MINISTRY OF ENERGY

REPORT

OF THE

TECHNICAL AND FINANCIAL AUDIT COMMITTEE

FOR

KENYA PIPELINE COMPANY [KPC]

30TH SEPTEMBER 2003

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ACKNOWLEDGEMENT

Having identified a need to examine in detail the activities of Kenya Pipeline Company (KPC) and National Oil Corporation of Kenya, (NOCK), the Minister for Energy appointed a Committee, through a communication Ref ME/CONF/1/1/7 VOL. XI dated 10th March, 2003 to carry out a Technical and Financial Audit of the two Corporations.

On behalf of myself and that of the entire committee I sincerely thank the Minister, Hon. Ochilo Ayacko, for having appointed us to carry out this onerous task and for his support throughout the entire period of the exercise.

I further wish to thank the Permanent Secretary, Mr. Patrick Nyoike, for his guidance and personal involvement throughout the exercise. In particular, I wish to express my sincere gratitude to him for providing good support staff and other facilities that the committee needed.

I wish also to thank the Permanent Secretary, Ministry of Public Works, Roads and Housing for having availed two additional Quantity Surveyors to assist the Committee.

Finally, I would like to express my appreciation to those members of staff of both KPC and NOCK, who co-operated with the committee and made the task less onerous.

HON. DARIUS M. MBELA, EGH
CHAIRMAN

7. Prepare a comprehensive report on findings and recommendations on actions to be taken to ensure efficiency in resources allocations.

8. Review the effectiveness of Boards and management performance and recommend measures to ensure accountability.

projects which not only did not add value to KPC, but also would provide no positive financial return to KPC.

This report gives details of the various projects undertaken by KPC and the respective losses incurred by the company. Below is a brief summary:

	PROJECT	PROJECT CONTRACT SUM	COMMENTS OF THE COMMITTEE
1.	PROPOSED KPC HEAD OFFICE	1.1 Billion	Should have cost Kshs.400 million
2.	KIPEVU OIL STORAGE	2.2 Billion	Unnecessary investment (Necessary portion should have cost [Kshs.100 million)
3.	JET A-1 TANKS [KISUMU/ELDORET]	1.1 Billion	Unnecessary investment
4.	LPG (MOMBASA)	130 Million	Complete waste of funds
5.	NGONG FOREST LAND	270 Million	Illegal titles in KPC custody
6.	ACCESS ROAD AT NGEMA	560 Million	This is a Public Road
7.	WESTERN KENYA SURVEILLANCE CAMERAS	100 Million	Of no value to KPC & Unnecessary
8.	MORENDAT HOUSING COMPLEX	488 Million	A block of eight flats at an estimated cost of Kshs.10 million would have sufficed
9.	MORENDAT PUMP SETS	600 Million	Should have cost Kshs.300 Million
10	200 METRE ROAD AT NAKURU	94 Million	Unnecessary road. Most expensive in the world.
11	OFFICE EXTENSION NAIROBI TERMINAL	313 Million	Should have cost Kshs.110 Million
12	SHIPPER'S OFFICES IN ELDORET/NAKURU AND KISUMU	1.1 Billion	Should have cost Kshs.400 Million
	TOTAL	**8.055 Billion**	**1.32 Billion**

Out of this selected list of only eleven projects undertaken by KPC, the company stands to lose some Kshs.6.7 Billion. Not only did this reckless expenditure wipe out KPC's reserves but it also forced the company to take out both local and overseas loans which will be a heavy burden on KPC.

The above list is by no means exhaustive but serves to give an insight into the rot and culture of waste that took root in KPC during the period 1996 to date.

KPC flouted procurement procedures in the award of tenders, often awarding them to companies belonging to the same people at grossly inflated contract sums. As recently as late last year KPC awarded two contracts as follows:

COMPANY	CONTRACT AMOUNT (KSHS.)	PURPOSE OF CONTRACT
Cybercom Ltd	US$3,064,000 (Kshs.230 Million)	Computer Consultancy
Datalogix Ltd	339,318,000	Supply of computer hardware

There is no evidence that the services were procured competitively.

Both companies belong to the same person who is a building contractor and it is doubtful that the companies possess expertise in the area of computer technology. Both companies received advance payments of Kshs.115 million each. The matter is currently in the hands of the Kenya Anti-Corruption Commission (KACC).

KPC is registered as a private company under the Companies Act Cap 486. This Committee's review indicates a conspiracy between the then Management and Board of Directors on the one hand, and contractors to defraud shareholders of KPC.

In the circumstances we recommend that shareholders go to court and obtain and injunction restraining contractors from demanding any further payments until these issues are resolved.

Furthermore, a Court order should be obtained to constrain KPC to concentrate on its core business using reputable and untainted contractors.

The Committee has unfortunately noticed an attitude of "business as usual" even with the new KPC management. For instance, even with the knowledge that the Hon. Minister for Energy had appointed this Committee(the Chief Government Quantity Surveyor is a member), the current Management irregularly (without Board approval) appointed a Quantity Surveyor to advise on the KPC Head Office project. The Management has proceeded to irregularly pay the QS Kshs.12 million. against a fee note of Kshs.27 million. The fee note of Kshs.27 million is grossly inflated for the work done by the Quantity Surveyor. Additionally, and with apparent haste, the current management has proceeded to complete the construction of the Morendat housing complex and also the access road at Sinendet without a proper assessment of whether both projects should have been scaled down drastically or stopped altogether. In the case of the Sinendet project, for which full payment has been made, the cost is more than seven times what it should have been whereas the housing complex at Morendat was not required at all.

It is instructive to note that the contract holder for the Sinendet road, Morendat complex, Head Office building and the computer project is one and the same, only trading under different names.

During the period under review, the KPC Board became so weak and ineffective that it allowed itself to be misled by consultants. In particular two engineering consultancy firms –M/s Penspen Ltd and Petrochem Ltd – caused KPC to invest huge sums of money in unnecessary projects. This Committee is of the strong opinion that the two companies should be blacklisted by KPC.

Additionally, Board resolutions and instructions were regularly ignored by Management, and sometimes even sabotaged. A good example is the KPC Head Office project where the Board had clearly instructed that the project cost should not exceed Kshs.230 million. One Board member, under the guise of giving free advice, caused the project cost to sky-rocket, and for this effort he even invoiced the company.

Finally, this Committee is of the opinion that if KPC was to be put in the hands of a competent, committed and diligent management team it would be a good source of funds for the Treasury in terms of taxes and dividends

CHAPTER ONE (I)

KPC HEADQUARTERS

NAIROBI – INDUSTRIAL AREA

CHAPTER 1

KPC HEADQUARTERS –NAIROBI, INDUSTRIAL AREA

1. PREAMBLE

As early as 1990 KPC management conceived the idea of constructing its own headquarters building to obviate the need to rent offices for its day to day operations. To this end KPC applied for, and was subsequently allocated land by the Government at Upper Hill. KPC proceeded to engage consultants to prepare the necessary drawings and other documents in this respect.

By August 1990 KPC had spent Kshs.40,081,076 [Kshs.40 million] on consultants –Architects. Quantity Surveyors, Engineers, Contractors – although no structure has to-date been erected on the site. The site remains fallow to the date of this report.

KPC abandoned this project towards the end of 1990 under the pretext that it was going to embark on the extension of the pipeline – KPC's core business – to Western Kenya, and therefore it needed to accumulate cash for this purpose. It is instructive to note that, in fact, KPC sourced loans, which were guaranteed by Government, from EximBank, Coface, and EDC banks to finance the extension of the pipeline to the tune of US Dollars 126,287,580.00

It is quite clear from the foregoing that at the time, KPC had not identified funds to finance the construction of the proposed headquarters at Upper Hill, Nairobi. It is conceivable therefore that the project was mooted with the express intention of siphoning funds from KPC through consultants. This opinion is bolstered by the subsequent findings of this report.

2. THE PROJECT REVISITED

After a span of eight years [to be precise, in May 1998] the issue of the proposed headquarters was revisited. KPC invited M/s Mutiso Menezes International [a firm of architects] to prepare preliminary drawings and plans for the proposed building. KPC management had apparently come to the conclusion that the Upper Hill site was inappropriate and that the proposed headquarters should be located at a site next to their Nairobi Terminal in the Industrial Area. In a Board paper dated September 1999, KPC defended this position thus:-

The proposed headquarters will bring together 445 members of staff. Currently 142 members are based at National Bank of Kenya House, while 303 are based at the Nairobi Terminal. In addition the company will:-

(i) Save on annual costs currently incurred as rent on office space occupied

(ii) Save on daily costs currently incurred on transport and telephone due to difference in location

(iii) Save on cost of manhour wasted while commuting between the different office locations

(iv) Enhance accessibility, convenience and supervision of the staff and pipeline operation

(v) The location of the proposed headquarters at Nairobi terminal is convenient as the core of the company's operations is based there.

KPC's initial instructions to M/s Mutiso Menezes were to prepare drawings/plans for a building equivalent in office space to that being currently occupied by KPC at National Bank House, together with parking, senior staff canteen, meeting and conference rooms.
A building of five floors was envisaged with a total budget **not exceeding Kshs.200 million** [minutes of management meeting held on 8th October 1998]

Upon being commissioned for the project M/s Mutiso Menezes invited the following assisting consultants:

- M/s Murai Associates [Quantity Surveyors]

- M/s Gathaiya Njagi & Partners [structural Engineers]

- M/s Associated Service Consultants [Mechanical/Electrical Engineers]

It is instructive to note that Board approval was not sought for the appointments of these consultants, and for their project brief.

Nevertheless the consultants prepared the requisite drawings/documents and submitted the same to KPC in early 1999. After several consultative meetings the plans were approved by KPC and tenders were invited.

It is important to note at this point that KPC did not advertise this tender as required by its own [and Government] procurement Regulations. Instead KPC invited six individual contractors from an in-house list of contractors. This committee has reason to believe that some of these contractors are related through ultimate ownership e.g. Don-woods company and Nelliwa Builders are owned by Donald Mwaura.

The six tenderers quoted as follows [from the lowest to the highest]:

	Contractor	**Amount quoted [Kshs.]**
1.	Don-Woods Company Ltd	643, 590, 848. 55
2.	Indian Terazzo Ltd	656, 221, 974. 60
3.	Jipsy Construction Co.	663, 441, 630. 50
4.	G. G. Gachara Construction Co.	675, 583, 367. 05
5.	Kirethi Building Construction Co.	679, 481, 288. 50
6.	Nelliwa Builders & C.E. Ltd	724, 851, 290. 50

When management presented these tenders, the Board rightly observed that the tendered sums were very high and in any case were above the company budget of Kshs.200 million.

In their tender report the project Quantity Surveyor [QS] had also observed that the rates quoted by the contractors were "on the higher side" and did not recommend the award of the tender to any contractor.

The Board asked the management to reduce the scope of work of the project so as to bring down the overall costs, but still maintaining the original office space requirements.

The QS, in their letter dated 26th August 1999, wrote to KPC with a proposed reduction in the scope of work. Using the lowest tenderer's rates the QS recommended a revised tender sum arrived at as follows:-

	Kshs.
Savings from reduction in Scope of work	125, 182, 741. 00
Lowest tender	643, 590, 848. 55
Less VAT @ 15%	83, 946, 632. 42
	559, 644, 216. 13
Less Savings in reduction omission	125, 182, 741. 00
New tender sum	434, 461, 475. 13
Add back VAT @ 15%	65, 169, 221. 27
New tender sum	499, 630, 696. 40

This new tender sum was reported in September 1999, and the Board was requested to award the tender for construction of the headquarters building to M/s Don-woods company Ltd at a cost of Kshs.499, 630, 697. 00 with a completion period of 104 weeks. At a Board meeting held on 21st October 1999 this issue was deliberated at length and the Board instructed as follows:

(a) ***Retendering be done afresh inviting at least 10 contractors,***

(b) ***Get another Quantity Surveyor who is of repute to handle the project using the same drawings and designs,***

(c) ***If any fees had been paid based on the project cost of Kshs.643, 590, 848. 55, then the fees should be refunded and [the QS] only be paid on the real cost which should not exceed Kshs.230 million,***

(d) ***That the corporate planning and project manager should apologise to the Board for challenging the Board members,***

(e) ***The personnel in technical section handling this project be censured for unprofessionalism.***

The Board failed at this point to heed the QS's advice. In the Committee's view the Board should have adopted the QS's proposed reduction in scope of work and then instructed the QS to negotiate the lowest tenderer's rate to be in line with market rates. The QS had earlier observed that the rates were "on the higher side". This would have resulted in a project cost of approximately Kshs.350 million.

For reasons which are unclear to the Committee the instructions of the Board were not followed to the letter. This matter was left in abeyance until around April 2000 when one of the Board members, Dr. Reuben M. Mutiso, an architect [for the record not associated with Mutiso Menezes, the official project architect] offered voluntary services to the Board. His brief was:

"....to conduct a special study project .....to apply the current market rates to the Bill of Quantities .... To reply to the Board".

His recommendation was reported to the Board in April 2000. His total project cost estimate was **Kshs.573, 022, 382. 00**

Additionally he expressly recommended that the project be awarded to M/s Don-woods company Ltd, thereby overturning the earlier decision of the Board to re-tender afresh.

The Board went ahead and adopted the report by Dr. Reuben M. Mutiso and instructed management to formalise the award of the tender as recommended.

Effectively, then, the Board allowed Dr. Mutiso to usurp the role of the official Quantity Surveyor, M/s Murai Associates.

Accordingly KPC wrote to M/s Don-Woods on 26th April 2000 inviting them to accept the revised figure of Kshs.573, 022, 382. 00, a figure which M/s Don-woods accepted in writing on the same day.

At this point the committee wishes to note the following:-

(i) ***Being a Board member, and therefore being an interested party, Dr. Mutiso acted unprofessionally in purporting to advise the Board single-handedly and to the exclusion of the company official consultants,***

(ii) *Dr. Mutiso had "insider information" by dint of being a Board member and could not therefore claim to offer "independent" consultancy,*

(iii) *Although he initially offered "voluntary" services to the Board he eventually landed the company with a fee note amounting to approximately Kshs.5.7 million which were promptly paid. This "voluntary" fee is double what it would have cost KPC in hiring an independent QS,*

(iv) *The recommended tender sum of Kshs.573 million is at least 230% higher than the then prevailing market rates, and 250% higher than the amount the Board intended to spend on the project,*

(v) *In expressly recommending that the contract be awarded to M/s Don-woods company ltd, Dr. Mutiso went beyond his brief of an "Independent consultant",*

(vi) *The Board acted recklessly in placing the award of such a large project in the hands of one person, especially after having instructed the official consultants to come up with a reduction which they duly did and came up with a revised figure of Kshs.499,630,697 [VAT inclusive]. Interestingly when this figure of Kshs.499 million is subjected to further VAT at 15% it results in a figure of Kshs.573 million.*

3. PROJECT IMPLEMENTATION

The tender was formally awarded to M/s Don-woods on 27th April 2000 via a letter form the then Managing Director, Mr. E. K. C. Komen. The official site handover was on 8th May 2000. The contractor immediately applied for advance payment form KPC amounting to Kshs.228 million. KPC duly obliged and gave the advance. The committee notes the following:

(i) *The payment of advances/mobilization was abolished by Government long ago,*

(ii) *Any exceptions to the above rule must be authorized in writing by the Treasury through the parent Ministry,*

(iii) ***If authority is granted by Treasury any monies paid out to contractor must be secured by a Bank Guarantee,***

(iv) ***KPC neither sought nor obtained approval from Treasury to pay the advance,***

(v) ***In this respect the Board acted recklessly and in contravention of Government Rules and Procedures.***

After the contractor had already mobilized to site, and completed the following works:

- Casting of the foundation,
- Casting the Basement slab,
- Constructing columns to ground floor,
- Casting the ground floor slab,
- Constructing columns to first floor,

The client [KPC] informed the contractor that it wished to add two more floors to the already designed five floors. The main reason advanced by KPC for this belated action was that the two floors would cater for ***future*** staff growth.

