealed that despite having signed a contract with National Hospital Insurance Fund (NHIF) for a medical cover for its staff members, the premiums were not remitted to the Fund on time which resulted to discontinued services. Following the absence of the medical cover, the staff members paid their medical expenses and claimed from the County amounts of Kshs.22,563,844. Had the Management remitted to the NHIF the premiums as per the terms of the contract for staff medical cover, the claims amounting to Kshs.22,563,844 would have been saved for utilization on other purposes.

In the circumstances, existence of an efficient and effective system on use of public funds could not be confirmed.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the County Executive's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the County Executive or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the County Executive's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the County Executive's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County Executive's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the County Executive to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the County Executive to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 April, 2023

Report of the Auditor-General on County Executive of Nairobi City for the year ended 30 June, 2022

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE.
Annual Report and Financial Statements for the year ended June 30, 2022.

7. Statement of Receipts and Payments for the year ended 30th June 2022.

		2021-2022	2020/2021
RECEIPTS	Note	Kshs	Kshs
Exchequer releases	1	19,249,677,414	19,500,070,511
Proceeds from Domestic and Foreign Grants	2	-	74,527,819
Transfers from Other Government Entities	3	-	100,200,000
County Own Generated Receipts	4	8,958,551,070	9,711,076,181
Returned CRF issues	5	1,442,555	168,031,327
TOTAL RECEIPTS		28,209,671,039	29,553,905,838
PAYMENTS			
Compensation of Employees	6	4,982,191,769	6,430,283,158
Use of goods and services	7	7,642,844,133	9,165,422,362
Transfers to Other Government Units	8	13,150,249,192	11,903,451,498
Other grants and transfers	9	799,090,730	936,521,551
Social Security Benefits	10	9,844,106	10,895,603
Acquisition of Assets	11	1,053,902,033	1,097,460,707
Finance Costs, including Loan Interest	12	4,944,596	37,996,576
TOTAL PAYMENTS		27,643,066,558	29,582,031,455
SURPLUS/DEFICIT		566,604,481	(28,125,617)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Executive's financial statements were approved on *1st November 2022* and signed by:



.....
Name: Joseph M. Gathiaka
Ag. Chief Officer –Finance



.....
Head of Accounting Services
Name: Martha Wambugu
ICPAK M/No: 5435

6. Report of the Independent Auditor



8. Statement of Assets and Liabilities as at 30th June 2022

		2021-2022	2020/2021
FINANCIAL ASSETS	Note	Kshs	Kshs
Cash and Cash Equivalents			
Bank Balances	13 A	1,489,166,265	897,688,736
Cash Balances	13 B	-	-
Total Cash and cash equivalents		1,489,166,265	897,688,736
Accounts receivables – Outstanding Imprests	14	8,374,380	33,247,428
TOTAL FINANCIAL ASSETS		1,497,540,645	930,936,164
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	15	-	-
NET FINANCIAL ASSETS		1,497,540,645	930,936,164
REPRESENTED BY			
Fund balance b/fwd.	16	930,936,164	959,061,781
Prior year adjustments	17	-	-
Surplus/Deficit for the year		566,604,481	(28,125,617)
NET FINANCIAL POSITION		1,497,540,645	930,936,164

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Executive's financial statements were approved on *1st November 2022* and signed by:



Name: Joseph M. Gathiaka
Ag. Chief Officer -Finance



Head of Accounting Services
Name: Martha Wambugu
ICPAK M/No: 5435

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE.
Annual Report and Financial Statements for the year ended June 30, 2022.

9. Statement of Cash Flows for the period ended 30th June 2022.

		2021-2022	2020/2021
	Note	Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating income			
Exchequer releases	1	19,249,677,414	19,500,070,511
Proceeds from Domestic and Foreign Grants	2	-	74,527,819
Transfers from Other Government Entities	3	-	100,200,000
County Own Generated Receipts	9	8,958,551,070	9,711,076,181
Returned CRF issues	5	1,442,555	168,031,327
Payments for operating expenses			
Compensation of Employees	6	(4,982,191,769)	(6,430,283,158)
Use of goods and services	7	(7,642,844,133)	(9,165,422,362)
Transfers to Other Government Units	8	(13,150,249,192)	(11,903,451,498)
Other grants and transfers	9	(799,090,730)	(936,521,551)
Social Security Benefits	10	(9,844,106)	(10,895,603)
Finance Costs, including Loan Interest	12	(4,944,596)	(37,996,576)
Adjusted for:			
Changes in receivables		24,873,048	5,365,320
Total Adjustments		24,873,048	5,365,320
Net cash flows from operating activities			
		1,645,379,561	1,074,700,410
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	11	(1,053,902,033)	(1,097,460,707)
Net cash flows from investing activities			
		(1,053,902,033)	(1,097,460,707)
CASHFLOW FROM FINANCING ACTIVITIES			

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE.
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Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		591,477,529	(22,760,297)
Cash and cash equivalent at BEGINNING of the year	13A	897,688,736	920,449,033
Cash and cash equivalent at END of the year	13B	1,489,166,265	897,688,736

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Executive's financial statements were approved on *1st November 2022* and signed by:



.....

Name: Joseph M. Gathiaka
Ag. Chief Officer -Finance



.....

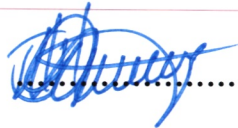
Head of Accounting Services
Name: Martha Wambugu
ICPAK M/No: 5435

10. Statement of Comparison of Budget & Actual Amounts: Combined

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget utilization difference	% of Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	a	b	c=a+b	d	e=c-d	f=d/c %
Exchequer Releases	19,250,000,000	-	19,250,000,000	19,249,677,414	322,586	100%
WORLD BANK-THS	87,492,017	-	87,492,017	-	87,492,017	0%
DANIDA-UHC	35,272,875	-	35,272,875	-	35,272,875	0%
ASDSP II	36,639,733	-	36,639,733	-	36,639,733	0%
UNFPA	7,386,704	-	7,386,704	-	7,386,704	0%
Returned CRF issues	600,000,000	-	600,000,000	1,442,555	598,557,445	0%
County Own Generated Receipts	19,610,744,671	-	19,610,744,671	8,958,551,070	10,652,193,601	46%
TOTAL	39,627,536,000	-	39,627,536,000	28,209,671,039	11,417,864,961	71%
PAYMENTS						
Compensation to Employees	6,879,716,809	(879,438,211)	6,000,278,598	4,982,191,769	1,018,086,828	83%
Use of Goods and Services	5,277,373,478	3,125,436,121	8,402,809,599	7,642,844,133	759,965,466	91%
Other Transfers and Emergency Relief	340,000,000	933,452,171	1,273,452,171	799,090,730	474,361,441	63%
Social Security Benefits	27,791,087	95,863,114	123,654,201	9,844,106	113,810,095	8%
Acquisition of Assets	3,657,671,959	(695,729,615)	2,961,942,344	1,053,902,033	1,908,040,311	36%
Transfers to other Government Entities	23,189,982,667	(2,579,583,580)	20,610,399,087	13,150,249,192	7,460,149,895	64%
liquor Board	250,000,000	-	250,000,000	-	250,000,000	0%
Finance Costs, including Loan Interest	5,000,000	-	5,000,000	4,944,596	55,404	99%
TOTAL	39,627,536,000	-	39,627,536,000	27,643,066,558	11,984,469,442	70%
Surplus/(Deficit)	-	-	-	566,604,481	3,733,658,463	

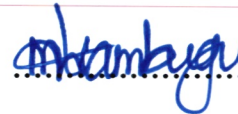
The underutilization of below 90% was as a result of not meeting the Own Source Revenue (OSR) targets where a performance of 46% was attained. The changes between the original and final budget was as a result of reallocations within the budget.

The County Executive's financial statements were approved on *1st November 2022* and signed by:



.....

Name: Joseph M. Gathiaka
Ag. Chief Officer –Finance



.....

