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REPUBLIC OF KENYA

NATIONAL ASSEMBLY

TREASURY MEMORANDUM
ON THE
IMPLEMENTATION STATUS
ON THE
EIGHTH REPORT
OF THE
PUBLIC INVESTMENTS COMMITTEE
VOLUME II

TREASURY MEMORANDUM

ON THE

IMPLEMENTATION STATUS

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EIGHTH REPORT

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PUBLIC INVESTMENTS COMMITTEE

VOLUME 11

2000



INTRODUCTION

The Treasury Memorandum on the implementation status of Eighth Report of Public Investments Committee on the audited accounts of the State Corporations is being presented herewith. This is the Sixth Treasury Memorandum since the Committee identified Treasury to prepare and submit such a report on regular basis.

The Memorandum contains the exact recommendations of the Committee as adopted by Parliament. The status of implementation is given immediately after each recommendation for ease of discussions.

In order to ensure that the recommendations and resolutions of the Committee are implemented, the Treasury will make a follow-up with the relevant Chief Executives of the various parastatals after the adoption of the Ninth Report with the view to preparing the next Memorandum on time, ready for the next Public Investments Committee's deliberations.

The Treasury Memorandum is hereby printed for discussion and adoption.



**MR. MARTIN LUKE ODUOR-OTIENO
PERMANENT SECRETARY
TREASURY**

KENYA POSTS AND TELECOMMUNICATIONS CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA POSTS AND TELECOMMUNICATIONS CORPORATION FOR THE YEAR ENDED 30TH JUNE 1995

1.0 ACCURACY OF THE ACCOUNTS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the reconciliation exercise is completed by 30th September 1999.

Status: *The Chief executive confirmed through his letter of 10th March 2000 that the reconciliation was completed as recommended.*

2.0 PURCHASE OF TWO PLOTS OF LAND L.R.NO.12445 AND L.R. 12550 AT KAREN

RECOMMENDATION

1. The Committee recommends that the agreement between the Corporation and M/s Benja Ltd., was a cover-up to attempt to legitimise what was an otherwise fraudulent transaction and therefore cannot be treated as a genuine and valid agreement.

Status: *The Chief Executive notes the sentiments and he is consulting further with the Government to know what to do about the said agreement.*

2. The Committee further recommends that the Attorney General should now move expeditiously to institute criminal charges against *Mr. Kipng'eno arap Ng'eny, Mr. Chege Kirundi, Mrs Lucy Wamaitha Chege and the then Company Secretary, Mr. Malakwe*

Status: *The chief Executive confirms that all relevant documents are now with the Attorney-General who is now proceeding as per recommendation.*

3. The Committee also recommends that Messrs Kirundi and Company Advocates be reported to the Law Society of Kenya Complaints Commission for unprofessional conduct.

Status: The matter has been forwarded to the CCK as recommended.
This is confirmed by the Managing Director's letter Ref.DF:556 dated 10th March 2000.

3.0 PURCHASE OF HOUSING ESTATE ON PLOT NO.188/SEC 1, MOMBASA MAINLAND NORTH

RECOMMENDATION

The Committee recommends that the vendor should surrender all the land measuring 8.2 acres and that the Corporation should immediately obtain a title deed for the said land.

Status: The Chief Executive confirms that land and Buildings have been vested to Teleposta Pension Fund as per vesting order of 5/11/99. The Corporation lawyers M/S Kiplagat and Associates have been instructed to institute proceedings in court for specific performance.

4.0 OFFICIAL VEHICLE FOR THE CHIEF EXECUTIVE

RECOMMENDATION

The Committee recommends that the then Chief Executive, **Mr. Samson Chemai** should pay to the Corporation the difference between Kshs.4.8 million and the Kshs.3 million he paid which is Kshs.1.8 million.

Status: The Chief Executive has written to Mr. Samson Chemai demanding payment of kshs.1.8million.

5.0 IRREGULAR DISPOSAL OF THE CORPORATION PLOTS

RECOMMENDATION

The Committee recommends that:-

- 1. Mr. J. Cheptoo (the then Property Manager) should be dismissed from KP & TC in public interest and be banned from holding any Public Office conferred by the Republic of Kenya.**

Status: The Chief Executive confirms having written to the Permanent Secretary and still consulting to comply with the recommendation.

2. The Chief Executive should obtain title deeds for the 14 plots and submit copies of the same to the Auditor-General (Corporations) for verification by 30th September 1999 to support his claim that the surrender of these plots has been revoked.

Status: The Chief Executive confirms that he is still pursuing acquisition of the title deeds as per recommendation.

2. From now on, the Commissioner of Lands should desist from accepting any surrender of land from KP & TC.

Status: The Chief Executive confirms having noted and communicated with the Commissioner of Lands to desist from accepting any surrender of land from Telkom Kenya.

6.0 STOCKS

RECOMMENDATION

The Committee recommends that the Chief Executive should always adhere to the provisions of Kenya Accounting Standard 17 and maintain correct and upto date accounting records.

Status: The Chief Executive confirms adherence to the provision of Kenya Accounting Standard No.17. Correct and up to date accounting records are now being maintained.

7.0 OTHER DEBTORS

RECOMMENDATION

1. The Committee recommends that the Chief Executive should make available all the information and documents required by the Auditor-General (Corporations) during the audit exercise pursuant to the provisions of Section 29 (3) of the Exchequer and Audit Act (Cap 412).

Status: The Chief Executive confirms that he has made available all the information and documents required by the Auditor-General (Corporations) and will continue to do so as per the existing law.

2. The Committee further recommends that the Chief Executive should ensure that the Corporation maintains correct and upto date books of account.

Status: The Chief Executive confirms that the Corporation now maintain correct and up to date books of account.

8.0 CASH AND BANK/OVERDRAFT

RECOMMENDATION

- 1. The Committee recommends that the Chief Executive should in future make available all the information and documents to the Auditor-General (Corporations) for verification as required by the provisions of section 29(3) of the Exchequer and Audit Act (Cap 412).**

Status: The Chief Executive confirms that he is adhering to the recommendation in full.

- 2. The Committee further recommends that the Chief Executive should always ensure that the Corporation maintains correct and upto date accounting records.**

Status: The Chief Executive confirms that the Corporation now maintain correct and up to date accounting records as recommended.

NATIONAL CEREALS AND PRODUCE BOARD

**REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE
ACCOUNTS OF NATIONAL CEREALS & PRODUCE BOARD FOR THE
YEAR ENDED 30TH JUNE 1995**

1.0. FIXED ASSETS

1.1. DONOR FUNDED PROJECTS

RECOMMENDATION

The Committee recommends that in the process of commercialization of NCPB, the Government should make a policy decision on the ownership of these facilities and present a Sessional Paper to Parliament on the same. In doing so, the Government should give due regard to the storage capacity of strategic food reserves.

Status: The Chief Executive confirms that management is working hand in hand with the Government on ownership and commercialisation of NCPB and eventual Preparation of a Sessional Paper. This has been going on since August, 1996 under the commercialisation reforms and Policy Framework Papers 1996-98.

1.2 CONVENTIONAL STORES FORMERLY OWNED BY WHEAT BOARD AND MAIZE AND PRODUCE BOARD

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that all the properties are transferred into the Board's name and all the assets transferred to the Board have their values incorporated in the Board's Books of account.

Status: The Chief Executive confirms that all measures have been put in place to transfer all properties as recommended. So far, it is still only 34 stores that have been transferred and included in the Boards Books of Account. The remaining 9 (nine) properties are about to be finally transferred. The delay is due to conversion to new land reference numbers.

1.3 ASSETS WITHOUT PROPER DOCUMENTS

RECOMMENDATION

The Committee recommends that the Chief Executive should liaise with the parent Ministry and the Commissioner of Lands in order to ensure that the Board receives title documents for all parcels of land in its ownership by 31st December 1999.

Status: The Chief Executive confirms that the position as at 19/01/2000 as follows - title deeds obtained - 23 plots, pending registration - 4 plots, surveyed - 22 plots, under survey - 2 plots, Kenya Railways, Reserve Land (1 title deed issued) - 6 plots - total 57 plots. Efforts are being made to implement the recommendation in full.

2.0 DEBTORS

2.1 STAFF DEBTORS

RECOMMENDATION

- 1. The Committee reiterates its earlier recommendation under paragraph 5 of 1993/94 accounts that the Chief Executive should use all possible means including litigation to ensure that all the staff debts are recovered in full.**

Status: The Chief Executive confirms that he is still trying to recover staff debts. So far the balance has been reduced from kshs.125million (1995) to Kshs.95million (1998). The bulk of this figure (Kshs.93million) is staff losses (cash and stocks) whose recoverability is still very difficult.

- 2. The Committee further recommends that the Chief Executive should always strictly adhere to the laid down financial regulations with regard to staff debts.**

Status: The Chief Executive confirms that he is currently adhering to the laid down financial regulations.

- 3. The Committee also recommends that the Board should intensify its efforts to strengthen the internal controls.**

Status: The Chief Executive confirms that the internal control and checks have been reinforced and strengthened as recommended.

2.2. GOVERNMENT DEBTORS

RECOMMENDATION

- 1. The Committee recommends that the Board should intensify its efforts to recover all the money owed by the Government as a result of Government market intervention directive.**

Status: The Chief Executive confirms that an amount of Kshs.1.12billion has been settled as at 06.3.2000. Further provisions are being provided in Government budget for full settlement of the debt by 2001/2002 forward budget.

- 2. The Committee further recommends that the Chief Executive should liaise with the Parent Ministry and the Treasury with a view to ensuring that all the debts owed by the Government are recovered in full.**

Status: The Chief Executive confirms that a provision of Kshs.400million is included in the 1999/2000 printed Estimates. The forward budget for 2000/2001 and 2000/2002 have Kshs.500million each for total settlement of the outstanding amounts.

2.3. OTHER TRADE DEBTORS

RECOMMENDATION

The Committee further recommends that the Chief Executive should use all means to ensure that the amounts owed are recovered in full.

Status: The Chief Executive confirms that the Board is complying with the recommendation.

3.0 OUTSTANDING LOAN - KSHS.10,350,750.00

RECOMMENDATION

The Committee recommends that an agreement should always be signed between the Government and the Board on all monies loaned or granted in order to avoid the recurrence of such anomalies.

Status: The Chief Executive confirms that agreements are now being entered into before the granting of any monies and loans.

4.0. SALE OF SUBSIDIARY COMPANIES

4.1. KENYA CASHEWNUTS

RECOMMENDATION

The Committee recommends that:-

1. The Attorney General should intervene and reverse the fraudulent transfer and registration of 65% shares held illegally by Kenya Plantation and Cashewnuts Ltd, have the property registered and in the name of Kilifi District Co-operative Union by 30th September 1999.

Status: The Chief Executive confirms that the recommendation has not been implemented. The matter is now subject to a court action for a winding up cause No.46 of 1997 which is still going on.

2. The Attorney General should prosecute the following for conspiring/colluding to defraud Kilifi District Co-operative Union of its rightful shares.

- Mr. Daniel Runya
- Mr. Joshua Kulei
- Mr. C. Desai
- Mr. W.K. Sambu
- Mr. N.K. Korir
- Mr. B.K. Rotich

Status: The Chief Executive confirms that the matter is still being pursued by the Attorney General as recommended.

3. The Attorney General should prosecute the current directors of Kenya Cashewnuts Ltd Company namely *Messrs P.K. Shah and Daniel Runya* for:

- (a) excluding the Union from representation in the Board of Directors.
- (b) illegally removing, transferring and selling assets of the Company without reference to the shareholders in gross contravention of memorandum and Articles of Association of the Company and the Companies Act.

Status: The Chief Executive confirms that the matter is before a court of law as stated above.

4. The Attorney General should prosecute the former Executive Chairman of ESTU/PRPC, *Mr. Lawi Kiplagat* for colluding/conspiring with the following to defraud Kilifi District Co-operative Union of its rightful shares

- Mr. Daniel Runya
- Mr. Japhet Kavuku
- Mr. S.B. Gunga

Status: The Chief Executive confirms that the matter is before a court of law as stated above.

5. Mr. Lawi Kiplagat and *Mr. Joshua Kulei* should be banned from holding any public office conferred by the Republic of Kenya.

Status: The Chief Executive confirms that this recommendation is still awaiting implementation.

4.2. KENYA BIXA LIMITED

RECOMMENDATION

The Committee recommends that NCPB should ensure that Kenya Bixa Limited has prepared final accounts for audit by the Auditor-General (Corporations).

Status: The Chief Executive confirms that, this recommendation has been implemented following NCPB letter Ref.C 2/3 dated 1st February 1999.

5.0 SHORT TERM LOANS - KSHS.703,333,033

RECOMMENDATION:

The committee recommends that the Chief Executive should always ensure that in future, proper planning is in place before any loan is borrowed by the Board in order to avoid unnecessary penalties and charges.

Status: The Chief Executive confirms that NCPB is adhering to the recommendation.

KENYA PORTS AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE 1996

1.0 ADVANCES TO KENYA FERRY SERVICES - KSHS.319,553,388

RECOMMENDATION

The Committee recommends that the Parent Ministry should ensure that Kenya Ferry Services is funded directly from the Exchequer with effect from 1st July 1999.

Status: The Chief Executive confirms that the recommendation is being implemented. A Memorandum of Understanding has been signed with the Government (GoK/KFS) for Gok to compensate KFS 70% of utilization to compensate for Pedestrian Ferry Services.

2.0 INLAND CONTAINER DEPOT - ELDORET

RECOMMENDATION

1. The Committee reiterates its earlier recommendation under paragraph 2 of 1994/95 accounts (Seventh Report) that the Chief Executive should ensure that the Authority recovers liquidated damages amounting to Kshs.4,465,000.00 and the accrued interest in full.

Status: The Chief Executive confirms that correct figure is now Kshs.4,230,000.00 and not Kshs.4,465,000.00. The Management has recovered Kshs.1,638,000.00 and recovery of the balance of Kshs.2,592,000 is being pursued.

2. The Committee further recommends that the Chief Executive should ensure commencement of operations of the depot not later than 30th September 1999.

Status: The Chief Executive confirms that commencement of operations of the depot could not be effected because the Authority was not in a financial position to do so.

3.0 LAND WITHOUT TITLE

RECOMMENDATION

The Committee reiterates its earlier recommendations under paragraph 3.1 of 1994/95 accounts (Seventh Report) that the Chief Executive and the Parent Ministry should follow up the matter with the Attorney General and the Commissioner of Lands in order to ensure that the Authority is issued with title deeds for all parcels of land in its possession by 30th September 1999.

Status: The Chief Executive confirms that the matter is still being followed up with the assistance of the parent ministry and commissioner of lands. That confirms that the recommendation is yet to be accomplished.

4.0 MTONGWE HOUSING ESTATE PROJECT

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 3.2 of 1994/95 accounts (Seventh Report) that the Chief Executive should ensure that liquidated damages for delay are recovered in full from the contractor with effect from September 1994 until the date of completion and handing over of the project.

Status: The Chief Executive confirms that the project was completed on 30th June 1999 and handed over to KPA on 14th February 2000. The Authority has however been deemed at fault and could not therefore claim liquidated damages against the contractor. The Authority has lost the case.

5.0 CONTAINER FREIGHT SECTION - MOMBASA

RECOMMENDATION

The Committee recommends the following:-

1. The then Permanent Secretary/Secretary to the Cabinet and Head of Public Service (*Prof. Philip Mbithi*), the then Permanent Secretary, Ministry of Transport and Communications, (*Mr. Sospeter Arasa*), the then Chief Executive (*Mr. Simeon Mkalla*) and the Corporation engineer (*Mr. O.E. Njiru*) should be held responsible for the improper handling of this project.

Status: The Chief Executive confirms that disciplinary action has been taken against Mr. O.E. Njiru in accordance with KPA, staff regulations. Management is however unable to take action against Hon. S.M. Mkalla and the above named. They are seeking guidance on how to handle the matter.

- 2. The lead consultant, Mr. B.S. Dogra and any company associated with him should be blacklisted and deregistered from receiving contracts awarded by the Government and State Corporations.**

Status: The Chief Executive confirms that Mr. B.S. Dogra and Company has been blacklisted as per Management Ref: MAC/2/3/02 dated 8th March 2000.

6.0 PURCHASE OF TWO COMMUTER BUSES

RECOMMENDATION

The Committee recommends as follows:-

- 1. That the then Managing Director, Mr. S. Mkalla should be held responsible of the purchase of the said used and defective buses.**

Status: The Chief Executive states that the recommendation has been noted and that the matter has been left in the hands of the Attorney General for action.

- 2. That the Attorney-General should institute investigations surrounding the purchase of the said two buses with a view to prosecuting the then Managing Director, Mr. S. Mkalla and the suppliers.**

Status: The Chief Executive states that the matter has been left in the hands of the Attorney General for action as required.

7.0 DEBTORS - DREDGING CHARGES KSHS.287,231,401

RECOMMENDATION

- 1. The Committee recommends that the Chief Executive should liaise with the Parent Ministry and the Treasury to ensure that this debt of Kshs.287,231,401.00 is settled during the 1999/2000 financial year.**

Status: The Chief Executive confirms that the amount has not yet been settled and the matter is being pursued with the Parent Ministry and Treasury to clear the amount.

- 2. The Committee further recommends that the Treasury should always reimburse any amount of money spent by the Authority on behalf of the Government of Kenya in full and on time.**

Status: The recommendation has been noted and liaison is being made with the Parent Ministry for possible budgetary provisions with a view to full settlement as recommended.

8.0 UNREMITTED GOVERNMENT REVENUE

RECOMMENDATION

- 1. The Committee recommends that the Chief Executive should immediately undertake urgent measures to have the unremitted sums paid to Kenya Ports Authority by 30th September 1999.**

Status: The Chief Executive confirms that verification with the Parent Ministry is going on regarding the balance outstanding in KPA books with a view to having the matter concluded. KPA is still awaiting further instructions.

- 2. The Committee further recommends that the Chief Executive should liaise with the Parent Ministry, the Kenya Revenue Authority and the Attorney General to harmonise the apparent conflict in the two enabling Acts.**

Status: The Chief Executive confirms that consultations with KRA, Attorney General and Parent Ministry are going on to harmonise the apparent conflict in the two enabling Acts.

9.0 LEGAL COSTS - KSHS.8,239,643

RECOMMENDATION

The Committee further recommends that the Chief Executive should instil strict discipline in the Personnel Department to avoid future losses.

Status: The Chief Executive confirms staff regulations in force are being strictly adhered to in all matters. However, a total number of 27 cases are still pending in court as a result of hasty and unfortunate decision by both the Management and the Board that was aimed at achieving cuts in staff numbers.

10.0 UNCOLLECTED WHARFAGE CHARGES KSHS.14,093,180

RECOMMENDATION

The Committee recommends that the Attorney General should investigate all those involved in the clearing of the consignments with a view to instituting criminal proceedings against anyone who acted irregularly.

Status: *The Chief Executive confirms by his Letter Ref:MAC/2/3/02 of 8th March 2000 that KPA is still awaiting for the May 1999 letter demanding payment. The matter is being revived and pursued.*

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30TH JUNE 1994

1.0 DELAY IN SUBMISSION OF ACCOUNTS FOR AUDIT

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 1 of 1992/93 accounts that the Chief Executive should always ensure that the Fund's final accounts are submitted to the Auditor-General (Corporations) for audit in accordance with Section 31 of the Exchequer and Audit Act (Cap 412) as well as the NSSF Act (Cap 258).

Status: The Managing Trustee confirms in his Letter Ref:SF/A/16/12 Vol.IX (37) dated 9th March 2000 that the recommendation has been noted and that Management is strictly complying with the law under Cap 412 and 258.

