

Library

PAPERS LAID No		58
Speaker		ASST
D/Speaker		Editor
Clerk		Members
D/Clerk		Library
P. C. A.		Press

PARLIAMENT  
OF KENYA  
LIBRARY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS  
OF KERIO VALLEY DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30  
JUNE 2000

---

KENYA NATIONAL ASSEMBLY LIBRARY

Accession: 10012285

Call No: 657-45 AUD



**REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE  
ACCOUNTS OF KERIO VALLEY DEVELOPMENT AUTHORITY FOR THE  
YEAR ENDED 30 JUNE 2000**

---

I have examined the Accounts of Kerio Valley Development Authority for the year ended 30 June 2000 in accordance with Section 29 (2) of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations considered necessary for the purpose of the audit. Proper books of account have been kept and the Accounts, which have been prepared under the historical cost convention, are in agreement therewith and comply with the Kerio Valley Development Authority Act, (Cap 441).

In my opinion, and except for the matters set out herebelow, the Accounts, when read together with the Notes thereon, present fairly the Authority's financial state of affairs as at 30 June 2000 and of its deficit for the year then ended.

**1. FINANCIAL POSITION**

During the year 1999/2000 the Authority made a deficit of Kshs.33,257,135 compared to a surplus of Kshs.14,740,248 realized in the previous year. The Authority's liquidity position remained quite precarious with the Accounts for the year 1999/2000 reflecting negative working capital of Kshs.116,746,716 as at 30 June 2000. The negative working capital was largely attributed to long overdue outstanding creditors amounting to Kshs.128,348,677 out of which Kshs.60,554,122 was settled by the Treasury and the parent Ministry on the Authority's behalf through issuance of Treasury bonds in the fiscal year 2000/2001. The Authority was also unable to remit statutory and other payroll deductions amounting to Kshs.6,331,842 as at 30 June 2000. Accordingly, the continued existence of the Authority as a going concern will, therefore, depend on support from its creditors, bankers and Government.

**2. FORMER EMPLOYEE'S CAR LOAN**

In July 1999 the Authority settled a former employee's car loan of Kshs.289,205 at the National Bank of Kenya, being the principal loan balance of Kshs.24,000, at the time of the employee's dismissal from the Authority's service in 1996, plus accumulated interest charged by the Bank up to the time of settlement. Although the Authority was only a guarantor of the car loan, it is not, however, understood why it waited until the loan had accumulated such huge interest charges before settlement. It has also not been indicated what action the Authority was taking to recover the amount from the former employee.

### **3. BUSH CLEARING CONTRACT**

Reference was made in a previous report of a contract awarded in 1989 to a limited liability company to clear bush around Turkwel Multi-Project Reservoir at a cost of Kshs.130,829,000. It was also indicated that payments to the contractor were stopped in 1993 on suspicion of possible fraud when the unpaid balance was only Kshs.10,159,510. Although the principal amount was settled in the financial year 1996/97, it had attracted accrued interest amounting to Kshs.15 million as at 30 June 1997 and which stood at Kshs.57,876,932 as at 30 June 2000. Although an amount of Kshs.48,857,000 has since been paid by the parent Ministry on behalf of the Authority as full settlement of the debt after negotiations, it is, however, not understood why such settlement was not made earlier, so as to avoid escalation of interest costs and loss of public funds.

### **4. RENT DEFAULTERS**

The Balance Sheet Debtors and Prepayments balance of Kshs.39,876,128 as at 30 June 2000 includes Kshs.8,529,968 owed by KVDA Plaza tenants, out of which Kshs.3,560,863 is owed by tenants who have since vacated the Plaza without settlement of their rent arrears. Although the amount has been outstanding for a number of years, only one tenant has so far paid a sum of Kshs.700,000. The Authority has not provided information regarding any efforts made to recover the balance of the outstanding rent arrears, particularly the amount of Kshs.2,860,863 owed by tenants who have since vacated their accommodation at the Plaza.. In the circumstances, therefore, the recoverability of the debts appears highly doubtful.

