

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 2018**



---

**COUNTY GOVERNMENT OF NAIROBI CITY**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018**

---

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

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

---

**TABLE OF CONTENTS**

TABLE OF CONTENTS .....	i
1. KEY ENTITY INFORMATION AND MANAGEMENT .....	ii
2. FORWARD BY THE CEC .....	iv
3. STATEMENT OF MANAGEMENT RESPONSIBILITIES .....	iv
4. REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY (specify entity name) .....	vi
5. FINANCIAL STATEMENTS .....	1
5.1. STATEMENT OF RECEIPTS AND PAYMENTS .....	1
5.2. STATEMENT OF ASSETS AND LIABILITIES .....	2
5.3. STATEMENT OF CASH FLOWS.....	3
5.4. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED .....	6
5.5. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT .....	9
5.6. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT .....	11
5.7. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES .....	14
5.8. SIGNIFICANT ACCOUNTING POLICIES .....	31
5.9. NOTES TO THE FINANCIAL STATEMENTS .....	36
5.10. OTHER IMPORTANT DISCLOSURES .....	50
6. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	53
ANNEXES .....	56
ANNEX 2 – ANALYSIS OF PENDING ACCOUNTS PAYABLE .. Error! Bookmark not defined.	
ANNEX 3 – ANALYSIS OF PENDING STAFF PAYABLES..... Error! Bookmark not defined.	
ANNEX 4 – ANALYSIS OF OTHER PENDING PAYABLES .....	59
ANNEX 5 – SUMMARY OF FIXED ASSET REGISTER .....	63
ANNEX 6 – INTER-ENTITY TRANSFERS.....	64
ANNEX 6 – BANK RECONCILIATION/FO 30 REPORT .....	65

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

---

**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

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

**b) Key Management**

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

- Governor;
- Deputy Governor;

**c) County Executive Committee Members;**

**d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	County Secretary	Pauline Kahiga
2.	CECM –Finance	Allan Igambi
3.	Chief Officer Finance	Winfred Gathagu
4.	Head of County Treasury – Accounting	Johnson Akong'o Abwori
5.	Head of County Treasury – Revenue	Agnes Kisaka
6.	Head of Budget	James Ngunjiri

**e) Fiduciary Oversight Arrangements**

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

**f) Entity Headquarters**

P.O. Box 30037  
City Hall Building  
City Hall way  
Nairobi, KENYA

**g) Entity Contacts**

Telephone: Telephone: (254) 20 224281, (254) 20 2216151

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

---

E-mail: [info@nairobi.go.ke](mailto:info@nairobi.go.ke), [clerk@nrbcountryassembly.go.ke](mailto:clerk@nrbcountryassembly.go.ke)

Website: [www.nairobi.go.ke](http://www.nairobi.go.ke)

**h) Entity Bankers**

- |    |   |    |   |
|----|---|----|---|
| 1. | Central Bank of Kenya<br>Haile Selassie Avenue<br>P.O. Box 60000<br>City Square 00200<br>Nairobi, Kenya | 2. | Kenya Commercial Bank<br>Moi Avenue Branch<br>P.O Box 30081-00100<br>Nairobi, Kenya |
| 3. | Equity Bank<br>Equity Centre Branch<br>P.O Box 75104-00200<br>Nairobi, Kenya                            | 4. | Co-operative Bank<br>City Hall Branch<br>P.O. Box 44805-00100<br>Nairobi.           |
| 5. | National Bank<br>Kenyatta Avenue<br>Branch<br>P.O Box 3<br>Nairobi.                                     | 6. | Chase Bank<br>City Centre Branch<br>P.O Box<br>Nairobi.                             |

**i) Independent Auditors**

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

**j) Principal Legal Adviser**

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

## **2. FORWARD BY THE CEC**

The Reports and Financial Statements for the quarter have been prepared in accordance with IPSAS cash basis as recommended by the Public Sector Accounting Standards Board. These financial statements are for the 3 months period ended 30<sup>th</sup> June 2018.

These financial statements are for the County Executive for the period ending on 30<sup>th</sup>, June 2018.

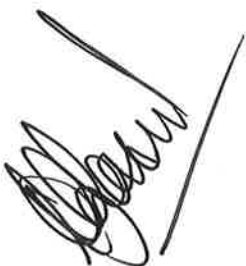
The County did relatively well in revenue collection and its new revenue collection strategy paid off with a total of Kshs. 10.1B being realised in the period ending 30<sup>th</sup> June, 2018. However, the large debt portfolio inherited from the defunct City Council of Nairobi continues to be a big impediment in the full realisation of the budget objectives.

During this period, the County continued with the process of improving financial management through;

- (I) Making all payments via National Treasury prescribed Integrated Financial Management Information System (IFMIS).
- (II) Sweeping of all revenue to Central Bank of Kenya on a daily basis.
- (III) Automation of revenue collection (where 85 new revenue streams were automated).
- (IV) Payment of all employee emoluments to avoid accumulation of statutory debts.
- (V) Seeking approval from the Controller of Budgets before making any payments.

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

It is also worth noting that H.E the Governor has established a Pending Bills Committee via gazette notice no.2101 of 2018 which is mandated inter-alia to advise County Government on how best to manage the perennial pending bills problem.



**Mr. Allan Igambi**  
**County Executive Committee Member- Finance and Economic Planning**

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

---

**3. STATEMENT OF MANAGEMENT RESPONSIBILITIES**

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

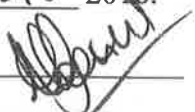
The County Executive Committee (CEC) member for finance of the County Government is responsible for the preparation and presentation of the County Government's financial statements, which give a true and fair view of the state of affairs of the County Government for and as at the end of the financial year ended on June 30, 2018. 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, 2018, 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 28/09/2018 2018.



**County Executive Committee Member – Finance**

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NAIROBI CITY COUNTY EXECUTIVE FOR THE YEAR ENDED 30 JUNE 2018

---

#### REPORT ON THE FINANCIAL STATEMENTS

##### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Nairobi City County Executive set out on pages 1 to 64, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement receipts and payments, statement of cash flows and summary statements of appropriation - recurrent, development and 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.

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

##### **Basis for Disclaimer of Opinion**

##### **1. Cash and Cash Equivalents**

The statement of assets and liabilities as at 30 June 2018 reflects cash and cash equivalents balance of Kshs.1,848,976,871. However, the following anomalies have been noted:

##### **1.1. Unaccounted for Cash Withdrawals - Kshs.209,385,752**

Examination of the bank statements relating to Supreme Business and Current Accounts at Equity Bank revealed that the County Executive withdrew cash totalling Kshs.206,385,752 for unspecified payments which were not supported by appropriated authority, documentation and pre-numbered payment vouchers contrary to regulation 104(1) of Public Finance Management (County Governments), Regulations 2015.

Further, various withdrawals totalling Kshs.3,000,000 from Nairobi City County Trust Account at KCB Bank, Account No. 1149229667, during the month of July 2018 in respect of an officer has not been explained or supported with documents.

##### **1.2. Irregular Payment of Suppliers Through Cash - Kshs.381,841,224**

Examination of IFMIS payment schedules revealed that various suppliers were irregularly paid through cash a total of Kshs.381,841,224 contrary to Section 104(1) (i) of Public Finance Management Act, 2012, which requires the County Treasury to ensure proper management and control of, and accounting for the finances of the county government.

---

*Report of the Auditor-General on Financial Statements of the Nairobi City County Executive for the year ended 30 June 2018*

### **1.3. Overdrawn Accounts- Kshs.3,794,555**

The County Executive KCB Bank Current Account No. 1159076065 was overdrawn by Kshs.3,794,555 on 30 June 2018. No documentary evidence has been produced for audit review to confirm a prior approval of the overdraft by the County Treasury or a Board of the County Government as required under Section 119 (4) of Public Finance Management Act, 2012.

### **1.4. Un-disclosed Bank Account Balances - Kshs.3,045,914,596**

A review of cash and cash equivalents balance revealed that a total of Kshs.3,045,914,596 which was held in some bank accounts as of 30 June 2018 indicated below was not included and disclosed in the financial statements:

<b>Name of Account</b>	<b>Account Details</b>	<b>Amount Kshs</b>
Pumwani Hospital Management Board	National Bank A/c No 01231000895400	2,644,789
Mama Lucy Hospital	KCB Account No. 1122416512 (Buru Buru)	18,898,100
KCB Loan Account No MG 1424500930	A/C 105991342.	3,024,371,706
<b>Total</b>		<b>3,045,914,596</b>

In view of the above, the accuracy and completeness of cash and cash equivalents balance of Kshs.1,848,976,871 as at 30 June 2018 cannot be confirmed.

## **2. Revenue**

### **2.1. Irregular Withdrawals from Revenue Account - Kshs.6,022,896,123**

A review of records relating to the Revenue Account maintained at the Co-operative Bank of Kenya, Account No. 01141232396600, revealed unexplained debits amounting to Kshs.6,022,896,123 during the year under review. The revenue was being withdrawn from the account contrary to the provisions of Article 207(3) of the Constitution, Section 109 (2) of Public Finance Management Act, 2012 and Regulation 63(4) of Public Finance Management (County Governments) Regulations, 2015 which requires the County Executive to bank all revenue collected or received into the County Revenue Fund, except as provided for in the law.

It was, therefore, not possible to confirm the completeness and accuracy of the total county own generated receipts of Kshs.10,157,594,130 reflected in the statement of receipts and payments for the year ended 30 June 2018.

### **2.2. Unexplained Cash Receipts – Kshs.5,353,171,175**

Review of the bank statement for the Revenue Account Number 01141232396600 at Co-operative Bank of Kenya, revealed that receipt of Kshs.3,012,201,436 claimed by the County Executive as having been a direct banking was not captured in the statement.

Further, the County Executive has not provided bank statements for County Revenue Fund at the Central Bank of Kenya, supporting another amount of Kshs.2,340,969,739 claimed to have directly been deposited into the County Revenue Fund.

In the circumstances, it is not possible to confirm completeness and accuracy of Kshs.5,393,110,715.

### 2.3. KRB Road Maintenance Levy Fund Receipts

The statement of receipts and payments reflects Transfer to Other Government Entities of Kshs.481,080,657 for the year ended 30 June 2018 includes. Kshs.401,201,575 in respect of KRB Roads Maintenance Levy Fund Receipts. However, records available indicates that an amount of Kshs.553,745,528 was received and not Kshs.401,201,575 giving rise to variance of Kshs.152,543,953.

The receipts have, therefore, been understated by Kshs.152,543,953 and as a result, the KRB Road Maintenance Levy Fund Receipts are not fairly stated.

### 2.4. County Own Generated Receipts

Audit review of County own generated revenue revealed the following:

- (i) The statement of receipts and payments for the year ended 30 June 2018 reflects an amount of Kshs.10,157,594,130 against County Own Generated Receipts while banking records in respect of Jambo Pay reflects receipts of Kshs.8,301,362,450, resulting in an unexplained difference of Kshs.1,856,231,679.
- (ii) Records also show that during the year under review, the County Executive had twenty-six(26) M-Pesa pay bill numbers for receiving County Own Generated Receipts but these have not been disclosed in the financial statements contrary to regulation 82 (4) of Public Finance Management (County Governments) Regulations, 2015. The management also did not provide for audit review M-Pesa statements and evidence of banking of the monies collected through M-pesa.
- (iii) Audit review of selected sample of five (5) Revenue Collection points revealed uncollected revenue totalling Kshs.141,023,084 as follows:

		<b>Uncollected Revenue (Kshs.)</b>
Embakasi North	Rental Arrears	2,291,995
Dandora Planning office	Site and Service	95,364,580
Roysambu Sub County	Single Business Permit	17,960,044
Dandora Sub County	Market Rental Stalls	5,758,965
Dandora Sub County	Single Business Permit	19,647,500
<b>Total</b>		<b>141,023,084</b>

- (iv) Audit review revealed that four Social Halls at Kariobangi, Dandora Phases II,III and V were being hired out and therefore generated revenue in the year under review, but the same was never accounted for but illegally used at the source.
- (v) Lease agreements for Parks and Open Spaces, Uhuru Park Boating Services, Jukwa Lounge (Uhuru Park Restaurant) and Safari Bowling Green Restaurant at City Park were explained to have expired. The implication is, therefore, that revenue from these facilities was either not generated or generated but used illegally as there was no evidence of deposit into the revenue account in the year under review.
- (vi) Examination of records maintained at Dagoretti Sub County Hospital revealed that amounts of Kshs.3,436,950 and Kshs.3,127,216 were collected as revenue and banked, respectively. However, it was claimed that due to shortage of essential and basic requirements at the hospital, an amount of Kshs.309,734 was spent at source.
- (vii) Records show that an amount of Kshs.80,000,000 was planned to be collected at Innoculation Center at City Hall in 2017/2018 financial year while the actual revenue collected was Kshs.56,000,000, resulting in an under-collection of Kshs.24,000,000. Further, the center did not maintain an inventory register to record quantities of vaccines and other medical supplies received, used and spoilt.

In view of the above observations, the completeness and accuracy of County Own Generated Receipts of Kshs.10,157,594,130 reflected in the financial statements cannot be confirmed.

## **2.5. Cancelled Receipts**

Examination of LAIFOMS system show that Nairobi City County Government cancelled two hundred and ten receipts whose combined value was Kshs.45,364,475 without supporting documents and explanations. it was therefore not possible to establish how the receipts with a value of Kshs.45,364,475 were ultimately accounted for.

## **2.6. Stale Cheques**

Although records show receipt of cheques totalling Kshs.1,436,184, 416 between 1 July 2016 and 31 August 2017, no explanation has been given for failure to deposit these cheques into the revenue account.

## **2.7. Property Rates Adjustments**

During the year under review, property rates totalling Kshs.3,125,001,122 were adjusted to clear/reduce the outstanding property rates balances. Although there are circumstances under which property rates could be adjusted, documentary evidence specifying the adjusting the amount indicated has not been provided for audit review.

As a result, the validity of the adjustment cannot be confirmed.