2.0 PRIOR YEAR ADJUSTMENTS

RECOMMENDATION

1. The Committee recommends that the Chief Executive should in future ensure that reliable accounting information and documents are made available to the Auditor-General (Corporations) for verification as required under the provisions of section 29(3) of the Exchequer and Audit Act (Cap 412).

Status: The Managing Trustee confirms having taken all necessary measures to implement the recommendation.

2. The Committee further recommends that the Chief Executive and the Board should take urgent steps to improve the finance department.

Status: The Managing Trustee confirms that Management and the Board have taken steps and improved the quality of the Finance Department staff through training and computerisation.

3.0 DEBTORS, PREPAYMENTS & DEBIT BALANCES

RECOMMENDATION

The Committee recommends the following:-

1. There should be a complete overhaul of the Board of Trustees with the exclusion of all those who were Board Members during the year under review. In appointing the new Board due regard should be given to people of professional integrity and good standing in society.

Status: The recommendation has been implemented by the Ministry of Labour and Manpower Development.

2. The then Chairman of the Board of Trustees, **Mr. J.Kisoso** and the then Managing Trustee, **Mr. S. Muindi** should be barred from holding public offices conferred by the Republic of Kenya. The conduct of the then *Managing Trustee, Mr. S. Muindi* in this matter should be investigated by the Attorney General with a view to prosecuting him.

Status: The Chief Executive confirms that the recommendation has been implemented by the Parent Ministry. The matter regarding Mr. S.M. Muindi has been forwarded to the Attorney General for action.

3. The Attorney-General should investigate the activities of the then lawyers in this matter namely:-

- M/s Kilonzo and Co. Advocates
- M/s S. Mauncho Advocates
- M/s Onalo and Co. Advocates
- M/s Ombogo and Co. Advocates

The above said advocates should also be reported to the Law Society of Kenya, their services terminated and be barred from representing any public organisation.

Status: The Chief Executive confirms that the matter has been forwarded to the Attorney General's office.

4. Since the Lawyers were advanced payments for services not rendered, they should refund all the amounts paid. All the above recommendations should be effected by 31st December, 1999.

Status: The Chief Executive confirms that he has written to the Attorney General for a neutral legal opinion on the matter. This is because the Management view is that the money is not legally recoverable since they had been mutually agreed upon between the parties.

- 5. The Chief Executive should in future use lawyers in the Fund's employment to save the huge expenditure on private litigation.**

Status: The Chief Executive confirms that the recommendation has been noted and that the Board is studying the issue to ensure that it does not violate the law.

4.0 INVESTMENTS

RECOMMENDATION

The Committee recommends that the Permanent Secretary, Ministry of Labour should ensure that the 3 plots are re-valued by the Chief Government valuer based on the market rate in 1993/94 and the valuation report be submitted to the Auditor-General (Corporations) by 30th September, 1999.

Status: The Managing Trustee confirms that the Management has forwarded the matter of recommended valuation of the 3 plots to the to the PS, Ministry of Labour and Human Development.

5.0 RENTAL INCOME

RECOMMENDATION

The Committee recommends as follows:-

- 1. That NSSF should make its investments strictly in accordance with the laid down Government policy guidelines and give preference to high yielding opportunities.**

Status: The Managing Trustee confirms that investments are strictly being made in accordance with the laid down Government policy guidelines. Currently the Investments are in Government securities.

2. That the investment in land and buildings in particular, should not be undertaken in future.

Status: The Managing Trustee confirms that the fund is adhering to the recommendation. There are no more investments being done in land and buildings.

3. That in scaling down the Moktar Daddah Street project from its original scope to only two (2) floors above the ground, the Board must take due care to keep the construction costs within reasonable and acceptable commercial rates.

Status: The Managing Trustee confirms that the fund is fully complying with this recommendation. The project has been scaled down to (2 No.) floors above ground. Construction costs are to be kept within reasonable and acceptable rates.

4. That the Chief Executive should ensure that rental income is pegged to the market rate to enable the Fund get value for its investments.

Status: The Managing Trustee confirms that frequent rental assessments are carried out to determine the market rate to ensure the rent per square foot is pegged to the current market rate.

6.0 TERM DEPOSITS

RECOMMENDATION

The Committee reiterates its earlier recommendations under paragraphs 15.0 and 16.0 of the 1992/93 accounts that:-

1. The Chief Executive and the Permanent Secretary of the Parent Ministry should ensure that the deposits plus all the interest accrued are recovered in full from the National Bank of Kenya

Status: The Managing Trustee confirms that the recommendation is being implemented. The Bank is currently in its monthly repayment of accrued interest. The deposit was converted into term deposit of Kshs.1.1 billion whose repayment commences by 30th June 2000.

- 2. Urgent steps should be taken by the Office of the President, Treasury and the Parent Ministry to intervene on behalf of NSSF in order to ensure the full recovery of funds placed in the other 5 Financial Institutions.**

Status: The Managing Trustee confirms that KCFC has fully redeemed the Funds deposits placed with them. Savings & Loan, HFCK and KCB are currently up to date. It is only Prudential Building Society which is still having repayment problems.

- 3. The Chief Executive should strictly adhere to the laid down financial regulations with regard to deposit of surplus funds.**

Status: The Managing Trustee confirms that Management currently adheres to the laid down financial regulations with regard to deposit of surplus funds.

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30TH JUNE 1995

1.0 DELAY IN SUBMISSION OF ACCOUNTS FOR AUDIT

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 1 of 1992/93 accounts that the Chief Executive should in future ensure that the Fund's final accounts are submitted to the Auditor-General (Corporations) for audit in accordance with section 31 of the Exchequer and Audit Act (Cap 412) as well as the NSSF Act (Cap 258).

Status: The matter is as reported above under the previous year.

2.0 UNVOUCHED ADJUSTMENT

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 2 of 1993/94 accounts that:-

1. The Chief Executive should in future ensure that reliable accounting information and documents are made available to the Auditor-General (Corporations) for verification as required under the provisions of section 29(3) of the Exchequer and Audit Act (Cap 412).

Status: The matter is as reported above under the previous year.

2. The Board should take urgent steps to improve the quality of the Finance Department staff.

Status: The matter is as reported above under the previous year. Urgent steps were taken and the quality of the Finance Department staff improved.

3.0 DEBTORS, PREPAYMENTS & DEBIT BALANCES

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 3 of 1993/94 accounts that:-

1. There should be a complete overhaul of the Board of Trustees with the exclusion of all those who were Board Members during the year under review. In appointing the new Board due regard should be given to people of professional integrity and good standing in society.

Status: The matter is as reported above under the previous year.

2. The then Chairman of the Board of Trustees, **Mr. J.Kisoso** and the then Managing Trustee, **Mr. S. Muindi** should be barred from holding public offices conferred by the Republic of Kenya. The conduct of the then Managing Trustee, **Mr. S. Muindi** in this matter should be investigated by the Attorney General with a view to prosecuting him.

Status: The matter is as reported above under the appropriate paragraph in the previous year.

3. The Attorney-General should investigate the activities of the then lawyers in this matter namely:-

- M/s Kilonzo and Co. Advocates
- M/s S. Mauncho Advocates
- M/s Onalo and Co. Advocates
- M/s Ombogo and Co. Advocates

The above said advocates should also be reported to the Law Society of Kenya, their services terminated and be barred from representing any public organisation.

Status: The matter is as reported above under the previous year.

4. Since the Lawyers were advanced payments for services not rendered, they should refund all the amounts paid. All the above recommendations should be effected by 31st December 1999.

Status: The matter is as reported above under the previous year.

5. The Chief Executive should in future use lawyers in the Fund's employment to save the huge expenditure on private litigation.

Status: This is a repeat paragraph and the matter is as reported above under the previous year.

4.0 INVESTMENTS

RECOMMENDATION

The Committee made the following recommendations:-

1. That the Attorney-General should investigate the apparent collusion between the Commissioner of Lands, the then Managing Trustee, **Mr. S. Muindi**, and the five (5) vendors in the transaction relating to the purchase of the five (5) plots with a view to instituting prosecutions.

Status: The Managing Trustee confirms the forwarding of the matter to the Attorney General for action.

2. That the Attorney-General should further investigate with a view to prosecuting the then Managing Trustee, **Mr. S. Muindi**, in respect of the purchase of the other eleven (11) plots which led to the loss of Kshs.1,737,200.000.

Status: The Managing Trustee confirms having forwarded the matter to the Attorney Generals Chamber for study and action.

3. That the then Managing Trustee, **Mr. S. Muindi** and the Chairman, **Mr. M.J. Kisoso** should be banned from holding any public office conferred by the Republic of Kenya.

Status: The Managing Trustee confirms that consultations are going on over the matter of banning the two persons.

5.0 TERM DEPOSITS

RECOMMENDATION

The Committee reiterates its earlier recommendations under paragraph 6 of 1993/94 accounts that:-

The Chief Executive and the Permanent Secretary of the Parent Ministry should ensure that the deposits plus all the interest accrued are recovered in full from the National Bank of Kenya.

Status: The matter is as reported above under the previous year.

The Committee recommends that:-

- 1. Urgent steps should be taken by the Office of the President, Treasury and the Parent Ministry to intervene on behalf of NSSF in order to ensure the full recovery of funds placed in the Kenya National Capital Corporation as well as the Consolidated Bank of Kenya Limited.**

Status: The Managing Trustee confirms that Kenyac deposit was taken over by NBK who are currently servicing the short-term deposit. The recent payment was for Kshs.30 million towards redemption and will continue to redeem the balance of Kshs.230 million.

- 2. The Chief Executive should strictly adhere to the laid down financial regulations with regard to deposit of surplus funds.**

Status: The Managing Trustee confirms full adherence to the laid down financial regulations with regard to deposit of surplus funds.

- 3. The fund should follow up the sale of Saika Estate with a view to recovering its deposits in KENYAC.**

Status: The Managing Trustee confirms that Kenya C was merged with NBK on 31st May 1999 and that NBK is now repaying the money.

- 4. The Fund should immediately secure its deposit by registering a caveat on the housing estate so that the money realized from the sale of the housing units is deposited with the Fund until full recovery is made.**

Status: The Managing Trustee confirms that the matter of the follow-up of the estate sales is still being pursued.

- 5. The fund should in future not place a deposit with any Bank/Financial Institution which is tied to any particular project or development.**

Status: The Managing Trustee confirms that the recommendation is strictly being adhered to without any exception.

6.0 RENTAL INCOME

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 5 of the 1993/94 accounts, that:-

1. NSSF should make its investments strictly in accordance with the laid down Government policy guidelines and give preference to high yielding opportunities.

Status: This is a repeat paragraph and the matter is as reported above under the previous year.

2. That the investment in land and buildings in particular should not be undertaken in future.

Status: The Managing Trustee confirms that there is no investment being undertaken in land and buildings. The Board of Trustees is adhering to the recommendation.

3. That in scaling down the Moktar Daddah Street project from its original scope to only two (2) floors above the ground, the Board must take due care to keep the construction costs within reasonable and acceptable commercial rates.

Status: This is a repeat paragraph and the position is as reported above under the previous year.

4. That the Chief Executive should ensure that rental income is pegged to the market rate to enable the Fund get value for its investments.

Status: This is a repeat paragraph and the matter is as reported above under the previous year.

7.0 SOCIAL SECURITY HOUSE, NAIROBI

RECOMMENDATION

1. The Committee reiterates its earlier recommendation under paragraph 1.0 of 1992/93 accounts that the acceleration fee of Kshs.117,828,368.00 paid to the contractor be recovered in full from the then Chief Executives, *Messrs Philip Mulei, Martin Kunguru* and the then Board Members of the Fund.

Status: The Managing Trustee confirms that recovery of the money hasn't been made. The matter would properly be handled under the State Corporations Act Section 19 of 1986.

- 2. The Committee recommends that the Chief Executive should abandon the project.**

Status: The Managing Trustee confirms that the recommendation has been noted and that the required action is being taken.

8.0 ADVERTISING COSTS

RECOMMENDATION

The Committee recommends that the Fund should limit expenditure on advertisement to Kshs.10 million per annum and the service be subjected to competitive tendering.

Status: The Managing Trustee confirms that the matter will in future be limited to Kshs.10 million and be subjected to competitive tendering as recommended.

KENYA RAILWAYS

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA RAILWAYS CORPORATION FOR THE YEAR ENDED 30TH JUNE 1996

1.0 FINANCIAL POSITION

RECOMMENDATION

The Committee strongly recommends that:-

- 1. The Government should restructure the management of the Kenya Railways to make sure that it operates commercially to enable it meet its obligations including all loan repayments.**

Status: The Managing Director confirms that the recommendation is being implemented. Privatisation of KRC has been approved and the various options are being finalised and completion is expected to be within the next 18 months. Commercialisation of various sections is already underway.

- 2. The Government should appoint a commercially oriented Board of credible Kenyans with relevant expertise who will be entirely responsible for turning Kenya Railways into a viable Corporation. This Board will solely and entirely be responsible for the appointment of the management of the Corporation, including the Chief Executive.**

Status: The matter has been noted. A new Chief Executive has been appointed and more changes are being looked into.

2.0 FIXED ASSETS

RECOMMENDATION

The Committee further recommends that any land for sale by the Corporation, now and in the future must be valued and publicly advertised and the tenders be opened in the full presence of the Board and the tenderers.

Status: The Managing Director confirms that the sale of Corporation land has been suspended until further notice. As and when the sale is resumed, it will be publicly advertised and tenders opened in the full presence of the Board and the tenderers.

3.0 DEBTORS

The Committee recommends that the Board of the Corporation should ensure that the billing and the Credit Control Systems are overhauled so that the Corporation receives its dues promptly.

Status: The Managing Director confirms that the billing and credit control departments are being strengthened and that KRC is investing in more modern and user-friendly information systems for better and speedier feedback.

4.0 NET PUBLIC DEBT

RECOMMENDATION

The Committee recommends that:-

1. The Board of the Kenya Railways Corporation must endeavour to make the Corporation commercially viable by instituting budget control measures and ensuring that all the revenue estimated by the Corporation is collected.

Status: The Managing Director confirms that KRC has instituted various cost control and austerity measures to ensure that funds approved in the budget are utilized properly.

2. The Board should institute disciplinary measures against the Chief Executive who spent money without Board approval.

Status: The Board has noted the recommendation and will adhere to the same.

5.0 BUDGET AND BUDGETARY CONTROL

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the reconciled loan balances are entered into the Corporations books of account

Status: The Managing Director confirms that action has been taken and the reconciled loan balances have now been entered into the Corporations books of accounts.

6.0 STAFF PENSION FUND AND GRATUITY

1. **The Committee recommends that the Board should ensure that all the pension funds and gratuities in the Corporation's books of accounts are transferred to an independent pension fund.**

Status: The Managing Director confirms that an independent actuarist firm was hired to establish a pension fund by July 1, 2000 under the Retirements Benefit Act, 1997.

2. **Further, future pension and gratuity deductions should be remitted immediately after every deduction to the pension fund.**

Status: The Managing Director confirms that from the 1st July 2000 all future pension and gratuity deductions will be remitted immediately after deductions to the fund.

KENYA AIRPORTS AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA AIRPORTS AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 1994

1.0 REVENUE

RECOMMENDATION

The Committee recommends that the Attorney General should harmonise the Kenya Airports Authority Act (Cap 395) and the Air Passenger Services Act (Cap 475) by 30th September 1999 in respect of revenue appropriation.

Status: The Chief Executive confirms that he has yet to receive communication from the Attorney General's office. Treasury is handling loans, airport developments, airport security, air-traffic control, navigational services and equipment through budgetary allocations and cannot therefore have KAA retain the revenue.

2.0 ACCURACY OF THE ACCOUNTS

RECOMMENDATION

1. The Committee recommends that the Chief Executive should analyse the suspense account and reconcile the difference of Kshs.5,597,713.00 by 30th September 1999.

Status: The Chief Executive confirms that KAA analysed the suspense account and agreed with Auditor General (Corporations) by 30th September 1999 as recommended.

2. The Committee further recommends that the Chief Executive should put in place measures to stabilize the finance department and arrest the high staff turnover.

Status: The Chief Executive confirms full adherence to the recommendation. The accounts have also been computerised with effect from 1st September 1999.

3.0 OUTSTANDING LOAN LIABILITIES

RECOMMENDATION

- 1. The Committee recommends that the Treasury should make available the loan agreements to the Auditor-General (Corporations) for verification.**

Status: The matter has been handled by Treasury as recommended.

- 2. The Committee further recommends that the Treasury should hasten the repayment of the outstanding loan in order to avoid accrual of interest.**

Status: The matter of loan repayment is being handled by Treasury as recommended.

4.0 AGREEMENT BETWEEN THE GOVERNMENT AND THE HOUSE OF PERFUME

RECOMMENDATION

- 1. The Committee reiterates its earlier recommendation under paragraph 3 of 1991/92 accounts that the Permanent Secretary, Office of the President, should immediately institute investigations in this case and take severe disciplinary action against the officers who signed the initial agreement without due care and consideration of public interests.**

Status: The matter is being handled by the Office of the President in compliance with the recommendation.

- 2. The Committee further recommends that the then Attorney-General, Mr. Mathew Guy Muli who was responsible for this flawed agreement should be banned from holding any public office conferred by the Republic of Kenya.**

Status: This recommendation has not yet been implemented and any outcome will be known in due course.

- 3. The Committee also recommends that the Office of the President should not sign any new agreement with the House of Perfume or extend the current one until the court case is disposed off.**

Status: The recommendation is being adhered to as the matter is still in court.

5.0 BOARD EXPENSES

RECOMMENDATION

The Committee recommends that the Chief Executive should recover in full from the former Chairman, *Maj. Gen. (Rtd) E.S. Mbilu*, Kshs.857,592.00 in respect of accommodation and Kshs.49,258 for usage of the Authority's vehicle on personal business by 30th September 1999.

Status: The Chief Executive confirms that the money has not yet been recovered. A demand letter dated 23rd February 1999 was dispatched to the former Chairman, Maj. Gen. (Rtd) E.S. Mbilu who has failed to respond.

6.0 TITLE DEEDS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Authority obtains title deeds for all its parcels of land by 31st December 1999.

Status: The Chief Executive confirms having obtained the listed 9 title deeds, plus the Eldoret International Airport 762.0 hectares. Surveyors' are now working on Kakamega, Kitale, Manda, Garissa, Nanyuki and Lokkichogio.

7.0 PURCHASE OF BUSES - KSHS.12,552,600.00

RECOMMENDATION

The Committee recommends that the Attorney General should initiate investigations into the purchase of the said buses with a view to instituting criminal charges against the officers involved.

Status: The matter is still being handled by the Management and the Attorney General's office.

8.0 FIXED ASSETS

RECOMMENDATION

1. The Committee recommends that the Chief Executive should always ensure that the Corporation's assets are valued professionally and reflected in the books of Accounts.

Status: The Chief Executive Confirms that the Corporation's assets were valued professionally in 1996 and are now reflected in the books of account.

2. The Committee further recommends that the Chief Executive should always maintain a correct and upto date fixed assets register.

Status: The Chief Executive confirms that the Corporation currently maintains a correct and up to date fixed assets register.

9.0 CASH SHORTAGE

RECOMMENDATION

1. The Committee recommends that the Attorney General should ensure that *Mr. P.S. Mutemi* is rearrested and the case continues.

Status: The Chief Executive confirms and I have seen a copy of his letter dated 26th January 2000 to the Commissioner of Police to reopen the case. In the meantime KAA has commenced civil proceedings against Mr. Mutemi and Mr. Njung'e.

2. The Committee further recommends that the Chief Executive should ensure that the rent worth Kshs.5,149,000 together with interest accrued thereon is recovered in full.

Status: The Chief Executive confirms that the matter of recovery of the money is being pursued vigorously.

10.0 FAILURE TO SUBMIT SIGNED ACCOUNTS

RECOMMENDATION

1. The Committee recommends that the Chief Executive should ensure that signed and dated accounts are submitted to the Auditor General (Corporations) for audit in time as required by law.