### **5. VARIATION OF CONTRACT - KIMAO DAM**

In the report for the year 1997/98 mention was made of the unsatisfactory manner in which a contract entered into between the Authority and a construction firm in 1991 for the construction of Kimao Dam at a cost of Kshs.45,002,940 was handled. It was also reported that the contract was terminated in March 1994 after the Authority had paid a total of Kshs.21,900,000 to the contractor for 43% work done and that a further bill of Kshs.7,611,063 was still pending in respect of penalties. In March 1996 the stalled Project was retendered at a contract price of Ksh.168,795,510. The contract was subsequently awarded to a different contractor who has so far issued certificates worth Kshs.199,098,608 out of which Kshs.153,431,643 had been paid as at 30 June 2000. The Authority has not, however, justified the retendering of the Project, particularly at the price of Kshs.168,795,510, which was eight (8) times more than the balance the Authority failed to pay on the original contract. The Authority has also not produced Board approval for the contract sum variation from the agreed

price of Kshs.168,795,510 to Kshs.199,098,608 worth of certificates already issued. The additional expenditure of Kshs.30,303,098 in excess of the retendered contract price of Kshs.168,795,510 has also not been explained. In addition the contract had accumulated accrued interest on delayed payments amounting to Kshs.13,707,457 as at 30 April 2000 which brought total Project costs by the current contractor to Kshs.212,806,066 as at 30 June 2000.

*S. M. Maluki*  
**S. M. MALUKI**

**AUDITOR GENERAL (CORPORATIONS)**

22 April 2002

# INDEX

<u>CONTENTS</u>	<u>FOLIO</u>
Balance Sheet	1
Income and Expenditure A/C	2-5
Notes to the Accounts	6-8

# KERIO VALLEY DEVELOPMENT AUTHORITY

## BALANCE SHEET AS AT 30TH JUNE 2000

<u>1999/2000</u> <u>Kshs.</u>		<u>1998/99</u> <u>Kshs.</u>
921,439,316.00	<b>FIXED ASSETS</b>	(N2) 436,787,024.00
	<b><u>CURRENT ASSETS</u></b>	
	Short Term Investment	3,000,000.00
10,461,646.00	Stocks	(N3) 8,070,536.00
39,876,128.00	Debtors & Prepayments	27,467,077.00
4,041,234.00	Cash & Bank	1,763,766.00
<u>54,379,008.00</u>		<u>40,301,379.00</u>
	<b><u>CURRENT LIABILITIES</u></b>	
	Trade Creditors	18,205,208.00
32,777,047.00	Other Creditors	(N4) 148,705,968.00
138,348,677.00		<u>166,911,176.00</u>
171,125,724.00		
<u>(116,746,716.00)</u>	<b><u>NET CURRENT ASSETS</u></b>	<u>(126,609,787.00)</u>
	<b><u>FINANCED BY</u></b>	
<u>804,692,600.00</u>	Reserves	(N5) <u>310,177,227.00</u>

### SIGNED FOR BOARD OF DIRECTORS

MOHAMMED KAITTANY  
(CHAIRMAN) .....

IMMANUEL I. IMANA  
(MANAGING DIRECTOR) .....

DATED 22 / 10 / 2001 .....

# KERIO VALLEY DEVELOPMENT AUTHORITY

## INCOME AND EXPENDITURE ACCOUNT

### RECURRENT & DEVELOPMENT

#### SUMMARY 1999/2000

<u>INCOME</u>	1999/2000	1998/99
	<u>Kshs.</u>	<u>Kshs.</u>
Development	70,599,839.65	93,507,518.75
Recurrent	<u>84,163,097.95</u>	<u>62,664,751.55</u>
<b>TOTAL INCOME</b>	<b><u>154,762,937.60</u></b>	<b><u>156,172,270.20</u></b>
 <u>EXPENDITURE</u>		
Development	56,856,914.45	61,143,363.25
Recurrent	<u>131,163,158.45</u>	<u>80,288,659.35</u>
<b>TOTAL EXPENDITURE</b>	<b><u>188,020,072.90</u></b>	<b><u>141,432,022.60</u></b>
 Excess Expenditure over Income	 <u>(33,257,135.30)</u>	 <u>14,740,247.70</u>

