

**ANNUAL ACCOUNTS AND AUDIT
REPORT
FOR THE YEAR ENDED 30TH JUNE 1998**



KENYA NATIONAL ASSEMBLY

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FOR THE YEAR ENDING 31/12/1999
REMOVED
LIBRARY OF THE KENYA NATIONAL ASSEMBLY



Kenya Ports Authority

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Office of the Chairman

Ref: FGM/2/3/02

Date: 3rd October, 2000.

The Hon. Minister,
Ministry of Information,
Transport & Communications,
P. O. Box 52692,
M O M B A S A.

Dear Sir,

KENYA PORTS AUTHORITY ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 1998

On behalf of the Board of Directors of Kenya Ports Authority, I have the honour to present the Statement of Accounts (together with Audit Report) for the period ended 30th June, 1998 in accordance with the provisions of Section 20(3) of Kenya Ports Authority Act, 1978.

In conformity with the provisions of Section 20(2) of the same Act, the Statement of Accounts were on 31st October 1998 submitted to the Auditor General (Corporations) for Audit.

Yours


Jonathan D. Mturi
CHAIRMAN

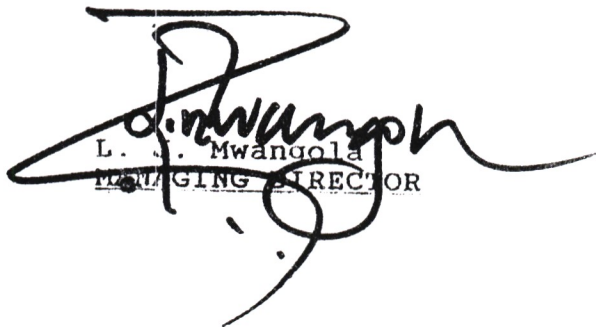
KENYA PORTS AUTHORITY

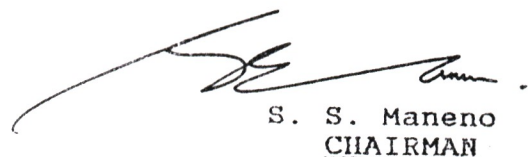
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED ON 30TH JUNE, 1998

	1997/98 KSHS	1996/97 KSHS
A. REVENUE		
Marine	697,666,502	614,271,599
Stevedoring	2,582,882,680	2,249,931,495
Shorehandling	3,384,167,311	2,986,432,890
Storage	842,397,317	936,238,878
Miscellaneous	1,761,475	1,000,590
Non-Operating Revenue	256,211,728	204,683,890
Total Revenue	7,765,087,013	6,992,558,842
B. EXPENDITURE		
Marine	951,761,693	539,644,883
Conventional Cargo	1,669,406,712	1,820,872,895
Containerised Cargo	1,217,921,207	1,251,460,282
Dry Ports	252,416,167	222,773,228
Administration	3,304,271,740	3,097,131,251
Foreign Currency Gain/Loss	10,370,020	(14,244,949)
Total Expenditure	7,406,147,539	6,917,637,590
Surplus Before Tax	358,939,474	74,921,252
Taxation	(313,118,610)	(304,144,531)
Surplus/Loss after Tax to be transferred to Revenue Reserves	45,820,864	(229,223,279)

KENYA PORTS AUTHORITY
BALANCE SHEET AS AT 30TH JUNE, 1998

	NOTE	1997/98 KSHS	1996/97 KSHS.
Assets Employed.			
Net fixed Assets	3	18,436,223,974	19,748,285,222
Work in Progress	3	1,354,170,726	841,038,613
Long term Investments	4	<u>713,371,503</u>	<u>615,530,633</u>
		<u>20,503,766,203</u>	<u>21,204,854,468</u>
Current Assets			
Stocks	5	1,419,747,554	1,397,880,323
Debtors	5	1,860,186,914	1,977,334,427
Cash and Bank	5	<u>88,504,174</u>	<u>42,993,698</u>
		<u>3,368,438,642</u>	<u>3,418,208,448</u>
Current Liabilities			
Loans-Current Portion		499,560,164	446,576,038
Trade Creditors		1,059,148,044	1,215,385,617
Tax		1,971,889,452	2,077,316,441
Bank Overdraft	5	<u>827,126,127</u>	<u>328,452,279</u>
		<u>4,357,723,787</u>	<u>4,067,730,375</u>
Net Current Assets		(989,285,145)	(649,521,927)
Pension Provisions	6	<u>368,737,465</u>	<u>(341,878,676)</u>
Total Net Assets		<u>19,145,743,593</u>	<u>20,213,453,865</u>
Financed by			
Distributable Reserves	7	553,143,185	1,243,596,124
Capital Reserves	7	15,715,209,014	15,721,689,462
Foreign Currency fluctuation Reserve	7	<u>276,673,904</u>	<u>365,552,138</u>
		16,545,026,103	17,330,837,724
Loan Capital	8	<u>2,600,717,490</u>	<u>(2,882,616,141)</u>
		<u>19,145,743,593</u>	<u>20,213,453,865</u>