Status: The Chief Executive confirms have noted the recommendation and the accounts for 1996/97 and subsequent years have and will be submitted on time.

- 2. The Committee further recommends that the Chief Executive should submit to the Auditor-General (Corporations) the breakdown of Kshs.370,013,000.00 by 30th September 1999 for verification.**

Status: The Chief Executive confirms having submitted, discussed and agreed the figure with the Auditor General (Corporations). The error had been due to mispostings and arithmetic errors.

- 3. The Committee also recommends that the Chief Executive should put in place measures to stabilize the finance department and arrest the high staff turnover.**

Status: The Chief Executive confirms having put measures in place to stabilize the finance department and has already arrested the high staff turnover problem by proper training, promotion, remuneration.

NATIONAL HOUSING CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL HOUSING CORPORATION FOR THE YEAR ENDED 30TH JUNE 1994

1.0 LOAN ARREARS DUE KSHS.1,001,815,193.00

RECOMMENDATION

1. The Committee recommends that the Chief Executive should ensure that all supporting documents are made available to the Auditor-General (Corporations) for audit verification in accordance with the Exchequer and Audit Act (Cap 412).

Status: The Chief Executive confirms that all supporting documents were made available to the Auditor General (Corporations) as recommended. However efforts are still being made to clear the local authorities figures.

2. The Committee further recommends that the Chief Executive should liaise with the Parent Ministry and the Ministry of Local Authorities to ensure that loan arrears amounting to Kshs.939,983,264.00 are recovered in full. The Committee also recommends that the Corporation should only advance loans against collateral or other securities to guard against defaulters.

Status: The Chief Executive confirms that discussions are still going on to ensure the recovery of the money. The Corporation is now (since 1994) advancing loans only against security of land title deeds.

2.0 RENT ARREARS - MISCELLANEOUS ESTATES

RECOMMENDATION

1. The Committee recommends that the Chief Executive should explore all avenues necessary for the recovery of this amount including legal action.

Status: The Chief Executive confirms that Management is following up all cases for recovery of the amounts as recommended.

2. The Committee further recommends that the Chief Executive should improve the rent collection machinery.

Status: The Chief Executive confirms in his letter ref. NHC/GEN/1/88/(74) WMW dated 9th March 2000 that Management has now improved the rent collection machinery through the relevant Local District offices.

3.0 HOUSING FOR MANAGING DIRECTORS

RECOMMENDATION

- 1. The Committee recommends that the Chief Executive should ensure that a clear policy is established regarding Managing Director's housing so as to avoid a recurrence of this waste.**

Status: The Chief Executive confirms that a clear policy has since been established and the Corporation has consequently constructed an official house for the Managing Director.

3.1 NUGATORY PAYMENTS ON THE FORMER MANAGING DIRECTOR'S HOUSE - KSHS.227,930.00

RECOMMENDATION

The Committee recommends that the Board of Directors should ensure that the then Chief Executive be made to pay Kshs.227,930 by 31st December 1999.

Status: The Chief Executive confirms non-recovery of the amount of Ksh. 227,930 as the retired Chief Executive moved out on time and is since deceased.

3.2 SUPERFLUOUS REPAIRS AND IMPROVEMENTS ON THE NEWLY LEASED HOUSE

RECOMMENDATION

The Committee recommends that the Board of Directors should ensure that the then Chief Executive *Mr. Erick Anduati* be made to pay Kshs.276,073.10.

Status: The Chief Executive confirms inability to get money from Mr. *Erich Anduati* due to what they term as a mix-up of names. The Chief Executive then should have been Mr. *Jeremiah Laanoi*. The matter is therefore still being sorted out.

NATIONAL HOUSING CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL HOUSING CORPORATION FOR THE YEAR ENDED 30TH JUNE 1995

1.0 NON-PAYMENT OF PURCHASE PRICE

RECOMMENDATION

1. The Committee recommends that the Chief Executive should ensure that the outstanding amounts owed are recovered in full by 31st December 1999.

Status: The Chief Executive confirms receipts of only Kshs.40,000 on 16th February 2000 from former PS Mr. J. Sang who has again defaulted. Shop A-Uhuru-Gardens was fully paid on 10th May 1999 Kshs.3,184,109-35 while the matter of House No.B122 is in court.

2. The Committee further recommends that the Chief Executive should liaise with the Parent Ministry and the Treasury to ensure that Kshs.411,565.00 plus interest accrued thereon spent on the extension to one of the houses, is recovered from the former Managing Director who authorised the expenditure by 30th September 1999.

Status: The Chief Executive confirms that Mr. Sang appeared before PIC and offered to settle the above figure and paid Kshs.40,000 on 16th February 2000 and thereafter has again challenged the figure on grounds that the additional works were less than those included in the valuation. The matter is still being pursued.

2.0 EXPENDITURE ON PROPOSED MORTGAGE FINANCE SUBSIDIARY

RECOMMENDATION

1. The Committee recommends that the then Chief Executive should be censured for flouting laid down financial regulations. The Committee further recommends that the Chief Executive should adhere to the laid down financial regulations.

Status: The Chief Executive confirms having noted the recommendation and promises to endeavour to adhere to the requirements in future regarding the laid down financial regulations.

3.0 LOAN ARREARS DUE - KSHS.1,103,809,693

RECOMMENDATION

The Committee reiterates its earlier recommendations under paragraph 1 of 1993/94 accounts that:-

- 1. The Chief Executive should liaise with the Parent Ministry and the Ministry of Local Authorities to ensure that the loan arrears amounting to Kshs.1,103,809,693.00 is recovered in full.**

Status: This is a repeat paragraph and the status is as explained above under the previous year.

- 2. The Board should only advance loans against collateral or other securities to guard against defaulters.**

Status: Advances are now being given again adequate security in the form of land title deeds.

4.0 RENT DEBTORS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Corporation's accounts are upto date so as to reflect the true position of its operations.

Status: The Chief Executive confirms having noted the recommendation. The Corporation currently ensures the accounts are up to date and reflect the true position of its operations.

5.0 LOAN REPAYMENT TO GOVERNMENT

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 1 of 1991/92 accounts that the Chief Executive should liaise with the Parent Ministry the Ministry of Local Authorities and the Treasury with a view to recovering in full the rent arrears from the defaulting Local Authorities and ensuring that the amount of Kshs.2,262,069,709.00 is repaid to the Government.

Status: This is a repeat paragraph and the position is as explained above under the previous year.

6.0 NUGATORY PAYMENTS

RECOMMENDATION

1. The Committee recommends that the Board should recover Kshs.117,200 from the Chief Executive for being negligent in his official responsibilities by 31st December 1999.

Status: The Chief Executive confirms that the Corporation has not recovered the money from the former CEO because the person in question is now deceased.

2. The Committee further recommends that the Chief Executive should always engage established and credible security firms which should be done through a transparent open tender process.

Status: The Chief Executive confirms that the Corporation currently deals with established and credible security firms only.

3. The Committee recommends that the Board should cease forthwith from approving loan applications for funds which are not available.

Status: The Chief Executive confirms that the Board currently approves loan application for funds which are available.

4. The Committee recommends that the Chief Executive should overhaul the accounting system to curtail losses of similar nature.

Status: The Chief Executive confirms that measures have been put in place to ensure that similar losses are not experienced.

NATIONAL WATER CONSERVATION & PIPELINE CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL WATER CONSERVATION & PIPELINE CORPORATION FOR THE YEAR ENDED 30TH JUNE 1994

1.0 CORPORATION'S ASSETS AND LIABILITIES

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Corporation has acquired title deeds for all its parcels of land by 30th September 1999.

Status: The Chief Executive confirms acquisition of title deeds for land at its Headquarters and also land at Konza. The rest of the properties have been surveyed and letters of allotment received pending finalisation of the title deeds.

2.0 WATER DEBTORS

RECOMMENDATION

The Committee recommends as follows:-

1. The Parent Ministry and the Board of the Corporation must ensure that a loss proof system of water billing and control is put in place.

Status: The Chief Executive confirms that the recommendation is being adhered to in full.

2. The Chief Executive must produce detailed accounts of the bills alleged to have been erroneous before the Board approves any write off.

Status: The Chief Executive confirms having produced a detailed list of erroneous bills amounting to Kshs.377,600,585-95 and presented the same to the Board as per recommendation.

The Government must work out a properly considered plan to decentralise the operations of water schemes in the country taking into account the fact that a number of local authorities are not only capable but also desire to manage water schemes in their own areas.

Status: The Chief Executive confirms that Sessional Paper No.1 of 1999 on National policy on water resources management and development containing an action plan is in place.

3.0 ACCRUED EXPENSES

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that all statutory deductions are remitted in full when due as required by law.

Status: The Chief Executive confirms total adherence to the recommendation. The Corporation paid Kshs.17 million in December 1999 leaving a balance of Kshs.20 million to be cleared during this financial year.

4.0 OWNERSHIP OF VEHICLES

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Corporation is issued with logbooks for all vehicles in its possession by 30th September 1999.

Status: The Chief Executive confirms that all the 82 motor vehicles have logbooks. 70 motor vehicles are in the name of the Corporation while 12 are under the process of registration and transfer. However, all motor vehicles have logbooks as stated above.

5.0 GENERAL SUSPENSE ACCOUNT

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that reconciliation of the said account is to be completed by 30th September 1999.

Status: The Chief Executive confirms having fully reconciled the General Suspense Account by 30th June 1999. By then the suspense account had been reconciled to NIL balance.

NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION FOR YEAR ENDED 30TH JUNE 1995

1.0 WATER DEBTORS

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 2 of the 1993/94 accounts that:-

1. The Parent Ministry and the Board of the Corporation must ensure that a loss proof system of water billing and control is put in place.

Status: This is a repeat paragraph and the position is as reported above under the previous year.

2. The Chief Executive must produce detailed accounts of the bills alleged to have been erroneous before the Board approves any write off.

Status: The matter is reported as above under the previous year.

3. The Government must work out a properly considered plan to decentralise the operations of water schemes in the country taking into account the fact that a number of Local Authorities are not only capable but also desire to manage water schemes in their own areas.

Status: The recommendation has been fully implemented as explained above under the previous year.

2.0 ACCRUED EXPENSES

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 3 of 1993/94 accounts that the Chief Executive should ensure that all statutory deductions are remitted in full when due as required by law.

Status: This is a repeat paragraph and the matter is as stated above under the previous year.

3.0 OTHER DEBTORS

RECOMMENDATION

The Committee further recommends that the Chief Executive should ensure that the Corporation reimburses all the amounts owed to water consumers.

Status: The Chief Executive confirms that Kshs.1,305,866-50 was paid as recommended. The balance of Kshs.2,655,441-50 is to be settled during this financial year.

4.0 FIXED ASSETS

4.1 Land Ownership

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Corporation acquires title documents for all parcels of land in its possession by 30th September 1999.

Status: This is a repeat paragraph and the matter is as reported above. Two title deeds have been obtained; one for Headquarters and the other for the Konza land. The rest of the property have been surveyed and letters of allotment received.

NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL WATER CONSERVATION AND PIPELINE CORPORATION FOR YEAR ENDED 30TH JUNE 1996

1.0 WATER DEBTORS

RECOMMENDATION

2.0 ACCRUED EXPENSES

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 2 of 1994/95 accounts that the Chief Executive should ensure that all statutory deductions are remitted in full when due as required by law.

Status: The matter is as reported above . This is a repeat paragraph.

3.0 OTHER DEBTORS

RECOMMENDATION

1. The Committee reiterates its earlier recommendation under paragraph 3 1994/95 accounts that the Chief Executive should ensure that the Corporation ceases forthwith from borrowing funds from the water consumers (deposit account).

Status: This is a repeat paragraph and the matter is as reported under the previous year.

2. The Committee further recommends that the Chief Executive should ensure that the Corporation reimburses all the amounts owed to water consumers (deposit accounts).

Status: The Chief Executive confirms that partial reimbursement has been done and the balance is expected to be cleared during the current financial year.

4.0 FIXED ASSETS

LAND OWNERSHIP

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 4 of 1994/95 accounts that the Chief Executive should ensure that the Corporation acquires title documents for all parcels of land in its possession by 30th September 1999.

Status: This is a repeat paragraph and the matter is as reported above under the previous year.

5.0 DEFICIT

RECOMMENDATION

The Committee recommends the following:-

- 1. The Chief Executive should ensure that the Corporation collects its outstanding debts and institutes strict measures to improve its billing and current revenue collection.**

Status: The Chief Executive confirms that the Management did collect all the outstanding debts and has instituted strict measure to improve its billing and current revenue collection.

- 2. The Minister for Water Resources should restrain from revising water tariffs upwards but should ensure that the Corporation collects debts from its consumers.**

Status: The Chief Executive confirms having been granted a 35% tariff increase by the Government in December 1999 before becoming aware of the above recommendation.

NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30TH JUNE 1994

1.0 DELAY IN SUBMISSION OF ACCOUNTS FOR AUDIT

RECOMMENDATION

The Committee recommends that the Chief Executive should submit Council's accounts punctually for audit as stipulated by the law. The Committee further recommends the Parent Ministry should ensure that there is always a Council in place to hold meetings as required by law.

Status: The Chief Executive confirms having noted the recommendation and will comply by submitting council accounts punctually for audit as stipulated by the law. The Parent Ministry will ensure a council is in place always.

2.0 NEGATIVE WORKING CAPITAL

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 3 of 1992/93 accounts (Seventh Report) that:-

1. The Chief Executive should ensure that the Council reimburses KARI Kshs.1.1 million which the latter used in the partition of the second floor.

Status: The Chief Executive confirms that a sum of Kshs.1.1 million is still outstanding because of lack of budgetary provision. The matter is however under constant review.

2. The Chief Executive should ensure that the Council recovers Kshs.5,477,911.55 from M/s Womi Associates which was in excess of the professional fees provided for in the Architects and Quantity Surveyors Act (Cap 525) of the Laws of Kenya in this transaction.

Status: The Chief Executive confirms that the amount has not been recovered. A demand letter ef:NCST/16/001/C/138 dated 4th November has not been answered. Womi have instead now lodged a counter claim of Kshs.65.6 million. The matter has hit a stalemate.

2. The involvement of *Dr. B.N. Majisu* the then Council Secretary, *Mr. S.N. Arasa* the then Permanent Secretary in the parent Ministry and *M/s Womi Associates (Consultants)* in the partitioning of National Council for Science and Technology offices at the Emperor Plaza Building in Nairobi should be investigated.

Status: The Chief Executive confirms that a team of private auditors from *Ernst Young and Partners* are investigating the matter and a report is expected shortly.

3.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the omitted assets are valued with immediate effect either by the Chief Government valuer or a private valuer approved by the Council so that their value is incorporated in the council's books of account.

Status: The Chief Executive confirms having commissioned a private valuer *M/s. Mururu and Company Valuers* who carried out a new valuation to the Council's assets. The new valuation figure has been incorporated in the Council's books of account.

4.0 DEBTORS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the outstanding debts are recovered in full from the Parent Ministry and KIPO. The Committee further recommends that necessary Board approval should be obtained to write off the bad debts amounting to Kshs.44,996.00.

Status: The Chief Executive confirms having demanded from the Ministry the reduced figure of Kshs.21,098.95 after reconciliation Ref.NCST/16/001/C. The demand from KIPO has also been made while the 40th Full Council Meeting did approve the write off of Kshs.44,996.00.

5.0 BANK BALANCE

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the accounts department is strictly supervised to avoid the recurrence of such crimes.

Status: The Chief Executive confirms that the accounts department is being strictly supervised to avoid the recurrence of such crimes.

6.0 RESEARCH FUND

RECOMMENDATION

The Committee recommends that the Kshs.158,836.00 which relate to the completed project and Kshs. 93,063 contributed by the Council on the abandoned projects should be written back to income and expenditure account.

Status: The Chief Executive confirms that approval was obtained from the Governing Council to write off the credit and debit balances and that has already been carried out.

7.0 SUSPENSE ACCOUNTS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the said reconciliation is carried out and completed by 30th September 1999.

Status: The chief Executive Confirms that the reconciliation of the suspense account was done and the net effect will be incorporated in the accounts for the year ending 30th June 2000.

8.0 BUDGETARY CONTROL

RECOMMENDATION

The Committee recommends that Parent Ministry should ensure that there is always a Council in place to hold meetings as required by law.

Status: As reiterated above, the Chief Executive did confirm that the recommendation is being adhered to.

KENYA NATIONAL TRADING CORPORATION LTD

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA NATIONAL TRADING CORPORATION FOR THE YEAR ENDED 30TH JUNE 1994

1.0 GOING CONCERN

RECOMMENDATION

The Committee recommends as follows:-

1. That the Parent Ministry should undertake a comprehensive review of the matter so as to finalise it by 30th September 1999.

Status: The Chief Executive confirms having undertaken a comprehensive review as recommended. The Cabinet approved under Minute No.32/98 of May 4th 1998 to revamp and retain KNTC as a trading company.

2. That in undertaking this review, the Parent Ministry should liaise with the Treasury and Kenya Revenue Authority to reconcile the amounts the Corporation owes both the Parent Ministry and Kenya Revenue Authority, and the amounts the Parent Ministry owes the Corporation.

Status: The Chief Executive confirms that the matter is being handled as recommended. The outcome will be known soon.

3. That the Government should institute a machinery to plan and put to effect the winding up of KNTC by 30th June 2000.

Status: The Chief Executive confirms that KNTC is to be revamped and retained as a trading company.

2.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Chief Executive should follow up the matter to its finalisation and keep the Auditor-General (Corporations) informed of the progress.

Status: The chief Executive confirms that he is following up the matter for its finalisation and has kept the Auditor-General (Corporations) informed of the progress.

3.0 DIRECTORS EMOLUMENTS AND SENIOR STAFF BENEFITS

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 2 of 1991/92 accounts Sixth Report (page 122) that the Chief Executive should liaise with the Parent Ministry in order to ensure that the Corporation recovers K£ 83,900 Kshs.167,800 from the then Board members who had benefited from the irregular payments by 30th September 1999.

Status: The Chief Executive confirms that the matter is being handled by the Parent Ministry but chances of recovery are doubtful.

4.0 COMPLIANCE WITH PROCUREMENT PROCEDURE

RECOMMENDATION

- 1. The Committee recommends that the then Managing Director, Mr. D.K. Tirop should be banned from holding any public office conferred by the Republic of Kenya.**

Status: The matter of banning from holding public office has not been resolved.

- 2. The Committee further recommends that the Attorney-General should institute further investigations into the irregular purchase of bicycles and iron sheets with a view to instituting criminal proceedings against those involved in the irregular procurement of the above said items.**

Status: The chief Executive complains of having seen the recommendation only recently but never the less he has promised to take the required action.

- 3. The Committee also recommends that the Attorney-General should institute full investigations into the activities of the then Managing Director, Mr. D.K. Tirop and the then Chairman of the Board of Directors, Mr. S.K. Kanyingi with a view to instituting civil and criminal proceedings against them if there is *prima facie* evidence of fraud.**

Status: The Chief Executive confirms that the Attorney General is acting as required. Investigations were commenced vide the letter to Commissioner of Police Ref.AG/CONF./8/128 of 2nd February, 1998.

5.0 DEBTORS

RECOMMENDATION

The Committee recommends that:-

- 1. The Chief Executive should actively pursue the recovery, in full, of these debts.**

Status: The Chief Executive confirms that recovery of debts are being pursued vigorously and that the cases are pending in court.

- 2. The appointment of Mr. J.M. Mugwe as a director of KNTC should be revoked immediately.**

Status: The Chief Executive confirms that he petitioned the parent Ministry to revoke the appointment of Mr. J. M. Mugwe vide KNT/01/21 Conf. of 10th August, 1999.