# KERIO VALLEY DEVELOPMENT AUTHORITY

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2000

### RECURRENT VOTE

	<u>1999/2000</u>	<u>1998/99</u>
	<u>Kshs.</u>	<u>Kshs.</u>
<b><u>INCOME</u></b>		
Government Grants	61,219,400.00	61,279,400.00
Rent K.V.D.A Plaza	22,147,913.20	
Appropriation in Aid	788,890.50	1,273,178.35
Miscellaneous Receipts	-	90,730.00
Profit on sale of Assets	6,894.25	21,443.20
	<u>84,163,097.95</u>	<u>62,664,751.55</u>
<b><u>EXPENDITURE</u></b>		
<b><u>ITEM DESCRIPTION</u></b>		
000 Personal Emoluments	45,939,343.55	38,338,189.35
040 Pension & Gratuity	5,389,177.95	3,632,258.95
050 House Allowance	12,434,684.00	9,343,866.70
060 Other Personal Allowances	5,498,361.00	3,563,076.00
080 Leave & Passage	427,626.10	456,956.65
090 Medical Allowance	11,745,532.70	9,502,972.65
100 Transport Operating Expenses	1,673,102.60	314,209.65
110 Travelling & Accomodation	2,027,790.30	5,450.00
120 Postal & Telegrams Expenses	54,130.80	
121 Telephone Expenses	1,568,256.65	28,658.00
130 Official Entertainment	426,079.50	
131 Expenses of Boards, Committee & Confernces	79,438.00	
140 Electricity Expenses	3,524,731.40	28,461.00
141 Water & Conservancy Expenses	1,797,875.90	
143 Gas & Fuel Expenses	52,795.75	
154 Purchase of Farm Inputs	793,777.75	
171 Publishing & Printing Expenses	2,400.00	
172 Purchase of Uniforms & Clothing	147,310.00	
173 Library Expenses		
174 Purchase of Stationery	704,911.75	151,436.50
175 Advertising & Publicity	765,670.85	54,186.80
176 Show Expenses	341,029.00	
181 Payment of Rent & Rates- Residential	942,027.40	17,000.00
182 Payment of Rent & Rates- Non Residential	942,223.00	

184	Contracted Professional Services	85,235.00	-
185	Computer Expenses	42,851.50	-
187	Insurance of Properties	1,467,173.00	206,693.00
190	Miscellaneous and Other Charges	2,490,076.75	-
193	Fees Commission & Honoraria	4,764,855.10	1,576,392.50
194	Training Expenses	306,737.50	-
198	Compensation & Exgratia Payment	-	-
225	Purchase of Furniture	-	-
250	Maintenance of Plant Machinery & Equipment	946,952.60	-
260	Maintenance of Building & Stations	6,294,187.05	-
670	Other Recurrent Expences	-	4,420,969.80
	Depreciation Charge	<u>17,486,814.00</u>	<u>8,647.881.80</u>
	<b>Total Expenditure</b>	<b><u>131,163,158.45</u></b>	<b><u>80,288,657.35</u></b>
	<b>Excess Expenditure Over Income</b>	<b><u>(47,000,060.50)</u></b>	<b><u>(17,623,905.80)</u></b>