It is the considered opinion of the Committee that the addition of two floors was unnecessary and was conceived with the purpose of siphoning funds from KPC.

This decision by KPC had the following immediate ramifications:

- Contractor had to stop work at the site ostensibly to await redesigning of the substructure and the superstructure to accommodate the two additional floors, in addition to the design of the two floors,

- The project cost would escalate accordingly

The project engineers, M/s Gathaiya Njagi & Partners together with M/s Associated Service Consultants advised KPC that in order to accommodate the two additional floors there was need to redesign the foundation and the upper floors. Using the contractor's rate the QS calculated the cost of the two additional floors as:

KSshs.174, 850, 000.00

Additionally the increase in the cost of constructing the other floors [including foundation] as a result of the redesign was calculated as:

Kshs.95, 550,000.00

Thus the total cost of the decision by KPC to add the two floors is:

Kshs.270, 400,000,00

The Committee wishes to note the following:-

(i) There was no need to redesign the building at all to accommodate the two additional floors. The foundation had been cast and construction work had progressed to 1st floor,

(ii) Indeed the Board had recognized item (i) above and instructed against it,

(iii) The contractor made a claim for idle plant/equipment, and labour. The stoppage of work was authorized by the project Engineers M/s Gathaiya Njagi & partners in writing.

4. RECAPITULATION

To recapitulate, the project cost analysis may be summarized as follows. The committee takes the liberty to compare its own cost estimate with those of the contractor/consultants:

5. OVERALL OBSERVATIONS/RECOMMENDATIONS

The Committee wishes to make the following observations and recommendations:-

(i) ***The project was ill-conceived at conception. Management presentation to the Board in September 1999 showed a payback period of 30 years based on an investment of Kshs.490 million. At the current investment level of over Kshs.1 billion the payback period is over 90 years. On the basis of this economic analysis the then Corporate***

Planning & Projects Manager [CPPM] should have advised the Board against the project. Instead he put up a spirited defence of the project to the extent of challenging the Board when the latter questioned the magnitude and viability of the investment. The CPPM should be held responsible for professional negligence and further be surcharged at 10% of the total project cost at the time {Kshs.573 million]. He should therefore be served with a surcharge certificate of Kshs.57.3 million by the Inspector-general [Corporations] in accordance with section 19 (2) of the State Corporations Act Cap 446.

(ii) The Board in place at the time should be censured for not procuring competitive tenders for such a large contract,

(iii) For acting unprofessionally and for misleading the whole Board, under the guise of offering voluntary services, to accept a contract sum of Kshs.573,022,382.00. Dr. Reuben M. Mutiso should

(a) be reported to the Board of Registration of Architects and Quantity Surveyors for disciplinary action,

(b) be surcharged Kshs.5.7 million obtained by false pretences,

(iv) For agreeing to be hoodwinked by Dr. Reuben M. Mutiso to accept a revised tender sum of Kshs.573,022,382.00 instead of going to competitive tender as per earlier Board resolution, the Board should be surcharged for the difference between this figure and the prevailing market rates figure of Kshs.408 million. The surcharge amount of Kshs.165 million, should be shared equally among the directors, in accordance with section 19 [4] of the State Corporations Act Cap 446,

(v) Members of the entire Board should be barred from holding public office for abuse of their office in allowing KPC to make an unsecured advance payment of Kshs.228 million to the contractor without authority from the parent Ministry and Treasury,

(vi) ***The then Managing Director Dr. L. L. Cheruiyot should be censured for allowing the addition of two unnecessary floors when the project was already ongoing. In particular he should be made to pay the Kshs.95,550,000.00 that he authorized ostensibly for the "redesign" of the structure after his decision to add the two floors. The Board had expressly stated that this should not be paid,***

(vii) ***It is the strong opinion of the Committee that the contractor M/s Don-woods colluded with the consultants to inflate costs.***

There is a prima facie case of conspiracy between Don-woods, two former MD's Messrs Ezekiel Komen and Dr. L. L. Cheruiyot, Mutiso Menezes, Dr. Mutiso, Gathaiya Njage & Partners and Associated Services Consultant. The Committee recommends that the Kenya Anti-Corruption Commission [KACC] be invited to investigate this matter further.

In addition the contractor should be blacklisted from any future KPC and Government jobs, and the offending consultants be referred to their respective professional Boards for disciplinary action.

6. THE WAY FORWARD

KPC has a monolith of a structure standing at its site in the Industrial area. The effects of weathering are already evident [the basement is completely flooded due to the current heavy rains]. The Committee is of the strong view that the structure should continue to completion. The Committee recommends as follows:-

(i) Since M/s Don-woods have already been overpaid they should now be instructed to complete the remaining work without any further payment.

(ii) The contracts entered into between KPC and the consultants should be determined on the basis of unprofessional conduct on the part of the consultants and this matter be referred to their respective Professional Board.

(iii) Should M/s Don-woods fail to resume work their contract should be determined and measures instituted to recover monies due to KPC through overpayment.

(iv) The Kenya Anti-Corruption Commission[KACC] should move in and follow up the concrete leads given in this report with a view to prosecuting any and all culprits.

7. CURRENT STATUS

(i) As at the time of submitting this report no work is in progress at the site.

(ii) Even with the knowledge that the Hon. Minister for Energy had appointed this Committee, KPC Management irregularly [without Board approval] appointed a Quantity Surveyor to advise him on the project. The QS has erroneously recommended that the contractor be paid Kshs.50 million as one of the options.

(iii) The Management went ahead and irregularly [without Board approval] paid the Quantity Surveyor Kshs.12 million, approximately five [5] times the scale allowed by the professional body of Quantity Surveyors.

CHAPTER 2 [TWO]

LIQUEFIED PETROLEUM GAS [LPG] PROJECT IN MOMBASA

At the tender evaluation stage KPC together with their consultants M/s Penspen claimed to have absolutely no knowledge of Gas Company of Kenya.

The tender evaluation committee considered that only three tenderers fulfilled all the tender conditions and their tenders were deemed to be technically acceptable. They are:-

NKK Corporation
Bharat Heavy Plate
Bentini Construzioni

M/s Prashanth Projects tender was found to be technically incomplete and was disqualified on that basis. M/s Gas Company deviated completely from the tender requirements and went on to propose a joint venture [JV] between Gas Company and KPC.

Somewhere along the line, and before the tender process could be finalized, it became apparent that Government did not have the funds to finance the construction of the LPG facility. The original plan was abandoned and the tenderers informed accordingly.

Interestingly [according to KPC], ***Government then gave KPC the option to consider going into a JV with a private company.***

3. THE ENTRY OF GAS COMPANY

According to its Memorandum and Articles of Association dated 3rd October 1995 the ***Gas Company is owned jointly by Kenya Pipeline Company and Kenya Oil Company [KENOL], the latter being a local oil marketing company.*** The shareholding of Gas Company is as follows:

Kenya Pipeline Company	-	51%
KENOL	-	49%

KPC Managing Director Mr. Ezekiel Komen was listed a director of the company. This raises very disturbing questions as to the seriousness of KPC in calling for the initial bids, given its association with Gas Company. KPC was, it would appear, an accessory to "insider bidding" and the invitation of the initial bids was a charade.

Inevitably then, in February 1999, KPC and Gas company signed a Memorandum of Understanding [MoU] in which it was agreed that a JV company to be known as East Africa Gas Company [EAGC] be formed. Interestingly, again, KPC justified the formation of a JV with Gas Company on the grounds that at the initial tender stage the Gas Company had:

Engaged an international firm of LPG consultants who had already carried out an acceptable design for the project,

Acquired 41 acres of land near the port of Mombasa solely for the purpose of the LPG project,

Identified and sourced for the required equipment,

The above clearly confirms the Committee's view that Gas Company had already been pre-qualified even at the initial tender state.

The following is a chronology of events that took place upon the formation of EAGC:

Gas Company, which had earlier been allocated 41 acres of land near the port by the commissioner of lands, caused the Ministry of Lands to value the land at Kshs.92 million,

The value of Kshs.92 million was translated into a 55% share contribution by Gas Company toward the LPG project and thereby transferred to EAGC,

Subsequently KPC contributed in cash Kshs.65 million representing 45% of its share in EAGC. It is instructive to note that Gas Company did not contribute any cash. The JV company proceeded to open an off-shore account in Midland Bank, London, where KPC cash contribution was deposited. The signatories to this account were Messrs Ezekiel Komen and Prakash Bhundia. The local account was with Commercial Bank of Africa and the signatories were the same.

Gas Company identified and acquired LPG tanks [bullets] from M/s Oil Tanking Deutschland Gmbh, of Germany and proceeded to ship the same to Mombasa The Committee has not yet been able to ascertain how much if anything Gas Company paid for these condemned tanks.

The Committee makes the following observations:

The very fast pace at which Gas Company proceeded to acquire land [through Government allocation], source project designs, and procure equipment implies that Gas Company had prior/ inside knowledge that the Ministry of Energy and KPC were planning a project of this nature. It then proceeded to act in a manner designed to siphon cash from KPC [a good example is the Kshs.65 million cash contribution by KPC whose fate is unknown],

Gas Company sourced second-hand LPG tanks which had already outlived their technical life and had already been condemned in their parent country Germany. Indeed when KPC became suspicious about this they dispatched their engineering consultants, M/s Penspen UK, who made a damning assessment of both the equipment and Gas Company,

It is a statutory requirement that goods [equipment] of this nature be subjected to Pre-shipment Inspection [PSI] to assess both the quality and value of the goods. Gas Company did not do so,

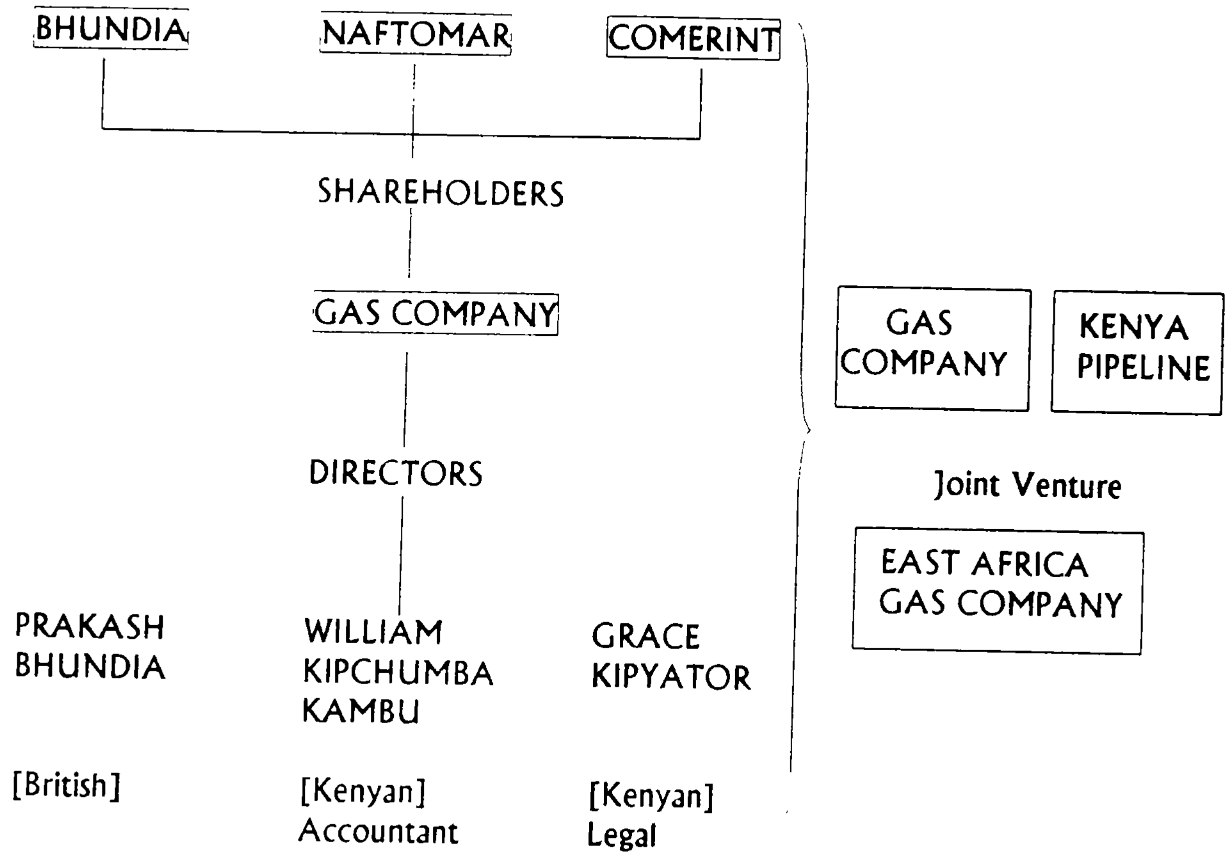
Upon arrival in Mombasa one of the tanks was subjected to a pressure test and it failed meaning that it was scrap. The Committee attaches no monetary value to this scrap vis-à-vis the project [see final recommendations below].

As stated earlier, KPC had a 51% shareholding in Gas Company. Mysteriously, after the formation of East Africa Gas Company no mention is made of KPC's share in the original Gas Company. The Shareholding of EAGC is as follows:

Gas Company	-	55%
KPC	-	44%
Treasury [Golden share]	-	1%

In an ideal situation, and in recognition of the fact that KPC had a 51% stake in Gas Company, the new shareholding of KPC in EAGC should have been 44% *PLUS* its shareholding in Gas Company, viz:

44% + [51% of 55%]
i.e. 72.05%



NOTE:

BHUNDIA	-	British	"Registered Companies"
NAFTOMAR	-	Greek	
COMERINT	-	Italian	

All payments made prior to the formation of EAGC are for Gas Company's account. After all, Gas Company was found to be an attractive JV partner because it had carried out this work in advance of the LPG project,

KPC's share equity in EAGC [in form of cash] should not have been paid as KPC had already spent Kshs.65 million on the project in association with Gas Company. If anything this amount [irregularly paid] should have been capitalized.