- 3. The Attorney General should investigate the fertiliser transaction with a view to instituting criminal proceedings against M/s Ruspel Ltd.**

Status: The Chief Executive confirms that management is pursuing the matter in liason with the Attorney General.

6.0 LOSS OF SUGAR WORTH KSHS.3,369,191

RECOMMENDATION

The Committee recommends that the Chief Executive should actively pursue this claim to its conclusion.

Status: The Chief Executive confirms that the matter of the loss is being actively pursued.

7.0 EXTRA ORDINARY ITEM - BANK PENALTIES - KSHS.87,646,120

RECOMMENDATION

The Committee recommends that:-

1. **The Parent Ministry should undertake a comprehensive review of this matter so as to finalise it by 30th June 2000.**

Status: The parent Ministry is pursuing the matter as recommended.

2. **In undertaking this review, the Parent Ministry should liaise with the Treasury and Kenya Revenue Authority to reconcile the amounts the Corporation owes both the Parent Ministry and Kenya Revenue Authority and the amounts the Parent Ministry owes the Corporation.**

Status: The Chief Executive confirms that the matter is still pursued as per recommendation.

3. **The Government should institute a machinery to plan and put to effect the winding up of KNTC by 30th June 2000.**

Status: This cannot be done as the Government has already approved the retention of KNTC as a trading company as per Cabinet Memorandum, Minute No.32/98 of May 1998.

KENYA WILDLIFE SERVICE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA WILDLIFE SERVICE FOR THE YEAR ENDED 30TH JUNE 1994

1.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Chief Executive should maintain correct and upto date books of account.

Status: The Chief Executive confirms that KWS now maintains correct and up to date books of account.

KENYA WILDLIFE SERVICE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA WILDLIFE SERVICE FOR THE YEAR ENDED 30TH JUNE 1995

1.0 FIXED ASSETS AND FIXED ASSETS REGISTER

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 1 of the 1993/94 accounts that the Chief Executive should maintain correct and upto date books of account.

Status: The Chief Executive confirms that KWS put in place in a fixed assets register and maintains correct and up to date books of account.

2.0 PETTY CASH

RECOMMENDATION

The Committee recommends that the Chief Executive should reorganise and strictly supervise the accounting department to ensure that it has no further weaknesses and necessary reconciliations are done in time as required by the law.

Status: The Chief Executive confirms that management has put in place a reorganised and strictly supervised accounting department. Interview audits are being done and timely financial reports are being produced.

3.0 UNAUTHORISED EXPENDITURE

RECOMMENDATION

1. The Committee recommends that the then Chief Executive, *Dr. David Western* and the former Financial Controller, *Mr. P.M. Kagiri* should be held responsible for the irregular expenditure during the year under review.

Status: The Chief Executive confirms that the recommendation has been noted and that he is awaiting for specific direction.

2. **The Committee further recommends that the Chief Executive should in future ensure that prudent budgetary and accounting practices are observed.**

Status: The Chief Executive confirms that management now ensures prudent budgetary and accounting practices as per recommendation.

4.0 DELAY IN SUBMISSION OF ACCOUNTS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the annual accounts of the Corporation are submitted in time as required by law.

Status: The Chief Executive confirms that the annual accounts of the Corporation are currently being submitted in time as required by law.

AGRICULTURAL FINANCE CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30TH JUNE 1996

1.0 RESTRUCTURING

RECOMMENDATION

The Committee recommends that both the Parent Ministry and Treasury should expedite the evaluation of the recommendations submitted and ensure that restructuring of the corporation is finalised by 30th September 1999.

Status: The restructuring has not been completed. AFC has not satisfied the Central Bank conditions that it can operate in the competitive banking world.

2.0 LOAN ARREARS TO FARMERS

RECOMMENDATION

The Committee recommends that the Chief Executive should take all the necessary measures to recover all the outstanding loans from farmers in full as per loans agreement.

Status: The Chief Executive confirms that management has not managed to recover all loans from farmers and the process is still going on.

3.0 REDEEMABLE LOANS

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 3 of 1994/95 accounts that the Parent Ministry and Treasury should ensure that the restructuring process of Agricultural Finance Corporation is finalised by 30th September 1999.

Status: AFC has been unable to meet Central Bank of Kenya requirements to operate as a bank.

4.0 DEBTORS

RECOMMENDATION

1. **The Committee recommends that the Chief Executive should ensure that the debts are recovered in full by 30th September 1999.**

Status: Management confirms that the debts have not been collected as recommended and that the process is on going.

2. **The Committee further recommends that the Chief Executive should fervently pursue the court case to conclusion by 30th September 1999.**

Status: The management confirms that matter is still on going and will report back in due course.

KENYA TOURIST DEVELOPMENT CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA TOURIST DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30TH JUNE 1995

1.0 COMMERCIAL LOANS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Corporation has recovered all the money it has invested in the two lodges at the conclusion of the sale.

Status: The Chief Executive confirms that the recommendation has been noted. The buyers of Marsabit Lodge have taken over the assets and liabilities including the KTDC loans. Management on the other hand will ensure full recovery of the money from the sale.

2.0 UNAUTHORISED MEDICAL EXPENSES

RECOMMENDATION

The Committee recommends that the Office of the President should draw up a medical scheme for the Chief Executives of KTDC and clearly state the maximum medical expenses to be incurred.

Status: The Chief Executive confirms that the recommendation has been complied with and the medical expenses are within the letters of appointment.

3.0 EX-STAFF DEBTORS

RECOMMENDATION

The Committee recommends that the Chief Executive should use all means to ensure that all the outstanding balance of Kshs.391,774.00 is recovered in full by 30th September 1999.

Status: The Chief Executive confirms that the money has not been recovered because some of the ex-staff who left in the 1980's cannot be traced while those who have been traced have cases pending in court.

4.0 UNAUTHORISED PAYMENT OF BONUSES TO STAFF

RECOMMENDATION

The Committee further recommends that no further similar expenditure should be incurred until the two conflicting Acts have been harmonised by the Attorney General.

Status: The Chief Executive confirms having noted the recommendation and promises to comply.

KTDC UTALII INVESTMENTS LTD

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KTDC UTALII INVESTMENTS LIMITED FOR THE YEAR ENDED 30TH JUNE 1995

1.0 ACTIVITIES OF THE COMPANY

RECOMMENDATION

The Committee recommends that the Company should be taken over by KTDC forthwith. The Committee further recommends that the Chief Executive should ensure that KTDC shares in the said Company revert back to KTDC so that the Company should be wound up by 30th September 1999.

Status: The Chief Executive confirms that KTDC is still in the process of selling its only assets (shares) on the Nairobi Stock Exchange. There are only two portfolios remaining, once these have been sold the company will be wound up.

2.0 FIXED DEPOSIT

RECOMMENDATION

1. The Committee recommends that the Chief Executive should ensure that the deposited amount of Kshs.4,855,309.00 is recovered in full together with interest accrued when the Company is wound up by 30th September 1999.

Status: The Chief Executive confirms that a decision was taken and that the total amount including accrued interest was transferred to Kenya Commercial Bank on maturity.

2. The Committee further recommends that the Chief Executive should in future comply with the requirements stipulated in the Treasury Circular No. 10 of July 1992.

Status: The Chief Executive confirms that management is complying with the recommendation.

3. The Committee also recommends that the Chief Executive should be reprimanded for placing the Company's money under risk in shaky financial institutions contrary to Treasury Circular No. 10 of 1992.

Status: There is no evidence that a reprimand has been made and the matter is still being followed up.

KTDC UTALII INVESTMENTS LTD

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KTDC UTALII INVESTMENTS LIMITED FOR THE YEAR ENDED 30TH JUNE 1996

1.0 ACTIVITIES OF THE COMPANY

RECOMMENDATION

The Committee reiterates its earlier recommendation in paragraph I of 1994/95 accounts that the Company should be taken over by KTDC forthwith. The Committee further recommends that the Chief Executive should ensure that KTDC shares of the said company revert back to the Company and the Company should be wound up by 30th September 1999.

Status: The matter is as reported above under the previous year. The company will be wound up after selling remaining two portfolios through the Nairobi Stock Exchange.

2.0 FIXED DEPOSITS

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 2 of 1994/95 accounts that:-

1. The Chief Executive should ensure that the deposited amount together with interest accrued is recovered in full when the Company is wound up by 30th September 1999.

Status: This is a repeat paragraph and the position is as reported above in the previous year.

2. The Chief Executive should in future comply with the requirements stipulated in the Treasury Circular No. 10 of July 1992.

Status: The Chief Executive confirms that management is complying with the recommendation.

3. The Chief Executive should be reprimanded for placing the Company's money under risk in shaky financial institutions contrary to Treasury Circular No. 10 of 1992.

Status: This is a repeat paragraph and the matter is as reported above in the previous year.

3.0 IDLE CAPACITY

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the deposits of the Company are always used to improve the operations of the Company and to help it maximise profits. The Committee further recommends that the idle deposits should be reinvested in a project which will generate income for the Corporation.

Status: The Chief Executive confirms that the recommendation was noted and the cash of Kshs.2,197,244 reflected in the current account as at 30th June 1996 has since been utilised.

NYAYO TEA ZONES DEVELOPMENT CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NYAYO TEA ZONES DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30TH JUNE 1993

1.0 ESTABLISHMENT COST - KSHS.317,819,484

RECOMMENDATION

1. **The Committee recommends that since the Corporation has failed to achieve its objectives and deviated from its original purpose, it should be degazetted.**

Status: The Corporation is still operating. The Chief Executive confirms that the Corporation is now doing well financially and is profit making and does not depend on the exchaquer. It is a viable and profitable investment.

2. **The Committee further recommends that the land where tea is planted and the tea bushes thereon should revert back to the Local Authorities.**

Status: The Chief Executive confirms that the matter has been noted and consultations will be made on the same lines.

2. UNSUPPORTED EXPENDITURE

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 1 of 1991/92 accounts that the Parent Ministry should immediately recover the outstanding amounts from the various District Commissioners who were responsible for the expenditure at the material time.

Status: The Chief Executive confirms that in his letter ref: NTZDC/Conf.17/1/78 dated dated 9th March 2000 that recovery is actively being pursued together with the office of the President and the Attorney-General's Chambers. Details of recovery will be reported in dues course.

3.0 STANDING IMPRESTS

RECOMMENDATION

1. **The Committee recommends that the Chief Executive should ensure that proper books of account are kept.**

Status: The Chief Executive confirms that the recommendation has been noted and that proper books of account are being kept.

2. **The Committee further recommends that the Chief Executive should in future make available all documents necessary for the purpose of the audit in accordance with the provisions of the Exchequer and Audit Act (Cap 412).**

Status: The Chief Executive confirms that the Corporation currently avails all documents necessary for the purpose of the audit in accordance with the law.

4.0 PURCHASE ADVANCES - KSHS.362,551

RECOMMENDATION

1. **The Committee recommends that the Chief Executive should strictly adhere to the laid down financial regulations with regard to issuance of imprest.**

Status: The Chief Executive confirms that management currently adheres strictly to the laid down financial regulations with respect to issuance of imprest.

2. **The Committee further recommends that an amount of Kshs.12,702.00 should be recovered from the then Chief Executive Mr. I. Cheluget by 30th September, 1999.**

Status: The Chief Executive confirms having written to Mr. Isaiah Cheluget demanding the sum of Kshs.12,707.00. A second and final reminder was sent to him and there is no response. The matter is still being pursued.

KENYA MEAT COMMISSION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA MEAT COMMISSION FOR THE YEAR ENDED 30TH JUNE 1988

1.0 GOING CONCERN

RECOMMENDATION

The Committee recommends that:-

1. The Government should pay off all the loans and other liabilities owed by KMC to NBK and other organisations immediately. This should be done before 30th September 1999 to facilitate immediate lifting of receivership placed on KMC by the NBK and immediate removal of the Receiver Manager, *Mr. Andrew D. Gregory* of KPMG Peat Marwick.

Status: It is confirmed that NBK has been repaid some of the loans and that matter of final settlement is under active consideration.

2. The Government should take immediate steps (Before 31st December 1999) to resuscitate KMC by appointing new management, injecting in new capital and make it an operational going concern. Only after this action should the Government consider privatisation of KMC.

Status: The Government is taking steps to resuscitate KMC and the matter is being pursued as recommended.

3. The Government should ensure that the ownership of the 2500 acres of land re-allocated to KMC is legalised by way of issuance of a title deed and by the removal of any persons/bodies who might be occupying the said land by 30th September 1999.

Status: The matter is being looked into as recommended.

4. The Government should repossess all the land allocated to individuals and organisations and return it to KMC to enable KMC to have adequate holding ground.

Status: The matter of repossession would have problems where legal problems where legal transfer has been done but all the same the matter is being looked into.

5. No further sale of KMC assets should be effected.

Status: The recommendation has been noted and compliance is expected.

2.0 LOAN CAPITAL

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 2 of 1986/87 accounts that the Treasury should finalise urgently the capital reconstruction of the Commission.

Status: The matter of capital reconstruction was noted and the matter is under active consideration.

3.0 DEBTORS

RECOMMENDATION

The Committee recommends that the Treasury and the Parent Ministry should institute measures to recover these debts in full plus interest accrued by 30th September 1999.

Status: The matter of debt recovery is still being pursued and recommended.

4.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Treasury and the Parent Ministry should ensure that the Commission's assets remain intact until the future status of the Company is evaluated and determined.

Status: The recommendation has been noted and the same will be adhered to.

KENYA PIPELINE COMPANY LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA PIPELINE COMPANY LIMITED FOR THE YEAR ENDED 30TH JUNE 1995

1.0 DELAY IN SUBMISSION OF ACCOUNTS FOR AUDIT

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Company's accounts are submitted for audit on time in accordance with the law.

Status: The company's accounts are now being submitted for audit on time in accordance with the law.

2.0 FINANCIAL PERFORMANCE

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that adequate resources are sourced and set aside before the Company embarks on any heavy capital investment to avoid liquidity constraints in future.

Status: The company has noted the recommendation and will in future ensure that adequate resources are sourced and set aside before the company embarks on any heavy Capital Investment.

3.0 REPAIR OF HELICOPTER

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that proper documentation is maintained for all the Company's transactions.

Status: The recommendation has been noted and will be complied with in all future company transactions.

4.0 INVESTMENT

RECOMMENDATION

The Committee recommends that the Permanent Secretary, Ministry of Energy should find out why the Consolidated Bank of Kenya has not paid dividends since inception in 1990.

Status: The recommendation has been noted and the matter is being looked into.

NATIONAL OIL CORPORATION OF KENYA

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL OIL CORPORATION OF KENYA FOR THE YEAR ENDED 30TH JUNE 1994

1.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Corporation should, if finds it necessary, purchase its own land for the construction of its headquarters and laboratories.

Status: The Chief Executive confirms having taken the recommendation seriously. The Corporation will purchase a plot at an opportune time for the construction of its headquarters and laboratories for petroleum exploration activities.

2.0 BANK DEPOSIT ACCOUNTS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that Kshs.15,388,333.10 owed by Trade Bank Ltd (under liquidation) is recovered in full together with the interest accrued. The Committee further recommends that the Chief Executive should ensure that the Corporation's surplus funds are invested in accordance with the laid down financial regulations.

Status: The Chief Executive confirms that the debt recovery at the banks is very poor. But the Corporation is following up the matter actively with hope of recovery from Trade Bank Ltd. (under liquidation). Any surplus funds are now being invested in accordance with the laid down financial regulations.

3.0 PENSION FUND SCHEME

RECOMMENDATION

The Committee recommends the Chief Executive should ensure that all the amounts owed by Kenya National Assurance Company plus accrued interest are recovered in full.

Status:

The Chief Executive confirms that the matter is being pursued in conjunction with the Ministry of Finance and Planning. The amount of Kshs.4,230,754.00 is still being pursued with the liquidators and it is unknown when recovery will be made.

NATIONAL OIL CORPORATION OF KENYA

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL OIL CORPORATION OF KENYA FOR THE YEAR ENDED 30TH JUNE 1995

1.0 NAKURU-NAIROBI ROAD LEASEHOLD PLOT NO. BLOCK 16/263

RECOMMENDATION

The Committee recommends that the then Chief Executive, *Mr. J.K. Kwambai*, should pay the difference between the purchase price of Kshs.14.5million and the Corporation's professional valuers figure of Kshs.11.8 million by 30th September 1999. The Committee further recommends that *Mr. J.K. Kwambai* should be banned from holding any public office conferred by the Republic of Kenya.

Status: The Chief Executive confirms having written demanding payment as recommended. Mr. Kwambai by his letter dated 9th March 2000 pleads ignorance as he does not remember 1995 events. However, more information is being given support the claim and recovery the payment.

2.0 PLOT NO. LR 9042/162 ON OUTERRING ROAD NAIROBI

RECOMMENDATION

The Committee recommends that the Chief Executive should always seek clearance from the relevant authorities before committing the Corporation to this kind of expenditure.

Status: The Chief Executive confirms having noted the recommendation. Clearance will always be sought in future before committing the Corporation to such kind of expenditure.

3.0 PIPELINE DEPOT PLOT LR 209/13298 - 2 HECTARES INDUSTRIAL AREA NAIROBI

RECOMMENDATION

The Committee strongly recommends that the Chief Executive should always ensure that the Corporation receives value for all its purchases especially fixed assets.

Status: The Chief Executive confirms that the recommendation has been noted and will be adhered to.

4.0 FEASIBILITY STUDY

RECOMMENDATION

The Committee recommends that the then Chief Executive, Mr. J.K. Kwambai should be held responsible for the over expenditure of Kshs.3,057,947 and be made to pay the said amount by 31st December, 1999.

Status: The current Chief Executive confirms that management is pursuing Mr. Kwambai for the payment. Mr. Kwambai has asked for time, to peruse the documents and the matter is being followed.

KENYA AGRICULTURAL RESEARCH INSTITUTE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA AGRICULTURAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE 1994

1.0 FINANCIAL POSITION

RECOMMENDATION

1. **The Committee recommends that the Chief Executive should maintain proper books of account reflecting the true value of the Institute's assets at all times.**

Status: The Chief Executive confirms through his letter ref:KARI/1/025/Vol.111/83 of 8th March, 2000 that valuation have been carried out and proper books of account are being maintained reflecting the true value of the Institute's assets.

2. **The Committee further recommends that the Chief Executive and the Parent Ministry should explore other avenues of funding the Institute in order to enable it operate viably.**

Status: The Chief Executive confirms that the recommendation has been taken seriously, and the parent ministry, the Treasury and KARI are exploring other avenues of funding the institute.

2.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Chief Executive should in future maintain proper books of account.

Status: The Chief Executive confirms that the Institute now maintains proper books of account.

3.0 LAND AND BUILDINGS - OWNERSHIP

RECOMMENDATION

The Committee recommends as follows:-

Top Station

- 1. That the Government should revoke all the allocations at the top station and repossess the land and improvement thereon and issue title deeds to KARI.**

Status: The Chief Executive confirms that the Commissioner of Lands was requested to follow up the matter of repossession and the matter will be reported once it becomes clear.

- 2. That the Government should guarantee the security of the employees of both KARI and KEPHIS.**

Status: The Chief Executive confirms that the Government does guarantee the security of employees of both KARI and PEPHIS.

- 3. That all the allottees who have vandalised KARI properties should be made to pay for them.**

Status: The Chief Executive confirms that the recommendation has been noted and that the matter is being follow up.

4. That **Mr. Ben Mogaka**, the then District Commissioner, Transzoia District and currently Deputy Secretary, Ministry of Research and Technology; and **Mr R.C. Butaki**, Centre Director Kitale, should be banned from holding any public office conferred by the Republic of Kenya.

Status: The Chief Executive that recommendation has been noted. Mr. R.C. Butaki is understood to have retired on age grounds while Mr. Ben Mogaka is still working. The matter is being followed up.

