REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF NAIROBI CITY COUNTY EXECUTIVE

FOR THE YEAR ENDED 30 JUNE 2016

NAIROBI CITY COUNTY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016

Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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I. 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 *entity's* day-to-day management is under the following key organs:

- Governor;
- Deputy Governor; and
- County Executive Committee members;

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	CEC Member	Gregory Mwakanongo
2.	Chief Officer	Luke Gatimu
3.	HOCT- Accounting	Maurice Okere
4.	HOCT-Budget	James Ngunjiri
5.	HOCT-Revenue	Nixon Otieno

(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 is in the process of establishing the audit committee which will strengthen the independence and the processes around internal auditing.

(e) Entity Headquarters

P.O. Box 30377
City Hall Building
City Hall way
Nairobi, KENYA

(f) Entity Contacts

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

(g) Entity Bankers

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

2. Kenya Commercial Bank
   Moi Avenue Branch
   P.O Box 30081-00100
   Nairobi, Kenya

3. Equity Bank
   Equity Centre Branch
   P.O Box 75104-00200
   Nairobi, Kenya

4. Co-operative Bank
   City Hall Branch
   P.O. Box 44805-00100
   Nairobi.

5. National Bank
   Kenyatta Avenue Branch
   P.O Box 3
   Nairobi.

(h) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(i) Principal Legal Adviser

Director of Legal Affairs
Nairobi City County
City Hall, Nairobi.

II. FORWARD BY THE CEC

The Reports and Financial Statements for the year ended 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 month period ended 30 June 2016 while the comparatives are based on the consolidated audited financial statements for the year ended 30 June 2015.

These financial statements are for the County executive for the period 1 July 2015 to 30 June 2016.

The County experienced challenges in the implementation of the absorption of the development expenditure .The underperformance in the uptake of development expenditure was due to delays in the procurement process.

The County did relatively well in revenue collection. However, the large amounts of debts inherited from the defunct City Council of Nairobi continues to be a big impediment in the full realisation of the budget objectives.

Further, the County Government continues to face a ballooning wage bill on account of the newly devolved functions and this has been a major drawback in the implementation of budget priorities.

During this financial year, the County continued with the process of implementation of various modules in IFMIS to improve financial management. The County worked towards improving IFMIS connectivity, its ICT infrastructure and building the capacities of the County Treasuries at the County Assembly, Sub-counties and County Hospitals.

The County intends to continue implementing systems at all levels and continuously improve on budget execution and monitoring.

Gregory S. Mwakanongo
County Executive Committee - Finance and Economic Planning

III. 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 revenue 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 of the County Government is responsible for the preparation and presentation of the County Government's financial statements, which give a true and fair view of the state of affairs of the County Government for and as at the end of the financial year ended on June 30, 2015. 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 Government; (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 Government; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The CEC member for finance accepts responsibility for the County Government'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 Government's financial statements give a true and fair view of the state of the County Government's transactions during the financial year ended June 30, 2015, 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 Government which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

The CEC member for finance confirms that the County Government has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Government'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 Government'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 Government's financial statements were approved and signed by the CEC member for finance on _____

_____

County Executive Committee member – Finance

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE NAIROBI CITY COUNTY EXECUTIVE FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Nairobi City County Executive set out on pages 1 to 43, which comprise the statement of the financial assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows, statement of comparison of budget and actual amounts: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

Management's Responsibility for the Financial Statements

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 such 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.

The 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.

Auditor-General's responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer Opinion

1. Non-submission of a Trial Balance

The County Executive has not provided a trial balance to support balances in the financial statements for the year ended 30 June, 2016. In the circumstance, completeness, accuracy and authenticity of the balances reflected in the financial statements cannot be confirmed.

2. Discrepancy Between Ledgers and Financial Statements

The ledger reflects in respect of use of goods and services eight (8) expenditure items totalling Kshs.2,144,530,016 whereas the financial Statements reflect an amount of Kshs.2,807,874,954 in respect to the account resulting in an unexplained variance of Kshs.663,344,938. The details by line item are as follows:

	Line Item	Financial Statements Balance (Kshs)	Ledger/Analysis Balance (Kshs)	Variance (Kshs)
1	Foreign Travel and Subsistence	27,028,533	67,275,818	-40,247,285
2	Printing, Advertising and Information Supplies & Services	28,767,666	28,269,666	498,000
3	Training Expenses	189,740,891	189,196,292	544,600
4	Hospitality Supplies and Services	131,914,108	132,727,108	-813,000
5	Other Payments	1,731,060,811	1,027,710,337	703,350,474
6	Specialised Materials and Services	383,565,742	383,641,738	-75,996
7	Office and General Supplies and Services	210,577,593	209,991,343	586,250
8	Fuel and Lubricants	105,219,610	105,717,714	-498,104
	Total	**2,807,874,954**	**2,144,530,016**	**663,344,938**

In the circumstance, the accuracy of reported expenditure on use of goods and services of Kshs Kshs.5,562,994,850 cannot be confirmed.

3. Local Revenue Management

3.1 Non-sweeping of Local Revenue to County Revenue Fund Account

The County Government did not pay all its local revenues collections in 2015/2016 into the County Revenue Fund (CRF) prior to spending the collections contrary to the provisions of Section 109 (2) of the Public Financial Management Act, 2012. During the year under review, local revenue receipts reported totalled Kshs.11,237,972,877, as disclosed under Note 11 to the financial statements. However, only an amount of

Kshs.2,829,526,519 was deposited into the County Revenue Fund (CRF) account, with the remainder Kshs.8,408,446,358 having been spent at source.

3.2 Street Parking

3.2.1 Unpaid-for Parking

Note 11 to the financial statements shows that an amount of Kshs 2,037,870,304 was realized from motor vehicle parking fees in the year under review. Examination of parking system reports maintained by the County Government, however, indicated that of the 2,117,165 vehicles eligible to pay parking fees at the designated on-street parking lots during the year under review only 1,321,565 vehicles paid. Consequently, 795,600 vehicles or 38% of the expected payees did not pay. The management is yet to put in place adequate measures to cap the non-compliance.

3.2.2 Unaccounted for Clamps

A review of the internal control system for issuance of clamps and release of clamped vehicles under the revenue enforcement department revealed the following control gaps:

(i) The clamping system reflects 27,358 vehicles as having been clamped for non-payment of parking fees in the year under review. However, 10,672 vehicles representing 39% of the number clamped were released without payment or the requisite approval.

Consequently, the County lost revenue equivalent to the unauthorized releases.

(ii) Control over issuance and accountability over the clamps are weak and prone to manipulation. For instance, there is no system for monitoring field officers activity on the clamped vehicles whether paid or unpaid.

3.2.3 Off street Parking System Downtime

As reported in the 2014/2015 financial year, the County Government in an effort to enhance revenue collections from its off-street parking automated the Law Courts, Sunken, Mama Ngina and Intercontinental parking areas which hold 70, 240, 22 and 36 parking slots respectively. Nevertheless, the automated system was noted to be down for significantly long durations necessitating use of manual ticketing which is prone to manipulation. Site visits to the parking areas on diverse dates in financial year under review revealed that vehicles were normally double parked which is an indication of revenue collection in excess of a parking area's potential. However, examination of revenue returns for the four parking areas indicated annual revenue of Kshs.19,896,433 for the 2015/2016 financial year against a revenue capacity of Kshs.26,496,000 thus resulting in a deficit of Kshs.6,599,567. Further, the management did not provide for audit review information on off-street parking revenues for the month of September 2015. Consequently, value-for-money from the computerization of the parking areas may not have been realized.

3.2.4 Loading Zones

As disclosed under Note 23 to the financial statements, outstanding loading zones' debtors amounted to Kshs.422,300,000 as at 30 June 2016 (Year 2014/2015 - Kshs.342,380,800) representing a 23% increase. This amount is represented by Private and Government institutions dues of Kshs.8,060,000 and Kshs.414,240,000 respectively. No explanation has been provided for the perennial non-collection of loading zone debts.

3.3 Funding for Pumwani Maternity Hospital Operations

During the year under review, the County management resolved to remit an amount of Kshs.500,000 daily to Pumwani Maternity Hospital to sustain its operations. However, records maintained by the County indicate that Kshs.24,800,000 earmarked for the hospital's operations had not been remitted as at 30 June, 2016. This impacted negatively on the hospital's operations and provision of services to tax-payers. During the year under review, the hospital spent user service fee of Kshs.3,455,705 at source on emergencies apparently as a result of failure to receive the earmarked funds when required.

3.4 Variance Between LAIFOMS Reports and Financial Statements

The statement of receipts and payments reflects other revenues totalling to Kshs.11,237,972,877 which include an amount of Kshs.8,029,792 in respect of the veterinary department. This amount, however, differs from the Local Authorities Integrated Financial Operations Management System (LAIFOMS) collection report for the department of Kshs.8,658,931, resulting in unexplained difference of Kshs.629,139.

Similarly, the fisheries department reported collection of Kshs.1,598,800 included in the other revenues figure of Kshs.11,237,972,877 which differed from Local Authorities Integrated Financial Operations Management System (LAIFOMS) figure of Kshs.1,877,000 resulting in an unexplained variance of Kshs.278,200.

3.5 Manual Collection of Revenue at the Inoculation Centre

Despite the automation activities undertaken by the County Government, the revenue collection at the inoculation Centre is still done manually. During the year under review, the reported revenue receipts under the manual system amounted to Kshs.58,436,800. Manual systems by their nature are prone to human manipulation. No explanation has been provided for the continued usage of manual systems to correct and account for revenue at the Centre.