## **2.8. Unsupported Payments to Revenue Account - Kshs.9,012,746**

Examination of IFMIS payments details register revealed that cash payments totalling Kshs.9,012,746 were made to Nairobi City County Revenue Account. The purpose and nature of cash payments to own account have not been explained. The validity of the payment of Kshs.9,012,746 was, therefore, in doubt.

## **2.9. Irregular Payments to M/S Webtribe Ltd - Kshs.152,055,313**

The County Executive paid a vendor an amount of Kshs.152,055,313 during the year under review for purportedly collecting revenue for the County Government. However, documentary evidence justifying and in support of the payment has not been provided for audit review contrary to the requirement under Section 9(1)(e)(i) of the Public Audit Act, 2015. Further, examination of a contract agreement signed on 8 April 2014 between Vendor and Nairobi City County Government revealed that a transaction payable to vendor by the Nairobi City County Government shall be equivalent to 4.5% of all funds collected through Jambopay. In the absence of any documents showing services delivered by vendor, it is not possible to confirm the actual revenue collected or the amount deducted at source by the firm.

It is apparent that the contract agreement signed on 8 April 2014 between vendor and Nairobi City County Government contravened the provisions of Article 207 of the Constitution, Section 109 (2) of Public Finance Management Act, 2012 and regulation 63 (4) of Public Finance Management (County Governments) Regulations, 2015.

In addition, the system for revenue collection in the Nairobi City County is that clients are advised of the exact amount they are supposed to pay and deposit in the county revenue account upon which, receipts are issued by the County revenue officers after presenting bank pay-in-slips.

According to a letter dated 19 February 2015, the tender committee was to meet and vary the contract for cash payments from 4.5% to 1.25%. However, a new contract prepared on this basis was not provided for audit review.

The management has denied the auditors access to Jambopay system and Trust Fund managed by PKF in the banks listed below despite severally being requested in accordance with Section 9(e) of Public Audit Act, 2015:

	<b>Bank Name</b>	<b>Currency</b>
1	Co-operative Bank Ltd	KES
2	I & M Bank Ltd	KES
3	I & M Bank Ltd	USD
4	Stanbic Bank Kenya Ltd	KES
5	National Bank Ltd	KES
6	Family Bank Ltd	KES
7	Equity Bank Ltd	KES
8	Commercial Bank of Africa	KES

*Report of the Auditor-General on Financial Statements of the Nairobi City County Executive for the year ended 30 June 2018*

	<b>Bank Name</b>	<b>Currency</b>
9	NIC Bank	KES
10	Bank of Africa	KES
11	Barclays Bank	KES

In the circumstances, the vendor has no role in revenue collection and therefore the payment of Kshs.152,055,313 was unlawful.

## **2.10 Nairobi City Liquor Licensing Board**

The County has not prepared Financial Statements for two (2) consecutive years 2016/2017 and 2017/2018. Further, Bank Statement for Account No.01141230914900 for the two (2) financial years have not been availed for audit review.

In this circumstance, it is not possible to confirm accuracy of receipts and their legal use in accordance with Article 229(6).

## **3. Expenditure**

### **3.1. Discrepancy between Financial Statements and Ledgers**

The statement of receipts and payments for the year ended 30 June 2018 reflects expenditure of Kshs.12,982,011,406 in respect of compensation of employees , Kshs.6,447,658,180 in respect of use of goods and service and Kshs.1,435,678,846 in respect of acquisition of assets , all totalling Kshs.20,865,348,432. However, the ledger provided in support of the expenditure reflects a total of Kshs.17,212,814,158, resulting in unexplained and unreconciled variance of Kshs.3,652,534,274.

The expenditure of Kshs.6,447,658,180 on use of goods and services includes unsupported re-allocations totalling Kshs.489,645,787. Further, the expenditure of Kshs.1,435,678,846 on acquisition of assets includes an amount of Kshs.11,808,697 which was wrongly charged to that expenditure head.

In view of the foregoing, the accuracy of expenditure figures reflected against compensation of employees, use of goods and services and acquisition of assets cannot be confirmed.

### **3.2. Repayment of Principal on Domestic Lending and on-Lending**

The statement of receipts and payments reflects an expenditure of Kshs.868,192,719 against repayment of principal on domestic lending and on-lending during the year under review. The expenditure relates to a bank overdraft which was repaid in 2017/2018 financial year. However, the amount differs with the bank statement figure of Kshs.1,032,600,061, resulting in unexplained variance of Kshs.164,407,342.

The repayments were effected between July 2017 and December 2017, and the County Government paid interest amounting to Kshs.50,061,431 during the financial year. Information available indicates that the bank overdraft was acquired in October 2014. However, loan agreement and contract documents detailing terms and conditions of the overdraft have not been provided for audit review.

Consequently, the validity of the repayment of principal on domestic lending and on lending and interest payment thereon cannot be ascertained.

### 3.3. Other Payments

The statement of receipts and payments reflects an expenditure of Kshs.451,779,511 reflect bank charges amounting to Kshs.101,779,511 and unbudgeted debt repayment KRA agency notice of Kshs.350,000,000. These payments were made outside the IFMIS contrary to regulation 109 of Public Finance Management (County Governments) Regulations, 2015.

Further, bank statements for sixteen out of thirty-seven bank accounts provided for audit review reflected cumulative bank charges and loan interest of Kshs.292,135 and Kshs.50,061,431 respectively.

In the absence of bank statements for the remaining twenty-one bank accounts, it is not possible to confirm the validity and completeness of the bank charges amounting to Kshs.101,779,511.

### 3.4. Acquisition of Assets

#### 3.4.1. Unsupported Expenditure

Although the statement of receipts and payments reflects an expenditure of Kshs.1,435,678,846 in respect of acquisition of assets in 2017/2018 financial year, only an amount of Kshs.873,837,452 has been verified as paid. No documentary evidence has been provided in support of the remaining amount totalling Kshs.561,841,394.

As a result, the accuracy and completeness of the expenditure of Kshs.1,435,678,846 on acquisition of assets cannot be confirmed.

#### 3.4.2. Payments not Captured in IFMIS

Payments totalling Kshs.11,977,570 indicated below were excluded from IFMIS for unexplained reasons. In addition, supporting documents for the expenditure have not been provided for audit review.

Name	Details	Reference	Amount (Kshs)
Computonic Solutions Ltd	Supply and delivery of cleaning Materials NCC/RPW&T/Q117/2016-2017	AQ007/PI-046/2017-2020	2,119,112
Seanwills Investments	Supply and delivery of Galvanized Poles & Stainless Fastening Clips NCC/RPW&T/041/2017-2018	AQ007/PI-047/2017-2021	3,790,733
Span Dimension Company Ltd	Drainage Improvement on selected roads in Ziواني/ Kariokor ward NCC/RPW&T/323/2016-2017	AQ007/PI-049/2017-2023	4,130,789

Tripple AAA Construction Company	Public lighting installation at Airbase Ward NCC/RPWT/446/14-15	AQ007/PI-051/2017-2025	1,936,936
<b>Total</b>			<b>11,977,570</b>

In view of the above, the validity and propriety of the expenditure of Kshs.11,977,570 cannot be confirmed.

### **3.5 Unsupported Payment Vouchers**

Payment vouchers for expenditure totalling Kshs.865,573,662 were not supported by relevant documentation and appropriate authority contrary to the requirements under regulation 104 of Public Finance Management (County Governments) Regulations, 2015. In the circumstances, the validity and propriety of the payments totalling Kshs.865,573,662 cannot be ascertained.

### **3.6 Missing Payment Vouchers**

Payment vouchers for expenditure totalling Kshs.2,456,754,179 have not been produced for audit review. As a result, the validity and propriety of the payments totalling Kshs.2,456,754,179 cannot be ascertained.

### **3.7. Other Grants and Transfers**

The statement of receipts and payments reflects an expenditure of Kshs.474,187,000 in respect of Other Grants and Transfers which includes Kshs.421,287,000 in respect of scholarships and other educational benefits. The supporting documents for the scholarships and other educational benefits expenditure were not availed for audit review.

As a result, it has not been possible to confirm whether the amount of Kshs.421,287,000 was actually paid in full to the intended beneficiaries.

## **4. Accounts Receivables**

### **4.1. Accounts Receivables (Debtors)**

In the report for 2016/2017 it was indicated that accounts receivables were amounting to Kshs.307,697,852,532 as at 30 June 2017. However, the management has for the year under review provided receivables list totalling Kshs.1,803,990,440 only as at 30 June 2018. No evidence has been provided to show how the difference of Kshs.305,893,862,092 of the debts was cleared in 2017/2018 financial year. Further, the aging analysis for the debtors has also not been provided for audit.

Also, the management has not provided documentary evidence in respect of sundry debtors, estates other than the Eastland, tenants purchase scheme, loading zones, Eastland Revenue Office, advertisements, single business permits and wayleave fees.

In addition, contrary to the guidelines issued by the Public Sector Accounting Standards Board, the management did not disclose in the notes to the financial statements the

accounts receivables. The management has also not provided explanations on measures taken to collect the long outstanding accounts receivables.

Consequently, it was not possible to ascertain the accuracy and completeness of the accounts receivables.

#### **4.2. Outstanding Imprests**

The statement of assets and liabilities reflects outstanding imprests balance of Kshs.78,385,142 while the ledger reflects an amount of Kshs.96,439,550 as at 30 June 2018 resulting in unreconciled difference of Kshs.18,054,408. Further, the outstanding imprests balance is not supported by an updated imprests register.

Consequently, it has not been possible to confirm the completeness and accuracy of the imprests balance of Kshs.78,385,142 as of 30 June 2018.

#### **5. Pending Accounts Payables**

Included under Other Important Disclosures to the financial statements is a summary of pending accounts payables amounting to Kshs.66,576,014,141 as at 30 June 2018, an increase of Kshs.10,059,679,063 or 18% from the previous year's balance of Kshs.56,516,365,078. Included in the accounts payables balance is an amount of Kshs.3,024,371,706 for an outstanding loan as at 30 June 2018. However, no records have been provided for audit review regarding the purpose, existence, terms and conditions and repayment period of the loan.

Further, tender documents; contract agreements; local purchase/service orders; invoices/certificates of works; and complete schedules detailing names of the contractors/suppliers, purchase/service order numbers, invoice/certificate numbers and description of goods supplied, services provided or works done have not been provided for audit review.

Had the pending accounts payables of Kshs.66,576,041,141 as at 30 June 2018 been paid and the expenditure charged to the accounts for the year under review, the statement of receipts and payments for the year ended 30 June 2018 would have reflected a deficit of Kshs.64,252,709,232 instead of the surplus of Kshs.2,323,331,909 now shown.

Accumulation of huge pending bills is an indication that the Nairobi City County Executive entered into financial commitments without adequate resources contrary to regulation 50 of the Public Finance Management (County Governments) Regulations, 2015.

As a result, the validity, completeness and accuracy of the pending accounts payables totalling Kshs.66,576,041,141 cannot be ascertained.

#### **6. Non-Current Assets and Assets Register**

Included under Other Important Disclosures to the financial statements is a summary of fixed assets register with assets balance of Kshs.19,804,558,953 as at 30 June 2018. During the year under review, the Nairobi City County Executive did not maintain an

---

*Report of the Auditor-General on Financial Statements of the Nairobi City County Executive for the year ended 30 June 2018*

accurate and up to date assets register contrary to Section 149(2) (o) of the Public Finance Management Act, 2012.

Consequently, the completeness and accuracy of the assets balance of Kshs.19,804,558,953 as at 30 June 2018 cannot be confirmed.

## REPORT ON COMPLIANCE WITH LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### Basis for Conclusion

#### 1. Budget Performance

##### 1.1. County Own Generated Receipts

According to the summary statements of appropriation - recurrent, development and combined for the year ended 30 June 2018 the County Government had planned to collect County Own Generated Revenue totalling Kshs.17,229,464,760 in the year under review. However, the actual collection in 2017/2018 was Kshs.10,157,594,130, resulting in unexplained shortfall of Kshs.7,071,870,630 or 41%.

In 2016/2017, County Own Generated Revenue collected was Kshs.10,933,201,474. There was, therefore, a reduction in the amount collected by Kshs.775,607,344.

No reasons have been given for the reduction in revenue collected and failure to meet budget projections.

##### 1.2. Overall Under-Expenditure

According to the summary statements of appropriation - recurrent, development and combined for the year ended 30 June 2018 the total expenditure budget was Kshs.33,614,180,418 out of which, an expenditure of Kshs.23,901,079,991 was incurred resulting in underutilization of budget by Kshs.9,713,100,427 or 29%.

The under-expenditure is an indication that budgetary resources were not used in an efficient and effective way.

The overall/net underutilization of budgetary provisions of Kshs.9,713,100,427 affected planned development programmes and thus impacting negatively on service delivery to the residents of Nairobi City County.

### **1.3. Failure to achieve 30% allocation on Development Budget**

Regulation 25(1)(g) of Public Finance Management (County Governments) Regulations, 2015 directs that at least 30% of the County Government total budget be spent on development. However, according to the summary statement of appropriation - development for the year ended 30 June 2018 the County Government spent an amount of Kshs.1,413,319,060 only or 6% on development out of the total combined actual expenditure of Kshs.23,901,079,991.

The City County Executive was therefore in breach of the law which has impacted negatively on service delivery to the residents of the City County of Nairobi.

## **2. Compensation of Employees**

### **2.1. Unsustainable Wage Bill**

The statement of receipts and payments reflects an expenditure of Kshs.12,982,011,406 on compensation of employees, which is 49.4% of the County Government's total revenue of Kshs.26,276,416,586 for the year ended 30 June 2018. The expenditure on wages and benefits therefore exceeded the thirty-five percent limit prescribed under regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

The City County Executive was therefore in breach of the law which has impacted negatively on service delivery to the residents of the City County of Nairobi.

### **2.2. Increase in Temporary Workers' Wage Bill**

Examination of human resources records revealed that the expenditure on temporary workers' wages increased from Kshs.8,465,010 in 2016/2017 to Kshs.21,427,780 in 2017/2018 by Kshs.12,962,770. However, payment vouchers, registers, master rolls and relevant schedules in support of the expenditure incurred on hire of casuals were not provided for audit review.