5. The Government should censor **Rev. Silas Yego** for his unreligious conduct and the Committee recommends that he should be banned from holding any public office conferred by the Republic of Kenya.

Status: The Chief Executive confirms having noted . It is not yet clear of Rev. Silas Yego has been censured or barred from holding any Public office.

6. That the Commissioner of Lands must establish and maintain the names of the bonafide Directors of the Companies who were allocated KARI land.

Status: The Chief Executive has noted the recommendation. It is expected that the Commissioner of Lands has names of bonafide Directors of the companies who were allocated KARI land.

Lower Station

RECOMMENDATION

1. That the Government should revoke all the allocations at the lower station and the Commissioner of Lands must cancel the title deeds issued and the leases given.

Status: The recommendation has been noted. The Chief Executive confirms that the Commissioner of Lands has been able to revoke three allocations totalling 25 acres.

2. The Commissioner of Lands must produce the names of the beneficiaries of the two unaccounted for plots.

Status: The Chief Executive confirms that the matter is with the Commissioner of Lands as recommended.

Katoloni Farm

RECOMMENDATION

That the Commissioner of Lands should immediately issue a title deed to KARI for Katoloni land and report back by 30th September 1999.

Status: Attempts are still being made to establish if the Katoloni land has received a title deed as recommended.

Limuru (Tigoni)

RECOMMENDATION

That the Government should revoke the allocations, cancel the title deeds issued, repossess the land and issue titles of the same to KARI.

Status: The Chief Executive confirms that the matter is still being followed up. Only 25 acres have been voked so far.

4.0 STOCK

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Institute's Balance Sheet Stock figure includes all items so as to reflect the true position and observe the standard accounting practises.

Status: The Chief Executive confirms that the matter has been noted. The Standard accounting practises are being observed. Other stocks have also been included as recommended.

4.0 CREDITORS

RECOMMENDATION

1. The Committee recommends that the Chief Executive should ensure that all statutory and other deductions are remitted to the appropriate authorities promptly as required by the law.

Status: The Chief Executive confirms that the statutory deductions are being remitted as recommended. The institute has requested for financial provision to meet the arrears.

2. The Committee further recommends that the Chief Executive should

explore alternative sources of funding to avoid total dependence on the Exchequer.

Status: The Chief Executive confirms that the Institute is exploring alternative sources of funding to avoid total dependence on the Exchequer.

KENYA AGRICULTURAL RESEARCH INSTITUTE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA AGRICULTURAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE 1995

1.0 FINANCIAL POSITION

RECOMMENDATION

1. The Committee reiterates its earlier recommendations under paragraph 1.0 of 1993/94 accounts that:

Status: This is a repeat paragraph and the matter is as reported above under the previous year.

2. The Chief Executive should maintain proper books of account reflecting the true value of the Institute's assets at all times.

Status: The Chief Executive confirms that proper books of account are being maintained and they reflect the true value of the institute assets.

3. The Chief Executive and the Parent Ministry should explore other avenues of funding the Institute to enable it operate viably.

Status: The Chief Executive confirms that the recommendation has been noted and other avenues of funding the Institute are being explored.

2.0 FIXED ASSETS

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 2.0 of 1993/94 accounts that the Chief Executive should in future maintain proper books of account at all times.

Status: This is a repeat paragraph and the matter is as reported above under the previous year.

3.0 LAND AND BUILDINGS -OWNERSHIP

RECOMMENDATION

The Committee recommends as follows:-

Top Station

1. That the Government should revoke all the allocations at the top station and repossess the land and improvement thereon and issue title deeds to KARI.

Status: The Chief Executive reports so far 25 acres allocation has been revoked and the matter is still being pursued.

2. That the Government should guarantee the security of the employees of both KARI and KEPHIS.

Status: The Chief Executive confirms that the Government guarantees the security of the employees of both KARI and KEPHIS.

3. That all the allottees who have vandalised KARI properties should be made to pay for them.

Status: The Chief Executive confirms that the recommendation has been noted and the matter is being follow up.

4. That **Mr. Ben Mogaka**, the then District Commissioner, Transzoia District and currently Deputy Secretary, Ministry of Research and Technology; and **Mr R.C. Butaki**, Centre Director Kitale, should be banned from holding any public office conferred by the Republic of Kenya.

Status: This is a repeat paragraph and the position is as reported above under the previous year.

5. The Government should censor **Rev. Silas Yego** for his unreligious conduct and the Committee recommends that he should be banned from holding any public office conferred by the Republic of Kenya.

Status: This is a repeat paragraph and the position is as reported above under the previous year.

6. That the Commissioner of Lands must establish and maintain the names of the bonafide Directors of the Companies who were allocated KARI land.

Status: This is a repeat paragraph and the position is as reported above under the previous year.

Lower Station

RECOMMENDATION

1. That the Government should revoke all the allocations at the lower station and the Commissioner of Lands must cancel the title deeds issued and the leases given.

Status: This is a repeat paragraph and the position is as reported above under the previous year.

2. The Commissioner of Lands must produce the names of the beneficiaries of the two unaccounted for plots.

Status: This is a repeat paragraph and the matter is as reported above under the previous year.

Katoloni Farm

RECOMMENDATION

That the Commissioner of Lands should immediately issue a title deed to KARI for Katoloni land and report back by 30th September 1999.

Status: This is a repeat paragraph and the matter is as reported above under the previous year.

Limuru (Tigoni)

RECOMMENDATION

That the Government should revoke the allocations, cancel the title deeds issued, repossess the land and issue titles of the same to KARI.

Status: This is a repeat paragraph and the position is as reported above under the previous years.

4.0 DEBTORS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that debts owed to the Institute are cleared promptly in order to enhance the Institute's liquidity.

Status: The Chief Executive confirms that the recommendation has been noted. The debt owed by Kenya Seed Company Ltd. had been recovered and all effort is being made to recover other remaining debts.

5.0 STOCK

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 4.0 of 1993/94 accounts that the Chief Executive should ensure that the Institute's Balance Sheet Stock figure includes all items so as to reflect the true position and observe the standard accounting practices.

Status: This is a repeat paragraph and the position is as reported above under the previous year.

6.0 GRANT RECEIVABLES

RECOMMENDATION

The Committee recommends that the Chief Executive should always make available all relevant documents and information for the audit exercise to the Auditor-General (Corporations) in accordance with the provisions of Section 29 (3) of the Exchequer and Audit Act (Cap 412).

Status: The Chief Executive confirms that the Institute has ensured that all relevant documents are available to the Auditors so as to establish the grants receivable.

KENYA VETERINARY VACCINES PRODUCTION INSTITUTE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR ENDED 30TH JUNE 1996

1.0 FINANCIAL POSITION

RECOMMENDATION

The Committee recommends the following:

1. Treasury should adequately fund the Parent Ministry to ensure prompt payment for vaccines obtained from the Institute.

Status: The Chief Executive confirms that attempts have been made to refund the Institute. However the known constraints have made it difficult and purchase of vaccines KEVEVAPI are below budget as sales remain at 58%.

2. That the Chief Executive should continue to explore other avenues of funding the Institute, in order to improve its financial position.

Status: The Chief Executive confirms that the Institute is exploring other avenues of funding its operations.

3. The Chief Executive should ensure that all statutory deductions are remitted in full, when due, in accordance with the law.

Status: The Chief Executive confirms that serious attempts are being made to remit the outstanding statutory deductions. Payment in instalments is being considered as the cashflow remains strained.

KENYA TRYPANOSOMIASIS RESEARCH INSTITUTE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA TRYPANOSOMIASIS RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE 1992

1.0 FIXED ASSETS:

RECOMMENDATION

1. The Committee recommends that the Chief Executive should ensure that title deeds are obtained for all parcels of land in the Institute's possession by 30th September 1999.

Status: The Chief Executive confirms through his letter Ref. C/TR/3/74/2 dated 10th March 2000 that two title deeds for the 469 acres of land were obtained.

2. The Committee further recommends that the Chief Executive should ensure that all the Institute's parcels of land are valued and these values incorporated into the Balance Sheet in order to reflect the true position of the Institute.

Status: The Chief Executive confirms that the parcels of land were valued and the same included in the accounts for the financial year ending 30th June 1999.

2.0 DEBTORS

RECOMMENDATION

1. The Committee recommends that the Chief Executive should strictly adhere to the laid down financial regulations especially with regard to rules governing the issuance and surrender of imprests.

Status: The Chief Executive confirms that the Institute currently adheres to the laid down financial regulations with regard to issuance and surrender of imprests.

2. The Committee further recommends that the Chief Executive should pursue all means to ensure that all outstanding imprests are recovered by 30th June 1999.

Status: The Chief Executive confirms that all imprest was recovered except for Mr. Adrieal Mukiri Muya who was dismissed on 30th September 1997. Kshs. 65,748.40 was recovered from Mr. Muya, leaving a balance of Kshs. 261,163.35. A court case has been instituted to recover the money.

3.0 LOSS OF CASH

RECOMMENDATION

1. The Committee recommends that the Attorney General should immediately institute criminal proceedings against **Mr. Charles Olum Obala** with a view to prosecuting him by 30th September 1999.

Status: The Chief Executive confirms that the balance of Kshs. 242,878.00 cashed fraudulently by a Mr. Charles Olum Obala has not been recovered. Management followed Mr. Obala up to his house but learnt that he had died. Consideration is being made to write off the amount.

2. The Committee further recommends that the Chief Executive should exercise strict control over the Institute's finances to avoid a recurrence and immediately institute measures including litigation to ensure that the money that was fraudulently cashed is recovered in full.

Status: The Chief Executive confirms that the Institute exercises strict control over its finances. The money obtained fraudulently can't be recovered as the person involved has since died.

4.0 CREDITORS

RECOMMENDATION

1. The Committee reiterates its earlier recommendations under paragraph 1 of 1991/92 accounts that:-

Status: The matter is as reported above under paragraph 1 of 1991/92 accounts

2. The Chief Executive should ensure that title deeds are obtained for all parcels of land in the Institute's possession by 30th September 1997.

Status: The Chief Executive confirms that the title deeds have been obtained for the Institute's parcels of land.

- 3. The Chief Executive should ensure that all the Institute's parcels of land are valued and these values incorporated into the Balance Sheet in order to reflect the true position of the Institute.**

Status: The Chief Executive confirms that the parcels of land were valued, and the figures included in the balance sheet for the financial year ending 30th June 1999.

The Committee further recommends that:-

- 1. The Treasury should provide more funds to enable the Institute complete the stalled projects.**

Status: The Chief Executive confirms that the matter of provision of more funding is being looked into.

- 2. The Chief Executive should explore other sources of funding to avoid overdependence on diminishing Treasury grants.**

Status: The Chief Executive confirms that other sources of funding the Institute are being explored.

2.0 DEBTORS

RECOMMENDATION

- 1. The Committee reiterates its earlier recommendations under paragraph 2 of 1991/92 accounts that:-**

Status: This is a repeat paragraph and the position is as reported above under the previous year.

- 2. The Chief Executive should strictly adhere to the laid down financial regulations especially with regard to rules governing the issuance and surrender of imprests.**

Status: The position is as reported above under debtor's paragraph.

- 3. The Chief Executive should pursue all means to ensue that all outstanding imprests are recovered by 30th September 1999.**

Status: The matter is as reported above under the above paragraph.

4. The Committee further recommends that the Attorney General should institute criminal proceeding against *Mr. Andriel Muya* for obtaining money fraudulently.

Status: The matter is before a competent court of law for recovery of the money.

3.0 CREDITORS

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 4 of 1991/92 accounts that the Treasury should urgently provide funds to the Institute to clear these

Status: This is a repeat paragraph and the position is as reported above under the previous year.

4.0 PENSION SCHEME

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that a proper pension scheme agreement is signed before any remittances are made.

Status: The Chief Executive confirms having noted the recommendation. The Institute has started another pension scheme with the Insurance Company of East Africa. This is after the failed TRYPENSION held with the Kenya National Assurance Co. Ltd. (in liquidation).

KENYA MEDICAL RESEARCH INSTITUTE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA MEDICAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE 1996

1.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that Title Deeds are obtained for all parcels of land in the Institute's possession and their value incorporated into the Balance Sheet by 30th September 1999.

Status: The Chief Executive confirms as per his letter Ref:KEMRI/FIN/6/78(35) dated 29th February 2000 that land title deeds have been obtained for KEMRI Headquarters, Medical Research Centre, and Langata Road, after provision of an air funnel to serve Wilson Airport. Taveta and Kilifi Parcels are being processed by the Commission of Land after which all will be valued and included in the balance sheet.

2.0 STAFF HOUSING PROJECT

RECOMMENDATION

The Committee recommends the following:-

1. The Attorney General should institute investigations with a view to prosecuting M/s Tuck Limited and its Directors for coercing KEMRI to pay Kshs.27.5 million. Besides the prosecution, the Attorney General should ensure that the said amount is recovered from M/s Tuck Limited.

Status: The Chief Executive confirms that the matter is being pursued as recommended in line with the Attorney Generals office.

2. M/s Tuck Limited and any company established by its proprietor should be barred from transacting any business with the Government or any public body.

Status: This recommendation has been noted by KEMRI and the Government for future compliance.

3. Treasury should expedite the finalisation of its discussion with the

National Bank of Kenya in respect of the payment of the loan so that no further interest accrues.

Status: The Committee set up by the Treasury on the matter made the required recommendations which are being implemented. Already Kshs.142 million has been provided in the current budget. More funds will be provided to complete the estimated amount which is Kshs.270 million.

- 4. The Chief Executive should ensure that in future he does not commit the Institute to any project without feasibility studies, budgetary provisions and ministerial approval.**

Status: The Chief Executive confirms having noted the PIC recommendation and will commit the Institute only after projection, evaluation followed by Ministerial approval and budgetary provision.

- 5. The Permanent Secretary of the Parent Ministry should ensure that the Government commences works to complete the Housing project.**

Status: The Chief Executive confirms that plans have been made for completion of the project at an estimated figure of Kshs.270 million which is expected to be spread over two years in equal instalments.

3.0 ABANDONED PROJECT

RECOMMENDATION

The Committee reiterates its earlier recommendations under paragraph 4 of 1994/95 accounts that:-

- 1. The Chief Executive should endeavour to complete the project in order to avoid further escalation of building costs.**

Status: The Chief Executive confirms having noted the recommendation and reports that the matter of the completion of the project is actively being pursued.

- 2. The Chief Executive should always ensure that a proper agreement is signed before the Institute is involved in a joint project with another party.**

Status: The Chief Executive confirms that the recommendation has been noted and reports that proper agreements will always be signed before the Institute is involved in a joint project with another party.

4.0 NATIONAL HOSPITAL INSURANCE FUND STAMPS

RECOMMENDATION

The Committee recommends that:-

- 1. The Attorney General should ensure that the suspect *Mr. Absolom M'Mbwanga Agarahi* is arrested and prosecuted immediately.**

Status: The Chief Executive confirms that the matter was reported to the Police and the Institute is actively pursuing the same with the authorities to accomplish the requirements of the recommendation.

- 2. The Chief Executive should apply strict internal financial controls at the Institute to avoid the recurrence of such a fraud.**

Status: The Chief Executive confirms application of strict internal financial controls to safeguard and avoid occurrence of such a fraud. Management has changed the stamps system and is now issuing out to staff certificates of contribution under the close vigilance of the Director's office.

KENYA FORESTRY RESEARCH INSTITUTE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA FORESTRY RESEARCH INSTITUTE FOR THE YEAR ENDED 30TH JUNE 1994

1.0 FINANCIAL POSITION

RECOMMENDATION

1. **The Committee recommends that the Chief Executive should ensure that the Institute explores other additional avenues of funding its operations to avoid deficits.**

Status: By his Letter Ref:KEFRI/CONF./3/30/(39) dated 3rd March 2000 the Chief Executive confirms that additional avenues of funding are being explored. These include conducting training courses and offering consultancy services like contract research.

2. **The Committee further recommends that the Chief Executive should liaise with the Parent Ministry and Treasury to ensure that the Government provides more grants to the Institute to offset the accumulated deficits.**

Status: The Chief Executive confirms that management is working together with the Parent Ministry and Treasury to improve on the funding proposals. Treasury is currently able to release funds for the current year operations only due to budgetary constraints.

2.0 FIXED ASSETS

RECOMMENDATION

The Committee reiterates its earlier recommendation under Paragraph 1 of 1992/93 accounts that the Chief Executive should ensure that all the land owned by the Institute is valued and its value included in the books of account by 30th September 1999.

Status: The Chief Executive confirms that land previously jointly owned by KEFRI, KETRI, and KARI was finally surveyed and KEFRI received the title deed. The value of the land is now included in the 1998/99 accounts which have already been audited.

3.0 DEBTORS

RECOMMENDATION

The Committee recommends that the Chief Executive should always adhere to the laid down financial regulations with regard to surrender of imprests.

Status: The Chief Executive confirms that Management currently comply with the laid down financial regulations with respect of surrender of imprest. Previous imprests are now being retired before issuance of any other imprest.

4.0 CREDITORS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that all statutory deductions are remitted in full when due in accordance with the law.

Status: The Chief Executive now confirms that all statutory deductions are being remitted in full when due in accordance with the law.

MUHORONI SUGAR COMPANY LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF MUHORONI SUGAR COMPANY LIMITED FOR THE YEAR ENDED 30TH JUNE 1993

1.0 GOING CONCERN

RECOMMENDATION

The Committee recommends that the following measures should be taken urgently.

1. Financial restructuring of the Company by way of:-

- (a) Writing off the debts.
- (b) Conversion by the Government of its loan balance into equity.
- (c) Further injection of capital for the expansion of the crushing capacity of the plant.

Status: The Chief Executive confirms that the Government has appointed audit team to establish the actual financial position. M/s Price Water House Coopers have been appointed for a financial audit as a first step towards restructuring.

2. The Government should terminate the technical management agreement with M/s Hudiabiya Engineering Company of Pakistan as the current local management team is adequate to do the task of revamping the Company.

Status: The Chief Executive confirms that the technical management agreement with M/s Hudiabiya Engineering Company of Pakistan was frustrated and lapsed at take-over stage as local farmers could not allow them to settle down in Muhoroni.

3. There should be immediate overhaul of the current Board of Directors and the appointment of a new one with the farmers who are the major stakeholders electing the majority of the board members.

Status: The Chief Executive confirms that the matter is being considered as recommended. There are two directors who are representing the farmers' interests at the moment.

4. Privatization of the Company should be initiated with the farmers who are the major stakeholders being given the option to purchase majority of the shares.

Status: The Chief Executive confirms that the matter is under active consideration and that farmers will definitely be given the option to own the Company. The farmers have formed themselves into three outgrower bodies i.e. Muhoroni Sugarcane, Soin and Muhoroni Multipurpose Farmers Union for eventual take-over during the forthcoming privatization.

5. The Government should control dumping of cheap subsidized imported sugar from any external market to enable the Company sell its sugar profitably.

Status: The Chief Executive confirms that his sales are having no problem because there is a marked control in the dumping of cheap subsidized imported sugar. Survival of the sugar companies will depend on the system of control remaining without any loopholes.

2.0 FIXED ASSETS

RECOMMENDATION

The Committee further recommends that the Chief Executive should liaise with the Parent Ministry, the farmers and the Commissioner of lands with a view to transferring all the land paid for to its rightful owners and achieving payment from farmers who have not paid so that their land can also be transferred to them.

Status: The Chief Executive confirms that all the three farmers, Hon. Oloo Aringo, Justice Omolo and the family of Prof. Ominde are working towards transfer of land to themselves so that the Company can be paid the value of the land.

3.0 CAPITAL WORK IN PROGRESS

RECOMMENDATION

1. The Committee reiterates its earlier recommendation in the seventh report (page 218) that the Chief Executive should use all possible means to ensure that all the amounts owed by the then Managing Director, *Mr. Martin Wena* are recovered in full by 30th September, 1999.