3.6 Disbursement of Capitation and Free Maternity Funds

3.6.1 Pumwani Maternity Hospital

Reimbursements received by the County Government on account of free maternity scheme under partnership with the Ministry of Health amounted to Kshs.306,935,271 from inception in June 2013 to June 2016. Pro-rata to the deliveries handled, Pumwani Maternity Hospital was to be reimbursed by the close of the financial year in June 2016. However only Kshs.173,851,907 had been reimbursed as at 30 June leaving a balance of Kshs.108,473,093 as analysed below:

Period	No. of Deliveries	Expected Reimbursement (Kshs)	Amount Received (Kshs)	Balance (Kshs)
June 2013 - June 2014	19,637	98,185,500	154,096,907	(55,911,407)
July 2014 - June 2015	19,116	95,580,000		95,580,000
July 2015-Jan 2016	9,481	47,405,000		47,405,000
Feb 2016-May 2016	6,568	32,840,000	19,755,000	13,085,000
June 2016	1,663	8,315,000		8,315,000
Total	**56,465**	**282,325,500**	**173,851,907**	**108,473,593**

3.6.2 Mama Lucy Kibaki Hospital

During the year under review, Mama Lucy Kibaki Hospital expected free maternity cover reimbursement of Kshs.41,115,000 but received Kshs.5,785,000 only resulting in a balance of Kshs.35,330,000 as of 30 June 2016. Similarly, under the NHIF capitation for civil servants and national schemes, the hospital was to be reimbursed Kshs.9,401,377 but received Kshs.7,051,900 only resulting in a balance of Kshs.2,349,477 as of 30 June, 2016. No explanation has been rendered for the delayed reimbursements by the National Government.

3.6.3 Mbagathi Hospital

Mbagathi Hospital registered 82% growth in baby deliveries to 12,405 births in 2015/206 from the 2014/2015 financial year of 6,832. The cumulative reimbursable amount under the partnership scheme with the Ministry of Health (MOH) stood at Kshs.127,930,000 as of 30 June 2016. However, only Kshs.58,553,190 had been reimbursed as of that date resulting in a balance of Kshs.60,391,810 out of which Kshs.34,108,330 related to the year under review.

The reimbursement of free maternity cover scheme had been budgeted for use on hospital operations. With the continued delay in reimbursements of the capitation and free maternity funds, service delivery at the hospitals stands to be adversely affected.

4. Unsupported Expenditures

4.1. ICT Department

Examination of payment vouchers for 2015/2016 under the ICT department revealed the following irregularities;

(i) payment of Kshs.2,630,749 on account of supply of furniture without the requisite supporting documents and approvals;

(ii) the user department had instead requisitioned furniture estimated to cost Kshs.1,300,000.

(iii) the original LPO number 001014 in support of the expenditure was not made available for audit review; and

(iv) justification for expending over and above the user department requisitions and approval was not provided.

In the absence of the supporting documents for the transaction, I cannot confirm propriety of expenditure of Kshs.2,630,749 reported to have been incurred on purchase of furniture.

4.2. Health Sector

Payments totalling Kshs.16,242,604 made on account of supply of surgical items and rehabilitation of Lunga Lunga Health Centre were unsupported. The payments were made without the requisite supporting information and documents such as procurement plan, requisitions by the user department, evidence of the process of identifying the contractors, the scope of works to be undertaken, certificates of completion and delivery notes.

In the circumstance, I am unable to confirm propriety of the expenditure of Kshs.16,242,604 incurred by the health sector.

4.3. Water, Energy, Environment, Forestry and Natural Resources Sector

Under water, energy, environment forestry and natural resources sector, an amount of Kshs.70,777,871 was paid towards solid waste management and disposal services, and supply and delivery of gumboots and uniforms without the requisite documents. The following irregularities were also noted:

(i) The zones for which the service providers were prequalified to operate in were not indicated;

(ii) Allowances paid out were not acknowledged through sign offs by the recipients;

(iii) The payments were not supported by local purchase orders ,invoices, proof of delivery in form of delivery notes and goods received notes at the dump site, and

(iv) There were no work tickets for the equipment used to confirm works done.

In the absence of relevant documentation, the validity and propriety of the expenditure of Kshs.70,777,871 reported to have been incurred on solid waste management cannot be confirmed.

5. Use of Funds for Unplanned/Unbudgeted Activities

The department of Agriculture, Livestock and Fisheries incurred expenditure amounting to Kshs.15,740,886 which was neither budgeted nor planned for during the year. This was contrary to Section 196(1) of the Public Financial Management Act 2012. The expenditure was incurred on payment for supply and delivery of agricultural items for building

purposes and milk dispensing machines at a cost of Kshs.2,912,136 and Kshs.12,828,750 respectively.

6. Procurement of Goods and Services

6.1. Procurement of Works

Contracts for construction of a perimeter wall at Mji wa Huruma and rehabilitation and automation of Macmillan Library were awarded on 4 May 2015 and 22 April 2015 at contract sums of Kshs.16,884,600 and Kshs.18,450,965 respectively through restricted tendering procurement method. However, no reasons have been given for using restricted tendering method contrary to the requirements of Section 29(3) of the Public Procurement and Asset Disposals Act 2005, then applicable.

In the circumstances, it has not been possible to confirm whether value-for-money was realized from the contracts valued at Kshs. 35,335,565 as a result of application of restricted tendering method.

6.2. Poor Record Maintenance

Mbagathi Hospital has two main stores namely; pharmaceutical and general stores. The general store was not managed well. For instance, significant number of stock card balances were not tallying with the physical store balances, and in addition stores items were arranged in a disorderly manner.

In the absence of proper records, it is not possible to confirm that all stores procured during the year under review were received and applied for the intended purposes.

6.3. Medical Stores and Unaccounted for Drugs

Analysis of medical stores transfers during the year under review revealed that drugs valued at Kshs.907,740 transferred from Mama Lucy Kibaki Hospital main stores on diverse dates were not received at the intended pharmacies. The stock control cards for the drugs specified had no matching entries to confirm receipt by the reported recipients. Further, duplicate stock control cards numbers 1257867 and 1257884 were maintained for one stores item namely Amoxicillin/Clavulanic 625 gm tablets. Details of the transfers that were not received at the intended stores are as follows:

S3 Card Number	Type of drug	Qtty transferred	Qtty received	Value
298347/ 93622	Fentolyn 50 mg/m/	300	Nil	100,200
950070/ Non in Pharmacy	Fentolyn 100 mcg/2ml 10s	540	Nil	110,840
85217/ Non in Pharmacy	Diclofenac Injection 75 mg	13000	Nil	65,000
298306/ 92644	Dental Cartridges 1.8 ml	1200	Nil	33,600
9812/ 1257867	Amoxicillin/clavulanic 625 gm	34800	Nil	510,000

and 1257884	tablets			
9811 / 1129188	Amoxicillin/clavulanic 375 mg tablets	7000	Nil	88,100
TOTAL				**907,740**

In the circumstances, it has not been possible to confirm that the drugs were received at the intended pharmacies and applied for the intended purposes.

7. Over Expenditure on Compensation of Employees

The total County Executive expenditure on compensation of employees during year under review amounted to Kshs.12,471,953,548 as disclosed under Note 12 to the financial statements. The expenditure represented 48.8% of the total County revenue. Further, information available indicated that the County management was yet to set thresholds on employee compensation against total revenue as stipulated in the Act. The current expenditure levels of 48.8% of the total County revenue is indicative of over establishment and which impacts negatively on the development budget sectors of the County Government. The County Government has, therefore, contravened Section 107(2) of the Public Finance Management Act 2012.

8. Legal Costs

Included in other operating expenses of Kshs.1,657,620,265 disclosed under Note 13 to the financial statements are legal costs amounting to Kshs.580,270,149. This amount was paid outside the Integrated Financial Management Information System (IFMIS) contrary to the National Treasury provisions on processing of all payments within the system. Further, the County Government's actual expenditure on legal services of Kshs.580,270,149 exceeded its approved budgetary allocation of Kshs.100,000,000 resulting in an over-expenditure of Kshs.480,270,149 or 480%. No authority for the supplementary expenditure was sought from the County Assembly contrary to Section 196(1) of the PFM Act 2012.

Further, review of sample case files revealed that six (6) files with payments to lawyers totalling to Kshs.113,618,092 were inadequately supported with information and documentary evidence. The details are as follows:

Legal Firm		Amount Paid (Kshs)	Case file No. /Details	Deficiency
1.	Mugoye and Associates Advocates	4,825,000	HC ELC No.135 of 2015 Gatkin Enterprises Ltd vs County Government of Nairobi and 3 others (George Theuri, Robert Mbatia, Nicholas Maingi).	The value of land in dispute which forms the basis for computing legal fees has not been disclosed.
2.	Koceyo and Company	6,675,640	HCCC No.193 of 2011 Lafey Trading Company Ltd	The value of the dispute is not supported.

Legal Firm		Amount Paid (Kshs)	Case file No. /Details	Deficiency
	Advocates		vs Abdi Dahir Ali,Adow Dakane Rafat, City Council of Nairobi ,Commissioner of Lands, Register of titles.	
3.	Rustam Hira Advocates	38,680,852	HCC Misc Application No.289 of 1999 Lalji Bhimji Sanghan Builders and Contractors vs City Council of Nairobi.	No of clarity as to whether the fee note was final fee or whether the payee will be demanding further payments as the decretal sum was contested.
4.	Kithi and Company Advocate	23,436,600	PET, No.775 of 2015 Sound Equipment Ltd vs City Council of Nairobi and Others.	Documents confirming the value of the property as Kshs.358,000,000 which formed the basis for the taxes due were not made available for audit review.
5.	KTK Advocates	20,000,000	HC No.282 of 2012 City Council of Nairobi Vs The Attorney General and Kenya Defense Forces.	The said discounted fee note was not made available for review; furthermore, the option of out of Court settlement proposed for application was unclear.
6.	Kithi and Company Advocates	20,000,000	Appeal No.NET/146 of 2015 High Court Misc.No.223 of 2015 (Exparte Homoescope properties Republic Vs Nairobi City County) Jacline Marie, David Ssegawa, Sally Mukwana, Khadija Shamte, Eric Muriuki, Eva Kariuki vs NEMA, Nairobi City County and Others.	The basis for the value of property quoted (Kshs.2.5 billion) used by the lawyer to estimate fees could not be verified.
	Total	**113,618,092**		

Consequently, the validity and propriety of the expenditure of Kshs.113,618,092 on payment of legal fees cannot be confirmed.