As a result, the validity and propriety of the expenditure of Kshs.21,427,780 incurred on casual employees cannot be confirmed.

### **2.3. Staff Establishment**

Contrary to the provisions of regulation 119 of the Public Finance Management (County Governments) Regulations, 2015 the County Government operated during the year under review without an authorized staff establishment.

Consequently, it has not been possible to ascertain how the budgetary allocations for personnel costs during the year were determined in the absence of a detailed costing of human capital plan as approved by the County Public Service Board and County Treasury.

### **3. Procurement of Goods, Services and Works**

#### **3.1. Documents Not Provided for Audit**

Information available indicate that thirteen contractors were irregularly awarded contracts at a combined contracts sum of Kshs.419,847,395. However, documents in support of these contracts were not provided for audit review. In the absence of these documents, it was not possible to confirm that the rates submitted were commensurate with quality and quantity of works awarded, and that the awards of these contracts were done using a system which is fair, equitable, transparent, competitive and cost effective as required under Article 227 (1) of the Constitution.

#### **3.2. Construction of Maringo Market**

Tender No. NCC/TRADE/RT/981/2014-2015 for the construction of a market at Hamza-Maringo ward was issued to a contractor on 28 October 2015 at a contract sum of Kshs.10,502,872. The works were completed by 6 September 2016. Further, the same contractor was awarded another tender No. NCC/WDF/TRADE/RT/100/2016-2017 to construct market sheds and modern kiosks at a contract sum of Kshs.17,017,118. The works for the second contract were completed on 17 October 2017. The contract documents did not include scope of works and priced Bills of Quantities.

The contractor was paid Kshs.10,236,414 through payment voucher number 3392 dated 21 March 2017 and Kshs.16,585,798 through payment voucher number 3333 dated 20 November 2017. Audit inspection undertaken on 20 November 2018 revealed that the market was not in use, and therefore, the value for money has not been obtained in respect of the total amount of Kshs.26,822,212 paid to the contractor.

It was therefore not possible to evaluate and confirm that works were indeed completed to the required standards.

#### **3.3. Construction of Public Transport Facility at Mama Lucy Hospital**

The City County issued tender No. NCC/RT/RPW & T/936/2014-2015 for the construction of public transport facility at Mama Lucy Hospital for the enhancement of user comfort, improved connectivity and enhanced public transport facilities capacity for patients attending the hospital at a contract price of Kshs.30,530,388. The works commenced on 28 October 2015 and were due to be completed on 28 April 2016, a duration of six months. The status report dated 30 June 2018 show that the progress of works stood at 75 percent complete.

Audit Inspection undertaken on 14 November 2018 revealed various anomalies as follows:

- (a) The contract period had expired while the project was not complete and liquidated damages had not been recovered.
- (b) The contractor was not on site and there was no activity on site.
- (c) Specifications were not clear on the material to be used as wearing course.

- (d) There was no record of site instructions, material test results and site meeting minutes.
- (e) In the absence of required documents, it was not possible to verify and establish what the contractor was supposed to achieve and what was actually achieved.

The contractor was paid Kshs.8,738,541 for Certificate No. 1. vide payment voucher No.13281 of 17 June 2016.

Value for money was not realized on the expenditure due to the delays noted in the completion of the project.

### **3.4. Grading and Gravelling of Selected Roads in Lower Savannah Ward**

The City County issued tender number NCC/WDF/RPWT/198/2016-17 for grading and gravelling of 1.1 Kilometers of selected roads in Lower Savanna at a contract price of Kshs.16,939,662.50. The Scope of works involved general site clearance, earth works, culverts and drainage works, passage of traffic and quarry fill stone for sub base and quarry chips for the base of the 1.1 Kilometer in the area of Soweto in Kayole. The works started on 28 February 2017 and were due to be completed in May 2017. However, status report as at 30 June 2018 was not provided to support progress of works or to confirm that the works were completed on time.

Audit Inspection undertaken on 10 December 2018 revealed various anomalies as follows:

- a) Gravel was not compacted and therefore was loose, unlevelled and wearing off.
- b) The drainage was on one side of the road and was shallow, and therefore storm water over flows on the road surface.
- c) There were no site instructions, material test results and site meeting minutes. The works therefore appear not to have been supervised by competent and technically qualified officer contrary to Section 150 (3) of Public Procurement and Asset Disposal Act, 2015.
- d) Bids were not subjected to technical evaluation and therefore, it is not possible to ascertain that the rate of Kshs.16,939,662 charged was commensurate with grading and gravelling of 1.1 Kilometers.

The contractor was paid Kshs.11,372,623 for undisclosed certificate vide payment voucher number 5153 of 19 June 2018.

Consequently, it was not possible to determine whether the contractors awarded the contract were qualified to carry out the works in the absence of the technical evaluation. Further, value for money was not realized on the expenditure due to the delays noted in the completion of the project.

### **3.5. Grading, Gravelling and Improvement of Tassia Roads**

#### **Award of Contract**

The City County awarded tender number NCC/RPW & T/T192/2016-2017 at a contract price of Kshs.61,230,658 to grade and gravel selected roads in Tassia Estate, Embakasi Area at a unit rate of Kshs.10,500,000 per Km. Documents relating to the contract have however not been provided for audit review. In the absence of required documents, it is not possible to ascertain how the contractor was identified, evaluated and awarded the contract as required under Sections 85 and 86(1) of Public Procurement and Asset Disposal Act, 2015.

The works started on 10 March 2017 and were due for completion on 9 November 2017. However, a review of the status report dated June 2018 revealed that the project was 70% complete as of that date. There is no documentary evidence that liquidated damages has been recovered from the contractor as expected under Section 140(b) of the Public Procurement and Asset Disposal Act, 2015.

Audit inspection undertaken on 19 November 2018 revealed massive irregularities as follows:

- (a) Deep potholes clogged with water had developed on the road despite the fact that the contractor was still on site.
- (b) No evidence that grading was done on the road.
- (c) The road was impassable due to use of mud instead of gravel.

In addition, the status report dated 30 June 2018 show that the contractor has been paid Kshs.49,356,480. The amount includes Kshs.10,212,516 that has been paid outside IFMIS and purports to refer to unexplained number AQ007/PI-050/2017-2024.

Consequently, value for money was not realized on the expenditure due to the delays noted in the completion of the project and poor workmanship.

#### **3.6. Wastage of Bitumen KI-60 COLAS**

Audit inspection of stores undertaken on 16 November 2018 revealed that a contractor delivered 500 drums of Bitumen K1-60 valued at Kshs.12,500,000 between 17 and 25 January 2018 at a time when 18 drums valued at Kshs.450,000 were available in stock and had not been used.

Although it has been explained that technically Bitumen K1-60 is not supposed to be stocked for a period exceeding six months, no reasons have been given for incurring an expenditure totalling Kshs.12,950,000 on Bitumen K1-60 which ended up being obsolete.

#### **3.7. Purchase of Electrical Items**

Information available indicate that the Nairobi County Government awarded tender No.NCC/FW/481/2017-2018 to a contractor for supply of 2,000 pieces of electrical items (Ignitors) at a contract sum of Kshs.9,200,000. However, the relevant tender documents were not provided for audit review. The supplier was paid Kshs.9,200,000 for the supply

*Report of the Auditor-General on Financial Statements of the Nairobi City County Executive for the year ended 30 June 2018*

of ignitors vide payment voucher number 5310 of 11 June 2018. Further, the audit revealed that receipts of the items were entered on a piece of paper and not in a serialized stores ledger and Stock Control Card S3, and thus defeating an audit trail to confirm whether the items were delivered, received and taken on charge.

In the absence of the documents, it is not possible to confirm that procurement of these items complied with Article 227 (1) of the Constitution and that the payment was regular.

### **3.8. Supply and Delivery Installation Testing and Commissioning of 50 Ton Electronic Weighbridge and Standby Generator.**

The City County awarded tender No. NCC/TRADE/558/2014-2015 at a contract sum was Kshs.4,526,275 for supply, delivery, installation, testing and commissioning of 50-ton electronic weighbridge and a standby Generator at Dandora dump site. Included in the contract agreement was a provision that installation of the generator and weighbridge was subject to the County Government constructing a platform.

Inspection and Acceptance Committee confirmed on 21 March 2017 that the generator and fourteen parts of weighbridge were received and therefore recommended payments to the contractor as follow:

<b>% of Payment</b>	<b>Amount (Kshs)</b>	<b>Recommendation</b>
80% of Payment	3,621,020	Be paid immediately
15% of Payment	678,941	Be paid upon installation, testing and commissioning
5% of payment	226,314	Retention Money

Audit inspection undertaken during the Month of October 2018 at Dandora Weighbridge and on 13 November 2018 at Nanyuki Road stores revealed the following anomalies:

- a) The old weighbridge which was still in use was unserviceable and solid waste management companies were using estimated and not actual weights.
- b) A Physical inspection of the weigh bridge revealed that some parts were missing.

Consequently, value for money was not realized on the expenditure due to the delays noted in the completion of the project and poor workmanship.

### **3.9. Staff Medical Insurance Cover**

Examination of records revealed that AAR Insurance Kenya Limited was paid Kshs.1,725,488,939 for staff medical insurance cover during the year under review. Audit has also revealed that this payment was made outside IFMIS contrary to regulation 109(1) of Public Finance Management (County Governments) Regulations, 2015.

Further, examination of Other Operating Expenses revealed that an undisclosed law firm was paid Kshs.15,000,000 through voucher number 15649 dated 29 June 2018 for the services purportedly rendered in respect of the staff medical insurance cover.

Although the total payment made so far to AAR Insurance Kenya Limited is Kshs.1,725,488,939, no explanation has been given for paying Kshs.652,786,602 in excess of the contract sum of Kshs.1,072,702,337.

In addition, a comparison of the annual contract sum shows unexplained growth in value of the insurance cover even though there was decrease in number of staff by 402 during the year under review.

Year	Number of Employees	Contract Value (Kshs)
2015/2016	13,348	346,269,305
2016/2017	13,097	346,269,305
2017/2018	12,695	1,072,702,337
2018/2019	12,499	

Consequently, it was not possible to ascertain that value for money has been realized in the insurance contract.

### 3.10. Construction of Korogocho Motorable Bridge and Access Road

The City County awarded a tender No. NCC/CE/T/235/2013-2014 for Construction of Korogocho Motorable Bridge and access road to a contractor at Kshs.58,048,972. The scope of works involved general, sub-structure, super structure, extra works, site clearance, earth works, culverts and drainage works, passage of traffic, walkways, quarry fill for sub base and quarry chips for base bituminous mix bases, binder courses and wearing courses, installing road furniture and day works.

The works started on 23 May 2014 and were due for completion on 22 November 2014. The status report dated 30 June 2018 shows that the contractor had been paid Kshs.45,361,835 or 77% of contract sum and the project was 80% complete as of that date.

Audit Inspection undertaken on 29 November 2018 revealed anomalies as follows:

- (i) There was no activity on site due to delay in payment.
- (ii) Although there were indications that guard rails might have been installed and cut, the bridge was dangerous and unsafe.
- (iii) The access road had not been built.
- (iv) Although bridge wing walls had been built, they were small and could not direct water into the channel.
- (v) The technical team did not provide drawings, site instructions, material test results and site meeting minutes.

Consequently, it was not possible to ascertain that value for money has been realized expenditure.

#### **4. Beautification of Nairobi**

Examination of vote book for Environment, Water, Energy and Natural Resources Sector revealed expenditure totalling Kshs.18,750,000 on casual payments during the financial year 2017/18. However, details of the expenditure and supporting documents were not provided for audit review.

Examination of records further revealed that payment vouchers for expenditure totalling Kshs.640,000 were processed in respect of surrender of imprests for the beautification programme.

An audit inspection undertaken on 16 November 2018 revealed that beautification of the Nairobi City County roads was going on at Jogoo Road, Lusaka Road, Uhuru Highway and Likoni Road Roundabout. Indications are that no specialists/consultants in landscaping engaged to provide assurance on the success of the project.

It was observed that undetermined expenditure was incurred on purchase of materials such as cement, seedlings, PVC pipes, cedar poles, galvanized wire, barbed wire, red soil, manure, ballast, paints, flowers and grass for the purposes of beautification of the above roads. However, management did not provided any record to show the cost of these goods and services, and the method of procurement used.

Consequently, it was not possible to ascertain that value for money was realized in the beautification project.

#### **5. Irregular Collection of Garbage in Non-Contracted Zones/Areas**

Examination of records for Water, Energy, Environment, Forestry and Natural Resources Sectors revealed payments totalling Kshs.202,996,053 were made to eleven contracted firms for collection and disposal of solid waste at Dandora dumpsite.

Records further show that some firms opted to collect 84,317 tonnes of garbage from areas that they were not prequalified and contracted to collect garbage and were paid Kshs.162,092,407. Although it has been explained that the firms opted to collect garbage from some zones due to high rates of payment, the option taken contravened their individual contracts resulting in denial of service to other zones.

Consequently, the garbage collection contracts were irregular and the residents may not have received the services contracted for

#### **6. Stalled Projects**

Contracts for eight(8) projects whose combined contract sum is Kshs.592,852,611 as detailed below were awarded, some works undertaken, and some payments made, however, the projects were abandoned before they were completed:

<b>Project</b>	<b>Firm Awarded</b>	<b>Contract Amount Kshs</b>
Construction of perimeter wall at Mji wa Huruma	Cykka Works Ltd	16,884,600
Construction of seventeen ECDE-(various)	Desiral (K) Ltd	218,898,310
Rehabilitation of Gaturo road and access roads to courts in Buruburu estate	Semilikiy Construction Ltd	6,629,980
Construction of access roads off Kayole spine road to department of defence	Gold Stream Kenya Ltd	63,662,864
Rehabilitation of St.Martin Catholic Church road in Mathare	Platinum Construction Co. Ltd	43,211,595
Rehabilitation of Ndwaru road in Dagorreti South	Gem CM Construction Ltd	98,811,395
Rehabilitation of Mother Teresa road in Ruaraka	Alsen Agencies	31,495,827
Construction of Karen bridge in Langa'ta	Ballot JA Contractors Ltd	113,258,040
<b>Total</b>		<b>592,852,611</b>

Consequently, it was not possible to ascertain that value for money has been realized in the contract

## **7. Health Facilities**

### **7.1. Human Resource Management**

Mama Lucy Kibaki Hospital staff establishment indicates that the authorized number is 752 while the actual number is 468 resulting in a deficit of 284 spread across various departments. Instead of filling the gaps, the County opted to engage 94 casuals whose expenditure during the year under review was Kshs.10,275,878.