Status: The Chief Executive confirms that the case against the former Managing Director Mr. Martin Wena was decided in favour of Muhoroni Sugar Company. He has been unable to pay Kshs.1,517,442-35 which was the court award together with interest and cost of the suit. On failure by auctioneers to identify any of Mr. Wena's property for disposal, bankruptcy proceedings have been instituted against him.

- 2. The Committee further recommends that Mr. Martin Wena should be banned from holding any public office conferred by the Republic of Kenya.**

Status: The Chief Executive confirms that the recommendation has been noted and that the law will work against Mr. Wena once he is adjudged bankrupt.

4.0 DEFERRED DEBTS AND LOANS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the deferred debts and loans are recovered from the affected farmers in full.

Status: The Chief Executive confirms that the Company's adopted policy of reinvestment in farms with previous loans with a view to full loan settlement eventually is working well. The process is however still hampered by shortage of funds which could enable the Company to cover all the farmers whose cane was not harvested on maturity.

5.0 ACCRUED INTERESTS

RECOMMENDATION

- 1. The Committee recommends that the Chief Executive should ensure that the Company continues to provide for and accrue interest until capital restructuring is finalised.**

Status: The Chief Executive confirms that the Company is continuing to provide for and accrue interest until capital restructuring is finalised after the financial audit.

2. **The Committee further recommends that the Chief Executive and the Company's Board of Directors should liaise with the Parent Ministry and Treasury with a view to ensuring that capital restructuring of the Company is finalised by 30th September, 1999.**

Status: The Chief Executive confirms that the capital restructuring has not been finalised. The matter is still being pursued.

6.0 DELAY IN SUBMISSION OF ACCOUNTS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the accounts of the Company are prepared and submitted for audit in time.

Status: The Chief Executive confirms that the Company's accounts are now being prepared and submitted for audit in time as per recommendation.

Status: The Chief Executive confirms that the matter of financial restructuring is under active consideration, as explained above and then thereafter acquire adequate working capital to pay off the farmers and purchase spares to adequately maintain the factory operations.

- 2. The Government should terminate the technical management agreement with M/s F.C. Schaffer International of Louisiana, U.S.A. as this Company does not appear to have sufficient technical management capacity and financial base.**

Status: There is a legal agreement duly entered into after a major government policy which negates termination of the technical management agreement. This is to state that there has been no major diversion or non-performance to warrant termination.

- 3. The Government should, through transparent recruitment procedures, appoint competent Kenyans as General Manager, Technical Manager, Finance Manager, Agricultural Manager and Factory Manager.**

Status: This is a repeat paragraph and the position is as stated above under a similar recommendation.

- 4. Immediate overhaul of the current Board of Directors and the appointment of a new one with the farmers who are the major stakeholders electing the majority of the Board members.**

Status: This is also a repeat paragraph and the position is as stated above.

- 5. Privatisation of the Company be initiated with the farmers who are the major stakeholders being given the option to purchase the majority of the shares.**

Status: The recommendation has been noted and the Government State policy is to give farmers who are the major stakeholders the option to purchase the majority of the shares where they are able.

- 6. The Government should control the dumping of cheap subsidized imported sugar from any external market to enable the Company to sell its sugar profitably.**

Status: This is a repeat paragraph and the response is as stated above.

- 7. The Committee further recommends that the Chief Executive should liaise with the Parent Ministry, the Treasury and the contractor with a view to reaching a final solution to the dispute between the Company and the contractor so as to finalise the phase two expansion project.**

Status: The Chief Executive confirms that the phase two factory expansion was terminated and a final settlement was reached. The issue will be to look for another contractor to complete the project when there is ability to pay for the same.

3.0 LEGAL CHARGES

RECOMMENDATION

The Committee recommends that the Chief Executive should pursue the court cases to recover the excess payments to M/s Wambugu & Co. Advocates and their claim for overpayment to M/s City Valuers.

Status: The Chief Executive confirms that Management is actively pursuing at Nairobi Civil Case No.791 of 1996 to recover the money. The Chamber summons (order 1 rule 18 civil procedure rules) was signed and dated 29th day of May 1998.

NZOIA SUGAR COMPANY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NZOIA SUGAR COMPANY FOR THE YEAR ENDED 30TH JUNE 1994

1.0 FINANCIAL POSITION

RECOMMENDATION

The Committee recommends that the Chief Executive should liaise with the Parent Ministry and the Treasury with a view to ensuring that the financial position of the Company is improved and that the restructuring of the Company is completed by 30th September 1999.

Status: The position is as reported above under the previous year. Restructuring hasn't been done and the matter is still being pursued. It is awaiting the finalization of the annual audit.

2.0 PHASE II EXPANSION WORK IN PROGRESS - KSHS.2.8 BILLION

RECOMMENDATION

1. The Committee recommends that the then Minister for Agriculture **Mr. Elijah Mwangale**, the then Permanent Secretary, Ministry of Finance, **Dr. Wilfred Koinange**, the then Chairman **Mr. F. Wafula** and the then Managing Director, **Mr. D. Eshitemi** should be banned from holding any public office conferred by the Republic of Kenya.

Status: The recommendation had been amended to read that those named be barred after investigations and if found guilty. Otherwise the matter is still going on.

3.0 AGRICULTURAL MACHINERY - VANGUARDS

RECOMMENDATION

1. The Committee reiterates its earlier recommendation in the Sixth Report (Report of the Inter-Ministerial Committee (IMC) regarding the rehabilitation and expansion of Nzoia Sugar Company) that **Mr. F. Wabuke** be fully held responsible for ordering the tractors which were over priced and unsuitable for use in Kenya and should be banned from holding any public office conferred by the Republic of Kenya.

Status: The recommendation was noted and Mr. Wabuke has no job conferred by the Republic of Kenya at the moment.

- 2. The Committee further recommends that the Board of Directors of Nzoia Sugar Company should by 30th September, 1999 arrange to dispose off the Vanguard tractors through transparent public auction and the proceeds of such disposal be utilized for Company's investment.**

Status: The Chief Executive confirms that the Vanguard tractors were rehabilitated and leased to Busia Sugar Company Limited for transport of cane to Mumias Sugar Company Limited. The roads in the area are wider and so are the bridges.

4.0 INSURANCE POLICY CERTIFICATE

RECOMMENDATION

- 1. The Committee recommends that the Chief Executive should pursue all means to ensure that the amount of Kshs.5,395,852.00 plus interest accrued is recovered in full by 30th September 1999.**

Status: The Chief Executive confirms that Management is pursuing the matter. Civil Case No.41 of 1999 has been filed in the High Court of Kenya at Kakamega against M/s. Jardine Sasoon Insurance Brokers Ltd. dated 1st March 1999.

- 2. The Committee further recommends that the Attorney General should institute criminal proceedings against M/s Jardine Sasoon Insurance Brokers Ltd.**

Status: The Chief Executive confirms that the matter of instituting criminal proceedings against M/s Jardine Sasoon Insurance Brokers Ltd. is being looked into.

MUMIAS SUGAR COMPANY LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE
ACCOUNTS OF MUMIAS SUGAR COMPANY LIMITED FOR THE YEAR
ENDED 30TH JUNE 1994

1.0 FACTORY RATIONALISATION PROGRAMME

RECOMMENDATION

The Committee recommends that the Board of Directors should in future invite open tenders for technical management in order to give an opportunity to both local and foreign entrepreneurs.

Status: The Chief Executive confirms that the recommendation has been noted and that in future the Board will invite open tenders for technical management in order to give an opportunity to both local and foreign entrepreneurs.

MUMIAS SUGAR COMPANY LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE
ACCOUNTS OF MUMIAS SUGAR COMPANY LIMITED FOR YEAR
ENDED 30TH JUNE 1995

1.0 FACTORY RATIONALISATION PROGRAMME

RECOMMENDATION

The Committee reiterates its earlier recommendation under Paragraph 1 of 1993/94 accounts that the Board of Directors should in future invite open tenders for Technical Management in order to give an opportunity to both local and foreign entrepreneurs.

Status: This is a repeat paragraph and the position is as reported above under the previous year.

SOUTH NYANZA SUGAR COMPANY LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF SOUTH NYANZA SUGAR COMPANY LIMITED FOR THE YEAR ENDED 30TH JUNE, 1995

1.0 DEBTORS AND PREPAYMENTS

RECOMMENDATION

1. The Committee recommends that the Chief Executive should ensure that a criminal suit is filed against the dismissed Financial Accountant (*Mr. Martin Diemo*) in respect of all the amount he owes the Company and any other monies obtained through fraudulent means by staff when he was the Financial Account.

Status: The Chief Executive confirms that criminal proceedings have been instituted against Mr. Martin Diemo as recommended.

2. The Committee further recommends that the Chief executive should use all means including litigation to ensure that Kshs.2,532,401.85 in respect of debtors and prepayments is recovered in full.

Status: The Chief Executive confirms that the amount is proving difficult to recover and the only option is to approach the Board for approval to write off. The amount has proved irrecoverable due to collusion and tampering with the documents.

2.0 BOILER REHABILITATION

RECOMMENDATION

The Committee recommends that in view of the loss incurred by the Company as a result of imprudent award of the contract and inflation of the price, the Technical Management (Booker Tet) be penalised in accordance with Clause 4(1) of the Technical Management Agreement. The Committee further recommends that the Chief Executive should always adhere to the laid down tendering procedures before entering into any contract with local or foreign Companies.

Status: The Chief Executive confirms having noted the recommendation. The Technical Managers left in March 2000 after expiry of the contract but ways and means are being looked into to see whether the money can be recovered from the final dues. The laid down tendering procedures will be followed in future contracts.

KENYA MARINE AND FISHERIES RESEARCH INSTITUTE

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE
ACCOUNTS OF KENYA MARINE AND FISHERIES RESEARCH
INSTITUTE FOR THE YEAR ENDED 30TH JUNE 1996

1.0 STAFF PENSION FUND

RECOMMENDATION

The Committee recommends that the Chief Executive should strictly adhere to the existing financial regulations with regard to the investment of Staff Pension.

Status: The Chief Executive confirms that Management will strictly adhere to the existing financial regulations with regard to the investment of staff pension.

UNIVERSITY OF NAIROBI

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF UNIVERSITY OF NAIROBI FOR THE YEAR ENDED 30TH JUNE 1995

1.0 FINANCIAL POSITION

RECOMMENDATION

1. The Committee recommends that Treasury should release enough funds to enable the Parent Ministry disburse K£ 13,637,358 which the University was owed by the government by 27th May 1998. The University should receive what it is owed by 30th September 1999.

Status: The Vice Chancellor confirms that the money has not yet been released. The amount constitutes an under provision and non-release by Treasury. This is due to the known budgetary constraints.

2. The Committee further recommends that the Parent Ministry and the Treasury should in future ensure that the University receives the total allocation approved by Parliament.

Status: The Vice Chancellor confirms his hope that the matter will be looked into and ways and means found to ensure that the university receives the total allocation approved by Parliament. It should be noted that release of the approved amounts will depend on revenue collection.

EGERTON UNIVERSITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF EGERTON UNIVERSITY FOR THE YEAR ENDED 30 JUNE 1991

1.0 FIXED ASSETS KSHS.498,277,000

RECOMMENDATION

1. The Committee recommends that the Vice Chancellor should ensure that the University's assets are valued by 30th September 1999.

Status: The Vice Chancellor confirms that quotation were invited and deliberated on. The University is however waiting for the requested budgeted funds before finalisation of the matter.

2. The Committee further recommends that the Vice Chancellor should liaise with the Parent Ministry, the Treasury and the Commissioner of lands with a view to obtaining title deeds for the University's properties by 30th September 1999.

Status: The Vice Chancellor confirms having received confirmation from the Commissioner of Lands that Tattton Farm on which the University is situated is registered under the University Laikipia College Campus is situated on former Laikipia Teachers College land which has been surveyed and is registered in the name of the University. The process of obtaining title deeds is almost complete.

2.0 CREDITORS AND ACCRUALS

RECOMMENDATION

The Committee recommends that the Vice Chancellor should always adhere to the financial regulations with regard to recovery of car loans from members of staff.

Status: The Vice Chancellor confirms that the University currently adheres to the financial regulations with regard to recovery of car loans from members of staff. Car loan recoveries are promptly remitted to the banks.

3.0 DEBTORS AND PREPAYMENTS

RECOMMENDATION

- 1. The Committee recommends that the Vice Chancellor should institute criminal proceedings against staff who misappropriate funds as a deterrent to other members of staff.**

Status: The Vice Chancellor confirms that the University has instituted criminal proceedings against members of staff who misappropriated University funds. Internal control and audit capacity have been strengthened.

- 2. The Committee further recommends that the Vice Chancellor should enforce strict supervision of the accounts department in order to avoid misappropriation of funds by University employees.**

Status: The Vice Chancellor confirms that the recommendation has been noted and taken seriously. Strict supervision of the accounts department has been reinforced as recommended.

4.0 GENERAL FUND ACCOUNT KSHS.800,597,000

RECOMMENDATION

The Committee recommends that the Vice Chancellor should always maintain correct and upto date books of account.

Status: The Vice-Chancellor confirms that the University is maintaining correct and up to date books of account as recommended.

EGERTON UNIVERSITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NGONGOGERI FARM FOR THE YEAR ENDED 30 JUNE 1992

MAINTENANCE OF CREDITORS LEDGER ACCOUNTS

RECOMMENDATION

The Committee recommends that the Vice Chancellor should always maintain correct and upto date books of account.

Status: The Vice Chancellor confirms that the University is maintaining correct and up to date books of account as recommended.

MOI UNIVERSITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF MOI UNIVERSITY FOR THE YEAR ENDED 30TH JUNE 1994

1.0 FINANCIAL POSITION

RECOMMENDATION

1. The Committee recommends that the Parent Ministry must ensure that all funds appropriated by parliament are disbursed in full every financial year.

Status: The Vice Chancellor confirms that the Ministry has been remitting all the Recurrent Expenditure allocations every financial year except for Development Allocations. This is because of budgetary constraints on development. A budget is an estimate and funds are realised only after revenue collection.

2. The Committee further recommends that the then Vice Chancellor Prof. Justin Irina should be held responsible for the deficit of Kshs.1,545,000.00 which was incurred by the Club on food.

Status: The Vice Chancellor confirms that his understanding during the PIC appearance was to restructure the club so that the deficit could be recouped. The Vice-Chancellor does not believe that Prof. Justin Irina is not responsible as the club was ran by a club committee. The deficit shall therefore be made good by profits that are now being generated by the club.

2.0 CHEPKOILEL CAMPUS

RECOMMENDATION

1. The Committee recommends that the Chief Executive should incorporate the newly acquired assets in the books of account.

Status: The Vice Chancellor confirms that action has been taken and all the Chepkoilel campus assets have been included in the University's books of account. They appear in the accounts of 1998/99 financial year.

2. **The Committee recommends that the Vice Chancellor should always adhere to the laid down regulations with regard to procurement procedures and particularly to avoid payment before delivery of goods.**

Status: The Vice Chancellor confirms that the University currently adheres to the laid down regulations with regard to procurements and particularly avoids payment before delivery of goods.

3. **The Committee further recommends that the Attorney General should institute investigations against the supplier with a view to prosecuting him.**

Status: This Vice Chancellor confirms that the recommendation has been implemented. Case No.ELD/SPMCC/773/1997 was filed and judgement was obtained in favour of the University on 15th March 1999. The award also included interest and costs.

3.0 POST-GRADUATE STIPENDS

1. **The Committee recommends that Vice Chancellor should use all means including civil suit to ensure that Kshs.1,105,396.00 is recovered in full.**

Status: The Vice Chancellor confirms that the matter of recovery is with the University lawyers.

2. **The Committee further recommends that the Vice Chancellor should tighten the University's internal control systems to avoid recurrent of such losses in future.**

Status: The Vice Chancellor confirms that internal controls have since been tightened and strengthened to avoid the recurrence of instances where postgraduate students are paid fraudulently. The University does not pay stipends from its funds to postgraduate students any more.

JOMO KENYATTA UNIVERSITY COLLEGE OF AGRICULTURE AND TECHNOLOGY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF JOMO KENYATTA UNIVERSITY COLLEGE OF AGRICULTURE AND TECHNOLOGY FOR THE YEAR ENDED 30TH JUNE 1993

1.0 FIXED ASSETS

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 1 of 1991/92 accounts, (Seventh Report) that the Vice Chancellor should ensure that the University is issued with title deeds for all parcels of land in its possession.

Status: The Vice Chancellor confirms that he has personally followed the matter with the Commissioner of Lands severally to no avail. However, he is still pursuing the issue of the title deeds with the relevant authorities.

2.0 DEBTORS AND DEBIT BALANCES

2.1. DEPOSITS

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 2 of 1991/92 accounts (Seventh Report) that the Vice Chancellor should pursue the matter with the Official Receiver with a view to recovering the balance of Kshs.8,213,155.00 plus interest accrued in full.

Status: The Vice Chancellor confirms that the matter is still being pursued with the official receiver. Trade Bank in which the money was deposited is under receivership.

2.2 ADVANCE (PAYROLL) PAYMENTS - KSHS.58,813.00

RECOMMENDATION

The Committee recommends that the Vice Chancellor should ensure that proper books of account are kept at all times.

Status: *The Vice Chancellor confirms that proper books of account are being kept at all times as recommended.*

3.0 CREDITORS AND CREDIT BALANCES

RECOMMENDATION

The Committee recommends that the Vice Chancellor should ensure that proper books of account are maintained and made available for scrutiny at all times.

Status: *The Vice Chancellor confirms that proper books of account are being maintained and made available for scrutiny at all times.*

4.0 STOCKS AND STORES

4.1 BOOKSHOP AND LIVESTOCK

RECOMMENDATION

The Committee recommends that the Vice Chancellor should ensure that all assets are included in the University's accounts to avoid distortion of the same.

Status: *The Vice Chancellor confirms that all assets are now included in the University's accounts to avoid distortion of the same.*

4.2 PHYSICAL STOCKS AND ACCOUNTS VARIANCE

RECOMMENDATION

The Committee recommends that the Vice Chancellor should ensure that stocks and stores returns are made in good time to avoid the use of suspense account.

Status: *The Vice Chancellor confirms that stocks and stores returns are being made in good time to avoid the use of suspense account. The matter has been rectified and stores returns are always made in good time to be posted in the accounts for respective periods.*

JOMO KENYATTA UNIVERSITY COLLEGE OF AGRICULTURE AND TECHNOLOGY

**REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE
ACCOUNTS OF JOMO KENYATTA UNIVERSITY COLLEGE OF
AGRICULTURE AND TECHNOLOGY FOR THE YEAR ENDED 30TH
JUNE 1994**

1.0 FIXED ASSETS

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 1 of 1991/92 accounts (Seventh Report) that the Vice Chancellor should ensure that the University is issued with title deeds for all parcels of land in its possession.

Status: This is a repeat paragraph and the matter is as reported above under the previous year.

2.0 DEBTORS AND DEBIT BALANCES

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 2 of 1991/92 accounts (Seventh Report) that the Vice Chancellor should pursue the matter with the Official Receiver with a view to recovering the balance of Kshs.8,213,155.00 plus interest accrued in full.

Status: This is a repeat paragraph and the position is as reported above under the previous year.

JOMO KENYATTA UNIVERSITY COLLEGE OF AGRICULTURE AND TECHNOLOGY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF JOMO KENYATTA UNIVERSITY COLLEGE OF AGRICULTURE AND TECHNOLOGY FOR THE YEAR ENDED 30TH JUNE 1995

1.0 FIXED ASSETS

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 1 of 1991/92, accounts (Seventh Report) that the Vice Chancellor should ensure that the University is issued with title deeds for all parcels of land in its possession.

Status: This is a repeat paragraph and the position is as reported above under the previous year. The Vice Chancellor has tried without success but is still pursuing the matter with the relevant authorities.