9. Cash-and-Cash Balances

The statement of assets under cash and cash equivalents reflects a negative bank balance of Kshs.1,276,874,863 as at 30 June 2016 (Year 2014/2015 Kshs.-1,306,819,844) and as further disclosed under Note 22A to the financial statements. The following unsatisfactory matters were noted with regard to the reported cash-and-cash equivalent balances.

9.1. Mama Lucy Kibaki Hospital Bank Balance

Included in the bank balance figure is Mama Lucy Kibaki Hospital bank balance of Kshs.32,268,064 as of 30 June 2016. However, there was no cashbook or bank statement to support the existence of the reported balance. In the circumstances, I am unable to confirm the accuracy of the reported bank balance of Kshs.1,276,874,863.

9.2. Overdraft- Co-operative Bank Beautification Account

Co-operative Bank Beautification Account number 01141232396608 was overdrawn severally during the year under review on the following instances on 31 July 2015, 19 September 2015 and 3 October 2015 by Kshs.39,551,850, Kshs.47,798,934 and Kshs.48,457,095 respectively. The County Government therefore incurred finance costs amounting to Kshs.5,372,381 during the year on the account for which no authorization was granted, contrary to Section 196(1) and (2) of the PFM Act 2012.

10. Imprest Management

The statement of assets reflects accounts receivable balance on account of outstanding imprests of Kshs.25,199,363 as at 30 June 2016 (Year 2014/2015 Kshs.39,754,600) and as further disclosed under Note 23 to the financial statements. However, the outstanding imprests were not supported by an updated register. Consequently, it has not been possible to confirm the completeness and accuracy of the imprests balance of Kshs.25,199,363 as of 30 June, 2016

11. Pending Bills

Note 26.1 to the financial statements discloses pending accounts payable amounting to Kshs.48,297,618,839 as at 30 June 2016 (Year 2014/2015- Kshs.41,039,185,553). The breakdown of the pending bills by category is as detailed below:

Item	Amount (Kshs)
Creditors	5,332,716,053
Pending Bills Staff	107,548,846
Other Pending Bills	39,422,844,055
Outstanding Loan	3,434,509,885
Total	**48,297,618,839**

The following unsatisfactory matters regarding these pending bills were noted:

11.1 Creditors- Kshs.5,332,716,053

(i) The creditors ledger in support of the balances is not broken down to show individual creditor balances;

(ii) there is no ageing report for the outstanding creditors; and

(iii) there are no monthly reports tracking the movements in the creditor's ledger.

Consequently, the accuracy, validity and valuation of County Executive's indebtedness to the creditors of Kshs.5,332,716,053 cannot be confirmed.

11.2 Other Pending Bills- Kshs.39,422,844,055

Other pending bills as of 30 June, 2016 amounted to Kshs.39,422,844,055 (Year 2014/2015 - Kshs.34,740,177,487) comprised mainly of unremitted statutory deductions as analysed below:

Creditor	2015/16 FY Amount (Kshs.)	2014/15 FY Amount (Kshs.)	Change (Kshs)
KRA	3,128,673,889	2,543,360,606	585,313,283
NSSF	509,097,305	602,394,826	-93,297,521
Government guaranteed Loans	3,815,640,000	3,815,640,000	0
On Water Lent Loans	15,328,285,000	15,328,285,000	0
Laptrust Principal	5,296,304,468	4,066,606,379	1,229,698,089
Laptrust Penalties	1,904,323,121	1,003,965,095	900,358,026
Lapfund Principal	2,031,894,745	2,005,242,904	26,651,841
Lapfund Penalties	4,784,252,954	2,750,310,104	2,033,942,850
Lap Trust Actuarial Deficit	2,624,372,573	2,624,372,573	0
Total	**39,422,844,055**	**34,740,177,487**	**4,682,666,568**

The increase of Kshs.4,682,666,568 is largely attributed to penalties accrued on late remittances of Laptrust and Lapfund dues (Kshs.2,934,300,876). The County continues to incur penalties with the delayed remittance and settlement of statutory deductions.

12. Non-Current Assets

12.1. Maintenance of Fixed Assets Register and Disclosures

The Public Sector Accounting Standards Board requires all public entities to maintain an updated fixed asset register with its summary annexed to the financial statements. Annex 4 to the financial statements is the summary fixed asset register indicating total assets owned by the County Government valued at Kshs.16,606,168,629 (Year 2014/2015 - Kshs.14,177,945,024) as at 30 June 2016. However, as similarly reported in 2014/2015, the County Government still does not maintain a fixed asset register. In the absence of a detailed fixed asset register, it is not possible to confirm the completeness, accuracy and existence of the balance assets of Kshs.16,606,168,629 reported under Annex 4.

12.2. Asset Acquisition

The statement of receipts and payments reflects expenditure of Kshs.2,428,223,605 (Year 2014/ 2015 - Kshs.2,110,303,407) on acquisition of assets and as further disclosed under Note 18 to the financial statements. However, audit examination of a sample of

eighty two (82) transactions made in respect of acquisition of assets amounting to Kshs.1,477,390,106, revealed that only twelve (12) transactions amounting to Kshs.174,581,971 or 11.8% of the total sample were confirmed as paid according to the bank statements. How the remaining transactions amounting to Kshs.1,302,808,135 were paid has not been explained. In the circumstances, I am unable to confirm the accuracy and validity of the reported expenditure totalling Kshs.2,428,223,605 reportedly incurred on acquisition of assets during the year under review.

12.3. Irregular transfer of Mariakani Estate

Information available indicates that the defunct Nairobi City Council (NCC) and Local Authorities Provident Fund (Lapfund) management during its meeting of 7 August, 2012 resolved and subject to board approval to waive 50% interest amounting Kshs.958,696,388.75 owed to the latter. Consequently the amount owed to the Fund by the defunct NCC reduced from the then balance of Kshs.2,218,488,958.50 to Kshs.1,259,792,569.75. Further and to clear the outstanding debt, the following properties were to be relinquished by the Council to the Fund subject to adoption and approval by the full Council: Jamhuri Estate in Dagoreti, Ring Road Estate in Westlands and Jevanjee Estate in Kariokor. This was approved on 10 August 2012, by the defunct NCC through a special Finance Committee meeting. However, the following gaps were noted in the Minutes of the meeting that authorized the transfers;

(i) count of the members who supported and those who voted against the transfer was not recorded in the Minutes;

(ii) there is no mention of Mariakani Estate title number 209/6612 in the Minutes as one of the properties that was to be transferred to the Fund, although it was subsequently transferred;

(iii) there is no Minute on confirmation of the defunct NCC indebtedness as having been audited and agreed to prior transfers as stipulated;

(iv) due diligence on transfer of public property requires that both the Ministry of Lands and at least two independent valuers undertake valuations prior to transfer.

However, it is not clear how the valuation for Mariakani Estate was undertaken; and

(v) the memorandum of registration of transfer of land dated 18th March 2013 indicates the transferor of the property as the defunct NCC but by that date, the Council was non-existent in law.

12.4. Lapfund Account

Included in other pending bills balance of Kshs.39,422,844,055 as at 30 June, 2016 and as further disclosed under Annex 2 is the amount of Kshs.10,080,557,422 due to Lapfund on account of principal and interest penalties on delayed remittance of contributions.

Information available indicates that the amounts owed to Lapfund by the defunct NCC at the time of the transfer of Mariakani Estate stood at Kshs.1,314,698,348. Review of records maintained then highlighted the following discrepancies in arriving at the closing balance:

(i) The amount owed to the Fund as at March 2011 was Kshs.704,179,386, upon payment of Kshs.700,000,000 in April 2011 the balance decreased to Kshs.8,993,966 but as at June 2011 had risen to Kshs.26,672,936.

(ii) A hefty penalty of Kshs.405,394,824 was levied on the account in July 2011 despite the low opening balance of Kshs.26,672,936 and thus raised the balance to Kshs.432,067,760.

(iii) The reported closing balance of the debt as of June 2012 of Kshs.324,537,661 differs from the July 2012 opening balance of Kshs.37,994.871 by Kshs.286,542,790.

(iv) During the month of August 2012, a penalty of Kshs.1,259,792,570 was levied on the account raising the balance owed to Kshs.1,314,698,348.

(v) Analysis of the ledger entries in the Fund account for the period January 2009 to February 2015 reflects total payments to Lapfund of Kshs.1,376,446,289 and excludes value of the properties of Kshs.1,450,000,000 transferred into the Fund.

From the foregoing, the accuracy and completeness of amounts owed to Lapfund on account of principal and interest penalties of Kshs.10,080,557,422 as at 30 June, 2016 cannot be confirmed.

13. Accounts Receivables

Note 23 to the financial statements discloses pending accounts receivables of Kshs.209,008,496,109 as at 30 June, 2016 up from Kshs.133,660,923,327) in (Year 2014/2015. Included in this amount is a rates receivable balance of Kshs.207,587,128,035 (Year 2014/201 5- Kshs.132,595,445,156) which constitutes 99% of the balance. Information available indicates that management has appealed to the defaulters who are mainly National Government Offices to pay but no response has been received. The likelihood of collecting the outstanding rates from the defaulters therefore appears to be too low.

This is indicative of significant impairment on the accounts receivable balance of Kshs.209,008,496,109 as of 30 June, 2016. Further, the ageing analysis for the accounts receivables has not been made available for audit review.