Head of Accounting Services
Name: Martha Wambugu
ICPAK M/No: 5435

11. Statement of Comparison of Budget & Actual Amounts: Recurrent

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget utilization difference	% of Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer Releases	13,475,000,000	-	13,475,000,000	13,474,774,190	225,810	100%
WORLD BANK-THS	87,492,017	-	87,492,017	-	87,492,017	0%
DANIDA-UHC	35,272,875	-	35,272,875	-	35,272,875	0%
ASDSPH	36,639,733	-	36,639,733	-	36,639,733	0%
UNFPA	7,386,704	-	7,386,704	-	7,386,704	0%
Returned CRF issues	420,000,000	-	420,000,000	1,009,789	418,990,212	0%
County Own Generated Receipts	12,603,905,355	2,627,883,283	15,231,788,638	6,270,985,749	8,960,802,889	41%
TOTAL	26,665,696,684	2,627,883,283	29,293,579,967	19,746,769,727	9,546,810,239	67%
PAYMENTS						
Compensation to Employees	6,879,716,809	(879,438,211)	6,000,278,598	4,982,191,769	1,018,086,828	83%
Use of Goods and Services	5,175,923,478	3,129,173,723	8,305,097,201	7,642,844,133	662,253,068	92%
Other Transfers and Emergency Relief	340,000,000	460,655,510	800,655,510	799,090,730	1,564,780	100%
Social Security Benefits	27,791,087	95,863,114	123,654,201	9,844,106	113,810,095	8%
Acquisition of Assets	385,353,223	(178,370,853)	206,982,370	-	206,982,370	0%
Transfers to other Government Entities	13,651,912,087	-	13,651,912,087	6,305,174,434	7,346,737,653	46%
liquor Board	200,000,000	-	200,000,000	-	200,000,000	0%
Finance Costs, including Loan Interest	5,000,000.0	-	5,000,000	4,944,596	55,404	99%
TOTAL	26,665,696,684	2,627,883,283	29,293,579,967	19,744,089,768	9,549,490,199	67%
Surplus/(Deficit)	-	-	-	2,679,959	(2,679,960)	

The underutilization of below 90% was as a result of not meeting the Own Source Revenue (OSR) targets where a performance of 46% was attained. The changes between the original and final budget was as a result of reallocations within the budget.

The County Executive's financial statements were approved on *1st November 2022* and signed by



.....
Name: Joseph M. Gathiaka

Ag. Chief Officer –Finance



.....
Head of Accounting Services

Name: Martha Wambugu

ICPAK M/No: 5435

12. Statement of Comparison of Budget & Actual Amounts: Development

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget utilization difference	% of Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer Releases	5,775,000,000	-	5,775,000,000	5,774,903,224	96,776	100%
Returned CRF issues	180,000,000	-	180,000,000	432,767	179,567,234	0%
County Own Generated Receipts	7,006,839,316	(2,627,883,283)	4,378,956,033	2,687,565,321	1,691,390,712	61%
TOTAL	12,961,839,316	- 2,627,883,283	10,333,956,033	8,462,901,312	1,871,054,722	82%
PAYMENTS						
Compensation to Employees	-	-	-	-	-	
Use of Goods and Services	101,450,000	(3,737,602)	97,712,398	-	97,712,398	0%
Other Transfers and Emergency Relief	-	472,796,661	472,796,661	-	472,796,661	0%
Acquisition of Assets	3,272,318,736	(517,358,762)	2,754,959,974	1,053,902,033	1,701,057,941	38%

Transfers to other Government Entities	9,538,070,580	(2,579,583,580)	6,958,487,000	6,845,074,758	113,412,242	98%
liquor Board	50,000,000	-	50,000,000	-	50,000,000	0%
TOTAL	12,961,839,316	(2,627,883,283)	10,333,956,033	7,898,976,790	2,434,979,243	76%
Surplus/(Deficit)	-	-	-	563,924,521	(563,924,521)	

The underutilization of below 90% was as a result of not meeting the Own Source Revenue (OSR) targets where a performance of 46% was attained. The changes between the original and final budget was as a result of reallocations within the budget.

The County Executive's financial statements were approved on *1st November 2022* and signed by:



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Name: Joseph M. Gathiaka
Ag. Chief Officer –Finance



.....

Head of Accounting Services
Name: Martha Wambugu
ICPAK M/No: 5435

13. Budget Execution by Programmes and Sub-Programmes

VOTE CODE TITLE	PROGRAMME CODE AND TITLE	Final Budget 2021-2022	Actual on Comparable basis 2021-2022	Budget Utilization difference 2021-2022
		Kshs	Kshs	Kshs
531100000 COUNTY PUBLIC SERVICE BOARD	0701000 P1 General Administration Planning and Support Services	133,932,880	109,135,310	24,797,570
	0701010 SP.1.1 General Administration Planning and Support Services	133,932,880	109,135,310	24,797,570
	Total 531100000 COUNTY PUBLIC SERVICE BOARD	133,932,880	109,135,310	24,797,570
531200000 OFFICE OF GOVERNOR & DEPUTY GOVERNOR	0718005310 General Administrative Services	2,886,917,369	2,345,836,012	541,081,357
	0718015310 Sp1 General Administration & Support Services	693,805,647	565,169,371	128,636,276
	0718025310 Sp2 Sub County Administration	1,849,320,899	1,502,973,090	346,347,809
	0718075310 Sp7 County Executive	236,289,369	184,391,953	51,897,416
	0718095310 Sp9 Audit	107,501,454	93,301,597	14,199,857
	0724005310 P 24 Security and Safety Management	1,235,955,343	1,035,638,934	200,316,409
	0724055310 Inspectorate	1,181,988,402	971,292,662	210,695,740
	0724015310 sp 24.1 investigative Services	53,966,941	64,346,272	10,379,331
	P; 0726005310: Disaster Management Coordination	546,530,595	445,340,874	101,189,721
	072601510: Fire & Disaster Management	546,530,595	445,340,874	101,189,721

	0725005310 P 25 management of legal affairs	820,191,479	505,363,387	314,828,092
	0725015310 sp 25.1 legal services	820,191,479	505,363,387	314,828,092
	Total 5312000000 OFFICE OF GOVERNOR & DEPUTY GOVERNOR	5,489,594,786	4,332,179,207	1,157,415,579
5313000000 ICT, E-GOVT & PUBLIC COMMUNICATIONS	0207000 P1: General Administration Planning and Support Services	131,613,068	108,875,141	22,737,927
	0207010 SP 1: General Administration, Planning And Support Services	131,613,068	108,875,141	22,737,927
	0208000 P2: Information And Communication Services	140,201,874	147,815,456	7,613,582
	0208010 SP 2.1: News And Information Services	61,128,403	51,440,228	9,688,175
	0208030 SP 2.3: ICT and Media Regulatory Services	18,129,108	14,772,518	3,356,590
	0208040 SP 2.4 E-Government Services	60,944,363	81,602,711	20,658,348
	0210005310 ICT Infrastructure Development	85,651,588	90,979,382	5,327,794
	0210010 SP1: ICT Infrastructure Connectivity	69,466,288	76,161,076	6,694,788
	0210035310 sp 3:Information Security	16,185,300	14,818,306	1,366,994
		Total 5313000000 ICT, E-GOVT & PUBLIC COMMUNICATIONS	357,466,530	347,669,979
5314000000 FINANCE & ECONOMIC PLANNING	0701005310 Public Financial Management	4,024,289,292	2,688,849,223	1,335,440,069
	0701015310 Assets Management Services	280,722,542	228,746,978	51,975,564
	0701065310 sp1.6 Accounting Services	1,702,631,217	1,387,390,351	315,240,866

	0701075310 sp1.7 Budget Formulation Coordination and management	317,195,306	234,021,315	83,173,991
	0701085310 sp1.8 Resource Mobilization	846,883,610	484,178,997	362,704,613
	070115310 Debt Management Services	749,888,919	251,051,856	498,837,063
	0718085310 Sp8 Supply Chain Management	126,967,698	103,459,726	23,507,972
	0718005310 General Administrative Services	566,443,787	636,318,760	69,874,973
	0718015310 Sp1 General Administration & Support Services	566,443,787	636,318,760	69,874,973
	0719000 P3: Economic and Financial Policy Formulation and Management	113,371,579	92,380,918	20,990,661
	0719010 SP 3.1 Fiscal Policy Formulation, Development and Management	113,371,579	92,380,918	20,990,661
	Total 5314000000 FINANCE & ECONOMIC PLANNING	4,704,104,658	3,417,548,901	1,286,555,757
5315000000 HEALTH	0401000 P.1 Preventive & Promotive Health Services	144,815,852	-	144,815,852
	0401115310 HIV/AIDS Prevention & Control Unit	-	-	-
	0401125310 TB Control	-	-	-
	0401135310 Malaria Control & Other Communicable Diseases	-	-	-
	0401145310 Reproductive Health & Maternal Health (RMNCAH)	144,815,852	-	144,815,852
	0401155310 Environmental / Public Health	-	-	-
	0402005310 Curative care	-	-	-