2.0 DEBTORS AND DEBIT BALANCES

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 2 of 1991/92, accounts (Seventh Report) that the Vice Chancellor should pursue the matter with the Official Receiver with a view to recovering the balance of Kshs.8,663,202.00 plus accrued interest in full.

Status: This is a repeat paragraph and the position is as reported above. The money is still held up in Trade Bank which under receivership.

JOMO KENYATTA UNIVERSITY COLLEGE OF AGRICULTURE AND TECHNOLOGY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF JOMO KENYATTA UNIVERSITY COLLEGE OF AGRICULTURE AND TECHNOLOGY FOR THE YEAR ENDED 30TH JUNE 1996

1.0 FIXED ASSETS

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 1 of 1991/92, accounts (Seventh Report) that the Vice Chancellor should ensure that the University is issued with title deeds for all parcels of land in its possession.

Status: This is a repeat paragraph and the position is as reported above.

2.0 SHORT TERM DEPOSITS

RECOMMENDATION

1. The Committee reiterates its earlier recommendation under paragraph 2 of 1991/92, accounts (Seventh Report) that the Vice Chancellor should pursue the matter fervently with the official Receivers of these banks with a view to recovering the deposit balances in full plus accrued interest.

Status: The Vice Chancellor confirms that the matter is being followed up but all will depend on outcome of the receivership.

2. The Committee further recommends that the Vice Chancellor should ensure that the regulations established by the Treasury with regard to the investment of surplus funds are adhered to.

Status: The Vice Chancellor confirms that the regulations established by Treasury with regard to the investment of surplus funds are being adhered to.

LAKE BASIN DEVELOPMENT AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE CONSOLIDATED ACCOUNTS OF LAKE BASIN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30TH JUNE 1994

1.0 FINANCIAL POSITION

RECOMMENDATION

The Committee recommends the following:

1. That the Government should adequately fund the Authority to enable it implement approved projects.

Status: The Chief Executive confirms that the Government has not been able to fund the Authority with additional relieves apart from salary and other Recurrent Grants. This is due to budgetary constraints.

2. That the then Chief Executive *Mr. S. Obura* who committed the Authority to cost overrun on the Rice Mill project and who failed to appear before the Committee, should not hold any public office conferred by the Republic of Kenya.

Status: The Chief Executive confirms that the recommendation was noted. To the best of the Chief Executive's knowledge, Mr. S. Obura is not holding any public office conferred by the Republic of Kenya.

3. That the Government should adequately fund the Authority to enable it operate the Rice Mill to full capacity.

Status: The Chief Executive confirms that the funding of the Rice Mill by the Government to enable it operate to full capacity has not been realized due to the current financial constraints in the country.

4. That the Chief Executive should liaise with the Treasury in order to ensure that the Bank Overdraft is repaid in order to avoid further increase of the total amount due to interest accrued.

Status: The Chief Executive confirms that the balance outstanding has been reduced from Kshs. 187 million to Kshs. 79.8 million following the recommendation and after Treasury action.

2.0 RURAL ACCESS ROADS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the contractor is paid what he is owed to avoid accrual of interest and further expenditure on this project.

Status: The Chief Executive confirms that agreement has been reached with the contractor. Accrued interest has so far not been paid. They are waiting further disbursement of funds from the Government.

3.0 BANK OVERDRAFT

- 1. The Committee recommends that the Chief Executive should urgently liaise with the Treasury and facilitate the payments of the part of the overdraft which relates only to Kshs.3 million that was approved by the Board. The Committee further recommends that overdraft balances in excess of the approved Kshs. 3 million should be met by the National Bank of Kenya.**

Status: The Chief Executive confirms that the matter is being pursued as recommended. Treasury provision is Kshs. 109 million as final payment and the balance of Kshs.798 million being waived by the Bank (National Bank of Kenya).

- 2. The Committee further recommends that no State Corporation should incur an overdraft without the approval of the Treasury.**

Status: The Chief Executive confirms that the recommendation has been noted. Overdrafts should be incurred only with the approval of Treasury. LBDA no longer operates any overdraft facility.

- 3. The Committee also recommends that all funds approved by Parliament for the Authority should be disbursed full to the Authority every financial year.**

Status: The Chief Executive confirms that his hope is for the full disbursement of all approved funds. But again it should be born in mind that amounts approved are usually estimates which can be fulfilled on full realization and collection revenue.

HORTICULTURAL CROPS DEVELOPMENT AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE
ACCOUNTS OF HORTICULTURAL CROPS DEVELOPMENT
AUTHORITY FOR THE YEAR ENDED 30TH JUNE 1994

1.0 DEBTORS AND PREPAYMENTS - KSHS.7,546,230

RECOMMENDATION

1. The Committee recommends that the Chief Executive should use all means to ensure that the outstanding amounts are recovered in full by 30th September, 1999 from the following:-

Imprest	Amount
1. Mr. Kasanga Mulwa	5,860
2. Mr. Kenneth Ayiega	2,500
3. Mr. Musa Odondi	3,500
4. Mrs Martha Maseti	5,000

Outstanding Debtors 1993/94

Alimeta Co. Ltd	6,342.30
Bett Hosea	8,985.00
Century Sealine Exporters	1,193.90
Kimilili/Timporou Hort. Group	81,733.00
Malindi Hort Exporters	2,024.45
A.G. Njoroge	16,500.00
Ongera	1,200.00
Sila James	2,999.00
Taveta Farmers	69,606.00
Venus Hort Exporters	1,388.90
Earnest Muriuki Mungai	14,180.00
Musa Odondi	10,744.00
G.K. Brothers	11,882.70
Gerald Muia	4,722.00
Hon. Kones	8,000.00
Harsis Exporters	1,334.00
Inter Trade Enterprise	2,507.80
Iveti Hort Growers	35,357.40
Julius Muthamia	10,878.00
John Kiseru Muteti	5,693.80
Joseph Wambua Kivuvo	5,003.50
John Thiga	2,358.00

Jimlo Enterprises & Exporters	1,596.70
Kilome Station	3,854.00
Khan Exporters	9,890.75
Kyoto Traders	85,440.00
Kathiani Hort Group	31,915.00
Kinyanjui Kinguro	7,125.00
Martha Maseti	70,066.80
Mbooni Katunyoni	13,850.00
Mutondoni Veg. Growers	43,734.20
Mwea Farmers (Muthithini Group)	19,617.45
Muaani Veg Growers	3,199.00
Mumbuni Hort Growers	18,809.20
M.M. Nzube	10,069.00
Ngoleni Farmers	31,215.00
Peter Kila Randa	7,290.00
	<hr/> <hr/>
TOTAL	662,305.85

Status: The Chief Executive confirms that the recommendation has been noted and that the matter of the outstanding amounts is being pursued.

- 2. The Committee further recommends that the Chief Executive should adhere to the laid down regulations with regard to staff advance, issuance and surrender of imprests.**

Status: The Chief Executive confirms that Management is adhering to the laid down regulations with regard to staff advances, issuance and surrender of imprests.

2.0 LOAN - KSHS.3,200,380

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Authority operates viably in order to fulfil its financial obligations including full loan repayment.

Status: The Chief Executive confirms having noted the recommendation. The Authority is trying all it can to operate viably in order to fulfil its financial obligations including full loan repayment.

KERIO VALLEY DEVELOPMENT AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KERIO VALLEY DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30TH JUNE 1994

1.0 TURKWEL GORGE PROJECT

RECOMMENDATION

1. The Committee recommends that the project should cease to be included in the Accounts of the Authority. Henceforth, this project should be transferred to the Books of Kenya Power Company which is Government owned without delay.

Status: The Chief Executive confirms in his Letter Ref:KVDA/HQS/FIN/1303 dated 7th March 2000 that KVDA ceased to include Turkwel Gorge Project in its annual accounts since the year 1994/95. The recommendation has therefore been implemented.

2. The Committee further recommends that the Chief Executive should liaise with the Parent Ministry, Treasury and Kenya Power and Lighting Company in order to obtain official communication concerning the ownership of the Project.

Status: The Chief Executive confirms that he is liasing with the appropriate authorities with a view to obtaining official communication on the ownership of the project.

2.0 PAYMENT OF GRATUITIES

RECOMMENDATION

The Committee recommends that the Chief Executive should exercise strict control of the accounts section and institute strict measures to ensure that such overpayments do not recur.

Status: The Chief Executive confirms that the matter had resulted from wrong interpretation of government circular pertaining to payment of gratuities. Measures have now been put in place to ensure that such situations do not recur in future. There is strict control of the accounts section.

3.0 BANK AND CASH

RECOMMENDATION

The Committee recommends that the Chief Executive should use all possible means including litigation to ensure that all amounts owed by the then Managing Director *Mr. S. K. Tubei* as well as other defaulters is paid in full together with interest accrued by 30th September 1999.

Status: The Chief Executive confirms that recovery is still being pursued. KVDA lawyers M/s Yano & Company Advocates of P.O. Box 5835 Eldoret have been instructed to collect the debts and remit the same to the Authority. The amount involved is Kshs.73,288.00.

EWASO NG'IRO SOUTH DEVELOPMENT AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF EWASO NG'IRO SOUTH DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30TH JUNE 1994

1.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that in future the Chief Executive should ensure that the Corporation has title deeds for all parcels of land in its possession.

Status: The Chief Executive confirms through his Letter Ref:ENSDA/FIN/2/10A VOL.II(34) dated 1st March 2000 that the recommendation has been implemented. Title deeds have been obtained for Narok Township 334 and 335 totalling 10.158 ha (2.081 acres).

COAST DEVELOPMENT AUTHORITY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF COAST DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30TH JUNE 1994

1.0 FINANCIAL POSITION

RECOMMENDATION

The Committee recommends the following:-

1. **The Chief Executive should always ensure that statutory deductions are remitted in full when due in accordance with the law.**

Status: The Chief Executive confirms that all statutory deductions are being remitted in full when due in accordance with the law.

2. **The Parent Ministry should liaise with the Treasury in order to ensure that Funds appropriated by Parliament for the Authority are disbursed in full and on time.**

Status: The Chief Executive confirms that Recurrent votes are being released and that Treasury and Parent Ministry are seriously trying to adhere to the recommendation. Consequently Development grants for the financial year 1998/99 have been released in full.

3. **The Chief Executive should liaise with the Parent Ministry and the Treasury to ensure that Government guarantee is obtained for all projects for which the Authority has obtained definite donors and prepared proposals and forwarded to the Government. These guarantees should be obtained by 30th September 1999.**

Status: The Chief Executive confirms that the recommendation has been noted and is being pursued for eventual fulfilment and implementation. The modular clinics issue is a typical example of the difficulties being encountered. The matter is being followed up.

2.0 PAMBAZUKO DEVELOPMENT COMPANY - KSHS.946,862.00

RECOMMENDATION

The Committee recommends that the enabling Act of Coast Development Authority should be amended to allow for the formation of subsidiary companies in order to engage in commercial activities which will stabilise the Authority's revenue base and regularise the existence of Pambazuko Development Company.

Status: The Chief Executive confirms that the recommendation has been noted and the same is being followed up.

PYRETHRUM BOARD OF KENYA

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF PYRETHRUM BOARD OF KENYA FOR THE YEAR ENDED 30TH JUNE 1994

1.0 COMPOSITION OF THE BOARD

RECOMMENDATION

1. **The Committee recommends that the Minister for Agriculture should ensure that the Corporation is run by a properly constituted Board of Directors as per the provisions of the Pyrethrum Board Act (Cap 340) and Section 6 (1) of the State Corporations Act (Cap 446).**

Status: The Chief Executive confirms that the Minister for Agriculture & Rural Development gazetted a new Board on 2nd June 1999 (Letter Ref:CE.598/B.15(a) MM) dated 8.3.2000 conforming to the Pyrethrum Act as well as the State Corporations Act.

2. **The Committee further recommends that the Pyrethrum Board Act (Cap 340) should be amended to allow for pyrethrum farmers who are the major stakeholders to elect Board Members who should in turn elect the Chairman and appoint the Chief Executive.**

Status: The Chief Executive confirms that the recommendation has been noted and that the matter is being followed up.

2.0 VALUE ADDED TAX - KSHS.27,010,714

RECOMMENDATION

The Committee recommends that the Chief Executive should in future ensure that all funds owed to it are claimed and received in time as required by law.

Status: The Chief Executive confirms that all funds owed to the Board are claimed and received in time as required by the law. The Board has since been receiving regular refunds from the Authority. The only pending issue is that of the Kshs.54,129,814 which is being pursued.

PYRETHRUM BOARD OF KENYA

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF PYRETHRUM BOARD OF KENYA FOR THE YEAR ENDED 30TH JUNE 1995

1.0 COMPOSITION OF THE BOARD

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 1 of 1993/94 accounts that:

1. The Minister for Agriculture should always ensure that the Corporation is run by a properly constituted Board of Directors as per the provisions of the Pyrethrum Board Act (Cap 340) and Section 6(1) of the State Corporations Act (Cap 446).

Status: The Chief Executive confirms that the matter has been noted by the relevant authorities and is being complied with.

2. The Pyrethrum Board of Kenya Act (Cap 340) should be amended to allow for pyrethrum farmers who are the major stake holders to elect Board Members who should in turn elect the Chairman and appoint the Chief Executive.

Status: This is a repeat paragraph and the position is as reported above under the previous year.

2.0 VALUE ADDED TAX - KSHS.34,399,561.00

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 2 of 1993/94 accounts that the Chief Executive should in future ensure that all funds owed to it are claimed and received in time as required by the law.

Status: This is a repeat paragraph and the position is as reported above under the previous year

3.0 ENCROACHMENT OF THE BOARD'S LAND

RECOMMENDATION

The Committee recommends that the Chief Executive should liaise with the Ministry of Agriculture and the Commissioner of Lands, with a view to ensuring that the squatter issue is solved by 31st December 1999 while taking into account the interests of the squatters.

Status: The Chief Executive confirms that the matter is being resolved. The full Board approval was given under Min.FB.11/99(4) of 19th March 1999. Settlement of the 57 original squatters on 0.5 acre pieces on the Ol Joro Orok Farm is being pursued.

KENYA FERRY SERVICES LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA FERRY SERVICES LIMITED FOR THE YEAR ENDED 30 JUNE 1991

1.0 STATUS OF THE COMPANY

RECOMMENDATION

The Committee recommends that all the modalities to regularise the ownership of Kenya Ferry Services Limited should be completed by 30th September 1999.

Status: The Chief Executive confirms that all modalities to regularize the ownership of the Kenya Ferry Services Limited have been completed. Share certificates to the Treasury for Kshs.386 million and Kenya Ports Authority for Kshs.100 million have already been issued.

2.0 STORES STOCKS - KSHS.2,204,081

The Committee recommends that the Chief Executive should ensure that a thorough stock take is undertaken every year and that a physical stock take certificate is produced.

Status: The Chief Executive confirms that he has ensured that a thorough stock take is undertaken every year and physical stock take certificate is produced. External auditors get involved during the stock take exercise.

3.0 FIXED ASSETS

RECOMMENDATION

The Committee recommends that the Chief Executive should in future maintain a correct and upto date fixed assets register.

Status: The Chief Executive confirms that he has ensured that a fixed assets register is properly and correctly maintained.

4.0 INVESTMENT

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the full amount of money invested in Suli Suli African Cruise is recovered.

Status: The Chief Executive confirms that the Company is still pursuing the matter along with the Parent Company (KPA) on the possibility of recovering the money invested in Suli Suli African Cruise.

5.0 DEBTORS AND PREPAYMENTS - KSHS.9,625,409

RECOMMENDATION

The Committee recommends that the Chief Executive should use all means including litigation to ensure that Kshs.812,240 is recovered from Mombasa Municipal Council by 30th September 1999.

Status: The Chief Executive confirms that he is still on the process of recovering the money as the Municipal Council of Mombasa has indicated settling the amount early this year. (Chief Executive's Letter Ref: GM/FIN./12 dated 7th March 2000).

6.0 AMOUNT DUE TO KPA - KSHS.45,983,886

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that Kenya Ferry Services operates commercially and viably.

Status: The Chief Executive confirms that the recommendation has been noted and all endeavour will be made to ensure that KFS operates commercially and viably.

KENYA SISAL BOARD

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA SISAL BOARD FOR THE YEAR ENDED 30TH JUNE 1996

1.0 STAFF MEDICAL SCHEME

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that relevant authority is obtained before any expenditure is incurred.

Status: The Chief Executive confirms that the Board will ensure that relevant authority is obtained before any expenditure is incurred.

LOCAL AUTHORITIES PROVIDENT FUND

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF LOCAL AUTHORITIES PROVIDENT FUND FOR THE YEAR ENDED 30TH JUNE 1994

1.0 NON - REMITTANCE OF CONTRIBUTIONS BY LOCAL AUTHORITIES

RECOMMENDATION

1. The Committee recommends that the Permanent Secretary, Ministry of Local Authorities should ensure that the enabling Act (Cap 272) is amended to provide for penalties for the defaulting Local Authorities.

Status: The Chief Executive confirms that the board discussed and forwarded its recommendation to the Parent Ministry in 1996 who forwarded the matter to the Law Reform Commission who subsequently acknowledged receipt of the proposals. The outcome is being awaited.

2. The Committee further recommends that the Permanent Secretary, Ministry of Local Authorities should use all means including litigation to ensure that all monthly and outstanding contributions are remitted in full as required by law.

Status: The Chief Executive confirms that there is not much improvement as yet. The introduction however, of Local Authorities Transfer Fund is likely to help. The matter is still being pursued.

2.0 EXCESS INCOME OVER EXPENDITURE

RECOMMENDATION

The Committee recommends that the Permanent Secretary, Ministry of Local Authorities should ensure that the surplus funds are shared among the contributors as required by the law by 30th September 1999.

Status: The Chief Executive confirms that the recommendation that the surplus funds totalling Kshs.26,310,915.00 be shared among the contributors has been fully implemented. Confirmation is that Kshs.12 million was transferred in 1994/95 while Kshs.25 million was transferred in 1995/96. This exceeds the amount recommended.

3.0 TELEPHONE EXPENSES

RECOMMENDATION

The Committee recommends that the Permanent Secretary, Ministry of Local Authorities should in future adhere to the accounting standards with regard to accrual concept.

Status: The Chief Executive confirms that the recommendation has been fully implemented (Letter Ref:1320/VOL.III/13 dated 7th March 2000 and that the telephone expenses are now accrued as per the accounting standards with regard to accrual concept.

LOCAL AUTHORITIES PROVIDENT FUND

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF LOCAL AUTHORITIES PROVIDENT FUND FOR YEAR ENDED 30TH JUNE 1995

1.0 NON REMITTANCE OF CONTRIBUTIONS BY LOCAL AUTHORITIES

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph one of 1993/94 accounts that:-

1. The Permanent Secretary, Ministry of Local Authorities should ensure that the enabling Act (Cap 272) is amended to provide for penalties for the defaulting Local Authorities.

Status: This is a repeat paragraph and the position is as reported above under the previous year.

2. The Permanent Secretary, Ministry of Local Authorities should use all means including litigation to ensure that all monthly and outstanding contributions are remitted in full when due as required by law.

Status: This is a repeat paragraph and the status is as reported above under the previous year.

2.0 ADMINISTRATION EXPENSES

RECOMMENDATION

The Committee recommends that the Permanent Secretary, Ministry of Local Authorities should ensure that the above said Act is amended by 31st December 1999.

Status: This is a repeat paragraph and the status is as reported above under the previous year. The matter is before the Law Reform Commission.

3.0 EXCESS INCOME OVER EXPENDITURE

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 2 of 1993/94 accounts that the Permanent Secretary, Ministry of Local Authorities should ensure that the surplus funds is shared among the contributors as required by the law by 30th September 1999.

Status: This is a repeat paragraph and the status is as reported above under the previous year.