14. Outstanding Loans

14.1 Current Liabilities

Disclosed under Note 26.1 and Annex 3 to the financial statements, is a Kenya Commercial Bank loan balance of Kshs.3,434,509,885 as at 30 June, 2016 (Year

2014/2015 - Kshs.3,126,141,774). The following unsatisfactory matters have been noted in respect of the loan:

(i) The default interest charge during the year 2015/2016 amounted Kshs.565,669,734 as analysed below:

Month	Interest Paid	Interest Accrued	Capitalized interest	Principal Paid	Balance
Balance B/fwd as of 1/7/15					2,925,153,543
15-Jul-15	32,296,901	32,296,901	0	20,027,593	2,905,125,950
15-Aug-15	9,827,493	34,493,255	24,665,762	0	2,929,791,713
15-Sep-15	24,754,431	37,913,879	13,159,447	18,823,313	2,924,127,847
15-Oct-15	0	39,295,257	39,295,257	0	2,963,423,103
15-Nov-15	0	64,183,153	64,183,153	0	3,027,606,256
15-Dec-15	2,656,594	48,559,399	45,902,804	15,099,801	3,058,409,260
16-Jan-16	837,957	46,935,919	46,097,962	25,889,970	3,078,617,252
16-Feb-16	0	43,008,191	43,008,191	0	3,121,625,442
16-Mar-16	0	44,017,283	44,017,283	0	3,165,642,725
16-Apr-16	0	161,066,121	161,066,121	0	3,326,708,846
16-May-16	0	43,453,001	43,453,001	0	3,370,161,847
16-Jun-16	0	40,820,753	40,820,753	0	3,410,982,600
	70,373,376	**636,043,110**	**565,669,734**	**79,840,677**	

(ii) The December 2015 principal repayment of Kshs.15,099,801 was excluded from expenditure repayment of principal on domestic lending and on-lending.

(iii) Material inconsistencies between bank statements provided during the audit and post audit covering the same period, resulting to upward revaluation of the loan balance by Kshs.10,614,756.

(iii) The County defaulted in servicing interest due in the year under review except for July 2015.

From the foregoing, I am unable to confirm the lawful and effective use by management of public resources of the Nairobi City County for the benefit of its citizens with respect to the loan.

15. Budgetary Control, Performance and Disclosures

15.1 Budget Information

The budgeted and the actual revenues collected for the financial year under review amounting to Kshs.32,467,172,329 and Kshs.25,568,309,010 respectively were not uploaded into the Integrated Financial Management Information System (IFMIS). In addition, the format used to present reported revenues was at variance with the budget. Consequently, it has not been possible to ascertain the reliability of the budget information provided, or to carry out a comparative analysis between budget and actual revenues across the various sources.

15.2 Failure to Disclose Reasons for Material Variances

No explanations have been provided for the material variances between the approved budget and the actual expenditure contrary to the requirements under Section 164(2)(a) of the Public Financial Management Act 2012 and International Public Sector Accounting Standards (IPSAS) Cash Basis of Accounting Reporting Framework. Consequently, the financial statements presented for audit are not fully IPSAS Cash Basis compliant.

15.3 Under- expenditure Recurrent

The County's approved recurrent budget for the 2015/2016 financial year was Kshs.19,707,848,157. However examination of the IFMIS account analysis report revealed that the County Government did not adhere to the budget. Twelve (12) sectors/departments incurred under-expenditure in the recurrent vote on five hundred and sixty eight (568) line items amounting to Kshs.1,741,969,399.

The County Government did not provide reasons for the under-expenditures. From the foregoing, it has not been possible to confirm whether the budget and the budgetary controls were adhered to.

15.4 Unbudgeted Expenditure Incurred off IFMIS

Included in the use of goods and services expenditure of Kshs.5,562,994,850, and as further disclosed under Note 13 to the financial statements, are expenditures totalling Kshs.2,807,874,954 on various vote heads as analysed in the table below:

Item	Financial Statement Balance (Kshs)	Ledger/Analysis Balance(Kshs)	Variance (Kshs)
Foreign travel and Subsistence	27,028,533	67,275,818	(40,247,285)
Printing, Advertising and Information Supplies & Services	28,767,666	28,269,666	498,000
Training Expenses	189,740,891	189,196,292	544,600
Hospitality Supplies and Services	131,914,108	132,727,108	(813,000)
Other Payments	1,731,060,811	1,027,710,337	703,350,474

Item	Financial Statement Balance (Kshs)	Ledger/Analysis Balance(Kshs)	Variance (Kshs)
Specialised Materials and Services	383,565,742	383,641,738	(75,996)
Office and General Supplies and Services	210,577,593	209,991,343	586,250
Fuel and Lubricants	105,219,610	105,717,714	(498,104)
Legal Fees	580,270,149	-	580,270,149
Total	**2,807,874,954**	**2,144,530,016**	**1,243,615,087**

The ledger extracts from IFMIS where, ideally, all transactions should be processed reflects an aggregate amount of Kshs.2,144,530,016 resulting to a difference of Kshs.1,243,914,243. The management explained the difference to have arisen out of transactions processed manually and outside the IFMIS. No reason has been given for the failure to use IFMIS in processing the payments contrary to the National Treasury requirements.

(i) In addition, the statement of receipts and payments reflects an expenditure on other payments of Kshs.1,822,383,369. There was no budgetary provision for the expenditure contrary to requirements of Sections 196(1) and (3) of the Public Finance Management (PFM) Act 2012.

15.5 Over-Expenditure on Recurrent Vote

The recurrent vote expenditure account analysis reflects over expenditure of Kshs.48,470,543 in respect of twenty-five (25) vote items across various sectors as analysed below:

Sector	No of Items	Approved Estimates	Actual Expenditure	Over Expenditure	Percentage
		Kshs.	Kshs.	Kshs.	%
County Public Service Board	1	2,601,200	2,814,800	-213,600	(8.21)
Office of The Governor and Deputy Governor	3	6,000,000	6,872,208	-872,208	(14.54)
Finance and Economic Planning	2	6,450,000	6,976,249	-526,249	(8.16)
Health	1	9,000,000	9,256,547	-256,547	(2.85)
Physical Planning	1	1,068,584	1,176,380	-107,796	(10.09)
Public Works, Transport	1	259,472,185	259,698,029	-225,844	(0.09)

and Infrastructure					
Education	7	27,130,000	36,493,292	-9,363,292	(34.51)
Trade	1	0	90,000	-90,000	-
Public service Management	6	134,248,810	140,684,817	-6,436,007	(4.79)
Environment	2	-24,999,000	5,380,000	-30,379,000	121.52
Total	**25**	**420,971,779**	**469,442,322**	**-48,470,543**	**(11.51)**

The management have not rendered explanations for the over-expenditure. Consequently the budget and related budgetary controls have not been adhered to.

15.6 Adherence to 30% Threshold on Development Budget

The summary statement of appropriation- development reflects final approved budget of Kshs.7,550,700,152 representing 27.7% of the total County budget, which is below the threshold set out in Section 107 (2) (b) of the PFM Act 2012. The statement also reflects budget utilization of Kshs.2,387,219,112 or 32%. Apart from the County being in breach of the provisions of Section 107(2) of the Public Financial Management Act, 2012, no reasons have been provided for under-utilization of the voted provisions.

15.7 Development Vote Implementation

15.7.1 Physical Planning, Lands and Housing Sector

(i) According to the approved estimates, the Physical Planning, Lands and Housing sectors final approved budget for the year was Kshs.172,000,000. Schedules provided in support of development expenditure during the year amounted to Kshs.51,394,446 or 29.9% resulting in under-expenditure of Kshs.120,605,554. No explanations have been provided for the under-absorption of budgeted expenditure.

(ii) To ascertain the status of development activities undertaken by the department in the year under review, the project status report detailing the planned activities, payments made to 30 June, 2016 and their status as at that date were requested for from the management. However, as at the time of concluding the audit, the report had not been made available for review. From the foregoing, it has not been possible to confirm whether the sector implemented its development budget effectively during the year under review.

15.7.2 Education, Youth, Sports, Gender, Culture and Social Services Sector

(i) According to the approved estimates for the aggregate County, the Education, Youth Affairs, Sports, Culture and Social Services sectors' approved budget for the year

under review was Kshs.311,000,000. Schedules provided in support of development budget implementation for Year 2015/2016 indicates absorption of Kshs.136,375,415 or 43.9% resulting in under-absorption of Kshs.174,624,585. The under-absorption has not been justified given that the budget was revised downwards to factor revenue shortfalls.

(ii) Physical verification of the department revealed that, two projects with works done valued at Kshs.26,800,000 had stalled due non-payment. The projects are rehabilitation of Joseph Kang'ethe and construction of perimeter wall at Mji wa Huruma. Stalled projects may attract unnecessary costs in contractor claims on time extension.

From the foregoing it has not been possible to confirm whether the sector implemented its development budget effectively during the year under review.

15.7.3 Roads, Public Works Transport And Infrastructure

Physical verification of projects implemented by the departments of Roads, Public Works Transport and Infrastructure revealed that contractors for the following two projects had abandoned the sites reportedly due to failure by the County Executives' to pay for works done. The projects were behind schedule and meeting of the contract completion timelines didn't seem feasible.

Project	Value of Certificate (Kshs.)	Contractual Date of Completion	% Work Done
Upendo Road NCC/T/RPT/254/2014/5	36,224,988.60	4th Dec 2016	65
Park Road Public transport facility	14,879,132	7th June 2016	98
Improvement of Limuru Rd- UN-Redhill Junction	30,289,869	21st October 2016	65

The County Executive's credit worthiness may be undermined by the continued delay in settling contractor bills that are over-due for payment.

15.8 Education and Social Services

15.8.1 Waithaka Technical Training Centre

An audit verification site visit to Waithaka Technical Training Centre on 3rd October 2016 under the Education Sector revealed the following gaps:

(i) The Centre did not have competent personnel in stores and accounts departments. Record keeping was done by staff without the requisite skills, while stores issues

were done by the tutors. Environment management was undertaken by the students and casuals.