4. FALSE ECONOMICS

The project economics appear to have been based on unrealistically high LPG demand figures. The committee highly suspects that the figures were "tailored" to meet the LPG equipment [tanks] which had already been identified and procured. The project assumed an annual LPG consumption of 45 000 Metric Tonnes [MT] in Year 1 in Kenya and the neighboring countries, viz:

		MT/Year
Consumption in Kenya		31 000
Potential export:	Uganda	3 000
	Tanzania	3 000
	Rwanda	1 000
	Burundi	1 000
	Somalia	1 000
	Sudan	2 000
	Seychelles	3 000
		45 000
Less Refinery Production		[29 000]
Net available demand		16 000

Notwithstanding, the project study went on to assume design figures of 71 000 MT [low demand scenario] and 133 000 MT [high demand scenario]

The Committee is of the view that given the above scenario the project was highly over designed, and deliberately so, as the equipment had already been procured Four LPG bullets [or spheres] of 500 MT each would have been more than adequate for the project. It is operationally wise to have several tanks for ease of receiving and issuing. The parcel sizes for LPG vessels plying the East African coast are in the order of 500-800 MT [see comment below].

The physical location of the project raises doubts as to whether the project would ever have taken off. There are two major reasons for arriving at such a conclusion:

i. **There is no jetty [near the site] where LPG vesels can berth. The Committee was informed that two mooring buoys were to be constructed and that discharge of LPG from ship to shore would be by floating flexible hoses. It was envisaged that "economic" LPG cargo sizes of 8000 MT would be imported.**

ii. **The Committee notes that the construction of the mooring buoys would have to be done after dredging the sea-bed in order to allow for safe sailing, always afloat [without running aground], of the large LPG vessels. It is the view of the Committee that this issue was not considered by Gas Company at project conception. Dredging would have to be done all the way from Kipevu Oil Terminal [where the already dredged channel terminates] to the proposed LPG mooring buoys site, a distance of about one kilometer. The cost of this is prohibitive.**

iii. **The site of the project is neither serviced by a proper access road nor a railway siding. Serious doubts therefore arise as to the proposed mode of evacuation of LPG to end-users. The Committee was informed that the original idea was to pipe the LPG to loading arms which were to be constructed a KPC's PS 1. That project has since been shelved.**

5. A WHITE ELEPHANT

As early as 4th December 1999 the Permanent Secretary, MoE, expressed concern regarding the viability of the project and directed KPC to reconsider its involvement in what he feared might end up being a white elephant. On 4th April 2000 the PS directed KPC to terminate its participation in the LPG Project and ***"to recover the more than Kshs.130 million invested in Gas Company as equity".***

Unfortunately, as the situation stands, KPC has ended up with a white elephant but it still behoves the Committee to recommend to Government the way forward.

6. THE WAY FORWARD

The Committee recommends the following course of action:

1) The project should be terminated and considered as dead as a dodo,

2) Because of the very serious doubts arising as to the intentions of Gas Company the Committee suggests the following actions against the company:

The site of the proposed LPG Project should be repossessed from Gas Company [or to be exact EAGC] and the same be allocated to KPC. KPC should then dispose of it at market value to recoup some of its losses. It may be taken that Gas Company obtained the plot from the commissioner of lands by falsely pretending that it would put up LPG facilities,

Gas Company deliberately brought into the country obsolete equipment – a scrap heap. They *must* be made to dispose of it in an environmentally acceptable manner. In addition they should make good at their cost any civil works carried out on site that may dilute the value of the land,

Gas Company and its directors should be surcharged the amount of Kshs.130 million that they obtained from KPC by false pretences. In any case, this is in line with Clause 3 (iv) of Memorandum of Understanding between KPC and the Gas Company.

3) The then Managing Director of KPC Mr. Ezekiel Komen should be surcharged an amount of Kshs.6.5 million [being 10% of the amount of cash irregularly deposited with EAGC as shares] as allowed for in the State Corporations Act.

4) Finally the Committee recommends that the Kenya Anti-Corruption Commission [KACC] moves with speed to establish the following:

i. **The connection between Gas Company [as opposed to EAGC] and KPC and whether a case of insider bidding may be established,**

ii. **The directors of Gas Company and its ultimate owners, and their real intentions in forming the company.**

iii. **The Committee considers that prima facie evidence of intent to *defraud* exists, and recommends appropriate action be taken.**

Stalled LPG import facility at Mombasa.
The tanks were second hand and were imported without pre-shipment inspection. Not only did KPC lose more than Kshs.130 million in the project but the country was used as a dumping site for the scrap.

CHAPTER 3 [THREE]

JET A-1 TANKS IN ELDORET AND KISUMU

CHAPTER 3

JET A-1 TANKS IN ELDORET AND KISUMU

1. PREAMBLE

During the year 2000 the idea of constructing additional Jet A-1 tankage at both Eldoret and Kisumu depots was mooted by KPC management. A Board paper was prepared requesting approval for the same in August 2000 which justified the project as follows:

Currently each of the two depots has three tanks with a total storage capacity of 1800m^3 and is not designed to international airport standards. This limits the capacity and flexibility of the two depots to issue "ready into-plane" quality product. Due to this constraint the oil marketers prefer to collect Jet A-1 fuel from depots at Nairobi [and even Mombasa] for delivery to various destinations in Western Kenya and beyond. This has led to underutilization of the existing facilities at Eldoret and Kisumu, loss of revenue to KPC and is partly responsible for large number of road tankers using the major highway to Western Kenya.

The above "justification" caused KPC to immediately carryout the following activities:

(i) Engage a firm of engineering consultants, M/s Penspen of UK, to prepare specifications and tender documents for the proposed Jet A-1 tanks and related facilities.

This engagement of M/s Penspen is at a colossal amount of approximately Kshs.105 million.

(ii) Proceed to tender for the construction of the additional tankage.

This tendering process and subsequent award of tender to M/s Prashanth Projects Ltd of Mumbai India is at a cost of approximately Kshs.1.02 billion

Item [i] and [ii] above add up to the colossal amount of Kshs.1.12 billion

In order to stress the fact that sufficient tankage existed for ***operational*** purposes we have prepared Tables 1 and 2 covering the critical period November 2002 – April 2003. Table 1 shows the uplifts of Jet A-1 for each of the depots operated by KPC, i.e. Eldoret, Kisumu, Jomo Kenyatta Airport, Moi Airport and Nairobi depot. This table shows that indeed a significant amount of Jet A-1 was lifted from Nairobi for the Western leg.

In Table 2 we have assumed no liftings of Jet A-1 at Nairobi depot and have accordingly shifted all the liftings to Kisumu and Eldoret. Thus all the liftings for the three depots have been combined. With the tankage available at Eldoret and Kisumu we have calculated the number of days "cover", i.e. the number of days the depots can run before requiring replenishment by another pipeline batch. We have done the same for Jomo Kenyatta Airport for comparison purposes.

The findings are as follows:-

(i) JKIA [an airport operated to international standards] maintains a "cover" of 22-27 days. These are good international standards and compare well with the Ministry of Energy guideline of 25 days for this airport.

(ii) The corresponding days "cover" for Eldoret and Kisumu [***assuming no road tankers***] is 10-15 days. This is considered ***operationally satisfactory*** because one expects a Jet A-1 batch well within this time range.

TABLE 1

JET A-1 UPLIFTS –NOVERMBER 2002 – APRIL 2003 [M^3]

DEPOT	NOV'02	DEC'02	JAN'03	FEB'03	MAR'03	APR'03
ELDORET	573	574	1,519	2,046	3,753	1,698
KISUMU	596	197	2,280	1,685	1,785	1,750
JKIA	43,224	47,712	45,206	41,232	44,004	40,297
NAIROBI	7,479	6,781	3,747	2,947	3,235	6,951
MOI AIRPORT	7,260	7,726	8,591	5,730	7,455	5.278
TOTAL	**59,133**	**62,991**	**61,344**	**53,639**	**60,231**	**55,975**

TABLE 2

JET A-1 UPLIFTS/NO. OF DAYS COVER

NOVEMBER 2002 – APRIL 2003

DEPOT	NOV'02	DEC'02	JAN'03	FEB'03	MAR'03	APR'03
JOMO KENYATTA	43,224	47,712	45,206	41,232	44,004	40,297
NAIROBI/KISUMU & ELDORET [COMBINED]	8,648	7,552	7,546	6,678	8,773	10,399
NO. OF DAYS COVER [JKIA]	24	27	25	22	25	22
NO. OF DAYS COVER ELD/NBI/KSM	12	14	14	15	12	10

Although KPC management may argue that new tankage needed to be added so as to be in line with international standards, the Committee once again states that construction of new tanks was totally unnecessary, as explained hereunder.

3. TANK FARM RATIONALISATION

At the design stage of the Eldoret and Kisumu depots the demand [consumption] of Regular gasoline [RMS] and Kerosene [IK] was assumed to be high and the tanks for these two products were sized accordingly. It has since turned out that the demand for these two products is very low, thereby resulting in surplus tankage. Regular gasoline, in particular is a very slow mover and current Government thinking is that this product will be phased out gradually.

Thus there exists surplus tankage at both Eldoret and Kisumu depots. If indeed the tankage for Jet A-1 needed to be increased then KPC should have carried out a tank rationalization programme where they should have converted some of the tanks from Regular/Kerosene use to Jet A-1 service. This would have involved minimal pipe interconnections. We illustrate this point by giving a specific example of Kisumu depot. The product tankage and average daily off takes are given in Table 3.

TABLE 3

KISUMU DEPOT – TANKAGE AND OFFTAKES [M^3]

PRODUCT	TANKAGE		TOTAL TANKAGE	AVERAGE DAILY OFFTAKE	DAYS COVER	REMARKS
	NO. OF TANKS	VOLUME [M^3]				
PREMIUM	3	3,000	9,000	734	12	OK
REGULAR	1	3,000	3,000	81	37	UNDERUTILISED
KEROSINE	2	2,400	4,800	488	10	OK
GASOIL	2	9,000	18,000	1,476	12	OK
JET A-1	3	600	1,800	140*	13	OK

NOTE: * Offtake for Jet A-1 assumes no truck-loading of Jet A-1 from Nairobi.

The Regular tank [3000m^3] could have been converted to Jet A-1. This tank would be used for receiving, settling and recertification. One of the Jet A-1 tanks [600m^3] would then remain in Jet A-1 use for issuing into trucks. The other two Jet A-1 tanks [1200m^3] would then be converted to Regular use.

The rationalized Kisumu depot would be as shown in Table 4, below. A similar arrangement would apply for Eldoret depot.

TABLE 4

RATIONALISED KISUMU DEPOT

TANKAGE AND OFFTAKES [M³]

PRODUCT	TANKAGE		TOTAL TANKAGE	AVERAGE DAILY OFFTAKE	DAYS COVER	REMARKS
	NO. OF TANKS	VOLUME [M3]				
PREMIUM	3	3,000	9,000	734	12	OK
REGULAR	2	600	1,200	81	15	OK
KEROSINE	2	2,400	4,800	488	10	OK
GASOIL	2	9,000	18,000	1,476	12	OK
JET A-1	2	600 & 3000	3,600	140*	25	OK

4. CONCLUSION AND RECOMMENDATIONS

The Committee concludes as follows:-

(i) **It was completely unnecessary to construct two new Jet A-1 tanks at Eldoret and Kisumu as sufficient tankage exists. Tank rationalization would have sufficed.**

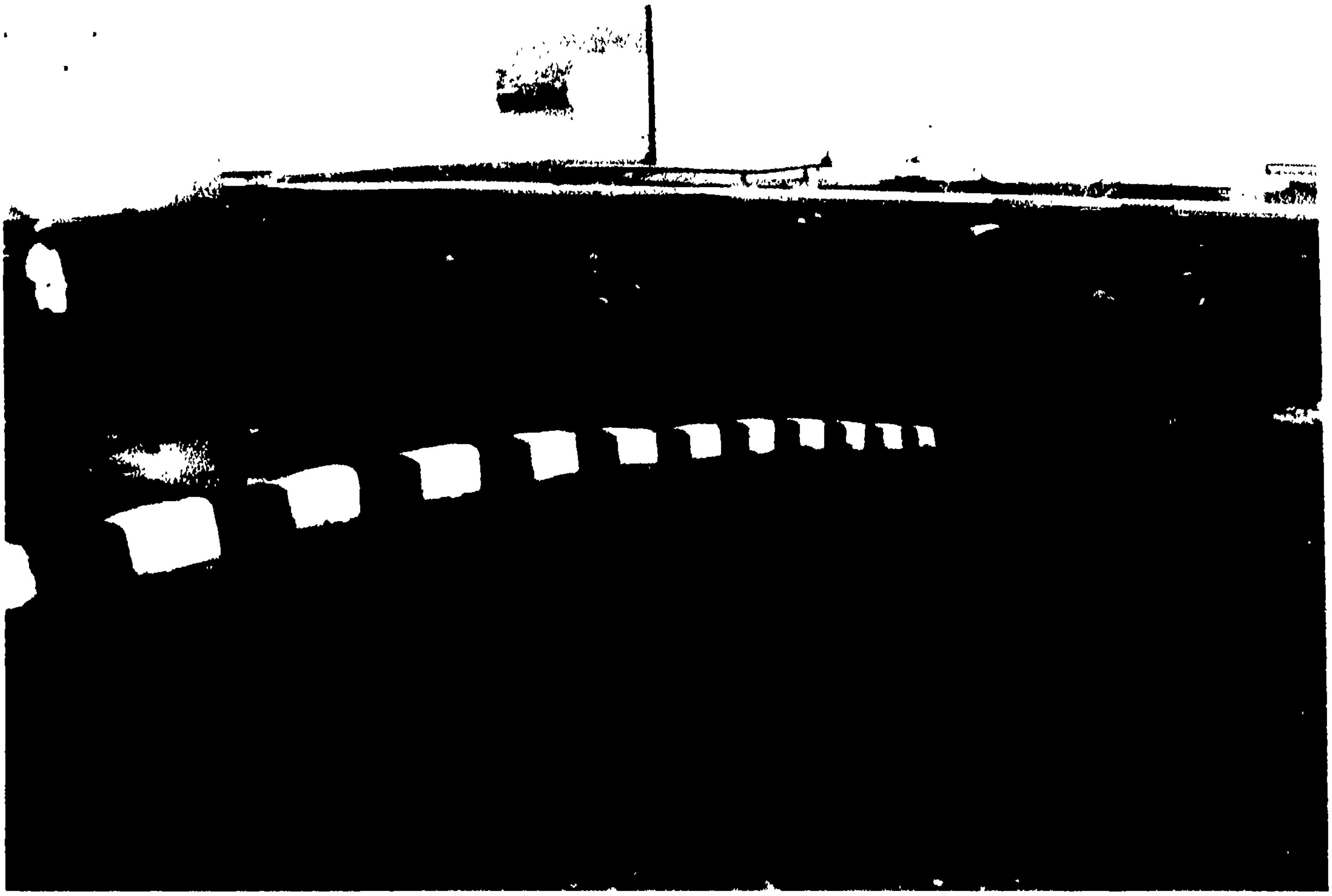
(ii) **The current Jet A-1 filtration for "into plane quality" are constrained and needed to be upgraded. This work should proceed to completion, specifically the installation of micro pre-filters, clay filters, filter water separators.**

(iii) **Since the construction of the new tanks is not at an advanced stage this work should be stopped immediately and the contractor be notified accordingly and a suitable settlement arrived at. This could lead to a potential saving of Kshs.600 million.**

(iv) **Pencol as advisers to KPC should explain on what basis they recommended that this project be carried out.**

(v) Pencol should also be probed for misleading KPC into incurring an unnecessary expenditure of Kshs.1.12 billion. KPC should discontinue using Pencol as consultants.