**KERIO VALLEY DEVELOPMENT AUTHORITY**

**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2000**

**DEVELOPMENT VOTE**

	<u>1999/2000</u>	<u>1998/99</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Government Grants	20,752,908.00	24,000,000.00
Direct Payment (Kengen)	45,000,000.00	45,000,000.00
Rent KVDA Plaza	-	12,359,828.00
Documentation Centre	3,147,024.45	3,047,798.95
Grants Received in Advance (KenGen)	10,000,000.00	8,500,000.00
Interest on Investment	-	599,891.50
Donations ( Italian Embassy )	199,907.20	-
Grants received in advance (Kengen)	<u>(8,500,000.00)</u>	-
<b>TOTAL INCOME</b>	<b><u>70,599,839.65</u></b>	<b><u>93,507,518.75</u></b>
 <b><u>EXPENDITURE</u></b>		
<b>ITEM</b>	<b><u>DESCRIPTION</u></b>	
199	Planning & Feasibility Studies	57,058.00
302	Catchment & Conservancy	-
303	River Utilization	-
305	Dam Construction Kimao	260,579.35
308	Chemeron Project	5,520.15
310	Tot Project	45,671.60
311	Rehabilitation of Minor Works	-
314	Horticultural Crop Development	15,900.00
315	Beekeeping Project	-
317	Strategic Crop Project (Salawa)	10,268.70
330	Cement Factory	-
331	Mineral Resource Survey	2,968.75
352	Access Roads	-
355	Construction of Infrastructure	107,450.00
356	Range Management	-
400	Construction of Building Non Res.	-
420	Suam Rehabilitation Project	3,332,260.50
421	Arror Kinyaweh Project	94,353.85
306	Turkwel Gorge	50,366,042.45
	Documentation Centre	2,558,841.10
	<b>Total Expenditure</b>	<b><u>56,856,914.45</u></b>
	<b>Excess of Income over Expenditure</b>	<b><u>13,742,925.20</u></b>
		<b><u>32,364,155.50</u></b>

## NOTES TO THE ACCOUNTS

1. (a) **Basis of accounting:-**  
The accounts are prepared under historical cost convention
- (b) **Depreciation:-**  
Fixed Assets are depreciated on cost or valuation. The rates are applied yearly on their reducing Net Book value (NBV) balances.  
Depreciation is charged fully in the year of purchase and none in the year of disposal.

### DEPRECIATION RATES

ASSETS CATEGORY	ANNUAL PERCENTAGE
(i) Land and Buildings Permanent	2%
(ii) Land and Building semi-Permanent	10%
(iii) Plant, Machines & Farm Equipments	25%
(iv) Motor Vehicles	25%
(v) Tractors & Dozers	25%
(vi) Office Furniture & Fittings	12.5%
(vii) Loose Tools & Equipments	12.5%
(viii) Survey & Drawing Equipments	12.5%
(ix) Office Machines and Equipments	12.5%
(x) House Furniture & Fittings	12.5%

- (c) **Expenditure:-**

Except on capital items, all expenditures are of revenue nature.

## 2. **FIXED ASSETS**

Fixed assets schedule is on attached annexure.

**3. STOCKS.**

These consists of consumable stores and other items which are directly subject to wear and tear. They are generally used up within a year once issued. They are valued at lower of costs and net realisable value.

**4. OTHER CREDITORS**

	Kshs.
(i) HZ & Company	59,374,622.90
(ii) Coastal Kenya Enterprises	57,876,932.25
(iii) County Council of Pokot	11,097,122.45
(vi) KENGEN	<u>10,000,000.00</u>
	<b><u>138,348,677.60</u></b>

**5. RESERVES**

Balance B/F 1.7.99	310,177,227.00
From Income & Expenditure A/C	(33,257,135.30)
Prior year Adjustments on Additional pending bills	2,126,928.05
Prior year Adjustments on Fixed Deposit	(700,000.00)
Prior year Adjustments on pending bills paid for by Treasury	54,206,807.95
Prior year Adjustments on revaluation of Fixed Assets	481,272,867.00
Prior year Adjustments on Acc. Depreciation	<u>(9,134,095.00)</u>
<b>TOTAL</b>	<b><u>804,692,599.70</u></b>

**6. TAXATION**

The Authority is exempt from paying tax.

7. **CONTINGENCY LIABILITIES**

There is a contingency liability of Kshs. 1,075,138.00

Being court case involving our vehicle No. KYL 356 case No: R33 of 1995 judgement entered on 31st May 1995. The Authority has appealed and it is awaiting judgement.