Further, it was noted that Dandora Health Centre has forty-seven staff instead of one hundred and seven authorized in the establishment resulting in shortage of sixty staff.

This was contrary to Section 63(1) of County Government Act, 2012 authorizes County Public Service Board to make appointments including promotions in respect of officers in the county public offices.

### **7.2. Budgeting and Financing of Health Facilities in Financial Year 2017/2018**

#### **7.2.1. Undisbursed Funds**

Health facilities are required to draw and submit Annual Work Plans (AWPs) to the County Headquarters for preparation of annual budget. The records indicate that the health facilities were expected to receive Kshs.107,252,922 during the financial year 2017/2018.

However, the audit has revealed that the money was not disbursed to the health facilities. In addition, no reasons have been given for failure to prepare Annual Work Plans (AWPs) by some health facilities.

#### **7.2.2. Comparison of Budget and Actual Amounts**

Records further show that an amount of Kshs.1,591,905,004 was budgeted for Tuberculosis (TB) control, malaria control, family planning, maternal and child health, environmental health, County referral hospitals, health centers and dispensaries, health policy, planning and financing, health commodities, research and coroner services. However, an amount of Kshs.347,150,717 only was utilized resulting in unexplained under expenditure of Kshs.1,244,754,287.

#### **7.3. Failure to Supply Drugs and Non-Pharmaceutical Items to the Health Facilities**

Sub County pharmacists and health facilities are required to place their orders for drugs and other non-pharmaceutical items, which are supplied by KEMSA online after receiving instructions from the County Headquarters on availability of funds. Analysis of various health facilities orders for pharm (drugs) and non-pharmaceuticals items between the month of September and December 2017 revealed that no drugs and non-pharmaceutical items were received by the facilities.

#### **7.4. Expired Drugs**

Audit of health facilities in Nairobi City County revealed that the facilities did not receive funding or supplies from KEMSA during the year under review, resulting in stocking of expired drugs whose value has not been determined due to failure to carry out stock take.

Consequently, it was not possible to ascertain that value for money has been realized in the procurement of the drugs. The expired drugs are a hazards to the lives of residents if not disposed of properly.

#### **7.5. Failure to Issue Medical Certificates to Food Handlers**

The audit revealed that Medical Certificate Unit has not been issuing medical certificates to food handlers due to lack of funds for the purchase of laboratory commodities, certificate books, toners and stationery among others.

Audit has further revealed that medical certification services have been outsourced to five laboratories. However, no documentary evidence has been provided to show the laboratories were identified, evaluated and awarded certification services. In the absence of documentary evidence, it was not possible to confirm that rates charged by the laboratories were fair, equitable, transparent, competitive and cost effective as required under Article 227 (1) of the Constitution.

### **8. Confidential Expenditure**

The Nairobi City County through the Office of the Governor and Deputy Governor incurred confidential expenditure of Kshs.14,405,900 during the year under review. Attached to every payment voucher in support of the confidential expenditure was a memo Ref. No.COSEC/2/3/VOL.III/19/17 stating that, the security sector faces challenges from

time to time and at times require urgent action in terms of information and intelligence hence, the confidential expenditure though no further explanation was provided.

However, the law allows only a National Government entity to incur confidential expenditure pursuant to regulation 101(5), (6) and (7) of the Public Finance Management (National Government) Regulations, 2015. The management was, therefore, in breach of the law.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7 (1) (a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### **Responsibilities of Management and Those Charged with Governance**

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

In preparing the financial statements, management is responsible for assessing the ability of City County Executive to sustain services, disclosing and as applicable matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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

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

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

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of Nairobi City County Executive in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



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

**Nairobi**

**18 February 2019**

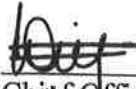
**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**


**5. FINANCIAL STATEMENTS**

**5.1. STATEMENT OF RECEIPTS AND PAYMENTS**

		2017-2018	2016-2017
	Notes	KShs	KShs
<b>RECEIPTS</b>			
Exchequer releases	1	15,402,000,000	14,023,506,891
Proceeds from Domestic and Foreign Grants	2	183,737,113	-
Transfers from Other Government Entities	3	481,080,657	827,531,670
Proceeds from Domestic Borrowings	4		-
Proceeds from Foreign Borrowings	5		-
Proceeds from Sale of Assets	6		-
Reimbursements and Refunds	7		
Returns of Equity Holdings	8		-
County Own Generated Receipts	9	10,157,594,130	10,933,201,474
Returned CRF issues	10		-
<b>TOTAL RECEIPTS</b>		<b>26,224,411,900</b>	<b>25,784,240,036</b>
<b>PAYMENTS</b>			
Compensation of Employees	11	12,982,011,406	12,729,646,976
Use of goods and services	12	6,447,658,180	6,462,971,486
Subsidies	13	-	-
Transfers to Other Government Units	14	1,237,058,777	1,446,004,403
Other grants and transfers	15	474,187,000	297,012,443
Social Security Benefits	16	4,513,552	9,284,644
Acquisition of Assets	17	1,435,678,846	1,762,711,478
Finance Costs, including Loan Interest	18		-
Repayment of principal on Domestic and Foreign borrowing	19	868,192,719	30,000,000
Other Payments	20	451,779,511	2,224,414,285
<b>TOTAL PAYMENTS</b>		<b>23,901,079,991</b>	<b>24,962,045,715</b>
<b>SURPLUS/DEFICIT</b>		<b>2,323,331,909</b>	<b>822,194,321</b>

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 28<sup>th</sup> Sept. 2018 and signed by:

  
 Chief Officer  
 Name: Winfred Wanyama Gathuma

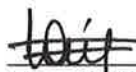
  
 Head of Treasury  
 Name: Johnson Akong'o Abwori  
 ICPAK Member Number: 7951


**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**5.2. STATEMENT OF ASSETS AND LIABILITIES**

		2017-2018	2016-2017
	Notes	KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	21A	1,848,976,871	(499,972,132)
Cash Balances	21B	-	29,854,631
<b>Total Cash and cash equivalent</b>		1,848,976,871	(470,117,501)
Accounts receivables – Outstanding Imprests	22	78,385,142	74,147,605
<b>TOTAL FINANCIAL ASSETS</b>		<b>1,927,362,013</b>	<b>(395,969,896)</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Deposits and retentions	23	-	-
<b>NET FINANCIAL ASSETS</b>		<b><u>1,927,362.013</u></b>	<b><u>(395,969,896)</u></b>
<b>REPRESENTED BY</b>			
<b>Fund balance b/fwd</b>	24	(395,969,896)	(1,218,164,216)
<b>Prior year adjustments</b>	25	-	-
<b>Surplus/Deficit for the year</b>		2,323,331,909	822,194,321
<b>NET FINANCIAL POSITION</b>		<b><u>1,927,362.013</u></b>	<b><u>(395,969,896)</u></b>

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 28<sup>th</sup> Sept 2018 and signed by:

  
 Chief Officer  
 Name: Winfred WANJAU GATHAGU

  
 Head of Treasury  
 Name: Johnson Akong'o Abweni  
 ICPAK Member Number: 7951

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**5.3. STATEMENT OF CASH FLOWS**

		2017-2018	2016 - 2017
	Notes	KShs	KShs
<b>Receipts from operating income</b>			
Exchequer Releases	1	15,402,000,000	14,023,506,891
Proceeds from Domestic and Foreign Grants	2	183,737,113	-
Transfers from Other Government Entities	3	481,080,657	827,531,670
Reimbursements and Refunds	7		-
Returns of Equity Holdings	8		-
County Own Generated Receipts	9	10,157,594,130	10,933,201,475
Returned CRF issues	10	-	-
<b>Payments for operating expenses</b>			
Compensation of Employees	11	(12,982,011,406)	(12,729,646,976)
Use of goods and services	12	(6,447,658,180)	(6,462,971,486)
Subsidies	13		-
Transfers to Other Government Units	14	(1,237,058,777)	(1,446,004,403)
Other grants and transfers	15	(474,187,000)	(297,012,443)
Social Security Benefits	16	(4,513,552)	(9,284,644)
Other Payments	18	(451,779,511)	(2,224,414,285)
<b>Adjusted for:</b>			
Adjustments during the year		(4,237,537)	(48,948,242)
<b>Net cash flow from operating activities</b>		<b>4,622,965,937</b>	<b>2,565,957,557</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	6	-	-
Acquisition of Assets	17	(1,435,678,846)	(1,762,711,478)
<b>Net cash flows from Investing Activities</b>		<b>(1,435,678,846)</b>	<b>(1,762,711,478)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Domestic Borrowings	4	-	-
Proceeds from Foreign Borrowings	5	-	-
Repayment of principal on Domestic and Foreign borrowing	19	(868,192,719)	(30,000,000)
<b>Net cash flow from financing activities</b>		<b>(868,192,719)</b>	<b>(30,000,000)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>2,319,094,372</b>	<b>773,246,079</b>

**NAIROBI CITY COUNTY GOVERNMENT****Reports and Financial Statements****For the year ended June 30, 2018**

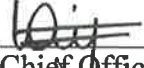
---


<b>Cash and cash equivalent at BEGINNING of the year</b>	<b>21</b>	<b>(470,117,501)</b>	<b>(1,243,363,579)</b>
<b>Cash and cash equivalent at END of the year</b>	<b>24</b>	<b>1,848,976,871</b>	<b>(470,117,501)</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

---

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 22<sup>nd</sup> Sept. 2018 and signed by:

  
\_\_\_\_\_  
Chief Officer  
Name: Winfred Wambui Gatimu

  
\_\_\_\_\_  
Head of Treasury  
Name: John Akong Abwani  
ICPAK Member Number 2951

#### 5.4. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Exchequer releases	14,967,000,000	435,000,000	15,402,000,000	15,402,000,000	-	100.00%
Proceeds from Domestic and Foreign Grants	770,000,000	56,305,890	826,305,890	183,737,113	(642,568,777)	22.24%
Transfers from Other Government Entities	-	-	-	481,080,657	481,080,657.00	
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets						
Reimbursements and Refunds						
Returns of Equity Holdings						
County Own Generated receipts	19,766,000,000	(2,536,535,240)	17,229,464,760	10,157,594,130	(7,071,870,630)	58.95%
Return issues to CRF						
<b>TOTAL</b>	<b>35,503,000,000</b>	<b>(2,045,229,350)</b>	<b>33,457,770,650</b>	<b>26,224,411,900</b>	<b>(7,233,358,750)</b>	<b>78.38%</b>

**NAIROBI CITY COUNTY GOVERNMENT**
**Reports and Financial Statements**
**For the year ended June 30, 2018**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>PAYMENTS</b>						
Compensation of Employees	14,545,440,532	-	14,545,440,532	12,982,011,406	(1,563,429,126)	0.89
Use of goods and services	10,212,515,881	-	10,212,515,881	6,447,658,180	(3,764,857,701)	0.63
Subsidies						
Transfers to Other Government Units	1,330,226,456	-	1,330,226,456	1,237,058,777	(93,167,679)	93.00%
Other grants and transfers	52,900,000	-	52,900,000	474,187,000	421,287,000	
Social Security Benefits	61,467,400	2,798,238	58,669,162	4,513,552	(54,155,610)	0.08
Acquisition of Assets	6,961,217,763	-	6,961,217,763	1,435,678,846	(5,525,538,917)	0.21
Finance Costs, including Loan Interest	-	-	-	-	-	
Repayment of principal on borrowings	-	-	-	868,192,719	868,192,719	
Other Expenses (KRA Agency Notice)	-	-	-	451,779,511	451,779,511	
<b>TOTAL</b>	<b>33,616,978,656</b>	<b>2,798,238</b>	<b>33,614,180,418</b>	<b>23,901,079,991</b>	<b>(9,713,100,427)</b>	<b>0.71</b>
<b>SURPLUS/(DEFICIT)</b>	<b>1,886,021,344</b>	<b>(2,042,431,112)</b>	<b>(156,409,768)</b>	<b>2,323,331,909</b>	<b>2,479,741,677</b>	

**Reports & Financial Statement**  
**For the year ended June 30, 2018**

The entity financial statements were approved on 28<sup>th</sup> Sept. 2018 and signed by:



Chief Officer

Name: WINFRED WANJAU GITHAU



Head of Treasury Accounts

Name: Johnson Akong'o Abwari

ICPAK Member Number 7951

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**


**5.5. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT**


Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
<b>RECEIPTS</b>						
Exchequer releases	10,476,900,000	304,500,000	10,781,400,000	10,781,400,000	-	100.00%
Proceeds from Domestic and Foreign Grants	539,000,000	39,414,123	578,414,123	-	(578,414,123)	0.00%
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets						
Reimbursements and Refunds						
Returns of Equity Holdings						
County Own Generated receipts	13,836,200,000	(1,775,574,668)	12,060,625,332	7,110,315,891	(4,950,309,441)	58.95%
Return CRF issues						
<b>TOTAL</b>	<b>24,852,100,000</b>	<b>(1,431,660,545)</b>	<b>23,420,439,455</b>	<b>17,891,715,891</b>	<b>(5,528,723,564)</b>	<b>76.39%</b>
<b>PAYMENTS</b>						
Compensation of Employees	14,545,440,532	-	14,545,440,532	12,982,011,406	(1,563,429,126)	89.25%
Use of goods and services	9,151,309,528	-	9,151,309,528	6,447,658,180	(2,703,651,348)	70.46%
Subsidies						