	0402065310 sp.2.6 County Referral Hospitals	-	-	-
	0402075310 sp.2.7 Health Centres & dispensaries	-	-	-
	0404005310 General administration, planning and support services	100,254,954	75,673,765	24,581,189
	0404015310 Sp4.1 Administration/Human Resource for Health	100,254,954	75,673,765	24,581,189
	0404025310 Sp4.2 Health Policy, Planning & Financing	-	-	-
	0404035310 sp 4.3 Health Commodities	-	-	-
	0404045310 sp 4.4 Research, Quality assurance & standards unit	-	-	-
	0404055310 sp 4.5 Coroner services unit	-	-	-
	Total 5315000000 HEALTH	245,070,806	75,673,765	169,397,041
5316000000 URBAN PLANNING AND LANDS	0106000 P 6 General Administration Planning and Support Services	51,864,014	42,261,432	9,602,582
	0106010 SP.6.1 Administration, Planning & Support Services	51,864,014	42,261,432	9,602,582
	0114005310 P.8:Urban Planning, compliance & enforcement	-	-	-
	0114015310 sp 8.1 Urban planning	-	-	-
	0114025310 sp 8.2 Enforcement and compliance	-	-	-
	0115005310 P.9:Land management	-	-	-
	0115015310 sp 9.1 valuation services	-	-	-
	0115025310 sp 9.2 land survey	-	-	-

	0115035310 sp 9.3 Administrative services	-	-	-
	Total 531600000 URBAN PLANNING AND LANDS	51,864,014	42,261,432	9,602,582
531700000 PUBLIC WORKS ,TRANSPORT & INFRASTRUCTURE	0207000 P1: General Administration Planning and Support Services	529,215,349	305,391,962	223,823,387
	0207010 SP 1: General Administration, Planning And Support Services	529,215,349	305,391,962	223,823,387
	0211005310 P5:Roads,Drainage & Bridges	-	-	-
	0211015310 sp 5.1 Construction Roads & Drainages & Maintenance	-	-	-
	0212005310 P6:Road Safety Interventions	-	-	-
	0212015310 sp 6.1 Transport Facilities & Traffic Management	-	-	-
	0213005310 P7: Institutional Buildings & Maintenance	-	-	-
	0213015310 sp 7.1 Public street lighting Installations & Maintenances	-	-	-
	0213025310 sp 7.2 Motor Vehicle, Machinery & Plant Maintenance	-	-	-
	0213035310 sp 7.3 Institutional Buildings Maintenance	-	-	-
	Total 531700000 PUBLIC WORKS ,TRANSPORT & INFRASTRUCTURE	529,215,349	305,391,962	223,823,387
531800000 EDUCATION,YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES	0508005310 General administration, planning and support services	1,572,997,092	1,348,905,113	224,091,979
	0508025310 sp 8.2 General Administration & Support Services	1,572,997,092	1,348,905,113	224,091,979
	0509005310 P9 Education services	246,182,544	146,879,450	99,303,094

	0509015310 sp 9.1 Quality Assurance and Co-curriculum	1,280,951	626,009	654,942
	0509025310 sp 9.2 Early Childhood Development Centres	192,270,000	126,706,841	65,563,159
	0509035310 sp 9.3 Technical and Vocational Training	52,631,593	19,546,600	33,084,993
	0902005310 2.1 Social Services	424,653,200	278,632,732	146,020,468
	0902015310 General Administration & Support Services	181,865,713	157,830,690	24,035,023
	0902025310 Sp.2.2 Gender and Community Empowerment	82,439,373	42,438,935	40,000,438
	0902035310 Sp2.3 Development and promotion of culture/ heritage	-	-	-
	0902045310 Sp2.4 Development and promotion of sports	61,030,251	29,825,858	31,204,393
	0902055310 Sp2.5 Youth Empowerment and Promotion	82,537,521	40,336,593	42,200,928
	0902065310 Sp 2.6 Social welfare and care for the Aged	7,637,182	3,732,338	3,904,844
	0902075310 Sp 2.7 Promotion of Library and Information Services	1,444,191	705,785	738,406
	0902085310 Sp.2 8 Rescue and Rehabilitation of Children Services	7,698,969	3,762,533	3,936,436
	Total 5318000000 EDUCATION, YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES	2,243,832,836	1,774,417,295	469,415,541
5319000000 TRADE, COMMERCE, TOURISM & COOPERATIVES	0301000 P.1 General Administration Planning and Support Services	262,219,721	213,669,941	48,549,780
	0301010 SP1 General Administration Planning and Support Services	262,219,721	213,669,941	48,549,780
	0310005310 P.10 Co-operative Development and Audit Services	32,079,113	26,139,690	5,939,423

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE.
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	0310015310 sp 10.1 Cooperative Development Services	25,673,198	20,919,825	4,753,373
	0310025310 sp 10.2 Cooperative Audit Services	6,405,915	5,219,865	1,186,050
	0311005310 P.11 Tourism Promotion and Marketing	58,154,117	50,163,606	7,990,511
	0311015310 sp 11.1 Tourism Development	58,154,117	50,163,606	7,990,511
	0312005310 P.12 Trade development and Market Services	428,602,524	457,399,330	28,796,806
	0312015310 sp 12.1 Trade Development	322,233,032	303,091,455	19,141,577
	0312025310 sp 12.2 Market Services	106,369,492	154,307,876	47,938,384
	0313005310 P.13 Licensing and Fair Trade Practices	69,859,465	56,925,038	12,934,427
	0313015310 sp 13.1 Liquor Licensing & Regulation	-	-	-
	0313025310 sp 13.2 Weights & Measures Services	13,592,954	11,076,229	2,516,725
	0313035310 sp 13.3 Trade Licensing Services	23,270,850	18,962,269	4,308,581
	0313045310 sp 13.4 Betting & Gaming Services	32,995,661	26,886,540	6,109,121
	Total 5319000000 TRADE,COMMERCE,TOURISM & COOPERATIVES	850,914,940	804,297,605	46,617,335
5320000000 PUBLIC SERVICE MANAGEMENT	0701000 P1 General Administration Planning and Support Services	566,043,571	481,612,282	84,431,289
	0701010 SP.1.1 General Administration Planning and Support Services	566,043,571	481,612,282	84,431,289
	0710000 P 5: Public Service Transformation	1,059,173,172	1,058,632,254	540,918
	0710010 S.P.5.1 Human Resource Management	814,235,345	859,044,478	44,809,133

	0710020 S.P.5.2 Human Resource Development	244,937,827	199,587,776	45,350,051
	0723005310 P 23 Performance Management and Public Service Delivery	24,469,731	23,198,582	1,271,149
	0723015310 sp 23.1 Performance Contracting management	13,861,768	11,295,272	2,566,496
	0723025310 sp 23.2 Governance Monitoring and Evaluation	6,936,271	8,911,429	-
	0723035310 sp 23.3 Quality Management Systems and ISO certification	3,671,692	2,991,881	679,811
	Total 5320000000 PUBLIC SERVICE MANAGEMENT	1,649,686,474	1,563,443,118	86,243,356
5321000000 AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	0106000 P 6 General Administration Planning and Support Services	220,217,957	179,444,771	40,773,186
	0106010 SP.6.1 Administration, Planning & Support Services	220,217,957	179,444,771	40,773,186
	P;0119005310:Urban Agriculture Promotion & Regulation	116,471,804	111,407,835	5,063,969
	019015310: Crop Development and Management	70,365,650	64,467,416	5,898,234
	0119025310: Fisheries Development and management	31,224,871	25,443,610	5,781,261
	0119035310: Livestock Resources management and development	14,881,283	21,496,809	-
	0116005310 P.10:Animal Health, Safety and Quality Assurance	14,143,917	15,785,005	1,641,088
	0116015310 sp 10.1 Animal Research, Diseases, Pest Control & Quality Assurance	14,143,917	15,785,005	-
	0117005310 P.11:Aforestation	15,048,026	12,261,895	2,786,131
	0117015310 sp 11.1 Forestry Services	15,048,026	12,261,895	2,786,131