8. **EX-TURKWEL VEHICLES DONATED BY SPIE BATIGNOLES**

The following vehicles were donated by the contractors of Turkwel Dam of which they were exempted from paying duty and KVDA is supposed to pay duty before any transfer is made. When the assesment of duty payable is received from the respective ministry the same will be valued and entered in our books.

- (a) KXY 713 Toyota Hilux
- (b) KYC 206 Land Rover
- (c) KYX 593 Peugeot 205
- (d) KYX 594 Peugeot 205
- (e) KXZ 234 Peugeot 504 (Pick-up)
- (f) KXV 071 Toyota Land Cruiser

**KERIO VALLEY DEVELOPMENT AUTHORITY**  
**1999/2000 ACCOUNTS**  
**SCHEDULE OF FIXED ASSETS AS AT 30<sup>TH</sup> JUNE 2000**

	Servey & Drawing Kshs.	Lands & Building S/Permanent Kshs.	Lands & Building Permanent Kshs.	Plant Machine Equipment Kshs.	Motor Vehicle & Lorries kshs.	Tractor & Dozer Kshs.	Office Furniture & Fittings Kshs.	Loose Tools & Equipment Kshs.	Office Machine & Fittings Kshs.	House Furniture & Fittings Kshs.	Total Kshs
Cost as at 1st July 1999	4,682,255.00	7,897,951.00	262,554,486.00	6,878,480.00	21,103,482.00	21,567,106.00	2,968,211.00	1,690,600.00	8,416,179.00	1,302,310.00	339,061,060.00
Additions				3,201,000.00					1,307,320.00	111,760.00	4,620,080.00
Disposals									(318,000.00)		(318,000.00)
Revaluation of Assets		1,965,200.00	478,956,663.00								480,921,863.00
Adjustment		(8,000.00)			580,220.00	(53,697.00)	459,392.00	1,075.00	(612,886.00)	(15,100.00)	351,004.00
<b>TOTAL</b>	<b>4,682,255.00</b>	<b>9,855,151.00</b>	<b>741,511,149.00</b>	<b>10,079,480.00</b>	<b>21,683,702.00</b>	<b>21,513,409.00</b>	<b>3,427,603.00</b>	<b>1,691,675.00</b>	<b>8,792,613.00</b>	<b>1,398,970.00</b>	<b>824,636,007.00</b>
Dep. 1st July 99	1,178,373.00	5,338,295.00	33,637,542.00	6,320,444.00	5,409,793.00	20,533,520.00	1,742,808.00	935,578.00	3,820,946.00	619,584.00	89,536,883.00
Charge for the year	437,985.00	398,464.00	13,034,180.00	939,760.00	1,369,663.00	287,164.00	170,427.00	92,265.00	655,393.00	101,513.00	17,486,814.00
Disposal	-								(154,895.00)		(154,895.00)
Adj. on Revaluation		(532,207.00)	7,658,167.00	127,097.00	795,255.00	(168,768.00)	321,380.00	17,973.00	(116,496.00)	(32,720.00)	9,134,095.00
Depreciation C/F	1,616,358.00	6,268,966.00	54,329,889.00	7,387,301.00	17,574,711.00	20,651,916.00	2,234,615.00	1,045,816.00	4,204,948.00	688,377.00	116,002,897.00
Work in Progress			187,262,850.40								187,262,850.00
W I P For the Year			25,543,356.40								25,543,356.00
Net Book Value 30.6.00	3,065,897.00	3,586,185.00	899,987,466.00	2,692,179.00	4,108,991.00	861,493.00	1,192,988.00	643,859.00	4,587,665.00	710,593.00	921,439,316.00
Net Book Value 1.7.99	3,503,882.00	2,559,656.00	416,179,794.00	558,035.80	5,693,689.00	1,033,586.00	1,225,403.20	755,022.30	4,595,229.00	682,726.00	436,787,023.30