LOCAL AUTHORITIES PROVIDENT FUND

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF LOCAL AUTHORITIES PROVIDENT FUND FOR YEAR ENDED 30TH JUNE 1996

1.0 APPOINTMENT OF THE BOARD

RECOMMENDATION

The Committee recommends that the Permanent Secretary, Ministry of Local Authorities and the parent Ministry must always ensure that the Fund is run by a properly constituted Board of Directors as per the provisions of Section 6(2) of the State Corporation Act (Cap.446).

Status: The Chief Executive confirms full compliance with the recommendation. Expiry dates of Board members appointment are now conveyed to the Ministry well in advance for new appointments to be made.

2.0 NON-REMITTANCE OF CONTRIBUTIONS BY LOCAL AUTHORITIES

RECOMMENDATION

1. The Committee reiterates its earlier recommendation under paragraph one of 1993/94 accounts that, the Permanent Secretary, Ministry of Local Authorities should ensure that the enabling Act (Cap 272) is amended to provide for penalties for the defaulting Local Authorities.

Status: This is a repeat paragraph. The answer is contained in the paragraph under the previous year as given above.

2. The Committee further recommends that the Permanent Secretary, Ministry of Local Authorities should use all means including litigation to ensure that all monthly and outstanding contributions are remitted in full when due as required by law.

Status: This is a repeat paragraph. The position is as reported above under the previous year.

3.0 CONTRIBUTION OF EXPENSES

RECOMMENDATION

The Committee reiterated its earlier recommendation under paragraph 2 of 1994/95 accounts that the Chief Executive should liaise with the Parent Ministry and the Attorney-General in order to ensure that the above said Act is amended by 31st December, 1999.

Status: The Chief Executive confirms that the amendment is not yet done but the matter is with the Attorney General and the Law Reform Commission for action.

4.0 LONG TERM INVESTMENTS - KSHS.14,610,013

RECOMMENDATION

The Committee recommends that the Permanent Secretary, Ministry of Local Authorities should find out why the Consolidated Bank of Kenya has not paid dividends since inception in 1990.

Status: The Chief Executive confirms that Consolidated Bank 1998 accounts indicate that the profits the Bank has been making have been used to back up the deposits (paper deposits) which they inherited from the collapsed financial institutions. The Bank has indicated that it will start distributing dividends as soon as they covered all the shares.

COFFEE BOARD OF KENYA

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF COFFEE BOARD OF KENYA FOR THE YEAR ENDED 30TH SEPTEMBER 1993

1.0 TRANSLATION OF DOLLARS INTO REPORTING CURRENCY

RECOMMENDATION

The Committee recommends that the Chief Executive should in future adhere to the provisions of Kenya Accounting Standard No. 9 with regard to translation of foreign currencies into Kenya currency.

Status: The Chief Executive confirms by his Letter Ref:FIN/10/10C dated 10th March 2000 that the Board now adheres to the provisions of Kenya Accounting standard no.9 with regard to translation of foreign currencies into Kenya currency.

2.0 DEBTORS AND PREPAYMENTS - KSHS.1,221,022,000.00

RECOMMENDATION

1. The Committee strongly recommends that the Chief Executive should ensure that all relevant information and documents are made available to the Auditor-General (Corporations) for verification as required under the provisions of Section 29(3) of the Exchequer and Audit Act (Cap 412).

Status: The Chief Executive confirms that he now strictly makes sure that all relevant information and documents are available to the Auditor general (Corporations) for verification as required under the provision of section 29(3) of the Exchequer and Audit Act (Cap 412).

2. The Committee further recommends that the balance should be accounted for and verified by the Auditor-General (Corporations) by 30th September 1999.

Status: The Chief Executive confirms that the recommendation has been fully implemented.

3.0 EXPORT DUTY

RECOMMENDATION

The Committee recommends that in view of the new evidence, the Board should terminate the demand for a waiver.

Status: The Chief Executive confirms that in view of the new evidence the Board has terminated the demand for a waiver/refund regarding the sum of Kshs.175,801,648.00 which had been paid to the Treasury as export duty.

4.0 FINANCIAL POSITION

RECOMMENDATION

The Committee recommends that any future increase of this Levy should be done in consultation with the farmers and the enabling Act should be amended accordingly.

Status: The Chief Executive confirms that the recommendation is being implemented. The Task Force appointed by the Government to review the way forward for the coffee industry will work on the coffee Act Cap 333 of the Laws of Kenya for review.

AGRO-CHEMICAL AND FOOD COMPANY LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE AGRO-CHEMICAL AND FOOD COMPANY LIMITED FOR THE YEAR ENDED 30TH JUNE 1995

1.0 GOING CONCERN

RECOMMENDATION

The Committee recommends that the Government should either privatise or wind up the Company and dispose off its assets.

Status: The Chief Executive confirms in his Letter Ref:ACFC/NBI/RDQCE/058/00 dated 28th March 2000 that the Company has embarked on the option of privatisation as recommended. A consultant has already been selected to advise on the most suitable method of privatisation.

2.0 GOK LOAN RESTRUCTURING

RECOMMENDATION

The Committee recommends that the Government should safeguard its interests by disposing off the Company's assets to recover the loan or part thereof. The Committee further recommends that the Chief Executive should always adhere to the laid down financial regulations with regard to remuneration of both members of staff and the Board of Directors.

Status: The recommendation has been noted and the Government will safeguard its interests as recommended. The Chief Executive confirms full adherence to the laid down financial regulations with regard to remuneration of both members of staff and the Board of Directors.

AGRO-CHEMICAL AND FOOD COMPANY LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE AGRO-CHEMICAL AND FOOD COMPANY LIMITED FOR THE YEAR ENDED 30TH JUNE 1996

1.0 GOING CONCERN

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 1 of 1994/95 accounts that the Government should either privatise or wind up the Company and dispose off its assets.

Status: This is a repeat paragraph. The status is as reported above under the previous year.

2.0 EFFLUENT TREATMENT PLANT

RECOMMENDATION

1. The Committee recommends that the then management of the Company and the Board of Directors which approved the variation of the contract should be held responsible for additional costs of over Kshs.60 million.

Status: The Chief Executive has written at length justifying the action and begging PIC to understand his point of view under his Letter Ref:ACFC/NBI/RD&CE/058/00 dated 28th March 2000 in which he still insists that the action taken was the best option.

2. The Committee further recommends that M/s Mehta Group of Company should pay to the Government Kshs.60 million for the purported contract variation.

Status: This is one recommendation which is still difficult to implement as there is no agreement with the Company. The Chief Executive has a totally different point of view as he insists it was a prudent commercial decision. We are still following up this recommendation with the Management.

BOMAS OF KENYA

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF BOMAS OF KENYA FOR THE YEAR ENDED 30TH JUNE 1994

1.0 GOING CONCERN

RECOMMENDATION

1. The Committee recommends that the Chief Executive should liaise with the Parent Ministry and the Treasury in order to ensure that Bommas of Kenya is delinked from Kenya Tourist Development Corporation by 30th September 1999.

Status: The Chief Executive confirms that the recommendation has not been fully implemented but the matter is actively being pursued.

2. The Committee further recommends that the Parent Ministry should liaise with the Treasury, the Office of the President, and the Attorney-General with a view to ensuring that Bommas of Kenya is transferred from the Ministry of Tourism and Wildlife to the Ministry of Home Affairs, National Heritage, Culture and Social Services.

Status: The Chief Executive confirms that they are working on the delinking from KTDC as pre-requisite to transferring to the Ministry of Home Affairs, National Heritage, Culture and Social Services.

3. The Committee also recommends that the Government should give the necessary grants to Bommas of Kenya to offset the accumulated deficit in view of the fact that culture is not a commercial venture.

Status: The Chief Executive confirms that the matter has been noted and that he is pursuing for grants to offset the accumulated deficit in view of that, the culture is not a commercial venture. The increase has been granted as recommended.

BOMAS OF KENYA

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF BOMAS OF KENYA FOR THE YEAR ENDED 30TH JUNE, 1995

1.0 FINANCIAL POSITION

RECOMMENDATION

The Committee reiterates its earlier recommendation under paragraph 1 of 1993/94 accounts that:-

1. The Chief Executive should liaise with the Parent Ministry and the Treasury in order to ensure that Bomas of Kenya is delinked from Kenya Tourist Development Corporation by 30th September 1999.

Status: This is a repeat paragraph. The matter is still being pursued as reported above under the previous year.

2. The Parent Ministry should liaise with the Treasury, the Office of the President, and the Attorney General with a view to ensuring that Bomas of Kenya is transferred from the Ministry of Tourism to the Ministry of Home Affairs, National Heritage, Culture and Social Services.

Status: This is a repeat paragraph. The status is as reported above under the previous year.

3. The Government should give the necessary grants to Bomas of Kenya to offset the accumulated deficit in view of the fact that culture is not a commercial venture.

Status: The Chief Executive confirms that the recommendation has been implemented. Grants have been increased from Kshs.12.2 million 1996/97 to Kshs.20.1 million 1998/99.

KENYA INDUSTRIAL ESTATES LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA INDUSTRIAL ESTATES LIMITED FOR THE YEAR ENDED 30TH JUNE 1995

1.0 BUDGETARY CONTROL

RECOMMENDATION

1. The Committee recommends that the Chief Executive should ensure that a realistic budget is prepared and the budgetary process is observed.

Status: The Chief Executive confirms that realistic budgets are now being prepared and that the budgetary process is being observed. The Board meets regularly – once every two months and also goes through the budgets.

2. The Committee further recommends that the Parent Ministry should ensure that the Board meets regularly as required by law.

Status: The Chief Executive confirms that the Board approves its calendar of meetings at the beginning of each calendar year and meets regularly once every two months.

2.0 CHRISTMAS GIFT TO DIRECTORS AND CHIEF OFFICERS - KSHS.450,000

RECOMMENDATION

The Committee recommends that the Chief Executive should liaise with the Parent Ministry in order to ensure that the Corporation recovers Kshs.450,000 from the then Board members who had benefited from the irregular payment by 30th September 1999.

Status: The Chief Executive states in his Letter Ref:WIJ/E/AUD/VOL.10/127 dated 7th March 2000 that in the appearance before PIC he understood Management and the Board to have been advised to seek retrospective approval. He states: "We were not at that meeting advised to institute recovery from the then Directors but to seek retrospective approval". That is the position we have reached so far.

3.0 SHED TITLES OBTAINED IRREGULARLY

RECOMMENDATION

1. **The Committee recommends that the Chief Executive should ensure that the titles for the sheds are fully paid for by 30th September 1999.**

Status: The Chief Executive confirms that the matter is being cleared and the Company is at any risk. Five sheds out of the eight cases have cleared their mortgages. The matter of the other three is being pursued.

2. **The Committee further recommends that the Chief Executive should improve the administration of the mortgage scheme to ensure that adequate security is obtained against loans issued.**

Status: The Chief Executive confirms that he has improved the administration of the mortgage scheme to ensure that adequate security is obtained against loans issued.

4.0 DEBTORS - KSHS.101,566,000

RECOMMENDATION

1. **The Committee recommends that the Chief Executive should streamline the Company's accounts section especially the credit control.**

Status: The Chief Executive confirms that he has streamlined the Company's accounts section especially the credit control. Two senior accountants have been brought in to assist on loan recovery. Staff advances and imprest to employees are being recovered from the salaries as required.

2. **The Committee further recommends that the Chief Executive should ensure that all the outstanding debts are recovered in full.**

Status: The Chief Executive confirms that outstanding debts are being recovered in full.

5.0 LOAN REPAYMENT ARREARS

RECOMMENDATION

The Committee recommends that:-

- 1. The Parent Ministry should liaise with the Treasury so as to expedite the restructuring of the Company's Balance Sheet.**

Status: The Chief Executive confirms that the restructuring process is still going on and being pursued. Treasury gave consent to the write off of KIE debts to the Government through its letter dated 7th July 1997.

- 2. The Company should be exempted from parts of Section 5 of the State Corporations Act (Cap 446) in order to attract donor funding but Company will still be audited by the Auditor-General (Corporations).**

Status: The Chief Executive confirms that the exemption from the State Corporations is still being pursued.

- 3. The Company should continue to service its loan obligations.**

Status: The Chief Executive confirms having noted the recommendation and will comply with the same.

KENYA INDUSTRIAL ESTATES LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA INDUSTRIAL ESTATES LIMITED FOR THE YEAR ENDED 30TH JUNE, 1996

1.0 FINANCIAL POSITION

RECOMMENDATION

The Committee reiterates the earlier recommendation under paragraph 5 of 1994/95 accounts that:-

1. The Parent Ministry should liaise with the Treasury so as to expedite the restructuring of the Company's Balance Sheet.

Status: This is a repeat paragraph. The status is as reported above under the previous year.

2. The Company should be exempted from parts of Section 5 of the State Corporations Act (Cap 446) in order to attract donor funding but it Company will still be audited by the Auditor-General (Corporations).

Status: This is a repeat paragraph. The matter of exemption is still being pursued as per the recommendation.

3. The Company should continue to service its loan obligations.

Status: This is a repeat paragraph. The status is as reported above under the previous year.

2.0 CHRISTMAS GIFTS TO DIRECTORS AND CHIEF OFFICERS - KSHS.530,000

RECOMMENDATION

The Committee reiterates its earlier recommendations under paragraph 2 of 1994/95 accounts that the Chief Executive should liaise with the Parent Ministry in order to ensure that the Company recovers Kshs.530,000 from the Board members who had benefited from the irregular payment by 30th September 1999.

Status: The Chief Executive confirms that as per previous year the Management is awaiting Government reaction/approval which has been requested.

THE TEA RESEARCH FOUNDATION OF KENYA

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE
ACCOUNTS OF TEA RESEARCH FOUNDATION OF KENYA FOR THE
YEAR ENDED 30TH JUNE 1995

1.0 LAND OWNERSHIP

RECOMMENDATION

The Committee commended the Chief Executive for this achievement and directed that he should ensure that this land remains intact.

Status: The Chief Executive notes with gratitude the commendation by the Committee.

THE TEA RESEARCH FOUNDATION OF KENYA

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF TEA RESEARCH FOUNDATION OF KENYA FOR THE YEAR ENDED 30TH JUNE 1996

1.0 LAND OWNERSHIP

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Foundation land remains intact.

Status: The Chief Executive confirms that the Foundation pursued the issue of obtaining title deeds vigorously and the efforts have borne fruits. The relevant title deeds have been received.

2.0 STAFF PENSION FUND

RECOMMENDATION

The Committee recommends that the Chief Executive should continue pursuing the matter with the official receiver with a view to recovering in full the funds deposited with the Kenya National Assurance Company.

Status: The Chief Executive confirms that the Management is keenly following the developments on the liquidation of the defunct KNAC. The Management prays that the matter will come to speedy and amicable solution.

RIFT VALLEY TEXTILES LIMITED

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF RIFT VALLEY TEXTILES LIMITED FOR THE YEAR ENDED 30TH JUNE 1993

1.0 TERMS AND CONDITIONS OF SERVICE

RECOMMENDATION

The Committee strongly recommends that the Receiver/Manager should liaise with the Parent Ministry and the Treasury to ensure that the consequent loss incurred by Rivatex is recovered in full from the Executive Director of the holding company (ICDC) who recommended the payment of salary and fringe benefits to the Chief Executive and the then Chief Executive who approved the payment of various fringe benefits to the management staff.

Status: The Receiver/Manager confirms in his Letter Ref:MI/002/05/034/00 dated March 7, 2000 that he is following up the matter the debentureholders.

2.0 RENOVATION AND FURNISHING OF NAIROBI OFFICE

RECOMMENDATION

The Committee recommends that the Receiver/Manager should ensure that the total amount of Kshs.323,885 is, fully recovered from the then Managing Director, *Mr. Lucas Chepkitony*. The Committee further recommends that *Mr. Lucas Chepkitony* should be banned for holding any public office conferred by the Republic of Kenya.

Status: The Receiver/Manager confirms that he is pursuing the matter as recommended by the Committee. The matter of banning Mr. Lucas Chepkitony from holding any public office conferred by the Republic of Kenya has been noted.

3.0 CONTINGENT LIABILITY

RECOMMENDATION

The Committee recommends that the then Managing Director, *Mr. Lucas Chepkitony* should be banned from holding any public office conferred by the Republic of Kenya.

Status: This is a repeat paragraph and the status is as reported above.

KENYA REINSURANCE CORPORATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA REINSURANCE CORPORATION FOR THE YEAR ENDED 31ST DECEMBER 1993

1.0 AMOUNTS DUE FROM BODIES ENGAGED IN INSURANCE BUSINESS

RECOMMENDATION

- 1. The Committee recommends that the Chief Executive should follow up with the official receiver of Kenya National Assurance Company and Kenya Access Insurance Company Limited for the full recovery of Kshs.153,589,190 and Kshs.35,194,636 respectively.**

Status: The Chief Executive states that the two corporations are under liquidation and the Management have lodged the requisite proof of debt in accordance with the existing legal procedures. In the meantime provision has been made in 1996 accounts.

- 2. The Committee further recommends that the Chief executive should use all means including litigation to recover Kshs.265 million plus interest accrued from bodies engaged in Insurance Business.**

Status: The Chief Executive confirms that the required action has been taken and the necessary reconciliation done resulting in total balance of Kshs.260 million due to insurance companies and Kshs.235 as owed to the Corporation giving a net balance Kshs.24.5 million as due to the insurance companies.

CATERING LEVY TRUSTEES

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF CATERING LEVY TRUSTEES FOR THE YEAR ENDED 30TH JUNE 1994

RECOMMENDATION

- 1. The Committee recommends that the Chief Executive should ensure that membership and patronage of staff members in clubs should be a separate item from the entertainment and public relations vote. The Committee further recommends that prior approval for membership and patronage in private members clubs should be sought from the parent Ministry, Treasury and Office of the President.**

Status: The Chief Executive confirms in her Letter Ref:CLT/CONF/81 dated 22nd February 2000 that the recommendation is being fully complied with.

- 2. The Committee also recommends that the Chief Executive should always adhere to the laid down financial regulations with regard to emoluments and/or benefits payable to members of staff.**

Status: The Chief Executive confirms that she is currently adhering to the laid down financial regulations with regard to emoluments including benefits payable to members of staff as recommended.

CATERING LEVY TRUSTEES

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF CATERING LEVY TRUSTEES FOR THE YEAR ENDED 30TH JUNE 1995

RECOMMENDATION

1. The Committee reiterates its earlier recommendation in paragraph one of 1993/94 Accounts that the Chief Executive should ensure that membership and patronage of staff members in clubs should be a separate item from the entertainment and public relations vote. The Committee further recommends that prior approval for membership and patronage in private members clubs should be sought from the parent, Ministry, Treasury and Office of the President.

Status: This is a repeat paragraph and the matter is as reported above under the previous year.

2. The Committee also recommends that the Chief Executive should always adhere to the laid down financial regulations with regard to emoluments and/or benefits payable to members of staff.

Status: This is a repeat paragraph and the matter is as reported above under the previous year.

COMMISSION FOR HIGHER EDUCATION

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF COMMISSION FOR HIGHER EDUCATION FOR THE YEAR ENDED 30TH JUNE 1995

1.0 LATE SUBMISSION OF ACCOUNTS

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that accounts are submitted for audit in accordance with the provisions of the Exchequer and Audit Act (Cap 412).

Status: The Commission Secretary confirms that correction action has been taken to ensure that accounts are submitted for audit in accordance with the provisions of the Exchequer and Audit Act (Cap 412). 1998/99 accounts were submitted on time on 31st October 1999 as required.

2.0 OVERPAYMENT OF MEDICAL EXPENSES

RECOMMENDATION

The Committee recommends that the Chief Executive should ensure that the Commission operates within the budgetary provisions.

Status: The Commission Secretary confirms that he has ensured that the Commission operates within the budgetary provisions.