	0118015310 Food Systems and Surveillance	15,989,164	13,028,783	2,960,381
	0118015310 sp18:1 Food Systems and Surveillance Services	15,989,164	13,028,783	2,960,381
	Total 5321000000 AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	381,870,868	331,928,288	49,942,580
COUNTY ASSEMBLY	07220001 Legislation, Oversight and Representation	1,598,872,087	1,302,938,136	295,933,951
	07220001 Legislation, Oversight and Representation	1,598,872,087	1,302,938,136	295,933,951
	Total COUNTY ASSEMBLY	1,598,872,087	1,302,938,136	295,933,951
5323000000 ENVIROMENT, WATER, ENERGY & NATURAL RESOURCES	1001005310 P1 General Administration & Support Services	52,934,581	43,133,656	9,800,925
	1001015310 Sp1 General Administration & Support Services	52,934,581	43,133,656	9,800,925
	1002005310 P2 Environment Management and Protection.	-	-	-
	1002035310 sp 2.3 Solid waste management	-	-	-
	1002045310 sp 2.4 Beautification, Recreation and Greening Services	-	-	-
	1004005310 P4 Water Resources Management	-	-	-
	1004055310 sp 4.5 Energy & Natural resources	-	-	-
	Total 5323000000 ENVIROMENT, WATER, ENERGY & NATURAL RESOURCES	52,934,581	43,133,656	9,800,925
5324000000 URBAN RENEWAL AND HOUSING	0102000 P.2 Housing Development and Human Settlement	-	-	-
	0102045310 SP4 Urban Renewal	-	-	-
	0102055310 SP5 Management of Rental Housing	-	-	-

	0106000 P 6 General Administration Planning and Support Services		-	-	-
	0106010 SP.6.1 Administration, Planning & Support Services		-	-	-
	0113005310 P.7: Building Services		-	-	-
	0113015310 sp 7.1 Building services research and information		-	-	-
	Total 5324000000 URBAN RENEWAL AND HOUSING		-	-	-
5325000000 WARD DEVELOPMENT PROGRAMMES	0214005310 P8:Ward Development	1,605,992,681	1,231,657,742	374,334,939	
	0214015310 sp 8.1 Ward Development & Administration	1,605,992,681	1,231,657,742	374,334,939	
	Total 5325000000 WARD DEVELOPMENT FUND	1,605,992,681	1,231,657,742	374,334,939	
5326000000 EMERGENCY FUND	0718005310 General Administrative Services	470,655,510	114,079,107	356,576,403	
	0718015310 Sp1 General Administration & Support Services	470,655,510	114,079,107	356,576,403	
	5326000000 EMERGENCY FUND	470,655,510	114,079,107	356,576,403	
5327000000 LIQUOR LICENSING BOARD	0313015310 sp 13.1 Liquor Licensing & Regulation	250,000,000	-	250,000,000	
	0313015310 sp 13.1 Liquor Licensing & Regulation	250,000,000		250,000,000	
	Total 5327000000 LIQUOR LICENSING BOARD	250,000,000	-	250,000,000	
5328 NMS	5328000100 Nairobi Metropolitan Services	19,011,527,000	11,847,311,056	7,164,215,944	
	5328000000 NAIROBI METROPOLITAN SERVICES	19,011,527,000	11,847,311,056	7,164,215,944	
	Total Voted Expenditure.... KShs.	39,627,536,000	27,643,066,558	11,984,469,442	

14. Significant Accounting Policies

The key accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy notes below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The receivables and payables are disclosed in the Statement of Assets and Liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the County Executive all values are rounded to the nearest Kenya Shilling.

The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

2. Reporting entity

The financial statements are for the Nairobi City County Executive. The financial statements encompass the reporting entity as specified under section 164 of the PFM Act 2012.

3. Recognition of receipts and payments

a) Recognition of receipts

The County Executive recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Executive.

Significant Accounting Policies (Continued)

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

a) Restriction on cash

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits.

5. Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

6. Third Party Deposits and Retention

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted and prescribed by the Public Sector Accounting Standards Board. Other liabilities including pending bills are disclosed in the financial statements.

Significant Accounting Policies (Continued)

7. Non-current assets

Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the County Executive's fixed asset register a summary of which is provided as a memorandum to these financial statements.

8. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the County Executive at the end of the year. Pending bills form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made

9. Contingent Liabilities

Section 185 (2) (i) of the PFM Act requires the County Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans. A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, and indemnities. Letters of comfort/ support, insurance, Public Private Partnerships. The County Executive does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service

potential is remote. Annex 8 of this financial statement is a register of the contingent liabilities in the year.

Significant Accounting Policies (Continued)

10. Contingent Assets

The County Executive does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the County Executive in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

11. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The County Executive's budget was approved as required by Law and as detailed in the County Revenue Allocation Act. The original budget was approved by the County Assembly on 24th June 2021 for the period 1st July 2021 to 30 June 2022 as required by law. There was xxx number of supplementary budgets passed in the year. A high-level assessment of the County Executive's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

12. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

13. Subsequent events

Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of National Treasury.

Significant Accounting Policies (Continued)

14. Prior Period Adjustment

During the year, errors that have been corrected are disclosed *under note 26* explaining the nature and amounts.

15. Related Party Transactions

Related party means parties are related if one party has the ability to:

- a) Control the other party or
- b) Exercise significant influence over the other party in making financial and operational decisions, or if the related party entity and another entity are subject to common control.

Related party transaction is a transfer of resources or obligations between related parties regardless of whether a price is charged.

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE.
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15. Notes to the Financial Statements

1. Exchequer Releases (Transfer from the CRF)

	2021-2022	2020-2021
	Kshs	Kshs
Total exchequer releases for quarter 1	3,176,196,773	-
Total exchequer releases for quarter 2	4,812,419,353	2,626,791,750
Total exchequer releases for quarter 3	1,539,974,193	2,626,791,750
Total exchequer releases for quarter 4	9,721,087,095	14,246,487,011
Total	19,249,677,414	19,500,070,511

2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Description	2021-2022	2020-2021
	Kshs	Kshs
Proceeds from Domestic and foreign grants received through exchequer		
Youth Polytechnic support grant	-	16,009,894
Kenya Devolution Support Programme	-	45,000,000
World Bank-ADSPII	-	13,517,925
TOTAL	-	74,527,819

3. TRANSFER FROM OTHER GOVERNMENT ENTITIES

	2021-2022	2020-2021
	KShs	Kshs
Transfers from Central government entities		
Nairobi Metropolitan Services	-	100,200,000.00
Total	-	100,200,000

4. County Own Generated Receipts

	2021-2022	2020-2021
	Kshs	Kshs
RECEIPTS		
Business Permits	1,617,207,201	1,753,053,837
Cess	318,747,577	345,522,616
Poll Rates	2,566,184,705	2,781,746,174
Plot Rents	97,789,488	106,003,879
Other Local Levies	115,383,672	125,075,988
Administrative Services Fees	59,282,837	64,262,640
Various Fees	482,874,998	523,436,866
Council's Natural Resources Exploitation	10,098,051	10,946,295
Lease / Rental Of Council's Infrastructure Assets	16,981,233	18,407,669
Other Miscellaneous Receipts	220,999,750	239,563,897
Long Term Loans (Over 3 Years Repayment)	4,994,356	5,413,886
Market/Trade Centre Fee	344,101,060	373,005,811
Vehicle Parking Fees	1,433,515,763	1,553,932,178
Housing	617,014,580	668,844,274
Social Premises Use Charges	2,040,958	2,212,400
Other Education-Related Fees	18,450	20,000
Other Education Receipts	2,834,131	3,072,200
Public Health Services	166,717,126	180,721,492
Public Health Facilities Operations	34,944,946	37,880,348
Environment & Conservancy Administration	1,309,040	1,419,000
Other Health & Sanitation Revenues	24,555,096	26,617,743