(vi) KPC management should be probed by the Kenya Anti-Corruption Commission (KACC)



Jet A-1 Tank site at Eldoret.
The Committee recommends that the project be stopped as it is not necessary.

Jet A-1 Tank site at Kisumu.
The Committee recommends that the project be stopped as the new tank is not necessary.

CHAPTER FOUR (4)

MORENDAT PUMPING STATION

AND

HOUSING COMPLEX

CHAPTER 4

MORENDAT PUMPING STATION AND HOUSING COMPLEX

1.0 PREAMBLE

At the design stage of the Western Kenya Pipeline Extension (WKPE) only three pumping stations - at Nairobi (PS 21), Ngema (PS 22) and Nakuru (PS24) were actually designed and installed together with the pipeline. It was envisaged that at some point in the future as pipeline throughput grew an additional pumping station would be installed between Ngema and Nakuru.

This was similar to the design concept used in the construction of the Mombasa-Nairobi pipeline where provisions were made for four "future"pumping stations at PS 2, 4, 6 and 8. Despite tremendous growth in throughput for this line, it continues to operate satisfactorily and todate, twenty seven years later there has not arisen the need to install extra pumping capacity in the "future"stations.

WKPE was commissioned in 1995. Hardly eight years later there has arisen the need to install additional pumping capacity in order to cope with increased throughput.

2.0 A FLAWED DESIGN BASIS

The Committee interviewed Senior Technical Personnel in KPC, together with M/S Penspen Engineering, KPC's engineering consultants on the design concept used in the WKPE and notes the following:

(i) **The diameter of the pipeline all the way from Nairobi to Eldoret and Kisumu respectively was not optimised for the projected volumes it was supposed to carry over a minimum period of 15 years. To make it worse, the 8 - inch diameter pipe was reduced to 6 inches where the pipeline forks at Sinendet for the Kisumu line. Although the Eldoret line continues as 8 inches form Sinendet, it**

too is constricted to 6 inches from Burnt Forest to Eldoret. These are very serious bottlenecks.

(ii) **The thickness of the pipe was not optimised to take enhanced pressures. Additionally, and ominously, the pipe thickness did not allow for both internal and external corrosion of the pipeline. This is despite the fact that KPC is already experiencing problems with corrosion on the Mombasa-Nairobi line. This effectively means that with the current configuration, once the Morendat pumping station is in place the WKPE will have reached its maximum design capacity.**

(iii) **There was no attempt at the design stage to fully integrate the operations of the WKPE and the Mombasa-Nairobi line. Specifically KPC engineers did not see the wisdom of creating a loop around Nairobi terminal to take advantage of the high pressure at which product arrives in Nairobi from PS 8, and put it directly into WKPE instead of putting it into storage first.**

(iv) **The Committee was informed that KPC management committed a most reckless act of instructing the WKPE contractor to alter [ie compromise] the pipeline designs in order to be within a pre-determined project budget.**

Thus KPC "boxed" itself into the current situation of having to bring forward an investment which should not have been necessary for at least another seven years. But now that they have found it necessary how have they gone about it.

3.0 CART AHEAD OF THE HORSE

For a fully automated pipeline system like WKPE a pumping station is a simple facility. In terms of operational requirements it does not need more than five technicians to run. One acre of land is more than sufficient to hold all the required structures and equipment, with plenty of room for future growth.

KPC purchased ten (10) acres from a reluctant seller, whose land was acquired compulsorily by Government at the behest of KPC. Instead of proceeding with speed to install the additional pumping capacity at its newly acquired site at Morendat KPC opted to put up a housing complex for the staff who would be manning the station. For the proposed staff of Seven (7) maintenance technicians and sixteen (16) artisans - all junior staff as reflected in their Job Groups -KPC management proposed the following five-star facilities:

- 16 No. 3 - bedroom maisonettes
- 7 No. 2 - bedroom flats
- 1 No. 4 - bedroom detached townhouse
- A Guest wing comprising 8 No.self contained 1 bedroom apartments
- Nursery school
- Fully equipped Gymnasium with Sauna
- Squash courts
- Luxurious swimming pool
- Bar & Restaurant
- Dining Hall
- Multipurpose hall
- Shop & Butchery
- Borehole and treatment plant
- Electric fence to secure investment.

After selective bidding the tender for construction of the above facility was awarded to M/s Kanti Construction at an astronomical cost of Kshs.488 million.

It is worth noting that M/s Kanti Construction is owned by Donald Mwaura, the proprietor of Don-Woods Ltd (refer to Chapter 1 on KPC Headquarters building)

KPC then went ahead with the construction of the complex without even addressing the real purpose of Morendat-the pumping station.

The Committee has done its own analysis of how much the complex should have cost (as extravagantly designed) at the prevailing market rates and has drawn the following conclusions (see QS report as annex to this chapter):

(i) **At the prevailing market rates the entire project should not cost more than Kshs.220 million upto completion.**

(ii) **The scope of work for this project was deliberately increased by KPC Management and, by carrying out selective bidding for the project, they colluded with the contractors to accept the high rates with the purpose of siphoning money from KPC.**

(iii) **With a modest, low calibre staff manning the proposed station KPC should at most have put up a block of eight flats of 2 bedroom each and this <u>would not have cost more than Kshs.10 million.</u> It is to be noted that this investment of Kshs.488 million will have no positive financial return to KPC.**

4.0 THE PUMPING STATION

At the time of writing this report KPC had not installed the pumps at Morendat although a contract has been awarded. The Committee understands that the pumps were single sourced by KPC with the advice of M/s Penspen engineering who obtained a procurement commission of 15% of the value of the pumps. This Committee was informed that KPC spent Kshs.490 million for the two pumps. The Committee is of the opinion that this figure is far too high and that had the tendering process been subjected to competitive bidding a saving of 50% would have been realised. If the bids had been on supply-and-install basis KPC would have saved around Kshs.100 million.

5.0 RECOMMENDATIONS

5.1 Housing Complex

(i) KPC is unlikely to ever fully utilise this huge complex for staff housing. KPC should explore other possible uses for the facility but the best option is to dispose of it and concentrate on its core business.

(ii) KPC should as far as is practicable scale down the scope of work at the complex and complete construction on that basis.

(iii) Since the contractor on site is notorious for inflating contract costs, and in any case has been overpaid considering the prevailing market rates, KPC should invite fresh bids for project completion on basis of (i), above.

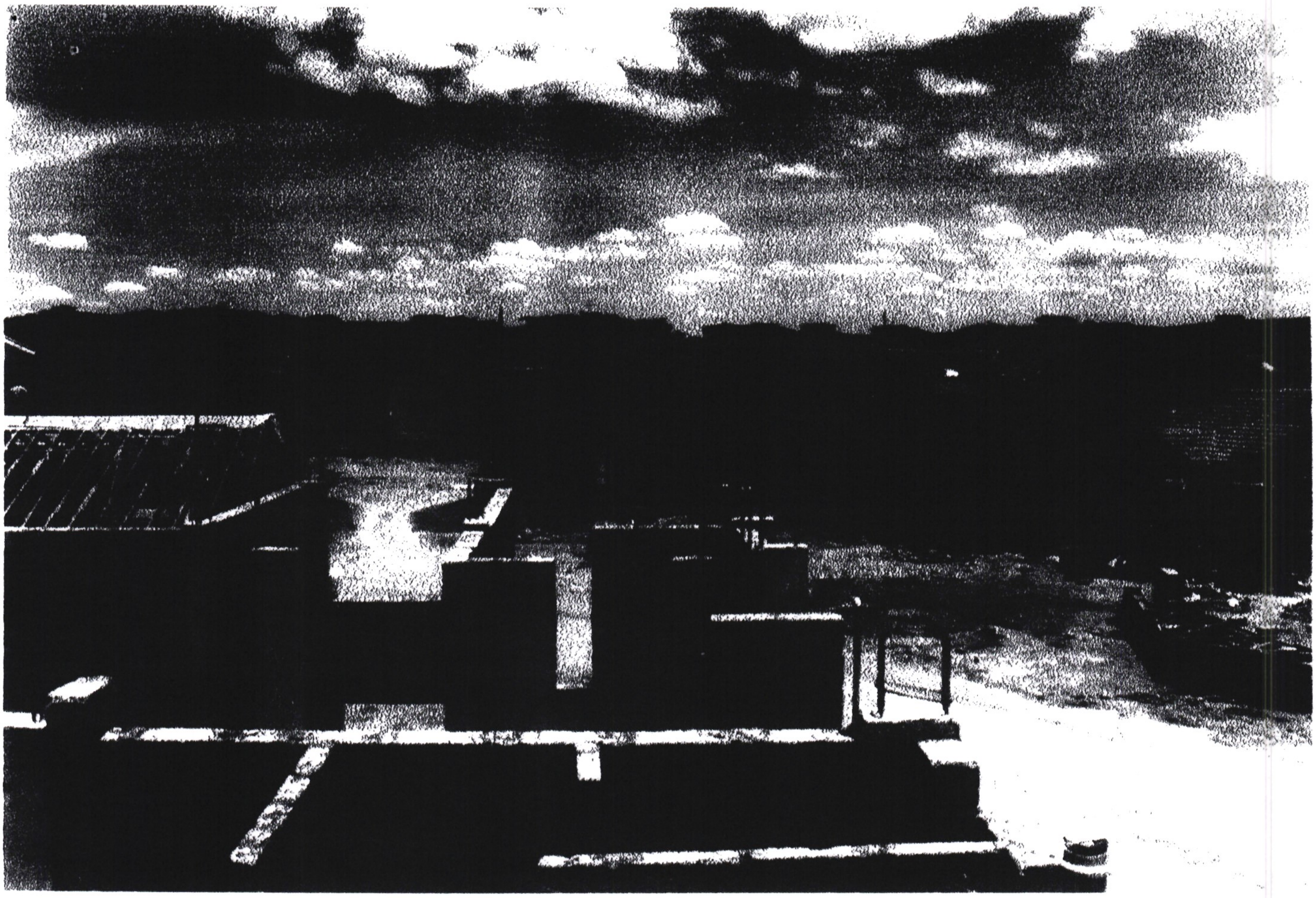
(iv) Fresh consultants should be engaged.

(v) The then KPC Managing Director, Dr. Linus Cheruiyot, together with this Board of Directors should be surcharged for the amount of Kshs.253 million being the difference in the selective bidding tender sum and the prevailing market rates.

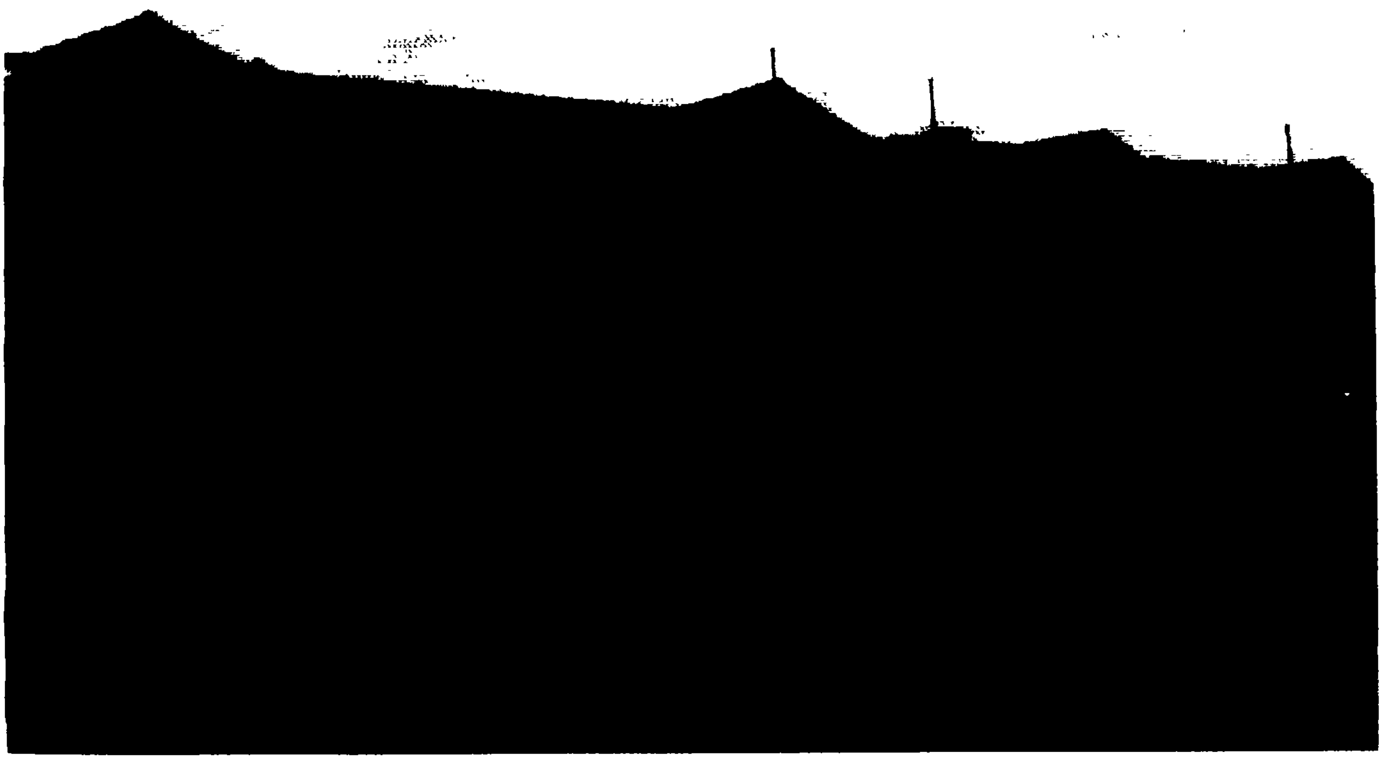
5.2 The Pump Station

(i) KPC Managing Director together with the Board should be surcharged at 10% of the cost of the pumping set for not following the procedure of competitive tendering, i.e. Kshs.49 million.

(ii) Current KPC Management should complete the project but not more than Eight (8) staff members should be employed at Morendat.



A section of Morendat housing complex which was supposed to cater for less than ten junior staff members.
Not shown on the photograph are other facilities such as swimming pool, Sauna, Social hall, Shopping Complex



A closer view of Morendat housing Complex.
Due to the calibre of the staff at such a station, and its location, occupants of these houses do not normally live with their families.
It is the view of the Committee that this complex was a waste of company funds.