L. S. Mwangola
MANAGING DIRECTOR


S. S. Maneno
CHAIRMAN

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 1998

	NOTE	KSH M.	KSH M.
Net Cash Inflow from operating activities	(a)		2,787.07
Returns on Investments and servicing of finance			
Non- operating Income		256.0	
Interest paid on debt servicing		(208.5)	
Net Cash outflow on Return on Investment and servicing of finance			47.5
Taxation Paid			(758.10)
Investment Activities			
Purchase of fixed assets and W.I.P.		(1062.1)	
Mobilisation A/C		(31.4)	
Advance to KFS		(81.3)	
Purchase of Investment		(97.8)	
Advance to MOTC		(3.1)	
Others		(1,070.66)	
Net Cash outflow from Investing Activities.			(2,346.36)
Finance Activities			
Repayment of amounts borrowed.		(172.9)	
Net Cash outflow from Financing Activities			(172.9)
Decrease in Cash and Cash equivalents			
	(b)		(442.79)

SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION

a. NET CASH FLOW FROM OPERATING ACTIVITIES	K. SHS.
Operating profit before taxation and exceptional items	358,939,474
Adjustment for	
Depreciation	1,632,368,744
Write off	326,409,321
Interest paid	208,527,516
Interest Provision	121,394,390
Foreign Exchange Movement	10,370,020
Other income	(256,211,728)
Decrease/Increase:	
Stock	(21,867,231)
Debtors	117,147,513
Creditors	289,993,412
	<u>2,787,071,431</u>
b. DECREASE IN CASH AND CASH CASH EQUIVALENTS	
Opening balance 1.7.97	(285,458,581)
Net cash outflow during the year before adjustment for the effect of foreign exchange movement.	(442,793,351)
Effect of foreign rate changes	(10,370,020)
Balance as at 30th June, 1998	<u>(738,621,952)</u>

**NOTES TO THE ACCOUNTS FOR THE YEAR
ENDED 30TH JUNE, 1998**

NOTE 1 ACCOUNTING POLICES

(a) BASIS OF ACCOUNTING

The Authority prepares its accounts on the historical cost basis of accounting modified to include the revaluation of certain assets.

(b) REVENUE RECOGNITION

Revenue and expenditure are accounted for on accrual basis.

(c) ACCRUALS

No provision is made for invoices after the year ended for expenses relating to the year under review, unless individual amounts exceed shs.500,000.00

(d) FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost or valuation. Depreciation is calculated on the straight line basis at annual rates estimated to write-off the assets over their expected useful lives. The annual rates uses are stated below.

<u>CLASS</u>	<u>RATES (%)</u>
Dredging	2.5
Land & Building	2.5
Rail Lines	2.5
Roads	2.5
Quays	2.5
Cranes	10.0
Forklift Trucks	10.0

NOTE: 2

STATEMENT NO. 1

REVENUE;	1997/98 KSHS.	1996/97 KSHS.
Operating Revenue	7,508,875,285	6,787,874,952
Non-Operating Revenue	256,211,728	204,683,890
	7,765,087,013	6,992,558,841
Expenditure		
Staff Costs	3,194,087,436	2,804,535,877
Materials	1,126,049,665	1,064,205,054
Depreciation	1,632,368,744	1,625,463,309
Utilities	226,101,917	194,044,947
Administration and Expenditure	92,820,394	153,169,412
Personel and Public Relations	158,944,699	153,122,162
Finance and Legal Cost	875,774,684	918,096,829
	7,406,147,539	6,917,637,590
Surplus before tax	358,939,474	74,921,251