(ii) The Centre did not have a clear procurement plan for all activities undertaken during the financial year under review. As a result, procurement of various requirements was undertaken on an ad hoc basis by persons other than procurement officers.

(iii) Further, the procured items were not formally receipted in the stores.

(iv) The payment vouchers used to pay for goods and services were not of the recommended standard i.e. not pre-numbered, approved, properly filed and stamped paid.

(v) The Centre's buildings were dilapidated and needed urgent rehabilitation and renovation. There was also no perimeter fence to safeguard the encroachment and security on the Centre.

15.8.2 Mji Wa Huruma Centre

The following areas of concern were noted from the visit to the Centre on 9 August 2016:

(i) The funding for the Centre's expenditure was by way of a cash float. The reimbursement process for the standing imprest was very slow.

(ii) The Centre did not have its own transport for ambulance services despite this being a necessity in light of the emergencies related with dealing with elderly.

(iii) The Centre was understaffed especially in regard to support-staff who are expected to provide personalized care for the elderly.

(iv) Drug supplies and replenishments were inadequate.

(v) The Center has a spacious hall funded by private donors, however it was not furnished. Consequently the elderly take their meals away from the hall in the dormitories.

(vi) The Center was in dire need of a perimeter fence for security and safeguarding the County property.

The insufficient resourcing of the Centre has impacted its operations and hence service delivery for the elderly negatively.

16. Prior year Audit issues

The following prior-year audit issues remained unresolved as at the time of the audit of the financial statements and operations for the year ended 30 June 2016:

16.1 Assets and Liabilities Inherited From the Defunct City Council Of Nairobi

The statement of receipts and payments reflects an amount of Kshs.2,428,223,605 (2014/2015 - Kshs.2,110,303,407) under acquisition of assets for the year ended 30 June 2016. However, as reported in the previous year, the County's statement of receipts and payments acquisition of assets figure of Kshs.2,428,223,605 and the summary of fixed asset register figure of Kshs.16,606,168,629 reflected in Annex 4 to the financial statements do not include the assets and liabilities of the defunct City Council of Nairobi despite the County management having taken possession of the assets. In addition, the Inter-Governmental Relations Technical Committee which took over the Transition Authority is yet to formally hand over the assets and liabilities of the Local Authorities to the County Government. It is not known when these assets and liabilities will be handed over to the County Government.

16.2 Land and Buildings – Encroachment of County Government Properties

(i) Encroachment on the Komarock Ward Offices -Embakasi Central Sub-county; the land in which the Komarock Ward offices are located has been claimed by private developers.

(ii) Encroachment of Mutuini Hospital - the hospital land is not fenced and has been invaded by squatters.

(iii) Komarock Playing Ground Komarock Ward-Embakasi Central Sub-county, lacks a perimeter fence and is susceptible to encroachment by private developers.

16.3 Allocation of County Land to private developers

The then defunct City Council of Nairobi allocated various parcels of land to private developers. Some of the developers have since demolished properties previously owned by the defunct Council. The process of allocating the land to the private developers cannot be confirmed to have been transparent given that no records have been provided so far to confirm the process. Some of the land issued to private developers included:

(i) High Ridge Health Centre; where the health centre was demolished and the parcel of land allocated to private developers.

(ii) Nanyuki Roads Store and Depots; the land was reserved for road maintenance materials. It was demarcated and 1.227_{Ha} hived off and allocated to M/S Hass Petroleum Ltd. It was further noted that the depot lost materials estimated to be worth Kshs. 22 million.

16.4 Karen Health Centre Land Dispute

A neighbouring PCEA Church according to the management of the facility had encroached the Karen Health Centre land.

16.5 Irregular Allocation and Disposal of County Land LR. NO 209/2531/1

The above land measuring 20.5 acres, now occupied by Highways Stores was originally allocated to the then Municipal Council of Nairobi title NO IR 4786, LR No.209/2531 for a term of 99 years from 1 October, 1929 to 1 October, 2028. On 18 June, 1952 the Kenya Meat Commission was allocated part of the land measuring 2.5 acres, - On 10 October, 1969, 9.5 acres was allocated to St Peter Claviers' and Muthurwa Primary Schools. A visit to the site showed that portion of the remainders of the land 8.5 acres has been allocated to unknown private developers as follows:

(i) Part of Country Bust Station Phase 2.

(ii) Part of the Nairobi City County Department.

No documentation has so far been presented to show how the private developers were allocated the land.

16.6 Jambo-Pay Revenue Collections and Management-Failure to Remit Collected Funds in Time

As reported in the previous year, the County Government has implemented a cashless payment system that allows Nairobi motorists, tenants, contractors, business men and women, to use their mobile phones to pay for daily parking, seasonal parking, parking for matatu Sacco's, land rates, rent for County houses, construction fee and to check the status of their payment.

The contract provides that funds collected should be remitted to the County Government within seventy two (72) hours upon receipt. However, review of records revealed that it takes up to a month to remit the funds, which was contrary to the agreement between the County Government and the contracted firm. Consequently, the County Government is not in full control of its revenue collection process.

16.7 Garbage Collection and Other Environmental Matters-Operations at the Dandora Dump Site

As was also reported in the previous year, physical verification of the operations at the Dandora dump site during the audit exercise revealed a number of anomalies that include the following:

(i) Lack of standby power back-up for the weigh-bridge in cases of power failures.

(ii) Lack of adequate protective tools and equipment for the staff working at the dump site.

(iii) Lack of offices, computers and safes for keeping cash. It was indicated by a staff member that they sometimes receive students from universities and colleges on

field studies and therefore require a classroom to accommodate the groups during discussion sessions.

(iv) Most of the County heavy equipment used at the dumpsite are grounded and as a result the County relies heavily on hired ones.

(v) Lack of proper facilities may compromise effective operations at the dumpsite.

Dandora Power Project worth Kshs.28 billion has stalled due to lack of title deed as demanded by the financier.

16.8 Malfunctioning of the Integrated Urban Surveillance System for Nairobi Metropolitan Area - Nairobi Central Business District

As similarly reported in the previous year, the installation, testing and commissioning of an integrated urban surveillance system for Nairobi Metropolitan Area (Nairobi Central Business District) was implemented by Ministry of Nairobi Metropolitan at a contract sum of Kshs.437,405,895.36. The contract was awarded to M/S Nanjing Les Information Technology Limited on 14 September, 2012.The project entailed installation of surveillance cameras, installation of new traffic management system, construction of a control centre and installation of associated software. No information has been provided so far on action taken to obtain the requisite equipment, previously reported as lacking to enable communication between the control centre and several surveillance points . In addition, no new information has been provided on the twenty six (26) out of the forty two (42) cameras that were not functional. Further, it has not been clarified whether the cameras are now capable of detecting motor vehicle number plates. In the circumstances, the surveillance system and security installations may still not be relied upon to enhance security for the County's residents.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly I do not express an opinion on the financial statements.

FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

30 August 2017

I. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015-2016 Kshs	2014-2015 Kshs
RECEIPTS			
Tax Receipts	1	-	-
Social Security Contributions	2	-	-
Proceeds from Domestic and Foreign Grants	3	-	24,920,000
Exchequer releases	4	12,996,608,959	11,340,191,382
Transfers from Other Government Entities	5	472,035,423	-
Proceeds from Domestic Borrowings	6	861,691,751	298,237,393
Proceeds from Foreign Borrowings	7	-	-
Proceeds from Sale of Assets	8	-	-
Reimbursements and Refunds	9	-	-
Returns of Equity Holdings	10	-	-
Other Receipts	11	11,237,972,877	11,417,412,109
TOTAL RECEIPTS		**25,568,309,010**	**23,080,760,884**
PAYMENTS			
Compensation of Employees	12	12,471,953,548	13,100,466,604
Use of goods and services	13	5,562,994,850	7,070,594,690
Subsidies	14	-	-
Transfers to Other Government Units	15	1,516,500,000	900,000,000
Other grants and transfers	16	282,161,783	390,595,033
Social Security Benefits	17	5,766,744	3,793,942
Acquisition of Assets	18	2,428,223,605	2,110,303,407
Finance Costs, including Loan Interest	19	205,676,894	355,495,903
Repayment of principal on Domestic and Foreign borrowing	20	1,234,914,243	735,324,515
Other Payments	21	1,822,383,369	-
TOTAL PAYMENTS		**25,530,575,035**	**24,666,574,094**
SURPLUS/DEFICIT		**37,733,974**	**(1,585,813,210)**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ and signed by:

Chief Officer

Head of Treasury

II. STATEMENT OF ASSETS

	Note	2015-2016 Kshs	2014-2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	22A	(1,276,874,863)	(1,306,819,844)
Cash Balances	22B	33,511,284	23,108,847
Total Cash and cash equivalent		**(1,243,363,579)**	**(1,283,710,997)**
Accounts receivables – Outstanding Imprests	23	25,199,363	39,754,600
TOTAL FINANCIAL ASSETS		**(1,218,164,216)**	**(1,243,956,397)**
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	24	-	-
NET FINANCIAL ASSETS		**(1,218,164,216)**	**(1,243,956,397)**
REPRESENTED BY			
Fund balance b/fwd	25	**(1,243,956,397)**	**(341,856,813)**
Surplus/Deficit for the year		**37,733,974**	**(1,585,813,210)**
Adjustments		**(11,941,793)**	-
NET FINANCIAL POSITION		**(1,218,164,216)**	**(1,243,956,397)**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ and signed by:

Chief Officer

Head of Treasury

III. STATEMENT OF CASHFLOW

		2015 - 2016 Kshs	2014 - 2015 Kshs
Receipts for operating income			
Tax Revenues	1	-	-
Social Security Contributions	2		
Proceeds from Domestic and Foreign Grants	3	-	24,920,000
Exchequer Releases	4	12,996,608,959	11,340,191,382
Transfers from Other Government Entities	5	472,035,423	-
Reimbursements and Refunds	9	-	-
Returns of Equity Holdings	10	-	-
Other Revenues	11	11,237,972,877	11,417,412,109
Payments for operating expenses			
Compensation of Employees	12	(12,471,953,548)	(13,100,466,604)
Use of goods and services	13	(5,562,994,850)	(7,070,594,690)
Subsidies	14	-	-
Transfers to Other Government Units	15	(1,516,500,000)	(900,000,000)
Other grants and transfers	16	(282,161,783)	(390,595,033)
Social Security Benefits	17	(5,766,744)	(3,793,942)
Finance Costs, including Loan Interest	19	(205,676,894)	(355,495,903)
Other Expenses	21	(1,822,383,369)	-
Adjusted for:			
Adjustments during the year		(11,941,793)	-
Changes in receivables		14,555,237	-
Changes in payables		(39,754,600)	
Net cash flow from operating activities		**2,802,038,915**	**961,577,319**
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	8	-	-
Acquisition of Assets	18	(2,428,223,605)	(2,110,303,407)
Net cash flows from Investing Activities		**(2,428,223,605)**	**(2,110,303,407)**
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings	6	861,691,751	298,237,393
Proceeds from Foreign Borrowings	7	-	-
Repayment of principal on Domestic and Foreign borrowing	20	(1,234,914,243)	(735,324,515)
Net cash flow from financing activities		**(373,222,492)**	**(437,087,122)**
NET INCREASE IN CASH AND CASH EQUIVALENT		**592,818**	**(1,585,813,210)**
Cash and cash equivalent at BEGINNING of the year	24	**(1,243,956,397)**	**341,856,813**
Cash and cash equivalent at END of the year	25	**(1,243,363,579)**	**(1,243,956,397)**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ and signed by:

Chief Officer

Head of Treasury

IV. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
RECEIPTS						
Tax Receipts	-	-	-			
Social Security Contributions	-	-	-	-		
Proceeds from Domestic and Foreign Grants	-	-	-	-		
Exchequer releases	12,680,000,000	316,608,959	12,996,608,959	12,996,608,959	-	100%
Transfers from Other Government Entities	690,000,000	3,490,645,843	4,180,645,843	472,035,423	3,708,610,420.00	11%
Proceeds from Domestic Borrowings	-	-	0	861,691,751	(861,691,751.00)	100%
Proceeds from Foreign Borrowings	-	-	0	0	-	0%
Proceeds from Sale of Assets	-	-	0	0	-	0%
Reimbursements and Refunds	-	-	0	0	-	0%
Returns of Equity Holdings	-	-	0	0	-	0%
Other Receipts	17,528,000,000	-2,238,082,473	15,289,917,527	11,237,972,877	4,051,944,650.00	73%
Total Receipts	**30,898,000,000**	**1,569,172,329**	**32,467,172,329**	**25,568,309,010**	**6,898,863,319.00**	79%
Payments						
Compensation of Employees	12,270,532,337	582,828,008	12,853,360,345	12,471,953,548	381,406,797.00	97%
Use of goods and services	5,542,960,715	1,087,185,361	6,630,146,076	5,562,994,850	1,067,151,226.00	84%
Subsidies	-	-	0	0	-	0%
Transfers to Other Government Units	-	-	0	1,516,500,000	(1,516,500,000.00)	100%

Other grants and transfers	204,340,266	-	204,340,266	282,161,783	(77,821,517.00)	138%
Social Security Benefits	13,459,672	-2,021,926	11,437,746	5,766,744	5,671,002.00	50%
Acquisition of Assets	11,099,407,931	-3,540,144,055	7,559,263,876	2,428,223,605	5,131,040,271.00	32%
Finace Costs including Loan Interest				205,676,894	(205,676,894.00)	100%
Repayment of principal on Domestic and Foreign borrowing	-	-	0	1,234,914,243	(1,234,914,243.00)	100%
Other Expenses	-	-	0	1,822,383,369	(1,822,383,369.00)	100%
	29,130,700,921	**-1,872,152,612**	**27,258,548,309**	**25,530,575,036**	**1,727,973,273.00**	**94%**

The entity financial statements were approved on _____ and signed by:

Chief Officer

Head of Treasury Accounts

V. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
Payments						
Compensation of Employees	12,270,532,337	582,828,008.00	12,853,360,345	12,471,953,548	381,406,797.00	97%
Use of goods and services	5,542,960,715	1,087,185,361.00	6,630,146,076	5,562,994,850	1,067,151,226.00	84%
Subsidies			0	0	-	0%
Transfers to Other Government Units			0	1,516,500,000	(1,516,500,000.00)	100%
Other grants and transfers	204,340,266	-	204,340,266	282,161,783	(77,821,517.00)	138%
Social Security Benefits	13,459,672	(2,021,926.00)	11,437,746	5,766,744	5,671,002.00	50%
Acquisition of Assets	240,407,931	(231,844,207.00)	8,563,724	41,004,493	(32,440,769.00)	479%
Finace Costs including Loan Interest			0	205,676,894	(205,676,894.00)	100%
Repayment of principal on Domestic and Foreign borrowing			0	1,234,914,243	(1,234,914,243.00)	100%
Other Expenses			0	1,822,383,369	(1,822,383,369.00)	100%
	18,271,700,921	**1,436,147,236.00**	**19,707,848,157**	**23,143,355,924**	**(3,435,507,767.00)**	**117%**

The entity financial statements were approved on _____ and signed by:

Chief Officer

Head of Treasury Accounts

SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
Payments						
Compensation of Employees	0	0	0	0	-	
Use of goods and services	6,000,000	162,100,152	168,100,152	0	168,100,152.00	0%
Subsidies	0	0	0	0	-	0
Transfers to Other Government Units	0	0	0	0	-	0
Other grants and transfers	0	0	0	0	-	0
Social Security Benefits	0	0	0	0	-	0
Acquisition of Assets	10,859,000,000	(3,476,400,000.00)	7,382,600,000	2,387,219,112	4,995,380,888.00	32%
Repayment of principal on Domestic and Foreign borrowing	0	0	0	0	-	
Other Expenses	0	0	0	0	-	
	10,865,000,000	**(3,314,299,848.00)**	**7,550,700,152**	**2,387,219,112**	**5,163,481,040.00**	**32%**

The entity financial statements were approved on _____ and signed by:

_____
Chief Officer

_____
Head of Treasury Accounts

VI. SIGNIFICANT ACCOUNTING POLICIES

The principle 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 and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *entity* and all values are rounded to the nearest thousand (Kshs'000). The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

2. Recognition of revenue and expenses

The Nairobi City County recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the County. In addition, the Nairobi City County recognises all expenses when the event occurs and the related cash has actually been paid out by the County.

3. In-kind contributions

In-kind contributions are donations that are made to the County in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the County includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

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.

5. Accounts Receivable

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 expenditure 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. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties has 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 by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

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 entity 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 at the end of the year. Pending bill 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. 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's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the County's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

10. Comparative figures

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

11. 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.

VII. NOTES TO THE FINANCIAL STATEMENTS

1 TAX REVENUES

	2015 - 2016 Kshs	2014 - 2015 Kshs
Taxes on Income, Profits and Capital Gains	-	-
Taxes on Property	-	-
Taxes on Goods and Services	-	-
Taxes on International Trade and Transactions	-	-
Other Taxes (not elsewhere classified)	-	-
Total	-	-

2 SOCIAL SECURITY CONTRIBUTIONS

	2015 - 2016 Kshs	2014 – 2015 Kshs
Receipts for Health Insurance Contribution	-	-
Receipts to NHIF for Health Insurance Contributions	-	-
Receipts from Govt Employees to Social & Welfare Schemes in Govt	-	-
Total	-	-

3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2015 - 2016	2014 – 2015
			Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)				
Danida			-	24,920,000
Grants Received from Multilateral Donors (International Organisations)				
Grants Received from other levels of government				
(Insert name of donor)	-	-	-	-
(Insert name of donor)	-	-	-	-
Total			-	**24,920,000**

4 EXCHQUER RELEASES

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Total Exchequer Releases for quarter 1	3,249,152,241	2,438,141,147
Total Exchequer Releases for quarter 2	3,314,135,284	2,778,346,888
Total Exchequer Releases for quarter 3	3,249,152,240	2,547,935,405
Total Exchequer Releases for quarter 4	3,184,169,194	3,575,767,942
Total	**12,996,608,959**	**11,340,191,382**

5 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Transfers from Central government entities		
Ministry of Health - Free maternity	233,780,000	-
KRB - Roads Maintenance Levy Fund	165,100,152	-
User Fees foregone	73,155,271	-
Transfers from Counties		
(insert name of budget agency)	-	-
(insert name of budget agency)	-	-
TOTAL	**472,035,423**	**-**

6 PROCEEDS FROM DOMESTIC BORROWINGS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Borrowing within General Government	-	-
Borrowing from Monetary Authorities (Central Bank)	-	-
Other Domestic Depository Corporations (Commercial Banks)	861,691,751	298,237,393
Borrowing from Other Domestic Financial Institutions	-	-
Borrowing from Other Domestic Creditors	-	-
Domestic Currency and Domestic Deposits	-	-
Total	**861,691,751**	**298,237,393**

7 PROCEEDS FROM FOREIGN BORROWINGS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Foreign Borrowing – Draw-downs Through Exchequer	-	-
Foreign Borrowing - Direct Payments	-	-
Foreign Currency and Foreign Deposits	-	-
Total	-	-

8 PROCEEDS FROM SALE OF ASSETS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Receipts from the Sale of Buildings		
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	-	-
Receipts from Sale of Certified Seeds and Breeding Stock	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Receipts from the Sale of Inventories, Stocks and Commodities	-	-
Disposal and Sales of Non-Produced Assets	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Total	-	-