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE.
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Technical Services Fees	714,998,148	775,058,537
External Services Fees	105,957,906	114,858,451
TOTAL	8,958,551,070	9,711,076,181

5. Returned CRF issues

	2021-2022	2020-2021
	Kshs	Kshs
Recurrent Account	211,252	168,031,327
Development Account	1,231,303	
Total	1,442,555	168,031,327

Notes to the Financial Statements (Continued)

6. Compensation of Employees

	2021-2022	2020-2021
	Kshs	Kshs
Basic salaries of permanent employees	2,756,946,580	2,958,133,677
Basic wages of temporary employees	1,322,998	2,574,194
Personal allowances paid as part of salary	1,673,950,526	1,927,198,567
Personal allowances provided in kind	74,162,950	173,342,823
Employer Contributions to Compulsory national social security schemes	475,808,716	1,369,033,897
Total	4,982,191,769	6,430,283,158

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE.
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Notes to the Financial Statements (Continued)

7. Use of Goods and Services

	2021-2022	2020-2021
	Kshs	Kshs
Utilities, supplies and services	156,511,724	200,000,000
Communication, supplies and services	54,863,887	10,266,230
Domestic travel and subsistence	273,070,829	323,281,087
Foreign travel and subsistence	252,362,786	166,768,849
Printing, advertising and information supplies & services	63,068,023	108,934,249
Rentals of produced assets	-	5,599,283
Training expenses	162,446,923	164,645,324
Hospitality supplies and services	150,334,420	174,474,979
Insurance costs	679,635,812	989,658,544
Specialized materials and services	757,304,469	140,341,451
Office and general supplies and services	697,770,221	115,881,450
Other operating expenses	2,268,832,045	2,477,851,520
Routine maintenance – vehicles and other transport equipment	23,854,355	22,608,812
Fuel Oil and Lubricants	90,217,637	65,015,000
Routine maintenance – other assets	26,337,474	915,380
Other Creditors	1,862,737,482	4,016,865,337
Refurbishment of Buildings		9,144,971
Purchase of Household Furniture and Institutional Equipment		970,320
Purchase of Office Furniture and General Equipment		124,557,679
Purchase of Specialized Plant, Equipment and Machinery		7,207,080
Purchase of Certified Seeds, Breeding Stock and Live Animals		40,434,817
Research, Studies, Project Preparation, Design & Supervision	123,496,047	-
Total	7,642,844,133	9,165,422,362

Notes to the Financial Statements (Continued)

8. Transfer to Other Government entities

	2021-2022	2020-2021
Description	Kshs	Kshs
Transfer to Nairobi City County Assembly	1,302,938,136	1,822,585,639
Transfer to Nairobi Metropolitan Services (NMS)	11,847,311,056	10,080,865,859
TOTAL	13,150,249,192	11,903,451,498

9. Other Grants and Payments

	2021-2022	2020-2021
Description	Kshs	Kshs
Scholarships and other educational benefits	641,260,040	505,000,000
Current Grants to Government agencies and other levels of Government	-	131,026,491
Emergency relief and refugee assistance-Civil Contingency Reserves	157,830,690	300,495,060
TOTAL	799,090,730	936,521,551

10. Social Security Benefits

	2021-2022	2020-2021
	Kshs	Kshs
Government pension and retirement benefits	9,844,106	10,895,603
Total	9,844,106	10,895,603

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE.
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Notes to the Financial Statements (Continued)

11. Acquisition of Assets

	2021-2022	2020-2021
	Kshs	Kshs
<u>Non-Financial Assets</u>		
Routine Maintenance – Other assets	-	101,657,782
Other Creditors	-	251,101,757
Construction of Buildings	110,392,197	23,530,400
Refurbishment of Buildings	51,520,178	60,245,569
Construction of Roads	980,000	-
Construction and Civil Works	467,486,554	578,343,644
Purchase of Vehicles and Other Transport Equipment	-	71,928,000
Overhaul of Vehicles and Other Transport Equipment	36,000,000	-
Purchase of Household Furniture and Institutional Equipment	33,610,345	-
Purchase of Office Furniture and General Equipment	334,650,689	-
Purchase of specialized Plant, Equipment and Machinery	19,262,069	10,653,555
Total	1,053,902,033	1,097,460,707

12. Finance Costs, including Loan Interest

	2021-2022	2020-2021
	Kshs	Kshs
Other Expenses - Bank charges	4,944,596	37,996,576
		-
Total	4,944,596	37,996,576

Notes to the Financial Statements (Continued)

13. Cash and Bank Balances

13 A. Bank Balances

Name of Bank, Account No. & Currency	Amount in bank account currency	Indicate whether recurrent or development, deposits, receipts, etc	Ex. rate (if in foreign currency)	2021 -2022	2020-2021
Central Bank of Kenya-ASDSP II A/C No: 1000367709	Kshs	Recurrent		22,683,840	22,683,840
Central Bank of Kenya-Development A/C No: 1000171413	Kshs	Development		772,117	298,456,294
Central Bank of Kenya-KRB RMLF A/C No: 1000248106	Kshs	Fund		7,358,321	178,148,985
Central Bank of Kenya-Recurrent A/C No: 1000171502	Kshs	Recurrent		69	211,224
Central Bank of Kenya-Revenue A/C No: 1000171863	Kshs	Revenue		1,272,610,648	1,044,617
Central Bank of Kenya-Special Purpose A/C No: 1000309741	Kshs	Recurrent		44,358,139	144,815,852
Central Bank of Kenya-Youth Poly PRJ Grant A/C No: 1000367431	Kshs	Recurrent		31,313,192	309,947
Central Bank of Kenya-Kenya Devolution Support Programme A/C No: 1000458777	Kshs	Recurrent		31,442,137	75,000,000
Chase Bank- Nairobi Ward Development Fund A/C No: 0082120378001	Kshs	Recurrent		-	-

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Cooperative Bank- Bursary Fund A/C No: 01141232396612	Kshs	Fund		-	13,541,051
Cooperative Bank- Bursary Fund A/C No: 01141232396613	Kshs	Fund		3,082,977	40,801,966
Cooperative Bank- Free Education Current Account A/C No: 01139232396601	Kshs	Recurrent		5,260	5,260
Cooperative Bank- Development A/C No: 01141232396602	Kshs	Development		1,542,247	-
Cooperative Bank- Imprest A/C No: 01141232396601	Kshs	Recurrent		973,647	-
Cooperative Bank SPA- Urban Development Grant A/C No: 01141232396616	Kshs	Development			-
Cooperative Bank SPA- County Urban Institution Grant A/C No: 01141232396615	Kshs	Development		-	-
Cooperative Bank SPA- Commercial A/C for ASDSP II Program A/C No: 01141232396614				1,986,313	8,051,855
Cooperative Bank - Kenya Roads Board A/C No: 01136005723604	Kshs	Development		24,791,594	24,806,714
Cooperative Bank- Loan call A/C No: 01150232396600	Kshs	Loan		-	-
Cooperative Bank - University of Maryland Health Services 01141232396611	Kshs	Recurrent		-	28,947,198
Cooperative Bank- Revenue A/C No: 01141232396600	Kshs	Revenue		-	-

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE.