CHAPTER FIVE (5)

KIPEVU OIL STORAGE FACILITY (KOSF)

(MOMBASA)

CHAPTER 5

KIPEVU OIL STORAGE FACILITY [KOSF] MOMBASA

1. PREAMBLE

The Kipevu Oil Storage Facility (KOSF) was initially constructed by Government through the Ministry of Energy during the period 1984 -1986. It was intended to hold strategic reserves of crude oils during those years when availability of crude oil in the open international market was not always guaranteed. However by the time the facility was completed the crude oil supply situation had started to stabilise. Financing of stragegic stocks (essentially deadstock) is very expensive and the tanks remained idle until 1994 when the Ministry handed over the operation of the facility to KPC, with instructions that it be put into both crude oil and refined petroleum products service. It was also during this time (1994) that Government was in the process of fully liberalising the Kenya petroleum market and hence the need to have alternative sources of petroleum products supply. The facility was operated in crude oil service for the years 1994/95 and 1995/96. Thereafter it was operated both in crude oil and refined products until the year 1998/99 when it was converted fully into a refined products facility.

2. THE ORIGINAL FACILITY

The original facility as constructed for crude oil service comprised the following:

- 5 No. tanks with a total capacity of 216,000m3 (equivalent to approximately one month's crude oil consumption in Kenya)

- 24-inch pipeline from the Kipevu jetty connecting to all the 5 tanks. - There was no transfer pump as crude oil is always pumped on-shore using the ship's pumps.

- 24-inch pipeline for transfer of the crude oil from KOSF to Refinery Crude oil tanks at Port Reitz. Again there were no transfer pumps as this transfer was made by gravity.

Since the facility had stayed idle for a long period, KPC had to replace/repair certain sections of pipework and ancilliary equipment and accordingly incurred certain costs. Specifically, KPC invested in the following facilities in order to convert KOSF fully into a refined product terminal:

- 2 No. 12-inch pipelines from jetty to KOSF for Premium Gasoline (MSP) and Jet A-1/Kero (DPK)

- 1 No. 16 inch pipeline from jetty to KOSF for Gasoil (AGO)

- 1 No. 12-inch 4.5km multiproducts pipeline from KOSF straight to the KPC mainline at PS 1

- Two transfer pumps (one on standby) to move the products to PS 1.

The original 24-inch crude oil pipelines were virtually rendered useless only being used as a conduit for the new and smaller products pipelines.

The facility has to-date been operated by KPC in the following manner:

I

As a receipt terminal for storage of products from ships

II

Once the product is in storage it may be evacuated from the tanks as follows:

(i) Direct transfer to the main Mombasa-Nairobi pipeline for domestic consumption in Kenya.

(ii) Direct transfer to the main Mombasa-Nairobi pipeline for re-export to neighbouring countries

The volumes appear to have temporarily peaked at 2,000,000 m^3. This compares very favourably with the current demand figure of petroleum products for Kenya and the contiguous markets of approximately 3,300,000m^3.

One method of assessing tank over/under capacity is to calculate the "cover days"available in a facility, i.e. the number of days the facility can continue operating without either choking or running dry. For instance the **Ministry of Energy guidelines for Jet A-1 is 25 days at the international airports.** The cover days for KOSF for the period under review are as follows:

YEAR	TOTAL THROUGHPUT M3	COVER DAYS	REMARKS
1996	1,343,365	59	UNDERUTILISED
1997	1,544,456	51	UNDERUTILISED
1998	1,606,432	49	UNDERUTILISED
1999	1,689,452	47	UNDERUTILISED
2000	1,663,434	47	UNDERUTILISED
2001	2,011,049	39	UNDERUTILISED
2002	1,996,985	39	UNDERUTILISED

Another key indicator of tank utilisation is an assessment of average stockholding in a facility over a medium term period. This smooths out any imbalances in stock movements in and out.

For the years 2001,2002 and 2003 year-to-date June the tank utilisation rate as % of total capacity is as follows:

YEAR	TANK UTILISATION %
2001	45.5
2002	51.4
2003 YTD [JUNE]	59.8

The trend of underutilisation is clear from the above figures.

4. INCREASED TANKAGE

In 2000, KPC engaged M/s Petrochem Engineers Ltd to do a feasibilty study on the addition of storage capacity at KOSF. In justifying the addition of capacity at KOSF, the consultant said in part:

The proposed investment will therefore reinforce KOSF's increased strategic importance and allow KPC unrestricted growth by capturing throughput demands for the region. Number of days cover for existing facility is 47 which will increase to 67 days with additional storage.

The Committee finds the advice given by Petrochem to KPC to be both unprofessional and irresponsible. Following this erroneous advice KPC Management prepared a Board Paper that was discussed and formed the basis for approval of this project. A forty seven (47) days cover is deemed already too high. In their projections, Petrochem Ltd envisaged a "mature"volume through KOSF of 2,500,000 m^3 in year 2010. **Even with this throughput the cover days are still a comfortable 32.**

5. A WASTE OF FUNDS

On the basis of advice given by Petrochem and Penspen engineering consultants KPC went ahead and committed the following investments into KOSF:

I TANKAGE

PRODUCT	TANKAGE		TOTAL CAPACITY (M^3)
	NO. OF TANKS	CAPACITY (M^3)	
AGO	2	20,308	40,616
DPK	1	20,308	20,308
MSP	1	30,762	30,762
TOTAL	**4**		**91,686**

II PIPELINES

Two (2) underground pipelines of 12-inch diameter linking KOSF with PS 1. This will bring to three the number of dedicated pipelines for PMS, AGO and DPK transfers.

III PUMPS

Four (4) transfer pumps; i.e. two pumps for each grade of product [one duty, one standby]

IV OTHERS

Associated electrical, civil and other works

6. PROJECT COST

This KOSF tank farm upgrade is ~~at a~~ cost ~~of~~ US Dollars 24.4 million, or approximately Kshs.2.2 billion when one captures the Consultants' fees.

The following are the observations and considered opinions of the Committee:

(i) **In order to enhance the operational flexibility of KOSF the Committee considers the installation of the 2 new pipelines from KOSF to PS1, together with the transfer pumps, a prudent investment. Previously they were using one pipeline for all three grades which was a bottleneck.**

(ii) **The original facility had only one MSP tank. This meant that it was both the receiving and issuing tank and in the event that a ship was to arrive with an MSP cargo when the tank was in service then either the ship would be delayed or pipeline operations would be affected.**

Purely on this basis, and not for reasons of tank capacity constraints, the Committee reluctantly approves investment in additional MSP tankage. We do so reluctantly because the tank should have been much smaller, say 15,000m^3 equivalent to the average KPC batch and should have cost much less.

(iii) **The addition of DPK and AGO tankage was a complete waste of taxpayers money and this investment will never pay for itself as we demonstrate herebelow.**

7. FINANCIAL PERFORMANCE OF KOSF

As can be seen from the attached schedule of Income and Expenditure for KOSF for the period 1988 – 2003 this facility has been operating profitably, and has even managed to create a cash reserve of some Kshs.75 million, after making the following payments to its "shareholders":

1) Remittances to the Ministry of Energy

2) Return on capital for KPC

3) Management fee for KPC

4) Taxes to the Treasury (Corporation Tax)

The following table shows how the Gross earnings of KOSF have been shared over the operating life of the facility:

% SHARE OF KOSF GROSS EARNINGS

YEAR	"SHAREHOLDER"				TOTAL
	KENYA PIPELINE	MINISTRY OF ENERGY	TREASURY (CORPORATE TAX)	OTHERS	
1994/95	32	31	17	20	100
1995/96	41	31	-	28	100
1996/97	19	35	19	27	100
1997/98	16	8	27	49	100
1998/99	19	13	14	54	100
1999/00	17	13	19	51	100
2000/01	20	22	15	43	100
2001/02	20	23	14	43	100
2002/03	19	51	-	30	100

SUMMARY OF INCOME AND EXPENDITURE FOR KOSF 1988 - 2003

ITEM	1988-JAN 1994 KSHS. [000]	1994/5 KSHS. [000]	1995/6 KSHS. [000]	1996/7 KSHS. [000]	1997/8 KSHS. [000]	1998/9 KSHS. [000]	1999/00 KSHS. [000]	2000/01 KSHS. [000]	2001/02 KSHS. [000]	2002/03 KSHS. [000]	TOTAL KSHS. [000]
REVENUE											
I) Crude Oil		82,703	60,202	35,522	52,094	13,182					243,703
ii) Refined products				170,336	277,065	204,595	255,619	291,413	303,986	311,850	1,814,864
TOTAL REVENUE		**82,703**	**60,202**	**205,858**	**329,159**	**217,777**	**255,619**	**291,413**	**303,986**	**311,850**	**2,058,567**
COSTS											
I) Utilities ii) Administration iii) Maintnance iv) Consultancy v) Product losses vi) Security		207	150	515	7,307	8,878	21,252	14,869	15,854	10,704	79,736
vii) Staff costs											
viii) Expenses incurredon behalf of MOE						66,665	22,148	25,502	37,317	47,778	199,410
ix Insurance	16,770	15,631	11,607	42,936	2,049	1,746	1,556	1,317	422	142	94 176
x Remittance to MoE							9,293	9,657	14,119	14,060	47 129
xi) Return on capital		10,000	7,000	30,000	25,400	25,500	31,500	63,427	69,833	159,839	422,499
xii) Management fee	37,362	18,681	18,681	18,681	18,681	18,681	18,681	29,243	29,243	29,243	237 177
xiii) Other costs		8,270	6,020	20,586	32,916	21,778	25,562	29,141	30,399	31,185	205,857
xiv) Title deed processing			360,340								360,340
										28,000	28,000
TOTAL COSTS	**54,132**	**52,789**	**403,798**	**112,718**	**86,353**	**143,248**	**129,992**	**173,156**	**197,187**	**320,951**	**1,674,324**
NET REVENUE	[54,132]	29,914	[343,596]	93,140	242,806	74,529	125,627	118,257	106,799	[9,101]	384,243
TAX	0.00	14,319	0.00	39,804	89,610	31,300	49,136	44,219	41,159	0.00	309,547
RETAINED EARNINGS	[54,132]	15,595	[343,596]	53,336	153,196	43,229	76,491	74,038	65,640	[9,101]	74 695

OTHER COSTS

CAPITALISED

1. Rehabilitation of tanks
2. Developments: 37,694,600.00
   a) Office partitioning
   b) Refurbishment of fire fighting equipment 1,005,227.50
   c) R O W reistatement after El Nino 16,456,280.00
   d) Rehabilitation of water drains 2,909,025.85
   e) Office Extension 9,842,635.00
   f) White Oil Project 2000/01 105,622,560.10
   1992/93 186,809,571.00

TOTAL 360,339,899.45

The following may be observed from the schedule of Income and Expenditure together with the above table:

1) KPC is charging an inordinately high staff cost on KOSF. The Committee has reason to believe that a large portion of this cost is not for the account of KOSF but belongs to the main pipeline.

   At an existing staff level of 37 (which the Committee considers too high – it ought to be around 25), staff costs for this facility should not exceed Kshs.15 million annually.

2) KPC made a one-time major investment of Kshs.360 million mainly to convert the depot fully into a refined products facility during the fiscal year 1995/96. This investment was recovered fully within three years. There is no reason why KPC should continue charging KOSF a **"return on capital"** and at the same time charge a **"management fee"**.

3) The **"return on capital"** should be paid to the Ministry of Energy as MoE is the rightful owner of KOSF, having acquired the land and put up the facility in 1986

   The Committee notes that KPC has made a provision of Kshs.28 million during fiscal year 2002/03 for **"title deed processing"**. The Committee has been made to understand that KPC is attempting to fraudulently transfer the land on which KOSF stands from the Ministry of Energy to itself. If this is the case, MoE should move with speed to restore its rightful ownership of this very stragegic facility.

   This Committee does not expect the throughput for KOSF to exceed 2,000,000m^3 in the medium term. **Thus with the current tariff of US Dollars 2.00 per m3 projected gross revenue for the facility will be US Dollars 4 million or Kshs.300 million at an exchange rate of Kshs.75/$.**

   The Committee also notes that the KOSF tariff for storage and handling of refined products has remained constant since the commissioning of the facility six years ago. Competing facilities in Mombasa and Dar-es-salaam charge at least three times higher (US$ 6-8/m^3). This Committee recommends an increase of the tariff from the current US $2.00/m^3 to US $ 2.50/m^3. **At this rate the revised annual gross revenue will be Kshs.375 million.**

8. REVENUE SHARING

As noted elsewhere in this chapter it was completely unnecessary for KPC to invest in additional tankage at KOSF as the existing tanks are sufficient to cater for projected demand. KOSF has hitherto operated profitably, but with the new investment of over Kshs.2 billion it will be impossible to continue operating profitably.

Even if the entire gross revenue of Kshs.300 million was utilised to repay the capital outlay of Kshs.2 billion (without any interest payments) it would take seven years to repay the captial. When one factors in interest payments and the cost of operating the facility, this new and unnecessary investment will have a payback period of over 20 years.

9. RECOMMENDATIONS

The recommendations of the Committee are as follows:

i. **The KOSF tariff be adjusted from US\$ 2.00/m^3 to US \$ 2.50/m^3**

ii. **From the projected gross earnings of approx Kshs.375 million annually the Ministry of Energy is entitled to, and should contractually demand, a 50% share payable quarterly.**

iii. **The title to the land on which KOSF stands should revert forthwith to the Ministry of Energy**

iv. **Both Petrochem and Penspen engineering consultants should be blacklisted for consistently and persitently misadvising KPC on projects implementation.**

v. **The technical staff of KPC who blindly followed Petrochem and Penspen's misadvice should be severely disciplined by summary dismissal.**

vi. **The then Managing Director, Dr. Linus Cheruiyot, should be probed for causing KPC to incur such huge expenses on a useless project.**

vii. **KPC's capital investments should in future be closely vetted by the Ministry of Energy.**

viii. **KPC made a huge error in sinking Kshs.2.2 Billion at KOSF. They must not charge the whole cost to KOSF but should pay MoE its share of 50% of gross earnings and utilise whatever is left to service the debt.**

CHAPTER SIX (6)

TRUCK - LOADING FACILITY

AT MOMBASA

CHAPTER 6

TRUCKLOADING FACILITY AT PS15, MOMBASA

1. PREAMBLE

In 2002 KPC management engaged the services of M/S Petrochem engineers Ltd to carry out a feasibility study for building a truck-loading facility at PS 15, Changamwe, Mombasa. The idea is noble as currently all the truck-loading facilities are in private hands and new entrants into the petroleum market are unable to enter the Mombasa (Coast) market.

2. EXISTING FACILITIES

The major oil companies have their depots as follows:

(i) Shimanzi
Shell, Caltex and Mobil

(ii) Changamwe
Kobil and Total

The Shimanzi terminals are connected to the Shimanzi jetty and are therefore capable of products imports and exports. Both the Shimanzi and Changamwe groups of depots are mainly used to service the Coast market.

There are already moves to rationalise these depots as follows:

(i) Caltex, Kobil and Total will operate as a joint venture at Caltex Shimanzi. thereby shutting down the depots at Changamwe for white oils use

(ii) Shell and Mobil are likely to link up too. These measures are aimed at reducing unit operating costs.