NOTE 3:**FIXED ASSETS MOVEMENT SCHEDULE**

	Lands & Building KSHS.	Motor vehicles Forklifts, Boat Tugs & Cranes KSHS	Equipment Services Systems KSHS	Roads, Bridges Tracks, Quays Jetties, Wharves Breakwaters Dredge KSHS.	TOTAL KSHS.
Cost of Valuations balance as at 1.7.97	8,305,578,200	10,453,826,400	760,350,768	7,083,148,536	26,602,903,904
Additions	42,000,000	4,485,100	30,900,000	266,300,000	343,685,100
Transfers	(28,000,000)	-	-	28,000,000	-
Disposals	-	-	-	-	-
Adjustments	(11,000,000)	-	-	(61)	(11,000,061)
Balance as at 30th June, 1998	8,308,578,200	10,458,311,500	791,250,768	7,377,448,475	26,935,588,943
Depreciation					
Balance as at 1.7.1997	553,362,686	4,920,508,561	279,760,160	1,100,987,275	6,854,618,682
Charge for the year 1997/98	201,725,257	974,131,465	95,433,862	361,078,160	1,632,368,744
Transfer	-	-	-	-	-
Disposals	-	-	-	-	-
Adjustments	199,354	14,923,634	(2,746,951)	1,506	12,377,543
Accu.Dep. as at 30th June, 1998	755,287,297	5,909,563,660	372,447,071	1,462,066,941	8,499,364,969
NB V as at 30.6.98	7,553,290,903	4,548,747,840	418,803,697	5,887,381,595	18,436,223,974
NB V as at 30.6.97	7,752,215,514	5,533,317,839	480,590,608	5,982,161,261	19,748,285,222
W.I.F. 30.6.98	687,811,310	411,372,827	21,348,283	233,638,305	1,354,170,725
W.I.F. 30.6.97	688,344,462	-	141,451,595	11,252,556	841,038,613

NOTE:4. Investments.

- (a) Investments are held in Fixed Deposit accounts and Government Stocks.
- (b) Also included under investments is the cost of equity share holding in the following institutions.

	<u>Cost</u>
(i) Kenya National Shipping Line Ltd	54,346,500.00

The investment in Kenya National Shipping Line includes kshs. 19,335,000.00 which was advanced to Kenya National Shipping and was Capitalised during the restructuring process. This resulted into the Authority's investment increasing to Kshs.54,346,000.00

(ii) Consolidated Bank of Kenya Ltd 29,100,000.05

- (c) Deposits in collapsed Financial Institutions totalling Kshs.55,785,918.00 and related accrued interest totalling Kshs.45,471,383.39 are still outstanding in the books of Accounts. Provision for these doubtful investments were made in 1992 by charging the Income and Expenditure Account with the loss. The Management is considering to recommend for write off of these doubtful debts.

NOTE: 5. CURRENT ASSETS.

- (a) Store Stock

These are stated at cost or net realizable value less 5% provision for obsolescence and deterioration.

	Stock K.shs.m	Provision K.SHS.M	Net Balance K.shs.
Balance as at 30.6.98	1,494.47	(74.723)	1,419.74
Balance as at 30.6.97	1,752.15	(354.27)	1,397.88

(b) DEBTORS

The balance includes bills outstanding in respect of Marine and Cargo handling services rendered to Port Users upto 30.6.98. It also includes staff and other debts.

	30.6.98	30.6.97
	<u>Kshs.M</u>	<u>Kshs.M</u>
Cargo Debtors	476.50	427.87
Marine Debtors	353.06	389.51
Total Trade Debt	829.56	817.38
Less Provision for bad and doubtful debtors	(83.51)	(103.72)
Net Trade Debt	746.05	712.67
Staff Debt	264.02	247.44
MOTC Advance	296.23	293.14
RFS	422.80	247.69
Prepaid Taxes	-	381.69
Lasco Club	5.15	5.52
Mobilisation A/C	109.10	77.63
Prepaid Insurance	0.06	1.92
Dishonoured Cheques	11.03	1.89
Other debtors	2.65	3.7
Electricity Subconsumers	2.99	2.99
	1,860.18	<u>1,977.33</u>

(c) (i) CASH AND BANK

The balance consists of the following:-

	<u>30.6.98</u>	<u>30.6.97</u>
Bank overdraft	(827.12)	(328.45)
Cash at Bank	86.79	39.91
Cash with Crown Agents	0.47	0.61
Cash at Hand	<u>1.24</u>	<u>2.47</u>
Net Cash Balance	<u>88.50</u>	<u>42.99</u>

(ii) Overdraft Facility

Management sought and was granted authority by the Treasury to negotiate overdraft facilities with National Bank of Kenya. The Bank agreed to grant the facility to the maximum sum of Shs.800.0million at an interest rate of 26.5% per annum on the balance drawn. The facility was rolled - over for use during the financial year ended 30th June, 1998.