**Receipts and Financial Statement**  
**For the year ended June 30, 2018**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
Transfers to Other Government Units	1,330,226,456	-	1,330,226,456	1,237,058,777	(93,167,679)	93.00%
Other grants and transfers	506,110,624	-	506,110,624	474,187,000	(31,923,624)	93.69%
Social Security Benefits	61,467,400	(2,798,238)	58,669,162	4,513,552	(54,155,610)	7.69%
Acquisition of Assets	164,850,466	-	164,850,466	22,359,786	(142,490,680)	13.56%
Finance Costs, including Loan Interest						
Repayment of principal on borrowings			-	868,192,719	868,192,719	
Other Expenses (KRA Agency Notice)			-	451,779,511	451,779,511	
<b>TOTAL</b>	<b>25,759,405,006</b>	<b>2,798,238</b>	<b>25,756,606,768</b>	<b>22,487,760,931</b>	<b>3,268,845,837</b>	<b>87.31%</b>
<b>SURPLUS/(DEFICIT)</b>	<b>(907,305,006)</b>	<b>(1,428,862,307)</b>	<b>(2,336,167,313)</b>	<b>(4,596,045,040)</b>	<b>(2,259,877,727)</b>	<b>(0)</b>

The entity financial statements were approved on 28<sup>th</sup> Sept. 2018 and signed by:

  
 Chief Officer  
 Name: WINFRED WANGUI GATHAGU

  
 Head of Treasury Accounts  
 Name: Johnson Akong'o Abwori  
 ICPAK Member Number: 7951

**5.6. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT**

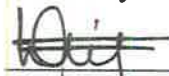
Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Exchequer releases	4,490,100,000	130,500,000	4,620,600,000	4,620,600,000	0	1.00
Proceeds from Domestic and Foreign Grants	231,000,000	16,891,767	247,891,767	183,737,113	(64,154,654)	0.74
Transfers from Other Government Entities			0	481,080,657	481,080,657	
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets						
Reimbursements and Refunds						
Returns of Equity Holdings						
County Own Generated receipts	5,929,800,000	(760,960,572)	5,168,839,428	3,047,278,239	(2,121,561,189)	0.59
<b>TOTAL</b>	<b>10,650,900,000</b>	<b>(613,568,805)</b>	<b>10,037,331,195</b>	<b>8,332,696,009</b>	<b>(1,704,635,186)</b>	<b>0.83</b>
<b>PAYMENTS</b>						

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
Compensation of Employees						
Use of goods and services	1,061,206,353	0	1,061,206,353	0	(1,061,206,353)	-
Subsidies						
Transfers to Other Government Units						
Other grants and transfers						
Social Security Benefits						
Acquisition of Assets	6,796,367,297	0	6,796,367,297	1,413,319,060	(5,383,048,237)	0.21
Finance Costs, including Loan Interest						
Repayment of principal on borrowings						
Other Payments						
<b>TOTALS</b>	<b>7,857,573,650</b>	<b>0</b>	<b>7,857,573,650</b>	<b>1,413,319,060</b>	<b>(6,444,254,590)</b>	<b>0.18</b>
<b>Surplus/(Deficit)</b>	<b>2,793,326,350</b>	<b>(613,568,805)</b>	<b>2,179,757,545</b>	<b>6,919,376,949</b>	<b>4,739,619,404</b>	

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

---

The entity financial statements were approved on 28<sup>th</sup> Sept 2018 and signed by:



Chief Officer

Name: Winfred Wanjau Gathagu



Head of Treasury Accounts

Name: Johnson Akong Abwori

ICPAK Member Number: 7951

## 5.7. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

<b>Programme/ Sub Programme</b>	<b>Original Budget</b>	<b>Adjustment s</b>	<b>Final Budget</b>	<b>Actual Expenditure</b>	<b>Budget Utilization Difference</b>
<b>0701000 P1 General Administration Planning and Support Services</b>	<b>100,002,000</b>	<b>(18,902,578)</b>	<b>81,099,422</b>	<b>40,894,224</b>	<b>40,205,198</b>
0701010 SP.1.1 General Administration Planning and Support Services	100,002,000	(18,902,578)	81,099,422	40,894,224	40,205,198
<b>Total</b>	<b>100,002,000</b>	<b>(18,902,578)</b>	<b>81,099,422</b>	<b>40,894,224</b>	<b>40,205,198</b>
<b>0718005310 General Administrative Services</b>	<b>2,957,000,000</b>	<b>175,398,273</b>	<b>3,132,398,273</b>	<b>2,338,531,454</b>	<b>793,866,819</b>
0718015310 Sp1 General Administration & Support Services	249,016,444	225,053,910	474,070,354	158,422,326	315,648,028
0718025310 Sp2 Sub County Administration	2,282,257,034	(52,254,437)	2,230,002,597	1,897,368,510	332,634,087
0718075310 Sp7 County Executive	191,055,432	13,723,760	204,779,192	149,161,945	55,617,247

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

0718085310 Sp8 Supply Chain Management	113,692,003	(9,417,500)	104,274,503	76,461,909	27,812,594
0718095310 Sp9 Audit	120,979,087	(1,707,460)	119,271,627	57,116,763	62,154,864
<b>0724005310 P 24 Security and Safety Management</b>	<b>2,520,993,061</b>	<b>140,165,460</b>	<b>2,661,158,521</b>	<b>2,110,761,982</b>	<b>550,396,539</b>
0724015310 sp 24.1 investigative Services	92,668,332	(6,934,540)	85,733,792	51,107,361	34,626,431
0724045310 Fire & Disaster Management	264,664,195	-	264,664,195	194,014,722	70,649,473
0724055310 Inspectorate	2,163,660,534	147,100,000	2,310,760,534	1,865,639,899	445,120,635
<b>0725005310 P 25 management of legal affairs</b>	<b>200,000,000</b>	<b>423,026,066</b>	<b>623,026,066</b>	<b>245,810,041</b>	<b>377,216,025</b>
0725015310 sp 25.1 legal services	200,000,000	423,026,066	623,026,066	245,810,041	377,216,025
<b>Total</b>	<b>5,677,993,061</b>	<b>738,589,799</b>	<b>6,416,582,860</b>	<b>4,695,103,476</b>	<b>1,721,479,384</b>
<b>0207000 P1: General Administration Planning and Support Services</b>	<b>103,498,828</b>	<b>(4,120,463)</b>	<b>99,378,365</b>	<b>71,886,711</b>	<b>27,491,654</b>
0207010 SP 1: General Administration, Planning And Support Services	103,498,828	(4,120,463)	99,378,365	71,886,711	27,491,654

<b>0208000 P2: Information And Communication Services</b>	<b>244,375,000</b>	<b>(76,732,400)</b>	<b>167,642,600</b>	<b>123,242,219</b>	<b>44,400,381</b>
0208010 SP 2.1: News And Information Services	141,875,000	(31,230,653)	110,644,347	82,526,362	28,117,985
0208030 SP 2.3: ICT and Media Regulatory Services	10,500,000	(3,428,100)	7,071,900	3,018,505	4,053,395
0208040 SP 2.4 E- Government Services	92,000,000	(42,073,647)	49,926,353	37,697,352	12,229,001
<b>021005310 ICT Infrastructure Development</b>	<b>110,000,000</b>	<b>90,500,000</b>	<b>200,500,000</b>	<b>47,605,095</b>	<b>152,894,905</b>
0210010 SP1: ICT Infrastructure Connectivity	103,500,000	95,500,000	199,000,000	47,605,095	151,394,905
0210035310 sp 3:Information Security	6,500,000	(5,000,000)	1,500,000	-	1,500,000
<b>Total</b>	<b>457,873,828</b>	<b>9,647,137</b>	<b>467,520,965</b>	<b>242,734,025</b>	<b>224,786,940</b>
<b>0701005310 Public Financial Management</b>	<b>2,159,732,147</b>	<b>142,535,895</b>	<b>2,302,268,042</b>	<b>3,274,891,050</b>	<b>(972,623,008)</b>
0701015310 Assets Management Services	332,000,000	(25,500,000)	306,500,000	267,855,712	38,644,288
0701065310 sp1.6 Accounting Services	1,271,000,000	276,087,395	1,547,087,395	2,754,519,971	(1,207,432,576)

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

0701075310 sp1.7 Budget Formulation Coordination and mgt		88,732,147	(6,000,000)	82,732,147		48,219,439	34,512,708
0701085310 sp1.8 Resource Mobilisation		468,000,000	(102,051,500)	365,948,500		204,295,928	161,652,572
<b>0718005310 General Administrative Services</b>		<b>945,267,853</b>	<b>(11,425,000)</b>	<b>933,842,853</b>		<b>821,542,758</b>	<b>112,300,095</b>
0718015310 Sp1 General Administration & Support Services		945,267,853	(11,425,000)	933,842,853		821,542,758	112,300,095
<b>0719000 P3: Economic and Financial Policy Formulation and Management</b>		<b>75,000,000</b>	<b>16,400,000</b>	<b>91,400,000</b>		<b>36,380,175</b>	<b>55,019,825</b>
0719010 SP 3.1 Fiscal Policy Formulation, Development and Management		75,000,000	16,400,000	91,400,000		36,380,175	55,019,825
<b>Total</b>		<b>3,180,000,000</b>	<b>147,510,895</b>	<b>3,327,510,895</b>		<b>4,132,813,983</b>	<b>(805,303,088)</b>
<b>0401000 P.1 Preventive &amp; Promotive Health Services</b>		<b>63,150,001</b>	<b>(5,965,714)</b>	<b>57,184,287</b>		<b>17,999,120</b>	<b>39,185,167</b>
0401115310		4,220,402		2,815,006		-	

HIV/AIDS Prevention & Control Unit		(1,405,396)			2,815,006
0401125310 TB Control	2,292,465	740,011	3,032,476	-	3,032,476
0401135310 Malaria Control & Other Communicable Diseases	1,729,088	(552,119)	1,176,969	-	1,176,969
0401145310 Reproductive Health & Maternal Health (RMNCAH)	28,158,456	4,173,660	32,332,116	17,009,120	15,322,996
0401155310 Enviromental / Public Health	26,749,590	(8,921,870)	17,827,720	990,000	16,837,720
<b>0402005310 Curative care</b>	<b>1,531,269,791</b>	<b>(554,408,914)</b>	<b>976,860,877</b>	<b>56,124,892</b>	<b>920,735,985</b>
0402065310 sp.2.6 County Referral Hospitals	610,979,000	(95,253,902)	515,725,098	52,480,866	463,244,232
0402075310 sp.2.7 Health Centres & dispensaries	920,290,791	(459,155,012)	461,135,779	3,644,026	457,491,753
<b>0404005310 General administration, planning and support services</b>	<b>6,046,677,594</b>	<b>(127,320,209)</b>	<b>5,919,357,385</b>	<b>4,974,015,680</b>	<b>945,341,705</b>
0404015310 Sp4.1 Administration/Human Resource for Health	5,436,029,116	(74,531,571)	5,361,497,545	4,700,988,975	660,508,570

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

0404025310 Sp4.2 Health Policy, Planning & Financing	27,038,487	(8,817,341)	18,221,146	-	18,221,146
0404035310 sp 4.3 Health Commodities	484,000,000	-	484,000,000	272,850,925	211,149,075
0404045310 sp 4.4 Research, Quality assurance & standards unit	39,349,991	(6,055,497)	33,294,494	175,780	33,118,714
0404055310 sp 4.5 Coroner services unit	60,260,000	(37,915,800)	22,344,200	-	22,344,200
<b>Total</b>	<b>7,641,097,386</b>	<b>(687,694,837)</b>	<b>6,953,402,549</b>	<b>5,048,139,692</b>	<b>1,905,262,857</b>
0106000 P 6 General Administration Planning and Support Services	239,599,220	(2,821,463)	236,777,757	207,697,214	29,080,543
0106010 SP.6.1 Administration, Planning & Support Services	239,599,220	(2,821,463)	236,777,757	207,697,214	29,080,543
0114005310 P.8: Urban Planning, compliance & enforcement	304,685,748	(14,300,588)	290,385,160	72,710,894	217,674,266
0114015310 sp 8.1 Urban planning	233,240,872	22,877,571	256,118,443	72,710,894	183,407,549
0114025310 sp 8.2 Enforcement and compliance	71,444,876	(37,178,159)	34,266,717	-	34,266,717

<b>0115005310</b>					
<b>P.9:Land management</b>	<b>278,735,665</b>	<b>(138,391,513)</b>	<b>140,344,152</b>	<b>25,233,042</b>	<b>115,111,110</b>
0115015310 sp 9.1 valuation services	53,319,187	(14,537,029)	38,782,158	14,939,042	23,843,116
0115025310 sp 9.2 land survey	219,416,478	(122,354,484)	97,061,994	10,294,000	86,767,994
0115035310 sp 9.3 Administrative services	6,000,000	(1,500,000)	4,500,000	-	4,500,000
<b>Total</b>	<b>823,020,633</b>	<b>(155,513,564)</b>	<b>667,507,069</b>	<b>305,641,150</b>	<b>361,865,919</b>
<b>0207000 P1: General Administration Planning and Support Services</b>	<b>1,104,000,000</b>	<b>(18,912,033)</b>	<b>1,085,087,967</b>	<b>938,327,966</b>	<b>146,760,001</b>
0207010 SP 1: General Administration, Planning And Support Services	1,104,000,000	(18,912,033)	1,085,087,967	938,327,966	146,760,001
<b>0211005310</b>					
<b>P5:Roads,Drainage &amp; Bridges</b>	<b>3,725,396,505</b>	<b>(1,392,958,732)</b>	<b>2,332,437,773</b>	<b>430,902,283</b>	<b>1,901,535,490</b>
0211015310 sp 5.1 Construction Roads & Drainages & Maintenance	3,725,396,505	(1,392,958,732)	2,332,437,773	430,902,283	1,901,535,490
<b>0212005310</b>					
<b>P6:Road Safety Interventions</b>	<b>446,374,503</b>	<b>(149,529,364)</b>	<b>296,845,139</b>	<b>27,887,185</b>	<b>268,957,954</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