In addition to the major oil companies some three new independent companies have put up depots with truck-loading facilities as follows:

(i) Tecaflex Ltd has 5,000m^3 capacity for AGO and Kero with truck loading facilites. They are connected to Mbaraki jetty, and can therefore unload/load to/from ships.

(ii) East Africa Molases also has 15,000m^3 capacity for Gasoil and Kero with truck and rail loading facilities. They are also connected to Mbaraki jetty.

(iii) GAPCO mainly deals with black oils and Gasoil and the depot capacity, at 118,000 m^3 is very large. Their business is largely export.

3. SIZE OF COAST MARKET

Truckloading facilities would, by definition, serve the coastal domestic market and would not serve for in-land and off-shore exports.

Historically the coast market has been approximately 15% of Kenya's total domestic demand. The proposed KPC truck-loading faciity cannot be expected to take up all the Coast business as the existing companies will not completely shut down their terminals as they did in the Western Kenya Pipeline Extension where KPC put up these facilities. The coast market is quite different because opportunities for cheap product imports are always available. We will assume for the purpose of this paper that KPC will absorb 70% of the coast truck-loading business. Thus 70% of 15% gives approximately 10% of total domestic demand.

We tabulate herebelow the audited oil industry sales figures for the period 1996-2001. Since the proposed truck-loading facility in Mombasa will only deal with three products- MSP (there is no Regular demand in Mombasa), Kero and Gasoil - we only give data for the three.

AUDITED OIL INDUSTRY SALES FIGURES 1996-2001

YEAR	TOTAL KENYA DOMESTIC SALES (M^3) '000			DERIVED MOMBASA DEMAND ON FACILITY (10%) (M^3) '000			
	MSP	KERO	AGO	MSP	KERO	AGO	TOTAL
1996	558	323	765	56	32	76	164
1997	546	340	729	55	34	73	162
1998	553	368	719	55	37	72	164
1999	537	494	712	54	49	71	174
2001	511	488	843	51	49	84	184

4. DESIGN

A depot to be designed today for a life of say, 20 years would need to be twice as large as the depot of today assuming real growth rates in the range of 2-3%. From the above yearly coast demand figures we calculate the daily throughput through the proposed depot as follows:

	PRODUCT		
	MSP	**KERO**	**AGO**
Daily throughput (M^3/day) on 5 day week	196	188	323

For design purposes therefore the design throughput would be as follows:

	PRODUCT		
	MSP	**KERO**	**AGO**
Daily throughput (M^3/day) on 5 day week	392	376	646

Allow 5 days product stockholding before the next pumpover. This would mean receiving pumpovers into the facility over weekends to avoid disruption of operations during week-days. Thus the final tank sizes for the proposed truck-loading facility would be as follows:

AGO = 646 x 5 = 3,230 m^3

MSP = 392 x 5 = 1,960 m^3

KERO = 376 x 5 = 1,880 m^3

We would normally have two tanks for each grade (one for receiving and settling and the other for issuing)

Thus the final tank sizes would be as follows:

PRODUCT	TANKAGE		TOTAL CAPACITY
	NO. OF TANKS	CAPACITY (M^3)	(M^3)
AGO	2	1,650	3,300
MSP	2	1,000	2,000
KERO	2	950	1,900

This configuration is very similar to a depot constructed by TECAFLEX LTD at Mbaraki, Mombasa and which the Committee visited and had extensive discussions with the owners, the engineers and the contractor. The Committee had visited the depot in an official capacity as the land on which it is built belongs to National Oil Corporation of Kenya (NOCK). The Committee is currently investigating the operations of NOCK. Tecaflex disclosed to the Committee that the depot had been built at a cost of Kshs.80 million.

Thus allowing for inflation this proposed depot should not cost more than Kshs.100 million. Assuming a throughput charge of Kshs.500/m^3, the yearly gross revenues would be approximately Kshs.92 million. Thus allowing for overheads and maintenance this project would have a payback period of less than three years.

5. CONCLUSION AND RECOMMENDATIONS

M/s Petrochem engineers ltd made a recommendation to KPC to put up a truckloading facility that, in their opinion would have cost US Dollars 10 million, or approximately Kshs.800 million. In addition, engineers fees were to be US Dollars 1,600,000 or approximately Kshs.128 million.

Thus the total cost would have been Kshs.928 million.

The Committee recommends as follows:

(i) **Petrochem ltd together with Penspen ltd be blacklisted by KPC and that they should not be awarded any jobs in future.**

(ii) **This is a good and viable project and KPC should invest in it on condition that not more than Kshs.100 million is spent on the project. The Ministry of Energy must insist on this condition being met.**

CHAPTER SEVEN (7)

NGONG RORESR LAND

CHAPTER 7

NGONG ROREST LAND

1. PREAMBLE

On the 11th of July, 2001 KPC Management wrote to the Board requesting authority to purchase land at Ngong Forest for the purpose of constructing a staff training and sports complex (This approval was formally granted to Management on 26th October, 2001). Management argued that in the previous ten years some Kshs.170 million had been spent on staff training and sports activities by way of renting/hiring of third party facilities. It was further argued that such a facility would foster a family feeling and a sense of belonging among staff members and thereby boost staff motivation and morale.

Management had to this end identified suitable land at Ngong Forest measuring approximately 47.51 hectares. This land had been sub-divided into 32 plots but the individual owners had all agreed to sell the plots to KPC at a negotiated price of Kshs.5,683,000 per hectare. This had earlier been communicated to KPC through the vendors' common lawyer. M/S Nyaundi Tuiyot and Co. Advocates on 19th June, 2001. The total purchase price therefore amounted to Kshs.269,999,330.

2. PROPOSED SOURCE OF FUNDS

In order to raise funds for the proposed project KPC was to dispose of some of its "idle" assets (undeveloped plots) as follows;-

Location	Area	Plot No.	Estimated Value
Miritini (Mombasa)	3.386 Ha	LR MN/V/757	25 million
Moi Avenue (Mombasa)	0.095 Acre	Msa/Block/xxi/180,181,182	21 million
Upper Hill (Nairobi)	2 60 Ha	LR 209/11355	26 million
Villa Franca (Nairobi)	0.61 Ha	LR 209/10777	40 million
Nakuru Municipality	19.07 Ha	LR 11964/5	40 million
Milimani (Kisumu)	116 plots	Milimani Block 10	40 million
		TOTAL	**192 million**

In addition KPC was to sell its Karura housing estate to the NSIS (the latter had expressed an interest in purchasing the estate). The balance of the purchase price was to be financed by KPC from its own operational cash flow.

As it turned out KPC never sold any of these properties. Indeed very little effort was made by KPC in this regard and the Company went ahead to purchase the Ngong Forest land using its own operational cashflow.

3. USES OF FUNDS

Despite having its own legal department KPC went ahead and procured the services of two legal firms; M/S Kajwang & Kajwang Advocates, and Ruth Karanja and Co. Advocates. The companies were to act for KPC in respect of the purchase of the Ngong Forest Land. The firms were to share the work equally. Interestingly these two legal firms were commissioned by KPC to act on the latter's behalf on 13th July 2001just two days after KPC management had sought Board approval for the purchase of the land. It is important to note several issues at this point.

(i) **The Managing Director and the Administration Manager of KPC (together with the vendors' lawyers) negotiated the purchase price and committed KPC to that price without the knowledge and approval of the KPC Board of Directors.**

(ii) **Approval of the Board for the entire transaction was sought post facto.**

(iii) **When, belatedly, the Ministry of Lands' opinion of the purchase price was sought it was found that the value of the land had been overstated by some Kshs.129,518,780. In this regard the Board was "requested to note the Chief Valuer's Ministry of Lands and settlement valuation report", and "approve the purchase of the plots at a total cost of Kshs.269,999,330."**

(iv) **In any case, under Section 13 (i) of State Corporations Act [Cap 446] KPC could not dispose of its fixed assets since it had neither budgeted for it nor sought approval from Ministry of Energy and the Treasury.**

The two legal firms then went ahead to process the transfer of titles for the individual plots to KPC. This was done with speed and on 30th August 2001, M/S Kajwang & Kajwang Advocates wrote to KPC as follows;

"I write to proudly inform you that the transfers in respect of the purchases as per your instruction have finally been registered in favour of your Company's corporate name. I am now satisfied that the vendors have passed onto your company good titles for value and the Company is now the absolute proprietor of the parcels."

M/S Ruth Karanja & Co. Advocates similarly completed their transactions on 31st August 2001. Earlier, on 15th August 2001 KPC had already released a cheque of 180,000.000 (being two-thirds of the purchase price) to be held by the two legal firms representing KPC, and the vendor's lawyers, in an interest-bearing account until the maturity of the transaction. The balance of the purchase price (one-third) was paid on 31st August upon closing of the transaction.

For their efforts M/S Kajwang & Kajwang and Ruth Karanja & Co. Advocates were paid Kshs.5 million and Kshs.6.5 million respectively, less V.A.T.

4. THE PLOT THICKENS

On 1st October, 2001 KPC wrote to the Commissioner of Lands requesting that the 32 plots be consolidated into one title in the name of KPC. In order to assist in this matter KPC engaged the services of M/S Geometer Surveys Ltd, a firm of surveyors, on 17th October, 2001 at a cost of Kshs.810,000

To their utter dismay, M/S Geometer Surveys Ltd discovered that the land purportedly purchased by KPC was Government forest land and had not been degazetted as such, even though the titles had been processed and issued.

This raises some disturbing questions:

(i) Were the vendors and their lawyer aware all along that the titles they purported to pass on to KPC were not genuine?

(ii) How did the Commissioner of Lands process titles knowing that the land was Government Forest Land and had not been degazetted as such when he is the authority on land matters?

(iii) Was KPC management privy to this information and therefore acted with such haste in this transaction?

There is no record of the Commissioner of Lands ever responding to KPC on the issue of degazettement of the Forest Land.

There has been protracted correspondence between KPC, M/S Geometer Surveys, and the Ministry of Lands on this subject of degazettement but there seems to be very little, if any, progress.

5. RECOMMENDATIONS

The Committee is of the opinion that this whole transaction was conceived and implemented by KPC Management without the knowledge and approval of the Board for the express purpose of obtaining by false pretences the Kshs.270 million. KPC continues to hold on to useless titles which will not be made good. The Committee recommends that the Kenya Anti Corruption Commission (KACC) moves with speed and specifically zero in on the following people:

-Managing Director, Dr. L. L. Cheruiyot)
-Administration Manager, Mr. S.K. Waweru) At the time of scandal
-Company Secretary, Mrs. Mary Kiptui)

-The then Commissioner of Lands, Mr. S. K. Mwaita

-M/S Kajwang & Kajwang Advocates, Mr. Francis Kajwang
-Ruth Karanja & Co. Advocates
-M/S Nyaundi Tuiyot & Co. Advocates together with the following vendors:-

1. Linto Ltd
2. Roseko Investment Ltd
3. Makori Investment Ltd
4. Miraz Ltd
5. Valvet Safaris Ltd
6. Chemsian Ltd
7. Priority Ltd
8. Ramada Ltd
9. Redate Investment Ltd
10. Tairo Investment Ltd
11. Tanabell Enterprises Ltd
12. Taiwa Agencies
13. Grawa Enterprises
14. Stepal Dressmaking & Design.

The above persons/firms should be made to refund the Kshs.270 million they facilitated the siphoning of KPC.

CHAPTER EIGHT (8)

ABLUTION BLOCKS AT

PS 2 AND PS 6

CHAPTER 8

ABLUTION BLOCKS AT PS 2 AND PS 6

1.0 INTRODUCTION

The Committee dicided to set aside a whole chapter on this rather embarassing topic merely to show the rot that had set in KPC. The chapter, like the topic, will be brief.

2.0 NATURE CALLS

KPC decided that there was a need to construct two ablution blocks (toilets) at PS 2 and PS 6. **This is despite the fact that there are already existing modern toilet facilities complete with septic tanks at these stations.** These are not even fully-fledged stations but proposed future stations manned by three people.

3.0 CALL THE CONSULTANTS

Instead of going ahead and constructing the toilets either in-house or by engaging a local contractor **KPC engaged the services of a consultant to design the two-room structure housing the toilets.**

M/S NORTHLINE LTD went a head and designed the toilets as instructed and thereafter presented an invoice for, and was paid the amount of:

KSHS.7,645,323.25

(Say Kenya Shillings Seven million six hundred forty five thousand three hundred twenty three cents twenty five only)

4.0 BUILDING THE LOO

KPC went ahead and engaged a contractor to build the toilets at the amount of:

Kshs.4,000,000.

(Say Kenya Shillings Four million only)

5.0 A QUICK AND DIRTY AFFAIR

One does not need to be an engineer to conclude as follows:

(i) **A consultant (at least not one who sends you an invoice of that magnitude) was unnecessary.**

(ii) **The facility itself was unnecessary as those facilities were already in place**

(iii) **A simple functional facility like a toilet in the bush for both pumping stations should cost no more than Kshs.350,000**

(iv) **A sum of approximately Kshs.11.2 million should be returned to KPC by the individuals involved in this heist, because that is what it is.**

One of two ablution blocks constructed by KPC along Mombasa-Nairobi Pipeline. Besides being unnecessary, the two units cost close to twenty times what the committee estimates they should have cost.
A good example of KPC's culture of uncontrolled expenditure.

CHAPTER NINE (9)

WESTERN PIPELINE SURVEILLANCE CAMERAS

CHAPTER 9

WESTERN PIPELINE SURVEILLANCE CAMERAS

1. PREAMBLE

In May 1995, KPC invited tenders for supply and installation of surveillance Cameras for the various depots along the Western Kenya Pipeline. Tenders were allegedly received from three firms;-

Cygnus International Inc.(US$1,071,429)
Delta Tango Ltd U.K – US$1,021,588.00
Leopard Systems and Siemens – US$920,610.00
(Leopard systems was representing Siemens Locally)

Leopard systems and Siemens of South Africa won the tender at a price of US$920.610.00. Although not all details about this project are available, it is clear that the project was not implemented at the time.

On 25.1.2000, more than four years later, a paper was presented to the Board finance Committee, seeking approval for the project. The Board Finance Committee deferred the paper pending consultations. The project was eventually approved by the Board in July 2000. The tender was therefore awarded to Siemens Ltd. Leopard Systems seems to have dropped out, along the way. The contract amount was also revised to US$1,107,972.00 to include Morendat and Burnt Forest which were not included in the first quotation.
This award was obviously irregular as the project should have been subject to fresh tenders.

2. THE PROJECT

According to the project brief dated August 1995, the project would involve installation of Electronic surveillance Cameras at the following stations.

Ngema Pump Station (PS 22)
Morendat Pump Station (PS 23)
Nakuru Pump Station (PS 24)
Sinendet Pump Station (PS 26)

Burnt Forest Pump Station
Eldoret Pump Station (PS 27)

The cameras were supposed to relay real time images via telephone line or microwave link to a control centre in Nairobi. The supplier was responsible for acquiring dedicated telephone lines for the purpose.

The actual contract agreement with Siemens can not be traced at KPC. This committee therefore assumed that the brief describes what was covered in the contract agreement.