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Cooperative Bank-Salary A/C No: 01692232396600	Kshs	Recurrent		3,921,700	23,347,345
Cooperative Bank-Waithaka Technical A/C No: 01141232396600	Kshs	Recurrent		(3)	-
Cooperative Bank-Waithaka Vocational Training Centre A/C No: 01139232396600	Kshs	Recurrent		178,580	3,133,002
Cooperative Bank - Nairobi City County - KRA Revenue Collection Account 1141709410000	Kshs	Recurrent		-	-
Equity Bank - Operations A/C 0810277333578	Kshs	Recurrent			-
Equity Bank-County Imprest collection A/C No: 0810278212344	Kshs	Recurrent			-
Equity Bank-General collection A/C No: 0810263520904	Kshs	Revenue	Closed		-
Equity Bank-County Revenue collection A/C No: 0810264036845	Kshs	Revenue			(21)
Equity Bank-County Bursary Account A/C No: 0810277333599	Kshs	Recurrent	Dormant		-
Equity Bank-County Development Account A/C No: 0810277333586	Kshs	Development	Dormant		-
Equity Bank-General collection A/C No: 0810271586663	Kshs	Revenue			-
KCB - Embakasi District Hospital Ac No 1122416512					-
KCB Loan Ac No MG 1424500930 A/C 105991342					-

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Kenya Commercial Bank - Mama Lucy Hospital A/C- 1133233864	Kshs	Recurrent				-
Kenya Commercial Bank-current A/C No: 1159076065	Kshs	Recurrent				-
Kenya Commercial Bank-Trust fund A/C No: 1149229667	Kshs	Trust Fund			42,076,419	34,321,338
Kenya Commercial Bank- Mutuini A/C No: 1122980027	Kshs	Recurrent				-
National Bank - Revenue A/C No: 01060217197400	Kshs	Revenue	Closed			-
National Bank - Salary A/C No: 01098202877200	Kshs	Recurrent				-
National Bank - Mbagathi Hospital A/C No:01001031663101	Kshs	Recurrent				-
National bank - Nairobi County Imprest Account A/C 01560202877200	Kshs	Recurrent	closed			-
National Bank - Pumwani Hospital A/C No:102100895400	Kshs	Recurrent				-
National Bank - Pumwani Maternity College A/C No: 01285123637400	Kshs	Recurrent				-
National Bank -UN Habitat A/C No:01001067824200	Kshs	Recurrent			47,850	47,850
National Bank- Emergency fund A/C No: 01001091113700	Kshs	Emergency Fund			14,418	14,418
National Bank- Operations A/C No: 01071202877200					6,800	-

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE.

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HFC - Nairobi City County A/C No: 7040001513	Kshs	Recurrent			-
Total				1,489,166,265	897,688,736

13 B. Cash in Hand

	2021-2022	2020-2021
	Kshs	Kshs
Cash in hand – Held in Domestic Currency	-	-
Cash in hand – Held in Foreign Currency	-	-
Total	-	-

	2021-2022	2020-2021
	Kshs	Kshs
Location 1	-	-
Total	-	-

COUNTY GOVERNMENT OF NAIROBI CITY EXECUTIVE.
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Notes to the Financial Statements (Continued)

14. Outstanding Imprests and advances

<i>Description</i>	2021-2022	2020-2021
	Kshs	Kshs
Government Imprests	8,374,380	33,247,428
Total	8,374,380	33,247,428

Breakdown of Imprest per department		
Description	2021-2022	2020-2021
	Kshs	Kshs
Fleet Management	245,000	2,422,689
Education, Youth Affairs and sports	80,000	1,722,702
Governor and Deputy governor	2,178,500	7,026,655
Legal Affairs	-	315,000
Trade, Industrialization	30,000	180,000
Procurement	-	265,000
Investigation and Information Analysis	-	159,000
City Inspectorate	90,000	962,500
Sub-County Administration	280,580	4,758,880
Public Service Management	100,000	1,080,145
County Public Service Board	1,170,350	1,922,455
E-Government and Public Communication	-	1,738,728
Agriculture, Livestock Development	214,700	1,262,400
Finance and Economic Planning	2,124,250	9,431,274
Culture and Social Services	50,000	-
Roads	700,000	-
Urban Planning	522,000	-
Audit	100,000	-
Fire Rescue Management	489,000	-
Total	8,374,380	33,247,428

Notes to the Financial Statements (Continued)

15. Accounts Payable

	2021-2022	2020-2021
	Kshs	Kshs
Deposits	-	-
Total	-	-

16. Fund Balance Brought Forward

	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts	897,688,736	920,449,033
Cash in hand	-	-
Accounts Receivables	33,247,428	38,612,748
Accounts Payables	-	-
Total	930,936,164	959,061,781

The fund balances brought forward refers to the previous financial year's closing balances

17. Prior Year Adjustments

	2021-2022	2020-2021
	Kshs	Kshs
Adjustments on bank account balances	-	-
Adjustments on cash in hand	-	-
Adjustments on payables	-	-
Adjustments on receivables	-	-
Total	-	-

18. Increase/ (Decrease) in Outstanding Imprests and Advances

Description	2021-2022	2020-2021
	Kshs	Kshs
Imprest and Advances As At 1 st July (A)	33,247,428	38,612,748
Imprest and Advances As At 30 th June (B)	8,374,380	33,247,428
Increase)/ Decrease In Imprest and Advances (C=(B-A))	(24,873,048)	(5,365,320)

OTHER IMPORTANT DISCLOSURES

Summary of Pending Bills

	2020-2021	Additions for the year	Paid during the year	2021-2022
	Kshs	Kshs	Kshs	Kshs
Pending Accounts Payable (Annex 2)	6,067,782,638	21,709,567,777	1,506,354,997	26,270,995,418
Pending Staff Payables (Annex 3)	138,208,116	130,845,343	46,641,531	222,411,928
Other Pending Payables (Annex 4)	67,088,138,507	7,932,543,830	2,141,716,765	72,878,965,572
Total	73,294,129,261	29,772,956,950	3,694,713,293	99,372,372,918

1. Pending Accounts Payable (See Annex 2)

	Balance b/f	Additions for the period	Paid during the year	Balance c/f
	2020-2021			2021-2022
Description	Kshs	Kshs	Kshs	Kshs
Construction of Buildings	609,803,277	293,988,340	10,035,902	893,755,715
Construction of Civil Works	331,521,150	493,962,716	-	825,483,866
Supply of Goods	982,343,492	649,582,224	9,422,800	1,622,502,916
Supply of Services	4,144,114,718	20,272,034,497	1,486,896,295	22,929,252,921
Total	6,067,782,638	21,709,567,777	1,506,354,997	26,270,995,418

Other Important Disclosures (Continued)

2. Pending Staff Payables (See Annex 3)

	Balance b/f	Additions for the period	Paid during the year	Balance c/f
	2020-2021			2021-2022
Description	Kshs	Kshs	Kshs	Kshs
Others - Retirees and Deceased cases	138,208,116	130,845,343	46,641,531	222,411,928
Total	138,208,116	130,845,343	46,641,531	222,411,928

3. Other Pending Payables (See Annex 4)

	Balance b/f	Adjustment	Additions for the period	Paid during the year	Balance c/f
	2020-2021				2021-2022
Description	Kshs	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government Entities	751,105,539	-	703,609,069	467,980,271	986,734,337
Amounts due to County Government Entities	381,157,936	-	-	98,336,097	282,821,839
Amounts due to Third Parties	66,727,685,110	(771,810,079)	7,228,934,761	1,575,400,396	71,609,409,396
Total	67,859,948,585	(771,810,079)	7,932,543,830	2,141,716,764	72,878,965,572

Other Important Disclosures (Continued)

4. External Assistance

	2021-2022	2020-2021
Description	Ksh	Ksh
External assistance received in cash	-	79,423,251
External assistance received as loans and grants	-	74,527,819
Total	-	153,951,070

Other Important Disclosures (Continued)

a) External assistance relating to loans and grants

	2020-2021	2020-2021
Description	Ksh	Ksh
External assistance received as grants	-	74,527,819
Total	-	74,527,819

b). Classes of providers of external assistance

	2020-2021	2020-2021
Description	Ksh	Ksh
Multilateral donors	-	61,009,894
Bilateral donors	-	13,517,925
Total	-	74,527,819

5. Payments by Third Party on Behalf of the County Executive

This relates to payments done directly to supplier on behalf of the county Executive such as national government may fund the operation of health or education program, a donor may pay directly for construction of a given market etc.

5.1 Classification by Source

	2021-2022	2020-2021
Description	Ksh	Ksh
National government	-	79,423,251
Total	-	79,423,251

Other Important Disclosures (Continued)

6. Related Party Disclosures

	2021 -2022	2020 -2021	2019 - 2020
	Kshs	Kshs	Kshs
Key Management Compensation (Governors, CEC Members and COs)	59,521,685	70,548,820	78,553,440
<u>Transfers to related parties</u>			
Transfer to the County Assembly	1,302,938,136	1,822,585,635	1,303,773,480
Transfers to Nairobi Metropolitan Services (NMS)	11,847,311,056	10,080,865,859	-
Total Transfers to related parties	13,150,249,192	11,903,451,494	1,303,773,480
<u>Transfers from related parties</u>			
Transfers from the Exchequer	19,249,677,414	19,574,598,330	12,419,252,740
Transfers from Nairobi Metropolitan Services (NMS)	-	100,200,000	495,270,781
Total Transfers from related parties	19,249,677,414	19,674,798,330	12,914,523,521

Other Important Disclosures (Continued)

7. Establishment of other County Government Entities

The PFM Act, 2012 section 182 enables the County Government to establish and dissolve County Corporations/ entities. For purposes of follow up on financial reporting, audit and disclosure, outlined below is a list of entities established by the County Government since inception.