0212015310 sp 6.1 Transport Facilities & Traffic Management	446,374,503	(149,529,364)	296,845,139	27,887,185	268,957,954
<b>0213005310 P7: Institutional Buildings &amp; Maintenance</b>	<b>834,000,000</b>	<b>(372,688,720)</b>	<b>461,311,280</b>	<b>114,531,388</b>	<b>346,779,892</b>
0213015310 sp 7.1 Public streetlighting Installations & Maintenances	707,000,000	(287,810,400)	419,189,600	114,531,388	304,658,212
0213025310 sp 7.2 Motor Vehicle, Machinery & Plant Maintenance	60,000,000	(21,000,000)	39,000,000	-	39,000,000
0213035310 sp 7.3 Institutional Buildings Maintenance	67,000,000	(63,878,320)	3,121,680	-	3,121,680
<b>Total</b>	<b>6,109,771,008</b>	<b>(1,934,088,849)</b>	<b>4,175,682,159</b>	<b>1,511,648,822</b>	<b>2,664,033,337</b>
0508005310 General administration, planning and support services	846,050,000	271,070,739	1,117,120,739	1,019,901,775	97,218,964
0508025310 sp 8.2 General Administration & Support Services	846,050,000	271,070,739	1,117,120,739	1,019,901,775	97,218,964
<b>0509005310 P9 Education services</b>	<b>256,700,000</b>	<b>(29,472,970)</b>	<b>227,227,030</b>	<b>59,209,183</b>	<b>168,017,847</b>

0509015310 sp 9.1 Quality Assurance and Co-curriculum	5,700,000	(2,700,000)	3,000,000	-	3,000,000
0509025310 sp 9.2 Early Childhood Development Centres	188,900,000	(4,900,000)	184,000,000	56,697,500	127,302,500
0509035310 sp 9.3 Technical and Vocational Training	62,100,000	(21,872,970)	40,227,030	2,511,683	37,715,347
<b>0902005310 2.1 Social Services</b>	<b>640,240,000</b>	<b>236,943,600</b>	<b>877,183,600</b>	<b>340,800,919</b>	<b>536,382,681</b>
0902015310 General Administration & Support Services	358,640,000	(15,115,400)	343,524,600	333,308,903	10,215,697
0902025310 Sp.2.2 Gender and Community Empowerment	12,300,000	(5,300,000)	7,000,000	-	7,000,000
0902035310 Sp2.3 Development and promotion of culture/ heritage	72,000,000	(59,430,300)	12,569,700	1,282,000	11,287,700
0902045310 Sp2.4 Development and promotion of sports	92,200,000	339,737,700	431,937,700	-	431,937,700
0902055310 Sp2.5 Youth Empowerment and Promotion	16,000,000	(6,670,300)	9,329,700	5,459,700	3,870,000
0902065310 Sp 2.6	20,500,000		13,561,900	750,316	

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

Social welfare and care for the Aged		(6,938,100)			12,811,584
0902075310 Sp 2.7 Promotion of Library and Information Services	5,600,000	(2,600,000)	3,000,000	-	3,000,000
0902085310 Sp.2 8 Rescue and Rehabilitation of Children Services	63,000,000	(6,740,000)	56,260,000	-	56,260,000
<b>Total</b>	<b>1,742,990,000</b>	<b>478,541,369</b>	<b>2,221,531,369</b>	<b>1,419,911,877</b>	<b>801,619,492</b>
<b>0301000 P.1 General Administration Planning and Support Services</b>	<b>394,240,524</b>	<b>(13,207,150)</b>	<b>381,033,374</b>	<b>327,570,030</b>	<b>53,463,344</b>
0301010 SP1 General Administration Planning and Support Services	394,240,524	(13,207,150)	381,033,374	327,570,030	53,463,344
<b>0310005310 P.10 Co-operative Development and Audit Services</b>	<b>36,000,000</b>	<b>(17,868,335)</b>	<b>18,131,665</b>	<b>1,424,349</b>	<b>16,707,316</b>
0310015310 sp 10.1 Cooperative Development Services	22,351,000	(9,865,585)	12,485,415	1,424,349	11,061,066
0310025310 sp 10.2 Cooperative Audit	13,649,000	(8,002,750)	5,646,250	-	5,646,250

Reports and Financial Statement  
For the year ended June 30, 2018

Services					
<b>0311005310 P.11 Tourism Promotion and Marketing</b>	<b>50,000,000</b>	<b>(21,994,340)</b>	<b>28,005,660</b>	<b>4,051,087</b>	<b>23,954,573</b>
0311015310 sp 11.1 Tourism Development	50,000,000	(21,994,340)	28,005,660	4,051,087	23,954,573
<b>0312005310 P.12 Trade development and Market Services</b>	<b>498,500,000</b>	<b>(266,869,706)</b>	<b>231,630,294</b>	<b>19,202,336</b>	<b>212,427,958</b>
0312015310 sp 12.1 Trade Development	16,550,000	(6,141,644)	10,408,356	14,541,466	(4,133,110)
0312025310 sp 12.2 Market Services	481,950,000	(260,728,062)	221,221,938	4,660,870	216,561,068
<b>0313005310 P.13 Licensing and Fair Trade Practices</b>	<b>199,259,476</b>	<b>(119,330,612)</b>	<b>79,928,864</b>	<b>2,865,672</b>	<b>77,063,192</b>
0313015310 sp 13.1 Liquor Licensing & Regulation	73,680,000	(43,208,718)	30,471,282	132,000	30,339,282
0313025310 sp 13.2 Weights & Measures Services	74,238,500	(57,685,875)	16,552,625	513,416	16,039,209
0313035310 sp 13.3 Trade Licensing Services	40,514,476	(13,425,144)	27,089,332	2,220,256	24,869,076
0313045310 sp 13.4 Betting & Gaming Services	10,826,500	(5,010,875)	5,815,625	-	5,815,625
<b>Total</b>	<b>1,178,000,000</b>	<b>(439,270,143)</b>	<b>738,729,857</b>	<b>355,113,474</b>	<b>383,616,383</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

<b>0701000 P1 General Administration Planning and Support Services</b>	1,281,300,239	(816,937,978)	464,362,261	364,921,271	99,440,990
0701010 SP.1.1 General Administration Planning and Support Services	1,281,300,239	(816,937,978)	464,362,261	364,921,271	99,440,990
<b>0710000 P 5: Public Service Transformation</b>	<b>1,056,999,761</b>	<b>884,431,637</b>	<b>1,941,431,398</b>	<b>1,852,918,115</b>	<b>88,513,283</b>
0710010 S.P.5.1 Human Resource Management	956,600,000	842,922,139	1,799,522,139	1,741,680,606	57,841,533
0710020 S.P.5.2 Human Resource Development	100,399,761	41,509,498	141,909,259	111,237,509	30,671,750
<b>0723005310 P 23 Performance Management and Public Service Delivery</b>	<b>29,700,000</b>	<b>(4,255,600)</b>	<b>25,444,400</b>	<b>374,600</b>	<b>25,069,800</b>
0723015310 sp 23.1 Performance Contracting management	23,420,000	(1,524,050)	21,895,950	324,600	21,571,350
0723025310 sp 23.2 Governance Monitoring and Evaluation	3,140,000	(1,376,450)	1,763,550	-	1,763,550

**Results and Financial Statement**  
**For the year ended June 30, 2018**

0723035310 sp 23.3 Quality Management Systems and ISO certification	3,140,000	(1,355,100)	1,784,900	50,000	1,734,900
<b>Total</b>	<b>2,368,000,000</b>	<b>63,238,059</b>	<b>2,431,238,059</b>	<b>2,218,213,986</b>	<b>213,024,073</b>
<b>0106000 P 6 General Administration Planning and Support Services</b>	<b>316,000,000</b>	<b>12,380,180</b>	<b>328,380,180</b>	<b>278,142,879</b>	<b>50,237,301</b>
0106010 SP.6.1 Administration, Planning & Support Services	316,000,000	12,380,180	328,380,180	278,142,879	50,237,301
<b>0108000 P2: Crop Development and Management</b>	<b>56,000,000</b>	<b>(19,464,371)</b>	<b>36,535,629</b>	<b>2,052,897</b>	<b>34,482,732</b>
0108055310 SP5 Crop Production, Marketin g & Research	56,000,000	(19,464,371)	36,535,629	2,052,897	34,482,732
<b>0111000 P5: Fisheries Development and Management</b>	<b>36,000,000</b>	<b>(3,333,248)</b>	<b>32,666,752</b>	<b>586,000</b>	<b>32,080,752</b>
0111020 SP 5.2 Aquaculture Development Marketing & Research	36,000,000	(3,333,248)	32,666,752	586,000	32,080,752

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

<b>0112000 P 6: Livestock Resources Management and Development</b>	<b>52,000,000</b>	<b>(30,181,680)</b>	<b>21,818,320</b>	<b>2,356,278</b>	<b>19,462,042</b>
0112065310 Promotion of Dairy Production, Extension & Research	52,000,000	(30,181,680)	21,818,320	2,356,278	19,462,042
<b>0116005310 P.10: Animal Health, Safety and Quality Assurance</b>	<b>54,000,000</b>	<b>(23,246,571)</b>	<b>30,753,429</b>	<b>1,428,333</b>	<b>29,325,096</b>
0116015310 sp 10.1 Animal Research, Diseases, Pest Control & Quality Assurance	54,000,000	(23,246,571)	30,753,429	1,428,333	29,325,096
<b>0117005310 P.11: Aforestation</b>	<b>15,000,000</b>	<b>(9,550,403)</b>	<b>5,449,597</b>	<b>2,075,360</b>	<b>3,374,237</b>
0117015310 sp 11.1 Forestry Services	15,000,000	(9,550,403)	5,449,597	2,075,360	3,374,237
<b>Total</b>	<b>529,000,000</b>	<b>(73,396,093)</b>	<b>455,603,907</b>	<b>286,641,747</b>	<b>168,962,160</b>
	-	-	-	-	-
Transfer to County Assembly	1,614,185,918	173,432,054	1,787,617,972	1,237,058,777	550,559,195
<b>Total</b>	<b>1,614,185,918</b>	<b>173,432,054</b>	<b>1,787,617,972</b>	<b>1,237,058,777</b>	<b>550,559,195</b>

<b>1001005310 P1 General Administration &amp; Support Services</b>	<b>504,432,883</b>	<b>(13,489,510)</b>	<b>490,943,373</b>	<b>452,911,308</b>	<b>38,032,065</b>
1001015310 Sp1 General Administration & Support Services	504,432,883	(13,489,510)	490,943,373	452,911,308	38,032,065
<b>1002005310 P2 Environment Management and Protection.</b>	<b>1,416,000,000</b>	<b>17,456,196</b>	<b>1,433,456,196</b>	<b>768,724,659</b>	<b>664,731,537</b>
1002035310 sp 2.3 Solid waste management	1,265,756,000	74,459,149	1,340,215,149	760,916,046	579,299,103
1002045310 sp 2.4 Beautification, Recreation and Greening Services	127,000,000	(51,533,890)	75,466,110	4,425,000	71,041,110
1002055310 sp 2.5 Environment planning Management Services	23,244,000	(5,469,063)	17,774,937	3,383,613	14,391,324
<b>1004005310 P4 Water Resources Management</b>	<b>365,000,000</b>	<b>11,584,589</b>	<b>376,584,589</b>	<b>51,679,912</b>	<b>324,904,677</b>
1004055310 sp 4.5 Energy & Natural resources	365,000,000	11,584,589	376,584,589	51,679,912	324,904,677

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

<b>Total</b>	<b>2,285,432,883</b>	<b>15,551,275</b>	<b>2,300,984,158</b>	<b>1,273,315,879</b>	<b>1,027,668,279</b>
<b>0102000 P.2 Housing Development and Human Settlement</b>	<b>175,000,000</b>	<b>238,708,250</b>	<b>413,708,250</b>	<b>9,077,672</b>	<b>404,630,578</b>
0102045310 SP4 Urban Renewal	75,000,000	(41,150,250)	33,849,750	4,116,372	29,733,378
0102055310 SP5 Management of Rental Housing	100,000,000	279,858,500	379,858,500	4,961,300	374,897,200
<b>0106000 P 6 General Administration Planning and Support Services</b>	<b>85,000,000</b>	<b>(6,487,500)</b>	<b>78,512,500</b>	<b>68,997,480</b>	<b>9,515,020</b>
0106010 SP.6.1 Administration, Planning & Support Services	85,000,000	(6,487,500)	78,512,500	68,997,480	9,515,020
<b>0113005310 P.7: Building Services</b>	<b>60,000,000</b>	<b>(37,712,500)</b>	<b>22,287,500</b>	<b>3,773,602</b>	<b>18,513,898</b>
0113015310 sp 7.1 Building services research and information	60,000,000	(37,712,500)	22,287,500	3,773,602	18,513,898
<b>Total</b>	<b>320,000,000</b>	<b>194,508,250</b>	<b>514,508,250</b>	<b>81,848,754</b>	<b>432,659,496</b>
<b>0214005310 P8:Ward Development</b>	<b>1,790,000,000</b>	<b>(769,827,343)</b>	<b>1,020,172,657</b>	<b>610,859,009</b>	<b>409,313,648</b>
0214015310 sp 8.1 Ward Development	1,790,000,000	(769,827,343)	1,020,172,657	610,859,009	409,313,648

& Administration					
<b>Total</b>	<b>1,790,000,000</b>	<b>(769,827,343)</b>	<b>1,020,172,657</b>	<b>610,859,009</b>	<b>409,313,648</b>
<b>0718005310 General Administrative Services</b>	<b>90,000,000</b>	<b>-</b>	<b>90,000,000</b>	<b>-</b>	<b>90,000,000</b>
<b>0718015310 Sp1 General Administration &amp; Support Services</b>	<b>90,000,000</b>	<b>-</b>	<b>90,000,000</b>	<b>-</b>	<b>90,000,000</b>
<b>Total</b>	<b>90,000,000</b>	<b>-</b>	<b>90,000,000</b>	<b>-</b>	<b>90,000,000</b>
<b>Total Voted Expenditure .... KShs.</b>	<b>35,907,366,717</b>	<b>(2,257,674,569)</b>	<b>33,649,692,148</b>	<b>23,459,938,875</b>	<b>10,189,753,273</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Consolidated Reports and Financial Statements**  
**For the year ended June 30, 2018**

---

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

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

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

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

**2. Reporting entity**

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

**3. Recognition of receipts and payments**

**a) Recognition of receipts**

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

**Tax receipts**

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

**Transfers from the Exchequer**

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

**Donations and grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

**Proceeds from borrowing**

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the County Government may take on will be treated on cash basis and recognized as receipts during the year of receipt.

**Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2018, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

**County Own Generated Receipts**

These include Appropriation-in-Aid and relates to receipts such as trade licences, cess, fees, property income among others generated by the County Government from its citizenry. These are recognised in the financial statements the time associated cash is received.

**Returns to CRF Issues**

These relate to unspent balances in the development, recurrent and deposit accounts at the end of the year which are returned to the County Revenue Fund (CRF) and appropriated through a supplementary budget to enable the County to spend funds. These funds are recognised once appropriated through a supplementary budget process.

**b) Recognition of payments**

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

---

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

**Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

**Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

**Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the County consolidated financial statements.

**Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**4. In-kind contributions**

In-kind contributions are donations that are made to the *entity* 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 *entity* includes such value in the statement of receipts and payments both as receipts and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. 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.

**Restriction on cash**

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. There were no other restrictions on cash during the year

**6. 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 payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**7. Accounts Payable**

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

**8. 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.

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **9. 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 *entity* 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.

### **10. 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 *entity's* budget was approved as required by Law and as detailed in the County Revenue Allocation Act. The original budget was approved by the County Assembly in May 2017 for the period 1<sup>st</sup> July 2017 to 30 June 2018 as required by law. There were two number of supplementary budgets passed in the year. A high-level assessment of the *entity's* actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

### **11. Comparative figures**

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

### **12. 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.

### **13. Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

### **14. Related party transactions**

Related party transactions involve cash and in kind transactions with the National Government, National Government entities and County Government entities. Specific information with regards to related party transactions is included in the disclosure notes.

## **5.9. NOTES TO THE FINANCIAL STATEMENTS**

### **1. EXCHQUER RELEASES**

	2017 - 2018	2016 - 2017
	KShs	KShs
Total Exchequer Releases for quarter 1	3,792,280,000	3,505,876,722
Total Exchequer Releases for quarter 2	3,897,570,000	4,245,994,257
Total Exchequer Releases for quarter 3	2,136,320,000	3,005,876,723
Total Exchequer Releases for quarter 4	5,575,830,000	3,265,759,189
<b>Total</b>	<b>15,402,000,000</b>	<b>14,023,506,891</b>

(State the amount received vis a vie amount included in the CARA)

### **2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

Name of Donor	Date received	Amount in foreign currency	2017 - 2018	2016 - 2017
			KShs	KShs
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>				
Danida			58,162,149	-
World Bank- Youth ploytechnics			30,654,947	-
World Bank-Loan for Health			17,009,120	-
World Bank-KDSP Level 1			77,910,897	-
<b>Total</b>			<b>183,737,113</b>	<b>-</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Description	2017 - 2018	2016 - 2017
	KShs	KShs
Ministry of Health - Free maternity	-	281,567,500
KRB - Roads Maintenance Levy Fund	401,201,575	215,471,088
User Fees foregone	79,879,082	79,879,082
Ministry of Health - Doctors' Allowances	-	250,614,000
<b>TOTAL</b>	<b>481,080,657</b>	<b>827,531,670</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. COUNTY OWN GENERATED RECEIPTS**

	2017 - 2018	2016 - 2017
	KShs	KShs
Interest Received		-
Profits and Dividends		-
Rents		-
Other Property Income		-
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		-
Receipts from Voluntary transfers other than grants		-
Business permits	1,646,949,189	1,772,705,925
Cess	286,922,856	308,831,535
Poll rates	2,093,070,761	2,252,892,175
Plot rents	57,253,944	61,625,706
Other local levies	378,162,165	407,037,640
Administrative services fees	144,959,096	156,027,794
Various fees	989,918,730	1,065,506,338
Council's natural resources Exploitation	49,760,543	53,560,128
Sales of council assets	-	-
Lease / rental of council's Infrastructure assets	-	-
Other miscellaneous receipts	224,645,122	241,798,437
Insurance claims recovery	-	-
Medium term loans (1-3 yr repayment)	-	-
Long term loans (over 3 yr repayment)	24,249,648	26,101,288
Transfers from reserve funds	-	-
Donations	-	-
Fund raising events	-	-
Other receipts from financial assets loan	-	-
Market/trade centre fee	96,251,392	103,600,897
Vehicle parking fees	1,881,783,131	2,025,471,174
Housing	537,487,026	578,528,131

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

Social premises use charges	8,396,096	9,037,200
School fees	3,865,175	4,160,310
Other education-related	94,764	102,000
Other education receipts	3,614,041	3,890,000
Public health services	287,156,234	309,082,734
Public health facilities operations	16,314,486	17,560,218
Environment & conservancy	8,667,595	9,329,430
Slaughter houses administration	-	-
Water supply administration	-	-
Sewerage administration		
Other health & sanitation	96,810,373	104,202,560
Technical services fees	914,007,924	983,799,181
External services fees	407,253,835	438,350,674
<b>Total</b>	<b>10,157,594,130</b>	<b>10,933,201,475</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. COMPENSATION OF EMPLOYEES**

	2017 - 2018	2016 - 2017
	KShs	KShs
Basic salaries of permanent employees	6,578,177,149	6,490,646,441
Basic wages of temporary employees	21,427,780	8,465,010
Personal allowances paid as part of salary	5,208,623,031	4,669,459,795
Personal allowances paid as reimbursements		
Personal allowances provided in kind	-	483,276,544
Pension and other social security contributions		-
Compulsory national social security schemes	1,173,783,446	1,077,799,186
Compulsory national health insurance schemes		-
Social benefit schemes outside government	-	-
Other personnel payments		-
<b>Total</b>	<b>12,982,011,406</b>	<b>12,982,011,406</b>

**6. USE OF GOODS AND SERVICES**

	2017 - 2018	2016 - 2017
	KShs	KShs
Utilities, supplies and services	236,427,550	274,713,887
Communication, supplies and services	13,139,980	12,627,211
Domestic travel and subsistence	239,918,597	236,528,496
Foreign travel and subsistence	28,521,884	23,600,563
Printing, advertising and information supplies & services	82,659,972	43,868,091
Rentals of produced assets	-	16,478,000
Training expenses	204,045,834	162,555,302
Hospitality supplies and services	144,832,779	206,738,471
Insurance costs	1,983,135,524	1,157,240,895
Specialized materials and services	295,164,566	337,895,328
Office and general supplies and services	78,380,330	152,165,731
Other operating expenses	1,609,205,789	1,995,161,686
Routine maintenance – vehicles and other transport equipment	5,054,694	9,796,064
Fuel Oil and Lubricants	114,020,955	93,350,332
Routine maintenance – other assets	8,893,708	88,805,369
Other Payments	1,404,256,018	1,651,446,060

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

---

<b>Total</b>	<b>6,447,658,180</b>	<b>6,462,971,486</b>
--------------	----------------------	----------------------

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. TRANSFER TO OTHER GOVERNMENT ENTITIES**

Description	2017 - 2018	2016 - 2017
	KShs	KShs
Transfer to Nairobi City County Assembly	1,237,058,777	1,446,004,403
<b>TOTAL</b>	<b>1,237,058,777</b>	<b>1,446,004,403</b>

**8. OTHER GRANTS AND OTHER PAYMENTS**

	2017 - 2018	2016 - 2017
	KShs	KShs
Scholarships and other educational benefits	421,287,000	297,012,443
Emergency relief and refugee assistance		
Current Grants to Government agencies and other levels of Government	52,900,000	-
<b>Total</b>	<b>474,187,000</b>	<b>297,012,443</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. SOCIAL SECURITY BENEFITS**

	2017 - 2018	2016 - 2017
	KShs	KShs
Government pension and retirement benefits	4,513,552	9,284,644
Social security benefits in cash and in kind	-	-
Employer Social Benefits in cash and in kind	-	-
<b>Total</b>	<b>4,513,552</b>	<b>9,284,644</b>

**10. ACQUISITION OF ASSETS**

<u>Non Financial Assets</u>	2017 - 2018	2016 - 2017
	KShs	KShs
Purchase of Buildings		
Construction of Buildings	31,897,772	67,693,935
Refurbishment of Buildings	601,222,054	72,838,053
Construction of Roads	363,901,975	596,741,989
Construction and Civil Works	287,949,730	499,729,375
Overhaul and Refurbishment of Construction and Civil Works	15,833,601	148,214,401
Purchase of Vehicles and Other Transport Equipment		127,554,059
Overhaul of Vehicles and Other Transport Equipment		
Purchase of Household Furniture and Institutional Equipment		
Purchase of Office Furniture and General Equipment	40,078,720	16,624,523
Purchase of ICT Equipment		
Purchase of Specialized Plant, Equipment and Machinery	60,610,345	190,981,271
Rehabilitation and Renovation of Plant, Machinery and Equip.		
Purchase of Certified Seeds, Breeding Stock and Live Animals	4,425,000	5,808,190
Research, Studies, Project Preparation, Design & Supervision	29,759,649	36,525,682
Rehabilitation of Civil Works		
Acquisition of Strategic Stocks and commodities		
Acquisition of Land		
Acquisition of Intangible Assets		
<b>Financial Assets</b>		

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

Domestic Public Non-Financial Enterprises		
Domestic Public Financial Institutions		
<b>Total</b>	<b>1,435,678,846</b>	<b>1,762,711,478</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11. REPAYMENT OF PRINCIPAL ON DOMESTIC LENDING AND ON-LENDING**

	2017 - 2018	2016 - 2017
	KShs	KShs
Repayments on Borrowings from Domestic	868,192,719	30,000,000
Principal Repayments on Guaranteed Debt Taken over by Government		
Repayments on Borrowings from Other Domestic Creditors		
Repayment of Principal from Foreign Lending & On – Lending		
<b>Total</b>	<b>868,192,719</b>	<b>30,000,000</b>

**12. OTHER PAYMENTS**

	2017 - 2018	2016 - 2017
	KShs	KShs
Budget Reserves	-	-
Civil Contingency Reserves	-	-
Other expenses bank charges	101,779,511	147,628,039
Other expenses-Debt repayment - Other Creditors`	-	768,428,163
Other expenses-Debt repayment KRA AGENCY NOTICE	350,000,000	1,308,358,083
<b>Total</b>	<b>451,779,511</b>	<b>2,224,414,285</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13. CASH AND BANK BALANCES**

**21A. BANK BALANCES**

Central Bank of Kenya-Revenue A/C No: 1000171863	Kshs	Revenue	1,174,603,925	191,921,490
Central Bank of Kenya-Recurrent A/C No: 1000171502	Kshs	Recurrent	3,358,296	4,665,484
Central Bank of Kenya-Development A/C No: 1000171413	Kshs	Development	130,989,362	11,114,482
Central Bank of Kenya-KRB RMLF A/C No: 1000248106	Kshs	Fund	729,208	743,006
Central Bank of Kenya-Ward Development Fund A/C No: 1000248107	Kshs	Fund	-	-
Central Bank of Kenya-Special Purpose A/C No: 1000309741	Kshs	Recurrent	17,009,120	-
Central Bank of Kenya-ASDSP II A/C No: 1000367709	Kshs	Recurrent	-	-
Central Bank of Kenya-Youth Poly PRJ Grant A/C No: 1000367431	Kshs	Recurrent	-	-
Central Bank of Kenya-Health Care Services A/C No: 1000369124	Kshs	Recurrent	-	-
Cooperative Bank-Revenue A/C No: 01141232396600	Kshs	Revenue	13,544,774	6,786,981
Cooperative Bank-Imprest A/C No: 01141232396601	Kshs	Recurrent	7,253,942	(891,961,441)
Cooperative Bank-Development A/C No: 01141232396602	Kshs	Development	7,134,703	471,111
Cooperative Bank-Bursary Fund A/C No: 01141232396612	Kshs	Fund	287,714,335	-
Cooperative Bank-Salary A/C No: 01692232396600	Kshs	Recurrent	2,667,274	-
Equity Bank-General collection A/C No: 0810263520904	Kshs	Revenue	-	(11,112)
Equity Bank-General collection A/C No: 0810271586663	Kshs	Revenue	96,637	(256,092)
Cooperative Bank-Solid waste management A/C No: 01141232396606	Kshs	Development	5,000	1,600,305
National Bank-Emergency fund A/C No: 01001091113700	Kshs	Emergency Fund	1,615,998	1,622,398
Kenya Commercial Bank-Trust fund A/C No: 1149229667	Kshs	Trust Fund	29,860,902	28,822,195
Cooperative Bank-Kenya Roads Board A/C No: 01141232396604	Kshs	Development	24,823,927	24,827,964
Cooperative Bank-Waithaka Technical	Kshs	Recurrent	383,171	61,471

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

A/C No: 01141232396600				
Cooperative Bank-Loan call A/C No: 01150232396600	Kshs	Loan	11,853,960	765,307
Cooperative Bank-Loan call A/C No: 01150005723622	Kshs	Loan		24,625,189
Cooperative Bank-Loan call A/C No: 01150005723623	Kshs	Loan	-	38,007,005
Kenya Commercial Bank-current A/C No: 1159076065	Kshs	Recurrent	(3,794,555)	(3,790,179)
National Bank - Nairobi City County A/C No:01001067824200	Kshs	Recurrent	3,961	0
National Bank - Pumwani Maternity College A/C No:01285123637400	Kshs	Recurrent	1,120,815	9,967,661
National Bank - Pumwani Hospital A/C No:102100895400			10,074,556	0
National Bank - Mbagathi Hospital A/C No:01001031663101	Kshs	Recurrent	39,338,647	19,561,199
Kenya Commercial Bank - Mama Lucy Hospital A/C- 1133233864	Kshs	Recurrent	77,227,904	30,460,569
National Bank - Mutuini A/C No:102100895400	Kshs	Recurrent	383,464	14,514
National Bank -UN Habitat A/C No:01001067824200	Kshs	Recurrent		8,361
Cooperative Bank-Nairobi Liquor Control Board A/C No:01141230914900	Kshs	Recurrent		-
Cooperative Bank - Beautification 01141232396608	Kshs	Recurrent		-
Equity Bank - Operations A/C 0810277333578	Kshs	Recurrent	-	-
NCC & University of Maryland Health Service	Kshs	Recurrent	10,977,546	-
Chase Bank- Nairobi Ward Development Fund A/C No: 0082120378001	Kshs	Recurrent		-
<b>Total</b>			<b>1,848,976,871</b>	<b>(499,972,132)</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