NOTE; 6 Provisions.

Provisions have been made to meet contributions to staff Pension and Gratuity Scheme.

	30.6.98	30.6.97
	Kshs_M	Kshs_M
Staff Pension	367.76	337.90
Staff Gratuity	0.98	3.98
	<u>368.74</u>	<u>341.88</u>

STATEMENT NO. 3

NOTE: 7

RESERVES.	DISTRIBU TABLE KSHS. M	CAPITAL KSHS. M	FOREIGN CURRENCY, FLUCTUATION KSHS. M	TOTAL KSHS. M
Balance as at 1.7.97	1,243.59	15,721.69	365.55	17,330.83
Adjustment	(736.32)	-	-	(736.32)
Excess depreciation transferred to P&L A/C	-	(6.49)	-	(6.49)
Exchange variations on Kshs against strong currencies	-	-	(88.88)	(88.88)
Retained Profit for the year	45.87	-	-	<u>45.87</u>
Balance as at 30.6.98.	<u>553.14</u>	<u>15,715.20</u>	<u>276.67</u>	<u>16,545.01</u>

LOANS AS AT 30TH JUNE, 1998

NOTE: 8

LOAN	DENOMI- NATION	INT RATE (%)	BALANCE AS 1/7/97	BALANCE AS 30/6/98	PAYABLE 98/99	OVER 1 YEAR
IBRD 865	US\$	7.25	27,538,126	0	0	0
EIB LOAN	JY/EP/NLG	5	235,324,261	180,521,786	41,842,499	138,679,257
NIO LOAN	NLG	2.5	180,571,032	165,517,506	23,645,358	141,872,148
ZAMBIA LOAN	ZKW	6	154,510	0	0	0
ON-LENT LOAN DUTCH	KSH	7.5	244,017,453	221,193,185	24,568,185	196,625,000
FRENCH LOCAL	KSH	10	523,979,895	462,648,476	63,328,546	399,319,930
BRITISH 101 M	KSH	10	168,619,019	158,165,094	11,525,452	146,639,642
BRITISH CRANE	KSH	9.5	71,004,856	66,490,664	4,953,226	61,537,438
BRITISH PIP	KSH	12	286,127,665	270,299,294	17,784,981	252,514,313
FRENCH FOREIGN	FF	10	1,568,422,233	1,553,167,990	310,633,598	1,242,534,392
BELGIUM	KSH	10	23,432,931	22,273,659	1,278,319	20,995,340
			3,329,192,179	3,100,277,654	499,560,164	2,600,717,490

NOTE;_9

Taxation

(a) Tax is charged on the surplus for the year after adjustments have been made in accordance with tax laws.

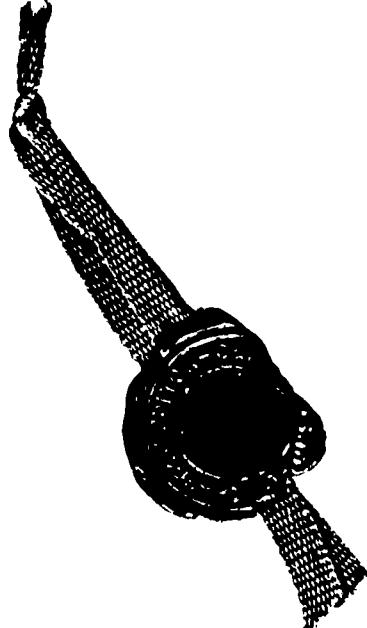
	1997/98	1996/97
	K.SHS.M	K.SHS.M
Tax Charged	313.11	304.14

The final tax assessment on this year's surplus will be based on the audited accounts for the year under review.

(ii) The liability for back-tax for the years 1986 - 1995 amounted to KShs.1,732,148,721.50

NOTE;_10. Contingent Liabilities.