9 REIMBURSEMENTS AND REFUNDS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Refund from World Food Programme (WFP)	-	-
Reimbursement of Audit Fees	-	-
Reimbursement on Messing Charges (UNICEF)	-	-
Reimbursement from World Bank – ECD	-	-
Reimbursement from Individuals and Private Organisations	-	-
Reimbursement from Local Government Authorities	-	-
Reimbursement from Statutory Organisations	-	-
Reimbursement within Central Government	-	-
Reimbursement Using Bonds	-	-
Total	-	-

10 RETURNS OF EQUITY HOLDINGS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Returns of Equity Holdings in Domestic Organisations	-	-
Returns of Equity Holdings in International Organisations	-	-
Total	-	-

11 OTHER REVENUES

	2015-2016 Kshs	2014-2015 Kshs
Interest Received	-	1,846,400
Profits and Dividends		-
Rents	582,375,026	-
Other Property Income		17,283,693
Sales of Market Establishments		-
Receipts from Administrative Fees and Charges		-
Receipts from Administrative Fees and Charges - Collected as AIA		-
Receipts from Incidental Sales by Non-Market Establishments		-
Receipts from Sales by Non-Market Establishments		-
Receipts from Sale of Incidental Goods		-
Fines Penalties and Forfeitures		227,871
Receipts from Voluntary transfers other than grants		-
Other Receipts Not Classified Elsewhere		-
Business Permits	1,785,786,139	1,805,832,261
Cesses	221,160,235	281,436,645
Poll Rates	3,110,292,526	2,594,776,618
Plot Rents	89,848,509	56,440,206
Other Local Levies	-	343,854,054
Administrative Services Fees	191,259,168	118,209,700
Various Fees	372,505,042	889,940,658
Council'S Natural Resources Exploitation	-	-
Sales Of Council Assets	-	-
Lease / Rental Of Council'S Infrastructure Assets	32,936,834	73,279,897
Other Miscellaneous Revenues	982,464,420	300,507,013
Other Miscellaneous Revenues	-	-
Insurance Claims Recovery	-	130,975
Medium Term Loans (1-3 Yr Repayment)	-	-
Long Term Loans (Over 3 Yr Rpayment)	-	54,498,523
Transfers From Reserve Funds	-	-
Donations	-	-
Fund Raising Events	-	-
Other Revenues From Financial Assets Loan	-	-
Market/Trade Centre Fee	212,832,324	102,152,914

	2015-2016 Kshs	2014-2015 Ksh
Vehicle Parking Fees	2,037,870,304	2,036,682,70
Housing	1,474,015,201	591,733,738
Social Premises Use Charges	-	14,203,94
School Fees	-	7,696,04
Other Education-Related Fees	-	181,700
Other Education Revenues	-	6,402,50
Public Health Services	132,723,339	175,099,25
Public Health Facilities Operations	-	14,736,604
Environment & Conservancy Administration	-	9,844,70
Slaughter Houses Administration	-	-
Water Supply Administration	-	201,696,706
Sewerage Administration	-	
Other Health & Sanitation Revenues	-	93,822,020
Technical Services Fees	-	1,471,159,91
External Services Fees	11,903,810	153,734,86
System Required Revenue A/cs	-	-
Total	**11,237,972,877**	**11,417,412,10**

12 COMPENSATION OF EMPLOYEES

	2015-2016 Kshs	2014-2015 Kshs
Basic salaries of permanent employees	6,510,252,343	7,548,063,981
Basic wages of temporary employees	164,640,630	77,532,014
Personal allowances paid as part of salary	4,311,101,892	5,271,406,847
Personal allowances paid as reimbursements	-	8,296,517
Personal allowances provided in kind	135,241,358	169,809,601
Pension and other social security contributions	-	-
Compulsory national social security schemes	1,350,717,324	16,106,964
Compulsory national health insurance schemes	-	-
Social benefit schemes outside government	-	80,000
Other personnel payments	-	9,170,680
Total	**12,471,953,548**	**13,100,466,604**

13 USE OF GOODS AND SERVICES

	2015-2016 Kshs	2014-2015 Kshs
Utilities, supplies and services	250,951,424	684,015,023
Communication, supplies and services	19,266,178	22,337,160
Domestic travel and subsistence	219,468,544	231,873,664
Foreign travel and subsistence	27,028,533	103,180,186
Printing, advertising and information supplies & services	28,767,666	177,142,935
Rentals of produced assets	9,848,040	1,536,724
Training expenses	189,740,891	199,884,545
Hospitality supplies and services	131,914,108	78,830,957
Insurance costs	983,172,812	516,996,408
Specialised materials and services	383,565,742	760,334,701
Office and general supplies and services	210,577,593	355,729,662
Other operating expenses	1,657,620,265	2,339,120,750
Routine maintenance – vehicles and other transport equipment	11,480,920	39,483,185
Fuel Oil and Lubricants	105,219,610	214,856,703
Routine maintenance – other assets	36,349,083	169,157,578
Other payments	1,298,023,441	1,176,114,509
Total	**5,562,994,850**	**7,070,594,690**

14 SUBSIDIES

Description	**2015 - 2016 Kshs**	**2014 - 2015 Kshs**
Subsidies to Public Corporations		
	-	-
	-	-
Subsidies to Private Enterprises		
	-	-
	-	-
TOTAL	-	-

15 TRANSFER TO OTHER GOVERNMENT ENTITIES

Description	2015 - 2016 Kshs	2014 - 2015 Kshs
Transfers to Central government entities		
Transfer to Central government	-	900,000,000
Transfers to Other Counties		
Transfer to County Assembly	1,516,500,000	-
(insert name of budget agency)	-	-
TOTAL	**1,516,500,000**	**900,000,000**

16 OTHER GRANTS AND OTHER PAYMENTS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Scholarships and other educational benefits	266,096,834	210,595,033
Emergency relief and refugee assistance	16,064,949	-
Subsidies to small businesses, cooperatives, and self employed	-	-
MCA car fund	-	180,000,000
Total	**282,161,783**	**390,595,033**

17 SOCIAL SECURITY BENEFITS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Government pension and retirement benefits	5,766,744	3,793,942
Social security benefits in cash and in kind	-	-
Employer Social Benefits in cash and in kind	-	-
Total	**5,766,744**	**3,793,942**

18 ACQUISITION OF ASSETS

	2015 - 2016 Kshs	2014 - 2015 Kshs
Non Financial Assets		
Purchase of Buildings		-
Construction of Buildings	295,869,763	111,879,460
Refurbishment of Buildings	319,674,503	298,416,151
Construction of Roads	382,238,216	355,980,587
Construction and Civil Works	610,391,487	586,350,433
Overhaul and Refurbishment of Construction and Civil Works	150,399,077	298,181,866
Purchase of Vehicles and Other Transport Equipment	112,053,793	194,956,315
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Household Furniture and Institutional Equipment	-	-
Purchase of Office Furniture and General Equipment	81,632,891	141,863,552
Purchase of Specialised Plant, Equipment and Machinery	330,347,095	20,634,114
Rehabilitation and Renovation of Plant, Machinery and Equip.		-
Purchase of Certified Seeds, Breeding Stock and Live Animals	2,421,440	7,189,000
Research, Studies, Project Preparation, Design & Supervision	67,607,238	1,351,806
Rehabilitation of Civil Works	52,859,037	-
Acquisition of Strategic Stocks and commodities	-	-
Acquisition of Land	-	-
Acquisition of Intangible Assets	5,189,441	-
Purchase of ICT Equipment	17,539,624	93,500,123
Financial Assets		-
Domestic Public Non-Financial Enterprises		-
Domestic Public Financial Institutions		-
Foreign financial Institutions operating Abroad		-
Other Foreign Enterprises		-
Foreign Payables - From Previous Years		-
Total	**2,428,223,605**	**2,110,303,407**

19 FINANCE COSTS, INCLUDING LOAN INTEREST

	2015 - 2016 Kshs	2014 - 2015 Kshs
Exchange Rate Losses	-	-
Interest Payments on Foreign Borrowings	-	-
Interest Payments on Guaranteed Debt Taken over by Govt	-	-
Interest on Domestic Borrowings (Non-Govt)	205,676,894	355,495,903
Interest on Borrowings from Other Government Units	-	-
Total	**205,676,894**	**355,495,903**

20 REPAYMENT OF PRINCIPAL ON DOMESTIC LENDING AND ON-LENDING

	2015 - 2016 Kshs	2014 - 2015 Kshs
Repayments on Borrowings from Domestic	1,234,914,243	735,324,515
Principal Repayments on Guaranteed Debt Taken over by Government	-	-
Repayments on Borrowings from Other Domestic Creditors	-	-
Repayment of Principal from Foreign Lending & On – Lending	-	-
Total	**1,234,914,243**	**735,324,515**

21 OTHER EXPENSES

	2015 - 2016 Kshs	2014 - 2015 Kshs
Budget Reserves	-	-
Civil Contingency Reserves	-	-
Other expenses bank charges	170,836,729	-
Other expenses-Debt repayment	1,651,546,640	-
	1,822,383,369	**-**