3. PROJECT JUSTIFICATION

KPC justified the surveillance cameras on security grounds. Three incidents of attempted product theft at Eldoret, Burnt Forest and Sinendet were cited, to underscore importance of enhancing security.

The value of the Cameras as security devices, is however questionable, for the following reasons.

1. **The areas scanned by the cameras are small and within clear view of guards. A guard sitting in the room where the monitor is located would have a better view of the area being scanned, without looking at the monitor.**

2. **Movement sensors that would trigger alarms would be impractical as security guards are constantly moving about.**

3. **There was no provision for recording and storing of images, for Managers (or Police) to retrieve/review movements should the need arise.**

4. **Relaying of images to Nairobi would be of little use, given the distance, i.e. Nairobi security personnel can do little if a picture of a person(s) stealing product at say, Sinendent, is relayed to them.**

4. IMPLEMENTATION

Implementation of the project was far from what was described on paper. Five simple surveillance cameras were supplied. The cameras provide unclear, localized images which are of no use to anyone. Nobody uses them and they are usually locked up in cabinets.

Although it was not possible to get a price indication from Siemens local representative, similar cameras cost around Ksh.100,000/- each. To allow for installation, say Ksh.150,000/- each. Consequently, the total cost of the cameras should not have exceeded Ksh.750,000/-, and that would be for cameras that work well. The project was therefore overpriced by approximately Ksh.110,000,000/-.

Clearly, this project did not enhance security in anyway. Further the actual cost of equipment supplied is less than 1% of amount paid. One can only conclude that this project was mooted with the sole purpose of siphoning money from KPC.

5. RECOMMENDATIONS

1. **Siemens Ltd did not provide the services as per contract. They however proceeded to receive the payment under false pretences i.e. fraudulently. KPC should obtain proper legal advise on how to compel Siemens to collect the useless cameras and refund the whole of US$1,107,972.00.**

2. **The Board of Directors irregularly approved a project which had been proposed more than four years earlier without calling for fresh tenders. For acting negligently, the Board should be surcharged the full amount of the project cost to be shared equally among the members.**

3. **The technical personnel overseeing the implementation of this project should be held responsible for professional negligence, i.e. for not advising the employer accordingly.**

CHAPTER TEN (10)

MOI AIRPORT HYDRANT PITS

CHAPTER 10

MOI AIRPORT HYDRANT PITS

1. PREAMABLE

Four header pits had been constructed by Kenya Airports Authority and handed over to KPC to operate and maintain. The said header pits are approximately 6m x 6m x 5m, each.

Apparently three header pits had a problem of flooding after the rains. KPC engineering department decided to solve the problem by water proofing their walls. A budget proposal for Ksh.10,000,000.00 was submitted in 1998/9 and approved. The project was carried out in the year 2000 at a cost of Ksh.18,472,795.00.

2. PROJECT COSTING

Although KPC engineering department drew up the project specifications, they did not give an estimate of the project cost. One can therefore assume that KPC's estimate was the budget figure of Ksh.10,000,000/-.

The contractor submitted his Bills of Quantities which were grossly overstated. He was awarded the contract at a cost of Kshs.18,472,795. According to this committee, the project should not have cost more than Kshs.4,431,955.00. A comparison of the committee's calculations with that of the contractor is attached.(Attachment I)

The project cost was therefore overstated by Kshs.14,041,020.00.

3. AUTHORIZATION

The project was budgeted to cost Kshs.10,000,000.00. This budget proposal was exceeded by over 80%. There is no evidence of supplementary budget approval.

4. CONCLUSION AND RECOMMENDATION

Implementation of this project was irregular in the following ways;-

1. No proper tendering was done.
2. Project was grossly overpriced.
3. No authority was sought to exceed budget.

It is therefore recommended that those involved in the project be surcharged 10% of excess i.e. 10% of Kshs.14,041,020.00 amount for negligence and if possible be transferred from the relevant sections.

The staff members to be surcharged are;-

1.	E.K.C. Komen	-	Managing Director
2.	Mr. E.N. Nyangaya	-	Chief Civil Engineer
3.	E.R. Ngatunyi	-	D.M.
4.	P.M. Ruto	-	SEO (c)
5.	P.R. Maiyo	-	Secretary, site meetings

CHAPTER ELEVEN (11)

HELICOPTERS

CHAPTER 11

HELICOPTERS

OVERVIEW

Kenya Pipeline Company owns a fleet of three helicopters namely:-
A Bell 206 Longranger III registration No. 5Y BFL which was bought in March 1988, a Bell 206 Longranger IV, registration No. 5Y- BKR bought in September 1995 and an AS 350 B3 Squirrel bought in February 1999. The total value of the three helicopters is estimated at US$3,000,000 equivalent to Kshs.225,000,000/=

The helicopters are primarily meant for security patrols along the pipeline, known as Right of Way (ROW) flights. The objective is to carry out valve chamber inspections, be a deterrent to would be vandals and provide a quick response to emergency reports.

The helicopters are also used for Commercial flights meant to generate revenue for KPC.

A detailed review of the helicopter operation however raises questions as to whether the expense is justified.

CORE BUSINESS FLIGHTS

The plan by KPC is to carry out two ROW flights a week; one flight along Mombasa-Nairobi pipeline and the other along the Western Kenya Pipeline. According to the plan therefore, only eight RoW flights are required per month. An examination of flight summaries for the period July 2002 to April 2003 however indicates an average rate of seventeen flights per month; at least double the plan. It is not clear how the helicopters end up flying more flights than plan.

The helicopters are also used by KPC staff for flights which are considered to be core business. It is not clear from the records what necessitates flying instead of the cheaper mode of driving for these trips. It is quite feasible that the helicopters are used, just because they are available.

EXPENDITURE

KPC helicopters are maintained by Aviation International Support [AIS] a firm of aviation engineers. The method by which the maintenance contract was awarded to AIS is not clear and amounts to single sourcing, contrary to laid down procedures. An examination of expenses for the years 1998 to 2001 reveals the following:-

(Kshs.000, 000)

COST ITEM	**1998/9**	**1999/2000**	**2000/01**	**2001/02**	**SOURCE**
Fuel & Maintenance	22 1m	15 5m	25 8m	22.9m	KPC Budget Sheet
Staff Costs	6 0m	6 0m	6 0m	6 0m	Estimate
Hangar rent	4 0m	4 0m	4 0m	4 0m	Lease Agreement
TOTAL	**32.1m**	**25.5m**	**35.8m**	**32.9m**	

ROW FLIGHTS VALUE

As shown above, operating the helicopters, costs KPC around Kshs.30,000,000/= per year. This is a high expense considering the fact that KPC has already invested over Kshs.300,000,000/= in buying the helicopters. On the other hand, the added value to security by the ROW flights is debatable, if one considers the following.

SECURITY

1. The Pipeline is heavily covered by ground patrol comprising professional security men, KPC guards, KPC patrol vehicles and local scouts.

2. The ability of a person making a visual inspection from a helicopter to spot a vandal and take corrective action is limited, given the speed and altitude that the helicopter normally flies at. In any case, vandals would be warned by the roar of an approaching helicopter.

3. During a period of one year examined by the Committee, only one emergency flight was observed. The nature of the emergency was not clear and this could probably have been handled otherwise. The point here is one flight a year can not justify owning a fleet.

DETERRENTS

The only feasible value of the ROW flights is as a deterrent. This purpose can not justify owning a fleet as it could be achieved through cheaper methods.

MANAGEMENT

Only the two pilots have knowledge of the aviation industry. This has led to the department being nearly autonomous of KPC Management. The chief pilot indents, sources, pays and accounts for the departments requirements.

The Management of KPC helicopters' is riddled with claims of corruption and misuse. In fact, an association known as "People Against Corruption in the Aviation Industry" has written a document making several adverse claims against KPC's Chief Pilot.

Further the income generated by the helicopters is not properly accounted for by KPC and is alleged to be a further source of corruption at the department. KPC is clearly not equipped to manage this operation.

RECOMMENDATIONS

1. **Kenya Pipeline Company owns helicopters for the purpose of carrying out two flights of around 3 hrs each, per week. This can obviously be done by one helicopter. It is therefore recommended that KPC immediately sells the two older helicopters, 5Y-BFL and 5Y - BKR.**

2. **ROW flights to serve as a deterrent can be reduced to once a fortnight. Since it is possible to hire helicopters at US$1200 per hour, KPC can contract a professional aircraft firm to carry out four, 3 hour flights a month. The total cost for this would be around Kshs.12,000,000 per year, a saving of over 50% against current expenditure. KPC could then sell off the last aircraft and release the funds tied-up in the investment and also release itself from aircraft management. It is hereby recommended that KPC seriously evaluates this possibility. It is further recommended that the Ministry of Energy be involved in this evaluation as KPC management might be biased while making the decision.**

3. **KPC Board of Directors should invite members of "People Against Corruption in Aviation Industry", to expound on claims made against KPC's Chief Pilot.**

CHAPTER 12

MANAGEMENT

CHAPTER 12

1. EFFECTIVENESS OF THE BOARD OF DIRECTORS

The State Corporation Act (Cap 446) Section 6 (1a) gives the President the power to appoint the Chairman of the Board while Section 6 (1e) gives the power to the Minister to appoint other members of the Board.

The Committee has found out that in many cases, the Board could not be described as effective in terms of Section 15 of the State Corporation Act. In order to understand the causes of such ineffectiveness, the Committee perused various records of activities of the Board of Directors and has interviewed some previous members of the Boards. The Committee found out that:

i. Meetings were erratic and appeared to be poorly planned and uncoordinated, without proper notices and advance preparation and distribution of Board papers.

ii. There was lack of clear and continuous pursuit of issues to logical conclusion.

iii. Cases of Chief Executive Officers withholding crucial information from the Board as in the case of the LPG project where Mr. Ezekiel Komen did not inform the Board. In the alternate, Board members lack inquisitiveness.

iv. Members were often intimidated by their colleagues on the Board and members of the public through political influence.

v. There were clear cases of some members who were ignorant and did not understand their role on the Board.

Recommendations

i. Board members be trained as soon as they are appointed so that they understand clearly their rights and responsibility.

ii. **Appointment of Board members be staggered and overlap with the appointment of the Chief Executive Officer to maintain continuity.**

iii. **The Chairman and the Chief Executive Officer should prepare and table a schedule of meetings to the Board of Directors for approval. This will enhance for the Board meetings financial discipline and preparation.**

iv. **The Board of Directors be empowered to source the Chief Executive Officer competitively and recommend to the Minister for approval.**

v. **The Board of Directors should enter into a performance contract for a period of four (4) years with the Chief Executive Officer which should be subject to annual review.**

vi. **The Board should strictly adhere to provisions of Section 8 of the State Corporation Act.**

2. STAFF LEVELS

KPC currently has a staff level of approximately 1,400. **This is a huge and bloated workforce which is currently costing the company some Kshs.1.6 Billion annually.** The Committee visited all the out-stations of KPC and had lengthy discussions and interviews with members of staff. The conclusion of the Committee is that this workforce should, and must, be reduced drastically to save on costs and to avoid duplication and overlap of duties.

A good starting point is the area of security. In the current (2002/03) budget KPC has a provision of Kshs.70 million and the justification for this is:

This will cater for outside hired security services for guarding company property and installations including housing estates, stations and Right of Way.

A quick calculation shows that, at an average monthly cost of Kshs.10,000 for hiring a guard, the provision of Kshs.70 million represents 583 guards and allowing for a 24- hour watch this would translate to 292 guards present at KPC premises at any one time.

In addition to this, KPC has employed its own security staff with a workforce of 150. This situation is clearly untenable and this Committee is of the opinion that KPC should forthwith cease having security staff on its payroll and instead contract the services of reputable security firms. At the Head Office level KPC should then maintain qualified skeleton staff to serve in a supervisory capacity. The existing security staff on the payroll of KPC should be offered a golden handshake to induce them to leave.

Another area where KPC is overstaffed is "administration". For instance, at PS 1 in Mombasa, there are 35 people under this category and their functions are highly duplicated.

The Committee was fortunate to have three members with a combined experience of close to fifty years in the oil industry both in Kenya and overseas in areas of Engineering, Operations and Human Resource Management. The Committee has attempted to work out an "ideal" staffing level using the Delphi method for each of KPC's work-stations and the results are as follows:

STATION				**NO. OF STAFF**
1.	**KOSF**	-	PS 14	25
2.	**PS 1**	-	CHANGAMWE	25
		-	LABORATORY	5
3.	**PS 12**	-	MOI AIRPORT	15
4.	**PS 2,4,6, & 8**	-	(NON WORKING STATIONS)	20
5.	**PS 3,5, & 7**	-	(WORKING STATIONS)	30
6.	**PS 9**	-	JOMO KENYATTA AIRPORT	25
7.	**PS 10**	-	NAIROBI TERMINAL	35
		-	WORKSHOP	10
		-	LABORATORY	5
8.	**PS 22**	-	NGEMA	10
9.	**PS 23**	-	MORENDAT	10

10.	PS 25	-	NAKURU DEPOT	40
11.	PS 24	-	NAKURU P/STATION	10
12.	PS 26	-	SINENDET (ONLY HIRED SECURITY)	NIL
13.	PS 26A	-	BURNT FOREST (ONLY HIRED SECURITY)	NIL
14.	PS 27	-	ELDORET DEPOT	40
15.	PS 28	-	KISUMU DEPOT	40
16.	HEAD OFFICE	-	TOP MANAGEMENT	5
		-	FINANCE	30
		-	OPERATIONS	10
		-	ENGINEERING	10
		-	ADMIN & HUMAN RESOURCES	25
		-	LEGAL/COMPANY SECRETARY	5
		-	SAFETY	5
		-	CORPORATE PLANNING	5
		-	ESTATE MANAGEMENT	10
			TOTAL	**450**

This figure may appear too low but it only does so because the current workforce at KPC is bloated. To give an example, the Kenya Petroleum Refineries in Mombasa – a facility which processes all the crude oil in Kenya and with very sophisticated equipment including tanks and pipelines – has a permanent workforce of approximately 220 employees.

RECOMMENDATIONS

The Committee recommends as follows:

i. **KPC ceases forthwith to have security personnel on its payroll. In this regard the company should offer this category of employees a golden handshake as an inducement for them to leave. This will lead to KPC shedding off some 140 employees of a low cadre.**

ii. **KPC should engage in a thorough review of its manpower requirements, with the assistance of the**

Department of Personnel Management (DPM) and aim to implement a staff retrenchment exercise phased out over the next six (6) years. The Committee recommends this long period because the exercise will cost the company a tidy sum of money.

iii. **After the retrenchment exercise KPC should aim to have on its payroll no more than 600 employees, making the company lean and efficient. The trickle-down effects of this move will be lower costs across-the-board for KPC.**

CHAPTER 13

MISCELLANEOUS PROJECTS

INTRODUCTION

In this chapter we examine other projects undertaken by KPC which contributed to the cash drain of the company.