	KSHS.M
(i) Penalty and interest on back-tax	1,771.97
(ii) Shortfall in Pension Contribution	3,924.0
(iii) Construction and Civil Works(CFS and White House Building Project)	354.0
(iv) Legal (Mtongwe Ferry Disaster Case and others).	395.0



REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS
OF KENYA PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 1998

**REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE
ACCOUNTS OF KENYA PORTS AUTHORITY FOR THE YEAR ENDED
30 JUNE 1998**

I have examined the Accounts of Kenya Ports Authority for the year ended 30 June 1998 in accordance with the provisions of Section 29 (2) of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations required for the purpose of the audit. Proper books of account were kept and the Accounts, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, are in agreement therewith and comply with the Kenya Ports Authority Act (Cap 391). In my opinion, and subject to the reservations set out herebelow, the Accounts, when read together with the Notes thereon, give a true and fair view of the Authority's financial position as at 30 June 1998 and of its deficit and cashflows for the year then ended.

1.0 LAND AND BUILDINGS

- 1.1 The Kenya Ports Authority owns land parcel number Mombasa Block 1/469 located between Kilindini High Level Estate and Labour Compound. An inspection of the plot revealed that a portion of the land has been carved out and allocated to a private company which has constructed a building thereon. Although the Authority has explained that the land was carved out by the Commissioner of Lands and allocated to this company without its consent, I have not, however, seen evidence of any action taken by the Authority to safeguard its ownership of the plot nor has any record been seen indicating the re-possession of the plot by the Commissioner of Lands.
- 1.2 Further, a wall has been constructed by a private developer around the Authority's plots numbers 112 and 113 near Bandari College. Although it had been indicated that the plots had been leased by the Authority to a trading company, no Lease Agreement signed between the Authority and the Company, specifying the terms of the lease was, however, seen. Moreover, it was noted that a payment of Kshs.1,897,120 made by the Company in respect of stand rent premium and annual rent was subsequently rejected by the Authority but the latter's attempt to refund the amount was, however, turned down by the Company which demanded specific performance as per the Agreement. It is further understood that these plots are being developed after they were allocated to two private developers by the Commissioner of Lands without the Board's approval. This position, notwithstanding, the Authority is evidently likely to face a suit for breach of contract and be, therefore, liable for compensation to the company that had leased and paid the rent of Kshs.1,897,120 for the plots.
- 1.3 In addition, the ownership of three Kipevu plots valued at Kshs.2,721,000 which were subject to court case filed by the Authority against the Commissioner of Lands was still in doubt as the case has not been finalized. It is, however, understood that the matter has been referred to the parent

Ministry, the Attorney General and the Commissioner of Lands for resolution in accordance with a previous recommendation of the Public Investments Committee. However, and until the dispute is resolved, it is not possible to confirm the ownership of the plots or even to confirm that the value of these plots is correctly and properly included in the Authority's Accounts for the year 1997/98.

2. CONTAINER FREIGHT SECTION - MOMBASA

In August 1995, and as previously reported, the Kenya Ports Authority awarded a contract to six (6) different firms for the construction of a Container Freight Station in Mombasa at a contract sum of Kshs.2,686,804,250 out of which expenditure of Kshs.428,169,568 had been incurred as at 30 June 1997. The Project, which was not included in that year's budget, was contracted without detailed feasibility studies and also lacked adequate documentation, particularly in the area of selection of contractors and consultants who apparently were given the contract(s) without open competitive bidding. During the year 1997/98, the Authority made further payments totalling Kshs.238,205,682 which brought total expenditure on the Project to Kshs.666,375,250 as at 30 June 1998. The Project was, however, indicated as having been abandoned and the contract determined in August 1997. Apart from the fact that no further explanation has been provided for the abandonment and the termination of the contract, the Authority is yet to justify its decision to spend a colossal amount of Kshs.666,375,250 on a Project which is now abandoned and which evidently is not beneficial to the Authority.

3. MTONGWE HOUSING PROJECT

The Mtongwe Housing Project which commenced on 02 April 1990 at a contract sum of Kshs.551,862,233 and which was to be completed by 31 March 1993, had still not been completed by 30 June 1998. As of that date the total cost on the Project amounted to Kshs.952,204,813. Further, although in its 7th Report, the Public Investments Committee had recommended that the Authority recover liquidated damages from the contractor arising out of breach of contract then estimated by the Authority at Kshs.29,728,400, available evidence indicated that the Authority may, in fact, have occasioned the delay in completing the Project on time and as a result the amount of the liquidated damages may not even be recoverable.