County Government of Nairobi City	Date Established	Location	Accounting Officer responsible
Nairobi City County Alcoholic Drinks Control Fund	1 st Nov 2015	Weights and measures complex-Popo Road, South C.	Chief officer-Trade
Nairobi County Liquor Board	1 st July 2014	Weights and measures complex-Popo Road, South C.	Chief officer-Trade

Other Important Disclosures (Continued)

8. Disclosure of Balances in Revenue Collection Accounts

County Government Own source revenue is recognized in the financial statements when it has been swept to CRF. Revenue collection account balances need to be disclosed at the end of the reporting period as below. Revenue collection accounts should be swept to CRF on reporting dates.

Name of Bank, Account No. & currency	Amount in bank account currency	Ex. rate (if in foreign currency)	2021-2022	2020-2021
National Bank, KRA-Nairobi City County Revenue Collection Account 01071225251100	Ksh	-	642,524	-
Cooperative Bank, KRA-Nairobi City County Revenue Collection Account 1141709410000	Ksh	-	16,168,908	-
Equity Bank, KRA-Nairobi City County Revenue Collection Account 1770279910476	Ksh	-	10,108,565	-
Total		-	26,919,997	-

Other Important Disclosures (Continued)

9. Leasing of Medical Equipment

Amounts relating to leased medical equipment is included in the County Allocation Revenue Act and is budgeted for by the Counties. This amount is deducted at source and therefore not included in the exchequer. Since this is not a cash item, it is not included in the statement of receipts and payments in the year 2021-2022 amounts relating to leased medical equipment was Kshs 153,297,872 (2020-2021 Kshs 132,021,277)

10. Contingent Liabilities

Contingent Liabilities	2021-2022	2020-2021
	Kshs	Kshs
Court Cases against the County	-	113,417,800
LAPTRUST (Actuarial deficit & Interest)	2,624,372,573	-
Government guaranteed loans	15,328,285,000	-
On lent Water Loans (Foreign)	3,815,640,000	-
Total	21,768,297,573	113,417,800

16. Progress On Follow Up On Prior Year Auditor's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue/Observations from Auditor	Management Comments	Status:(Resolved/Not Resolved)	Timeframe (put a date when you expect the issue to be resolved)
1.1	<p>1.1 Balance Brought Forward</p> <p>As disclosed under Note 8 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.7, 169, 537,245 and a comparative balance of Kshs.6, 582,013,280 under use of goods and services. However, the comparative balance differs significantly with the balance brought forward of Kshs.6,324,187,486 reflected in the audited financial statements for the year ended 30 June, 2018 leading to unexplained difference of Kshs.257,825,794.</p>	<p>This was as a result of prior year adjustment where the expenditure in use of goods and services in the financial year 2017-2018 was understated by Kshs. 257,825,794. This anomaly was noted after audit report certificate for the financial year 2018-2019 had already been issued.</p>		

	<p>In absence of any disclosure on restatement or prior year adjustment, the financial statements are inaccurate.</p> <p>Comparative Balances Brought Forward</p>			
<p>1.2</p>	<p>Variations Between Financial Statements and the Integrated Financial Management Information Systems Balances</p>	<p>The variance is attributable to uncleaned balances in IFMIS from the year 2014 when the system as adopted as a payments processing platform for the county governments. For example the variances in Cash/Bank and Payables run into Billions of shillings due to unreconciled IFMIS errors.</p> <p>There is also the issue of systems integration. The county government of Nairobi uses Local Authority Information Financial Operations Management System (LAIFOMS) to collect own source revenues. The two systems (IFMIS and LAIFOMS) are not integrated.</p> <p>On payments, compensation to county employees is processed through another system outside IFMIS known as Integrated Payroll and Personnel Database</p>		

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		(IPPD) again this system is not integrated to IFMIS. IFMIS requires the salaries to be journalized in IFMIS, we had challenges in terms of capacity but currently all salaries are journalized in the IFMIS platform on a monthly basis.		
1.3	Difference Between Financial Statements and the Supporting Schedules	As stated in paragraph 1.2 above, this is attributed to lack of system integration between IFMIS, IPPD and LAIFOMS. On compensation to employees, casual wages are normally processed outside the payroll for lack of IPPD numbers (Temporary casuals).		
1.4	Discrepancies Between Records of County Own Generated Receipts	The overpayment in the Building plans schedules resulted from other related payments from the revenue stream related to building plans approval. The others are: - Building Occupation Certificate, building plan approvals, Building plans preparation and Construction boards. Therefore, the cumulative figure of Kshs. 66,971, 977 resulted from the above.		

<p>1.5</p>	<p>Wrong Classification of Payments</p>	<p>This is a budgeting implementation issue where there is a mismatch between Use of Goods/Services and Acquisition of Assets items in the Recurrent and Development vote books. The procured items had budgetary provisions in the recurrent expenditure under use of goods and services. Going forward the county will strictly adhered to the provisions of the Public Sector Accounting Standards Board reporting template as issued from time to time.</p>		
<p>1.6</p>	<p>Understated Other Grants and Transfers</p>	<p>These transfers were processed through the economic items under which they had been budgeted for in the year under review. Transfers to KEMSA were payments for drugs and non-pharmaceuticals procured from the entity and this expenditure had been budgeted under Specialized Materials and Supplies hence the expenditure was incurred as a recurrent expenditure and this was reported in the overall financial statements under use of goods and services with a cumulative total of Kshs 778,369,128.</p>		

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		<p>Transfers to KURA were budgeted under Construction of Roads and this is the budget line that was used to effect the payments and this was reported in the overall financial statements under acquisition of assets with a cumulative total of Kshs 2,073,417,839.</p> <p>However, payments to KURA and KEMSA are other government entities whose budget estimates and payments should be captured under other grants and transfer. The management will therefore ensure full compliance with Public Sector Accounting Standards Board reporting template as they are issued.</p>		
1.7	Accounts Payables - Undisclosed Deposits and Retentions Balance	<p>It is true statement of assets and liabilities reflects a nil balance under accounts payables - deposits and retentions balance as at 30 June, 2019. Whereas the County Government retains contractor's retention fee, this has never been transferred to county government deposits account due to the financial challenges over time. The county government honours its obligation as and when they fall due as well as</p>		

		improvements of cash flows.		
2	Irregular Payment of Allowances to Security Officers	<p>The County Executive provided the following documents for audit review: -</p> <ul style="list-style-type: none"> i. The total number of police officers who accompanied H.E. the Governor were Twelve. ii. The team accompanied H.E. the Governor and were deemed to be on duty out of their work station, they were hence entitled to allowances in accordance with Salaries and Remuneration Commission circular Ref No SRC/ADM/CIR/1/13 VOL IV (1) dated 20 November,2017. ii. Authority letter to pay allowances to the officers accompanying H.E. Governor. 		
3.1	Goods Procured for Vocational Training Centers and Youth Groups	The distribution schedules for the procured goods and the registration certificates of the beneficiary groups are hereby attached.		