---

**21B. CASH IN HAND**

	2017 – 2018	2016 – 2017
	KShs	KShs
Cash in Hand – Held in domestic currency		29,854,631
Cash in Hand – Held in foreign currency		
<b>Total</b>		<b>29,854,631</b>

Cash in hand should also be analysed as follows:

	2017 – 2018	2016 – 2017
	KShs	KShs
Main Cash Office – City Hall		
Cash	-	11,013,984
Cheques	-	18,840,647
<b>Total</b>	<b>-</b>	<b>29,854,631</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14. ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS**

<i>Description</i>	2017 – 2018	2016 – 2017
	KShs	KShs
Government Imprests	78,385,142	74,147,605
Clearance accounts		
<b>Total</b>	<b>78,385,142</b>	<b>74,147,605</b>

**15. FUND BALANCE BROUGHT FORWARD**

	2017 – 2018	2016 – 2017
	KShs	KShs
Bank accounts	(499,972,132)	(1,276,874,863)
Cash in hand	29,854,631	33,511,284
Accounts Receivables	74,147,605	25,199,363
Accounts Payables		
<b>Total</b>	<b>(395,969,896)</b>	<b>(1,218,164,216)</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**5.10. OTHER IMPORTANT DISCLOSURES**

**SUMMARY OF PENDING ACCOUNTS PAYABLES**

	2017-2018	2016-2017
	KShs	KShs
Pending Merchants Payables (Annex 1)	11,515,741,109.07	6,614,150,772.00
Pending Staff Payables (Annex 2)	134,647,551.00	142,249,068.00
Other Pending Bills (Annex 3)	51,901,253,775.00	44,786,733,409.00
Outstanding Loan (Annex 4)	3,024,371,706.30	4,973,231,829.00
	<b>66,576,014,141.37</b>	<b>56,516,365,078.00</b>

**1. PENDING ACCOUNTS PAYABLE (See Annex 1)**

	2017 – 2018	2016 – 2017
	KShs	KShs
Construction of buildings	413,022,549	501,167,881.00
Construction of civil works	442,916,795	1,307,250,075.93
Supply of goods	2,546,318,040.80	1,286,073,633.00
Supply of services	<b>8,113,483,724.27</b>	3,519,659,183.00
<b>Total</b>	<b>11,515,741,109.07</b>	<b>6,614,150,772.93</b>

**2. PENDING STAFF PAYABLES (See Annex 2)**

	2017 – 2018	2016 – 2017
	KShs	KShs
Senior management		-
Middle management		-
Unionisable employees		-
Others ( <i>specify</i> )	134,647,551	142,249,068.00
	<b>134,647,551</b>	<b>142,249,068.00</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**3. OTHER PENDING PAYABLES (See Annex 3)**

	2017 – 2018	2016 – 2017
	KShs	KShs
Amounts due to National Government entities	5,010,660,716	4,392,889,481.00
Amounts due to County Government entities	424,342,472	-
Amounts due to third parties	19,143,925,000	19,143,925,000.00
Others ( <i>specify</i> )	27,322,325,587	21,249,918,928.00
	<b>51,901,253,775</b>	<b>44,786,733,409.00</b>

**1. RELATED PARTY DISCLOSURES**

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the County Government:

- Key management personnel that include the Governor, the Deputy Governor Members of the County Assembly, CECs and Chief Officers for various County Ministries and Departments;
- County Ministries and Departments;
- The National Government;
- Other County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

**Related party transactions**

	2017-2018	2017- 2016
	Kshs	Kshs
Key Management Compensation(Governors, CEC Members and C.Os)	56,673,000	64,128,000
<b>Transfers to related parties</b>		
Transfer to the County Assembly	1,237,058,777	1,446,004,403
Transfers to other County Government Entities		
Transfers to Development Projects		
Transfers to non reporting entities c.g schools and welfare		

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

Transfers to County Water Service Providers		
Expenses paid on behalf of County Water Service Providers		
<b>Total Transfers to related parties</b>	<b>1,237,058,777</b>	<b>1,446,004,403</b>
<b><u>Transfers from related parties</u></b>		
Transfers from the Exchequer	15,402,000,000	14,023,506,891
Transfers from MDAs		
Transfers from SCs and SAGAs- National Government	39,939,541	827,531,670
Transfers from Donors	183,737,113	-
<b>Total Transfers from related parties</b>	<b>15,625,676,654</b>	<b>14,851,038,561</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**6. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue /	Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)
1	Going concern of Nairobi city county	Financial statements show an accumulated deficit of Ksh 1.585B and a negative total financial assets of Ksh 1.243b casting doubt as to the ability of NCCG to continue as a going concern	Positive surplus balances have been reported in the Financial year 2016-2017 and 2017-2018	CEC - Finance
2	Revenue not transferred to CRF	Non transfer of internal sources of revenue amounting to Ksh. 10.33B. Withdrawal of entire exchequer releases amounting to Ksh 11.34b without the approval of COB.	Own sources revenues are swept daily to the CRF Account and the same requisitioned through the Office of the Controller of Budget	CEC - Finance
3	Compensation of employees	Employees PINs differing with KRA data. Criteria for paying overtime not clear. Non existence of leave management procedure, with some officers being paid twice of their leave allowance	Cleansing exercise regarding PINs was conducted between the County and KRA and we are 99% compliance. Overtime allowances are strictly supervised by County Chief Officers who seek pre- authorisation from the County Secretary before payment. Adequate controls were introduced	Chief Officer – Public Service Management

# NAIROBI CITY COUNTY GOVERNMENT

## Reports and Financial Statements

For the year ended June 30, 2018

Reference No. on the external audit Report	Issue /	Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)
			on leave allowance payments	
4	Assets and Liabilities inherited from the defunct City Council of Nairobi.  Maintenance of Fixed Assets register Presentation and disclosure of expenditure on assets	Not known when the hand over of these assets and liabilities will be done  Non- maintenance of fixed assets register  The list provided did not have the sizes/ acreage and value of the properties	Asset directorate was formed in 2016. Asset listing was done through the guidelines of IGRTC. A budgetary provision for asset tagging and valuation of assets has been set aside in the current FY 2018-2019	CEC - Finance
5	Accounts payables (pending bills)	Documented evidence was not provided to support the pending bills	The Governor through gazette notice No;2101 dated 9 <sup>th</sup> March 2018 established a pending bills committee to verify arrears and audit procurement processes	County Secretary

CEC, County Treasury

Sign.....

Date...26/09/18.....

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

---

**ANNEXES**

**ANNEX 1 – ANALYSIS OF TRANSFERS FROM THE EXCHEQUER**

Period	Equitable Share	DANIDA	KDSP	WorldBank- Youth Polytechnics	World Bank- Health	Total Transfers from the National Treasury
Exchequer Releases for quarter 1	3,792,280,000	-	-	-	-	3,792,280,000
Exchequer Releases for quarter 2	3,897,570,000	-	-	-	17,009,120	3,914,579,120
Exchequer Releases for quarter 3	2,136,320,000	-	50,272,368	-	-	2,186,592,368
Exchequer Releases for quarter 4	5,575,830,000	58,162,149	27,638,529	30,654,947	-	5,692,285,625
<b>Total</b>	<b>15,402,000,000</b>	<b>58,162,149</b>	<b>77,910,897</b>	<b>30,654,947</b>	<b>17,009,120</b>	<b>15,585,737,113</b>

**NAIROBI CITY COUNTY GOVERNMENT**  
**Consolidated Reports and Financial Statements**  
**For the year ended June 30, 2018**

**ANNEX 1 – ANALYSIS OF PENDING  
ACCOUNTS PAYABLE**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017/2018	Outstanding Balance 2016/2017	Comments
	A	B	c	d=a-c		
<b>Construction of buildings</b>				413,022,548.09	501,167,880.52	
				0		
				0		
				0		
<b>Sub-Total</b>				<b>413,022,548.09</b>	<b>501,167,880.52</b>	
<b>Construction of civil works</b>				442,916,795	1,307,250,075.93	
				0		
				0		
				0		
<b>Sub-Total</b>				<b>442,916,795</b>	<b>1,307,250,075.93</b>	
<b>Supply of goods</b>				2,546,318,040.80	1,286,073,633.20	
				0		
				0		
				0		
<b>Sub-Total</b>				<b>2,546,318,040.80</b>	<b>1,286,073,633.20</b>	
<b>Supply of services</b>						
10. PUMWANI MATERNITY AND OTHER HOSP				225,050,117.60	162,085,106.32	

**NAIROBI CITY COUNTY GOVERNMENT**

**Reports and Financial Statements**

**For the year ended June 30, 2018**

11.SUPPLY OF SERVICES				1,570,589,712.89	531,033,335.73	
12.LEGAL CREDITORS				5,442,127,207.78	2,339,264,112.36	
13.KPLC				640,719,627	393,066,405.70	
14.WATER BILLS				234,997,059	94,210,222.89	
<b>Sub-Total</b>				<b>8,113,483,724.27</b>	<b>3,519,659,183.00</b>	
<b>Grand Total</b>				<b>11,515,741,108.16</b>	<b>6,614,150,772.65</b>	

**NAIROBI CITY COUNTY GOVERNMENT**  
**Consolidated Reports and Financial Statements**  
**For the year ended June 30, 2018**

**ANNEX 2 - ANALYSIS OF  
PENDING STAFF PAYABLES**

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
					2017	2016	
		a	b	c	d=a-c		
<b>Senior Management</b>							
<b>Sub-Total</b>							
<b>Middle Management</b>							

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

<b>Sub-Total</b>							
<b>Unionisable Employees</b>							
<b>Sub-Total</b>							
<b>Others (specify)</b>							
10. Retirees and Deceased cases Terminal Dues					134,647,551	142,249,068.40	
<b>Sub-Total</b>					<b>134,647,551</b>	<b>142,249,068.40</b>	
<b>Grand Total</b>					<b>134,647,551</b>	<b>142,249,068.40</b>	

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**ANNEX 3 – ANALYSIS  
OF OTHER PENDING  
PAYABLES**

Name	Brief Transaction Description	Original Amount	Date Payable Contract ed	Amount Paid To-Date	Outstanding Balance 2017/2018	Outstanding Balance 2016/2017	Comments
		a	b	c	d=a-c		
<b>Amounts due to National Govt Entities</b>							
1.	KRA(PAYE)				4,039,759,099.00	3,711,714,898.07	
2.	KRAPAYE-PENALTIES&INTEREST				688,989,096.00		
3.	KRA(VAT)				281,912,521.00	210,366,466.45	
<b>Sub-Total</b>					<b>5,010,660,716.00</b>	<b>3,922,081,365</b>	
<b>Amounts due to County Govt Entities</b>							
4.	NSSF				424,342,472.00	470,808,346.00	
					-		
					-		
<b>Sub-Total</b>					<b>424,342,472.00</b>	<b>470,808,346</b>	
<b>Amounts due to Third Parties</b>							
7.	GOVT					15,328,285,000	

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

GUARANTEED LOANS					15,328,285,000.00		
8. ONLENT WATER (FOREIGNLOANS)					3,815,640,000.00	3,815,640,000	
					-		
<b>Sub-Total</b>					<b>19,143,925,000.00</b>	<b>19,143,925,000</b>	
<b>Others (specify)</b>							
10. LAPTRUST PRINCIPAL					6,334,269,486.00	5,812,450,194.26	
11. LAPTRUST PENALTIES					4,573,813,957.00	3,088,249,653.42	
12. LAPFUND PRINCIPAL					1,982,017,715.00	2,041,834,795.04	
13. LAPFUND PENALTIES					11,807,851,856.00	7,683,011,712.31	
14. LAPTRUST (ACTURIAL DEFICIT)					2,624,372,573.00	2,624,372,573.00	
<b>Sub-Total</b>					<b>27,322,325,587.00</b>	<b>21,249,918,928</b>	
<b>Grand Total</b>					<b>51,901,253,775.00</b>	<b>44,786,733,638.55</b>	

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**ANNEX 5 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Historical Cost b/f (KShs ) 2016/2017	Additions during the year (KShs )	Disposals during the year (KShs )	Historical Cost c/f (KShs ) 2017/2018
Land				
Buildings and structures	4,473,839,824	633,119,826	-	5,106,959,650
Transport equipment	1,019,354,389		-	1,019,354,389
Office equipment, furniture and fittings	740,807,805	100,689,065	-	841,496,870
ICT Equipment, Software and Other ICT Assets	111,039,747		-	111,039,747
Other Machinery and Equipment	453,080,838		-	453,080,838
Heritage and cultural assets	112,432,000		-	112,432,000
Intangible assets	65,830,919		-	65,830,919
Purchase of certified seeds, breeding stock and live animals	30,418,630	4,425,000	-	34,843,630
Infrastructure	8,535,261,955	697,444,955	-	9,232,706,910
W.I.P	2,826,814,000		-	2,826,814,000
<b>Total</b>	<b>18,368,880,107</b>	<b>1,435,678,846</b>	<b>-</b>	<b>19,804,558,953</b>

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the County Government. Additions during the year should tie to note 17 on acquisition of assets during the year.

**NAIROBI CITY COUNTY GOVERNMENT**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

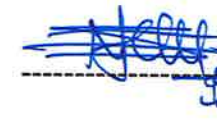
**ANNEX 6 – INTER-ENTITY TRANSFERS**

Ref	Entity	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Amount transferred KShs	Amount Confirmed as received KShs	difference	explanation
	County Assembly	170,000,000	392,138,802	247,550,370	427,369,605	1,237,058,777	1,237,058,777	-	
	<b>Total</b>								

Director of Finance  
County Executive



Director of Finance  
County Assembly/fund/project



(NB: This appendix must be agreed and signed by the issuing and receiving party)