4. MAINTENANCE OF TUGS AND VESSELS CONTRACT

On 29 December 1995 the Authority entered into a contractual agreement under Contract No. 10/864 with a foreign firm for the repair and maintenance of marine crafts and tugs for a period of two years effective from that date. Under the Agreement the contractor was allowed to hire employees up to a maximum of three at the rate of Sterling pounds 8000 per employee per month. Records, however, indicate that the contractor was paid a total of Kshs.91,607,254 for a period of 40 months from June 1996 instead of Kshs.47,922,371 for 24 months as per the contract, thereby resulting in an unexplained overpayment of Kshs.43,684,883. No Board Minutes were seen to support the extension

of the contract period by a further period of 16 months. Consequently, it has not been possible to confirm the propriety of the extra payment of Kshs.43,684,883 made to this Company which represent about 91% of the original contract price of Kshs.47,922,371.

5. HIRE OF EQUIPMENT

During the year 1997/98, the Authority paid a total of Kshs.141,801,920 for hire of equipment from five firms to assist the Authority to clear what was termed as bulk commodities in the Port. Apart from the fact that it is not clear how the contracted firms were identified for the leasing of the equipment or how the rates of hire were arrived at, the Authority has not produced evidence to confirm that there was need to hire the equipment rather than use its own or even buy new equipment for the purpose, particularly in view that bulk commodity handling is a normal function of the Authority. Consequently, it has not been possible to confirm that the expenditure of Kshs.141,801,920 was proper and, therefore, justified.

6. ADVANCES TO KENYA FERRY SERVICES – KSHS.422,822,100

During the year under review, the Authority made additional advances to Kenya Ferry Services (KFS) amounting to Kshs.175,132,239, which brought total advances by KPA to KFS to Kshs.422,822,100 as at 30 June 1998. As indicated in previous year's report, the advances included a total of Kshs.9,225,000 invested by Kenya Ports Authority on behalf of Kenya Ferry Services in a private Ocean Cruise Company to acquire 30% shares in that Company and to clear its overdraft. However, and as stated previously, the Ocean Cruise Company has been dormant since 1991 and the Authority is, therefore, unlikely to recover the amount or even receive any returns on the investment. Further, the Kenya Ferry Services has been making operational losses over a considerable period of time and the Authority is, therefore, again unlikely to recover the advances from it. There is also a contingent liability of Kshs.395 million as shown in Note 10 to the Accounts on Mtongwe Ferry Disaster case of 1994 and others which might raise the amount advanced should this liability be eventually met.

7. INLAND CONTAINER DEPOT – ELDORET

The contract to build the Inland Container Depot at Eldoret was awarded to a construction Company in 1991 for a sum of Kshs.279,681,839. The job was to be completed within a period of 108 weeks with effect from June 1991. Although the Project was handed over by the contractor about five (5) years late in June 1996 and a total cost of Kshs.387,785,580 incurred by June 1997 an additional cost of Kshs.29,284,027 was incurred during the year 1997/98, thus bringing total cost on the Project to Kshs.417,069,608 as at 30 June 1998. The contract overrun of Kshs.137,387,769 represented about 49% of the original contract price. In the meantime, the heavy capital investment of Kshs.417,069,608 made in respect of the Project still remains idle with no returns accruing to the Authority, apparently due to poor and unco-ordinated planning for the Project.

8. DORMANT PROJECTS

The Work In Progress figure of Kshs.1,354,170,726 as at 30 June 1998 includes expenditure of Kshs.35,372,139 relating to projects that were abandoned more than five years ago as follows:

<u>Project</u>	<u>Date Abandoned</u>	<u>Amount Spent</u>
		Kshs.
Development Makupa Old Ocean Estate	July 1995	17,786,157
Dongo Kundu Development Study	July 1995	4,659,685
Development Makande Housing	July 1995	<u>12,926,297</u>
Total		<u>35,372,139</u>

No satisfactory explanation or justification has been provided for the abandonment of these projects before completion and, therefore, rendering the total expenditure of Kshs.35,372,139 incurred on the same as nugatory expenditure.

9. OIL/GREASE REMOVAL COSTS

Included in Materials Costs shown on Statement 2 to the Accounts is an amount of Kshs.5,499,000 paid to a private firm for cleaning and removing spilled oil and grease from the sea. Information available did not, however, show how the firm was identified for the contract or even how the evidently excessive rate of Kshs.50,000 per square metre was arrived at particularly in view that no signed contract agreement was seen. Board's approval for awarding the contract was also not seen and under the circumstances, it has not been possible to evaluate and confirm the propriety of the expenditure of Kshs.5,499,000 incurred by the Authority and charged to these Accounts as oil/grease removal costs.