1. REHABILITATION OF KARURA ESTATE

KPC constructed 48 housing units for its senior staff in 1992. These units require periodical maintenance and in the year 2002 KPC called for tenders for major maintenance work on the estate. Subsequently M/s Haraka Enterprises Ltd was awarded the contract which involved the following:

- repairing leaking roofs
- painting and plumbing
- repair/replacement of broken equipment
- storm water drainage
- repair of swimming pool

The contract sum was Kshs.67 million. The Committee has done its own valuation of the project and the summary of its findings is given here below:

CONTRACT SUM (KSHS)	VALUATION BY THE COMMITTEE (KSHS)	REMARKS
67,351,220	35,000,000	Tender sum grossly overvalued by almost 100% should be renegotiated

OBSERVATIONS

The rates are generally two times higher than the prevailing rates at the date of tender. This work should have been done by the in-house maintenance team of KPC and the contract amount should have been in the region of Kshs.35 million.

RECOMMENDATIONS

The Client should negotiate with the Contractor to lower the contract amount.

2. PIPELINE WASH-OUT PROTECTION AT NAIVASHA

A section of the pipeline was exposed due to erosion by a seasonal river at Kilometer 105, near Naivasha town. KPC should have secured the pipeline using a reinforced concrete box culvert but instead called for tenders to build gabions carry out other extraneous works. Herebelow, is a summary of the Committee's findings:

CONTRACT SUM (KSHS)	VALUATION BY THE COMMITTEE (KSHS)	REMARKS
17,359,811	7,203,312	Grossly overpriced

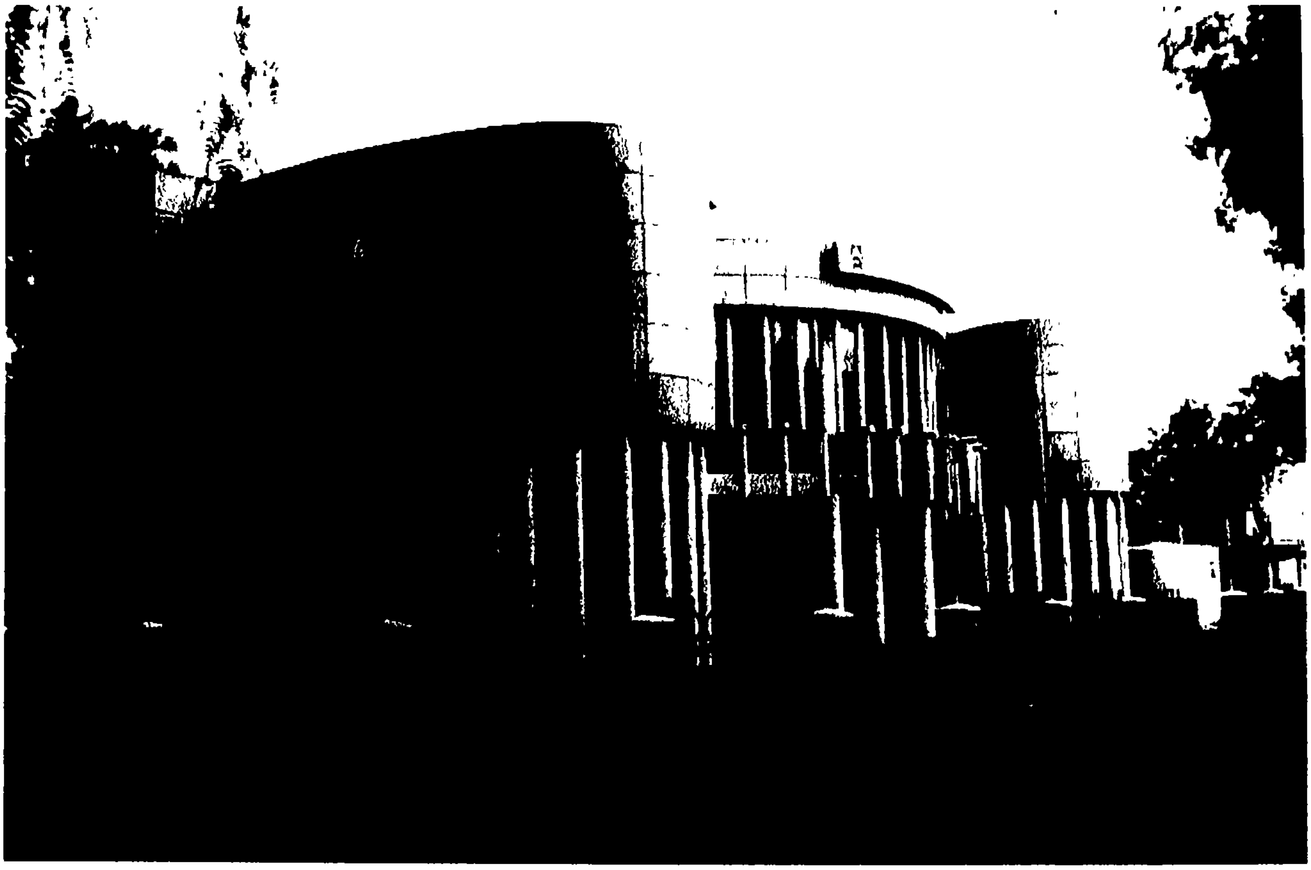
This project should have been carried out in-house by KPC at the much lower rate given above.

3. NAKURU ASK SHOW STAND

KPC spent Kshs.33 million to construct a show stand at Nakuru. Countrywide the company has spent over Kshs.100 million on these stands.

These stands do not add any value to the company as no new clientele are captured by KPC's participation in the ASK shows. KPC should withdraw from future participation in these shows.

KPC's ASK SHOW STAND AT NAKURU



The stand has a style and finish of a Five Star Hotel.
It is the committee's opinion that KPC gains very little by participating in the show.

Besides the foregoing, following is a listing of other projects examined by the Committee. It is notable that all the projects had exaggerated contract sums except for Eldoret Office extension and staff clinic (now Shipper's Offices).

	PROJECT	CONTRACT SUM [KSHS]	EXPECTED CONTRACT AMOUNT [KSHS]	OVER VALUATION [KSHS]
1.	Emergency Road at (PS 25)	93.696.017	1,600,000	92,096,017
2.	Resurfacing of internal road at (PS 10)	21,807,543	9,372,622	12,434,921
3.	Resurfacing of internal road at (PS 10)	17,649,888	6,528,223	11.121,665
4.	Residential houses at Burnt Forest and Sinendet stations (PS 26 and PS 26A)	9,584,895	3,917,694	5,667,201
5.	Car repair Workshop, Toilet Block and Extension to Office, Workshop and Gate House	213,212,259	80,000,000	133,212,259
6.	Kisumu Staff Canteen	55.000,000	27,313,000	27,687,000
TOTAL		**410,950,602**	**156,844,539**	**282,219,063**

From the above table, it is evident that KPC overspent Kshs.282,219,063 as a result of over-valuation of only these projects.

The following projects were also examined but found to have been managed properly.

PROJECT		CONTRACT SUM	EXPECTED SUM	VARIANCE
1.	Laboratory at Miritini Secondary School	3,917,799	3,334,290	583,509
2.	Office extension and staff clinic [Phase I]	79,713,881	76,647,963	3,065,918
3.	Office extension and staff clinic [Phase II]	72,793,320	61,689,254	11,104,066
TOTAL		**156,425,000**	**141,671,507**	**14,753,493**

It is worth noting that out of the projects examined, only these three could have been said to have been properly awarded i.e. 90% were improper.

PAYMENTS TO CONSULTANTS FOR PROJECTS ON HOLD

The following projects are at design stage but have been put on hold.

1) Store building at PS 27
2) Upgrading of Motor Vehicle workshop at PS 27
3) Additional Offices at PS 9
4) Improvement of Eldoret Depot Sewerage System.
5) Canteen at PS 1

KPC proposes to pay the Consultants. From previous practice it is likely that the consultancy fees will be based on overpriced project cost. It is hereby recommended that the consultancy fees be based on estimates derived form the rates published by Chartered Institute of Quantity Surveyors of Kenya. Where specific rates are not available, the price list issued by Ministry of Roads, Public Works and Housing should be used. If the rate does not exist in both documents, rates should be built-up from first principles.

ON-GOING PROJECTS

Kenya Pipeline Company should negotiate with the respective contractors with a view to lowering the exaggerated costs. The rates published by the Chartered Institute of Quantity Surveyors should be used as a basis. The prevailing costs issued by Ministry of Roads, Public Works and Housing may also be used. Where specific items are not available in the two documents fair rates should be worked out from first principles.

The Contractor's employment under the contract should be determined if they object to this arrangement.

APPENDICES

APPENDICES

The Technical and Financial Audit Committee

On the 11th March, 2003, the Minister for Energy Hon. Ochillo Ayacko, appointed a Technical and Financial Audit Committee to examine the operations of Kenya Pipeline Company Ltd and National oil Corporation of Kenya for the last seven years. The Committee was composed of :

i. Hon. Darius M. Mbela — EGH Chairman

ii. Alpheus M. Kagondu — Secretary

iii. Charles N.Kariuki — Member

iv. Gerishom L. Majanja — Member

v. Officials from the Ministry of Energy, Inspectorate of State Corporations and Chief Quantity Surveyor of the Ministry of Roads, Works and Housing.

The Terms of Reference were as follows:

i. Review award modalities for consistency with overall Government procurement guidelines and with the company's procurement guidelines and establish whether procurements were done in accordance with the laid down regulations and procedures,

ii. For each contract awarded establish whether it was completed on time and as per the contract and; if not establish any variations were justifiable, cost effective and regularized,

iii. Review any payments made as regards their consistency with procurement guidelines and work done or ser vices rendered;

iv. Review the relevance to the core business of all contracts awarded and any in house procurements made;

v. Review the effectiveness of Boards and Management performance and recommend remedial measures to ensure accountability;

vi. Review any financial irregularities and impropriety;

The Committee in the course of its work should regularly report to the Minister any cases of impropriety requiring either prosecution or disciplinary action or both; and
Prepare a comprehensive report on findings and recommendations on actions to be taken to ensure efficiency in resource allocations. The report should be submitted to the Minister's office by August, 2003.

Work Programme

In a later communication, the committee was advised that it should work for three days in a week. The Committee held its first meeting on 18th March, 2003 where Government officials on the committee were introduced as:

i. Mrs Christine Mwangi Representing the PS Ministry of Energy.

ii. Ms Theodora Gichana Representing the Inspector of State Corporations.

iii. Mr. Vincent B. Walubayi Chief Quantity Surveyor, Ministry of Works.

The meeting discussed and developed a working programme which was as follows:

i. 18th March, 2003: Meeting to develop a working programme and be briefed on matters related to the welfare of the Committee members. The Committee was allocated a working room in the offices of the Ministry of Energy. It was agreed that the Committee would work on every Tuesdays, Wednesdays and Thursdays starting at 9:30 am. It was also agreed which areas the committee would examine and what literature and files will be called for.

ii. 19th March, 2003: Visited Kenya Pipeline Company Offices to introduce the Committee.

iii. 20th March, 2003: Visited National Oil Corporation Offices to introduce the Committee.

iv. 25th to 27th March, 2003: Visited NOCK and KPC facilities at Karura, Naivasha, Nakuru, Eldoret and Kisumu.

v. 1st to 4th April , 2003: Meeting and Review of literature in the Nairobi office.

vi. 8th to 10th April , 2003: Visited KPC and NOCK facilities on Nairobi/Mombasa Road and in Mombasa City.

vii. 15th to 12th June, 2003: Meeting and Review of Literature in Nairobi offices

viii. 17th to 19th June, 2003 : Visit to Nakuru, Eldoret, Kisumu and Kaplong

ix. 24th June to 10th July, 2003: Meeting and Review of Literature in Nairobi offices

x. 15th to 19th July, 2003: Visit and review of NOCK and KPC facilities in Mombasa.

xi. 22nd July to 4th September, 2003: Meeting, review of files and reports and compiling the Committee report in Nairobi Offices

Process of Work

The process of work involved

i. Identifying the required information
ii. Visiting NOCK/KPC offices to collect information
iii. Collecting files from NOCK/KPC and studying them
iv. Discussing the information in meetings chaired by Hon. D. M bela
v. Inviting and interviewing persons identified as useful in providing information.
vi. Physically visiting sites for verification.
vii. Writing the report: The Committee members shared report writing based on their perceived interest, knowledge and interest. The written parts were then compiled.

LIST OF DOCUMENTS USED

- Project brief – additional Pump St. At Morendat [PS 23]
- Annual Budget 2000/2001
- Annual Budget 2002/2003
- Annual Budget 1999/2000
- Highlights of November Exemptions of KPC
- Proposed HQs BQs [3 documents]
- Proposed HQs conception paper
- Procurement/disposal guidelines prior to May
- Procurement/disposal guidelines prior to 16 May 2001
- Procurement/disposal guidelines prior to 16 May 2001 revised
- Kenya Gazette 30 March 2001
- Rehabilitation of Miritini BQs
- Miritini school lab BQs
- Miritini perimeter wall BQs
- Samburu Access Road BQs
- PS 7 Access Road BQs
- PS7 Pitched Roof BQs
- Report by C.Pilot on Helicopters Maj. Wachira
- Row reinstatement Km 60-260
- Result facing Roads PS 10
- Result facing Road PS 12

- Water supply, PS 6, Kinduwani, Kibwezi
- Perimeter wall PS 10
- Electric fence Miritini
- Painting houses PS 2,3,4,5,6
- LPG project report
- Fencing Miritini 'B'
- Painting Miritini Estate
- Board Paper – JET A-1Tanks at Kisumu/Eldoret
- Approved Budget KPC 2002/2003
- Approved Budget KPC 2001/2002
- Approved Budget KPC 2000/2001
- Approved Budget KPC 1999/2000
- Approved Budget KPC 1998/99
- Approved Budget KPC 1997/98
- Approved Budget KPC 1996/97
- KPC Financial Statements June'99
- KPC Financial Statements June' 98
- KPC Financial Statements June' 97
- KPC Financial Statements June' 2000
- KPC Financial Statements June' 96
- KPC Financial statements June' 2001

- List of suppliers and service providers
- Upper hill plot expenses
- Technical justification Morendat
- Additional information HQs
- Further information on proposed HQs
- Board minutes 23-3-1999
- LPG project paper
- Additional information on KOKSF
- Contract Document – surveillance cameras
- Information on KPC HQs
- Information on KPC HQs
- More information on LPG Project
- List of Ngong forest plots titles
- Feasibility study truck loading
- Feasibility study. Additional storage KOSF.

LIST OF PERSONS INTERVIEWED

1. Mr. Ezekiel Komen	-	Former MD, KPC
2. Mr. John Begisen	-	Former DMD, KPC
3. Mrs. Mary Kiptui	-	Company Secretary's KPC
4. Mr. John Kithete	-	Corporate Planning Manager, KPC
5. Mr. William Ooko	-	Chief Internal Auditor, KPC
6. Mr. Peter Harling	-	Pencol Engineering Consultants.
7. Mr. Sam Mwaita	-	Former Commissioner of Lands.
8. Mr. T. K. Murai	-	Murai & Associates.
9. Dr. R. Mutiso	-	Former Director, KPC
10. Mr. Allan Simu	-	Mutiso Menezes International.
11. Maj. Wachira	-	KPC Chief Pilot