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3.2	Research Feasibility Study	<p>It is true the four (4) World Bank Funded Projects implemented through the Ministry of Transport and Infrastructure, Housing & Urban Development under the Nairobi Metropolitan Services Improvement Project (NAMSIP) to offer consultancy services on Railway City Development, Eastland's Urban Renewal Project, SGR Embakasi Area Study and Physical Address for the City. Further, the county in this case was a beneficiary of World bank funded projects. The implementation of the above project was through the above mentioned government entities and as such all documents are the custody of Ministry of Transport and Infrastructure, Housing & Urban Development. The projects were completed.</p>		
3.3	Unsupported Legal Fees	<p>Legal fees Ksh.595,075,247</p> <p>a. Munikah & Co. Advocates</p> <p>The payments were based on:</p> <p>i. The firm was instructed to recover rates from the</p>		

		<p>Commissioner of Lands through a letter by the Assistant Town Clerk (Legal) dated 13th September 2001.</p> <p>i. The filed an amended plaint and a Preliminary Objection to the Counter Claim by the Attorney General</p> <p>ii. The court upheld the Preliminary Objection in its ruling of 30th October 2008</p> <p>The Director Legal Affairs is the duly appointed AIE holder and the officer authorizing is duly appointed to do second approval by the County. The detailed explanations.</p>		
3.4	Hire of Labour for Flood Mitigation	<p>i. Duly signed and approved list of beneficiaries -All the beneficiaries were paid through their respective bank accounts as per the attached list already provided.</p> <p>ii. Evidence of recruitment Labourers, Artisans and Supervisor- The recruitment was done through devolution department thus at ward level.</p> <p>iii. Daily attendance register and a summary of calculated amounts</p>		

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		paid to each worker- The attendance register has been provided. The above works involved regular routine maintenance activities at the sub county levels.		
4.2	Failure to Prepare Bank Reconciliation Statements	Bank reconciliation statements are prepared on or by 10th of every subsequent month in accordance to the provisions of Regulation 90 of Public Finance management (County Government) regulations, 2015. After confirming that both receipts and payments have been correctly captured, the bank reconciliation entries and final figures are counter checked and are duly signed as correct. We undertake to avail all bank reconciliations, bank certificates and Board of Survey reports for ease of perusal in future.		
4.3	Overdrawn Account	The above overdrawn amounts of Kshs.3,794,555 on 30 June, 2018 and Kshs.542,465 as at 30 June, 2019 relates to the principal loan amount and interest accrued on the loan from Kenya Commercial Bank by defunct Nairobi City Council. The loan is still		

		<p>outstanding as a result of financial challenges being experienced by both defunct Nairobi city Council and Nairobi County Government. However, the county government is in the process of coming up with a payment plan to settle all its pending bills.</p>		
4.4	Unpresented Cheques	<p>It is true unpresented cheques totalling Kshs.1,015,111,741 in respect of the development account held at the Central Bank of Kenya as at 30 June 2019. Further, management has included the dates when the cheques were drawn which are stale as at now. To rectify the issue the management will write off the stale cheques. In addition, the county Government have adopted use Electronic payments modes.</p>		
4.5	Undisclosed Bank Accounts	<p>The omission of the above mentioned bank accounts was not deliberate but an error which has been rectified in the subsequent financial statements. All county financed bank accounts are usually captured in the financial</p>		

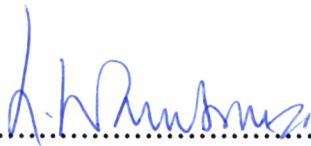
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		<p>statements with all existing balances being transferred to County Revenue Fund Account held at Central Bank of Kenya as provided by the Financial Regulations. Copies of bank certificates are submitted to Controller of Budget after the end of financial year.</p> <p>However, this does not apply to special purposes account or donor funded activities. Waithaka technical receives government grants meant for improvements of village polytechnics.</p>		
	<p>Repayment of Principal on Domestic Lending and on-Lending</p>	<p>The management has provided the following copies of documents: -</p> <ul style="list-style-type: none"> a. Schedules of loan repayments from KCB Bank Ltd. ii. Deed of variation of the loan facility between the Nairobi County Government and Kenya Commercial Bank Limited dated 10th September 2014. iii. Deed of assignment between Nairobi City County, Equity Bank and Kenya Commercial Bank dated 10th September 2014. See attached evidence Appendix 7 <p>The loan of Kshs.4, 310,087,246 due to capitalized penalties and interest charged</p>		

		amounting to Kshs.943, 391,037 is outstanding as a result of financial challenges being experienced by both defunct Nairobi city Council and Nairobi County Government. However, the county government is in the process of coming up with a payment plan to settle all its pending bills.		
1	Budgetary Control and Performance	The County assembly approved the budget estimates to meet emergencies amounting to Kshs. 80, 000, 000 in accordance with PFM Act section 110. The emergency fund Act envisages a situation whereby all expenditures responding to any emergencies are met from the emergency fund account and be regularized later. Although, the Executive incurred a total of Kshs. 26, 125, 208 to respond to various emergency requirements, the procurement process was done in accordance with the Public Procurement and Disposal Act Regulations 2015.		
2	Pending Bills	It is true the County has huge pending bills that were not settled as at 30 June 2019.However, the county is in the process of updating an aging bill		

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		for purposes of establishing a true and fair view on accounts payables. Further, the county is awaiting a report of the special audit carried out by the Office of the Auditor general in June 2021 for the correct status of pending bills as at 30 June 2020 which includes pending bills for the year under review.		
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CEC, County Treasury

Date: 1st November 2022

17. Annexes

Annex 1 – Analysis of Transfers from the Exchequer

Period (2021-2022)	Quarter 1 (Kshs)	Quarter 2 (Kshs)	Quarter 3 (Kshs)	Quarter 4 (Kshs)	Total (Kshs)
Equitable Share	3,176,196,773	4,812,419,353	1,539,974,193	9,721,087,095	19,249,677,414
Total	3,176,196,773	4,812,419,353	1,539,974,193	9,721,087,095	19,249,677,414

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Annex 6 – Summary of Non-Current Asset Register

Asset class	Historical Cost b/f	Additions during the year	Disposals during the year	Historical Cost c/f
	2020/2021 (Ksh)	(Ksh)	(Ksh)	2021/2022 (Ksh)
Land	-	-	-	-
Buildings and structures	5,430,275,722	161,912,375	-	5,592,188,097
Transport equipment	1,118,951,310	36,000,000	-	1,154,951,310
Office equipment, furniture and fittings	970,315,607	368,261,035	-	1,338,576,642
ICT Equipment, Software and Other ICT Assets	212,697,529	-	-	212,697,529
Other Machinery and Equipment	577,107,684	19,262,069	-	596,369,753
Heritage and cultural assets	112,432,000	-	-	112,432,000
Intangible assets	109,259,889	-	-	109,259,889
Purchase of certified seeds, breeding stock and live animals	38,843,630	-	-	38,843,630
Infrastructure	14,415,840,448	468,466,554	-	14,884,307,002
W.I.P	2,826,814,000	-	-	2,826,814,000
Total	25,812,537,819	1,053,902,033	-	26,866,439,852

Annex 7 – Inter-Entity Transfers

Ref	Entity	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative amount transferred (Kshs)	Amount Confirmed as received (Kshs)	Difference	Explanation
1	County Assembly	162,175,263	566,642,296	157,016,920	417,103,657	1,302,938,136	1,302,938,136	-	
2	Nairobi Metropolitan Services (NMS)	923,654,424	4,016,880,645	2,200,666,982	4,706,109,005	11,847,311,056	11,847,311,056	-	
9	Total	1,085,829,687	4,583,522,941	2,357,683,902	5,123,212,662	13,150,249,192	13,150,249,192	-	

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Director of Finance
County Executive

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Director of Finance
County Assembly

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Director of Finance
County Executive

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Director of Finance
Nairobi Metropolitan Services (NMS)

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Annex 8: Contingent liabilities register

	Nature of contingent liability	Payable to	Currency	Estimated Amount Kshs	Expected date of payment	Remarks
1	LAPTRUST (actuarial deficit & Interest)	CPF Financial Services	Kshs	2,624,372,573	-	These are penalties that have accumulated over time and the County is negotiating for waiver or reduction.
2	Government Guaranteed Loans	National Treasury	Kshs	15,328,285,000	-	These are loan balances brought forward from the books of the defunct City Council of Nairobi. Talks have begun between the County Government and The National Treasury with the view of writing off the loans.

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3	On lent Water Loans	National Treasury	Kshs	3,815,640,000	-	These are loan balances brought forward from the books of the defunct City Council of Nairobi. Talks have begun between the County Government and The National Treasury with the view of writing off the loans.
			Total	21,768,297,573		

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Annex 11: – Bank Reconciliation/FO 30 Reports