10. PAYMENT OF ALLOWANCES TO BOARD MEMBERS

Between the years 1993 and 1998, the Authority paid sitting allowances totalling Kshs.4,299,825 to ten public officers in receipt of a salary for attendance at Board meetings, contrary to provisions of Section 10 (1) of the State Corporations Act and also Section 6 of Kenya Ports Authority Act. The Authority has not, however, given satisfactory explanation regarding the irregular payments to these officers. Further, the Authority paid to its Board members a total of Kshs.2,124,000 in respect of sitting allowances in excess of the rates approved by Government. While the approved rate in

respect of sitting allowance for Board members was Kshs.1,000 per sitting, the actual payments were made at rates which ranged between Kshs.5,000 and Kshs.10,000 per sitting during the year 1997/98. Although approval was seen from the Permanent Secretary of the parent Ministry for the revised rates of sitting allowances, approval as provided for under Section 10 of the State Corporations Act, Cap 446 was, however, not obtained.

11.0 STOCKS

- 11.1 The Balance Sheet as at 30 June 1998 reflects a stock balance of Kshs.1,419,743,554 while the figure supported by stock sheets after a stock take was Kshs.1,466,250,000. The resultant difference of Kshs.28,493,554, which represents apparent understatement of stores stock, has not been explained.
- 11.2 The Authority also procured goods at a cost of Kshs.56,022,194 without invitation of open competitive tenders and apparently without the authority of its tender committee. Without the proper procurement procedures being followed, it was not clear how the suppliers of the goods were identified or how the supply prices were determined. In the circumstances, it is not possible to confirm that the Authority obtained value for money on the procurement.
- 11.3 In addition, the Authority wrote off obsolete and dormant stocks valued at Kshs.180,772,887, a loss which would appear to have been occasioned by either purchase of goods not required by the Authority or procurement of wrongly specified goods for which the Authority had no use. Further, the stock take exercise carried out on obsolete and dormant stocks by a consultant showed the value of such stocks as Kshs.138,320,626 while the actual value as per the Authority's records totaled Kshs.180,772,887, thus again resulting in another unexplained difference of Kshs.42,452,261. There is, however, no indication that the Authority ever took action to establish the cause of this very substantial difference between the amount supported by the Authority records and that reported by the consultant before the total amount was written off. Board approval to write off the amount of Kshs.42,452,261 being stock in excess of the consultants obsolete and dormant figure of Kshs.138,320,621, was also not seen.
- 11.4 Similarly, the stock balance of Kshs.1,419,743,554 shown on the Balance Sheet as at 30 June 1998 excludes Kshs.1,041,666,983 relating to stocks in 53 stores of the Authority which were apparently excluded from the ledgers and stock sheets. It is not clear why these stocks were excluded from the records of the Authority. In the circumstances, it has not been possible to confirm that the Authority's stock figure of Kshs.1,419,743,554 reflected on the Balance Sheet as at 30 June 1998 is correctly stated.

12. CASH AND BANK BALANCES

The Authority's bank reconciliation statement for the month of June 1998 revealed that there were receipts in the Bank Statement not entered in the Cash Book totalling Kshs.7,345,540 some of which date as back as 1992 and whose nature was not explained. No satisfactory explanation was given as to why the amounts have remained unrecorded in the Cash Book for such a long period of time. Similarly, there were payments (direct debits) totalling Kshs.15,718,047 in the Bank Statements but not entered in the Cash Book. The Authority has neither produced documents to support the expenditure nor has it explained whether the debits relate to payments made for goods and/or services rendered to the Authority. Resulting from the foregoing, it has not been possible to confirm the correctness of the Balance Sheet Bank overdraft of Kshs.827,126,127 as at 30 June 1998.

13. BUDGETARY CONTROL

During the year 1997/98 the Authority overspent on seven (7) of its expenditure items by a total of Kshs.431,877,539. No information was, however, availed to confirm that the over-expenditure was approved by the parent Ministry and the Treasury as required by Section 12 of the State Corporations Act.


S. M. MALUKI

AUDITOR GENERAL (CORPORATIONS)

07 September 2000