22A: Bank Accounts

Name of Bank, Account No. & currency	Currency	Indicate whether recurrent, Development, deposit, revenue, CRF e.t.c	2015 - 2016	2014 - 2015
			Kshs	Kshs
Central Bank of Kenya-Revenue A/C No: 1000171863	Kshs	Revenue	144,304,718	886,926,183
Central Bank of Kenya-Recurrent A/C No: 1000171502	Kshs	Recurrent	23,753,827	(885,858,783)
Central Bank of Kenya-Development A/C No: 1000171413	Kshs	Development	70,724,128	897,031
Central Bank of Kenya-KRB RMLF A/C No: 1000248106	Kshs	Fund	124,650,615	-
Cooperative Bank-Revenue A/C No: 01141232396600	Kshs	Revenue	143,198	11,464,939
Cooperative Bank-Imprest A/C No: 01141232396601	Kshs	Recurrent	(1,678,671,250)	(1,394,940,722)
Cooperative Bank-Development A/C No: 01141232396602	Kshs	Development	2,120,693	3,958,246
Equity Bank-General collection A/C No: 0810263520904	Kshs	Revenue	-	5,265
Cooperative Bank-Solid waste management A/C No: 01141232396606	Kshs	Development	(157,272,996)	(152,969,328)
National Bank-Emergency fund A/C No: 01001091113700	Kshs	Emergency Fund	1,623,498	(446,502)
Kenya Commercial Bank-Trust fund A/C No: 1149229667	Kshs	Trust Fund	20,736,045	10,357,295
Cooperative Bank-Governor's Ball A/C No: 01141232396603	Kshs	Fund	1,080,689	1,306,439
Cooperative Bank-Private sector Fund A/C No: 01141232396605	Kshs	Fund	2,894	7,894
Cooperative Bank-Kenya Roads Board A/C No: 01141232396604	Kshs	Development	24,833,464	24,837,424
Cooperative Bank-Waithaka Technical A/C No: 01141232396600	Kshs	Recurrent	340,493	306,759
Cooperative Bank-Africa Asia Economic Partnership A/C No: 01141232396622	Kshs	Development	1,390,406	1,394,366
Cooperative Bank-Africities PDM A/C No: 22120005723600	Kshs	Development	961,125	958,100
Cooperative Bank-Loan call A/C No: 01150232396600	Kshs	Loan	357,305	156,284,086
Cooperative Bank-Loan call A/C No: 01150005723622	Kshs	Loan	24,625,189	54,012,737
Cooperative Bank-Loan call A/C No: 01150005723623	Kshs	Loan	54,012,737	55,025,189
Kenya Commercial Bank-current A/C No: 1159076065	Kshs	Recurrent	(510,874)	(159,592,070)
National Bank - Nairobi City County A/C No:01001067824200	Kshs	Recurrent	510,543	-
National Bank - Pumwani Hospital A/C No:102100895400	Kshs	Recurrent	3,464,175	(14,838,602)

Name of Bank, Account No. & currency	Currency	Indicate whether recurrent, Development, deposit, revenue, CRF e.t.c	2015 - 2016	2014 - 2015
			Kshs	Kshs
National Bank - Mbagathi Hospital A/C No:01001031663101	Kshs	Recurrent	27,130,313	32,221,884
KCB - Mama Lucy Hospital A/C: 1133233864	Kshs	Recurrent	32,268,064	49,286,484
National Bank - Mutuini A/C No:102100895400	Kshs	Recurrent	457,146	634,049
Cooperative Bank - Beautification 01141232396608	Kshs	Recurrent	88,992	-
Coop Bank-County Assembly	Kshs	Recurrent	-	135,793
NCC Assembly car loan account	Kshs	Fund	-	11,806,000
Total			**(1,276,874,863)**	**(1,306,819,844)**

22B: CASH IN HAND

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Cash in Hand – Held in domestic currency	33,511,284	23,108,847
Cash in Hand – Held in foreign currency	-	-
Total	**33,511,284**	**23,108,847**

Cash in hand should also be analysed as follows:

	2015 - 2016	2014 - 2015
	Kshs	Kshs
City Hall Main office		
Cash	9,194,880	10,950,375
Cheques	24,316,404	12,158,472
Total	**33,511,284**	**23,108,847**

[Provide cash count certificates for each]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23: ACCOUNTS RECEIVABLE

Description	2015 - 2016	2014 - 2015
	Kshs	Kshs
Urban Development Debtors	29,793,364	25,186,433
Sundry Debtors	345,478,493	285,727,770
Estates Other Than Eastlands	66,678,500	54,912,525
Tenant Purchase Scheme	46,767,369	33,461,492
Rates	207,587,128,035	132,595,445,156
Loading Zones	422,300,000	342,380,800

Eastlands Revenue Office	59,060,158	47,703,746
Advertisements	73,206,505	39,214,022
S.B.P	306,652,500	104,191,000
Outstanding Imprests	25,199,363	39,754,600
Wayleave Fees	46,231,822	92,945,783
Total	**209,008,496,109**	**133,660,923,327**

24. ACCOUNTS PAYABLE

	2015 - 2016 Kshs	2014 - 2015 Kshs
Deposits	-	-
Total	-	-

25. FUND BALANCE BROUGHT FORWARD

	2015 - 2016 Kshs	2014 - 2015 Kshs
Bank accounts	(1,306,819,844)	241,786,403
Cash in hand	23,108,847	48,778,221
Receivables - Outstanding Imprests	39,754,600	51,292,189
Payables - Deposits	-	-
Total	**(1,243,956,397)**	**341,856,813**

26. OTHER IMPORTANT DISCLOSURES

26.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2015 - 2016 Kshs	2014 - 2015 Kshs
Creditors (Annex 1)	5,332,716,053	3,069,389,276
Pending bills- staff	107,548,846	103,477,016
Other pending bills(Annex 2)	39,422,844,055	34,740,177,487
Outstanding loan (Annex 3)	3,434,509,885	3,126,141,774
TOTAL	**48,297,618,839**	**41,039,185,553**

26.2: PENDING STAFF PAYABLES (See Annex 2)

	2015 – 2016 Kshs	2014 - 2015 Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
Others (*Retirees and Deceased cases*)	107,548,846	103,477,016
	107,548,846	103,477,016

26.3: OTHER PENDING PAYABLES (See Annex1.2)

	2015 – 2016 Kshs	2014 - 2015 Kshs
Amounts due to National Government entities	**3,700,321,061**	**3,145,755,432**
Amounts due to County Government entities	-	-
Amounts due to third parties	**19,143,925,000**	**19,143,925,000**
Others (*specify*)	-	-
	22,844,246,061	**22,289,680,432**

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2015	Comments
	a	b	c	d=a-c		
Construction of buildings				385,267,361	61,252,291	
Sub-Total				**385,267,361**	**61,252,291**	
Construction of civil works				1,394,238,914	218,447,593	
Sub-Total				**1,394,238,914**	**218,447,593**	
Supply of goods				651,878,482	917,960,720	
Sub-Total				**651,878,482**	**917,960,720**	
Supply of services						
Pumwani maternity and hospitals				125,856,713	92,715,117	
Supply of services				285,451,053	518,538,506	
Pending Bills					367,331,200	
Legal Creditors				2,088,543,410	556,530,975	
KPLC				401,480,120	336,612,874	
Sub-Total				**2,901,331,296**	**1,871,728,672**	
Grand Total				**5,332,716,053**	**3,069,389,276**	

ANNEX 2 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2015	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1. KRA(Principal& Penalties)					3,128,673,889	2,543,360,606	
2. NSSF					509,097,305	602,394,826	
3.							
Sub-Total					**3,637,771,194**	**3,145,755,432**	
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7. Government Guaranteed loans					3,815,640,000	3,815,640,000	
8. On Water Let Loans					15,328,285,000	15,328,285,000	
9.							
Sub-Total					**19,143,925,000**	**19,143,925,000**	
Others (*specify*)							
10. Lap Trust Principal					5,296,304,468	4,066,606,379	
11. Lap Trust Penalties'					1,904,323,121	1,003,965,095	
12. Lap Fund Principal					2,031,894,745	2,005,242,904	
13. Lap Fund Penalties					4,784,252,954	2,750,310,104	
14. Lap Trust Actuarial deficit					2,624,372,573	2,624,372,573	
Sub-Total					**16,641,147,861**	**12,450,497,055**	
Grand Total					**39,422,844,055**	**34,740,177,487**	

ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2016	Outstanding Balance 2015	Comments
		a	b	c	d=a-c		
Senior Management							
1.							
2.							
3.							
Sub-Total							
Middle Management							
4.							
5.							
6.							
Sub-Total							
Unionisable Employees							
7.							
8.							
9.							
Sub-Total							
Others (*specify*)							
10. Retiree and deceased cases claims					107,548,846	103,477,016	
11.							
12.							
Sub-Total					107,548,846	103,477,016	
Grand Total					**107,548,846**	**103,477,016**	

ANNEX 3 – ANALYSIS OF OUTSTANDING LOAN

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date less Capitalized outstanding interest	Outstanding Balance 2016	Outstanding Balance 2015	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
Sub-Total							
Amounts due to CountyGovt Entities							
Sub-Total							
A3.1 Loan Amounts due							
KCB LOAN MG 1424000930		5,000,000,000		1,599,632,155	3,400,367,845	2,925,153,543	
COOP IPF LOANS 606 & 607		47,988,231		47,988,231	0	47,988,231	
COOP WC LOAN 602		153,000,000		153,000,000	0	153,000,000	
COOP IPF LOAN 608		738,691,751		738,691,751	0		
COOP WC LOAN 603		123,000,000		102,500,000	20,500,000		
COOP OPERATIONS OD		13,642,040			13,642,040		
Total Loans		**6,076,322,022**		**2,641,812,137**	**3,434,509,885**	**3,126,141,773**	

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2015/2016	Historical Cost (Kshs) 2014/2015
Land		
Buildings and structures	4,333,307,836	3,717,763,570
Transport equipment	891,800,330	779,746,537
Office equipment, furniture and fittings	724,183,282	312,203,296
ICT Equipment, Software and Other ICT Assets	111,039,747	93,500,123
Other Machinery and Equipment	262,099,567	262,099,567
Heritage and cultural assets	112,432,000	112,432,000
Intangible assets	29,305,237	24,115,796
Purchase of certified seeds, breeding stock and live animals	24,610,440	22,189,000
Infrastructure	7,290,576,190	6,027,081,135
W.I.P	2,826,814,000	2,826,814,000
Total	16,606,168,629	14,177,945,024